



Operational Incidents Socializations

Ashadh & Shrawan 2075

Following incidents are reported to Operation Risk Management Department in the Month of Ashadh and Shrawan 2075 (June 2018 - August 2018). Some of the cases have already been resolved and some are under scrutiny. With the approval, the issues has been circulated herewith to the branches for their information and precautions in future.

Incident – 1

Teller Cash Excess Rs. 2,500

Teller cash of NPR 2,500/- was exceeded on various date. Excess cash amount could not been traced after the verification of transaction list & vouchers, recounted the cash at teller & vault, verify the CCTV footage of incident date. This deviated cash was unable to find and recorded in Teller Excess Cash A/C. The same incident was occurred in previous period also which reveals the weak internal control in counter cash management.

Risk Factor / Recommendation

The risk directly affects the Bank and the customer as well. 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. Teller must write denomination in all cheque payment and reconcile the cash with paid cash, check the denomination with deposit slip and verify the cash to minimize this type of issue.

Risk Frequency: Possible

Risk Severity: Moderate

Risk Level: Medium

Existing Status: Open

Incident – 2

Cash Short Rs. 100,000

Teller cash of NPR 100,000/- was short. Physical cash was checked on same date and found short cash however booked in TELLER EXCESS CASH A/C (9161302010100) due to system closure time. All transaction list, deposit voucher/cheque was checked on the same working day after system closure and found one cheque amounting Rs. 100,000 was not debited from customer account. On next working day, amount was deducted from the concerned customer account and settled the Teller Excess Cash A/C.



Incident – 2

Risk Factor / Recommendation

The risk directly affects the Bank and the customer as well. Payment of cash without debiting customer account also impact on interest loss. Cash handling must be done carefully and required giving proper attention in some areas of counter operation immediately. Teller must write denomination in all cheque payment and reconcile the cash with paid cash, check the denomination with deposit slip and verify the cash to minimize this type of issue.

Risk Frequency: Unlikely

Risk Severity: Significant

Risk Level: Medium

Existing Status: Closed

Incident – 3

Fake Note detected Rs. 1,000

While cash verification by teller staff during cash deposit in customer account, one fake note Rs. 1,000 was found in the bundle of one thousand. Note has been rechecked with various means and concluded that the note is fake. Such note was immediately sized and punched and customer has been alerted. New genuine note was demanded from customer in place of fake note.

Risk Factor / Recommendation

This is the high risk and high sensitive event. The following procedures is suggested for fake note detection and confirmation:

- If counterfeit (fake) notes are found at the counters from any customers, the teller shall inform the Head Teller/Operation In-Charge and should be seized immediately.
- Staffs should be extra careful on this and ensure themselves that the notes, which they have suspected are counterfeit.
- A Written statement should be obtained from the customer that from which source did she / he received the note(s) and the details should be reported to compliance department. A format should be developed so that customer feels comfortable to sign.
- The Customer should be dealt with due care so that the customer do not feel that he has been harassed.
- The notes should be sent to NRB for further verification / checking and if thought appropriate the matter should be informed to Police but after having detailed discussion with Chief Operating Officer.

Risk Frequency: Unlikely

Risk Severity: Significant

Risk Level: Medium

Existing Status: Closed



Incident – 4

ATM Hard Disk Space Low

ATM Hard Disk Space Low – 1 message is displayed in ATM screen since long. All log files and temp files were deleted to manage the space however this problem was not solved after deleting the log and temp files. Branch in co-ordination with card department and vendor has solved the problem by procuring one device which help to increase the space.

Risk Factor / Recommendation

Problem in ATM termination directly affect the reputation of the Bank as well as hinders in receiving the prompt service by the customer. Continuous monitoring and maintenance of ATM terminals need to be done by the branch management as well as from concerned department at head office.

Risk Frequency: Possible

Risk Severity: Moderate

Risk Level: Medium

Existing Status: Closed

Risk Matrix

Ashadh and Shrawan 2075		SEVERITY				
		Negligible	Minor	Moderate	Significant	Severe
FREQUENCY	Very Likely					
	Likely					
	Possible			4		
	Unlikely				2	
	Very Unlikely					



Some other operational issues identified by Operational Risk Management Department in the month of Ashadh and Shrawan 2075 are as follows:

- It is frequently observed that cash excess/(short) in teller cash and identification of reason for such incident in some cases is yet to be found out. In two months 12 such incidents were observed. Further, provision of treatment of long pending cash overage / (shortage) shall be mentioned in the operation manual. Likewise, action to be taken with employee who frequently makes cash overage / (shortage) shall also be included in operational manual.
- It is frequently observed that cash excess/(short) in ATM. Frequent ATM cash excess/(short) indicates the problem in smooth operation of ATM terminals. Further, failure of ATM transaction is also substantial. In two months 782 failure of ATM transactions are observed. Continuous monitoring, continuous power supply and regular maintenance of ATM terminals shall be done to minimize such type of incidents.
- More than half of the previously established branches have no CCTV recording back-up up to 90 days and have poor image quality due to which it is difficult to identify the cash denomination and customer in case of incident happening. Further, some branches have poor CCTV visibility, poor image quality, non-functioning of all available CCTV cameras, inadequate CCTV cameras etc.
- Some of the accounts are found to be ticked as reviewed by branch without actually being reviewed. Some of the accounts are still found to be without risk grading and deadlines for updating KYC of the account holder is yet to be met. Further, some accounts are opened with pending documents and same are yet to be collected.
- Long pending amounts in financial accounts are still needed to be adjusted in books of account.

Management Instruction

The respective Branch Managers and the concerned Department Heads are instructed to initiate the necessary actions to mitigate the incidents reported in the future. They are instructed to introduce the internal control system accordingly.