



Operational Incidents Socializations

Ashwin 2074

Following incidents are reported to Operation Risk in the Month of **Ashwin 2074** (September-October 2017). Some of the cases have already been resolved and some are under scrutinies which have to be taken care by all the Branches.

Incident- 1

Teller Cash Short Rs. 60,300/-

Cash payment was made amounting to Rs. 2,67,000/- to the client instead of Rs. 2,06,700/- The cash short amounting to Rs. 60,300/- was traced out on same date after the verification of transaction list and the payment slips. However, the shortage amount was deposited by the Teller on same date and the amount was recovered from the customer on next date. The internal control on counter Operation basically at cash counter area has to be applied to minimize this kind of errors.

Risk Factor:

The risk directly affects the Bank and the customer as well. However, some operational lapses have been observed at the branch. Cash handling must be done carefully and required giving proper attention in some areas of counter operation immediately.

Risk Frequency- Likely;

Risk Severity- Minor;

Risk Level- Medium

Existing Status: Closed

Incident- 2

Cash Excess Rs. 4,000/-

Teller cash of NPR 4,000/- was exceeded. As per the branch report, the cash excess amount could not be traced after the verification of transaction list and the vouchers. This deviated cash was unable to find and recorded in Teller Cash Overage Account.

Risk Factor:

The risk directly affects the Bank and the customer as well. Some operational lapses have been observed at the branch as it was the 2nd time cash excess by same Teller in two months in the Branch. Cash handling must be done carefully and required giving proper attention in some areas of counter operation immediately.

Risk Frequency- Possible;

Risk Severity- Minor;

Risk Level- Low

Existing Status: Open



Incident- 3

Electric Boards & Power UPS damaged and CCTV not functioning

Sockets of electric board and UPS power were damaged. Because of inadequate power supply and sufficient backup the Branch frequently facing difficulty on its regular operation as the CCTV not functioning and the display shows video loss.

Risk Factor:

The risk directly affects the Bank on its operation and reputation as well. GAD required changing battery and CCTV camera immediately.

Risk Frequency- Possible; **Risk Severity-** Severe; **Risk Level-** high
Existing Status: Open

Incident- 4

ATM display blank and CCTV not functioning

ATM of a Branch was not functioning shows display blank and the receipt slip was also not printing. In the mean time, the CCTV of CSD automatically gets off.

Risk Factor:

The risk directly affects the Bank on its operation and reputation as well. It has been common issue over the Branch. GAD required taking the matter on top priority.

Risk Frequency- Possible; **Risk Severity-** Severe; **Risk Level-** high
Existing Status: Open

Risk Matrix of the Month of Ashwin 2074

2074 Ashwin		SEVERITY				
		Negligible	Minor	Moderate	Significant	Severe
FREQUENCY	Very Likely					
	Likely		1			
	Possible		1			2
	Unlikely					
	Very Unlikely					



Some Operation Risk Issues observed in the month of Ashwin 2074 and their settlements:

1. KYC Updates:

In order to ensure the compliance of NRB's Directive No 19 and enhancing the control system of Anti Money Laundering (AML), Know Your Customer (KYC) monitoring and combating the Financing of Terrorism (CFT) the Bank required updating KYC. It has been observed that almost of the Branches have KYC updating still pending. The Branches must be reviewed their KYC status with a proper plan for immediate action. However, a circular has been issued to the Branches for the purpose, concerned departments have to monitor and check for its implementation.

2. Risk Grading:

It has been observed that in almost of the Branches risk grading of Loan Accounts and Deposit Accounts is also pending. Branch Managers have to be fully aware of the regular progress and implementation of the Risk Grading to review and update the process.

3. Renewal/Extension of Loan Files:

It has been observed that Branches have been forwarding the renewal proposals and extensions request only after expiry of the loan almost in all the cases. Moreover, the extension request has been a normal tendency showing the cause of "Not getting adequate documents from the customer" or sending request of extension without proper documentation or without proper channel which resulting the delay on approval for renewal/extension and also increasing loss provisions as well. Hence, Credit Risk Department and all the concerned department has to ensure the compliance.

4. ATM Functionality:

It has been reported that almost of the ATMs are not working properly. Frequent system problem occurring has been observed in the ATMs of almost Branches. However the issue was noticed to the concerned Departments but the issue is still unsettled. Card Department/concerned Branch Managers and Operation In-charges are required ensuring the functionality of ATM all the times.

5. Wrong entries and their Reversal:

It has been frequently observed that Branches have been doing wrong entries and their reversal without any approval. Sometimes Branches issuing debit/credit advices without passing any entries at the Branch. Without any intimation, doing debit and credit the customer's account is not only very risky it also lose the Bank's faith and reputation. Branch Managers and Operation In-charges are required ensuring the validity of transaction before getting approval in the computer system. Around 80 transactions are found reversed due to wrong transaction made in the month of Ashwin 2074.

6. Sharing of System User ID and Passwords

In some instances it has been noticed that staffs are sharing Purnori and other software passwords to one another. Sharing user ID and passwords is not only risky for the respective staffs it is also risky for Bank itself. Hence, a circular again required to be circulated for its strict compliance.