

Review Areas: Branch Review ? June 2024 (Q1)

Total Issues Identified: 12

Total Issue Risk Rating Breakdown: High - 1, Medium - 4, Low - 7

Issue Name: Inadequate control over handling and storage of customers' confidential documents

Issue Rating: High

Probable Risk: Operational Risk

Root Cause: Process Non-adherence

Observation: There is inadequate control over handling and storage of customers' confidential documents

Customers' confidential documents like bank statements (3), masked and unmasked aadhaar card copies

c) Complete documentation of a loan disbursed in October

2023 was found in an open envelope in a pedestal drawer

at the Faridkot branch.

Customers' rubber stamps found in a drawer at the

Nanded branch. Matter was escalated by audit to RCU,

who investigated the matter, and no malintent was

identified.

Three rejected loan files since October 2023 found in an

unlocked drawer at Yavatmal branch, having KYC

documents, Loan application form, NACH form etc.

Cancelled /rejected files found in Palangnatham branch

7 - cases since (3 -18 Months) , at Thalakulam branch

5 - cases since (8 Months)

Refer Annexure-1 for detailed observation

Root Cause Explanation: Lack of awareness / discipline to ensure adherence with internal and regulatory requirements

Implication: Possible misplacement/loss of customer documents

Agreed Action Plan: Blank signed cheques have since been destroyed. Rubber stamps have been returned to Customers? confidential documents related to rejected loans have been shredded as appropriate and those concerned staff has been warned and sales team has been sensitized. Moving forward, there will be regular communication with the business team covering :

- Clear instructions emphasizing strict prohibition on blank signed cheque and retaining customer's rubber stamps.
- Guidelines for appropriate handling of the customer's documentation ensuring strict adherence with the privacy policy.
- Clear communication of the consequences with the employees of non-compliance.
- Guidelines for documents handling, shredding and storage.

We will do a study to assess whether we can completely do away with letterheads at branches using technology.

Auditor's Recommendation: Management should sensitize branch personnel to exercise adequate control over documents.

Implementation Date: 15th September 2024

Issue Name: Sharing of user id (AD ID) and password by relationship officers

Issue Rating: Medium

Probable Risk: Operational Risk

Root Cause: System Issue and Process Non-adherence

Observation: Sharing of User ID (AD ID) and password by the relationship officers (ROs) was observed at Bharuch and Nandurbar branches. At Bharuch and Nandurbar branches, the RO was seen using the other RO's ID (BG ID) and password to access the Loan Origination System (Lentra) apart from the Outlook and employee relationship management system. At Bharuch and Dhule branches, the ROs had written their BG IDs and passwords on sticky notes and placed them on the desktop.

Root Cause Explanation: Staff is not sensitized to the implications of password sharing.

Agreed Action Plan

The ROs, having individual User ID and password, share a common desktop. The ROs were not aware of the consequences of password sharing. We have sensitized this issue with the business team (including ROs) clearly emphasizing that sharing of user id and password is strictly prohibited. We have also instructed the line managers to ensure that the users are made aware of the "Switch User" option in the system.

Implication: Risk of data breaches as well as pose a significant threat to the integrity of organizational data.

Auditor's Recommendation: Needs to create awareness among staff for the consequences of password sharing.

Implementation Date: Closed

Issue Name:Inadequacies in compliance w.r.t. regulatory and statutory requirements

Issue Rating: Medium

Probable Risk: Compliance Risk

Root Cause: Absence of Process and Process Non-adherence

Observation: Background:Branches are required to display various Notices / Certificates / Registration num

Branches | Observation

36 | Notices/Abstracts/Policy for Maternity Benefit Act, 1961, POSH, List of holidays, Minimum wages paym

36 | Abstracts/Notices of Shops and Establishments, Certificate of Trade License, Fair Practice Code, SMA

15 | GST certificates were not displayed or branch address as an additional place of business was not upd

04 | Registered Office (RO) Board with registered address was not displayed at the entrance. Refer Annex

Implementation Date: 30th September 2024

Root Cause Explanation: Miss out by branches either to display or update records provided by Head Office

Implication: Non-compliance with regulatory / statutory requirements may result in imposition of fines / pena

Auditor?s Recommendation: Expedite implementation of digital displays at branches. Strengthen the monit

Agreed Action Plan: Compliance requirements have been completed for mentioned branches, along with H

Digital displays installation is work in progress. All display requirements are being managed centrally so tha

As per road map for digital displays,194 locations: Delivered and Installation is in progress. Will go live by 3

Issue Name:Exceptions in compliance with information security (IS) policy

Issue Rating: Medium

Probable Risk: Operational Risk

Root Cause: Process Non-adherence

Observation: The effectiveness of adherence to IS Policy was reviewed at branches and the following was

Branches | Observation

09 | Personal G-Mail, Google Drive, Google Contact and Google Meeting were accessible on ABFL laptop  
Streaming website (YouTube) was working on user's desktop / laptop - 20 instances, Refer Annexure- 3B

Implication: Possibility of data leakage through unauthorized user access. Possibility of compromise on IT

Root Cause Explanation: Lack of implementation of IT / internet / firewall security policy controls.

Auditor's Recommendation: Management should remediate the issues identified and implement the remed

Implementation Date: Closed

Agreed Action Plan: Due to the technical issue at Zscaler end (Secure web service provider) users were ab

Issue Name: Inadequate physical security controls at branches

Issue Rating: Medium

Probable Risk: Operational Risk

Root Cause: Process Non-adherence

Observation: Background: Admin team manages security controls across branches for CCTV, back-up of C

Branches | Observation

13 | CCTV camera recording back-ups were not available. (Vizianagaram, Bengaluru-SR infotech complex

02 | CCTV not installed at the branches (Jaunpur & Satara) Refer Annexure 4B.

05 | CCTV monitoring could not be done due to technical issues, absence of vendor password to access re

07 | CCTV camera did not cover the FRFC drawers. (Bassi, Chaksu, Trichy ? Thiruverumbur, Tiruvannama

03 | Break in CCTV recording resulted in incomplete backup. (Bassi, Chaksu & Nandurbar) Refer Annexure

Implementation Date: 30th September 2024

Root Cause Explanation: Miss-out by branch to communicate FRFC camera breakdown to Admin team for

Lack of knowledge at branches of vendor managed camera recording passwords to demonstrate existence

Intermittent power cuts at branches disrupt the continuity of CCTV audit trails

Implication: Possibility of compromise in security and reduced ability to monitor and investigate incidents or

Auditor's Recommendation: Management should ensure that all branches are equipped with CCTV camer

Agreed Action Plan: All issues are closed except 1 branch ? Nandurbar wherein break in CCTV recording.

Issue Name:Inadequate fire safety monitoring at branches

Issue Rating: Low

Probable Risk: Operational Risk

Root Cause: Process Non-adherence

Root Cause Explanation: Inadequate monitoring at branches of fire safety equipment validity / expiry period

Implication: Risk of loss by fire to lives / assets at branches due to inadequate fire safety arrangements.

Auditor?s Recommendation: Adequate and periodic monitoring of fire safety arrangements, review of press

Observation:Background: HO Administration monitors and tracks availability of fire extinguishers at the bra

5 branches were identified where 14 fire extinguishers had expired (Sulur, Tiruvannamalai, Mahendragarh,

3 branches (Kanchipuram, Indore, Mahendragarh) were identified where the pressure was low in 4 fire exti

15 branches Fire Safety training was not provided to staff (Nanded, Beed, Satara, Karad, Latur, Patan, Sur

Implementation Date: 31st August 2024.

Agreed Action Plan: Fire Extinguishers AMC was under process and now all refilling are done and covered

For expired fire extinguishers at 5 branches ? Refiling is done for (Nanded, Beed, Tiruvannamalai and Sul

For Low pressure FE at Indore and Kanchipuram Branch- Refilling has been done.

Regarding fire safety training to staffs- Emailers are sent to employees educating on how to handle fire ext

Issue Name:Exceptions in IT assets register

Issue Rating: Low

Probable Risk: Operational Risk

Root Cause: Process Non-adherence

Observation: Background: The ABFL IT team manages IT infrastructure across branches while the Finance

Observation

On review of fixed assets register for 48 branches, summary of audit observations as below;

Asset Count | Branches | Observation

14 | 11 | Assets were physically available at branch, however, these were not available in the FAR List / AM

05 | 03 | Assets were physically not available at branch, however, these were available in the FAR List. Refer Annexure 6D

Asset Count | Branches | Observation

11 | 07 | IT assets were identified at branches that were not working/ not in use due to not installed. Refer Annexure 6D

05 | 03 | Assets are not tagged / Incorrectly tagged. Refer Annexure 6D

Root Cause Explanation: IT Asset Register not timely / properly updated

Implication: Possibility of loss / misplacement of asset

Auditor's Recommendation: Management should ensure timely updates to IT asset register. Differences noted between Asset DB and FAR List

Agreed Action Plan: Assets physically available at branch, and not available in the FAR List ? 9 instances

2 instances assets are available in Asset DB , FAR will be updated by Finance team upon invoice processing

Assets physically not available at the branch, available in the FAR List ? 3 instances assets are available in Asset DB

All Assets are part of IT Asset list. IT Asset register is maintained as new assets gets included in IT Assets update

Regarding IT asset identified at branches not working/ not in use due to not installed- These are BAU activities

Assets are not tagged / Incorrectly tagged ? 2 instances 1 Sharp printer asset will be tagged by 31st August 2024

For latest software updates incase of 4 branches - Win11 21H2 and 22H2 are in support and as per N-2 policy

Implementation Date: 31st August 2024

Issue Name:Exceptions in admin assets register

Issue Rating: Low

Probable Risk: Operational Risk

Root Cause: Process Non-adherence

Observation: Background: ABFL Admin team ensures safety of admin assets across branches while the Finance team ensures safety of financial assets

Asset

Count | Branches | Observation

Multiple | 17 | Assets were physically available at branch, however, these were not available in the FAR List

73 | 11 | Assets are not tagged / Incorrectly tagged. Details are given in Annexure 7B

Asset

Count | Branches | Observation

03 | 02 | Assets were not working / not in use. Details are given in Annexure 7C.

Root Cause

Admin Register not timely updated or regularly reconciled with asset details provided by Finance team.

Implementation Date: 30th September 2024

Agreed Action Plan: The URCFO vendor has been appointed for physical verification of branch assets. The

Out of 18 branches revert received for 4 branches (Yavatmal, Karad, Bharuch, & Dhule) for updating of the

In all 4 branches total 8 assets are now put to use

Out of 3 branches tagging has been completed rest is in process

Implication: Possibility of loss / misplacement of asset

Auditor's Recommendation: Management should ensure timely updates to Admin asset register. Difference

Issue Name: Internal records not displayed/maintained

Issue Rating: Low

Probable Risk: Compliance Risk

Root Cause: Process Non-adherence

Observation: Background: Branches are required to display various internally required displays and records

Branches | Observation

14 | Information relating to Collection and Recovery Agencies was not displayed on Statutory Notice Board

08 | In 08 instances, Signage board not displayed outside not available at branch - Details are given in Annexure

09 | Emergency & Important contact no's were not displayed at branch such as nearest police station, fire,

Branches | Observation

25 | Various internal display records were not exhibited on the branch display board - Inspection Booklet (9

12 | Prohibition of Smoking in Public Places displays were not exhibited Details are given in Annexure 8C

Implementation Date: 31st August 2024.

Implication: Non-compliance with internal requirements.

Auditors Recommendation: Monitoring by the Administrative team needs to be strengthened to ensure ad

Agreed Action Plan: Inspection books are available in all 9 locations. We have moved from old vendor Apa

For Collection agencies List ? displayed at all 10 branches

Signage board ? Work in progress 46 and pending 38 due to rebranding Target date- 31st August 2024.

Emergency & Important Contact No ? Now displayed at all (9) branches.

Prohibition of Smoking in Public Places (10) ?Displayed

Disclosure containing last date of update of Statutory Displays (12) ? Displayed

Inspection Booklet (9) -Vendor inspection books are available in all 9 locations. - 16th July 2024.

Root Cause: Miss out by branches to implement internally required displays provided by HO Admin/HR tea

Issue Name:Exceptions in operations process

Issue Rating: Low

Probable Risk: Operational Risk and Reputational Risk

Root Cause: Process Non-adherence

Observation: Background: Process of loan / customer documents are stored in the FRFC drawers and a re

Six disbursement (STSL) cheques since 2022, were found in FRFC. These had not been cancelled/destro

Details given in Annexure 9

Root Cause Explanation: Non-adherence with process to be followed for FRFC management, record maint

Implication: Risk of loss of vital customer documents, customer complaints, potential legal proceedings and

Implementation Date: Closed

Agreed Action Plan: 4 stale cheques dated 2022 were missed out from the shredding exercise, the same h

Property documents were handed over by the Sales team at the same time as the auditor walked in therefo

Auditor?s Recommendation: Management should ensure all vital customer documents are kept inside FRF

Training awareness should be provided periodically to branch employees to discourage practice of storage



Issue Name:Exception in branch admin activity process

Issue Rating: Low

Probable Risk: Operational Risk and Financial Risk

Root Cause: Process Non-adherence

Observation: Background: The pan India installation and maintenance of signage fall under the purview of

The admin activity of the branches include maintain office, Key movement, Keep record of important regist

Observation : On review of 48 branches, below branch admin exceptions were observed. Refer Annexure-

Branches | Observation

06 | Outsourced staff's in-out time & attendance register was not maintained (Shyamal, Bharuch, Dhule, Na

07 | The visitor register (3) & Courier Inward-Outward register was not maintained (7) at the branches

14 | Office key movement record was not maintained, and keys were handled by vendor staff.

5 | First aid box not available at the branches.

Root Cause Explanation: Lack of awareness / discipline to ensure adherence with internal processes and g

Implication: Non-compliance with internal guidelines may result in loss of important data or documents

Auditor?s Recommendation: The necessary processes with respective admin needs to be adhered into.

Agreed Action Plan: Vendor has instructed to maintain proper attendance record. Office Key Movement ? h

Register maintenance ? Sensitized staff to maintain registers at branches.

First aid box ? Now available at branches

Implementation Date: Closed

Issue Name: Exceptions In FRFC Process

Issue Rating: Low

Probable Risk: Operational Risk and Financial Risk

Root Cause: Process Non-adherence

Observation: Background: Process of critical documents stored in the Fire resistance file cabinet (FRFC), v

In 9 branches, FRFCs were operated by business team without Letter of Authority (LOA) as prescribed in t

FRFC keys are not adequately controlled.

FRFC key (both sets) at the Beed branch was lying in the desk drawer of the Housekeeping vendor staff.

FRFC keys (both sets) at the Latur branch were held by single custodian (Business team member).

Observation

(c) FRFC keys were unavailable at the Yavatmal branch

(Business)

(d) FRFC key movement record not maintained in 8

branches. Details are given in Annexure-11

Root Cause Explanation: Lack of awareness on process guidelines

Implication: Risk of loss of vital customer documents, customer complaints, potential legal proceedings and

Auditor's Recommendation: All FRFCs should be operated as per the designed process.

Agreed Action Plan: (a) Branch manager was not onboarded. (No documents were there in FRFC) Request

(b) Currently there is no usage of FRFC, once we onboard the relevant employee rights will be assigned as

(c) Branch manager has been onboarded and been made aware of responsibility of managing the FRFC.

(d) For Patan Branch Manager is onboarded and been made aware of responsibility of managing the FRFC

Currently there is no usage of FRFC, once we onboard the relevant employee rights will be assigned as per

Implementation Date: Closed