

Review Areas: Wholesale LOB (Construction Finance 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 maintain a centralized repository for all signed produ

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

Target Date: August 31, 2024

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 condu

Root Cause Explanation: System deficiency.

Implication: Non-compliance with Regulatory requirements.

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: Deviation for Interest Service Reserve

Issue Rating: Medium

Probable Risk: Operational Risk

Root Cause: Process Non-adherence

Observation: Construction Finance product note requires minimum one-month Interest Service Reserve (IS

Root Cause Explanation: Operational miss-out. Process non-adherence.

Implication: Unauthorised deviation to process.

Auditors Recommendation: The department needs to ensure adherence to the defined process.

Agreed Action Plan: We have now obtained ratification from CC3 and the observation is resolved. Going fo

Target Date: Closed

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 Rs. 500 c

Root Cause Explanation: Absence of policy.

Implication: May result in ambiguity.

Auditors Recommendation: The Department needs to document a policy for identification and reporting of n

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

Target Date: Closed

Issue Name: Unmasked Aadhaar card copies

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 the re

Root Cause Explanation: Operational miss out.

Implication: Non-compliance with Regulatory requirement.

Auditors Recommendation: Maker-checker mechanism needs to be strengthened.

Agreed Action Plan: Operations ? We take note of these errors. In two cases, Aadhaar is redacted now and

Target Date: For Aadhaar redaction ? July 31, 2024. SOP for handling Aadhaar masking exceptions - Sept

Issue Name: Insurance

Issue Rating: Low

Probable Risk: Compliance Risk and Operational Risk

Root Cause: Process Non-adherence

Observation: As per section 16 of the Real Estate Regulatory Authority (RERA) Act, a promoter is required

Root Cause Explanation: Operational miss-out.

Implication: Risk of inadequate coverage.

Auditors Recommendation: The Department needs to strengthen the monitoring process to check validity o

Agreed Action Plan: Insurance has now been renewed for 3 / 5 cases. We will get the insurance completed

Target Date: September 30, 2024

Issue Name: Updation of customer details in loan systems

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

Root Cause Explanation: Inadequate maintenance of customer contact details. Erroneous system logic.

Implication: Inadequate maintenance of customer contact details. Non-compliance with Regulations.

Auditors Recommendation: The Department needs to ensure that customer contacts are appropriately cap

Agreed Action Plan: Business - For customer contact details - This was missed out due to system migration

Target Date: Closed.

