

GOVERNMENT OF INDIA
MINISTRY OF FINANCE
LOK SABHA
UNSTARRED QUESTION NO-3672
ANSWERED ON-16.03.2020

Bank Frauds

3672. SHRI SUNIL KUMAR MONDAL:

Will the Minister of FINANCE be pleased to state:

- (a) whether there is loophole in accounting system and audit of our country due to which money of common man is siphoned off by frauds as heard about top 100 bank frauds in India;
- (b) if so, the details thereof;
- (c) whether any action has been taken by the Government against the banks; and
- (d) if so, the details thereof and if not, the reasons therefor?

ANSWER

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE

(SHRI ANURAG SINGH THAKUR)

(a) and (b): With regard to whether there is loophole in accounting system and audit due to which money is siphoned off by bank frauds, as per Reserve Bank of India (RBI) inputs, an expert committee under the chairpersonship of Shri Y. H. Malegam had been set up to look into the role and effectiveness of various types of audits conducted in banks in mitigating frauds. RBI has further apprised that as recommended by the committee, statutory central auditors (SCAs) of banks have been advised to conduct a more intensive examination of large-value accounts to gain greater insight into the determination of non-performing assets (NPAs) and also of several areas of concern, including frauds, which may need more detailed investigation by the bank. RBI has also apprised that a system of structured meetings between RBI supervisors and SCAs of supervised banks has been put in place in order to improve the effectiveness of the relationship between them, and it is envisaged that such meetings would be utilised by the supervisors and SCAs for exchange of information in view of their complementary concerns and to have a broader discussion on issues including exception reporting, governance, compliance and other matters of supervisory importance.

(c) and (d): With regard to action taken against banks, RBI has informed that it undertakes enforcement action against banks wherever material violations of applicable laws and RBI directions issued thereunder are identified. Monetary penalties have been imposed and letters of displeasure issued to several banks for delayed reporting or not reporting of fraud to RBI as per the provisions of Reserve Bank of India (Frauds classification and reporting by commercial banks and select FIs) Directions, 2016. RBI had also issued letter of warning to some banks with regard to the lapses in following procedures, guidelines, reporting etc.
