

Review Areas: Wholesale LOB (Large Corporate and Mid Market segment)

Total Issues Identified: 7

Total Issue Risk Rating Breakdown: High - 1, Medium - 3, Low - 3

Issue Name: Approval for Product notes

Issue Rating: High

Probable Risk: Operational Risk

Root Cause: Lack of Documentation

Observation: Product Working Group Charter requires all members of the Product Working Group to review

Root Cause Explanation: Process for maintaining a centralized repository and email sign-offs not in place.

Implication: Absence of audit trail for product note sign-offs.

Auditors Recommendation: The Department needs to ensure that a centralized repository is maintained for

Agreed Action Plan: Product Notes for wholesale LOB have now been provided. Centralised repository and

Target Date: August 31, 2024

Issue Name: Registration on NITI Aayog Darpan Portal

Issue Rating: Medium

Probable Risk: Compliance Risk

Root Cause: Absence of Process

Observation: RBI regulation requires NBFCs to verify that the customers, who are non-profit organisations,

Root Cause Explanation: No process in place to comply with the requirement of RBI regulation for DARPA

Implication: May lead to non-compliance with RBI regulation.

Auditors Recommendation: Adequate process needs to be defined and document the same to comply with

Management Response: We have modified the CAM format incorporating the relevant field to capture DAR

Target Date: Closed.

Issue Name: Re-KYC of co-borrowers

Issue Rating: Medium

Probable Risk: Compliance Risk

Root Cause: System Development

Observation: RBI Master Direction on Know Your Customer (KYC) and ABFL's KYC Policy requires conduct

Root Cause Explanation: System deficiency.

Implication: Non-compliance with regulatory requirement.

Auditors Recommendation: The Department needs to undertake Re-KYC for co-borrowers

Agreed Action Plan: Risk category field is currently not available in FinnCorp and FinnRetail LMS for co-bo

Target Date: August 31, 2024

Issue Name: Non-Co-operative Borrowers

Issue Rating: Medium

Probable Risk: Compliance Risk

Root Cause: Absence of Process and Lack of Documentation

Observation: As per RBI Scale Based Regulations, All non-deposit taking NBFCs of asset size of ₹500 cro

Root Cause Explanation: Absence of policy

Implication: May result in ambiguity

Auditors Recommendation: Policy to be prepared for identification and reporting of non-cooperative borrow

Agreed Action Plan: There is a robust monitoring of all borrower accounts especially those with outstanding

Target Date: Closed

Issue Name: Post Disbursement Documents and Financial Covenants

Issue Rating: Low

Probable Risk: Operational Risk

Root Cause: System Issue

Observation: On review of the covenant tracker, we observed that in all 5 instances, the revised target date

Root Cause Explanation: System Deficiency

Implication: Inadequate ageing of PDD documents

Auditors Recommendation: The Department needs to track ageing from original target date

Agreed Action Plan: Since the appropriate approvals were already taken, DPD are calculated basis of revision

Target Date: August 31, 2024

Issue Name: Updation of customer details in loan system

Issue Rating: Low

Probable Risk: Compliance Risk and Operational Risk

Root Cause: System Issue and Process Non-adherence

Observation: We reviewed the Customer Master as on March 31, 2024 and observed the following: In case of

Root Cause Explanation: Failure in customer data entry procedures.

Implication: Inadequate maintenance of customer contact details.

Auditors Recommendation: Inadequate maintenance of customer contact details. Erroneous system logic.

Agreed Action Plan: For updation of customer details ? We have migrated in the month of August 2021 from

For CCC ? UCIC got implemented in June 2024 which is post the audit period. IT to ensure this works as expected

Target Date: Closed

Issue Name: Aadhaar unmasked in aadhaar card copy

Issue Rating: Low

Probable Risk: Compliance Risk and Operational Risk

Root Cause: Process Non-adherence

Observation: As per Master Direction - Know Your Customer (KYC) Direction, 2016, RE shall ensure to rectify

Root Cause Explanation: Operational miss out

Implication: Non-compliance with Regulatory requirements.

Auditors Recommendation: Fortified maker-checker mechanism.

Agreed Action Plan: Out of 4 cases highlighted, please note below: N Jehangir case was a Buyout case which

Target Date: Closed