CVC on RBI in PNB Case

Click here to know on the PNB case

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Why in news?

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The Central Vigilance Commissioner has blamed the RBI for the Punjab National Bank (PNB) loan fraud.

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What is the concern highlighted by the CVC?

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- RBI had switched over from a periodic audit to a “risk-based” audit.
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- So instead of every year or every once in 2, 3 or 4 years, auditing is now conducted only when there is a financial risk involved.
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- To determine risk, they must have some parameters based on which auditing is done.
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- But as per CVC, there was “no apparent audit” by the central bank during the period of fraud.
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- Hence, how are the risk parameters determined and why did the PNB fraud case not come up for scrutiny are uncertain.
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What does the CVC call for?

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- CVC calls for a more robust auditing system in the banks.
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- It stressed that it was the responsibility of the banks to ensure that their business is conducted in a proper and ethical way.
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- On a bank’s role in checking frauds, there were “no timelines” when it comes to deeper decision making processes.
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- The CVC thus demanded for defined timelines.
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- It also proposed the need for strengthening the preventive vigilance mechanism, the guidelines and operating procedures.
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How did the CVC involve?

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- The CVC exercises superintendence over the CBI.
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- Notably, the CBI is now looking into the over Rs.13,000-crore Punjab National Bank fraud case.
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- Also, though RBI is a regulatory body, any lack of integrity on part of RBI would be looked at by the Central Vigilance Commission.
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Source: The Hindu

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Quick Fact

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Central Vigilance Commission

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- The Central Vigilance Commission (CVC) is an autonomous statutory body. It is free of control from any executive authority.
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- It is created to address governmental corruption and is charged with monitoring all vigilance activity under the Central Government of India.
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- The Commission shall consist of:
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i. a Central Vigilance Commissioner (CVC) - Chairperson
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ii. not more than two Vigilance Commissioners (VC) - Members
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- They are appointed by the President on the recommendation of a three member committee.
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- The committee consists of PM (as its head), the Union Minister of Home Affairs and the Leader of Opposition in the Lok Sabha.
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- They hold office for a term of 4 years or until they attain the age of 65, whichever is earlier, and are not eligible for further employment after their tenure.
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