



## Operational Incidents Socializations

### Kartik 2074

Following incidents are reported to Operation Risk Department in the Month of **Kartik 2074** (October-November 2017). Some of the incidents have already been resolved with thorough scrutiny of the incidents and some are under scrutinies which have to be taken care by all the Branches.

#### Incident- 1

##### **Teller Cash Short Rs. 1,000/-**

Teller cash Rs. 1,000 was short. The short amount could not be traced out even after the verification of transaction list, payment slip, CCTV and voucher. The shortage amount was deposited by the Teller on same date and settled the account. Frequent cash shortage by teller staff and unable to trace the exact reason behind this reveals the weak internal control in the cash management and weak monitoring & supervision by responsible person at branch. The internal control on counter Operation basically at cash counter area has to be applied to minimize this kind of errors. Branch Manager / Operation In-charge shall ensure that all teller transaction lists was verified by independent staff before closing the cash.

##### **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-** Possible;

**Risk Severity-** Minor;

**Risk Level-** Low

**Existing Status:** Closed

#### Incident- 2

##### **Cash Excess Rs. 14,500/-**

Teller cash of NPR 14,500/- 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. Unable to find out the reason behind cash excess even after expiry of substantial time period reveals that branch has weak internal control in counter cash management. The internal control on counter operation has to be strengthened.

##### **Risk Factor:**

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.

**Risk Frequency-** Possible;

**Risk Severity-** Minor;

**Risk Level-** Low

**Existing Status:** Open



### Risk Matrix of the Month of Kartik 2074

| 2074 Kartik |               | SEVERITY   |       |          |             |        |
|-------------|---------------|------------|-------|----------|-------------|--------|
|             |               | Negligible | Minor | Moderate | Significant | Severe |
| FREQUENCY   | Very Likely   |            |       |          |             |        |
|             | Likely        |            |       |          |             |        |
|             | Possible      |            | 2     |          |             |        |
|             | Unlikely      |            |       |          |             |        |
|             | Very Unlikely |            |       |          |             |        |

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

**1. Account Opened with pending documents:**

In order to ensure the compliance of NRB's Directive No 19 and enhancing the control system of Anti Money Laundering (AML), accounts must be opened only after obtaining and verifying the latest document of the customer. In case any accounts are opened with pending required document branch shall continuously follow up with the customer and obtain the document as soon as possible. It has been observed that some of the branch has opened the customer account with pending documents and documents are not obtained till date. The branches are discouraged to open the account with pending document and make rigorous follow up to obtain the pending document if already opened.

**2. Risk Grading and KYC Update:**

It has been observed that in some Branches, risk grading and KYC updates are still pending. Branch Managers and Operation In-charge have to be fully aware of the consequence of this and shall review the implementation status of the Risk Grading and KYC updates and prepare the status report of same. Branch Managers and Operation In-charges are instructed to focus on updating the risk grading and KYC within the deadline.

**3. Legal Documents and their uniformity:**

All the Branches have been informed and instructed to use only the prescribed forms/ formats and legal documents for Loan processing from the Branch. It has been observed that some of the Branches are using different forms/formats and legal documents while processing the Loan. Branch Managers and Credit In-charges have to be fully aware of the Forms/formats provided by Corporate Office for the compliance. The Branch Managers and Credit In-charge are instructed to use the forms/formats provided by the Corporate Office without fail.

**4. ATM Functionality:**

It has been observed that ATMs are not functioning well due to occurring frequent system problem. However the issue was already notified to the concerned Departments but the issue is



still unsettled. Problem in smooth operation of ATM machine also expose the Bank towards reputation risk and dissatisfaction of customer.

During the month of Kartik, 2074 ATM's stoppage time is as follows:

| Branch Name | Location of ATM | Stoppage Time (Days) | Reason                  |
|-------------|-----------------|----------------------|-------------------------|
| *****       | *****           | 6 days               | Power Backup Problem    |
| *****       | *****           | 2 days               | Network Error           |
| *****       | *****           | 2 days               | Media Converter Problem |
| *****       | *****           | 5 days               | Hardware Error          |
| *****       | *****           | 8 days               | Hardware Error          |
| *****       | *****           | 2 days               | Cassette Error          |
| *****       | *****           | 9 days               | Networking Device Error |
| *****       | *****           | 3 days               | Hard Disk Crash         |

Card Department/concerned Branch Managers and Operation In-charges are required ensuring the functionality of ATM all the times and monitor the ATM machine regularly.

#### 5. Wrong entries and their Reversal:

It has been frequently observed that Branches have been doing wrong entries and their reversal. Concerned staffs are required to ensure that the entries made by them are valid and correct before posting in system. Further, Branch Managers and Operation In-charges are required ensuring the validity of transaction before approving in the system. Around 82 transactions are found reversed due to wrong transaction made in the month of Kartik 2074.