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स्टेट बैंक ऑफ इण्डिया ऑफिसर्स एसोसियेशन  
**State Bank of India Officers' Association (Patna Circle)**

All Letters to be  
Addressed to the  
General Secretary

Regd. No. 1872 of 1975  
(REGISTERED UNDER TRADE UNION ACT - 1926)

State Bank Building  
West Gandhi Maidan  
Patna - 800 001

CIRCULAR NO. 44 /2019

DATE : 25.11.2019

TO,  
ALL MEMBERS

**RISK FOCUSSED INTERNAL AUDIT:  
INITIATING DISCIPLINARY ACTION AND IMPOSING PENALTY**

We reproduce hereunder the text of the **AISBOF Circular No. 109** dated 25.11.2019, the contents of which are self-explicit.

*With warm greetings,*

**(Ajit Kumar Mishra)**  
**GENERAL SECRETARY**

OUR UNITY : ZINDABAD-ZINDABAD  
S.B.I.O.A. : ZINDABAD-ZINDABAD

**TEXT**

**RISK FOCUSSED INTERNAL AUDIT:  
INITIATING DISCIPLINARY ACTION AND IMPOSING PENALTY**

We have sent a communication to the DMD (HR) & CDO, State Bank of India, on the captioned subject.

A copy is enclosed for information.

Yours comradely,

**(Soumya Datta)**  
General Secretary

**No. 7151/68/19**

**25-11-2019**

The Dy. Managing Director (HR)  
& Corporate Development Officer  
SBI, Corporate Centre, Madam Cama Road  
Mumbai 400021.

Dear Sir,

**RISK FOCUSED INTERNAL AUDIT:  
INITIATING DISCIPLINARY ACTION AND IMPOSING PENALTY**

We wish to bring to your kind attention that there has been a spurt in the number of disciplinary proceedings cases against the Branch Managers and other operating functionaries due to the submission of false compliances to Risk Focussed Internal Audit (RFIA) and as well as for downgrading of branches. As a consequence, a penalty has been imposed in many cases. This has resulted in undesirable fear psychosis among the Branch Managers and other functionaries who are primarily the drivers of growth in the bank and we are constrained to say that this may eventually pose as a deterrent factor for sustained growth.

2. Similarly, Bank, vide e-circular no:CDO/P&HRD-CDS/55/2019--20 issued on 13.11.2019, has issued instructions to extend disincentive to officials at the levels of Checker 1 and/or Checker 2 who indulge in false compliance of statutory regulations and awarding a negative score up to 5 (-) in Career Development System. A permanent noting will be made in the Service Records of the officials in HRMS, the circular states. Such noting may also be taken into cognizance while considering an official for extension in service, promotion, posting in sensitive posts, etc, the circular warns. As such, the punishment to the officers will be twofold now. This will only increase the fear psychosis amongst the officers and demoralise them further.

3. As a responsible trade union, we are the votary of an effective internal control mechanism in the bank as it provides reasonable assurances regarding the achievement of operational objectives, such as effectiveness and efficiency of operations, accurate and reliable financial reports and compliance with the relevant laws and standards. Therefore, we sincerely appreciate the concerns of the Management about the quality of the compliances to RFIA and the need to improve the branch ratings. A system of effective internal controls is undoubtedly a critical component of bank management and a foundation for the safe and sound operation of the banking organisation. For promoting high ethical and integrity standards, and for establishing a culture within the organisation that emphasis and demonstrates to all levels of personnel the importance of internal controls. An effective internal control system requires that there is appropriate segregation of duties and the personnel are not assigned conflicting responsibilities. Areas of potential conflicts of interest should be identified, minimised and subject to careful, independent monitoring.

4. The RFIA provides us an opportunity to learn and take corrective measures to protect the bank's interest. In the recent past, we have witnessed many instances wherein branches have been penalised by way of reduction in the audit scores for submission of false compliances and explanations have also been called from the Branch Manager/ other officials dealing in audit. Now, disciplinary actions are being initiated in almost all such cases which demonstrate a major shift in the bank's stand as far as accountability is concerned. The latest system of online compliance of audit remarks with a drastic reduction in the timeline for compliances by the branch might have led to a rise in incidences of false compliance in many instances. Further, the current incumbent may not have been responsible for the reduction in scores, which could have been due to multifarious factors, inter alia, lack of support from controlling office, inadequate manpower.

5. The officers in branches are tied up with too many tasks and are unable to plan their tasks due to changing priorities beyond their control. We have been sensitising the officers to understand and appreciate that Audit and meticulous compliance of audit observations have assumed greater importance than ever before. It is reported by many branches that the main reasons for false compliance is the pressure from the controller without giving requisite time to comply with the irregularity pointed out by RFIA. It is also a fact that certain irregularities cannot be rectified by branches alone and require the participation of customers and borrowers, especially in credit related areas. It is also reported that in many instances branch officials have been called to RBOs to complete the exercise or an official is deputed from RBO to the branch to ensure immediate compliance without actually complying with the irregularity.

6. In the circumstances, we have been educating the officers about the severity of the issue and counselling them to submit factual compliance. We are also sensitising them the repercussions of false compliance. While we will continue to do so, it is essential that the controllers are required to be sensitised and counselled as well so that they refrain from compelling the branches to submit false compliances simply to meet the deadlines and targets. You will agree that compliances sometimes depend upon the nature and complexity of the audit note. Sometimes, despite exploring all probabilities, a particular irregularity having insignificant or no financial impact may not get rectified within the given dead line. This kind of non-compliant audit remarks may be allowed to be rectified within a certain time. If this approach is followed, the incidence of false compliance will be reduced drastically. Moreover, the branches should not be pressurised by RBOs to submit 100% compliance within the laid down time frame. The RBOs should vigorously monitor with the branches and extend all possible help and guidance to get the residual irregularities actually rectified at the earliest.

7. In view of the foregoing, we would request your good self to kindly consider putting in place certain guidelines in this regard along the lines of our said suggestion and advise the Circle authorities to withhold avoidable disciplinary action against the officers till such guidelines are given. We also request your good office to review the circular instructions issued on 13.11.2019.

With warm regards,

Yours sincerely,



Soumya Datta  
General Secretary