



THE KASARAGOD CO-OPERATIVE
TOWNBANK
LTD, No.970

POLICY ON STAFF ACCOUNTABILITY

EFFECTIVE FROM 1ST JUNE 2025

RES No. Dated

PREAMBLE

Accountability is inherent when there is delegation of power or delegation of duty. In an organization where number of people are vested with various levels of powers, it is fundamental and unavoidable that they should be responsible for their actions.

POLICY ON STAFF ACCOUNTABILITY

1. WHAT IS “ACCOUNTABILITY”?

- 1.1. The term ‘Accountability’ means that one is responsible for one’s actions and omissions. Accountability is inherent when there is delegation of power or delegation of duty. In an organization where a number of people are 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 the laid down guidelines, rules, regulations and procedures and are in the best interests of the Bank, they do not attract accountability.
- 1.2. Every employee is duty bound to discharge work faithfully in accordance with:
 - ❖ *Systems and procedures laid down;*
 - ❖ *Rules and regulations in force;*
 - ❖ *Guidelines whether general or specific; &*
 - ❖ *To work within the authority delegated or when such authority is exceeded, with the approval of appropriate authority*
- 1.3. Due diligence (or absence of negligence) must be seen to have been exercised in one's discharge of duty. The 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 will not qualify for indemnity or absolution from staff accountability even though there may not be any monetary loss to the Bank.
- 1.4. Additionally, staff accountability is equally required to cover lapses on administrative matters where gross negligence or ill motive is manifest vis-a-vis non-observance/compliance of laid down norms and procedures both internal as well as by external regulatory authorities.

2. OBJECTIVE

- 2.1. The aim of the staff accountability policy should be to protect employees for their bonafide actions and at the same time make them accountable for any wrongdoing or any inaction on their part. Staff Accountability is also required to identify and punish only those employees who are *prima facie* responsible for the lapses of non-compliance with the laid down systems & procedures or misconduct and/or non-adherence to the “due-diligence” norms.
- 2.2. The motive of the Staff Accountability is not to discourage the exercise of initiative and decision making. The approach for staff accountability should

be to instill confidence amongst the officials for decision making and to examine as to the reasons why the decision has gone wrong like the reasons for a loan account turning into NPA and for non-recoverability of bank funds etc. Staff accountability exercise is to be carried out in the light of circumstances prevailing at the time the events occurred. Isolating the specific cause(s) for the loss is an important step in fixing staff accountability.

- 2.3. The Bank is an organization where decisions are taken on the basis of available data and each decision contains some element of banking risks. In the process, there is possibility for genuine errors of judgment/decisions taken on purely commercial considerations and in good faith after following the procedures. Such errors and decisions need to be examined with an absolute professional approach.
- 2.4. 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 ought to be taken should be to identify the areas where the rules and procedures designed to protect the interests of the Bank were not being followed.
- 2.5. Irregularities pointed out in various Audit/Inspection reports during the preceding 4 years will act as a basis of identifying the areas of lapses. Only the lapses attributed to the officials, who have a contributory effect and have direct bearing on the lapse and thereby cause monetary loss to the organization shall be taken cognizance of.
- 2.6. Bonafide mistakes shall be viewed as errors of judgment in the usual course of business and a clear distinction has to be made between the acts done in good faith without malafide intentions and acts with malafide intentions which shall be dealt with seriously.
- 2.7. Wherever it is found that staff lapses by way of acts of commission or omission have not contributed to the failure of the credit facility or any other lapse, the mere presence of such lapses should not become a cause for proceeding against the employee concerned.
- 2.8. The nature of omission/commission, the circumstances under which it occurred, the track record of the person involved, the extent of relationship of the omission/commission to the causes of the loss, and the kind of message that is sought to be conveyed to others in respect of such lapse(s) are the relevant factors that should be weighed before taking a decision on the nature of action that is to be taken against the errant staff.
- 2.9. The aim of punishment should be to instill a sense of guilt and resultant repentance on the part of the staff/official who committed the lapses, so that in future, he/she will conduct himself in a more responsible manner.

- 2.10. Further, the punishment should be demonstrative and should act as a deterrent to other staff/ official from resorting to such omission/commission.
- 2.11. While examining the staff accountability aspect, the competent authority should take in to consideration the job role/area of responsibility of different officials.
- 2.12. While determining the course of action in respect of specific credit lapses in individual cases, the performance record of credit functionaries involved in recommending and sanction of credit facilities may be taken into account for objective examination of accountability aspects. If the percentage of erroneous decision is not large, lapses attributed on the official involved could be viewed in that angle.
- 2.13. Head Office who is having direct access to the track record of the official has to take cognizance of this while examining the staff accountability aspects. Whether the official against whom staff accountability is examined, has been responsible for any omission and commission on earlier occasion too, thereby exposing the funds of the bank to the risk of loss is one of the criteria while recommending for further action.
- 2.14. At Head Office level, only such lapses attributed to the official are to be taken cognizance of, which have a contributory effect/or a direct bearing on the account becoming NPA or any other lapse and thereby causing monetary loss to the organization.

3. ACCOUNTABILITY DETECTION MECHANISM

- 3.1. Accountability can be identified from the following sources:

- *Inspection Report of Branches/Head Office;*
- *Report of Internal Auditors/Concurrent Auditors/Statutory Auditors/RBI Inspectors;*
- *Charge taking report from the new incumbent;*
- *Branch Visits, Review of NPAs, Periodical returns etc.;*
- *Complaints;*
- *Whistle-blowing;*
- *Off-site Transaction Monitoring Reports;*
- *Any other source.*
- *Case-specific Accountability Study Reports*

4. AREAS OF ACCOUNTABILITY

- 4.1. Irregularities or lapses may originate from any of the following areas of operation:

- ❖ Credit Management/Credit matters including processing, recommending,

sanctioning, reviewing, disbursement, pre and post sanction visit, documentation, monitoring, etc.

- ❖ Non-Credit areas including irregularities/lapses which lead to commission of frauds and may include theft, embezzlement, cheating/forgery, any unauthorized debit and Credit/violation of guidelines and statutory requirements/wrong usage of GLs or Internal accounts or any other head etc.
- ❖ Non-Compliance with regard to any law of land, regulation, directions of Central of State governments, regulatory directions and instructions of Reserve Bank of India and circular instructions of the Bank.
- ❖ Wrong confirmation of rectification of audit irregularities.

4.2. IN RESPECT OF NPA ACCOUNTS:

Once an account becomes NPA, every effort should be made to recover the entire overdues and upgrade the account immediately. However, it should be ensured that within 45 days from the end of the quarter in which the account has become NPA, the reasons as to why the account has slipped to NPA and the lapse on whose part has contributed to the loss of credit quality of the account has to be examined in detail in the prescribed format as per Annexure.

4.2.1. In case, an account slips into NPA within a span of 12 months from the date of original sanction, such Quick Mortality Cases need to be examined for staff accountability within one month from the date of NPA. For this purpose, the term 'original sanction' embraces enhancement, if any, also but not renewals at the existing level.

4.2.2. The exercise of examining the reasons for loan account slipping to NPA, would be carried out by the officials deputed by Head Office. After examination of the Preliminary Report/Staff Accountability Report/Investigation Report, if the analysis reveal that the lapses from any of the staff members have contributed to the account slipping to NPA, the matter should be taken to logical conclusion through appropriate disciplinary proceedings.

4.3. IN RESPECT OF REGULATORY ACTIONS:

In the case of delays in regulatory / supervisory reporting and in case of penalties imposed on the Bank, accountability of staff members which led to such delays in supervisory / regulatory reporting and led to such penal action will be examined within a period of one month and appropriate action will be initiated against the staff members found guilty of charges.

5. **SCOPE OF THE EXERCISE**

5.1. No disciplinary proceedings will ordinarily lie against any official for any lapse not detected within two successive internal regular audits/inspections of the same account or 4 years from the date of original sanction whichever is later. In case any irregularity is detected subsequent to the second audit/inspection, the auditors/inspectors concerned will be held accountable and be liable for disciplinary proceedings.

5.2. This time limit will not apply to cases of (i) frauds, (ii) other criminal offences or (iii) cases where malafide is inferable.

5.3. While the Disciplinary Action Committee (DAC), constituted by Board of Directors would be responsible for the expeditious conduct of the investigation, the task of actually carrying out the investigation work may be entrusted to an official as follows:

Sanctions by	Staff accountability to be investigated by
Any functionary of a Branch or Head Office including the Branch Manager (other than Assistant General Manager/General Manager/CEO/MD)	An official [who has never associated with the account including as an auditor at the time of original sanction] attached to the Inspection Department identified by the GM who is not below the grade of a Branch Manager.
Assistant General Manager	General Manager
General Manager/CEO/Managing Director	Any professional director identified by the Board of Directors.

5.4. Based on the findings of the investigation by the officials concerned, further action with regard to fixing of staff accountability, if any, and framing of charges thereafter etc., needs to be initiated by the Disciplinary Action Committee as per the extant instructions. The DAC examining Staff Accountability will submit the record of findings to the Chairman and Board of Directors. The Board of Directors will examine the staff lapses like gross negligence or malafides, if any, which might have contributed to the asset slippage or any other loss to the bank or the acts which are detrimental to the interests of the Bank. The Board may proceed thereafter in the usual manner.

5.5. Notwithstanding anything contained in the paragraph 4, the Board of Directors can order staff accountability study at any stage before the timelines specified therein wherever it deems fit.

6. **OTHER STIPULATIONS**

6.1. Investigation work for examination of lapses at various stages of sanction and conduct of advances for fixing up of Staff Accountability should be completed within a period of 15 days from the date the investigation work is entrusted. Authority to permit extension beyond 15 days will be with the Chairman, subject to ex-post facto confirmation by Board of Directors.

6.2. Investigation work for examination of lapses in non-credit matters should be completed within a maximum period of 10 days. Authority to permit extension beyond 10 days will be with the Chairman, subject to ex-post facto confirmation by Board of Directors.

7. Essentially, lapses fall into 3 broad categories:

- A. Procedural lapse or casual negligence in the ordinary discharge of one's duties and not involving financial/legal liabilities for the Bank;**
- B. Gross or culpable negligence; AND**
- C. Lapses with malafide intentions**

In arriving at the view to be taken, the cardinal principles of fair play, transparency and judicially balanced views have to be exhibited. Thereafter, punishment contemplated commensurate with the offence or irregularity will be imposed in accordance with the laid down procedures/regulations.

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHAIRMAN



..... Branch

STAFF ACCOUNTABILITY REPORT

No:

Date:

To

The Chief Executive Officer,
 The Kasaragod Co-operative Town Bank Ltd No. 970,
 Panduranga Temple Road,
 Head Office
 Kasaragod.

NAME OF THE ADVANCE ACCOUNT:

FACILITIES, LIMITS SANCTIONED & :

AMOUNTS OUTSTANDING

We advise the following details in respect of the above account:

1. Date of sanction :

2. Sanctioning authority :
(Name & Designation)

3. Date & Number of
Resolution :

4. Date of confirmation :

5. Position of Credit Facilities

to the above unit:-

Nature of A/c	Limit	DP	Balance as on
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6. Whether the unit is
still functioning : YES/NO.

7. Position of stocks with
value and date of the :

last stock statement

8. When it became
irregular for the
first time:

9. From which date the present irregularity is continuing:

10. Steps already taken for regularisation:

11. Total credits in various accounts during the last three years (Year wise):

12. Submission of stock statements (Give dates of submission for the last 12 months):

13. Whether the asset acquired with Bank finance is still in Borrower's possession. : YES/NO.

14. If "No",

25. when it was disposed:

25. action taken after the information was received:

15. If "Yes", the present market value of the asset : Rs.

16. Actions initiated to

regularise the A/c:

17. Details of unit inspection during the last 12 months:-

Name of the Official	Date of Observation	Comments/ Action

18. Details of personal contacts made:-

Name of the Whom Official contacted	Date of contact	Details of discussions

19. Details of collateral security

available and its realisable value :

20. Letters/registered letters/lawyer's notice served during the last 12 months with dates:

21. Reasons for the account becoming sticky:

22. Any reference/remarks made by the Internal Auditors including Concurrent Auditors, RBI Auditors etc., and date of the audit report:

23. Lapses on the part of any official/s with name/s:

Lapse	Officer/employee responsible	Emp.Code

24. Efforts taken to settle the dues out of court and its chances:

25. Recommendations on the future course of action:

Yours faithfully,

Signature:

Name of officer:

Employee code:

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LAPSE-PRONE AREAS TO BE LOOKED INTO BY INVESTIGATING OFFICERS WHILE CONDUCTING THE STAFF ACCOUNTABILITY STUDY (INVESTIGATION REPORT).

- Whether the advance had been properly recommended by the officers concerned.
- Whether proper sanction had been accorded by the competent authority, after proper credit appraisal as per the Bank's scheme.
- Whether the facilities sanctioned were well within the policy of the Bank prevailing at the time of sanction.
- Whether the required licenses/permits from the concerned authorities had been obtained and kept on record, before implementation.
- Whether pre-sanction and post-sanction inspections had been properly conducted in time.
- Whether all the terms and conditions of sanction had been complied with at the time of disbursal; deviation if any has been brought to the notice of sanctioning authority and got confirmed within a reasonable time.
- Whether creation of equitable mortgage/ first charge /second charge/ pari passu charge had been done properly.
- Whether margin required/ assessed for the project had been brought in by the borrower.
- Whether annual balance sheets had been obtained and verified with the transactions in the account; large variations if any were explained satisfactorily by the parties.
- i. Whether Letters of Credit and Bank Guarantees were issued for the specific purpose for which they are sanctioned and whether these were in the approved format. Did they contain any adverse clause jeopardising the interest of the Bank.
- .. Whether the terms and conditions of sanction were violated; if so, were they affecting the performance of the unit as a result of which the account slipped into NPA status; or whether they were only of minor nature.
- .. Whether inspections were properly conducted; adverse features, if any, were brought to the notice of the authorities concerned as and when observed.
- i. Whether excess drawings, if any permitted, were promptly reported to the Head Office and confirmation received thereon.
- i. Whether the discounting of bills/purchase of cheques were reflecting genuine transactions or indicative accommodative nature. Whether there were evidences of transportation of goods in case of bills discounted/purchased.
- i. Whether the devolvement of LCs were properly reported to the Head Office and the funds recovered as well as the disposal of goods covered under the LCs ensured. Whether future LCs were opened after devolvement of earlier LCs.
- i. Whether the bills discounted/purchased were drawn on associate/sister/group concerns as per terms of sanction. Were they promptly paid on earlier occasions. Whether opinion reports were obtained on the drawers of bills.
- i. Whether the party was accommodated in some way or other in the case of proposals declined earlier by the Head Office.

- 3. Whether instances of diversion of funds like transfer of amounts between associate/sister/group concerns were overlooked.
- 1. Whether stock statements were promptly obtained, scrutinised and drawings regulated.
- 1. Whether unpaid stocks especially stocks relating to Usance LC bills, etc., had been excluded while arriving at the drawing power.
- 1. Whether further drawings/purchases were made after an account became irregular. If so, what were the circumstance therefor and whether prior approvals/confirmations were received from Head Office.
- 1. Had the adverse features in the account come to the notice of the Head Office at any time? if so, what were the directions given by him to the branch?
- 1. Were the major lapses detectable by the auditor and, if so, the name/s of the internal auditor/ concurrent audit who failed to detect the same.

(The above list is not at all exhaustive but only illustrative in nature. The investigating officer has to consider other aspects also which are specific to each unit, industry, region, trade, etc.).

CHIEF EXECUTIVE OFFICER

DIRECTOR

DIRECTOR

CHAIRMAN