

The Pioneer Urban Co-op Bank Ltd.

Belagavi

Staff Accountability Policy

VERSION 2.0

INDEX

Para No.	Particular	Page Number
-	Index	1
1	Introduction	2
2	Accountability – Inherent in every business activity	2
3	Guidelines issued by RBI regarding staff accountability	3
4	Accountability / Lapses Detection Mechanism	4
5	Areas of Accountability	4
6	Accountability with respect to Credit Matters	4
7	Accountability in respect of operational matters	5
8	Occurrence of frauds/thefts/embezzlement	5
9	Format for submission of Staff Accountability Reports (SARs)	5
10	The SARs in respect of operational matters and occurrence of frauds etc.	5
11	Exemption from examining Staff Accountability	5
12	Authority to Deal with SARs in respect of NPAs including SARs in Quick Mortality Loan Accounts	6
SAR-I	Annexure-‘A’	7
SAR-II	Annexure-‘B’	9

STAFF ACCOUNTABILITY POLICY

1. Introduction

The Staff Accountability in banks plays a vital role in day to day banking activities. In each and every deal/transaction, accountability is an important phenomenon. The examining of staff accountability should send the right signals to the employees and not vice versa. Section 5(b) of Banking Regulation Act, 1949 defines banking as the accepting, for the purpose of lending or investment, of deposits of money from the public, repayable on demand or otherwise, and withdrawal by cheque draft, order or otherwise. The main source of funds received by banks is in the form of deposits which is used by banks for the purpose of lending and investment. As such the banks should not act in a manner which is detrimental to the interest of depositors. That is why banks are supposed to put in place robust internal checks and controls for safety of funds and credibility of staff and to maintain public confidence in bank. Despite all checks and balances in places and various periodical audits and inspections, instances of frauds, misuse of powers, and malpractice by bank staff are noticed. In order to check such instances, bank has framed a policy titled as “Staff Accountability Policy of” with the approval of board of directors

2. Accountability – Inherent in every business activity

2.1 "Accountability" is inherent where there is delegation of power or delegation of duty. In an organization where people are employed to do specific tasks and vested with various levels of powers, it is fundamental and unavoidable that they should be responsible for their actions. As long as the actions are within the framework of laid down guidelines and procedures and in the interest of the organization, they need not attract accountability.

2.2 The term 'Accountability' has, over the years, come to acquire a negative connotation in the minds of employees. The expression "examination of staff accountability" means, a person/employee is responsible for his decisions or actions and expected to explain them when he is asked. Thus, far from being negative, the term 'Accountability' merely means that one is responsible for one's decisions and actions. It is inherent in any business including banks that every employee, what ever is his designation, is prima facie accountable / responsible for every act of his.

2.3 Accountability imbibes and defines roles and responsibilities of employees.

2.3.1 Every employee is duty bound to discharge work faithfully in accordance with the systems and procedures laid down by bank, Rules and Regulations in force, Guidelines, whether general or specific and Policies.

2.3.2 To work within the authority delegated or when such authority is exceeded, with the approval of appropriate authority and

2.3.3 To take decisions on purely commercial considerations in the interest of the bank and in good faith after following due procedures, guidelines and instructions.

2.4 Due diligence must be seen to have been exercised in one's discharge of duty at the originating level where the responsibility devolves directly or at the supervisory level where the responsibility, though indirect, becomes feasible or legitimate to bear. To be more precise, each of the staff/officers involved in the process of sanctioning the credit facility has to be subjected to staff accountability examination.

2.5 Actions with malafide intention, even if within the delegated authority or actions without due diligence or actions exceeding delegated authority without the approval of the appropriate authority, even if bonafide, will not qualify for immunity or absolution from staff accountability, even though there may not be any monetary loss to the bank.

2.5.1 The aim of the Bank in conducting the exercise of staff accountability is to safeguard the larger interests of the Bank. To that end, the first step that the Bank has to take is identification of the areas where the rules and procedures designed to protect the interests of the Bank are not being followed. As a follow up of such identification, the Bank will take necessary corrective steps by way of strengthening any knowledge gaps or by way of augmenting the resources or by any other action to create an environment, which is conducive for better observance of the rules and procedures

2.5.2 Punishing employees/officers is a secondary step. The aim of 'punishment' is:-

- i. to instil a sense of guilt and resultant repentance on the part of the staff/official who committed the lapses, so that in future, one will conduct oneself in a more responsible manner and
- ii. To convey a message to the rest of the staff that they should not conduct themselves in a way detrimental to the interests of the Bank, as otherwise, they also might have to suffer similar unpleasant action.
- iii. However, it is not absolutely necessary that every omission needs to be invariably punished.

2.5.3 Principals of natural justice

While dealing with examination of staff accountability, bank should follow the principals of natural justice. The three main requirements of natural justice that must be met in every case are: adequate notice, fair hearing and no bias. Sometimes, all three of these concepts are grouped together as “the right to a fair hearing.”

2.5.4 On examination of staff accountability, if the employee/s is/are found guilty/responsible for the lapses, necessary disciplinary action has to be taken as per the bye-laws and service rules of the bank.

3. Guidelines issued by RBI regarding staff accountability.

Reserve Bank of India exercises regulatory and supervisory powers as per the provisions of BR Act, 1949 to oversee the affairs of banks to ensure that depositors' interest are protected. RBI has advised to banks to examine the staff accountability in case of divergence of funds, exceeding delegation of powers, malpractices, frauds etc. through circulars mentioned as under.

- i. In terms of para 4.7.2 of Master Circular DCBR.BPD.(PCB) MC No.14/13.05.000/2015-16 July 1, 2015, issued by RBI on Management of Advances, bank should take serious view of instances of misuse of power, corruption and other malpractices indulged by the members of staff and erring staff members should be given punishments befitting the seriousness of the irregularity. Quick disposal of enquiries by the banks and award of deterrent punishment would be necessary in all such cases.

- ii. In terms of para 3.3.3 of master circular DCBR.BPD. (PCB) MC No.12/09.14.000/2015-16 July 1, 2015 issued by RBI Income Recognition, Asset Classification, Provisioning and Other Related Matters, if divergence in Asset classification is identified by RBI during inspection, the bank has to examine staff accountability and take appropriate action.
- iii. In terms of para 1.2 and 6.3 of master circular DCBR.CO.BPD.MC.No.1/12.05.001/2015-16 July 1, 2015, issued by RBI on Frauds- Classification and Reporting, the bank has to examine the staff accountability and action is completed at the earliest

4. Accountability / Lapses Detection Mechanism

Accountability can be identified from the following sources: -

4.1 Internal Audit and Inspection Reports of the Branches.

4.2 Special Letters/Special Observation Letters issued by inspection & Audit department upon internal inspection and audit of the branches/head office;

4.3 Reports of Internal / External Concurrent Auditors / Statutory Auditors, RBI Inspection;

4.4 Branch visits by the executives / interface Review of NPAs, Inspection Reports, periodical returns, year-end statements, etc.

4.5 Attempted or perpetrated fraud.

4.6 Complaints.

4.7 Whistle-blowing

4.8 Any other source

5. Areas of Accountability. Irregularities or lapses may originate from any of the following areas of operation:

5.1 Credit- Initiation / Sanction, Delivery, Management etc.

5.2 Operational Matters including irregularities/lapses inter-alia leading to revenue leakage/financial loss due to awarding of order against the Bank.

5.4 Commission of frauds and may include theft, embezzlement, cheating/ forgeries etc.

6. Accountability with respect to Credit Matters

6.1 Staff Accountability aspect is required to be examined when a Standard Asset slips to Sub-Standard/Doubtful/Loss Asset Category.

6.2 In all NPA accounts, Staff Accountability Report should be submitted immediately, and in no case later than 90 days after an account slips from Standard to Substandard /Doubtful / Loss category.

6.3 Quick Mortality of loan accounts.

Quick Mortality Accounts are defined as accounts, which become NPA within one year of original sanction or first disbursement, and in case of housing loan within one year from the date of commencement of instalment, whichever's later.

7. Accountability in respect of operational matters.

The bank should examine the staff accountability within 30 days from the date of detection. In case, the staff is found guilty for the revenue/financial loss to the bank, the same should be recovered from him/them.

8. Occurrence of frauds/thefts/embezzlement.

The bank should examine the staff accountability within 30 days from the date of detection of fraud/misappropriation etc. In case, the staff is found guilty for the occurrence of frauds/thefts/embezzlement causing financial loss to the bank, the same should be recovered from him/them and other necessary disciplinary action to be taken as per the Bye laws and service rules of the bank.

9. Format for submission of Staff Accountability Reports(SARs)

9.1 The format for submission of Staff Accountability Report in respect of credit/loan is to be submitted in Part-I and II annexed with the policy.

9.2 Part I -Profile of the Borrower.

9.3 Part II-Staff accountability details such as obtaining of assets and liabilities statements, verification of credentials, obtaining of credit report / appraisal report, financial statements, Valuation Report and Title Clearance Report from approved valuer / lawyer; information as regard to sanction, documentation, monitoring and follow-up etc.

10. The SARs in respect of operational matters and occurrence of frauds, theft, embezzlement, cheating/ forgeries etc. should contain details like date of occurrence, modus operandi, amount involved and likely loss caused to the bank, staff responsible along with all other relevant details.

11. Exemption from examining Staff Accountability

Notwithstanding what is stated above, Staff Accountability need not be examined in

- i. NPA accounts which are upgraded/closed, without any sacrifice, within 90 days from the date of NPA.
- ii. However, in cases of fraud, criminal offences, and malafide intentions etc. the above will not be applicable.

12. Authority to Deal with SARs in respect of NPAs including SARs in Quick Mortality Loan Accounts

12.1 In terms of policy of the bank, the credit related sanctions are being accorded as per delegation authority. The authority for the approval / closure of SARs will rest with the Board of directors of the bank.

12.2 The authority for calling explanation and examining the staff accountability will rest with the General Manager. However, in case of General Manager, the authority will rest with Board of Management of the bank.

12.3 After receipt of SARs the concerned authority will call for explanation from the concerned staff within 30 days of receipt of SAR.

12.4 On receipt of explanation, the concerned authority will examine the Staff accountability aspect keeping in view the SAR and explanation received from the staff. Before awarding any

punishment/taking action 'Principle of natural justice are to be followed i.e a proper enquiry process has to be followed wherein he should be heard in his defence.

12.5 Staff Accountability Report be closed/dealt with within a period of 12 months from the date the advance account had become Non Performing asset (NPA).

12.6 Endeavour be made that Staff Accountability in respect of retiring staff members is closed / dealt with, three months prior to the date of their superannuation from the service of the bank.

Annexure-‘A’

Staff Accountability report (SAR) Format for profile of the borrower- Part-I

1	Name			
1.2	Purpose of loan			
1.3	Type of loan			
1.5	Principal person/s			
1.4	If taken over account - the details thereof			
2	Nature of business, goods manufactured, Dealing in etc.			
2.1	activity ceased/continuing			
3	Date of sanction			
3.1	Date of NPA			
3.2	Asset category			
3.3	Documents valid up to			
3.4	Original sanction :	Authority: Date :		
3.5	Original limits			
3.6	Last sanction	Authority : Date :		
3.7	Limits last sanctioned	Facility	Balance outstanding	
			AS on NPA date	Present
	i			
	ii			
	iii			
	iv			
	Total			

4	Provision held as on-date			
4.1	Uncharged interest as on -date			
4.2	Other relevant details			
5	Security (in brief) with value The basis for value of security to be mentioned.			
5.1	Principal : Collateral :			
5.2	Guarantor/s Name	Worth	Basis of worth	

Annexure-‘B’

Staff Accountability Details-Part-II

Sl No	Relevant aspects	Comments/observation
1	Staff Accountability Aspects	
1.1	Whether assets and liability statements were obtained from borrowers / guarantors (wherever applicable) and their credentials verified through independent sources?	
1.2	Whether credit report / appraisal report submitted is complete in all respects.	
1.3	Whether valuation/title search report was obtained from Bank's approved valuer / lawyer	
2	Sanction :	
2.1	Sanctioned by	
2.	If it is an account taken over from another Bank, whether it was a standard account (asset)at the time of takeover and whether status report obtained from the previous bank and report held on record:	
2.3	Whether it was clean advance or secured advance. If it was a clean advance, any guarantee or collateral security obtained? (give details):	
2.4	Whether margin on securities were stipulated as per bank guidelines :	
2.5	While sanctioning the advance, whether due care was taken to ensure that Audited Balance Sheet obtained as per guidelines.	
2.6	Whether Pre-sanction and Reimbursement inspection carried out and findings were satisfactory? (give details):	
3	Documentation/Security:	

	i) Whether documents have been taken as per sanction terms and they were properly vetted as per Bank's guidelines; if not, names of officials responsible for this lapse : ii) Whether the stipulated securities obtained and all the terms of sanction have been complied with before actual disbursements of the credit limits and deviations, if any, have been authorized by the sanctioning authority. If not so, what are the terms of sanction which are not complied with and Names of officials responsible for this lapse : iii) Whether extension of mortgage, if stipulated, was done for enhancement/ other limits?	
4	Monitoring and follow up :	
4.1	Whether there is any lapse in the monitoring of the account? -Was the borrower regular in submitting stock/book debts statements and other returns as per stipulation? -Whether inspection of the movable and immovable assets, stocks etc. carried out as per stipulation - both primary and collateral -Mention dates of last 3 inspections, before the account slipped to NPA category	
4.2	i Whether timely renewal of documents obtained duly signed by all borrowers /guarantors? ii Whether all post disbursement terms of sanction have been complied with? If not, details thereof with names of officer/s responsible for non-compliance.	
4.3	Whether any over limits / excesses allowed over the sanctioned limit, were duly reported and it was within delegated authority. If delegated authority exceeded, whether confirmation was sought and details of such confirmation.	
4.4	Any other reason that is attributable to the Staff for the unit becoming sick/account becoming bad :	
4.5	Whether diversion of funds is noticed? If yes, details thereof.	
4.6	Reasons for Quick mortality	

Approved by the Board of Directors on day of 30.10.25