



Operational Incidents Socializations

Mangsir, Poush & Magh 2074

Following incidents are reported to Operation Risk Department in the Month of **Mangsir, Poush & Magh 2074** (November 2017 - February 2018). Some of the incidents have already been resolved with thorough scrutiny of the incidents and some are under scrutiny 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 next 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. 124,000/-

Teller cash of NPR 124,000/- 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. 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- Moderate;

Risk Level- High

Existing Status: Closed



Some Operation Risk Issues observed in the month of Mangsir, Poush and Magh 2074 and their settlements:

1. Account opened with pending documents:

It has been observed that some of the Branches have opened accounts with pending documents assuring that the pending documents will be obtained within a few days. As reported by Compliance Department, in spite of making so many follow up calls, some Branches have not provided pending documents as committed. Concerned Branch Managers and Operation In-charges have to be fully aware of the non-compliance.

2. Risk Grading and KYC Updates:

It has been observed that in some Branches, risk grading and KYC updates are still pending. Branch Managers have to be fully aware of the regular progress and implementation of the Risk Grading and KYC updates to review and update the process within the deadline.

3. Wrong Entry Reversal

It has been observed that some of the Branches have been doing wrong entries and their reversals frequently. During the month of Mangsir, Poush and Magh, 2074, more than 500 transactions have been found reversed in customer accounts.

4. Account with Zero Balance

While reviewing the customer trial balance, many accounts were found where balance outstanding is zero. Fixed deposit account and current account (which required minimum balance) has also zero balance. This means these accounts are actually closed however not closed in system. This will unnecessary inflates the number of account although these accounts are not operative in nature. Further in saving and call account certain minimum balance is required which shall be maintained by respective customer. However, some accounts are found where minimum balance is not maintained.

5. Mistake Tax Rate

As per Income Tax Act, 2058, applicable TDS rate for natural person is 5% and entity is 15%. However, in some cases application of wrong tax rates has been observed in some of the Branches. It is totally negligence of concerned staff by which the Bank loses its faith and reputation. Concerned staff must aware regarding the applicable tax rate while opening account.

6. Interest Posted and Tax Deducted from different account

While reviewing the customer account, it has been observed that in some cases interest was posted in one account and tax is deducted from another account. It is the responsibility of customer to pay the tax on interest by him/herself instead of paying from another account and it is the responsibility of bank to ensure that tax has been deducted from such account where interest is posted. However, error has been observed in some account.

7. Reconciliation of Various Accounts

Timely reconciliation of the bank account, agency account, financial account etc. is one of the tool for managing operational risk as it can detect the error and fraud on timely basis and provide the time for early rectification. Reconciliation Department in co-ordination with other respective departments and branches is responsible to ensure the timely reconciliation of all Inter Department Account, Inter Branch Account, Parking Account, Nostro/Bank Account, Other Assets and Liability Account, Dividend Payables Account,



ATM, Card and Remittance and Other Accounts. However, reconciliation of above mentioned accounts are not done on regular basis as required by Reconciliation Guidelines.

8. Lapses in Credit Operation

Insurance of the assets indemnify the loss in case of any damage to the assets. So insurance of the building/stock must cover whole / all period for which loan was disbursed by keeping building as collateral. However, insurance of some of the collateral is expired and not renewed.

Instruction from Management (CEO)

- Incidents are not reported by branches as expected.
- Branch managers are instructed to be more serious on the matters related to Operational Risk. The timely reporting of the incidents is also a medium to control the Operational Risk within the Branches.