



## ABSTRACT :

Banks have been a witness to an increasing number of frauds in operational Arena. It is observed that a number of critical checkpoints are ignored at branches. In some cases, unfortunately, staff members have also been a party to fraud.

This case study discusses multiple instances of frauds which happened at a few of our branches solely due to failure to adherence of compliance norms.

## CASE I

### Introduction / Background

Mr.X was the branch manager of ABC Branch, Mr. Y is his Joint Manager. They realized that, one evening, branch's cashier, Mr C, was not able to tally cash even beyond 6 PM. Therefore, Mr X pitched in to help the cashier in tallying the cash.

Mr C was restless and indirectly prevented the Branch Head from checking the cash. After much effort, Mr X and Mr. Y started to ascertain physical cash position of the branch.

To their shock and surprise, it was realized that cash of Rs 15 lacs was missing. On strict interrogation, Mr C, cashier, confessed having siphoned off cash from the branch and deposited in his personal account maintained with Oasis Bank.

### Further scrutiny revealed the following findings:

- I Mr C has used the money in online gambling and lost heavily.
- II Mr Y, Joint Manager, has not been religiously checking cash on daily basis and was ritually signing the register.
- III Monthly surprise cash verification by branch head was not done.
- IV There were certain abnormal credits into the salary account of the cashier which was not monitored properly.
- V A sum of Rs 2 lacs which was available in the Oasis Bank Account of the cashier could be recovered immediately.
- VI Various cash deposits were made over a period of time into the Oasis Bank Account.
- VII From the CCTV footage, it was established that, mostly, extraction of cash was done only by the cashier and sometimes with sub staff. Four-Eye Principle was not adhered.
- VIII Key register was not updated properly.
- IX Cashier has recently purchased a brand new car without availing any loan.
- X Cashier has not taken any leave in the past 5 months.
- XI Cash Retention Limit of the branch was recently doubled to store more cash on account of COVID induced lockdown.



## PROCEEDINGS

- The cashier had confessed to the act of dishonesty
- Fraud Monitoring Report(FMR) has been raised as per guidelines.
- Cashier deposited a further sum of 4 lacs within a period of 10 days.
- Cashier has been suspended and Charge Sheet was issued.
- Branch Head and Joint Manager have been transferred to different branches.
- FIR could not be lodged immediately as the Police Personnel was insistent on lodging FIR against the Cashier, Joint Manager and the Branch Head. Bank was in favour of filing FIR only against the cashier for fraud. Joint Manager and Branch Head are only to face departmental enquiry for negligence
- Cashier is absconding and have availed a couple of loans because of which even gratuity may not be sufficient to liquidate those loans (given short length of service)

## CASE II

### Introduction / Background

Ms. K was the SWO of Barosapur Branch. She was a local person and posted in the same branch for more than 10 years. She was the only point of contact for most of the customers and was known for her prompt customer service.

One fine morning a customer approached the Branch Head as Ms K was on leave. Customer was desirous of withdrawing the amount for an exigency. He claimed that the amount was Rs 1,50,000/- and submitted the FD Receipt for the same. When the Branch Head inquired in Finacle, the account was opened only for Rs 50,000/-.

Convinced that something is fishy, detailed inquiry was conducted and the following came to light:

- I FDR was handwritten against banks' guidelines
- II Amount on the FDR was altered in words and figures from 50,000/- to 1,50,000/-
- III It is understood that, out of personal relationship and good faith, the customer had handed over the cash to Ms. K and FDR was handed over by her to the customer.
- IV The same branch head has also signed the FDR.
- V It is to be noted that alteration was done to the left side of the amount column and not on the right side as “/” symbol prevents any further alteration.
- VI Branch Head and Officer had signed an FDR of Rs 50,000/- after examining in CBS. But alteration was done, dishonestly, by Ms K at the time of handing over the FDR.
- VII Mobile numbers were not available in CBS at that time, which could have intimated the customers of the transactions via SMS.
- VIII Ms K, using same modus operandi, had siphoned off funds to the tune 86 lakhs from various customers.



- IX Job rotation guidelines were not followed.
- X Staff was retained in the same branch for more than a decade.
- XI Ms. K had not availed a single day's leave in the last 7-8 months.
- XII Customers were not in a position to converse with officers as they were knowing the local language of the place of posting.

## PROCEEDINGS

- Ms. K was suspended immediately and later on dismissed after investigation.
- Explanation was called for from the Branch Head and Joint Manager for issuing handwritten FDRs.
- HR department was sensitised to ensure Mandatory Leave Policy and Job Rotation and Transfer among Associates.
- FIR was filed against Ms K and she is currently absconding.
- Amount of 21 lacs alone was available from the terminal benefits (net of loan) of Ms K.

## CASE III

### Introduction / Background

Mr T was employed as a temporary staff in XYZ Branch. He was attached to that branch for more than 8 years. He was a good and sincere worker and was well appreciated by the customers and staff alike. He was helping illiterate customers to fill up withdrawal slips, account opening forms etc. He was also helping the staff members in completion of routine and repetitive jobs like passbook printing and gold loan account opening.

Over a couple of months, there were frequent complaints of unauthorised cash debits of amounts ranging from Rs 1000-4000. Branch couldn't verify the claims properly as there was no CCTV cameras available at that time. Withdrawal slips signed by the customers were also available.

Puzzled at the state of affairs, Branch Head reported the matter to RO. An investigation was ordered for by the Regional Office and the following were the outcome of the investigation and further confessions of Mr T:

### Modus Operandi

- In some cases, withdrawal slips filled by Mr. T was thrown into the dustbin in front of the customers, purportedly as wrongly filled in.
- Those were subsequently used to fraudulently withdraw cash.
- As amounts were small many customers did not receive SMS.
- Some customers who reached upto the counter staff were wrongly convinced as they were shown the withdrawal slips bearing their signature by the staff, albeit inadvertently.



- Cashier and staff trusted Mr. T blindly and it was a practice to handover the cash to Mr. T against withdrawal slips from customers. This trust was grossly misplaced and was taken undue advantage of.
- Some of those payments were also entered using officers' Finacle ID, without their knowledge.

### Lapses Observed

- Temporary sub-staff engaged against guidelines.
- Guidelines for payment of cash was not adhered to.
- Password secrecy was compromised (there was no bio-metric system then)
- Some of the cash payments were entered as early as 8:30 AM using login id of branch officials.
- Temporary staff was owning a car worth Rs 6 lacs (much beyond his known income source) which was not questioned by the branch staff.
- He had almost camouflaged as a staff Bank of Baroda in the eyes of the customers

### PROCEEDINGS

- **FIR** was lodged against Mr. T.
- Charge Sheet was issued against the Branch Head for gross negligence and was suspended.
- Explanation was called for from branch officials for non-maintenance of password secrecy.
- All the staff members in the branch were transferred to nearby branches in a phased manner.
- Mr. T was apprehended by cooperative local customers (being a rural centre) and was brought in front of local police officials.
- Fortunately for the bank, the entire amount was recovered in a record time of 7-8 days.



## TAKE AWAYS

- UV scanning guidelines to be adhered to.
- Temporary staff to be discouraged.
- Handwritten FDRs to strictly discontinued.
- Four Eye Principle to be religiously followed.
- Staff Accounts to be periodically monitored.
- Handling of keys need proper discipline.
- Password secrecy should never be compromised.
- Job Rotation to be practiced.
- Lifestyle of staff members not supportive of known source of income to be clandestinely probed.
- Branch Head has to ensure periodic tallying of gold packets and surprise cash verification as per guidelines.
- Cash Balance to be retained within Cash Retention Limit.
- Mandatory Leave Policy should be enforced.

**Disclaimer** – *The case is a typical hypothetical case and is strictly for internal use for Baroda Academy for imparting training to the staff of Bank of Baroda.*