

PREVENTIVE VIGILANCE

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- Vigilance is alertness.
- Be alert and demonstrate that you are alert.

Definition of Vigilance Angle

1. Demanding and /or accepting gratification.
2. Obtaining valuable thing without consideration or with inadequate consideration.
3. Obtaining for himself or for any other person any valuable thing or pecuniary advantage by corrupt or illegal means or by abusing his position as public servant.

4. Possession of assets disproportionate to his known sources of income.
5. Cases of misappropriation, forgery or cheating.
6. Gross or willful negligence, recklessness in decision making; blatant violation of systems and procedures; exercise of discretion in excess provide reasonable ground to doubt the integrity of the officer concerned.

- Frauds cause losses as well as reputational damage.
- Have zero tolerance towards frauds.
- Preventive vigilance is a participative process and is a job for all.

- Update the knowledge.
- Use your common sense.
- Use of technology.

Areas Concerns & Preventive Measures

- ❖ KYC
 - Open accounts with meaningful KYC.
 - Review of account opening
 - Random verification of KYC details

❖ Cheques Lodged

- Arrangement for putting crossing stamp.
- CCTV surveillance

- ❖ Request for cheque books,
change in address/mobile no.

- Process should be defined.

- Compliance verification.

❖ Non-Home transactions.

- Day book checking.
- Verification of non-home transactions.

❖ Password integrity

- Process of allocation of user-id and authorities should be well defined.
- Verification of non-home transactions.

❖ Changes in Sanctioned/Drawing limits.

- Regular and through checking of Audit trails.

- ❖ Working in Service branches
 - Posting of adequate and suitable staff.
 - Regular rotation and transfers
 - Recognition and incentives for good work.

- ❖ Suggestions at system level.
 - Expand scope of off site auditing.
 - Limiting and controlling transactions at non-home accounts.
 - Limiting ATM cash transactions.

- Centralized monitoring.
- Set up dedicated group to examine operations, large transactions, mishaps , mistakes and frauds.

- CBS also gives rise new areas of frauds by insiders, through acts of commission or gross negligence.
- There is also potential threat by outsiders for acts of intrusions and hacking.
- Need to acquire necessary skills to counter external and internal threats.

Case Study – 1

In a large branch;

Concurrent auditor knowledgeable and helpful.

He has enquiry password.

Helps staff members in work and
knows passwords of many.

Over a period of time, he debits
dormant, inoperative accounts and also
highly operative a/cs with large balances

Remits monies out through RTGS.

Total Amount Rs 2 crores.

Fraud came to light due to a complaint.

Investigation reveals – transactions entered and authorised using user-ids of several employees including the AGM of branch.

OBSERVATIONS :

Vouchers not available,.

Day books are not checked.

Exception report not examined.

Audit trail not perused.

Learning:

Never disclose password.

Day book checking is important.

Keep track of missing vouchers.

Check exception report and audit trail.

Case Study - 2

A/c of old person in Hyderabad Br.

Substantial balance in the a/c.

A/c holder passed away.

Information not provided to branch.

Account inoperative for four years.

A staff at Chandigarh br came to know about status.

The employee transfers Rs 10 lacs from this account to other accounts.

No vouchers.

He carries out posting and uses password of another staff for authorisation.

At some stage, relations of the deceased realize that funds have been siphoned out and make complaint.

Observations:

Laxity in day books checking.

Vouchers not there.

Staff accounts not monitored.

Non home transaction not scrutinised.

Exception report not examined.

Signatures on the withdrawals not verified.

Paying cashier did not obtain signature while paying out money.

Case Study - 3

From a remote branch, current account of a PSU in Delhi branch debited by Rs 5 crores.

Funds remitted to accounts with private sector banks in Mumbai by RTGS.

Amount of Rs 50 lakhs was withdrawn same day.

Same day evening, accounts dept in the PSU realized about the debit entry during reconciliation exercise.

They approached the bank, contacted beneficiary banks and accounts were frozen.

THANK YOU !