**SONATA FINANCE PRIVATE LIMITED**

**Fraud Investigation Summary Audit Report**

Branch Name: **Fatehpur**

Division Name: **Prayagraj**

Region Name: **Kanpur**

JLG Head: **Mr. Vinay Singh**

Deputy Head: **Mr. Manoj Singh**

Zonal Head: **Mr. Satyaprakash Yadav**

Divisional Head: **Mr. Rakesh Chaudhary**

Regional Head: **Mr. Shiv Bahadur**

Hub In-charge: **Mr. Bansidhar Maurya**

Branch Manager: **Mr. Uttara Singh**

Reporting Day: **20-12-2021**

**Fraud Investigation Executive Summary Audit Report of Fatehpur Branch**

Sir,

During Fatehpur branch visit, while conducting in depth study of records and investigating them it has been came into our notice that a fraud activity is done by;

**Mr. Uttara Singh (Branch manager)**

**Mr. Sajid Ali (BRO)**

**Mr. Aashiq Kumar (BRO)**

All the three of above-mentioned staffs have prepared fake documents and misused the bank details of total **24** members to embezzlement **Rs. 13,42,000** from their respective accounts.

When the matter came into light, all the records were inspected by surprise inspection in the presence of other supervisors, in which it was found that the damage to Sonata was done by the mutual connivance of Branch manager **Uttara Singh** and BRO **Sajid Ali** and BRO **Ashiq Kumar** by luring the members, taking their account details and transferring money to their account in the form of loan, after withdrawing money from the account of all those members, they used the money themselves and keep on paying the installments of all those members so that **Sonata Finance Private Limited** does not get information about the fraud done by them.

**Details of the Fraud activity conducted are as follows:**

* **Fraud done by Mr. Uttara Singh (Branch Manager)**

Mr. Uttara Singh, S/o Mr. Sant Bahadur Singh, R/o Village Gudra, Post Hinduabad, Thana Kadipur, District Sultanpur was working at the Fatehpur branch as Branch manager. For his selfish motives he along with his two downline staffs BRO **Sajid Ali** and BRO **Ashiq Kumar,** prepared fake documents of some members and some of their relatives and after that they have misused the bank account details. He has approved the loan and after disbursement, he asked the members to withdraw the money from their accounts and took the entire amount from them to utilize it for his personal purpose. He timely paid the installments of all those people with the intention of not getting caughtwhile doing such fraud activity.

Branch Manager Uttara Singh has transferred loan in account of people of his acquaintance and personal relation. The details of such persons are as follows:

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S. No.** | **Client ID** | **Clients Name** | **Husband Name** | **Loan Amount** | **Disbursement date** | **Bank Name** | **Account Number** | **IFSC Code** |
| 1. | 283:37 | Poonam Singh | Ram Singh | 79275 | 07.09.2021 | Baroda Uttar Pradesh Gramin Bank | 57420100006975 | BARB0BUPGBX |
| 2. | 283:39 | Pushpa | Ram Ratan | 79275 | 08.10.2021 | Baroda Uttar Pradesh Gramin Bank | 41463208000749 | BARB0BUPGBX |
| 3. | 283.38 | Bhanumati | Chandra Lal | 79275 | 30.09.21 | Baroda Uttar Pradesh Gramin Bank | 51310100027318 | BARB0BUPGBX |
|  |  |  | Total Amount | 2,37,825 |  |  |  |  |

**Recovery done from Mr. Uttara Singh (Branch Manager)**

When the matter came into notice of Company during the investigation, the branch manager was questioned and investigated, then the branch manager Mr. Uttara Singh admitted that yes, we wrongly deposited money in the bank account of our relatives in the form of loan. In lieu of which branch manager Uttara Singh deposited money through his father in Sonata's Bank of Baroda Lucknow account with a total amount of **Rs 208821**.

The details of transaction are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Bank Name** | **Amount** | **Bank Account Number** |
| 27.10.2021 | Bank of Baroda | 20000 | 36500200000028 |
| 27.10.2021 | Bank of Baroda | 60000 | 36500200000028 |
| 27.10.2021 | UPI Google Pay (UCO Bank) | 50000 | 36500200000028 |
| 27.10.2021 | UPI Google Pay (UCO Bank) | 20000 | 36500200000028 |
| 27.10.2021 | HDFC bank Self Uttara Singh | 3852 | 36500200000028 |
| 27.10.2021 | Cash Payment | 4969 | Clients Instalment |
| 27.10.2021 | Bank of Baroda | 50000 | 36500200000028 |
|  | Total Amount | 2,08,821 |  |

* **Details of Fraud done by BRO Aashiq Kumar**

Mr. Aashiq Kumar, S/o Mr. Bal Krishna, R/o Bhattakothi, Malou, Thana Chaubeypur, Kanpur, Uttar Pradesh, he was working as Branch Relationship Officer. By colluding with the Branch Manager, taking documents and Account details from 11 members, fraudulently adding them to group. Later, he got all the loans approved by Branch manager and transferred funds in the form of loans to the bank accounts of all these members. When the loan amount was disbursed to their accounts then he asked them to withdraw the amount and took the entire amount for his own use. He kept on depositing the instalments timely so that his fraudulent activity does not come into notice of Company.

**Following are the Account details of members in which the fund was transferred:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S.No.** | **Centre ID** | **Clients Name** | **Husband Name** | **Loan Amount** | **Disbursed Date** | **Bank Name** | **Account number** | **IFSC Code** |
| 1 | 147:053 | Maya devi | Prem Chandra | **63340** | 07.09.21 | Baroda Uttar Pradesh Gramin Bank | 51680100000443 | BARB0BUPGBX |
| 2 | 353:002 | Sangeeta | Bharat | **50760** | 05.08.21 | State Bank of India | 38870251906 | SBIN0009338 |
| 3 | 353:004 | Sunita | Ram charan | **50760** | 14.07.21 | State Bank of India | 38870528200 | SBIN0009338 |
| 4 | 353:005 | Bhuliya | Lalchandra | **50760** | 16.07.21 | State Bank of India | 30476632253 | SBIN0009338 |
| 5 | 298:037 | Sanno | Ashlam | **63585** | 20.05.21 | Baroda Uttar Pradesh Gramin Bank | 54170100019419 | BARB0BUPGBX |
| 6 | 380:018 | Ganga devi | Kamlesh | **50670** | 11.08.21 | Baroda Uttar Pradesh Gramin Bank | 54260100011450 | BARB0BUPGBX |
| 7 | 380:019 | Ram devi | Ram karan | **50670** | 28.07.21 | Bank of Baroda | 08658100006123 | BARB0MALWAN |
| 8 | 380:020 | Radha devi | Shiv raj | **50670** | 05.08.21 | Baroda Uttar Pradesh Gramin Bank | 54260100014057 | BARB0BUPGBX |
| 9 | 380:014 | Farjana | Mukhveel | **50670** | 02.06.21 | Baroda Uttar Pradesh Gramin Bank | 517101000033895 | BARB0BUPGBX |
| 10 | 089:039 | Nasreen Khan | Naushad | **50870** | 12.06.21 | Bank of India | 696510110005201 | BKID0006965 |
| 11 | 149:041 | Mamta | Rajkumar | **63340** | 14.06.21 | Baroda Uttar Pradesh Gramin Bank | 57420100001722 | BARB0BUPGBX |
|  |  |  | **Total Amount** | **5,96,095** |  |  |  |  |

While conducting the surprise inspection of centers handled by Aashiq Kumar there were 11 members from whose account he embezzled money. He accepted that he fraudulently transferred the funds to the members account and then utilized it himself. Aashiq Kumar agreed to deposit the amount taken by him in Company’s account.

The details of the money deposited by him are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Date** | **Payment Mode** | **Amount** | **Branch** |
| 02.11.2021 | By Cash | 60907 | Cash deposit Kakadev Branch |
| 09.11.2021 | By Cash | 46537 | Cash deposit Chaubeypur Branch |
| 10.11.2021 | By Cash | 43145 | Cash deposit Chaubeypur Branch |
| 10.11.2021 | By Cash | 03 | Coins Deposit |
|  | **Total** | **1,50,592** |  |

* **Details of Fraud done by BRO Sajid Ali**

Mr. Sajid Ali, S/o Mr. Abid Ali, R/o Tigain, Akbarpur, Kanpur Dehat, Uttar Pradesh, was working with Sonata Finance Pvt. Ltd. as Business Relationship Officer. Sajid Ali made a total financial movement of Rs 5,08,080, by adding 10 fake members at some of his centers. By giving bank account details of members and preparing fake documents and after getting the loan sanctioned from branch manager, money was transferred in the form of loan to members' account. And after transferring the loan, called all those members at their respective bank’s branch, asked them withdraw money from their accounts and the staff used the money for their personal use. He kept on depositing instalments timely in the Company’s account so that no one would know the fraud done by him.

**Following are the Account details of members provided by Sajid Ali in which the fund was transferred:**

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| **S.No.** | **Centre ID** | **Clients Name** | **Husband Name** | **Loan Amount** | **Disbursed Date** | **Bank Name** | **Account number** | **IFSC Code** |
| 1. | 267:031 | Malti | Vikash | 50870 | 14.06.21 | Baroda Uttar Pradesh Gramin Bank | 57420100001722 | BARB0BUPGBX |
| 2. | 267:032 | Manika | Mahesh Chandra | 50870 | 03.07.21 | Baroda Uttar Pradesh Gramin Bank | 50890100035137 | BARB0BUPGBX |
| 3. | 267:033 | Saheen | Gulam | 50870 | 18.06.21 | Bank of Baroda | 58338100000780 | BARB0NAUWAB |
| 4. | 341:009 | Alama khan | Rafik khan | 50670 | 24.09.21 | Union Bank of India | 593102010005347 | UBIN0559318 |
| 5. | 224:009 | Farjana | Abdul | 50870 | 02.06.21 | Baroda Uttar Pradesh Gramin Bank | 51710100033895 | BARB0BUPGBX |
| 6. | 224:031 | Chand tara | Salim | 50870 | 02.06.21 | Baroda Uttar Pradesh Gramin Bank | 51710100034176 | BARB0BUPGBX |
| 7. | 098:035 | Sabiya | Sharikh | 50670 | 19.07.21 | Baroda Uttar Pradesh Gramin Bank | 54170100018595 | BARB0BUPGBX |
| 8. | 98:026 | Tabassum | Shameem | 50870 | 03.07.21 | Bank of Baroda | 05660100038039 | BARB0FATEHP |
| 9. | 344:019 | Darshaniya | Surju pal | 50760 | 09.07.21 | Baroda Uttar Pradesh Gramin Bank | 54260100006518 | BARB0BUPGBX |
| 10. | 344:022 | Kailashiya | Ram Nath | 50760 | 05.08.21 | Baroda Uttar Pradesh Gramin Bank | 54260100001822 | BARB0BUPGBX |
|  |  |  | **Total** | **5,08,080** |  |  |  |  |

**Problems related to Records**

* + - All the records related to fraud were studied in which it was found that no document of any kind was found in the branch and file of the 24 members who have been disbursed fraudulently, such as Adding Form, GRT Form, BLDF, MGA Form, PPI Form, Client Consent Form, Join Photo Graphs, KYC of Members, Aadhar Card, Voter ID Card, all such necessary documents should be in the branch but no document was found during the audit.
    - Loan proposal, DP note, loan agreement, cash flow and insurance form of all those 24 members were not found there at the branch who were disbursed fraudulently with the consent of branch manager and staffs.
    - The members to whom loan was disbursed were not called to the office, but with the mutual connivance of Branch Manager Uttara Singh, Business Relationship Officer Sajid Ali and Aashiq Kumar, taking their bank passbook, disbursed loans to those 24 members.
* During the investigation, it was found that the names of all the 24 members to whom the loan has been disbursed are not mentioned in the Centralized Loan Disbursement Register.

**Problems related to MIS**

During investigation problems relate to MIS came out and they are as follows:

* In this case, the loan disbursed in the first cycle was up to a maximum of Rs 79275 and a minimum of Rs 50870 as shown in MIS but according to the policy there is capping of Rs. 30,000 for the first cycle of loan. The branch manager and staff, in connivance with each other, went away on their own by disbursing a large amount of loans to a total of 24 members.
* In the CDS of the weekly center meeting, the loan has been disbursed to the amount of the fortnightly loan product, while it should also be prohibited here that the fortnightly loan should not be disbursed in the weekly center meeting at that center when that center is weekly and not fortnightly.
* The branch manager and both the staff have very cleverly disbursed loans to those centers which is the defaulter center and no center meeting is conducted there. Large amount of loans was disbursed on those centers.
* During the conversation, the branch manager and staff themselves confessed that they used to take OTP on their mobiles only and after disbursing the loan, they used to update the mobile number of any naive member of that center, so that if a call is made to the same center for verification, then the verification of the concerned member can be done from that center itself. For this reason, when the supervisor used to call for loan verification, the call gets connected to some other client of same center, due to which the supervisor gets convinced and sure that the money has been transferred to the member's account and the member herself used to accept it because the staff had motivated all those members very well by doing some transactions.
* During the investigation it was found that after disbursing the loan, the branch manager used to delete all those customer's KYC like Aadhar card, Voter ID card and other details from MIS.
* The staff used to upload only those images in MIS in which member's bank passbook showing only the member's name and account number was cropped on the mobile and uploaded. After disbursing the loan, he used to delete the KYC of all those fake members from MIS, and upload some other image such as the image of a blanket, an image of a document and an image of a bedsheet and this was accepted by the branch manager himself. He also added that they have done this for the very first time with one customer and when they were successful with that customer, they went ahead because there was no capping in MIS.
* During investigation at some centers, it has been found that the loan has been disbursed by transferring the customer of one center to another center so that the customer cannot be traced, this type of work is done by the branch manager and both the staff together.
* During branch visit it was found that fake loan disbursement was made to 24 customers. When the details of such customers were checked in MIS then it came into knowledge that data of only 4 customers was there in MIS, all the rest have been deleted. No KYC of any customer was uploaded in MIS.

**Other Observations**

* Joining date of Business Relationship Officer Sajid Ali was November 14, 2017 and he was continuously working at Fatehpur branch till 2021, he should have been transferred in every 2 years according to the policy but this was not done by operations.
* A case of financial irregularities came to light for Branch Manager **Uttara Singh** in August 2020 (Branch Mankapur Region Faizabad) due to which the operation team transferred him from Faizabad to Fatehpur branch of Kanpur region. After working for a few days, he repeated the same practice that happened in Faizabad 5 years ago because at that time he was working in the Faizabad region.
* No visit of operation supervisor, credit team, audit team was there at all the centers where new loans were disbursed, due to which the matter was not caught and the staff and manager together carried out the incident of financial fraud.

**Recommendation**

While recovering the balance amount of fraud committed by all three Uttara Singh, Aashiq Kumar and Sajid Ali till date 15.11.21, it is very necessary to register a case against them. Details of amount recovered from all the three staffs are as follows:

|  |  |  |  |
| --- | --- | --- | --- |
| **Staff Name** | **Fraud Amount** | **Recovered amount** | **Balance Amount** |
| BM- Uttara Singh | 237825 | 208821 | 29004 |
| BRO - Ashik Kumar | 596095 | 150592 | 445503 |
| BRO - Sajid Ali | 508080 | Nil | 508080 |
| **Total** | **1342000** | **359413** | **982587** |

Mukesh Kumar Verma

Internal Audit Department

**Sonata Finance Pivate Limited**