

**CHAPTER VII**  
**CORE TREASURY**  
**SAVINGS BANK (TSB)**



## CHAPTER-VII

### CORE TREASURY SAVINGS BANK (TSB)

TSB provides facilities for both Savings Bank (SB) operations and Fixed Deposits. This application also handles the operation and maintenance of Personal Deposit (PD) accounts. However, TSB had deficiencies, such as non-migration of accounts from Treasury Information System (TIS) to TSB and the lack of system controls for closing inoperative PD accounts. Negative balances in many accounts, non-capturing of KYC details for accounts, deficiency in signature verification and absence of maker-checker process for transactions below ₹50,000 were noticed.

#### 7.1 Introduction

TSB Accounts are being maintained in the Treasuries in accordance with Rule 37(3) of Kerala Treasury Code. There are two categories of TSB accounts viz., Individual TSB accounts (Savings Bank accounts, Fixed Deposit accounts, Pensioners Savings Bank accounts, Employees Treasury Savings Bank accounts *etc.*) and Institutional TSB Accounts [Social Security Pension accounts, Special Treasury Savings Bank account (STSB), Treasury Public account (TPA), Plan Scheme TSB account (PSTSB) *etc.*]. Government employees open ETSB accounts to get their salary credited into their account and the Pensioners open PTSB account to get their pensions credited. Fixed Deposit (FD) account holders can open TSB account to get their interest credited automatically into their TSB Account.

The operation and maintenance of PD accounts are also done through TSB application. PD Accounts are in the nature of banking accounts which enable designated Drawing Officers to incur expenditure for specific purposes pertaining to a scheme.

The deficiencies noticed in the operation of TSB are detailed in succeeding paragraphs:

#### 7.2 Non-migration of Personal Deposit accounts from Treasury Information System to Treasury Savings Bank

Rule 282(5)(d) of Kerala Financial Code Vol.I provides that the Administrators (deposit holders) of personal accounts should close the Personal Deposit (PD) Accounts at the end of the financial year and credit the unspent balances back to the Consolidated Fund under the expenditure Heads of Accounts concerned. However, if any PD accounts are not operated for a period of three completed financial years the same shall be closed.

Before the evolution of TSB System in 2016, PD accounts were maintained in the then standalone Treasury Information System (TIS). The PD accounts maintained in TIS needed to be migrated to the new TSB system. However, Audit noticed that non-migrated PD Accounts including deposits of

educational institutions existed even after eight years, in test-checked Treasuries.

From the details made available to Audit by Directorate of Treasuries (January 2023), in four District Treasuries, out of six selected District Treasuries, there exists non-migrated personal deposit accounts which were non-operational from the year 2000 onwards. Details of the PD accounts which were not migrated to the TSB amounting to ₹9.62 crore are detailed in **Appendix - 7.1**.

Government stated (March 2023) that a team have been constituted to speed up the process of rectifying the defects existing in PD accounts and efforts are in progress. Government further stated (November 2024) that the evaluation process of reconciliation has already been started and reviewed at the Directorate level at regular intervals.

#### **Recommendation No. 31**

Government should take necessary action to reconcile and migrate data to TSB in a time-bound manner.

### **7.3 Non-updation of ‘Know Your Customer’ details in Treasury Savings Bank**

The RBI has issued guidelines as part of ‘Know Your Customer’ (KYC) principle relating to identification of depositors and advised the banks to put in place systems and procedures to help control financial frauds, identify money laundering and suspicious activities, and for scrutiny/ monitoring of large value cash transactions.

KYC is essential for verifying individuals or corporations for opening accounts. Officially valid documents for KYC purpose include passport, driving licence, voters’ ID card, PAN card, Aadhaar issued by UIDAI and job card issued by NREGA signed by a State Government official.

Audit noticed that the master table in the CoreTSB database contains 19,11,074 unique customer IDs, along with three key columns to record essential KYC details: ID card, Aadhaar, and PAN. Data analysis revealed that KYC details were missing for 5,98,498 customers (31 *per cent*). Further, it was observed that there was duplication of values, junk values *etc.*, in Aadhaar and PAN as given in **Table 7.1**.

**Table 7.1**  
**Details of customers linked with Aadhar and PAN**

Description	Aadhaar	PAN
No. of customers having	8,98,907	11,50,171
No. of customers having unique and proper	8,42,693	9,77,775
No. of customers having duplicate values	56,085	1,28,451

Description	Aadhaar	PAN
No. of customers having junk values	129	43,945

(Source: CoreTSB database).

Analysis also revealed that:

- 27,025 number of Aadhaar numbers were repeated for 56,085 customers. For instance, a number '999999999999' is repeated 373 times. Also, there were 129 junk values in these columns.
- 56,874 PANs were repeated for 1,28,451 customers. Also, there were 43,945 number of customers with junk value for PANs.

The reports generated from the TSB system also indicate that customer KYC details are not completely updated. There was no mechanism in place for periodic updation of KYC as well as for categorisation of customers based on risk associated.

Government stated (March 2023) that Aadhaar based e-KYC updation for TSB customers is in development stage. Government further stated (November 2024) that the progress of updation of the same is reviewed on a monthly basis at the Directorate level.

#### **Recommendation No. 32**

Government should initiate action to mandatorily update the KYC details of customers in TSB system.

### **7.4 Passing of cheques without signature verification**

In core banking, a Customer ID is a unique identifier assigned to each customer, enabling the system to consolidate and manage all accounts, transactions, and services related to that customer under a single profile. This ensures accurate record-keeping and reporting against individual customers.

Further, every TSB account holder is eligible to operate his account using cheques issued to him. The cheque being a bearer instrument could be issued to anyone the account holder wishes and the bearer can encash it from the counter in the treasury. The primary evidence proving the authenticity of the cheque is that it is being properly signed by the account holder.

Audit scrutinised cheque based transactions data regarding Savings Bank (SB) and pensioner SB account types for the period 2016-17 to 2022-23 and noticed that out of 19,11,074 unique Customer IDs generated, additional details consisting of photo and signature against Customer IDs were available only for 9,93,895. Among these, photos were not available in 60,162 cases and signatures were not available in 24,800 cases. On verification of the cheque passing functionality in TSB system, Audit observed that the space provided for showing signature in system was very

small and it was impossible to verify the details of the signature with such a small portion provided on screen.

Audit identified cases where the processing of cheques was done without proper signature verification as detailed in **Appendix 7.2**.

Analysis revealed that:

- Out of 3,01,71,498 number of cheque transactions, signatures were not verified in 94,30,119 number of transactions.
- There were 7,95,535 number of cheque transactions passed in the bank amounting to ₹18,291.36 crore with no signature available in the database.

Government stated (November 2024) that strict instructions have been issued to all treasury officers to verify the existing signature and update the missing, if any, after collecting fresh KYC form. All internal inspection teams have been instructed to monitor this procedure in their inspections as an item. It was also stated that size and clarity of scanned image will be increased in the upcoming version of the proposed TSB 2.0.

#### **Recommendation No. 33**

Government should update the system by making it mandatory to capture the signature of all customers in the database and ensure that cheques are passed only after verification against signature captured.

### **7.5 Absence of Maker-Checker process for transactions below ₹50,000**

Maker-Checker is a control that requires two separate people to authorize a transaction. The first official is responsible for creating the request (known as the maker), while the second official checks and approves the activity (known as the checker). This process helps to protect banking business and also employees from making unintended errors or deviating from process. Once Maker-Checker has been enabled, all eligible maker transactions performed will be transferred to a pre-selected pool of checkers for authorisation.

Audit observed that in TSB, no maker-checker exists for transactions below ₹50,000. The teller being the maker also authorises the payment thereby acting as the checker too. This payment is never checked or verified again in the system to ascertain the correctness of payments.

During the period 2016-17 to 2022-23, there were 2,61,53,918 number of cheque transactions amounting to ₹53,989.39 crore under ₹50,000. Out of these, 6,77,159 transactions amounting to ₹1,259.58 crore were authorized without a signature being available in the system for verification as detailed in **Appendix 7.3**.

Government stated (March 2023 and November 2024) that although the maker is passing the cheque and making payment, the instruments are again verified by the Savings Bank passing officer after the payment is over and before doing the day close activities. Also, during the compilation of monthly accounts thorough checking is done in each treasuries and in District Treasuries.

The reply is not tenable as the system is not enabled for maker-checker process for amounts below ₹50,000. Government's contention that the instruments are again verified by the passing officer after the payment is over is of no consequence as the payment has already been effected.

#### **Recommendation No. 34**

Government should initiate action to enable maker-checker process for transactions below ₹50,000 in TSB system to prevent unauthorised or fraudulent transactions.

### **7.6 Non-adherence of RBI directions on validity of cheques**

In exercise of the powers conferred by Section 35A of the Banking Regulation Act, 1949, Reserve Bank directs that starting from 01 April 2012, banks are not allowed to pay cheques, drafts, pay orders, or banker's cheques that are presented more than three months after the date on the instrument.

On verification of cheque based transactions of all types of accounts in TSB for the period 2016-17 to 2022-23, Audit observed that out of 3,71,58,824 cheque transactions, 3,157 number of cheques were honoured after the validity period of three months and 53 cheques were honoured after a year.

This indicates that RBI direction on validity of cheques is not incorporated in the TSB applications which led to acceptance of expired cheques undermining the reliability and integrity of the TSB's cheque processing system.

Government stated (November 2024) that strict instructions were issued to all the Treasury Officers to avoid passing of time barred instruments.

The reply is not tenable as the system should primarily be equipped with functionality to prevent passing of time barred instruments.

### **7.7 Lack of validation control resulted in negative balance in various accounts**

On scrutiny of the CoreTSB database, Audit observed that 3,136 numbers of TSB accounts were seen transacting with negative balance for the period from 2016-17 to 2022-23 as detailed in **Appendix - 7.4**. It was seen that the negative figures varies from (-)1,02,53,77,000 to (-)3.

The type-wise split-up details of negative figures in TSB accounts is detailed in **Appendix - 7.5**. Further, verification of TSB accounts for the last working

day of the financial year for the audit period, revealed that 31 accounts as detailed in **Appendix - 7.6** transacted in negative balances on that particular day.

Failure in proper testing of applications before deployment and absence of proper acceptance testing of applications were detailed in Paragraph 2.9 of this Report.

Government stated (November 2024) that a provision is made available to block the negative balances in all types of accounts now. This error happened due to the corrections made in accounts. These type corrections are also restricted now.

**Recommendation No. 35**

Government should implement measures to prevent negative balances in TSB accounts in order to curb fraudulent transactions and proper testing needs to be conducted to ensure the same.

**7.8 Lack of system control for the operations of Personal Deposit accounts and closure of inoperative accounts**

Audit observed that as on 31 March 2023, there were balances amounting to ₹7.72 crore remaining unspent in 107 PD Accounts under the Head 8443-00-106. However, treasuries did not take any action under Rule 282(5)(d) of Kerala Financial Code, to credit the unspent balances back to the consolidated fund. Out of the 107 PD Accounts, it was noticed that 26 PD Accounts amounting to ₹1.31 crore were inoperative for more than three years as detailed in **Appendix - 7.7**.

Audit observed that no system control exists in the Treasury modules to generate reports about the PD account balance going to be lapsed. Separate module in IFMS-K for the operation of PD accounts was also not available.

Government stated (March 2023) that the Department will explore the possibility of designing a new module exclusively for the operation of PD accounts and necessary provision will be enabled.

However, Government had already envisaged a module for the operation of PD accounts in the approved FRS. As the requirements in FRS were not tracked through the review meetings, the functionality is not developed for managing the PD accounts.

Government stated (November 2024) that modifications are expected to be hosted with upcoming version.

**Recommendation No. 36**

Government should initiate action to specifically accommodate all the operations of PD accounts in IFMS-K.



## **7.9 Incorrect resumption of funds from TSB Accounts to common head of account**

As per para 3.10 of General Directions contained in List of Major and Minor Heads (LMMH) of Controller General of Accounts, recoveries of overpayments pertaining to previous year/ years under revenue expenditure are to be recorded under distinct Minor Head (Deduct Recoveries of Overpayments) below the concerned major/ sub major head from where the expenditure was initially incurred.

Audit observed that during the period 2017-18 to 2022-23, the resumed funds pertaining to revenue expenditure heads were credited to a common head of account (2075-00-911-Deduct Recoveries of Overpayments), instead of crediting to concerned heads from where the expenditures were initially incurred.

During 2022-23, ₹6,243 crore was resumed into the common head of account and the reason for not crediting to the concerned heads of account was stated as inability to identify heads of account from where original debit was made as the TSB system is not modified to capture the revenue/ capital expenditure head of account to which the resumed amount is to be credited.

Government stated (November 2024) that the modifications are expected to be hosted with upcoming version.

### **Recommendation No. 37**

Government should update the TSB module, so that on resumption the amounts are credited to the concerned heads of account from where the expenditure was initially incurred.

