

**Office of Registrar, Cooperative Societies, Punjab, Chandigarh
(Credit-I Branch)**

To

- i) The Managing Director,
Punjab State Cooperative Bank Ltd.,
Chandigarh
- ii) The Managing Directors of all DCCBs in the State
- iii) The District Managers of all DCCBs in the State

No. RCS/Credit-I/ 284
Dated: 16-5-74

Subject: Directions under Rule 45 (1) of the Punjab Cooperative Societies Rules, 1963 for expeditious and effective action in cases of frauds / embezzlements in the Punjab State Cooperative Bank and the District Central Cooperative Banks

1.0 It has been noticed that numerous frauds / embezzlements are taking place in the District Central Cooperative Banks (DCCBs). It has also been observed that once a fraud is detected, the general tendency is to focus on recovery of the embezzled amount while punitive action against the culprits (especially criminal proceedings) takes a back seat. Although it is important to recover the embezzled amounts, yet it is more essential to take deterrent expeditious action against those who committed the fraud so as to prevent further frauds. In addition, it is also necessary to take action for supervisory lapses wherever frauds take place. Proper mechanisms for monitoring and reporting of frauds also need to be developed.

2.0 In view of the above, the following directions are issued to ensure expeditious and effective action in cases of fraud / embezzlement in the cooperative banks: -

- a) Whenever a fraud / embezzlement is detected in any branch of the DCCB, it shall be the duty of the concerned branch manager or the officer / inspection team who detects the fraud / embezzlement to inform the District Manager on the same day. The District Manager shall ensure that immediate possession of the relevant record is taken from the concerned staff members. The work shall also be withdrawn immediately from the staff members

who are likely to have any connection with the fraud / embezzlement.

- b) As soon as the District Manager is informed of the fraud / embezzlement, he shall get a preliminary inquiry conducted into the matter. This inquiry must be completed within 48 hours.
- c) If in the preliminary inquiry involvement of any staff member is suspected in the fraud / embezzlement, he shall ordinarily be placed under suspension immediately by the competent authority. It shall be the duty of the District Manager to ensure this. In cases where he himself is not the competent authority, he shall inform the concerned competent authority for taking action expeditiously. If for some special reasons, the person suspected to be involved is not suspended, then he must be transferred out of the branch immediately. This action must be completed within three days of the receipt of information regarding fraud by the District Manager.
- d) The District Manager shall inform the Managing Director of the State Cooperative Bank and the Managing Director of the DCCB about the fraud as soon as he gets to know of the same. If involvement of staff of Primary Agriculture Cooperative Societies is detected, the concerned Deputy Registrar, Cooperative Societies shall also be informed in writing. The DRCS shall ensure that appropriate action is taken expeditiously against the concerned officials of the society.
- e) Immediately after receiving the report of the preliminary inquiry, the District Manager shall get a comprehensive fact finding inquiry conducted through competent and responsible officers to determine the responsibility for the fraud, supervisory lapses, the amount embezzled and the modus operandi etc. The Inquiry Officers must give a clear finding regarding the names of the staff who committed, aided or abetted the fraud / embezzlement. The inquiry shall be completed and submitted to the District Manager within 15 days. If for any special reasons, the inquiry



cannot be completed in time, the MD of the State Cooperative Bank should be informed in writing about the matter alongwith reasons for the delay. MD, PSCB shall ensure that all fact-finding inquiries are completed expeditiously.

- f) Frauds / embezzlements perpetrated or abetted by the bank staff, borrowers or other persons which involve criminal acts such as fraudulent encashment through forged instruments, manipulation / tampering of books of accounts, unauthorized extension of credit facilities, misuse of password of employees, criminal breach of trust, misappropriation, cheating, forgery etc. must be reported to the police also as soon as the fact finding inquiry is completed.
- g) The District Manager shall be responsible for ensuring that immediate steps are taken to effect full recovery of the amount involved in the fraud including prompt filing of arbitration cases, attachment of the property etc.
- h) If any record is required by the police or by any other authority, ordinarily attested copies of the same may be handed over. However, if the authorities require the original record, then duplicate attested copies of the entire record should be made and kept in safe custody of the bank.
- i) Disciplinary action should be initiated promptly against the staff having been found to be involved in the fraud by the fact-finding inquiry. It must be ensured that all employees against whom lapses have been reported are charge sheeted. Accurately framed charge sheets must be issued to the concerned employees within a period of 21 days of the receipt of the fact-finding inquiry report.
- j) Thereafter, the regular departmental inquiry must be initiated and completed within three months. The inquiry must be assigned to a competent officer having good reputation. It also must be ensured that the officer deputed as Presenting Officer knows his job well and is fit to present the case properly before the Inquiry Officer.



- k) Orders regarding punishment to the employees against whom charges have been established in the inquiry must be issued within six weeks of the receipt of the inquiry report. If need be, a special meeting of the BoD / Executive Committee may be called for this purpose.
- l) The punishing authority must ensure that the personnel against whom charges regarding deliberate participation or abetment in the fraud / embezzlement have been established in the departmental inquiry are appropriately punished keeping in view the seriousness of the offence / lapse. Employees who are found to have committed forgery, manipulation / tampering of books of accounts for committing or abetting embezzlement, or fraudulent encashment through forged instruments, or cheating, misappropriation etc. should ordinarily be awarded the punishment of dismissal from service.
- m) Any staff members who have been convicted by any court for fraud / embezzlement must be dismissed from service without delay.
- n) In all cases of frauds of more than Rs. 25 lacs and all other cases of serious / novel frauds (even though less than Rs. 25 lacs), the MD of the PSCB shall depute senior level competent officers to study all aspects of the fraud including the modus operandi. They shall also identify supervisory lapses as well as systemic and procedural failures, which led to the fraud and suggest remedial measures. The role of audit shall also be examined and commented upon.
- o) The competent authority shall ensure that officers who are found to be responsible for lapses in supervision are also held accountable properly for the same. MD, PSCB shall monitor this regularly.
- p) The officers deputed by the Head Office shall submit their report to the MD, PSCB expeditiously alongwith recommendations for preventing similar frauds in other banks. The MD, PSCB may thereafter circulate the same to all the DCCBs.



- q) The State Cooperative Bank shall constitute a Fraud Monitoring Cell at the Head Office, which shall regularly monitor all cases of embezzlement / fraud and submit monthly reports to the MD, PSCB. The progress of the criminal cases as well as the departmental cases of fraud shall be specially reviewed. The Cell shall also monitor the recovery in all cases of fraud / embezzlement. Any negligence or lapses in this regard which are noticed by the Monitoring Cell shall be brought to the notice of the MD, PSCB forthwith.
- r) Information relating to frauds shall also be placed before the BoDs of the concerned DCCBs and PSCB every quarter or earlier, if so desired.

3.0 In addition to these directions, the banks shall be bound to follow NABARD / RBI guidelines regarding prevention, detection and reporting of frauds.

4.0 These directions are being issued under Rule 45 (1) of the Punjab Cooperative Societies Rules, 1963 in the overall interest of the cooperative banks and must be complied with meticulously by all concerned.


(A.S. Miglani)

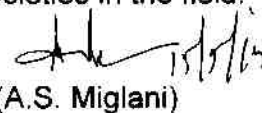
Registrar,
Cooperative Societies, Punjab,
Chandigarh

No. RCS/Credit-I/ 285-89

Dated: 16-5-14

A copy of the above is forwarded to the following for information and necessary action: -

- i) Private Secretary to FCC for kind information of FCC.
- ii) All Additional Registrars, Cooperative Societies.
- iii) MD, Puncofed for publication in the 'Punjab Cooperation' magazine
- iv) Joint Registrars, Cooperative Societies Patiala, Jalandhar and Ferozpur Divisions.
- v) All Deputy Registrars, Cooperative Societies in the field.


(A.S. Miglani)

Registrar,
Cooperative Societies, Punjab,
Chandigarh