

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

UNSTARRED QUESTION NO. 6602
TO BE ANSWERED ON THE 6TH APRIL 2018/CHAITRA 16, 1940 (SAKA)
Special Audit of State-owned Lenders

6602. SHRI GAURAV GOGOI:
SHRI JYOTIRADITYA MSCINDIA:

Will the Minister of FINANCE be pleased to state:

- (a) whether in view of spate of banking frauds in the country, the Government/ Reserve Bank of India has initiated a special audit of State-owned lenders especially relating to issuance of Letters of Undertakings (LoUs) by them;
- (b) if so, the time by which the special audit of State-owned lenders is likely to be completed and progress of the report; and
- (c) whether the Government proposes to take steps to audit the bank accounts regularly and ensure that the defaulters do not flee to any foreign country and if so, the details thereof;

ANSWER

The Minister of State in the Ministry of Finance
(SHRISHIV PRATAPSHUKLA)

(a) to (c): The Reserve Bank of India (RBI) is the regulator and supervisor of the banking system, as per powers conferred by relevant provisions of the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1934, and other relevant statutes. RBI has informed that the guidelines/norms and procedure for audits have been issued by RBI, in consultation with Government of India. Accordingly, banks are to put in place appropriate controls and audit procedures for their business activities. Public Sector Banks (PSBs) are subject to annual Statutory Central Audit and Statutory Branch Audit. In addition, Risk-Based Internal Audit and Concurrent Audit are undertaken by all PSBs in terms of RBI guidelines. Further, quarterly review of accounts is conducted by Statutory Central Auditors. Stock Audit is undertaken by banks as per their policies. RBI has further apprised that, in the wake of SWIFT-related fraud involving significant amount reported recently by Punjab National Bank (PNB), it has constituted an Expert Committee, to look into, *inter alia*, the factors leading to an increasing incidence of frauds, and the role and effectiveness of various types of audits conducted in banks in mitigating the incidence of such frauds.

With regard to details concerning ensuring that defaulters do not flee to foreign country, the Ministry of External Affairs (MEA) has informed that in case requests are received from agencies concerned for revoking or suspending passports of defaulters, the same is carried out expeditiously in MEA. Further, in order to deter economic offenders from evading the process of Indian law by remaining outside the jurisdiction of Indian courts, Government has introduced the Fugitive Economic Offenders Bill, 2018 in Parliament. The bill provides for attachment of property of a fugitive economic offender, confiscation of such offender's property, and disentanglement of the offender from defending any civil claim. In addition, with a view to enable banks to inform relevant authorities of passport details, if need arises, Government has advised all Public Sector Banks to obtain a certified copy of the passport of the promoters/directors and other authorised signatories of companies availing of loan facilities of Rs. 50 crore and above. The advisory further states that in existing cases, where loans of Rs. 50 crore and above are given, banks may collect passport details.
