



Operational Incidents Socializations Chaitra 2074, Baisakh & Jestha 2075

Following incidents are reported to Operation Risk Department in the Month of Chaitra 2074, Baisakh and Jestha 2075 (March 2018 - June 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. 5,000

Teller cash of NPR 5,000/- was exceeded. 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

C-ASBA Application not registered in System

C-ASBA Application for the IPO is found to be forgotten to enter into the system by the staff responsible for registering the C-ASBA Application. The application is misplaced after receiving from the customer and verification with system registration could not be done. Customer claim the opportunity loss as certain share has been allotted to all applicant by these company. Staff responsible to enter the C-ASBA is made responsible to pay the opportunity loss as a disciplinary action for his/her negligence.



Incident – 2

Risk Factor / Recommendation

The risk directly affects the Bank on its operation and reputation as well. Branch has to daily reconcile the received C-ASBA form along with system entry, block amount on daily basis. The internal supervision and monitoring has to be more strengthen on the operational activities.

Risk Frequency: Unlikely

Risk Severity: Significant

Risk Level: Medium

Existing Status: Closed

Incident – 3

Change in Value Date and Saving Account Overdrawn

While encashing the cheque amounting Rs. 100,000 dated 05/04/2018, value date was mistakenly changed in the system as 15/04/2018. Due to change in value date, system shows higher available amount in customer account to that of actual amount. Later on, customer had withdrawn Rs. 100,000 through cheque from another branch. Due to this saving account was overdrawn by Rs. 100,000.

Risk Factor / Recommendation

This is the serious operational lapses on operations. There was no means to edit the value date on cheque payments. Further, Pumori itself should restrict on editing value date on cheque payments. We are frequently observing the IT related errors due to not updating the latest exe on Pumori. IT Department has to work to update the new exe globally to be effective in all computers at once. This type of lapses of exe update should not be repeated time and again. Branch has to monitor the exception report daily to identify such type of incidents immediately.

Risk Frequency: Possible

Risk Severity: Moderate

Risk Level: Medium

Existing Status: Closed

Incident – 4

Vault Not Opened by Key

Vault is not opened by the vault key. Vendor, Branch Operation Department and General Administrative Department has been instantly informed. Vendor of vault (Podrej) opened the vault by master key and replaced the damaged lock. Spare key of replaced lock is kept in nearest branch.



Incident – 4

Risk Factor / Recommendation

This is surprising and serious concern on the banking servicing. Branch may be unable to do operation due to cash unavailability. Further, branch has to exchange the spare key on every six months.

Risk Frequency: Unlikely

Risk Severity: Significant

Risk Level: Medium

Existing Status: Closed

Incident – 5

Entry has not been made in Customer Account

IBCA amounting to Rs. 1,282,000.75 in favor of foreign party was issued by branch without debiting the customer account. Amount was paid by Treasury Department, Corporate Office in reference of IBCA issued by branch. The amount was paid to foreign party in favor of customer without debiting customer's account. After identification of such incidents by reconciliation department, branch debited the customer account.

Risk Factor / Recommendation

This is the serious operational error. Branch should not issue Advise before debiting the customer account. Branch must review General Account (IBT) before leaving the office.

Risk Frequency: Unlikely

Risk Severity: Significant

Risk Level: Medium

Existing Status: Closed



Risk Matrix

Ashadh and Shrawan 2075		SEVERITY				
		Negligible	Minor	Moderate	Significant	Severe
FREQUENCY	Very Likely					
	Likely					
	Possible			1		
	Unlikely				4	
	Very Unlikely					

Some other operational issues identified by Operational Risk Management Department in the month of Chaitra 2074, Baisakh and Jestha 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 find out. Provision of treatment of long pending cash overage / (shortage) shall be mentioned in the operation manual. Further, action to be taken with employee who frequently make 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) indicate the problem in smooth operation of ATM terminals. Continuous monitoring,



continuous power supply and regular maintenance of ATM terminals shall be done to minimize such type of incidents.

- Most of the CCTV are found to be having recording back-up below 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 camera, inadequate CCTV camera etc.
- 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 document and same are yet to be collected.
- Some of the bank accounts are still pending to be reconciled. Long pending amount in reconciliation statement is still needs to be adjusted in books of account.
- Frequent electricity problem and network problem is found in some branches and long term strategy to solve these issues is to be formulated.
- Substantial accounts are found to be in dormant status, and some accounts are found in debit restriction status. The movements on long dormant accounts has to be monitored by the branches.
- Few customer accounts are found to be opened with wrong tax rate and without tax rate which may consequence to financial loss to the Bank due to additional tax, fine and penalty burden to be paid on behalf of customer.
- Some accounts are found to be overdrawn. Most of the accounts are overdrawn for renewal of expired insurance, legal expenses in default loan, 35 days' notice published charge. Earlier and frequent follow up need to be done to minimize such type of issue.
- Vault spare key are unknown to some branches. It has to be identified, managed and recorded properly.