Circular No. 11/5/09

Subject: Common observations in the Vigilance Audits of Banks by the Commission.

The Commission had conducted Vigilance Audit of some Public Sector Banks and the common observations noticed during audit are brought to the notice of all CVOs/Managements of Public Sector Banks for information and necessary remedial action as follows:-

1. CVOs/Vigilance Dept. of the Banks at Head Offices and the Vigilance Officers based at ZO/RO/CO either do not receive complaints received at the respective Administrative offices or all complaints received are not put up to them. Instances of complaints having clear vigilance overtones were not referred to the CVOs/VOs and were disposed of by the respective complaint handling departments. All banks need to develop a mechanism whereby the CVOs/VOs/Vigilance Dept. gets to know about all the complaints so received by the bank to enable them to determine vigilance angle or otherwise. A system whereby the gist of the complaints so received by the HO/ZO/RO/CO are made available to the CVOs/VOs at regular intervals for scrutiny and action would be advisable.

2. CVOs of banks do not receive vital information/inputs, in a structured manner like (a) Quick mortality borrowal accounts, (b) Special letters/reports sent by Internal Inspection/Audit teams while inspecting branches, (c) Names & inspection reports of the branches which have slipped, in Inspection gradation, to "unsatisfactory" grade and (d) details of OTS entered into, specially high value accounts on a select basis. A system/mechanism to provide such information to the CVO on a continuous basis needs to be put in place.

3. Information regarding fixing of accountability in respect of accounts slipping into NPA/quick mortality accounts is not being received by CVOs. Banks need to devise a structured format for providing such information at regular intervals to the CVO for monitoring the fixing of accountability or otherwise and for selective examination of such cases.
4. Considerable delays were noticed in detection/classification of NPA and also in fixing accountability, in many cases, and there was no effective monitoring of such delays. It was also noticed that some banks fix a “cut off” amount below which no accountability is examined. Banks need to have an effective mechanism to not only examine accountability but also to monitor whether accountability has been examined promptly. Further, there should not be any cut off limit for fixing accountability as liability in an individual loan account may be small but collectively the amount involved could be much higher.

5. Functioning of Internal Advisory Committee (IAC), in some banks is not found to be satisfactory and the IAC tends, generally, to take a lenient view and is not realistic/objective at times. Banks may formulate broad guidelines for putting up the “Note” to the IAC so as to ensure that it covers the essence of the case in a tabular format to facilitate proper discussion and decision on determining ‘Vigilance angle’.

6. Vigilance officers posted a ZO/RO are not full time functionaries in some of the banks due to which the officials cannot function effectively as vigilance officers. All banks in consultation with the CVOs need to formulate suitable guidelines and augment personnel adequately for proper and effective vigilance management in the banks.

7. Delays have been observed in issuance of charge-sheet/disposal of cases even though CVOs follow up with respective DA/IA for expediting matters. Banks may issue suitable guidelines to IAVDA to avoid delays at various stages of disciplinary action. CVOs to monitor the same on a regular basis to ensure timely completion.

8. Instances have come to notice relating to poor quality of investigation, preparation of charge-sheets and conduct of inquiry proceedings including presentation by the presenting officers. Banks need to issue suitable guidelines for imparting knowledge to the Investigating officers; Inquiring authority and Presenting officers. Further, these officers need also be provided/imparted with adequate training from time to time.

9. Rotation of staff as per policy provisions is not being regularly done by some of the banks. It was observed that some of the officials/work men staff continue to be at one place/branch/office for long periods of time. Banks need to take effective steps to ensure the guidelines issued are followed scrupulously.

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All CMDs of Public Sector Banks
All Chief Vigilance Officers of Public Sector Banks