

MAJOR & MINOR LAPSES

Sl. No	Major Lapses
1	RBI Penalty attributable to CCV.
2	Non-Detection of Income Leakage
3	Non-Scrutiny of Accounts, and failure in submission of observations. Breach of TAT beyond 10 days of TAT (more than 3 occasions in a quarter)
4	Divergence of Observations between, Special Audit of LCPC & CAS, RFIA & CAS (New)
5	Non detection of fraudulent activity and reporting of suspected Fraud
6	Non-scrutiny of SWIFT Messages within TAT (Regulatory requirement). (New)
7	Non-recording of observations in WBCAS (submitting observations Manually). (New)
8	Non-Deployment of Auditors/Partners.
9	Divergence found in veracity check by CAO Team during scrutiny of compliance closure (more than 3 occasions in a Quarter). (NEW)
10	Non-adherence to engagement related due diligence process (Police verification). New

Sl. No	Minor Lapses
1	Non-Attendance at work area Regular/ Cluster
2	Non-Submission of Monthly Reports (Performance Report along with Monthly observation report) to the BM / Head of the Unit/AGM (WBCAS).
3	Non-Scrutiny of Accounts, and failure in submission of observations within TAT up to 3 occasions in a quarter {TAT breach up to 10 days (TAT+10days)}. (New)
4	Divergence found in veracity check by CAO Team during scrutiny of Compliance closure (up to 3 occasions in a Quarter). (New)

1. MAJOR LAPSES (Levying of penalty amount or initiation of appropriate action): Aggregate penalty not to exceed 25% of monthly remuneration payable.

SN	Type of Lapse	Coverage Area	Scope of work expected from Service Provider / CA Firm / Retired Officer	Quantum of Measurement	Proposed Penalty for Concurrent Auditors (CA Firms & RO's)
1	Major	RBI Penalty attributable to CCV.	Penalties imposed by RBI on the Currency Chest Branch.	Penalty imposed by RBI in Currency Chest branches for the areas covered under the scope of Concurrent Audit.	10 % of the monthly remuneration with a maximum cap of Rs. 5000/-
2	Major	Non-Detection of Income Leakage.	On a day-to-day basis income leakage, if any detected, to be reported.	Non-detection/ non-reporting / short recovery of income leakage from the date it becomes due within a period of 2 weeks. The penalty to be levied is on account of opportunity loss for the Bank.	<p>For Non-detection/ non-reporting: 1% of the amount, in the area of income Leakage not detected/ reported. i.e.,</p> <p>(i) Processing Fee</p> <p>(ii) Upfront Fee.</p> <p>(iii) BG/LC Comm.</p> <p>(iv) Locker rent etc.,</p> <p><i>E.g., Processing Fee of Rs. 1 lac. is identified by an Auditor other than CA. after 2 weeks of it becoming due. Penalty will be Rs.1000 for one instance.</i></p>
3	Major	Non-Scrutiny of Accounts, and/ or failure in submission of	Detailed Scrutiny of Accounts within 7 days (TAT) from the date of upload in WBCAS and	Detailed scrutiny of accounts by commenting as per Value Statements mentioned in WBCAS, if not done within TAT+ 10 days from the date of	Rs. 500/- per account.

SN	Type of Lapse	Coverage Area	Scope of work expected from Service Provider / CA Firm / Retired Officer	Quantum of Measurement	Proposed Penalty for Concurrent Auditors (CA Firms & RO's)
		observations online as per Value Statements mentioned in WBCAS.	submission of observations online.	upload in WBCAS. In case of more than 3 such instances in a quarter, Penalty shall be levied for each delayed instance , beyond the 3rd instances in a quarter.	
4	Major	Divergence of Observations between Special Audit of LCPC & CAS, RFIA & CAS.	If the divergence in observations is more than 5 %.	<p>For example:</p> <p>Total number of value statements: 100</p> <p>Number of observations by Concurrent Auditor: 5</p> <p>Number of observations by RFIA (Internal Audit): 15</p> <p>Divergence Percentage= No. of Observations by RFIA (c) – No. of Observations by Concurrent Audit (b) / Total Number of Value Statements (a) × 100</p> <p>The divergence in this case is 10 %.</p>	<p>15% of monthly remuneration, irrespective of the number of accounts.</p> <p>(If monthly remuneration is 50000/- the reduction in the fee will be 50000*15%=7500/-)</p>
5	Major	Non-detection of fraudulent activity	Detection/ Reporting of Frauds in CAS	Non detection/ not reporting of Frauds within 15 days from the date	No Change.

SN	Type of Lapse	Coverage Area	Scope of work expected from Service Provider / CA Firm / Retired Officer	Quantum of Measurement	Proposed Penalty for Concurrent Auditors (CA Firms & RO's)
		and reporting of Suspected Fraud.		of uploading of account in WBCAS in spite of clear indicator exists.	
6	Major	Non scrutiny of SWIFT Messages beyond TAT.	Verification of entries in TRUST portal on daily basis as per TAT norms.	Non verification of SWIFT messages in TRUST portal within the prescribed timelines.	Rs.100/- per message
7	Major	Non recording of observations in WBCAS (submitting observations manually)	CA should not share the observations outside the WBCAS.	During the Officers surprise visits from IAD/CAO, RFIA auditors found that sharing of observations outside the WBCAS.	Rs.5000/- per instance.
8	Major	Non-Deployment of Auditors/Partners.	Should be done in accordance with the time schedule specified in the Agreement.	Identified areas of deficiency in performance: i) Continuous absence of the audit assistant / article clerk more than a week ii) Partner's not attending branch/ Units once in 15 days minimum 2 times every month. iii) Frequent change of audit assistant / article clerks (Minimum one year Tenure).	Termination of Contract, by giving a notice of not less than 30 days, as per Service Level Agreement (SLA).

SN	Type of Lapse	Coverage Area	Scope of work expected from Service Provider / CA Firm / Retired Officer	Quantum of Measurement	Proposed Penalty for Concurrent Auditors (CA Firms & RO's)
				iv) If the Concurrent Auditor (CCV) does not verify and report consecutively for two weeks. or False certification like TE 1 Register, weekly certificate, etc.,	
9	Major	Divergence found in veracity check by CAO Team during scrutiny of compliance closure.	CA shall ensure accurate verification and closure of compliance observations.	If divergence observed by CAO Team in compliance closure on more than 3 instances in a quarter.	15% of monthly remuneration, irrespective of the number of accounts.
10	Major	Non-adherence to engagement related due diligence process (police verification)	CA firm shall ensure strict compliance with all engagement related due diligence requirements including police verification for all partners and audit staff deployed at the branch.	The CA firm shall submit proof of completed police verification before commencement of audit and ensure that any change in audit personnel is supported by updated due diligence documentation must be provided within 90 days.	If the delay exceeds 90 days, a penalty of Rs.100/- per day. If delays exceed 120 days Termination by giving one month notice as per SLA agreement.

Aggregate penalty not to exceed 25% of monthly remuneration payable.

2. MINOR LAPSES (Paying Less or reduced fee to Concurrent Auditors): Aggregate reduced fee not to exceed 15% of monthly remuneration payable.

SN	Type of Lapse	Coverage Area	Scope of work expected from Service Provider / CA Firm / Retired Officer	Quantum of Measurement	Proposed paying Less or Reduced fee to Concurrent Auditors (CA Firms & RO's)
1.	Minor	Non-Attendance at the Work Area Regular/cluster	Not attending to the duties.	Non deputation of representative of the CA Firm up to 7 days for regular branches on a continuous basis. For not conducting Currency Chest Verification for one week inputting the data and recording observations in WBCAS as per SLA.	No change. 5% of monthly remuneration.
2	Minor	Non-Submission of Monthly Reports (Performance Report along with Monthly observation report) to the BM / Head of the Unit/AGM (WBCAS)	Monthly Reports to be submitted within a week of the succeeding month to the BM/Head of the Unit, AGM(WBCAS) / RM.	Delayed submission of reports.	Delayed Submission: Rs.250/ per day till submission.
3	Minor	Non-Scrutiny of Accounts, and/ or failure in submission of observations online as per Value Statements	Detailed Scrutiny of Accounts within 7 days (TAT) from the date of upload in WBCAS and submission of observations online.	Detailed scrutiny of accounts by commenting as per Value Statements mentioned in WBCAS, if not done within TAT+ 10 days from the date of upload in WBCAS. Penalty shall be levied for each such delayed instance, maximum up to 3	Rs.250/- per account.

		mentioned in WBCAS.		instances in a quarter. From the 4 th instance onwards, the lapse will be treated as Major penalty area.	
4	Minor	Divergence found in veracity check by CAO Team during scrutiny of compliance closure (up to 3 occasions in a Quarter).	CA shall ensure accurate verification and closure of compliance observations.	If divergence observed by CAO Team in compliance closure. Penalty shall be levied for each such instance, maximum up to 3 instances in a quarter. From the 4 th instance onwards, the lapse will be treated as Major penalty area.	Rs.500/- per account.

Aggregate reduced fee not to exceed 15% of monthly remuneration payable.