Audit Report on KAROR PACCA

Audit Period Year 2022

Version: Draft

Audit Observations

Memo No : 1

AML/CFT ALERT! INCONSISTANT TRANSACTION WITH CUSTOMER PROFILE. **Account Title; Zia Ur Rehman** **Account No. 20220101136338** Audit has observed that branch has not monitored unusual pattern transactions or Cash transactions exceeding 2.0 million as required under Regulation-4 of AML/CFT nor has kept the record of such transactions including the results of any analysis under taken. It is also the violation of ZTBL Head office instructions contained in Circular letter No. OD/BD&MD/BDU/11/2012 dated 15.11.2012 & Circular Letter No. OD/BD&MD/BDU/01/2014/1579 dated 22.05.2014. This omission on the part of branches may sustain SBP penalties at belated stage. This is to remind the branch, any such transactions even below Rupees one Million which are inconsistent with business professional status of the customer are of unusual pattern/nature the same shall be critically reviewed and reported as Suspicious Transaction to Zonal Chief as well as to above-mentioned Office, immediately.	

Following unusual pattern of transaction has been observed by the audit of below-mentioned Account Holder	

Account Title; Zia Ur Rehman
Account No. 20222010136338

Date	Particular	Dr Amount	Cr Amount	Bal
30-Dec-21	Cash Deposit Deposit Slip#1637875		500	500
31-Dec-21	Fed/Provincial Sales Tax Services (Acct) Voucher#1	20		480
31-Dec-21	Issue Check Book With Charges Voucher#1	125		355
31-Dec-21	Cash Deposit Deposit Slip#1637884		1,000,000.00	1,0
31-Dec-21	Cash Deposit Deposit Slip#1637885		1,000,000.00	2,0
31-Dec-21	Cash Deposit Deposit Slip#1637878		1,000,000.00	3,0
31-Dec-21	Cash Deposit Deposit Slip#1637877		1,000,000.00	4,0
31-Dec-21	Cash Deposit Deposit Slip#1637886		1,000,000.00	5,0
31-Dec-21	Cash Deposit Deposit Slip#1637879		1,000,000.00	6,0
31-Dec-21	Cash Deposit Deposit Slip#1637880		1,000,000.00	7,0
31-Dec-21	Cash Deposit Deposit Slip#1637881		1,000,000.00	8,0
31-Dec-21	Cash Deposit Deposit Slip#1637882		1,000,000.00	9,0
31-Dec-21	Cash Deposit Deposit Slip#1637883		1,000,000.00	10,
04-Jan-22	Issue Check Book With Charges Voucher#20220104-3	50		10,
04-Jan-22	Fed/Provincial Sales Tax Services (Acct) Voucher#20220104-3	8		10,
04-Jan-22	Cash Withdrawal Cheque#2786442	1,000,000.00		9,0
04-Jan-22	Cash Withdrawal Cheque#2786443	1,000,000.00		8,0
04-Jan-22	Cash Withdrawal Cheque#2786444	1,000,000.00		7,0
04-Jan-22	Cash Withdrawal Cheque#2786445	1,000,000.00		6,0
04-Jan-22	Cash Withdrawal Cheque#2786446	1,000,000.00		5,0
04-Jan-22	Cash Withdrawal Cheque#2786447	1,000,000.00		4,0
04-Jan-22	Cash Withdrawal Cheque#2786448	1,000,000.00		3,0
04-Jan-22	Cash Withdrawal Cheque#2786449	1,000,000.00		2,0
04-Jan-22	Cash Withdrawal Cheque#2786450	1,000,000.00		1,0
06-Jan-22	Cash Withdrawal Cheque#12993026	1,000,000.00		297

Aftermaths of not reporting of transaction:

- For non-disclosure or false submission of information, one shall be liable for imprisonment up to 5 years and fi
- In case of informing a client about reporting transaction as suspicious, one shall be liable for imprisonment up t

Branch is advised to provide the following of the above-mentioned account Holder

- ***Nature of Business/Occupation/Profession of Account Holder***
- ***Source of funds***

Please confirm branch has carried out appropriate due diligence before executing the transaction and KYC's m

Similar position is with below given Accounts

Account No	Account Title	CNIC	Account Type
20222020200211	RANA MUHAMMAD AJMAL	3620261542745	PLS ACCOUNT
20222020200196	MUHAMMAD QASEER KHAN	3620266001275	PLS ACCOUNT

Responsible;
Qaiser Noor **AMO**
Hafiz Muhammad Sajid **Manager**

Auditee Reply

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Memo No : 2

EXTENSION OF LOANS WITHOUT CUSTOMER'S CREDENTIALS VERIFICATION THROUGH BIO-METRICS IN THE BRANCH.

According to the instructions contained in Circular No. OD/CVD/18/2017 dated 13.10.2017, "While entertaining every new customer for opening of his/ her account for depository business / extending Agriculture finance and for renewal of existing business relationship, the Customer's credentials should be verified through Bio-Metric system already installed in all Branches of ZTBL". It is applicable to all customers (irrespective of nature and currency of account) whose identity documents are biometrically verifiable from NADRA.

The verification of identity of customers using NADRA Verisys shall continue to be permissible in cases where verification cannot be done through biometric due to genuine reasons or technical issues. Now vide Circular Letter No. OD/CVD/01/2018 dated 02.03.2018, it has been directed to arrange Bio-Metric verification of all the existing customers/ borrowers at least up to 30th April-2018

Therefore, all field functionaries are strictly advised for adherence of above instructions regarding implementation of Bio-metric verification system. Branch Officials will personally be held responsible for noncompliance of stated instructions.

Contrary to the above mentioned all instructions as on **05.09.2022 there are 598 (General 09 + SAM Loans 589) customers** of the Branch are not yet verified through bio-metric. The Branch is advised to arrange compliance within stipulated period

Auditee Reply

Observation of MEMO 2 responded

Memo No : 3

UPDATION OF CDD OF EXISTING CUSTOMER **E-KYC OF DEPOSIT ACCOUNTS NOT** **RECORDED IN CDMS** ***Circular No. C&ICRFD/01/2022/98 Dated 08.02.2022*** In order to strengthen control environment, comply with SBP regulations and to mitigate risks while continuing the relationships with the customer at the time of opening of Account, it is mandatory requirement that following information of Account Holder should be filled in CDMS along with documentary evidences (wherever required); • Is account holder PEP • Income Range of Account Holder • No. of transactions (Monthly) • FACTA applicability • CRS Applicability • Account Mandate. On security of following Deposit Accounts into information System, above-mentioned information of		

Account Holder is not incorporated / filled in CDMS (Data Fields are left Blank) however, the customers are remained in relationship. ***<u>The branch is advised to please remove the discrepancies/ shortcomings as mentioned above under intimation to audit.</u>***		

Sr.	CNIC	CUSTOMERNAME	OLDACCOUNTNO	ACCOUNTTITLE
1.	3620205351913	MUHAMMAD RAMZAN	20222010013829	MUHAMMAD RAMZAN
2.	3620209152521	MUHAMMAD ALI	20222120000129	MUHAMMAD ALI
3.	3620209340667	FAQEER MUHAMMAD	20222010012944	FAQIR MUHAMMAD
4.	3620220143931	MUHAMMAD SADIQUE AKBAR	20222010136247	MUHAMMAD SADIQU
5.	3620221763157	RANA MUHAMMAD WASEEM	20222010136063	MUHAMMAD WASEEM
6.	3620266581995	MUHAMMAD SHAREEF	20222010012451	MUHAMMAD SHARIF
7.	3620269211537	KAREEM ALLAH KHAN	20222010136301	KAREEM ALLAH KHA
8.	3620291695287	UMER FAROOQ	20222010136247	MUHAMMAD SADIQU

Auditee Reply

Memo No : 4

<u>EXCESS CASH HOLDING / KEPT WITH BANKER.</u>

In the light of HO instructions contained in Circular letter No. OD / BD&MD/04/2017 dated 11.08.2017, cash limits of the branches have been revised according to average deposit range. According to given criteria, cash limit with the Banker (ABL) comes to Rs.3.000 (M) whereas the branch has retained cash with the banker over and above the prescribed limit on under noted dates by violating the H.O instructions mentioned above. Branch is advised to get it regularized from competent authority: -
instances are appendix below: -

Branch is advised to get the matter regularized from H.O

S.NO	DATE	LIMIT (M)	Bank Balance (M)	EXCESS (M)
1	14.07.2021	3.000	11.160	8.160
2	19.07.2021	3.000	5.160	2.160
3	02.08.2021	3.000	8.160	5.160
4	04.08.2021	3.000	5.460	2.460
5	23.08.2021	3.000	10.955	7.955
6	23.09.2021	3.000	14.001	11.001
7	29.10.2021	3.000	17.644	14.644
8	02.11.2021	3.000	18.144	15.144
9	19.11.2021	3.000	10.669	7.669
10	27.12.2021	3.000	27.992	24.992
11	31.12.2021	3.000	47.174	44.174
12	17.01.2022	3.000	5.968	2.968

13	31.01.2022	3.000	12.868	9.868
14	28.02.2022	3.000	10.706	7.706
15	22.04.2022	3.000	11.085	8.085
16	24.05.2022	3.000	16.409	13.409
17	10.06.2022	3.000	6.394	3.394
18	30.06.2022	3.000	3.016	0.016
	Total	**54.000**	**242.965**	**188.965**

Auditee Reply

Memo No : 5

CASH CARRIED OVER AND ABOVE LIMIT. During scrutiny of vouchers for the period under review, it has been observed that field functionaries carried cash more than the authorized limit of Rs.200000/- as instructed vide Para No.1.54.2 of Accounts Manual that recovery should not exceed Rs.200000/- of one time, but the field functionaries obtained recovery over and above the prescribed limit. In this regard field staff violated the bank's instructions contained in UO note No.BD & MD/BDU/ICC/3(59)/2010 dated 03.06.2010.and audit circular letter No. Audit/P&C/16(3)/2003 dated 03.01.2004. Branch is advised to get it regularized from the concerned quarter. Branch is advised to get it regularized from the competent authority.

Sr. No	Date	Receipt Book No	Receipt No	Recovery Amount	Excess Amount	MCO
1	17.12.2021	81145	8	440,000	240,000	Muhammad Kamran
2	23.04.2022	81145	17	250,000	50,000	Muhammad Kamran
3	20.05.2022	81145	20	224,886	24,886	Muhammad Kamran
4	08.07.2021	81146	10	255,000	55,000	Hafiz Muhammad Sajid
5	30.07.2021	81146	12	532,978	332,978	Hafiz Muhammad Sajid
6	05.08.2021	81146	16	363,100	163,100	Hafiz Muhammad Sajid
7	29.07.2021	81148	1	300,000	100,000	Musharraf Waseem
8	30.12.2021	81149	8	296,400	96,400	Hafiz Muhammad Sajid
9	24.02.2022	81149	11	1,999,578	1,799,578	Hafiz Muhammad Sajid
10	18.06.2022	81149	25	384,064	184,064	Hafiz Muhammad Sajid
11	29.12.2021	81150	21	337,750	137,750	Muhammad Yousaf Bashir
12	30.12.2021	81150	22	1,515,100	1,315,100	Muhammad Yousaf Bashir
13	16.05.2022	107382	10	787,222	587,222	Ejaz Hussain
			Total	**7,686,078**	**5,086,078**	

Branch is advised to get the matter regularized the matter from H.O

Auditee Reply

Memo No : 6

SAMPLE CHECKING OF UTILIZATION OF LOAN

Purpose of checking of loan is mandatory to ensure utilization of loan for the purpose it has been granted. In terms of Para 12.3, ratio has been fixed for checking of utilization of loan which is as under;

Purpose	ZM (Recovery)	Manager	Mobile Credit Officer

Production Loan	1%	1%	100%
Development Loan	5%	10%	100%

1. On scrutiny of the loan case files, audit has observed that above instructions have not been complied with, which is against the standing instructions of the bank.
2. Utilizations have not been checked as per instructions contained in Para 12.3 of Credit Manual Vol-I, which mandates Zonal Chief for checking of utilizations of production and development loans sanctioned by the Manager/Chief Manager over 0.500 and 0.750 million respectively and to be included in the quarterly inspection reports.

Branch is advised to ensure checking of utilization as per above ratio and instructions

Auditee Reply

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Memo No : 7

IRREGULAR LOANS FOR GODOWNS On scrutiny of loan safe files, Audit observed that branch sanctioned and disbursed godown loans (Tahafuz-e-Ajnas) to the borrowers without following the instructions contained in H.O Circular No.CD/3/2015 dated:08.04.2015. According to the instructions: § The creditworthy and reputable rural populace across the country, having capacity to repay, are eligible to get financing under the said scheme. § Under the scheme, borrowers may construct godown on Agri. /residential land owned by him/her as per plan and the same may also be mortgaged in favor of the bank subject to clearance certificate by the concerned Town Committee/Tehsil Headquarters/Distt. Management etc. where required. § The godown shall be properly ventilated, shall have well-fitted doors, windows and ventilators and shall be waterproof (control of moisture from floor, walls and roof etc.) § After execution of proper documents, loan for construction of godown shall be disbursed in three equal installments				

after verification of proper utilization of each installment by concerned MCO. § The loan shall strictly be monitored on monthly basis till completion of the Godown by MCO/Manager of the concerned branch and thereafter on half yearly basis if borrowers/party fails to repay the loan in time. § Contrary to the above instructions branch did not follow single instruction of the bank and disbursed godown loans without genuine demand and repaying capacity of the borrower. § Economics of loan has not been discussed by the MCO in loan safe file. § All the payment has been made in single trench instead of 03 installments ***Branch is advised to either justify the lending by addressing the above-mentioned points under intimation to audit.***				

Sr#	L.C#	Borrower Name	Disb. Date	Disb Amount	G.L Head	MCO	Manager	Reviewer	Authoriz
01	596484	LIAQAT ALI	07/10/2021	50,000	9417	HAFIZ MUHAMMAD SAJID	MUSHARAF WASEEM	Hanan Ahmed Niazi	Muham Irfan Fe
02	598141	AMEER MAI	04/03/2022	100,000	9417	MUHAMMAD KAMRAN	HAFIZ MUHAMMAD SAJID	Hanan Ahmed Niazi	Muham Irfan Fe
			Total	**150,000**					

Auditee Reply

responded by Asad

Memo No : 8

5 % - NON-PERFORMING LOAN (NPL) CASES ANALYSIS.

To comply with the instructions contained in Scope of Audit Plan, July - September 2022, Checking of 5% NPL cases of ZTBL, **Kehror Pacca Branch**, on random sampling basis has been conducted by following the criterion mention there in.

1. 01% OAEM
2. 01% Sub-standard
3. 01% Doubtful
4. 02% Loss

- According to above criterion computerized record / Manual of following SAM Loan Safe Files has been checked by the Audit team at concerned Arazi Record and Patwar Center. Findings and remarks of Audit team are mentione against each loan case.

Sr.#	L.C	Name	Village	Security Area	Recommended By	Sancti

1	570206	Mehfooz Ahmed	Noqabil Wah	10—03	Mian Muhammad Akhtar	Musha
2	529815	Abdul Gafoor	Arya	16—11	Muhammad Bila Kanjo	Hafiz
3	582362	Allah Wasaya	Mushraf Wahin	53—07	Mian Muhammad Akhtar	Musha
4	548803	Muhammad Amjid	Dera Mehro	103—16	Faisal Mushtaq	Muhar
5	547842	Ghulam Sarwar	Kund Ahmed Asar	16—10	Javeed Iqbal	Muhar
6	569684	Imtiaz Ahmed Khan	Rind Jada	20—04	Yousaf Bashir	Musha
						Total

Present Manager and MCO of concerned Circle of Loan case is advised to visit concerned LRMIS fo effect recovery with up-to-date mark up in order to safeguard the interest of bank.

Auditee Reply

responded by Asad

Memo No : 9

DEBIT CASH VOUCHER (LOAN APPLICATION FEE VOUCHER) WITHOUT ACKNOWLEDGEMENT /SIGNATURE OF BORROWERS. During the scrutiny of vouchers, it is observed that the branch has pass the Debit Cash Voucher (LA Fee Voucher) without obtaining the acknowledgement/Signature of borrowers, which is against the instructions. Branch is advised to elucidate and arrange compliance in 100% vouchers under intimation to Audit. Instances are as under. The branch officials were duty bound to obtain signatures of the borrowers on the back of L.A fee vouchers at the time of depositing the same in accordance with the instructions contained in para no.2.3.4 of Credit Manual Volume-I Amended up to 2012 & Para no.1.10.4 of Accounts Operations Manual, which narrates as under: Para No. 2.3.4 of Credit Manual Volume-I: “The loan application fee and postal charges at the prescribed rates etc. shall be deposited by the applicant at the time of disbursement of loan with Teller / Cashier”. Para no.1.10.4 of Accounts Operations Manual: “The signatures / thumb impressions (LTI in case of Males and RTI in case of Females) of depositor should be			

obtained on reverse of original voucher before the duplicate copy is delivered to the customers. If possible the detail of cash received may also be incorporated on reverse of original copy of voucher”			

Sr No	Date	DCV #	Amount	Sr No	Date	DCV #	Am
1	02.07.2021	21005277	406	13	01.02.2022	22000571	406
2	02.07.2021	21005296	406	14	04.02.2022	22000629	406
3	05.08.2021	21005752	406	15	10.02.2022	22000759	406
4	02.09.2021	21006057	406	16	11.02.2022	22000777	406
5	03.09.2021	21006083	2842	17	12.02.2022	22000787	406
6	25.09.2021	21006357	406	18	05.03.2022	22001185	406
7	06.10.2021	21006512	406	19	02.04.2022	22001609	406
8	03.11.2021	21006848	406	20	05.04.2022	22001625	406
9	17.12.2021	21007697	12818	21	23.05.2022	22002440	771
10	21.12.2021	21007754	4118	22	30.05.2022	22002591	817
11	28.12.2021	21007949	16878			**TOtal**	**737**
12	30.12.2021	21007995	15138				

Auditee Reply

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Memo No : 10

VARIATION IN SECURITY AREA

ACCEPTED AS COLLATERAL

A- During scrutiny of loan case files, it is observed that the security area of Khewat as per computerized mortgage mutation differs from the area of Passbook.
Branch is advised to arrange rectification in Passbook under proper authentication from Revenue Officials.

LC	Name of Borrower	Date of Disb.	Amount	Khewat No #	Total area of Khewat as Per Passbook	Total area of Khewat as per Mutation	Difference in Area	MCO
598794	RIASAT ALI	29/04/2022	400000	600	223—18 (at Page No. 09)	215—18	08—00	MUHAMMAD KAMRAN

B- During scrutiny of loan case files, it is observed that the security area of borrower as per computerized mortg
Branch is advised to arrange rectification in Passbook under proper authentication from Revenue Officials.

LC	Name of Borrower	Date of Disb.	Amount	Khewat No #	Total area of Borrower as Per Passbook	Total area of Borrower as per Mutation	Difference in Area	MCO
598808	RANA	24/05/2022	680000	97	88—00	76—00	12—00	MUHAM

	MUHAMMAD TARIQ							EJAZ HUSSAIN

Auditee Reply

Memo No : 11

DISCREPANCIES OBSERVED IN PASSBOOK The scrutiny of loan safe files for the period under audit has revealed the certain discrepancies / shortcomings in the passbook. • The MCO and Manager did not scrutinize the passbook with due diligence. The Manager concerned failed to ensure the removal of below said discrepancies **Branch officials advised to arrange necessary compliance under intimation to audit.**			

SR#	LC	Name	Date of Disb.	Amount	Remarks	MCO	Manager
01	592336	Sajjad Hussain	31.01.2021	700000	Mutation No. 6834 Not Acknowledged by borrower in Passbook	Muhammad Yousaf Bashir	Hafiz Muhammad Sajid
02	592314	ZAHOOR MAI	20/01/2022	260000	NEC not recorded on Passbook	HAFIZ MUHAMMAD SAJID	MUSHARAF WASEEM
03	592794	MUHAMMAD UMER DARAZ	14/01/2022	400000	NEC not recorded on Passbook	MUHAMMAD YOUSAF BASHIR	Hafiz Muhammad Sajid
04	592808	MUHAMMAD HANIF	26/07/2021	299000	NEC not recorded on Passbook	HAFIZ MUHAMMAD SAJID	Hafiz Muhammad Sajid
05	593939	MUHAMMAD ASLAM	16/03/2022	400000	NEC not recorded on Passbook	HAFIZ MUHAMMAD SAJID	MUSHARAF WASEEM
			TOTAL	**315,000**			

Auditee Reply

Memo No : 12

DISCREPANCIES IN IBS-7 R (LOAN AGREEMENT). In the light of H.O instructions contained in Para no. 8.21& 8.23 of Credit manual Vol-I amended up to 31.12.2021, it is obligatory on the part of the Branch to execute the Loan		

agreement (IBS-7 Revised) before the disbursement of Loan by affixing Adhesive Stamp of Specific value. During scrutiny of undernoted Loan Cases, it is observed that Branch is using Non-Judicial Stamp Paper on IBS-7 / R Revised Agreement Cum Guarantee.

- Furthermore, the rate of mark up as written on non-Judicial stamp Papers is **"Changes in KIBOR only"** which is duly executed by the borrower & Customer concerned whereas the bank is charging a markup of **"06 Months KIBOR+ 8%".**
- It is pertinent to mention here that the respective loans disbursed have been sanctioned by CLSU at **"06 Months KIBOR+ 8%". But wrong agreement has been executed between ZTBL and the borrower.**
- This may prove harmful in case of any litigation because as per the current agreement executed between the parties, the borrower is liable to pay the markup at **"Changes in KIBOR only" and may result in loss to the bank.**
- The Reviewer at CA Unit did not fulfill his obligations as he did not ensure the correctness / completeness of loan agreement as per standing instructions as required by **Sr# (ii) iv of Stage No.2: Post- Disbursement Functions** of his Job Descriptions Annex-II, mentioned in HR Policy Department OM No. PRD-HRM/2(9)/2009/233 dated: 19.03.2021.
- The Authorizer at CA Unit also did not ensure the compliance of instructions mentioned at **Stage No.02- Post Sanction Functions, Sr# (i) & (ii)** of his Job Descriptions Annex-II, mentioned in HR Policy Department OM No. PRD-HRM/2(9)/2009/233 dated: 19.03.2021

Both the branch officials & CA Unit officials are requested to arrange necessary compliance under intimation to audit.

This practice is being followed in 100% loan cases disbursed from 01/07/2021 to 30/06/2022.Few instances are here under:

Sr. No	L.C. No	Name of Borrower	Date of Disb.	Amount	MCO
1	598233	SHAZIA MANZOOR TARIQ	11/03/2022	200,000	MUHAMMAD YOUSAF BA
2	598358	RUKHSANA TARIQ	19/03/2022	600,000	MUHAMMAD EJAZ HUSSA
3	598576	GHULAM MURTAZA	07/04/2022	560,000	MUHAMMAD YOUSAF BA
4	598521	FIDA HUSSAIN	06/04/2022	478,000	MUHAMMAD YOUSAF BA
5	598510	ZULFIQAR ALI ALIAS BHUTTO	09/04/2022	380,000	MUHAMMAD KAMRAN
6	598222	INTAZAR ALI	21/03/2022	300000	MUHAMMAD YOUSAF BA
7	598196	RANA MUHAMMAD IRSHAD	11/03/2022	120000	MUHAMMAD YOUSAF BA
8	598325	AHMED YAR	18/03/2022	665000	MUHAMMAD YOUSAF BA
9	598299	SHAZIA MANZOOR TARIQ	11/03/2022	680000	MUHAMMAD YOUSAF BA
10	598288	KHADIM HUSSAIN	01/04/2022	150000	MUHAMMAD KAMRAN
11	598244	KHADIM HUSSAIN	29/03/2022	699645	MUHAMMAD KAMRAN
			Total	**1,345,000**	

Auditee Reply

Memo No : 13

SAMPLE CHECKING OF UTILIZATION OF LOAN

Purpose of checking of loan is mandatory to ensure utilization of loan for the purpose it has been granted. In terms of Para 12.3, ratio has been fixed for checking of utilization of loan which is as under;

Purpose	ZM (Recovery)	Manager	Mobile Credit Officer
Production Loan	1%	1%	100%
Development Loan	5%	10%	100%

1. On scrutiny of the loan case files, audit has observed that above instructions have not been complied with, which is against the standing instructions of the bank.
2. Utilizations have not been checked as per instructions contained in Para 12.3 of Credit Manual Vol-I, which mandates Zonal Chief for checking of utilizations of production and development loans sanctioned by the Manager/Chief Manager over 0.500 and 0.750 million respectively and to be included in the quarterly inspection reports.

Branch is advised to ensure checking of utilization as per above ratio and instructions

Auditee Reply

Memo No : 14

NON-ISSUANCE AND DELIVERY OF DEMAND/UNDELEVERED LEGAL NOTICES TO THE BORROWERS.

On scrutiny of Loan Safe Files of the Branch, Audit observed that Branch is not in practice to issue system generated Demand notices 02 months prior to due date of installment & Legal Notices after one month for due installments and then delivery of theses notices (Demand/Undelivered Legal Notices) to the borrowers through concerned MCOS against proper acknowledgement in violation of Circular Letter No. R&RAMD/2/2018 dated 14.03.2018 and Para No. 14.2 of Credit Manual VOL-I amended up to 31.12.2021. Branch managers must pay attention on timely issuance of notices. Branch managers are to certify that notices generated through system are issued with proper record.

The Zonal Manager (Recovery & SAM) while visiting the branches should ensure that all the notices have been issued in time to all borrowers and a copy with acknowledgement is being placed in the safe files of the borrowers.

Contrary to the above-mentioned instructions Branch did not issue and deliver a single Demand/Undelivered Legal Notices notice to the borrowers in a single loan case under Audit period. Undelivered Legal Notices not served through field staff contrary to the Instructions contained in Para No. 1.15.6 of Credit Manual Vol I

Auditee Reply

Memo No : 15

LOAN BEYOND REPAYING CAPACITY ON THE BASIS OF POOR APPRAISAL		

EXTENSION OF HUGE LOAN AGAINST SMALL HOLDINGS.

- Following Loans have been disbursed by the Branch on the basis of Poor verification/appraisal not properly followed up by the MCO in violation of instructions as contained in Para No.3.8.1&2, 3.9.7& 3.9.8 of Credit Manual Volume-I amended up to 31.12.2021.
- The MCOs of the Branch had not discussed the economics of Loan how the borrowers will repay the loan
- Moreover, Utilizations have not been checked by the MCOs.
- Resultantly due to this harmful and deceptive practice to enhance the loans against small holding Branch's portfolio may transfer into NPL and SAM amounting, which depicts that the branch is in practice to place the Bank's funds into blind well

Loan is beyond the repaying capacity of the applicant. The extension of loan should be justified to the audit.

Sr. No	LC No.	Name of the Borrower	Amount	Total Holding KK----MM	MCO
1	598107 598093	ZULAFQAR ALI	300000 430000	16—00	MUHAM
2	597836	HAJRA BIBI	370000	08—00	MUHAM
3	597412 597250	GHULAM SHABIR	520000 300000	22—16	MUHAM
		Total	**1920000**		

Auditee Reply

Memo No : 16

VALUATION OF LAND ON THE BASIS OF AVERAGE SALE MUTATIONS.

During audit of the branch, it is observed that valuation of agriculture land is worked out under Average Sale Mutation Value for last three years. The branch could not adhere to the instructions contained in Chapter no.4 & 5of Credit Manual Volume-I. Please arrange compliance: -

i. The average sale mutations for the last three years not incorporated in column no. 15 of Pass Books (Para No.4.22.5.(i) & 5.2.3 of Credit Manual Vol-I, amended up to 31.12.2021)
ii. Detail of sale mutations for specific period selected by MCO not placed in file (Para No.5.2.4 Credit Manual Vol-I, amended up to 31.12.2021).
iii. Mcos of the Branch did not work out the average sale mutations for the last three years (Para No.5.2.4.(i) & (ii) of Credit Manual Vol-I, amended up to 31.12.2021).

Some instances are quoted below:

Sr. No	L.C. No	Name of Borrower	Date of Disb.	Amount	MCO
1	594738	ZULIQAR ALI	23/04/2022	950000	MUHAMMAD KAMRAN
2	594392	HUSSAIN RAZA	07/05/2022	238000	MUHAMMAD YOUSAF BASHI
3	585954	ALLAH DITTA	18/09/2021	460000	HAFIZ MUHAMMAD SAJID
4	585736	MUHAMMAD RIAZ	27/11/2021	456000	MUHAMMAD RAZAQ
5	591685	SHAHZIA ASHIQ	05/04/2022	150000	HAFIZ MUHAMMAD SAJID

6	591744	MAQSOOD MAI	09/12/2021	350000	MUHAMMAD YOUSAF BASHI
7	591504	MUHAMMAD YUNAS	15/11/2021	840000	MUHAMMAD YOUSAF BASHI
8	591032	KHAN MUHAMMAD	09/06/2022	700000	HAFIZ MUHAMMAD SAJID
9	591102	MUHAMMAD AJMAL	25/04/2022	800000	MUHAMMAD YOUSAF BASHI
10	591490	MUHAMMAD SHAMSHAD	21/06/2022	500000	HAFIZ MUHAMMAD SAJID
11	591216	SAHRISH KHAN	14/12/2021	395000	MUHAMMAD KAMRAN
12	590587	MUHAMMAD ANWAR	16/02/2022	500000	HAFIZ MUHAMMAD SAJID
		asasdasda	**Total**	**6339000**	

Auditee Reply

Memo No : 17

SAM LOAN RECOVERY PERFORMANCE ANALYSIS FOR THE PERIOD

Analysis of the SAM Loan Portfolio indicates position as narrated hereunder: -

2022			**2021**		
Description	**Amount (Million)**	**%Age**	**Description**	**Amount (Million)**	**%Age**
SAM Recoverable as on 01-01-2022	362.405	**02% of the total SAM recoverable & 06% of the allocated Target.**	SAM Recoverable as on 01-01-2021	241.927	**06% of the total SAM recoverable & 09% of the allocated Target.**
SAM added during 01.01.2022 to 30.06.2022	121.284		SAM added during 01.01.2021 to 30.06.2021	78.725	
Recovery of SAM made during 01.01.2022 to 30.06.2022	11.975		Recovery of SAM made during 01.01.2021 to 30.06.2021	11.080	
Amount of SAM relief during 01.01.2022 to 30.06.2022	-		Amount of SAM relief during 01.01.2021 to 30.06.2021	-	
SAM balance as on 30.06.2022	471.714		SAM balance as on 30.06.2021	309.572	

SAM Recovery Target for the year, 2022.	193.476		SAM Recovery Target for the year, 2021.	128.261	
At the beginning of the Year SAM recoverable was 362.405 (M) and addition in SAM during the year is 121.284 (M). The recovery of SAM against recoverable is 02% and against target 06%.			At the beginning of the Year SAM recoverable was 241.927 (M) and addition in SAM during the year is 78.725 (M). The recovery of SAM against recoverable is 06% and against target 09%.		
The field functionaries must gear all their efforts to make recovery of SAM loans and make the branch SAM free.					

Auditee Reply

Memo No : 18

SECURITY AREA REDUCED & RE- MORTGAGED WITHOUT REDEMPTION

In below given loan case, it has been observed that the security area of the borrower was got mortgaged in favour of the bank and the later on, the same security area was reduced and got re-mortgaged without redemption.

No entry regarding the redemption is available in respective columns of Passbook as well as respective Mutations are also not available in loan case file. Branch is advised to explain the position & arrange compliance procedurally.

Branch is advised to arranged copy of mutation through which the area was redeemed and / or arrange entry in respective column of passbook

Sr. No	L.C.No	Amount	Area Already Mortgaged	Mortgage Mutation No	Date	Area Re Mortgaged	Mortgage Mutation No	Date
01	597755	300,000	72—07	1116	1546	32—12—60	1375	28.01.2022

Auditee Reply

Memo No : 19

Auditee Reply

Memo No : 20

WITNESS NOT OBTAINED ON LOAN AGREEMENT (IBS-7R).

During audit of the branch, it is observed that Branch remained in the practice of not obtaining witness on IBS-7R on Loan Safe File Page no. 12 & 33 in the undernoted Loan Cases, which is irregular and against the Head Office instructions contained in Para no. 3.3.3 of Credit manual amended up to 31.12.2021. It is advised to arrange necessary compliance immediately.

Sr. No	LC No.	Name of Borrower	Date	Amount	MCO	Manager
1	599113	SAKINA BIBI	02/06/2022	300000	MUHAMMAD YOUSAF BASHIR	HAFIZ MUHAM

Auditee Reply

Memo No : 21

LOAN BEYOND REPAYING CAPACITY ON THE BASIS OF POOR APPRAISAL EXTENSION OF HUGE LOAN AGAINST SMALL HOLDINGS.

- Following Loans have been disbursed by the Branch on the basis of Poor verification/appraisal not properly followed up by the MCO in violation of instructions as contained in Para No.3.8.1&2, 3.9.7& 3.9.8 of Credit Manual Volume-I amended up to 31.12.2021.
- The MCOs of the Branch had not discussed the economics of Loan how the borrowers will repay the loan
- Moreover, Utilizations have not been checked by the MCOs.
- Resultantly due to this harmful and deceptive practice to enhance the loans against small holding Branch's portfolio may transfer into NPL and SAM amounting, which depicts that the branch is in practice to place the Bank's funds into blind well

Loan is beyond the repaying capacity of the applicant. The extension of loan should be justified to the audit.

Sr. No	LC No.	Name of the Borrower	Amount	Total Holding KK----MM	MCO
1	598107 598093	ZULAFQAR ALI	300000 430000	16—00	MUHAM
2	597836	HAJRA BIBI	370000	08—00	MUHAM
3	597412 597250	GHULAM SHABIR	520000 300000	22—16	MUHAM
		Total	**1920000**		

Auditee Reply

Memo No : 22

TRANSFER OF HUGE AMOUNT TOWARDS CLASSIFICATION

ü Classification of Loan Portfolio according to the Prudential Regulations serves as 'Early Warning System' and forewarns the Management to take immediate Remedial Steps to safeguard the loan portfolio from the category of NPLs.

ü Analysis of the Classification Statement for the period ended 30.06.2022 relating to ZTBL, **Kehror Pacca Branch**, presents the position as narrated hereunder:

Category	30.06.2022			30.06.2021			Increase / (Decrease) in Cases	In (D Lo
	No. of cases	Amount	Provision Amount	No. of cases	Amount	Provision Amount		
OAEM	662	130.050	-	1,291	231.878	-	-629	-10
Sub Standard	643	122.778	18.540	575	126.855	19.123	68	-4.
Doubtful	629	140.496	50.012	555	141.686	49.310	74	-1.
Loss	369	101.211	68.531	452	123.009	82.724	-83	-21
Total	**2,303**	**494.534**	**137.083**	**2,873**	**623.428**	**151.157**	**-570**	**-12**

1. For the period ended 30.06.2022 Enormous amount of Rs. **494.534 (M)** is become non-performing.

2. Above data depicts alarming situation because at the end of the period 30.06.2022 number of **643, 629 & 369** cases respectively and significant **cases 662** are outstanding under the category of OAEM, which warrants more effective planning of the Branch to reduce/ c

3. As desired in the Scope of Audit the under noted loan cases on random sampling basis were analyzed to check its proper classifi

As per criteria given in scope of Audit Plan of current period classified Advances/ loans checked as under:

01% OAEM			01% Sub-standard			01% Doubtful		
Sr. No	L.C.No	Purpose	Sr. No	L.C. No	Purpose	Sr. No	L.C. No	Purpose
1	558073	9303	1	547842	9303	1	529815	9303
2	558431	9303	2	559126	9303	2	582362	9018

Auditee Reply

Memo No : 23

LEGAL NOTICES TO SAM DEFAULTERS BY BANK'S LEGAL ADVISOR.

Ref; Circular No. R&SAMD/07/2014 dated 16.05.2014

In compliance of above-mentioned Circular, it is obligatory for branch to initiate legal actions against SAM loans wherein the defaulters are not repaying their loan liabilities. To meet the legal requirements, legal Notices are to be issued to all SAM loan Defaulters through the Legal Advisors of the Bank.

In this connection, the Branch is advised to follow the instructions contained in above-mentioned Circular with true letter & spirit and issue the legal Notices to all the SAM defaulters through legal advisor as per specimen and also file recovery suits against chronic SAM defaulters as advised by the Bank. Compliance/progress in this regard may be intimated to audit.

Auditee Reply

Memo No : 24

BRANCH REGISTERS.

Branch has neither maintained nor completed the following prescribed registrars as required vide Credit Manual Para No.1.24, 11.11 along with Accounts Manual Volume-II

Cheques referred and returned register

Auditee Reply

Memo No : 25

VOILATION OF THE REGULATOR RELATED TO DORMANT ACCOUNTS AND SBP PENALTY THEREOF During the audit of the branch for the period 01.07.2021 to 30.06.2022, it was observed that branch has failed to provide data regarding activation of dormant accounts from the period 01.07.2021 to 31.03.2022 as the same was not properly maintained in violation of SBP instructions contained in R-5 of AML/CFT regulations for Banks/DFIs. According to the instructions of ZTBL, Head office, Islamabad conveyed vide circular No. OD/BD&MD/09/2019/2805 dated 21.03.2019, all the dormant accounts can be activated on personal appearance of account holder and after fulfillment of the requirements, but it observed that branch not completed the following formalities before activation of dormant accounts. 1) Customer's request to activate the dormant account. (No proper file maintained, few are attached with vouchers) 2) Mention reason of dormancy on Customer's request. 3) Up-date KYC of the customer after name screening from negative lists. 4) Delivery of up-to-date statement of account to the customer starting form 1st of that half year in which account was marked dormant. **In the light of job discretion of Zonal Manager (Operations), he is advised to ensure the strict compliance of SBP Prudential regulations in the branches.**			

Sr. No	Account No	Account Title	CNIC

1.	20222010136226	FAIZ BAKHSH	3620242411131
2.	20222010136252	SAJJIAD HUSSAIN	3620209646023
3.	20222010136210	MUSHTAQ AHMED	3620293847507
4.	20222010136216	FARYAL MUSTAQ	3120463408390
5.	20222010136172	AMEER MAI	3620209053580
6.	20222010136197	MUNEER AHMED, MUHAMMAD NAZIR	3620294843355
7.	20222010136186	TANVEER MAI	3620253702450
8.	20222010136162	RUKHSANA TARIQ	3620266874410
9.	20222010136254	ALLAH WASAYA, MUHAMMAD BILAL	3620240912333

Auditee Reply

Memo No : 26

BALANCING OF DEPOSIT ACCOUNTS.

Responsible: Mr. Hafiz Muhammad Sajid Manager

Mr. Qaiser Noor A.M(Ops)

On scrutiny of deposit accounts of the branch it is observed that branch is not balanced in deposit accounts.

NON RECONCILITION OF CONTROL G.L.HEAD-2100.

The control Head-2100 of CBAS is not reconciled with CDMS as on 19.09.2022

Balance as per CBAS	Balance as per CDMS	Difference
13323180.13	13323180.13	00

The breakup of G.L. Head-2100 is as under: -

Sub G.L Head	Name of Account	Balance as per CBAS	Balance a
2165	KISSAN KHUSHHAL SCHEME ACCOUNT	8382.00	83
2101	CURRENT ACCOUNT	9650816.43	965
2102	PLS SAVING ACCOUNT	2199729.53	219
2109	BASIC BANKING ACCOUNT	1074575.40	107
2127	RETURN PAYABLE ON PLS SAVING	32296.03	32
2130	SADA BAHAR DEPOSIT ACCOUNT	5531.60	55
2131	ROZANA BACHAT ACCOUNT	190194.19	190
2145	ZTBL Junior Account	7375.95	73
2147	ZTBL ASAAN ACCOUNT (CURRENT)	154279.00	154
	TOTAL	13323180.13	1332

- Individual Deposit Accounts balancing of Branch is not confirmed because Branch is not in practice to chec Vouchers with Account Movement report of CDMS. In the result of which chances of omission or wrong feeding c

Branch is advised to check & verify daily transactions of Deposit Accounts from Vouchers with Account Movement re

Auditee Reply

Memo No : 27

UNADJUSTED ENTRIES UNDER SUSPENSE ACCOUNTS.

On scrutiny of supplementary ledger & Statement of Affairs of the Branch as on 19.09.2022, Audit observed that an amount of Rs.20,000/- is outstanding / unadjusted under GL Head 6332 (Suspense Accounts).

Detail is appended below: -

GL HEAD 6332 MISCELLANEOUS (SUSPENSE ACCOUNTS)

DATE		NAME	AMOUNT
12.04.2021		Dilshad Ahmed. Replacement of battery of Generator	10000
02.07.2022		Munir Ahmed (Adv. For POL)	10000

It is sheer violation of Bank's instructions / Prudential Regulations because all such entries are to be cleared/ adjusted within 30-days.

Branch is advised to adjust the same immediately in the light of prudential regulation of SBP to avoid SBP penalties.

Responsible: Mr. Hafiz Muhammad Sajid Manager

Mr. Qaiser Noor A.M(Ops)

Auditee Reply

Memo No : 28

IRREGULAR ISSUANCE OF MCO, s RECEIPT BOOKS ACF- 89 WITHOUT PRIOR APPROVAL /PERMISSION OF THE ZONAL CHIEF

As per instructions of the Bank contained in the Circular No. RD&SAM/ 4/2007 –1815Dated 16-04-2007 Receipt Book ACF-89 can only be issued to the Branch Manager / MCOs and other Officers on special assignment of receiving and collecting Bank Dues in the Field at the discretion of the Zonal Chief. Contrary to it, (During the period of audit 01.07.2021 to 30.06.2022), Cashier/ Teller has **issued 08** - MCO's receipt books from Serial **Nos. 81147 to 81150 and Serial No. 107381 to 10384** without approval / permission of the Zonal Chief , which is irregular and fraught with all kinds of Risk. Branch is advised to get it regularized from the Zonal Chief and in future prior permission to be obtained for issuance of Receipt Books to the MCOs.

Auditee Reply

Memo No : 29

PHYSICAL VERIFICATION OF DEAD STOCK/ FIXED ASSETS.

In order to comply with the instructions contained in Para No. 27 Audit Guide Lines (Jul-Sept, 2022), Audit team conducted the physical verification of Dead Stock / Fixed Assets and found the following discrepancies:

Sr. No.	Items' Description	As Per List	Physical Available
1	Motorcycles	08	07
2	Fax Machine	0	01
3	Computers	10	07
4	Bill Board	0	01
5	Guns	01	02
6	Fire Extinguishers	0	02

Branch is advised to approach the concerned quarter for its rectification

Auditee Reply

Memo No : 30

FINANCIAL DISCIPLINE OF THE BRANCH

A- During the course of Audit, it is observed that Branch has exceeded in following GL Heads for which the budgetary allocation provided by the Concerned Zonal Office, during the Financial Year-2021 i.e., **01.01.2021 to 31.12.2021**, in violation of Budget and Funds Management Department, Letter No. B&FMD-22(1)/2019 dated 21.01.2019.

PURPOSE	GL HEAD	Total Budget	Exp. Before ZO Exp	ZO EXP
EXPENSES ON TABLE STATIONERY	8705	60,000	156,282	14,883
POL EXPENSES OF VEHICLES	8963	132,000	392,436	118,241
POL OF GENERATORS	8935	150,000	176,238	15,167
EXPENSES ON REPAIRING OF VEHICLES	8964	168,000	236,236	38,453
OFFICIAL TELEPHONES	8602	60,000	86,800	23,270
ENTERTAINMEN T CHARGES	8953	24,000	34,648	12,648
MISCELLANEOU S EXPENSES	8960	24,000	48,706	8,486
HEATING & ELECTRICITY EXPENSES	8403	399,600	685,465	204,885
POSTAGE AND TELEGRAMS	8601	96,000	135,094	10,901
INLAND TRAVELING EXPENSES ON TOUR	8201	244,000	62,285	59,535
		1,357,600	**2,014,190**	**506,469**

B- During the course of Audit, it is observed that Branch has exceeded in following GL Heads for which the budge
Office, during the Financial Year-2021 i.e., **01.01.2022 to 30.06.2022**, in violation of Budget and Funds Mana
dated 21.01.2019.

PURPOSE	GL HEAD	Total Budget	Exp. Before ZO Exp	ZO EXP	BR.
EXPENSES ON TABLE STATIONERY	8705	30,000	53,980	8,140	45,84
POL EXPENSES OF VEHICLES	8963	87,000	260,716	66,142	194,5
POL OF GENERATORS	8935	75,000	124,554	15,094	109,4
EXPENSES ON REPAIRING OF VEHICLES	8964	25,000	90,533	24,943	65,59
OFFICIAL TELEPHONES	8602	27,000	41,200	10,420	30,78
ENTERTAINMEN T CHARGES	8953	12,000	22,504	4,504	18,00
MISCELLANEOU S EXPENSES	8960	12,000	12,587	2,537	10,05

HEATING & ELECTRICITY EXPENSES	8403	216,000	391,482	107,764	283,7
POSTAGE AND TELEGRAMS	8601	48,000	56,629	4,856	51,77
INLAND TRAVELING EXPENSES ON TOUR	8201	37,500	34,481	34,481	-
Total		**569,500**	**1,088,666**	**278,881**	**809,7**

Branch is advised to get the matter regularized or reappropriate from the competent authority and keep control over

Auditee Reply

Memo No : 31

GENERAL DISCREPANCIES IN VOUCHERS

1. ODD/EDD not performed of Walk-in Customers

Auditee Reply

Memo No : 32

EXCESS PAYMENT OF TA DA ON TEMPORARY TRANSFER OF CASHIER
Voucher No.361697 dated 19.01.2022

During the course of Audit for the period under review, it has been observed that Mr. Nadeem Iqbal Nazar while posted as Cashier of the branch was temporary transfer from Kehror Pacca to Adda Zakhira and from Kehror Pacca to Basti Malook vide OM No. ZO/MTN/2022/P-52/35 Dated; 05.01.2022 and OM No. ZO/MTN/2022/P-52/77 dated 08.01.2022 respectively. In this context, he has claimed Travelling Allowance and Daily Allowance and audit has observed the following discrepancies

1- He claimed travelling allowance Rs. 20/- Per KM which is only allowed with the approval of Tour Program's approving authority in exigency of Bank's affairs only (Ref ; Para No. 1(g) of Circular No. HRD/10/2021/1096 dated 09.12.2021.

In this way, he claimed Rs. 4920/- in excess of admissible amount

2- He returned to Kehror Pacca on 08.01.2022 at 15:25 therefore he allowed to claimed to half daily allowance (Ref ; Sr. No. (m) of Circular No. HRD/10/2021/1096 dated 09.12.2021.

In this way, he claimed half daily Rs. 1900/- (3500-1600) in excess of admissible amount

3- ERP of all expenses are not recorded

Branch is advised to Recover Rs. 6520/- (4920 + 1900) and record ERP of expenses

Responsible:

Nadeem Iqbal Nazar - Cashier
Qaiser Noor - AMO
Hafiz Muhammad Sajid - Manager

Auditee Reply

Memo No : 33

Auditee Reply

Memo No : 34

Test Observation

Auditee Reply

Memo No : 35

NON-COMPLIANCE OF ON-LINE BANKING CONTROL

MEASURES

Circular Letter No.OD/BD&MD/ONLINE/12/2019/3090/94 dated:17/06/2019.

In order to strengthen control environment, comply with SBP regulations and to mitigate risks while carrying out on-line banking transactions, branch was advised to take all precautionary measures required for making payments including

- Apparent tenor is in order, cheque is not stale, signed by the drawer, words and figures are the same, drawers' signatures are verified etc.
- In case of cash payment, the signatures of the beneficiary/individual receiving the payment shall be the same as encrypted on the CNIC and in addition photograph on CNIC should also been seen and compared with the person receiving the payment. In case of any dissimilarity, any other document e.g., passport, driving license should be asked to further strengthen the genuineness of the person doing transaction.
- Moreover, Call Back Confirmation (CBC) to be done through account maintaining Branch when cheque is presented by other than the account holder.
- Further, certificate regarding filtering of the applicant / recipient of online transaction from the negative lists, available on ENB has been recorded on the remittance form as required by ***part (f) of Circular Letter No. OD/BD&MD/ONLINE/12/2019/3090/94 dated:17/06/2019.***

Contrarily the same has not been complied with.

Contrary to above-mentioned instructions, following discrepancies has been observed in On-line transaction.

The branch is advised to please remove the discrepancies/ shortcomings as mentioned below under intimation to audit.

Sr. No	Date	Type	Deposit Slip No./ Cheque No	Amount	Discrepancy
1	11.08.2021	DEPOSIT SLIP	1637719	30,000	CNIC Copy Not Obtained
2	25.08.2021	DEPOSIT SLIP	1637736	40,000	CNIC Copy Not Obtained
3	18.02.2022	DEPOSIT SLIP	163942	20,000	CNIC Copy Not Obtained
			Total	**90,000**	

Auditee Reply

Memo No : 36

PRESCRIBED REGISTERS NOT MAINTAINED.

(A) BRANCH REGISTERS.

Branch has neither maintained nor completed the following prescribed registrars as required vide Credit Manual Para No.1.24, 11.11 along with Accounts Manual Volume-II.

- Maintenance of Prize Bonds Register (ACF-15)

Auditee Reply

Memo No : 37

EXCESS PAYMENT OF TA DA ON TEMPORARY TRANSFER OF CASHIER
Voucher No.361697 dated 19.01.2022

During the course of Audit for the period under review, it has been observed that Mr. Nadeem Iqbal Nazar while posted as Cashier of the branch was temporary transfer from Kehror Pacca to Adda Zakhira and from Kehror Pacca to Basti Malook vide OM No. ZO/MTN/2022/P-52/35 Dated; 05.01.2022 and OM No. ZO/MTN/2022/P-52/77 dated 08.01.2022 respectively. In this context, he has claimed Travelling Allowance and Daily Allowance and audit has observed the following discrepancies

1- He claimed travelling allowance Rs. 20/- Per KM which is only allowed with the approval of Tour Program's approving authority in exigency of Bank's affairs only (Ref ; Para No. 1(g) of Circular No. HRD/10/2021/1096 dated 09.12.2021.

In this way, he claimed Rs. 4920/- in excess of admissible amount

2- He returned to Kehror Pacca on 08.01.2022 at 15:25 therefore he allowed to claimed to half daily allowance (Ref ; Sr. No. (m) of Circular No. HRD/10/2021/1096 dated 09.12.2021.

In this way, he claimed half daily Rs. 1900/- (3500-1600) in excess of admissible amount

3- ERP of all expenses are not recorded

Branch is advised to Recover Rs. 6520/- (4920 + 1900) and record ERP of expenses

Responsible:

Nadeem Iqbal Nazar - Cashier
Qaiser Noor - AMO
Hafiz Muhammad Sajid - Manager

Auditee Reply

Memo No : 38

NON-VOUCHING OF INCOME TAX WITHELD ON PAYMENT OF UTILITY BILLS IN CORRECT G.L HEAD 6407

The branch has paid the below mentioned amounts in respect of utility bills but the withholding tax deducted has not been vouched in correct / relevant receivable A/C bearing G.L Head 6407 but instead the whole amount has been expensed out in books of accounts of branch in violation instructions contained in **Sr#1 of circular Letter No.AD/01/2021/83 dated:01/02/2021** issued by tax department. As the whole amount has been made part of expense of ZTBL, therefore the refund / adjustment of this income tax withheld would not be possible to be obtained / claimed by ZTBL and hence will cause loss to bank. The details are as follows:

Sr#	CC Vr#	Date	Nature of Bill	Billing Month	A
1	2022222000370	24-Jan-2022	Electricity Bill	January	4
2	2022222000906	21-Feb-2022	Electricity Bill	February	3

3	2022222001418	21-Mar-2022	Electricity Bill	March	2
4	2022222001962	25-Apr-2022	Electricity Bill	April	4
5	2022222002547	28-May-2022	Electricity Bill	May	5
5	2022222003016	20-Jun-2022	Electricity Bill	June	6
				Total	**2**

The branch is advised to follow the instructions contained in circular Letter No.AD/01/2021/83 dated:01/02/2 rectification in books of accounts to ensure adjustment of correct amount against the final tax liability of ZT

Responsible:

Mr. Qaiser Noor AM(Ops)
Mr. Hafiz Muhammad Sajid Manager

Auditee Reply

Memo No : 39

PRESCRIBED REGISTERS NOT MAINTAINED.

(A) BRANCH REGISTERS.

Branch has neither maintained nor completed the following prescribed registrars as required vide Credit Manual Para No.1.24, 11.11 along with Accounts Manual Volume-II.

- Cash carried register.
- Cheques referred and returned register.
- T.A.Bill register.
- Debit cash / Pay-in- slip register.
- Mutation/utilization register.
- Inward/Outward Clearing register.
- Advices originating / responding register.
- Insurance Register
- SBP Cash Register
- Maintenance of Prize Bonds Register (ACF-15)

Auditee Reply

Memo No : 40

IRREGULAR ISSUANCE OF MCO, s RECEIPT BOOKS ACF- 89 WITHOUT PRIOR APPROVAL /PERMISSION OF THE ZONAL CHIEF

As per instructions of the Bank contained in the Circular No. RD&SAM/ 4/2007 –1815Dated 16-04-2007 Receipt Book ACF-89 can only be issued to the Branch Manager / MCOs and other Officers on special assignment of receiving and collecting Bank Dues in the Field at the discretion of the Zonal Chief. Contrary to it, (During the period of audit 01.07.2021 to 30.06.2022), Cashier/ Teller has **issued 08** - MCO's receipt books from Serial **Nos. 81147 to 81150 and Serial No. 107381 to 10384** without approval / permission of the Zonal Chief , which is irregular and fraught with all kinds of Risk. Branch is advised to get it regularized from the Zonal Chief and in future prior permission to be obtained for issuance of Receipt Books to the MCOs

Auditee Reply

Memo No : 41

ANALYSIS OF ZERO RECOVERY / STUCK UP LOANS

Scrutiny of the relevant record produced by the computer run date 30.06.2022 of Zero Recovery loan cases has revealed that an amount of **Rs. 244.079 (M) in 476**- loan case/ Accounts are lying stuck up. In these cases, not even a single penny could be recovered since disbursement of loan which constitutes "Major Risk Area of the Branch".

In the presence of above narrated high Risks, it is highly essential for the Zonal Management to arrange complete Loan Port Folio Analysis of these cases to ascertain the reasons for non- recovery.

5 % ZERO RECOVERY CASES ANALYSIS.

1. Purpose wise analysis of the Zero Recovery cases has revealed that number of **476 Loan cases** involving an amount of Rs. **244.079 (M)** is for Inputs, Dairy and other Development Loans.

2. The reason for non-recovery of these loans is Lack of contact / failure in proper persuasion of the defaulters.

3. Branch is advised to chalk out effective recovery plan to effect recovery in these cases because non-recovery of single penny is harmful for the Bank's operations.

Sr. No	Loan Case No	Amount Outstanding	Category
1	532378	55191	SAM
2	523158	379273	SAM
3	259417	774365	SAM
4	542032	62769	SAM
5	568092	456299	Doubtful
6	569684	614392	Loss
7	553193	1478947	SAM
8	568184	754950	SAM
9	576206	196960	Doubtful
10	576239	1462968	Loss
11	576262	895512	Loss
12	576295	926205	Loss
13	576376	296018	Doubtful

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Memo No : 42

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Memo No : 44

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Memo No : 45

Test observation with no instances 101

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