

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
DEPARTMENT OF FINANCIAL SERVICES
LOK SABHA

UNSTARRED QUESTION NO. 4732

TO BE ANSWERED ON THE 23rd MARCH 2018/CHAITRA 2, 1940 (SAKA)

Non-Reporting of Bank Scams by Auditors

4732. SHRI N.K. PREMACHANDRAN:

Will the Minister of FINANCE be pleased to state:

- (a) whether the Government examined the audit of the banks where scams were reported;
- (b) if so, the details thereof and the reasons for auditors not reporting the scams;
- (c) whether the Government proposes to introduce new scheme for transfer and posting of employees in the light of reported scams and if so, the details thereof; and
- (d) whether the Government conducted investigation regarding any criminal conspiracy behind the scams and if so, the details thereof?

ANSWER

The Minister of State in the Ministry of Finance
(SHRISHIV PRATAP SHUKLA)

(a) and (d): Reserve Bank of India (RBI) has informed that in case of Statutory Audit, banks appoint their auditors in terms of their Board-approved policy. Statutory Auditors primarily highlight shortcomings to RBI through Long Form Audit Report. As regards concurrent audit, RBI has issued guidelines in terms of which the Audit Committee of the Boards of banks review the system at the bank's level. Auditing through Risk Based Internal Audit is undertaken by banks themselves.

RBI has constituted an Expert Committee, to look into, *inter alia*, the role and effectiveness of various types of audits conducted in banks in mitigating the incidence of frauds.

(c): As per instructions of Central Vigilance Commission, Public Sector Banks (PSBs) are required to identify sensitive posts and to follow a rotation policy in respect of such posts.

Government has conveyed to PSBs that they should have their own objective, well laid-out transfer and posting rules, which should be followed strictly. Government has further conveyed that all decisions should be taken based on facts of the case and objectivity and no such decision should be taken for any extraneous consideration. No proposal for change in these is under consideration of the Government.

(d): As per inputs from the Central Bureau of Investigation (CBI), a number of FIRs relating to banks in which offences under various provisions of law, including section 120B of the Indian Penal Code (which penalises criminal conspiracy), have been registered. These are under investigation.
