

MONOGRAPH ON RISK BASED INTERNAL AUDIT OF COMMERCIAL BANK



July, 2016

PROFESSIONAL DEVELOPMENT COMMITTEE

THE INSTITUTE OF COST ACCOUNTANTS OF INDIA
(Statutory body under an Act of Parliament)

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Any mistake, error or discrepancy noticed may be informed to Director (Professional Development), The Institute of Cost Accountants of India, CMA Bhawan, 3, Institutional Area, Lodhi Road, New Delhi-110003, which will be taken care of in the next edition.

CMA PRAMOD KUMAR BHATTAD

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MESSAGE FROM PRESIDENT

Risk Based Internal Audit (RBIA) is an approach confined to audit intending to protect and enhance organizational value by providing an objective assurance, advice, and insight, keeping intact the effectiveness of the risk management, control and governance systems. The function is an aid to senior management and the Board of Directors in reducing the risk of loss and reputational damage in their quest of attainment of business objectives.

Provisions of Section 138(1) of Companies Act 2013, inter alia stipulate that prescribed companies should appoint , among others, Cost Accountants to conduct internal audit of the functions and activities of the company.

I am happy to note that the Professional Development Committee has brought out the Monograph on risk based internal audit of Commercial Bank. It is the third edition published by the Institute and this Monograph has been an endeavour of the Institute to communicate with the stakeholders for the Internal Audit of treasury.

I am thankful to CMA Vijender Sharma, Chairman- Professional Development(PD) Committee, other members of the PD Committee and also the PD Department for their contributions in bringing out “Monograph on Risk Based Internal Audit of Commercial Banks” in the present form.

(CMA PRAMOD KUMAR BHATTAD)

15 July, 2016

New Delhi

CMA VIJENDER SHARMA
Chairman
Professional Development Committee



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PREFACE TO THIRD EDITION

Provisions of Section 138(1) of Companies Act 2013, inter alia stipulate that prescribed companies should appoint , among others, Cost Accountants to conduct internal audit of the functions and activities of the company. The Company Board, however, will have the discretion to decide as to which agency among those referred to in the section of the Act *ibid.*, to be engaged for the purpose. Further, the RBI guidelines to banks on Concurrent Audit and Risk Based Internal Audit have envisaged outsourcing of their audit functions to agencies having requisite skill and competencies in the areas of banking operations. While this enabling provisions of the Act and RBI guidelines *ibid.*, have expanded further the potential domain of the activities of the members of our Institute, it would be the comparative competencies, efficiency and effectiveness of our members in seamless delivery of the audit functions which would be significant determinant of the extent of their penetration to this new areas of activities hitherto being dominantly occupied by other agencies.

In this backdrop we feel that the Institute should show case the audit competencies of its members and concomitantly enable the members to effectively leverage the institutional repertoire of knowledge, skill and competencies for capacity building and to sharpen their effectiveness to have edge over their competitors operating in the existing audit space. Accordingly, to begin with the Institute decided to bring out this revised enlarged edition of its publication “Risk Based Internal Audit & Concurrent Audit of Commercial Banks” the first edition and second edition of which came out in the year 2005 & 2011 respectively.

In this new edition we have endeavoured to bring out with greater clarity the underlying principles of Risk Based Internal Audit in general and of banks in particular.

We hope and trust that the regulator i.e., RBI will appreciate such endeavour of the Institute for the cause of more efficient and effective Risk based supervision of the Commercial Banks in India.

We convey our thanks and gratitude to those who contributed to consummation of the project.

The members of the Professional Development Committee also contributed immensely in shaping the present Monograph and provided necessary inputs in concretizing the material.

I would like to convey by sincere thanks to CMA P.V. Bhattad, President and CMA Manas Kumar Thakur, Vice President of the Institute for providing guidance and able leadership connected with the Professional Development Committee.

I am sure that this revised monograph would prove to be very useful to our members and other professional fraternity as also the industry at large.

Date : 15 July, 2016
New Delhi


CMA Vijender Sharma



FOREWORD

I feel singularly privileged to give foreword to the “Guidelines on Risk Based Internal Audit and Concurrent Audit of Commercial Banks” being brought out by Professional Development Committee of The Institute of Cost Accountants of India.

Business is a trade-off between risks and returns and thus the business of commercial banking is no exception. The banks in India largely undertake financial intermediation with growing focus on other retail and remittance services. Financial intermediation is a function of spread between the interest expended and interest earned. This brings to the focus the concept of product pricing. Penetratingly low pricing may help expand credit portfolio but will be a compromise on profitability. Similarly high price of loan products may render the banking institution out of competition. It therefore calls for balanced and competitive approach while fixing price of the product. Sub-prime customers may borrow at higher price, but may lead to the catastrophic situation like US sub-prime financial crisis of 2008. The banking institutions carry significant risks in their lending operations. The Corporate Governance demands a growing focus on ethical and transparent business practices aiming at enhancing the value for the stake holders.

Audit function in the banks has assumed a greater role in the wake of various financial crises in different geographical locations on the globe. In view of the emergence of different kinds of risks of doing business of banking, it was appropriate on the part of Reserve Bank of India to come out with a guidance note on risk based internal audit. Though the beginning of risk based supervision of banks was attempted even in early 90s by RBI, it came into greater focus in recent years. The risk based internal audit involves an understanding of environment of the business of banking, identification of various risks inherent in doing business, appropriate assessment of risks, an adequate learning of audit and reporting the findings of audit in an independent and objective manner.

The auditors must analyse the performance of banks from a time series point of view and also adopt a cross sectional approach. The gaps between the goals and achievements need to be analysed to find out the pitfalls, if any to understand if such gaps pose any potential risk to the bank. The non-credit risks to be looked into by the auditors must include the liquidity and solvency risks, concentration risks, operational risks involving people, policies, processes, products, principles, governance, compliance with rules, regulations and guidelines etc. The efficacy of managing these aspects will determine the level and quality of risk management in various operations. The quality of appraisal, documentation, monitoring and follow up of loans and advances also fall under the ambit of Risk Based Internal Audit. These aspects have made the role of auditors quite challenging.

The guidelines on risk based internal audit and concurrent audit of commercial banks brought out by ICAI are welcome initiative to help the auditors perform better and produce independent, objective, comprehensive and relevant findings through audit reports.

While lauding the efforts of ICAI, I wish the auditors fraternity all the best in serving the vital sector of the Indian Economy better.

J. D. Sharma
President – IOBOA
Director – IOB

Date : 15 July, 2016



CMA Kunal Banerjee
Past President (2008-09)

PREFACE TO SECOND EDITION

After implementation of Basel II, Reserve Bank of India directed all the Financial Institutions to switch over from normal inspection to Risk Based Internal Audit. Considering the gravity of the situation, the Institute of Cost and Works Accountants of India (ICWAI), the only Institution set up by Govt. of India under an Act of Parliament for imparting education and training in Cost and Management Accounting profession, though not yet assigned with the duties to conduct Risk Based Internal Audit, Concurrent Audit and Financial Inspection of Financial Institutions by the Regulator, but could not undermine their role as a responsible professionals. As a consequence, ICWAI came out with a monograph as early as 2006 where elaborate discussions were made about the Reserve Bank of India's Policy Guideline on Risk Based Internal Audit, Risk assessment template and preparation of Risk Matrix, identification, measurement and exercising control over risks.

In the wake of Sub Prime Lending and global financial disaster, it is being felt that identification of risk before its crystallization is more important than that of identification of risk after crystallization. In view of this, the Cost Accountants who are associated with different Financial Institutions as employees experienced that the Credit Risk Rating system by means of which an attempt is being made to ascertain the risk elements in the counter party has been proved to be inadequate and some changes are imminent to find out the risk associated with the counter party.

Normally, while calculating the credit risk more stress is being given on the financial, economic, market and the borrower itself, certain non-economic factors also play a definite role while assessing the credit risk of a borrower. For an example, in case of a housing loan, the place changes by the borrower before availing of the loan as well as duration of his association with his present employer are also important to assess the consistency in the character of the borrower.

The first edition of the monograph covered Concurrent Auditors' checklist in detail. The present edition will help the Concurrent Auditors to have more introspection on their audit job with the suggestive template based on Risk associated with each of the activity of a Bank. It is felt that this monograph will be of immense help to both the Concurrent Auditors and Risk Based Internal Auditors in discharging their responsibilities under changed circumstances when each of the transaction of any bank either having some degree of risk or initially no risk but may devolve into risky transaction.

Keeping all the above aspects in mind, the first edition on Risk Based Internal Audit and Concurrent Audit in Commercial Banks needs to be enlarged covering a separate chapter on credit rating and also framing some common language so that all the inspecting officials will speak in the same language and the risk assessment shall not be a matter of perception and guess. An exemplary separate risk assessment template has been designed by the Institute where degree of risk in each activity has been devised, though it may vary from Institution to Institution, but in no case Inspector to Inspector/Auditor to Auditor.

We hope and trust that the apex Bank i.e., RBI will appreciate such endeavour of the Institute of Cost and Works Accountants of India for the cause of more efficient and effective Risk based supervision of the Commercial Banks and Financial Institution in India and utilize the expertise of the services of the Cost Accountants of

India. Once the members of ICWAI are considered by RBI for providing such services to the Commercial Banks/Financial Institutions, ICWAI will feel pleasure to hand over such exhaustive risk assessment template before RBI for streamlining the Risk Based Internal Audit procedure in the Commercial Banks. We are sure, that the present volume of the book will be of immense useful/importance to the inspecting officials for conducting Risk Based Internal Audit and Concurrent Audit in commercial banks. Utmost care has been taken to prepare this monograph. Nevertheless, there might be some typographical mistakes which might have gone unnoticed. Suggestion for further improvement of this publication will be given due cognizance by the Institute.

July, 2009

CMA Kunal Banerjee
President



CMA Pravakar Mohanty
Past President (2005-06)

PREFACE TO FIRST EDITION

With the advent of globalization and the financial sector reforms growing integration of domestic markets with external markets has become inevitable and banks in India are now naturally exposed to several major risks in the course of their business. Especially in view of proposed introduction of the new Basle Capital Accord II, the capital maintained by the banks will be more aligned to the risks undertaken. It is therefore important that banks introduce effective risk management system. The adoption of risk based internal audit will help the banks to provide an aid to the ongoing risk management by providing necessary checks and balances in the system.

The Cost and Management Accountants having expertise in Risk Management, Strategic decision making technique coupled with Logistic and Management Information System can contribute significantly for such Risk Based Internal Audit in Banks.

Concurrent audit was introduced in the Banking Industry as mandatory as per recommendation of Jilani committee. Since then in commercial banks the concurrent audit is being conducted and the practicing Chartered Accountants are presently doing the work.

The members of the Institute of Cost and Works Accountants of India (ICWAI) felt that since concurrent audit is not statutory and the appointment of auditors are not guided by any law of the land, the Cost Accountants having proficiency and expertise in Internal Control and Management Information System can also contribute to this emerging area.

In the light of the above a Committee was constituted by the EIRC of ICWAI in the year 2004-05 headed by Shri Chittaranjan Chattopadhyay, the then Chairman, EIRC of ICWAI and guided by Shri R.K Chakraborty, a senior Cost Accountant, Shri Ranjan Hui, a Cost Accountant working in RBI to prepare a Monograph for the use of Cost Accountants so that they would be confident and can understand the role of a Risk-based Internal Auditor and Concurrent Auditor in a commercial bank. Although Dr. Subramanya is no more with us, this monograph will be a fitting tribute to his contribution to the professional development activities of the Institute.

The present monograph brings out the essentials of the Risk Management and Risk Audit in commercial Banks and also the approach to concurrent audit in banks. I am sure it will be very useful to the banking professionals and also practicing professionals.

The Institute acknowledges the service rendered by the members who have volunteered to prepare such manual for the benefit of the professional fraternities.

The ICWAI Centre for Excellence, Chennai has to be commended for the efforts put in for acting as a facilitator for this publication.

Shri H.N. Prasad, the Regional Director of Reserve Bank of India has released the draft guidance note on 3rd July, 2005 in the Diamond Jubilee celebration at Kolkata.

*Dated: January 20, 2006
Bhubaneswar*

CMA Pravakar Mohanty
President

ACKNOWLEDGMENTS

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Risk Based Internal Audit

A. Introduction

1. Value is functionally associated with risk and return. Active risk taking has been playing increasingly significant role in value creation process in all modern businesses. Risk management has, therefore, emerged as core business functions critical to the very existence of business. Success of business crucially hinges on the efficacy of decisions as to the type and volume of risks (i.e. right kind of risk) to be taken exposure to and the ability to effectively manage the risk incurred to pursue strategic goals.
2. 'Risk is a set of circumstances that has potential to hinder achievement of objectives'. Risk cannot be avoided altogether without opportunity loss. COSO has defined risk as "the possibility that an event will occur and adversely affect the achievement of objectives." (Committee of Sponsoring Organizations, Enterprise Risk Management—Integrated Framework (2004), p. 16). Internal Controls are systems and processes designed to manage the risks having potential to hinder attainment of objectives. The internal controls are considered as effective if the risks are managed down to a level which controlling board / management consider acceptable.
3. Risk Based Internal Audit (RBIA) is a risk focused disciplined approach to audit intending to protect and enhance organizational value by providing risk-based and objective assurance, advice, and insight' as to the effectiveness of the risk management, control and governance systems in place. The function helps and assists senior management and the board of directors in reducing the risk of loss and reputational damage in their pursuits of attainment of business objectives.
4. RBIA applies to all material risk (viz., financial, operational and strategic risks, whether internal to the organization, or external) that threatens the achievement of the organization's objectives.
5. RBIA assesses the effectiveness of risk management processes. More specifically RBIA assesses how well the organizational objectives are aligned with the missions and how effective are the processes of identification and assessment of significant risks facing the organisation. Besides, RBIA assess the appropriateness and efficacy of the risk responses to align risks with risk appetite and in timely capture and communication of relevant risk information to concerned staff, management and the board to facilitate effective discharge of their functions.
6. RBIA also under take process of identification, analysis and assessment of material risks and their trends in terms of increasing, decreasing and stable, for the purpose of formulating the risk-based audit plan.



7. RBIA evaluate the exposure of governance, operations and information systems to risks, and assess the reliability and integrity of financial and operational information flowing within and outside the organisation and quality of compliance with and adherence to the provisions of applicable laws /regulations /policies /procedures /contracts. It also evaluates the efficacy of the systems and processes in place for safeguarding of assets, potential for the occurrence of fraud and how the organisation manages fraud risk.
8. Core RBIA roles may be summarized as under:
 - Giving independent and objective assurance as to the effectiveness of processes used by the management for identification of significant risks facing the organization;
 - Giving independent and objective assurance in regard to correctness of risk assessment/measurement by the management for prioritization thereof;
 - Independent and objective evaluation of risk management processes to ensure appropriateness of responses to significant risks and conformity thereof with organizational policies;
 - Objective review of the process of management of key risks by managers to assess the adequacy and effectiveness of controls put into operation and monitoring thereof.
9. Both 'independence' and 'objectivity' have specific meanings in RBIA environment. The Glossary of the Institute of Internal Auditors refers to independence as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. Objectivity is referred to in the Glossary as an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others.
10. For effective implementation of risk-based audit framework, the board of directors and senior management must ensure that all material risks facing the entity have been identified through a scientific risk assessment process and controls have been put in place and implemented to manage the risks to acceptable level as determined and approved by the Board.

B. Risk Based Internal Audit Mechanics

1. To drive the risk management processes in an objective manner a metric for measuring risk significance and a statement of risk appetite delineating the risk to be considered significant and therefore to be managed would be essential.
2. Under RBIA framework inherent risks facing the entity are measured before application of internal control in place and then it would be compared with the residual risks after application of the control. The controls would be considered effective if the residual risk is found to be lower than the risk appetite as set by the Board.
3. Thus, the most significant outcome of the RBIA function is an independent and objective opinion to an organization's Board and management as to whether its internal controls are effective and adequate in managing its risks to acceptable levels (risk tolerance).

Risk Based Internal Audit Mechanics is shown in diagram 1.

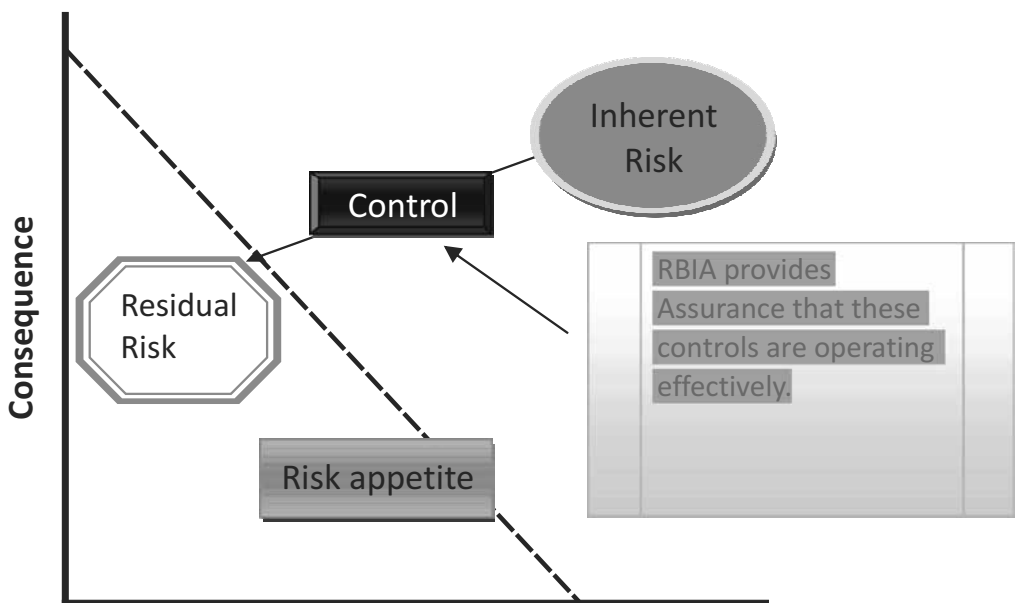


Diagram 1

Likelihood



C. Risk Based Internal Audit Cycle

The audit cycle has been depicted in the diagram 2

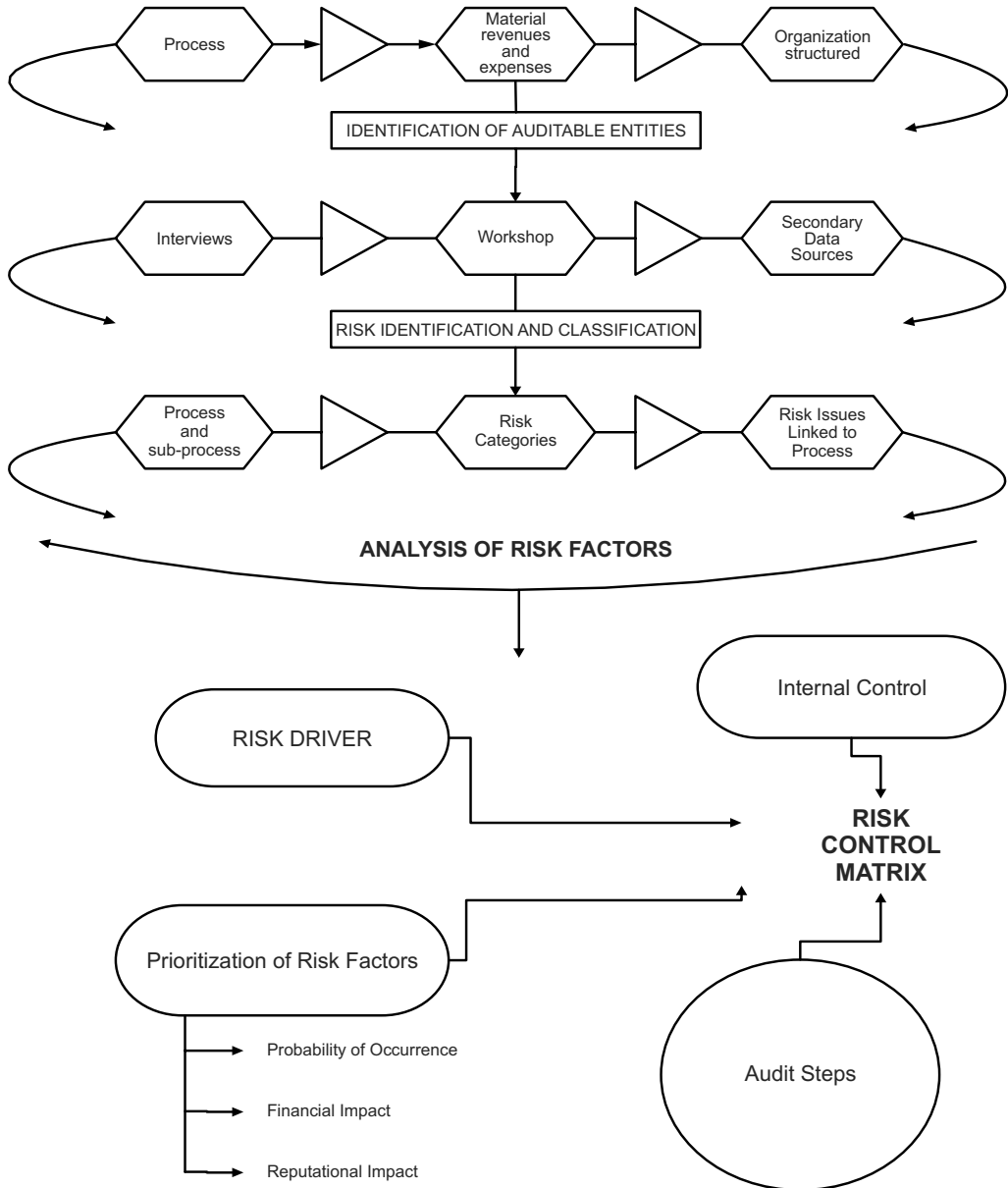


Diagram 2



D. Genesis of Risk Based Internal Audit in banks in India

1. In the wake of gradual liberalization of Indian Financial Sector and deregulation of banks, RBI took initiatives towards adoption of effective risk management systems and processes in banks. Since early 1999 RBI issued guidance notes on assets liability management, market risk, credit risk and operational risk management to facilitate the process. In December, 2002 RBI circulated a discussion paper on “Move Towards Risk-based Supervision of banks” and advised the banks of its intention to implement the system of Risk Based Supervision of banks(RBS) dispensing with CAMELS based supervision model then in vogue. RBI identified five areas in which bank level preparedness and readiness would be significant in facilitating smooth switch over to the system of RBS by RBI. Implementation of RBIA by banks is one of such areas identified by RBI for the purpose. Accordingly, RBI issued on December 27, 2002 the guidance note on introduction of RBIA by banks (**Appendix-I**). RBI advised, Inter alia, the banks to form a task force comprising senior Executives and to entrust them with the task of ensuring transition to the system of RBIA. Subsequently, in February 01, 2005 RBI issued further instructions to the banks in light of the findings of their review of implementation of RBIA in various banks revealing certain gaps and deficiencies therein (**Appendix-II**).
2. Banks have been implementing RBIA in pursuance of Reserve Bank of India direction and guidelines issued for the purpose. Under RBIA dispensation, focus has been shifted from erstwhile system of full-scale transaction testing to risk based prioritization of audit areas and allocation of audit resources. Banks have Board approved policy for undertaking risk-based internal audit (RBIA).

E. Scope and coverage of Risk Based Internal Audit in banks

RBIA to independently assess:

- a. Effectiveness of risk management, internal control and governance systems keeping in view current and potential future risks;
- b. Reliability, effectiveness and integrity of management information systems and processes in place;
- c. Matters of regulatory interest including policies, processes and governance measures established in response to various regulatory principles, rules and guidance established by the relevant authorities;
- d. Key risk management functions, regulatory capital adequacy and liquidity control functions;



- e. Effectiveness of the process by which the risk and reporting functions interact to produce timely, accurate, reliable and relevant reports for both internal management and the supervisor;
- f. Compliance with laws, rules and standards including primary legislation, rules and standards issued by legislators and supervisors, market conventions, codes of practice promoted by industry associations, and internal codes of conduct applicable to the staff members of the bank;
- g. Adequacy and integrity of financial data , related systems and processes in place for complete identification, capturing, measuring and reporting of key data viz., assets, liabilities , profit & loss, valuations of assets and financial instruments and their impairments;
- h. Balance sheet controls including key reconciliations performed and actions taken.

F. Risks in Banks

The bulk of a bank's assets consist of loans and other credit exposures. The majority of liabilities consist of deposits payable on demand and other short-term liabilities. Further, several banks have exposure to substantial credit risks associated with lines of credits and commitments that are not directly reflected on the balance sheet. Accordingly, the primary risks faced by banks are credit risks from their lending activities and funding liquidity risk related to the structure of their balance sheets, which often contain significant amounts of short-term liabilities and relatively illiquid assets, besides market risk and operational risk.

For the purpose of RBIA inherent business risks of banks can be classified into two broad categories viz., Business Risk and Control Risk.

In the **Business Risks** category eight types of significant risks, as listed below, have been identified

- i) Capital risk
- ii) Credit risk
- iii) Market risk
- iv) Liquidity risk
- v) Earning risk
- vi) Operational risk
- vii) Group risk
- viii) Business strategy and environment risk.



Under the **Control Risks** category, there are four types of risks, viz.-

- i) Internal control
- ii) Management
- iii) Organization
- iv) Compliance.

Each component of **Business Risk** and **Control Risk** is discussed herein below.

Business Risk

Business risks are those which are willingly assumed to create a comparative advantage and add value for stakeholders. Business risk includes the business decisions taken and the business environment in which the business operates. The business environment includes competition and broad macroeconomic risk. Business decisions include investment decision, product development choice, market strategies and choice of organizational structure. Business risk relates to the potential revenue shortfall compared to the cost base due to strategic and/or reputational reasons. The business ability to generate revenue is impacted, among others, by the external macroeconomic environment, its chosen strategy and its reputation in the market in which it has been operating.

Capital Risk

Capital of a bank acts as a cushion against all sorts of unexpected losses. The direction and magnitude of future growth of business of a bank also depends on the volume of capital of a bank. Although capital does not represent a business risk per se, it bears the impact of other risks. Its adequacy or inadequacy is a material factor in the risk assessment of a bank. Further, in view of the proposed amendments to the Basel Capital Accord which necessitates the capital of a bank more closely aligned with the underlying risks in a banks activity, risk of capital inadequacy has been included under the business risk for the purpose of risk profiling of the bank. However, since the aspect of capital is monitored and controlled by the H.O., the Risk Based Internal Audit of the branch is not supposed to look into this.

Credit Risk

- i) For banks, loans are the largest source of credit risk. However, credit risk also emanates through various other activities of bank both on and off the balance sheet. Banks have been increasingly facing credit risk (or counterparty risk) in various financial instruments other than loans, including acceptances, interbank transactions, trade financing, foreign exchange transactions, financial futures, swaps, bonds, equities, options, and in the extension of commitments and guarantees, and the settlement of transactions. Credit risk will include credit risk emanating from the banking books of the bank.



- ii) Credit risk comprises counterparty risk, settlement risk and concentration risk. Counterparty risk is the risk of credit loss due to failure by a counterparty to meet its financial and/or contractual obligations.
- iii) Audit must focus pointed attention to the following aspects of the major components of credit risk
 - (a) Pre-Sanction: - Compliance with Lending Policy, adherence to exposure norms, Quality of credit appraisal, judiciousness in exercise of delegated power, Quality of collaterals, execution of documents & credit rating etc.
 - (b) Post Sanction: -Efficacy and adequacy of the systems and processes in place to ensure/detect end use of fund, enforceability of documents, adherence to repayment schedule, deterioration of credit quality, early warning signals for incipient credit weaknesses etc.,
 - (c) Problem Loan Management: - Efficacy, adequacy and accuracy of the systems and processes in place for classification of assets adhering to the regulatory norms, identification of “Special Mention Account”, recovery and reduction in NPA level, follow up and monitoring of suit filed & decreed accounts and loss assets, provisioning made etc.

An indicative check list for the auditors in this regard has been furnished in **Annexure-I** for guidance.

Settlement risk

It is the risk of loss from settling a transaction where value is delivered, but all or part of the counter value remaining unpaid by the counterparty. If one side of a transaction is settled but the other fails, a loss equal to the principal amount of the transaction would be incurred. Even if one party has delayed settlement, the other party might sustain a loss due to missed investment opportunities. Settlement risk thus includes elements of liquidity, market, operational and reputational risk as well as credit risk.

Credit concentration risk

It is the risk of loss due to excessive build-up of exposure to, among others, a single counterparty or counterparty segment, an industry, a market, a product, a financial instrument or type of security, a country or geography, or a maturity.

Market Risk

It is the risk arising from movements in market prices, viz., changes in interest rates, foreign exchange rates, and equity and commodity prices. Interest rate risk, an important component of market risk, is a bank’s exposure to adverse movements in interest rates. Market risk



includes interest rate risk in the banking book. The changes in interest rates impact bank's earnings by affecting net interest income and the level of other interest sensitive income and operating expenses. Variation in interest rates also affect the underlying value of the bank's assets, liabilities and off-balance sheet instruments because the present value of future cash flows (and in some cases, the cash flows themselves) change when interest rates change. Market risk is often triggered and transmitted by other forms of financial risk such as credit and market-liquidity risks.

Liquidity risk

- i) Liquidity risk arises when an entity despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as and when fall due, or can do so only at materially disadvantageous terms. This type of event might arise when counterparties who provide the bank with funding do not roll over or withdraw funding or due to general disruptions in asset markets rendering normally liquid assets illiquid.
- ii) Analysis of liquidity involves tracking of cash flow mismatches. For measuring and managing net funding position / requirements, the use of maturity ladder and calculation of cumulative surplus or deficit of funds at selected maturity dates have been recommended as a standard tool. The format prescribed by RBI in this regard under Assets Liabilities Management (ALM) system may be adopted to gauge cash flow mismatch at different time bands.
- iii) The difference between cash inflow and outflow in each time period, the excess or deficit of funds, becomes a starting point for the auditor to measure bank's future liquidity surplus or deficit at a point in time. An illustrative list of various related aspects that must be subjected to audit in this regard has been furnished in **Annexure II**.

Earning Risk

Although variation and volatility in bank's earnings (Earnings Risk) do not represent any specific kind of business risk, it has ramified implication and significant impact on various other types of risks, capital and solvency of bank. Therefore, bank's earnings prospects and potentials need a closure audit scrutiny. A guidance note on scrutiny of various aspects and dimensions of bank's earnings has been furnished in **Annexure III**.

Operational Risk

It is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes information and legal risk but excludes reputational and strategic risk. Ubiquitous Operational Risks in banks should receive careful



and systematic audit attention. Taxonomy of operational risk has been discussed herein below.

- A. People risk
- B. Process risk within which the following risks are covered:
 - ✓ Transaction risk
 - ✓ Operational Control risk
 - ✓ Model risk
 - ✓ Technology Risk
 - ✓ Legal risk
 - ✓ Reputation Risk and
 - ✓ Environment Risk.

People Risk

People working in the branch are the front liners interact with the customer. Their attitude, orientation, knowledge, loyalty, integrity, sincerity and dedication will automatically tell on the performance of the branch. Therefore, in this perspective the auditor has to see:-

- ✓ Age profile, educational profile, training profile & carrier path for assessing the embedded risk.
- ✓ Positioning of the personnel.
- ✓ Job rotation- whether done as per procedure or not.
- ✓ Position of housekeeping and reconciliation of books of account
- ✓ Work environment - ambience of the branch, security.
- ✓ Industrial relations – Staff harmony, work suspension, abstain from duty if any.
- ✓ History of frauds-frequency /loss sustained and root cause.
- ✓ Quality of Customer service- Attitude towards customers.
- ✓ Discipline.

Process Risk

While conducting internal audit under this area the auditor shall pay greater attention to the following aspects:



Transaction Risk

- Whether exception reports are generated and scrutinized by the unit head.
- Whether all the transactions are tested & checked by the supervisors.
- Whether the products of the bank are very much complex & related necessary manual of instruction, circulars are available in the branch?

Operational Control Risk

- Whether credit portfolio is managed judiciously following the lending policy of the bank, reporting to higher authority and control by the higher authorities.
- Whether interest are charged and paid as per guidelines or not.
- Whether security documents are properly secured or not.
- Necessary control registers are maintained.
- Whether all balances are reconciled.
- Whether security measures are as per Head Office guidelines or not
- Vouchers for nominal accounts which are checked & passed by the branch authority.
- Whether access to server room is restricted.

The list is illustrative and not exhaustive one.

Model Risk

Model risk is part of inadequate internal processes. This refers to the risk of loss on account of model being flawed or inappropriate model being used. Models can fail due to a number of reasons viz., unrealistic assumptions incorrect input data, inaccurate estimation of model parameters, and inappropriate use of model. Assessing model risk requires intimate knowledge of the modelling process. To guard against model risk, model must be subjected to independent evaluation based on market data and out of sample data. Audit of this risk is mostly relevant at enterprise level. Banks are rating the borrowers for ascertaining credit risks as per their own model.

Banks are using their own models for rating their borrowers. The outputs of models must be subjected to intuitive validation based on some other criteria. The major parameters for project finance, service sector finance and commodity finance have been furnished in

Appendix III.

Technology Risk

This is also a part of operational risks. An auditor must look into the following aspects in this regard:



- Whether there is any error in programming.
- Whether the data generated from the operation is sufficient to match with the required information or for effective MIS.
- How frequently the Information Technology fails?
- How frequently the telecommunication fails?
- Whether there was any Technological interference
- How the support services are effective?
- Whether the support functions have failed in the past. What is the frequency of such failure?
- Whether the backup system is adequate.
- System is effective enough to manage the disaster if any.
- Whether the branch is working under different platforms/ software environment.

Legal and Regulatory Risk

Legal and regulatory risk arises from exposures to fines, penalties or pecuniary damages resulting from operation of laws, regulatory/supervisory actions. Legal risk can be controlled to significant extent by ensuring that agreements with counterparties are enforceable before consummation of any deal or contract. Regulatory risk may also arise out of the potential impact of a change in tax laws on the market value of a position.

Reputational Risk

Reputational risk results from damage to the bank's image among stakeholders, impairing its ability to retain and generate business. Such damage may result from a breakdown of trust, confidence or business relationships. It can be viewed as damage, in addition to immediate monetary loss, caused to ongoing business of a bank from damaged reputation. It is particularly very important for banks as the nature of their business requires maintenance of strong positive public confidence as to their solvency and liquidity status.

Environment Risk

As the years roll by and technological advancement takes place, expectations of the customers change and enlarge. With the economic liberalization and globalization, more national and international players are operating the financial markets, particularly in the banking field. This provides the platform for environmental change and exposes the bank to the environmental risk. Thus, unless the banks improve their delivery channels, reach customers, innovate their products that are service oriented; they are exposed



to the environmental risk resulting in loss in business share with consequential impact on profit. Again Information Technology application in the Bank has prompted the IT related environment risk. This category represents the inherent risks that arise due to the commercial and business environment within which the computer and telecommunication systems are operating viz. Regulatory Risk, Strategic Risk, Organization Risk, Location Risk and Outsourcing Risk. While conducting audit in a Branch, the auditor shall assess the risk of the particular branch taking into consideration numbers of banks operating in the area, share of business, competition, challenges, etc.

Group Risk

Group risk arises on account of financial implications being cast on the bank due to its obligations to other entities in the group or due to contagion effect. There may be a number of domestic/overseas subsidiaries dealing in mutual funds, merchant banking services, housing finance, gilt securities, banking services etc. of a bank. The bank may also be a minority or joint venture participant in insurance outfit or any other financial services unit. Since there no rigorous capital adequacy norm and prudential regulations governing subsidiaries as yet, the parent bank is exposed to the risk of rescue operation whenever a subsidiary runs into losses/needs fresh injection of funds. Since this risk is taken care of at the H.O. level, RBIA of a branch may not be required to look into this aspect.

Control Risks

Banks are susceptible to control risk because of the inadequacy of their control framework and the possibility of human failure in the application of control. Human failure may occur due to the lack of knowledge about the products and the business process. Control risk arises because of negligence in the application of control or because of complicity and compromise with the business principles and rules. Controls are predesigned checks to prevent occurrence of errors, slippages, and excesses in conducting the bank's business. The impact of control risk is high, and therefore, Control risks in banks should be paid necessary and sufficient attention by the Auditor. Various control risks have been summarized in **Annexure IV** for guidance.

G. Steps in Risk Based Internal Audit

- a) Understanding Business Environment
- b) Risk assessment
- c) Audit planning
- d) Reporting of audit findings



Understanding Business Environment

Risks emanate as a result of circumstances and conditions that come in the way of reaching the goals, so they do not occur independently. Therefore, audit should thoroughly recognize and appreciate the business objectives and processes and investigate into the business environment. Audit need collect relevant data and information on business goals, objectives, plans, operational processes, competitors, industry structure and the relevant provisions of laws, rules, regulations, standards to which it is subjected to. It would be compulsory to understand the systems and processes in place which would be subjected to audit.

Risk Assessment

Risk assessment process should identify and evaluate events posing potential risks and opportunities entailing positive or negative impact on attainment of organizational objectives. Such events can be exogenous (viz., economic developments and trends, regulatory backdrop and intensity of competition) and endogenous (viz., people, process, and infrastructure) to the organization. Risk assessment should be forward looking. Leading indicators need be used to provide insight into potential risks. Tracking of key performance indicators (KPIs) helps detect issues affecting the achievement of objectives while key risk indicators (KRIs) helps signal an increased risk of future losses. Leading indicators signal change in the environment.

The Board has the ultimate responsibility for risk management and internal control, including for the determination of the nature and extent of the principal risks to be taken exposure to for attaining its strategic objectives.

RBIA undertakes risk assessment solely for the purpose of formulating risk based audit plan. RBIA is an audit approach based on the risk profiles of the businesses allocating the audit resources according to this profile to improve the efficiency of the audit. RBIA selects the high-risk areas as areas of focus in audit by using the findings of the risk assessment processes.

RBIA coverage extend to the whole of the organisation based on identification of the risks facing the organisation and assessment of the efficacy of the systems of management, control, mitigation and monitoring of risks in containing impact of the same within acceptable level (Risk Appetite).

RBIA assessment must provide an understanding of the effectiveness of the risk management process in place in the organisation. Specifically RBIA must assess completeness of identification and assessment of all significant risks, appropriateness of selected risk responses to align risk with the risk appetite and effectiveness of system to capture all material information and communication thereof to concerned functionaries for their effective functioning. RBIA must not assume the responsibility to manage risk which is a management responsibility.



The business must have a high level of risk maturity for the implementation of risk-based internal audit. Risk maturity is ability and level on adaptation and implementation of a healthy and strong risk management by the organisation in every level of the business for determination, identification and reporting of attitudes towards opportunities and threats effecting the organisation goals and objectives.

The auditors must decide about the risk maturity of the business by examining all kind of documents (Indicative list vide **Annexure-V**) which may provide information on business objectives, risk assessment results, risk appetite level, databases that contain records of risks, activities used for determining important risks by the management and the business' risk management. In the businesses with low risk maturity at this point, the internal auditor acts as an advisor for raising this level.

It may be noted that all businesses do not have the same risk maturity level for implementation of RBIA and therefore, the approach to audit should be modulated according to this status of the business.

The following must be appropriately factored in the risk assessment methodology:

- i) Substantial performance variations from the budget
- ii) Industry trends and other environmental factors
- iii) Volume of business and complexity of activities
- iv) Proposed changes, if any, in business lines or change in focus
- v) Significant change ,if any, in management / key personnel
- vi) Findings of previous internal audit reports and quality of compliance
- vii) Results of latest regulatory examination report
- viii) Reports of external auditors
- ix) Time elapsed since last audit

Robust MIS and data reliability, consistency between accounting and risk data and data integrity would be essential for attaining desired degree of accuracy in the risk assessment process.

In risk assessment exercise individual events posing risks and opportunities across the audit universe are identified. The events are awarded scores in terms of probability and impact (taking into reckoning effects of controls in place to mitigate risk) to identify the level of residual risk. Using generic risk factors and scoring criteria for each factor, the audit priority of all audit objects within the audit universe are determined.

While the management need to assess inherent risks so as to decide and put in place



risk mitigation actions (including controls), the audit need assess residual risk to identify high priority areas for scrutiny. Audit must examine modalities of scoring events by the management, the actions put in place to address key risks and effectiveness of risk mitigation actions in terms of its impact on residual risks. Based on the outcomes of this exercise high levels of residual risk, to be factored into strategic and annual work plans, may be identified.

After identification of all relevant events (risks) is complete they need to be assessed and scored. Inherent risk may be assessed in terms of impact and probability. The impact may be of financial or non-financial consequences that might be entailed on the organisation in the eventuality of the risk occurring. The probability defines the chances that risk might occur.

Risks may be assessed and scored according to predetermined criteria for impact and probability. Often suggested use of three scoring levels might lead to an over-scoring in the middle category and, therefore, a four point scales may be the most appropriate. However, no definitive rule exists in this regard. Audit might choose whichever scoring system is considered more appropriate.

The commonly used criteria for assessing impact are Financial, Regulatory, Reputation, Impact on mission/achievement of objectives/operations and impact on people. To ensure that risks are scored in a common way audit must define what would represent different levels of impact (Very High, High, Medium, and Low).

Indicative scoring impact criteria

Level (score)	Financial	People	Operations
1(Low)	Financial impact</= Rs. 1.00lakh(say)	Unforeseen attrition of some employees that might cause some disruption in some operations in some branches.	Limited and minimal loss of operations. Promptly recoverable service interruption.
2(Medium)	Financial impact>Rs.1.00lakh and </= Rs.5.00lakh	Unforeseen loss of several key personnel in credit appraisal area causing significant disruption to the operations.	Significant loss in operations but restricted to a limited number of services/ locations of the Organisation. Promptly recoverable service interruption.

Level (score)	Financial	People	Operations
3(High)	Financial impact > Rs.5.00 and </= Rs.10.00 lakh.	Unforeseen loss of several key personnel attached to IT department that causes significant impact in the operations of one or more departments.	Important loss in operations but restricted to a limited number of services/ locations of the Organisation. Slow systems recovery.
4(Very high)	Financial impact > Rs.10.00lakh.	Serious injury/death to personnel.	Organisational wide inability to continue normal business. Significant loss of operations. Widespread service interruption. Slow systems recovery.

The probability of an event occurring need also be scored. Indicative criteria for assessing probability are appended:

Criteria		Score
Rare	Event extremely unlikely to happen	1
Unlikely	Event has a remote possibility of occurrence	2
Medium	Event fairly likely to happen sometime in the future	3
Likely	Event will likely occur (within 1-2 years)	4
Expected	Event is already occurring or expected to occur	5

After criteria for assessing impact and probability have been determined scores for all identified risks need be worked out. It must be borne in mind that risks are assessed by different people in different manner based on whether one is risk seeker, risk averse or risk neutral and, therefore, a consensus must evolve in this regard.

Generally there need be a priori agreement within the organisation as to which combinations of probability and impact represent low, medium, high and very high risk. The framework is subjected to modification to reflect the actual method of scoring impact and probability and decision can also be taken as to which combinations may be classified as low, medium or high.

In the overall risk assessment process, inter alia, assessed inherent business risks and the effectiveness of the control systems for monitoring the inherent risks of the business activities ('Control risk') must be factored in. Inherent business risks indicate the intrinsic



risks in a particular area/activity and can be grouped as low, medium or high depending on severity on a predefined scale. Similarly, control risk arising due to the inadequacies (deficiencies/gaps/likely or likelihood of failure) of existing control systems and processes may also be classified accordingly.

A Risk Matrix may be drawn, for each business activities/location, taking into account the severity of inherent business risks and the control risks. The basis of determination of level (viz., High, Medium, Low) and trends (viz., Increasing, Stable, Decreasing) of both inherent business risks and control risks must be clearly indicated. The revealing trends of these risks (viz., Increasing, Stable, Decreasing) must also be assessed. An illustrative Risk matrix has been appended:

Inherent Business Risk	↑	High	A: High Risk	B: Very High Risk	C: Extremely High Risk
		Medium	D: Medium Risk	E: High Risk	F: VeryHigh Risk
		Low	G: Low Risk	H: Medium Risk	I: High Risk
			Low	Medium	High
		Control Risk	→		

Overall risk assessment as reflected by each cell of the above illustrative Risk Matrix has been summarized below:

- A:** Although control risk is low this would be high risk area as inherent business risk is high.
- B:** Very High Risk: Incidence of high inherent business risk and medium control risk render the area a very high risk area.
- C:** Extremely High Risk: Both inherent business risk and control risk being very high, the area is extremely high risk area needing immediate audit attention , greater allocation of audit resources besides ongoing monitoring by the top management.
- D:** Medium Risk: Although control risk is low this would be a medium risk area due to medium inherent business risk.
- E:** High Risk: This would be high risk area as levels of both control and inherent business risks are medium.
- F:** Very High Risk: High control risk and medium inherent business risk make this a very high risk area.
- G:** Low Risk: Being both control and inherent business risk being low.
- H:** Medium Risk: Low inherent business risk and medium control risk make this a medium risk area.



- I: High Risk: Although inherent business risk is low, due to high control risk this becomes a high risk area.

If an area falls in cell 'B' or 'F' of the Risk Matrix and the risks are revealing an increasing trend these area would call for immediate audit attention and greater allocation of audit resources besides ongoing monitoring by the top management.

A suggestive risk assessment template has been given in **Annexure IX** for reference and guidance.

Audit Planning

After identification and assessment of risks, audit would be in readiness to formulate plans to focus attention to the areas of highest importance. A comprehensive strategic and annual plan of audit activity would be crucial to the effective and successful delivery of audit objectives. Strategic plan should document the audit's judgment on the systems, activities and programme that should be subjected to audit to provide reasonable assurance to the management about risks and the effectiveness of internal control.

The aim of the RBIA plan is to allocate the audit sources according to the risk priorities by means of focusing of the audit sources on the areas where the combination of the impact and likelihood of the risk is the highest.

Having a thorough and authentic understanding of risks that may impact the organization, relative importance of these risks must be determined in relation to different elements of the audit universe for being appropriately factored in the audit strategy and audit plan. The objective is to identify specific units/processes/systems from within the audit universe, forming the building blocks for the audit strategy in terms of the types and cycles of audits that need to be undertaken. Mostly audit would find a large number of possible audit objects and risks. The audit, therefore, may consider using a set of generic risk factors (selection factors) to assess the significance of each element of the audit universe for fixing the priority to be accorded to each auditable object.

Going by the industry practice between five and eight risk factors, including financial materiality, may be identified based on their significance and relevance to the audit context. The most commonly used risk factors are: Financial materiality, Complexity of activities, Control environment, Reputational sensitivity, Inherent risk, Extent of change, Confidence in management, Fraud potential, Political sensitivity, Time since last audit. The list is not exhaustive but is illustrative only. While too few risk factors would tend to impact the effectiveness of the exercise, too many risk factors would render the process complicated and complex involving more time without commensurate improvement in results. It may be noted that several risk factors are judgmental in nature.

Each of the identified risk factors must be assessed and scored, based on a set of criteria to



be evolved for the purpose. As all risk factors may not be equally significant and important, audit may assign varying weights to risk factors accordingly. The scores for individual risk factors should be multiplied by its assigned relative weights to work out risk score. Risk score thus arrived at for each risk factor may be added for all relevant risk factors to produce a numeric risk index. The risk index can then be used to identify audit objects with very high, high, medium and low priority.

After high risk activities and processes have been identified, audit plan and program should be prepared. The planning activities are governed by audit strategy of the organisation. A logical flow chart of Audit Plan has already been depicted in Diagram - 2.

At the planning stage the following must be ensured:

- Audit universe determined
- Risk register completed.
- Security level required by the management determined
- Auditing frequency acceptable by the audit committee and top management determined.
- All information in order to determine the auditing priorities compiled and collated.

Compiling a Risk and Audit Universe is systematic documentation of all these elements required for effective delivery of audit aims and objectives. This document forms the basis of audit field work. An illustrative audit universe for bank has been outlined in **Annexure VI**.

RBIA must formulate a systematic risk-based plan to determine the priorities of the audit activity in alignment with the organizational goals keeping in view the risk management framework as also risk appetite levels fixed by management for different activities / parts of the organisation.

The audit plan should be based on documented findings of the periodic risk assessment exercise to be undertaken at least annually. The input of senior management and the board must be considered in this process.

At the planning stage specific expectations of senior management, the board and other stakeholders for audit opinions and other conclusions should be taken into reckoning and appropriately incorporated in the plan.

The auditors are expected to understand the processes in depth, identify risks that remained to be identified by the management, and carry out efficient testing.

Audit must be carried out in a manner so as to maximize the output given the resource constraints. For the purpose it would be beneficial to group the risks so as to facilitate efficient checking of the internal controls in place to mitigate them. The identification



of risks with 'owners' and 'processes' will enable grouping of risks such that they can be audited efficiently. Accordingly, concentration and focus of the audit must be towards high inherent risk score areas.

RBIA should review the audit committee's assurance requirements and the risk register and list all the responses on which objective assurance is required, together with information on the risks to which they are related.

RBIA must evolve and document a plan for audit engagement, including the engagement's objectives, scope, timing, and resource allocations

Engagement objectives must reflect the outcome of preliminary assessment of the relevant risks associated with areas covered under the audit assignment. Possibilities of significant errors, noncompliance, frauds and other exposures should be factored in while developing engagement objectives.

RBIA must engage with the management to evolve consensual and appropriate criteria for evaluation of governance, risk management, and controls.

The audit plan and resource requirements should be submitted to senior management and the board for review and approval. The impact of resource limitations, if any, should also be communicated.

RBIA activity does not have to provide assurance on every aspect of the risk management framework in order for it to be effective.

Risks should be categorized and grouped in logical order. Indicative categorizations may include:

- By business unit: Physically independent business
- By function or system: IT system, Wealth management function etc.
- By objectives: linking audits directly to the organizational objectives impacted by the risks, the management of which is subject matter of audit

RBIA should also priorities the responses to be audited by reference to the size of the risks and to the contribution that the response makes to manage the risks. Bigger the risk, the higher is the priority. More the response's contribution to reduction of risk the higher is the priority. Areas /activities identified as very high or extremely high may be audited at shorter time interval. An illustration of the steps involved in risk rating and audit cycle determination process for indicative audit objects/chunks have been furnished in **Annexure VII**.

As per RBI guidelines transaction testing would continue to be an integral component of RBIA. Extent of transaction testing must be determined based on findings of risk assessment. Indicatively 100 per cent transaction testing may be done for the areas falling in cell 'C' of



the Risk Matrix. For areas showing increasing trend of risk falling in cells 'B' and 'F' may also be considered for 100 percent transaction testing. An element of surprise should be built in the process of transaction testing in low risk areas subjected to audit at comparatively longer time intervals. Extent of transaction testing to be carried out in the areas falling in the other cells of the Risk Matrix should be determined consistent with the audit policy of the Bank as approved by its Board of Director.

Audit Risk

Audit risks are risks to the delivery of the objectives of the particular audit assignment and to strategic underlying objectives. It is the risk that the audit issues an incorrect opinion. Audit risk will arise during the course of every assignment.

Audit Risks and relevant action plans must be documented at the outset of an assignment. Audit risk should be actively managed throughout the assignment. Documentation of Audit Risks is needed to demonstrate due professional care over the conduct of an audit assignment. The actions that might be initiated by this process may include: Qualitative and quantitative adjustments to the composition of the audit team, introduction of additional review procedures, modulation of test check intensity and focus. While documenting Audit Risks the importance of the assignment in the context of its significance to the overall audit opinion for the year must be considered. Indicative list of audit risks has been furnished in **Annexure VIII**.

Audit risk may be considered as the product of various risks which may be encountered in the performance of the audit assignment.

Audit Risk = Inherent Risk X Control Risk X Detection Risk

Risk of misstatement arising due to errors and omissions as result of factors other than absence or lapses on control is the inherent risk component. Inherent risk would be higher where high degree of judgment or estimation is involved or transactions of the organisation are highly complex.

Risk of material misstatement due to absence of or failure in operations of the relevant controls is the control risk. Control risk would be high where the internal control system is weak.

Detection Risk is the risk of failure to detect weaknesses. Due to inherent limitation of the audit process some detection risk would also be present.

Given the inherent and control risks, audit risk may be controlled through regulation of detection risk by strategic intensification of the audit process. For example if the objective is to contain the audit risk to 10% level given both inherent and control risks at 60% level, detection risk may be targeted to contain at 27.8% [= 0.10/0.6*0.6]*100]



Reporting of Audit Findings

Findings of RBIA must be communicated. Communication must include the audit objectives and scope and relevant conclusions, recommendations, and action plans. The communicated audit opinions or conclusions must be supported by sufficient, reliable, relevant information of substantive value. While communicating the findings and opinions, audit expectations of the board, senior management, and other stakeholders must be taken into account. Communications must be accurate, objective, clear, concise, constructive, complete, and timely.

Communications of audit findings must be free of errors and distortions. The views and opinions to be communicated must be based on fair, impartial, and balanced assessment of all material facts and circumstances.

Communications must be couched in easily understood simple language, avoiding unnecessary technical jargons providing all significant and relevant information presented in logical order. Communications must be complete and clear avoiding unnecessary elaboration, superfluous detail, redundancy, and verbosity. However clarity should not be compromised for brevity. Timeliness of communications depending on the importance and significance of the issue involved would enable management to take appropriate corrective action well in time.



Appendix I

RBI Guidance Note on Risk-based internal audit

DBS.CO.PP.BC. 10/11.01.005/2002-03
All Schedule Commercial Banks
(Except Regional Rural Banks)

December 27, 2002

Dear Sirs,

Risk-based internal audit

Please refer to part II of the discussion paper on 'Move towards risk-based supervision of banks' forwarded to you vide letter No. DBS.CO.RBS.58/ 36.01.002/ 2001-02 dated August 13, 2001 wherein five areas of bank level preparation had been identified, which will be significant in facilitating a smooth switchover to risk-based supervision (RBS) of banks by the Reserve Bank. One of the areas relate to the introduction of a risk-based internal audit system by banks. The guidelines have now been finalized and the guidance note relating to risk-based internal audit system is enclosed.

2. The guidance note may please be placed before the Board of Directors for deliberation at the next meeting, and banks may immediately initiate necessary steps to review their current internal audit systems and prepare for transaction to a risk-based internal audit system in a phase manner, keeping in view their risk management practices, business requirements, manpower availability, etc.
3. Banks should form a Task Force comprising senior executive and entrust them with the responsibility of chalking out an action plan for switching over to risk-based internal audit. The task force may identify and address transitional and change management issues, implement the action plan, monitor the progress in the transitional period and report periodically to the Board of Directors and Top Management. A quarterly report beginning from quarter ending March 31, 2003 on the progress made in implementation of risk-based internal audit may be submitted to us as also to the Regional Office of Department of Banking Supervision under whose jurisdiction the Head Office of the bank is situated.
4. Kindly acknowledge receipt.

Yours faithfully,

Sd/-
(P.V. Subba Rao)
Chief General Manager-in Charge

Encl: Guidance note on risk-based internal audit



Guidance note on risk-based internal audit

1. Introduction

- 1.1 The evolution of financial instruments and markets has enabled banks to undertake varied risk exposures. In the context of these developments and the progressive deregulation and liberalisation of the Indian financial sector, having in place effective risk management and internal control systems has become crucial to the conduct of banking business. This is also significant in view of proposed introduction of the new Basel Capital Accord under which capital maintained by a bank will be more closely aligned to the risks undertaken and reserve Bank's proposed move towards risk-based supervision (RBS) of banks. Under the proposed RBS approach, the supervisory process would seek to leverage the work done by internal auditors of banks. In this regard, the discussion paper on 'Move towards risk-based supervision of banks' dated August 13, 2001 may be referred. Part II of the discussion paper clearly identifies five significant areas for action on the part of banks, including putting in place risk-based internal audit system by December 2002, to facilitate a smooth switchover to RBS.
- 1.2 A sound internal audit function plays an important role in contributing to the effectiveness of the internal control system. The audit function should provide high quality counsel to management on the effectiveness of risk management and internal controls including regulatory compliance by the bank. Historically, the internal audit system in banks has been concentrating on transaction testing, testing of accuracy and reliability of accounting records and financial reports, integrity, reliability and timeliness of control reports, and adherence to legal and regulatory requirements. However, in the changing scenario such testing by itself would not be sufficient. There is a need for widening as well as redirecting the scope of internal audit to evaluate the adequacy and effectiveness of risk management procedures and internal control systems in the banks.
- 1.3 To achieve these objectives, banks will have to gradually move towards risk-based internal audit which will include, in addition to selective transaction testing, an evaluation of the risk management systems and control procedures prevailing in various areas of a bank's operations. The implementation of risk-based internal audit would mean that greater emphasis is placed on the internal auditor's role in mitigating risks. While focussing on effective risk management and controls, in addition to appropriate transaction testing, the risk-based internal audit would not only offer suggestions for mitigating current risks but also anticipate areas of potential risks and play an important role protecting the bank from various risks.
- 1.4 The functions of the Risk management Committee/ department (RMC/RMD) and



the role of risk-based internal audit need to be distinguished. The RMC/RMD focuses on areas such as identification, monitoring and measurement of risks, development of policies and procedures, use of risk management models, etc., as outlined on paragraph 2 of the guidelines on Risk management systems in Banks enclosed with our circular DBOD No. BP. (SC). BC.98/21.04.103/99 dated October 7, 1999. The risk-based internal audit, on the other hand, undertakes an independent risk assessment *solely for the purpose of formulating the risk-based audit plan* keeping in view the inherent business of an activity/location and the effectiveness of the control systems for monitoring the inherent risks of the business activity. It needs to be emphasized that while formulating the audit plan, every activity/location of the bank, including the risk management function, should be subjected to risk assessment by the risk-based internal audit.

2. Policy for risk-based internal audit

2.1 Under risk-based internal audit, the focus will shift from the present system of full-scale transaction testing to risk identification, prioritisation of audit areas and allocation of audit resources in accordance with the risk assessment. Banks will, therefore, need to develop a well-defined policy, duly approved by the Board, for undertaking risk-based internal audit. The policy should include the risk assessment methodology for identifying the risk areas based on which the audit plan would be formulated. The policy should also lay down the maximum time period beyond which even the low risk business activities/locations should not remain un-audited.

3. Functional independence

3.1 The Internal Audit Department should be independent from the internal control process in order to avoid any conflict of interest and should be given an appropriate standing within the bank to carry out its assignments. It should not be assigned the responsibility of performing other accounting or operational functions. The management should ensure that the internal audit staffs perform their duties with objective and impartiality. Normally, the internal audit head should report to the Board of Directors/Audit Committee of the Board¹.

3.2 The Board of Directors² and top management will be responsible for having in place an effective risk-based internal audit system and ensure that its importance is understood throughout the bank. The success of internal audit function depends largely on the extent of reliance placed on it by the management for guiding the bank's operations.

¹ In case of foreign banks the reporting could be to the CEO for Indian operations.

² In this document the expression Board/Audit committee of Board should be taken to mean the Local Advisory Board in case of foreign banks, unless otherwise specified.



4. Risk assessment

- 4.1 As indicated at paragraph 1.4 above, the risk-based internal audit undertakes risk assessment solely for the purpose of formulating the risk-based audit plan. The risk assessment would, as an independent activity, cover risk at various levels (corporate and branch; the portfolio and individual transactions, etc.) as also process in place to identify, measure, monitor and control the risk. The internal audit department should devise the risk assessment methodology, with the approval of the Board of Directors, keeping in view the size and complexity of the business undertaken by the bank.
- 4.2 The risk assessment process should, inter alia, include the following: -
- Identification of inherent business risk in various activities undertaken by the bank.
 - Evaluation of the effectiveness of the control system for monitoring the inherent risk of the business activities ('Control risk').
 - Drawing up a risk-matrix for taking into account both the factors viz., inherent business risks and control risks. An illustrative risk-matrix is shown as a box item.

The basis for determination of the level (high, medium, low) and trend (increasing, stable, decreasing) of inherent business risks and control risks should be clearly spelt out. The risk assessment may make use of both quantitative and qualitative approaches. While the quantum of credit, market, and operational risks could largely be determined by quantitative assessment, the qualitative approach may be adopted for assessing the quality of controls in various business activities. In order to focus attention on areas of greater risk to the bank, an activity-wise and location-wise identification of risk should be undertaken.

The risk assessment methodology should include, inter alia, the following parameters:

- Previous internal audit reports and compliance
- Proposed changes in business lines or change in focus
- Significant change in management / Key personnel
- Results of latest regulatory examination report
- Reports of external auditors
- Industry trends and other environmental factors
- Time lapsed since last audit



- Volume of business and complexity of activities
- Substantial performance variations from the budget

4.3 For the risk assessment to be accurate, it will be necessary to have in place proper MIS and data integrity. The internal audit function should be kept informed of all developments such as introduction of new products, changes in reporting lines, changes in accounting practices/policies etc. The risk assessment should invariably be undertaken on a yearly basis. The assessment should also be periodically updated to take into account changes in business environment, activities and work processes, etc.

Risk Matrix				
Inherent Business risks 	High	A High Risk	B Very High Risk	C Extremely High risk
	Medium	D Medium Risk	E High risk	F Very High Risk
	Low	G Low risk	H Medium risk	I High Risk
		Low	Medium	High
		Control Risks 		

Inherent business risks indicate the intrinsic risk in a particular area/activity of the bank and could be grouped into low, medium and high categories depending on the severity of risk. Control risks arise out of inadequate control systems, deficiencies/gaps and/or likely failures in the existing control processes. The control risks could also be classified into low, medium and high categories.

In the overall risk assessment both the inherent business risks and control risks should be factored in. The overall risk assessment as reflected in each cell of the risk matrix is explained below:

A – High Risk- Although the control risk is low, this is a High Risk area due to high inherent business risks.

B – Very High Risk- The high inherent business risk coupled with medium control risk makes this a Very High Risk area.

C – Extremely High Risk- Both the inherent business risk and control risk are high which makes this an Extremely High Risk area. This area would require immediate audit attention, maximum allocation of audit resources besides ongoing monitoring by the bank's top management.

D – Medium Risk- Although the control risk is low this is a Medium Risk area due to medium inherent business risks.

E – High Risk- Although the inherent business risk is medium this is a High Risk area because of control risk is also being medium.

F – Very High Risk- Although the inherent business risk is medium, this is a Very High Risk area due to high control risk.

G – Low Risk- Both the inherent business risk and control risk are low.

H – Medium Risk- The inherent business risk is low and the control risk is medium.

I – High Risk- Although the inherent business risk is low, due to high control risk this becomes a High Risk area.

The banks should also analyse the inherent business risks and control risks with a view to assess whether these are showing a stable, increasing or decreasing trend. Illustratively, if an area falls within 'B' or 'F' of the Risk Matrix and the risks are showing an increasing trend, these areas would also require immediate audit attention, maximum allocation of audit resources besides ongoing monitoring by the bank's top management (as applicable for cell 'C'). The Risk Matrix should be prepared for each business activity/location.

All banks need to put in place an independent risk assessment system in the internal audit department for focusing on the material risk areas and prioritizing the audit work. The methodology may range from a simple analysis of why certain areas should be audited more frequently than others in the case of small sized banks undertaking traditional banking business, to more sophisticated assessment systems in large sized banks undertaking complex business activities.

5. Audit Plan

- 5.1 The annual audit plan, approved by the Board, should include the schedule and the rationale for audit work planned. It should also include all risk areas and their prioritisation based on the level and direction of risk. Illustratively, the areas or activities identified as high, very high or extremely high risk (based on risk matrix) may be audited at shorter intervals as compared to medium or low risk areas, which may be audited at longer intervals subject to regulatory guidelines, as applicable.

6. Scope

- 6.1 The primary focus of risk-based internal audit will be to provide reasonable assurance



to the Board and top management about the adequacy and effectiveness of the risk management and control framework in the banks’ operations. While examining the effectiveness of control framework, the risk-based internal audit should report on proper recording and reporting of major exceptions and excesses. Transaction testing would continue to remain an essential aspect of risk-based internal audit. The extent of transaction testing will have to be determined based on the risk assessment. Illustratively, the bank should undertake 100 per cent transaction testing if an area falls in cell “C-Extremely High Risk” of the risk matrix. The bank may also consider 100 per cent transaction testing if an area falls in cell “B- Very High Risk” or “F- Very High Risk”, and the risks are showing an increasing trend. The banks may also consider transaction testing with an element of surprise in respect of low areas which would be audited at relatively longer intervals.

The banks may prepare a Risk Audit Matrix as shown below.

Risk Audit Matrix

Magnitude of risk (M) ↑	High	High M Low F	High M Medium F	High M High F
	Medium	Medium M Low F	Medium M Medium F	Medium M High F
	Low	Low M Low F	Low M Medium F	Low M High F
		Low	Medium	High
	Frequency of Risks (F) →			

The Audit Plan should prioritise audit work to give greater attention to the areas of:

- i) High Magnitude and high frequency
- ii) High Magnitude and medium frequency
- iii) Medium Magnitude and high frequency
- iv) High Magnitude and low frequency
- v) Medium Magnitude and medium frequency.

6.2 The precise scope of risk-based internal audit must be determined by each bank for low, medium, high, very high and extremely high risk areas. However, at the minimum, it must review/report on:-

- Process by which risk are identified and managed in various areas;



- The control environment in various areas;
- Gaps, if any in control mechanism which might lead to frauds, identification of fraud prone areas;
- Data integrity, reliability and integrity of MIS;
- Internal, regulatory and statutory compliance;
- Budgetary control and performance reviews;
- Transaction testing/verification of assets to the extent considered necessary
- Monitoring compliance with the risk-based internal audit report
- Variation, if any, in the assessment of risks under the audit plan vis-à-vis the risk-based internal audit.

6.3 The scope of risk-based internal audit should also include a review of the systems in place for ensuring compliance with money laundering controls; identifying *potential* inherent business risks and control risks, if any; suggesting various corrective measures and undertaking follow up reviews to monitor the action taken thereon.

7. Communication

7.1 The communication channels between the risk-based internal audit staff and management should encourage reporting of negative and sensitive findings. All serious deficiencies should be reported to the appropriate level of management as soon as they are identified. Significant issues posing a threat to the bank's business should be promptly brought to the notice of the board of directors, audit Committee or top management, as appropriate.

8. Performance evaluation

8.1 The Internal Audit Department should conduct periodical reviews, annually or more frequently, of the risk-based internal audit undertaken by it vis-à-vis the approved audit plan. The performance review should also include an evaluation of the effectiveness of risk-based internal audit in mitigating identified risks.

8.2 The Board of Directors/Audit Committee of Board should periodically assess the performance of the risk-based internal audit for reliability, accuracy and objectivity. Variations, if any, in the risk profile as revealed by the risk-based internal audit vis-à-vis the risk profile as documented in the audit plan should also be looked into to evaluate the reasonableness of risk assessment methodology of the Internal Audit Department.



9. Audit resources

9.1 The Internal audit department should be provided with appropriate resources and staff to achieve its objectives under the risk-based internal audit system. The staff possessing the requisite skills should be assigned the job of undertaking risk-based internal audit. They should also be trained periodically to enable them to understand the bank's business activities, operating procedures, risk management and control systems, MIS. etc.

10. Outsourced internal audit arrangements

10.1 The Board of Directors and top management are responsible for ensuring that risk-based internal audit continues to function effectively even though it is outsourced. The following aspects may, inter-alia, be kept in view to prevent any risk of breakdown in internal controls on account of outsourcing arrangements: -

- (a) Before entering into an outsourcing arrangement for risk-based internal audit, the bank should perform due diligence to satisfy itself that the outsourcing vendor has the necessary expertise to undertake the contracted work. The contract, in writing, should at the minimum, specify the following:
- the scope and frequency of work to be performed by the vendor
 - the manner and frequency of reporting to the bank the manner of determining the cost of damages arising from errors, omissions and negligence on the part of the vendor.
 - The arrangements for incorporation of changes in the terms of contract, should the need arise
 - The locations where the work papers will be stored
 - The internal audit reports are the property of the bank and that all work papers are to be provided to the bank when required
 - The employees authorized by the bank are to have reasonable and timely access to the work papers
 - The supervisors are to be granted immediate and full access to related work papers
- (b) The management should continue to satisfy itself that the outsourced activity is being competently managed.
- (c) All work done by the vendor should be documented and reported to the top management through the internal audit department.
- (d) To avoid significant operational risk that may arise on account of a sudden



termination of the outsourcing arrangement, the bank should have in place a contingency plan to mitigate any discontinuity in audit coverage.

11. Risk-based internal audit is expected to be an aid to the ongoing risk management in banks by providing necessary checks and balances in the system. However, since risk-based internal audit will be a fairly new exercise for most of the Indian banks, a gradual but effective approach would be necessary for its implementation. Initially the risk-based internal audit may be used as a management/audit tool in addition to the existing internal audit/inspection. Once the risk-based internal audit stabilizes and the staffs attain proficiency, it should replace the existing internal audit/inspection. The information Systems audit (IS Audit) should also be carried out using the risk-based approach.
12. Banks should form a Task Force of senior executives and entrust them with the responsibility to chalk out an action plan for switching over to risk-based internal audit, identifying and addressing transitional and change management issues, implementing the plan and monitoring the progress during the transitional period and report to the Board of Directors, periodically.



Appendix II

Date: Feb 01, 2005

RBI instructions on Implementation of Risk-based internal audit (RBIA) in banks

RESERVE BANK OF INDIA

Ref.RBI 2004-05 / 356

DBS.CO.PP.BC.17/11.01.005/2004-05

All Scheduled Commercial Banks

(Excepts Regional Rural Banks)

Dear Sirs,

Implementation of Risk-based internal audit (RBIA) in banks

As you would recall the guidelines relating to risk-based internal audit were issued by us on December 27, 2002 vide our letter DBS.CO.PP.BC.10/11.01.005/2002-03. A review of the implementation of the risk-based internal audit in various banks has revealed that there are certain gaps/deficiencies, which need to be addressed in order to ensure that the RBIA framework is effective. Some of the gaps/deficiencies observed by us are as under:

- 1) The risk assessment of branches should be carried out on the basis of the “inherent business risk” and “control risks”, as indicated in paragraph 4.2 of our ‘Guidance note on risk based internal audit’.
- 2) The risk assessment should not only indicate the level of risk as High, Medium and Low but also the trend of risk in terms of increasing, decreasing or stable. (Paragraph 4.2 of the ‘Guidance note on risk based internal audit’).
- 3) The risk assessment should invariably be undertaken on a yearly basis (Paragraph 4.3 of the ‘Guidance note on risk based internal audit’).
- 4) As mentioned in paragraph 6.1 of the ‘Guidance note on risk based internal audit’ the bank should undertake 100 per cent transaction testing if an area falls in cell “C- Extremely High Risk” of the risk matrix. The bank may also consider 100 per cent transaction testing if an area fall in cell “B- Very High Risk” or “F- Very High Risk”, and the risk are showing an *increasing* trend. The banks may also consider transaction testing with an element of surprise in respect of low risk areas, which would be audited at relatively longer intervals. As regards the areas falling in other cells (viz., ‘A-High Risk’, ‘D-Medium Risk’, ‘E-High Risk’, ‘G-Low Risk’, ‘H-Medium Risk’, ‘I- High Risk’) of the risk matrix the banks has to decide on the level of transaction testing based on its risk based internal audit policy duly approved by the Board.



- 5) As indicated in paragraph 6.1 of the 'Guidance note on risk based internal audit', the bank has to prepare a Risk Audit Matrix, which would be based on the magnitude and frequency of risk. Preparation of the Risk Audit Matrix can also enable the bank to move towards the Advanced Measurement Approach for Operational Risk under Basel II.
2. Banks are advised to review the methodology of conducting the risk-based internal audit and the policy in this regard so as to align the same with guidelines issued by RBI. As already indicated in paragraph 3 of our letter dated December 27, 2002, mentioned above, banks should form a Task Force comprising senior executives and entrust them with responsibility of chalking out an action plan for switching over to risk-based internal audit. This process may be expedited and compliance with our guidelines ensured at an early date.



Appendix III

Illustrative list of major parameters for determining risk rating for specialized lending

Project Finance:

Parameters	Factors
Financial parameters	Debt Equity Ratio, Debt Service Coverage Ratio, Pay Back Period, Internal Rate of Return, Cash Break Even Point, Loan to Value Ratio, Priority Obligation Ratio
Market Risk	Whether market condition is favourable for the Borrower's business
Political and Legal Risk in area of operation of the business entity	Risk of Transfer, Risk of Civil unrest, Risk of arson and war, Regulatory and Legal environment, Govt. Support etc.
Analysis of Stress-capacity to withstand stress under economic and environmental condition	To examine the strength of the project in regard to its capability of meeting its financial commitments under severely stressed economic or sectoral conditions.
Operating Risk-risk emanating from the people, process, technology and control	Extent and nature of Operating Maintenance Contracts, Expertise of the operator and his track record etc. Availability of natural resources.
Technology Risk	Technology, Design and construction risk and guarantee of completion of the project
Strength of Promoter	Track Record, financial strength, ownership support.
Asset Coverage	Quality, value and liquidity of assets. Comprehensiveness of the loan documents and security documents. Control over cash flow mandatory prepayment, dividend payment restrictions etc.



Service Sector Finance:

Parameters	Factors
Financial parameters	Debt Service Coverage Ratio, Loan to Value Ratio Debt Service Coverage Ratio, Loan to Value Ratio. Demand for the type/location of the property is more than the supply. Property's resource contingency capable of withstanding severe financial stress arising out of increase in floating interest rates, economic growth etc. Predictability of Cash Flow for the leased period and its scope for renewal on its expiry etc at various stages of completion/ stabilization / construction of the property.
Market Risk	Whether market condition is favourable
Political and Legal Risk in area of operation of the business entity	Risk of Transfer, Risk of Civil unrest, Risk of arson and war, Regulatory and Legal environment, Govt. Support etc.
Analysis of Stress-capacity to withstand stress under economic and environmental condition	To examine the strength of the project in regard to its capability of meeting its financial commitments under severely stressed economic or sectoral conditions.
Operating Risk-risk emanating from the people, process, technology and control	Whether permits, where necessary, were obtained and safety regulations are met and Extent and nature of Operating Maintenance Contracts.
Technology Risk	Not Applicable
Strength of Promoter	Track Record, financial strength, ownership support, Relationship with real estate sectors.
Asset Coverage	Quality, value and liquidity of assets. Comprehensiveness of the loan documents and security documents. Control over cash flow mandatory prepayment, dividend payment restrictions etc. Right to monitor the location, movement and condition of assets.



Asset Characteristics	Configuration, size, design and manufacture of the asset (e.g., age and size for an aircraft). Sensitivity of the asset value and liquidity to economic cycles.
Transaction Characteristics	Repayment terms of financing vis-à-vis economic life of the asset.

Commodity Finance:

Parameters	Factors
Financial parameters	Debt Service Coverage Ratio, Loan to Value Ratio. Degree of over collateralization of trade as Strong, Good, Satisfactory or weak levels
Market Risk	Whether market condition is favourable
Political and Legal Risk in area of operation of the business entity	Risk of Transfer, Risk of Civil unrest, Risk of arson and war, Regulatory and Legal environment, Govt. Support etc.
Analysis of Stress-capacity to withstand stress under economic and environmental condition	To examine the strength of the project in regard to its capability of meeting its financial commitments under severely stressed economic or sectoral conditions.
Operating Risk-risk emanating from the people, process, technology and control	Whether permits, where necessary, were obtained and safety regulations are met and Extent and nature of Operating Maintenance Contracts.
Technology Risk	Not Applicable
Strength of Promoter	Track Record, financial strength, ownership support. Capability to manage the logistic process. Equality of financial disclosure
Asset Coverage	Quality, value and liquidity of assets. Availability of appropriate lien on the property as per local laws in the Indian context. Mortgage as per transfer of the Property Act. Scope of assignment of rent in respect of long term leased property.
Asset Characteristics	Location, design and condition of the property in the context of tenant preferences.
Transaction Characteristics	Repayment terms of financing

Annexure I

An Indicative Check List for the Auditors on Credit Risk

1) Adequacy of Loan Policy (to be seen at H.O. and Controlling Office)

- Whether there is a written lending policy of the bank?
- Last revised on?
- Whether the power/authority delegated properly?
- Loan pricing, assessment of working capital, rating of credit systematically laid down?
- Reporting of the excess use of power and remedial measure for non-reporting or delayed reporting.
- Sector wise exposure limit, special appraisal system for sensitive sector lending has been clearly stated.
- Loan review mechanism is in vogue.
- The lending policy has not violated any direction of RBI etc.
- Policy on country risk management

2) Delegation of power and its use –

- Last revised on?
- Whether adequate or not?
- How it was utilized?
- Why not utilized / fully utilized?

3) Organization aspects of credit function –

- Whether credit organization has been reorganized, if so, when last?
- Quality and number of staff
- Support service to the staff in the form of adequate training given or not?
- In case of High-tech Projects whether the services of the consultants were taken? etc.

4) Credit Planning and credit growth –

- The present system of allocation of lendable resources to different sectors / industries.
- Credit targets and achievements.



- 5) **Exposure to sensitive sector –**
- Nature and extent of exposure.
 - Special appraisal and review mechanisms.
 - Movement of exposure in previous three years
- 6) **Off Balance Sheet items –**
- Nature and extent of exposure and devolvement of LCs
 - Invocation of guarantees if any.
 - Off-balance sheet items as % of On-balance sheet items in last three years
- 7) **Credit Concentration**
- Compliance of lending norms of RBI
 - CD Ratio.
 - Concentration of loans and advances:
 - ✓ Sector wise
 - ✓ Industry wise
 - ✓ Location wise
 - ✓ Client wise
 - ✓ Maturity wise
 - ✓ Borrower rating wise.
 - Excess concentration – nature and extent.
- 8) **Quality of credit –**
- Advances to directors / their relatives- adherences to RBI directive
 - Quality of credit portfolio and its review mechanisms
 - Quality of appraisal
 - Supervision and control
 - Rating of borrowers focusing credit risk
 - Movement in classification of assets—
 - ✓ Standard assets to total assets



- ✓ Sub-standard to total advances
 - ✓ Doubtful advances to total advances
 - ✓ Loss assets to total advances.
- 9) **Credit Business Development –**
- Growth in business.
 - Marketing strategies.
 - Development of new credit products.
- 10) **Identification of potential borrowers –**
- Present arrangement for identification of potential borrowers.
 - Performance of accounts taken over from the other banks.
- 11) **Software for credit appraisal –** Any arrangement made to develop software internally or to procure the required software for analysis of Balance Sheet, preparation of projected cash flow statement etc.
- 12) **Appraisal formats–** Any revision made in the appraisal formats in view of changes in lending norms.
- 13) **Time taken in credit sanction–**
- Time limits set for different order sanction.
 - Delays occurred and reasons thereof.
- 14) **Consortium Loans –**
- Experience as a leader / a member of consortium.
 - Joint appraisal---is it practiced?
- 15) **Appraisal in respect of Hi-tech/Foreign currency/rehabilitation cases: –**Level of competence in appraisal of such cases.
- 16) **Rating of borrower for loan pricing–** Presence of system of rating of borrowers-- its use for loan pricing.
- 17) **Terms and conditions –** Experience in compliance of terms and condition with special reference to promoter’s contribution, collateral securities etc.



- 18) **Customers profitability** – Is it attempted to measure as part of credit appraisal? If yes, detail thereof.
- 19) **Loan review mechanism** –
- Frequency of review of credit portfolio
 - Deviation from the exposure norms
 - Reports generated and contents
 - Utilization of reports
 - Quality of information system and early warning signals, if any.
 - Adherence to RBI norms on exposure / prudential norms prescribed for-
 - ✓ Priority sector
 - ✓ Single borrower,
 - ✓ Sensitive sector.
- 20) **Sanction of Ad-hoc limits/ clean loans** – Existence of a system in place to ensure that no fresh advance/loan/temporary overdrafts are sanctioned/given to avoid accounts becoming NPA and its effectiveness. How frequently those loans are sanctioned---steps taken to reduce such sanctions.
- 21) **Bill Limit** –
- Percentage of bills purchase/discount to total credit limit
 - Steps taken to develop bill culture.
- 22) **Utilization of credit limits** –
- Extent of under/excess utilization of credit limits by borrowers
 - Reasons for under/ excess utilization of credit limits.
- 23) **Annual review of borrowable accounts and renewal of limits** –
- Are there delays in review? If yes, reasons thereof.
 - System of short-term review for renewal of limits.
- 24) **NPA analysis:** –
- Gross NPA to gross advance
 - Trend in gross NPAs



- Historical NPAs (more than 3years old).
- Incidence of fresh NPA during last 3yr
- Net addition to Gross & Net NPA during last 3 yrs.
- Sectoral distribution of NPAs
- Up gradation of NPAs during last 3yrs
- Recoveries through compromise during last 3yrs
- Amount written off during last 3yrs.
- Targets and achievement of recovery.
- Substandard assets to total NPAs
- Doubtful assets to total NPAs.
- Loss assets to total NPAs

25) **Compromise: –**

- Presence of bank's specific compromise policy.
- Sanctioning Powers
- Response to compromise schemes.
- Reasons for non-response to compromise scheme.
- Realization/Complains received in respect of compromise.

26) **Write off –**

- Presence of write off schemes.
- Extent of write off made
- Irregularity/ complaints received.

27) **Adequacy of Provisions –**

- Whether RBI instruction on income recognition, assets classification, and provisioning norms are followed?
- Whether adequate provisions have been made for the NPA accounts as per classification, value impairment in investment, other assets with reference to the percentage assessed, and shortfall in provisions in those assets?
- Whether there is any understatement of liabilities?



Annexure II

Illustrative List of Various Related Aspects of Liquidity Risk that must be Subjected to Audit

- a) Seasonal pattern of deposit/loan
- b) Potential liquidity needs for meeting new loan demands
- c) Unavailed portion of credit limits
- d) Potential deposit losses
- e) Investment obligations
- f) Statutory obligations etc.
- g) Institutional deposits, wholesale deposits, retail deposits--- their numbers and amount.
- h) Composition of deposits and revealed trends thereof –
 - ✓ Ratio of retail deposits to total assets
 - ✓ Ratio of wholesale deposits to total assets
 - ✓ Ratio of time deposits to total deposits
 - ✓ Ratio of high cost deposits to total deposits
 - ✓ Ratio of liquid assets to short term liabilities
 - ✓ Trends in deposit structure.
- i) Quality of liabilities: -
 - ✓ Volatility of the retail deposits
 - ✓ Stability of wholesale deposits
 - ✓ Strategies for deposit mobilization
 - ✓ Deposit mix
 - ✓ Frequency of remittances
 - ✓ Ratio of long-term deposit to long-term assets
 - ✓ Dependence on call money borrowing.



Annexure III

Audit Focus to Bank's Earnings

Audit must pay greater attention to: -

- a. Budget & Profit Planning
- b. Earning and expenses
- c. Earning quality and stability and
- d. Cost of Funds and return thereon.

Generally the controller of branches fixes the budget for the business unit which includes deposit, advances, cost of deposit, deposit mix, priority sector advance, yield on advance and a profit target with transfer price and without transfer price. The auditor has to verify whether the business unit is well aware of the budget fixed up by its controller and effective strategies have been adopted to achieve the budgeted target. Normally, the planning part for achieving the target is not clearly analyzed at the branch level, for which a comparative study has to be done between the target and achievements. The auditor has to examine each of the targets *vis-a-vis* achievements so that it would serve two fold purposes:

- (1) Assessment of the effectiveness of the budget and
- (2) Assessment of performance of the business unit.

The second phase of action is to analyze the earnings from different sectors. Normally the branches club the interest income and non-interest income into some broad heads. The auditor has to check and verify the resultant effects on earnings from the different sectors so that the yield from each of the sectors can be determined and a comparative study can also be made. For better understanding it should be split product wise and activity wise.

The branch is the root of the bank. The deposits collected by the branches are deployed in different type of assets to earn profit. The depositors are to be served by paying interest and to render customer service some operational cost has to be incurred. Normally, the cost of fund & corresponding return thereon can be looked into from the following perspective: -

- (1) Deposits mix (savings, current, term etc.) and also in percentage of total deposit.
- (2) Target vs. achievements.
- (3) Average cost of funds.
- (4) Proportionate share of operational cost related to deposit.
- (5) Comparison with the average cost of fund at the corporate level.



The earnings and expenses thereafter to be systematically judged for analyzing the risk involved in each of the following areas:

- Trend of interest earnings.
- Any sudden income to be identified.
- Trend of non-interest earnings.
- Trend in fee based income
- Net interest margin
- Yield on advances
- Transfer price received/paid
- Result before transfer price & after transfer price
- Ratio of non-interest income to interest income
- Establishment cost.
- Ratio of non-interest income to establishment cost
- Remittance cost
- Trends in provisioning against different type of assets like
 - ✓ Standard
 - ✓ Sub – standard
 - ✓ Doubtful &
 - ✓ Loss
- Probability of future growth in income
- Correct calculation of interest on deposit / advances
- Rechecking of products / interest on Deposits and Advances
- Realization of commitment charges / processing fees / inspection charges /supervision charges/ penal interest etc.
- Recovery of incidental charges from Inoperative account,
- Recovery of Govt. Turnover commission, commission/exchange on collection items/ remittances;
- Income from miscellaneous service like locker rent, standing instructions
- Recovery of out of pocket expenses,

- Realization of service tax with cess,
- Control over expenses,
- Storage charges / safe custody charges of parcel received under IBC /VPP etc.
- Earning from foreign business,
- Recovery of overdue interest on BP/BD/CPs /ABC/FBP etc;
- Recovery from shadow registers,
- Correct application of interest on deposits,
- Improvement in profitability,
- Maintenance of cash balance and bank balance. Key income areas (from individual loans, non-interest income etc.).
- Possible threats to earnings (competition, recession, fresh generation of NPA, wrong charging of interest, activity specific problem)
- Trend in productivity for employee.

The audit must assess whether the earning portfolio of the branch is carrying high risk or not. Therefore, it is also pertinent to see the quality of earning whether it is stable or volatile in nature or some manipulation has been made to inflate the income. So the auditor will give his comments on the issues like: -

- Maximum income generated from which area
- Quality of assets in that particular area
- What are the possible threats from the competitors
- Whether correct and actual provisioning against NPAs have been done
- The gap between Rate sensitive Assets and Rate sensitive Liabilities



Annexure IV

Indicative Control Risks of Banks Deserving RBIA Attention

Internal Control:

All the banks have their own system of internal control that has been laid down in different policies, circulars and guidelines of the bank. The branches of the bank is supposed to follow these guidelines meticulously while working in the branch. The risk based internal auditor should know the systems and procedures of internal control exist in the bank; therefore he has to obtain all the necessary manuals, circulars & guideline and should have to make himself well conversant with the same. Internal control embraces the following areas:

Risk based internal auditor must ensure that the branch management is well aware of his responsibilities related to risk management in all spheres of branch operation.

- How the branch management supervises the different functional areas of the branch.
- Compliance with the head office directives and controller's directives.
- Management and control of audit portfolio.
- Internal Audit function vis-à-vis size, complexity and business of the bank.
- Each activity on the basis of risk should be differentiated.
- Previous internal audit report and its present status as to compliance.
- Changes in the Managers/Deputy Managers during the period.
- Controller's visit to the branch and his comments.
- Statutory Auditor's report and compliance thereof.
- Submission of statutory and control returns.
- Volume of business, its growth whether normal or abnormal.
- Supervision and control of borrowable accounts.
- Internal checks and control.
- Security measures.
- Checking and testing of transactions.

The auditor shall also cover examination of:

- ✓ Compliance by the operating staff with the laws and regulations, internal rules and procedures.

- ✓ Recognition of all transaction and proper accounting thereof
- ✓ The maintenance and accuracy of the books of accounts to support the general ledger balance of the branch.

Branch Management Risk:

It is the area that will either minimize the risk in other areas or maximize those risks. The efficient and effective branch management will automatically reduce the risk in other areas. The auditor visiting a branch may get an idea about the branch operation. But it will be a subjective assessment. Therefore, to be more objective the auditor has to verify: -

- Whether the branch is aware of the RBIA policy of the bank.
- Whether the branch is aware of the activities that are carrying high risks.
- Whether high-risk eventualities are arising very frequently.
- Whether the branch is well conversant with the manual of instructions, circulars, guidelines etc.
- Whether there was any fraudulent activity in the past.
- Whether sufficient internal checks and control is exercised.
- Whether compliance to statutory, regulatory and control reports and returns are done timely and effectively.
- Whether customer service is looked into very seriously
- Whether credit portfolio management is judicious.
- Whether the business growth is significant.
- Whether the earnings are also justified.

In a nutshell if the management is effective and efficient, the risk management would be effective.

Compliance risk:

The auditor should start with the previous RBIA report, statutory audit report, concurrent audit report or internal inspection report as the case may be. The non-complied/ uncertified rolled over items of the previous reports will automatically get escalated to the next higher risk level.

Compliance may be statutory like

- ✓ Payment of taxes, charges etc
- ✓ Submission of reports and returns governed by different statutes etc.



Regulatory compliance relates mainly to response to RBI requirements like

- ✓ Submission of statements to RBI
- ✓ Currency chest slip
- ✓ DBS information

Controller's compliance means the report and returns required by the controller for exercising better control or to comply with the requirement of the regulator. Any failure by the branch to comply with the requirements of any one will cause compliance risk.

Organisation Risk:

Organisation Risk originates from the organizational bottlenecks in the form of inadequate or inappropriate structure in relation to its business and the quality of its external and internal relationships. Organisation structure should be in tune with the legal and business requirements of the bank and it needs to be clear. As banking sector is passing through a plethora of changes, the organization of a bank must be flexible enough to meet the challenges posed by such changes. For example, inability of an organization to respond to a computerized environment through change in the organizational structure, can spell organizational risk for a bank going in for automation. Inappropriate relationships within the organization (between business or management units/groups) and outside the organization (with customers, supervisors, group companies etc.) can pose a risk to the operations of the bank.



Annexure V

Indicative List of Documents: Assessment of Risk Maturity

Documents revealing the following may be referred to for assessment of risk maturity of the organisation under audit:

- a) Organizational objectives.
- b) Modalities of risk analysis (e.g., by scoring impact and likelihood)
- c) Board approved definition of risk appetite in terms of the scoring system in use for inherent and residual risks.
- d) The processes of identification of material risks threatening attainment of organizational objectives.
- e) Risks focused decision making process in use by the management.
- f) Systems and processes of reporting risks to different levels of management.
- g) Information system used by the management and the board to ensure that risk management system in place has been working effectively to manage risks within the risk appetite.
- h) Risk registers of the organization
- i) Any other documents revealing commitment of the management/board to risk management.



Annexure VI

Illustrative Audit Universe of a Bank

Sr. No.	Department	Business location		
		Corporate Office	Controlling office	Branch
1.	Cash			
	i. Physical security of cash and keys to access to cash	●	●	●
	ii. Custody of blank cheque books, other security forms and papers etc.,	●	●	●
	iii. Monitoring of maintenance of cash balance within prescribed limit	●	●	●
	iv. Monitoring of surprise checks on cash balance	●	●	●
	v. Recognition, reporting and handling of suspicious cash transactions	●	●	●
2.	Deposit Accounts			
	i. Adherence to the prescribed systems, procedures and process of opening of deposit accounts adhering to the extant guidelines	●	●	●
	ii. Compliance with essential safeguards while allowing operations in the accounts	●	●	●
	iii. System of handling return of cheques	●	●	●
	iv. Preservation and safe keeping of account opening form, specimen signature cards, mandates and other related documents	●	●	●
	v. System of segregation, identification and operations –dormant accounts.	●	●	●
	vi. System and process of generating Form16	●	●	●
	vii. Systems ,and procedures for handling and reporting frauds perpetrated on deposit accounts	●	●	●



Sr. No.	Department	Business location		
		Corporate Office	Controlling office	Branch
3.	Credit Risk	•	•	•
	i. Loan origination	•	•	•
	ii. Loan approval	•	•	•
	iii. Loan disbursement	•	•	•
	iv. Post disbursement & Covenant monitoring	•	•	•
	v. Detection of incipient sickness	•	•	•
	vi. NPA detection	•	•	•
	vii. Restructuring and monitoring	•	•	•
	viii. CDR process	•	•	•
	ix. Concentration risk management frame work	•	•	•
	x. Exposure Management	•	•	•
	xi. Framework for rating review and monitoring of rating migration	•	•	•
	xii. Recovery management	•	•	•



Sr. No.	Department	Business location		
		Corporate Office	Controlling office	Branch
4.	Information Technology Risk			
	i. Process of Identification, reporting, escalation and fixing bugs in various IT applications	•	•	•
	ii. Financial impact due to non- fixing of bugs in various IT applications?	•		
	iii. Process for updating security and critical patches	•	•	
	iv. Data protection and privacy of internal and client related information	•	•	•
	v. Process to handle system and security incidents			•
	vi. Measures in place to avoid security incidents and malfunctions	•	•	•
	vii. Detection and monitoring of cyber-frauds?	•	•	•
	viii. backup and archival	•	•	•
	ix. protection of backup data from unauthorized access	•	•	•
	x. system to establish the responsibilities of IT personnel and end users	•	•	
	xi. Control over vendors' access to the bank's systems/ software/ data	•	•	•
	xii. Prevention of unauthorized access and misuse of information	•	•	•
	xiii. Framework to identify and comply with applicable legal, contractual and regulatory requirements pertaining to information system including compliance with IT Act	•	•	•
	xiv. System and process of identification, reporting and handling of down-time of critical systems/ applications (Viz., ATM, CBS, internet banking, etc.).	•	•	•
	xv. Record retention framework to ensure compliance with the legal and regulatory requirements	•	•	•
	xvi. Software license management process	•	•	
	xvii. Penal actions faced by the bank for non-compliance with IT Act.	•		

Sr. No.	Department	Business location		
		Corporate Office	Controlling office	Branch
5.	Liquidity risk			
	i. Prescribed tolerance and appetite for funding liquidity risk	•		
	ii. Internal policy for transfer of funds	•		
	iii. Methodology of behavioral study of various asset, liability and contingent liability items and results thereof.	•		
	iv. Reporting/MIS framework related to liquidity for board and management oversight	•		
	v. System and process of management of liquidity position in individual and aggregate major currencies	•		
	vi. Framework of liquidity stress tests and results.	•		
	vii. Contingency funding plan	•		
	viii. process for monitoring:	•		
	ix. Lines of credit committed to other banks	•		
	x. Lines of credit committed by other banks	•		
	xi. 90 day liquidity funding plan	•		
	xii. Status in the interbank market (net borrower or net lender)	•		
	xiii. kinds on limits established – System of monitoring the limits relating to funding liquidity	•		
	xiv. System of reporting breach of limits	•		

Sr. No.	Department	Business location		
		Corporate Office	Controlling office	Branch
7.	Operational Risk			
	i. Framework for customer complaint and grievance redressal	•	•	•
	ii. Framework and process for approvals of new product / process / material changes to existing systems / for expanding to new geographies.	•		
	iii. Business continuity, resumption and recovery of critical business processes	•	•	•
	iv. Out sourced BCP/ DR related activities	•	•	•
	v. Policy and mechanism for procuring insurance cover for external events	•		
	vi. Mechanism for detection, prevention and reporting of staff related frauds	•	•	•
	vii. Disincentives / deterrents in place for violating internal policies and procedures	•	•	•
	viii. Framework/process for :			
	a. Identifying, communicating compliance requirements to employees	•	•	•
	b. Identification of exceptions and process for approval of exemptions	•	•	•
	c. Ensuring compliance with the regulatory requirements	•	•	
	d. Communication between legal and compliance department for resolving queries	•	•	•
	e. Submitting reports to the regulator on a timely basis	•	•	
	f. Ensuring correctness of the data being reported	•		
	ix. The systems and processes of handling errors / changes /modifications in the processes related to Loans and Advances	•	•	•



Sr. No.	Department	Business location		
		Corporate Office	Controlling office	Branch
	x. Framework and process for designing, reviewing and monitoring compliance with legal documentation for various products and contracts	●	●	●
	xi. Framework for identification, reporting, investigation, monitoring and prevention of KYC/AML issues		●	●
	xii. Systems and processes for resolving KYC/AML related issues	●	●	●
	xiii. System for monitoring of generation and submission of cash transaction reports, suspicious transaction reports, counterfeit currency reports	●		



Annexure VII

An illustration of the steps in the process of risk rating and determination of audit cycle for audit objects / chunks (indicative)

All the functions of the bank be it Treasury, lending, Trade Finance, Corporate Banking, Branches, should be split into auditable chunks or processes.

Issuance of Banker's cheque is sub process within the branch activities and which may be subjected to audit depending on the evaluated risk significance thereof. The activities involved therein may be identified as under to assess the risks that might entail in each (what might go wrong?)

- ✓ Scrutiny of Request application
- ✓ Receipt of value by cash/transfer
- ✓ Posting and authorization
- ✓ Issuance
- ✓ Handling blank stock cheque forms
- ✓ Reconciliation
- ✓ Stale Cheques
- ✓ Cancellations

Each sub process must be carefully scrutinized and evaluated to identify the vulnerabilities. The severity of the impact on the sub process, probability of vulnerability and mitigating controls should be evaluated critically to assess the overall risk attached to each sub process.

For example the IT system in the bank is vulnerable to virus attack. The likelihood of virus attacks to any organisation is high. However if appropriate policies are in place and measures like as antivirus packages, firewalls, removal of disk drives from PCs etc., are effectively implemented, the probability of the attacks could be reduced. Therefore the risk may be rated as medium (2). The impact could be minimized if effective corrective or backup arrangements are in place. Assuming that no effective backup arrangement is in place, the risk may be assessed as high (3).

Similarly if the bank is found dependent on head of IT with no second line groomed to take over it would render the person indispensable. In the eventuality of sudden non-availability of the IT head the bank would run serious risks affecting its business performance. Both the impact and likelihood of the risk may be assessed as high (3). Similarly occurrence of a fire might disrupt the IT system.



Indicative assessment of these three identified risks is appended:

Risk Driver	Impact after reckoning mitigating control	Probability of occurrence
1. Virus attack on IT system	2	3
2. Loss of key IT head	3	3
3. Fire-disruption of IT system	2	2

Impact Probability Matrix

Impact	High			IT Head
	Medium		Fire	Virus attack
	Low			
		Low	Medium	High
	Probability of occurrence \longrightarrow			

While drawing the audit plan the audit may consider risk score, time since last audit and the risk score of the last audit. The total Risk Score may be derived from the Impact and Probability framework and time since the last audit and Rating matrix (below).

Time since last audit		Good	Satisfactory	Unsatisfactory
	3 year	0.75	1.00	1.00
	2 year	0.50	0.75	1.00
	1Year	0.25	0.50	0.75
		Green	Amber	Red

Given the virus policy was last audited one year back and rated as satisfactory the relative risk score for the same would be as under:

$$\text{Risk Score} = \text{Impact (3)} \times \text{probability (2)} \times 0.50 = 3.00$$

Depending on the final risk score thus arrived at for each sub process, the audit frequency or the audit cycle is decided by reference to audit cycle chart (below). Based thereupon the audit plan is drawn prioritizing audit areas/objects that expose the company to significant risks.

Audit Cycle chart

Audit Cycle	Risk Score
Every six month	7.00 and above
Every one year	5.00 to 7.00
Every one and half year	7.00 to 3.00
Every two years	Below 3.00

Audit Plan

	Audit Area	Impact	Probability	Last audit	Total score	Audit cycle	Last audit	Next audit due
1.	Virus Policy	2	3	0.75	4.50	1.5 year	Jan 15	June 16
2.	IT (Personnel)	3	3	0.50	4.50	1.5 year	Jan 15	June 16
3.	IT Environment (Fire)	2	2	0.25	1.00	02 year	Jan 15	Jan 17



Annexure VIII

Examples of Audit Risks

- a. All material risks have not been identified or key controls are not subjected to proper testing, with the implication that important and significant issues get omitted or a wrong opinion is given due to non-engagement of the right skills, experience, supervision or specialist expertise.
- b. Widely / loosely defined audit scope resulting in failure to adhere to prescribed timeframe.
- c. Impairment of audit objectivity on account of actual or perceived conflicts of interest undermining the audit outcomes.
- d. Audit not carried out in sufficient depth so as to meet the specific management expectations or concerns.
- e. Impediment to audit process or inaction/non-implementation of audit findings/recommendations due to lack of senior management support and buy-in.
- f. Non-availability of key audit resources at a short notice. (Viz., long-term sick, resignation)
- g. Lack of progress or failure in timely escalation rendering the findings out of date.
- h. Denial of access to third parties, key personnel and documents.
- i. The audit team may be misled deliberately.
- j. Impaired client relationship due to improper handling of management sensitivities which might lead to personality clashes between auditors and management.

ANNEXURE-IX

Suggested Risk Assessment Template

- I. For assessing risk each activity/process/sub process must be critically examined to identify the relevant risk factors and make quantitative/qualitative assessment of severity of identified risks. Based on the findings of the assessment exercise scores may be allotted as per the

Suggestive Risk Assessment Template set out hereinabove. It may be seen from there that while allotting scores the probable alternatives will emerge as follows:

1. **Achievement:** Allotment of score will be done according to the percentage of achievement. The percentage achievement bands and the corresponding scores may vary from bank to bank depending on idiosyncratic factors. This module can be utilized where the achievement can be measured in terms of quantity viz. :

A. For Deposit business:

- a) 100% of target –Risk Score: 0
- b) 90 %-< 100% of target-Risk Score: 1
- c) 70%-<90% of target-Risk Score:2
- d) 50%-<70% of target-Risk Score:3
- e) <50% of target-Risk score: 4

Example: For trends of Deposit Growth of the branch, the above risk parameters may be assigned and depending upon the achievement of the target, risk score may be given.

B. For Credit business:

- a) Achieved <10% of target-Risk Score: 1
- b) Achieved \geq 10 %< 30%-Risk Score: 2
- c) Achieved \geq 30 %< 50%-Risk Score: 3
- d) Achieved \geq 50%- Risk Score: 4

Example: For achievement of Credit target set out by the Corporate, the above risk parameter may be assigned and depending upon the achievement of the target, risk score will be given.

IT IS WORTHWHILE TO MENTION THAT MORE CREDIT WILL DENOTE MORERISK.



2. **Compliance:** Where the answers would be subjective in nature like, *done regularly, done Irregularly, not at all* –scoring may be based on a three point scales Viz.,

- a) Regularly-risk score will be 0 (zero)
- b) Irregularly-risk score will be 3 (three)
- c) Not at all- risk score will be 4(four)

Example: While commenting on loose security at operational points, the above risk parameters may be assigned and depending upon the findings of the audit, risk score may be given.

3. **Responses:** Where the answers would be subjective in nature like, *in all cases, some cases, not at all* –scoring may be based on a three point scale viz,

- a) In all cases-risk score will be 0(zero)
- b) Some cases-risk score will be 3(three)
- c) Not at all-risk score will be 4(four)

Example: When commenting on courteousness of staffs to customer while assessing Employee Motivation, the above risk parameters may be assigned and depending upon the findings of the Inspector, the risk score may be assigned.

4. **Control:** In the area of control risk/operation risk, there are certain questionnaires which would have to be answered either in **yes** or **no**. If the answer is **yes** and it indicates control of risk, then the risk score will be 1 (one) and if **no** and it indicates no control of risk then the risk score will be 4 (four). Similarly, if the questions are against the control risk, in that case answer **yes** will bear risk score 4(four) and answer **no** will bear risk score 1 (one).

II. After the scores have been allotted, weightage may be assigned according to the gravity of the activity/ perceived risks associated with each type of activity.

Illustrative weighting scheme:

- a) Documents are time barred- Weightage 30
- b) Sanction letter not accepted by the borrower-Weightage10
- c) Advance target achieved-Weightage30
- d) Deposits target achieved-Weightage20

THE INDIVIDUAL BANK WILL ASSIGN WEIGHTAGE ACCORDING TO THEIR RISK PERCEPTION.

III. While assigning scores in case of Rural and Semi urban branches, growth in Savings deposits and Term Deposits should be given less weightage than that of Current Deposits. Likewise



Institutional deposits carry high risk than that of individual deposits in deposits growth. For Priority Sector advances in Rural and Semi-urban branches less weightage should be given in comparison to traditional advances while in case of Metropolitan/Urban branches weightage would be reversed.

While considering Credit Growth of any Bank/Financial Institution the following must be borne in mind:

- a. Growth in credit sector escalates risk. Credit growth beyond corporate target consistent with the risk appetite would receive high weight-age where as credit growth within the corporate target will carry normal weight-age.
- b. Exposure limits prescribed in the lending policy for industries/activities should be given high weight-age in comparison to the same for open sector / activities.
- c. In case of floating rate of interest the repayment capacity of the borrower should be ascertained on varied range of interest rate. In such cases Pay Back Period, Internal Rate of Return, Debt Service Coverage Ratio etc., should also be ascertained for effective risk assessment of the project. Projected Balance sheet /financial figures should be given high weightage while calculating credit risk in comparison to actual balance sheet figures.
- d. In case of new unit and new product, the rating will be higher in comparison to that for existing units and existing products.
- e. It is suggested that before entering into the high-risk area, stress should be given to the control aspect so that in spite of having high risk, the credit risk can be minimized. According to the lending policy of the Banks and the availability of liquid resources, risk appetite of the Banks is predetermined and if it has already been decided to take exposure to high-risk portfolios, transaction testing will possibly be of little use. In that case, control aspects must get more importance.



Risk Assessment Template

Note: Kindly mark the risk score as indicated against each item narrating the factors justifying the scores.

Sl. No.	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
1	AGDP of the Branch	100% of target - Risk Score : 0			
		90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
1.1	Savings Bank Deposit	100% of target - Risk Score : 0			
		90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
1.2	Current Deposit	100% of target - Risk Score : 0			
		90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
1.3	Term Deposit	100% of target - Risk Score : 0			
		90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
1.4	Institutional Deposit (As a percentage of AGDP)	100% - Risk Score : 4			
		90%- <100%-Risk score:3			
		70%-<90%-Risk score :2			

Sl. No.	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
		50%-<70%-Risk score :1			
		<50% -Risk score:0			
1.5	Term Deposit at	100% of target - Risk Score : 0			
	Special Rate	90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
2	Cost of Deposit	100% of target - Risk Score : 0			
	Actual of the Branch	90%- <100%of target-Risk score:1			
	vis- à-vis Head office	70%-<90%of target-Risk score :2			
	Target, if any	50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
3	Aggregate Credit Achievement of the Target (Concept: More Advance More Risk)	Achieved < 10% -Risk score: 1			
		Achieved >=10% <30% - Risk score:2			
		Achieved >=30% <50% -Risk score: 3			
		Achieved >=50% -Risk score: 4			
3.1	Priority Sector Achievement	Achieved corporate target< 10% -Risk score: 1 Achieved >=10% <30% - Risk score:2 Achieved >=30% <50% -Risk score: 3 Achieved >= 50% -Risk score: 4			
3.2	Achievement of Retail Sector Credit Target	Achieved < 10% -Risk score: 1 Achieved >= 10% <30% - Risk Score :2 Achieved >=30% <50% - Risk Score :3 Achieved >= 50% - Risk score :4			



Sl. No.	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
4	Interest yield of the Branch on Advance	Achieved corporate target< 10% -Risk score: 4 Achieved >=10% <30% - Risk score:3 Achieved >=30% <50% -Risk score: 2 Achieved >= 50% -Risk score: 1			
4.1	Commission, Exchange, fees etc. (as a percentage of total income)	< 10% -Risk score: 4 >=10% <30% - Risk score:3 >=30% < 50% -Risk score: 2 >= 50% -Risk score: 1			
4.2	Others (as a percentage of total income)	< 10% -Risk score: 4 >=10% <30% - Risk score:3 >=30% < 50% -Risk score: 2 >= 50% -Risk score: 1			
5	Total Income (As a percentage of total business)	< 5% -Risk score: 4 >=5% < 7% - Risk score:3 >=7% < 10% -Risk score: 2 >=10% -Risk score: 1			
6	Interest Expenses (as a percentage of total business)	< 10% -Risk score: 1 Achieved >=10% <15% - Risk score:2 Achieved >=15% <20% -Risk score: 3 Achieved >= 20% -Risk score: 4			
7	Staff Expenses	Achieved corporate target< 18% -Risk score: 1 Achieved >=18% <20% - Risk score:3 Achieved >=20% -Risk score: 4			
8	Non-interest non-staff expenses (as a percentage of total expenses)	Achieved corporate target< 10% -Risk score: 1 Achieved >=10% <15% - Risk score:3 Achieved >=15% -Risk score: 4			
9	Achievement of Non Interest (NI) income (as a percentage of total income)	Achieved corporate target< 10% -Risk score: 4 Achieved >=10% <30% - Risk score:3 Achieved >=30% <50% -Risk score: 2 Achieved >= 50% -Risk score: 1			



Sl. No.	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
10	Total Expenses in case of increase (trends in comparison to last year) Note: in case of decrease risk rating/scoring will be reversed.	Increase by $\geq 10\%$ -Risk score: 4 Increase by $< 10\% \geq 8\%$ - Risk score:3 Increase by $< 8\% \geq 5\%$ -Risk score: 2 Increase by $< 5\%$ -Risk score: 1			
11	Net Profit (With Subsidy) (trends in comparison to last year) Note: in case of decrease risk rating/scoring will be reversed	Increase by $\leq 10\%$ -Risk score: 4 Increase by $> 10\% \leq 30\%$ - Risk score:3 Increase by $> 30\% \leq 50\%$ - Risk score: 2 Increase by $> 50\%$ -Risk score: 1			
12	Net Profit (Without Subsidy) (trends in comparison to last year) Note: in case of decrease risk rating/scoring will be reversed	Increase by $\leq 10\%$ -Risk score: 4 Increase by $> 10\% \leq 30\%$ -Risk score:3 Increase by $> 30\% \leq 50\%$ -Risk score: 2 Increase by $> 50\%$ -Risk score: 1			
13	Business per employee (in comparison to last year)	$< 10\%$ -Risk score: 4 $\geq 10\% < 30\%$ - Risk score:3 $\geq 30\% < 50\%$ -Risk score: 2 $\geq 50\%$ -Risk score: 1			
14	Income per employee Earnings per employee (in comparison to last year)	$< 10\%$ -Risk score: 4 $\geq 10\% < 30\%$ - Risk score:3 $\geq 30\% < 50\%$ -Risk score: 2 $\geq 50\%$ -Risk score: 1			



SI. No.	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
15	Achievement of Profit per Employee in comparison to last year	< 10% -Risk score: 4 >=10% <30% - Risk score:3 >=30% <50% -Risk score: 2 >= 50% -Risk score: 1			
16	Comments on current performance in comparison to past year as to total business	>= 20% -Risk score: 1 <20% >=15% - Risk score:2 <15% >=10% -Risk score: 3 < 10% -Risk score: 4			
17	Number of Frauds	Nil - Risk Score: 1 One - Risk Score: 2 > 1 - Risk Score : 4			



Liquidity Risk - Business Risk Vis-À-Vis Control Risk

Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
18	Deposit (Growth)				
18.1	Savings Bank Deposit	100% of target - Risk Score : 0			
		90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
18.2	Demand Deposit	100% of target - Risk Score : 0			
		90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
18.3	Term Deposit	100% of target - Risk Score : 0			
		90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
18.4	Term Deposit at Special Rate	100% of target - Risk Score : 0			
		90%- <100%of target-Risk score:1			
		70%-<90%of target-Risk score :2			
		50%-<70%of target-Risk score :3			
		<50% of target-Risk score:4			
18.5	Institutional Deposit	100% - Risk Score : 4			
		90%- <100%-Risk score:3			
		70%-<90%-Risk score :2			
		50%-<70%-Risk score :1			
		<50% -Risk score : 0			



Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
18.6	Ratio of Low Cost Deposits (Savings Bank and Demand Deposits) to Total Deposits	<= 10% -Risk score: 4 >10% <=30% - Risk score:3 >30% <=50% -Risk score: 2 > 50% -Risk score: 1			
18.7	Ratio of Term Deposits to Total Deposits	< =10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
18.8	Increase in No. of Depositors accounts as %	<= 10% -Risk score: 4 >10% <=30% - Risk score:3 >30% <=50% -Risk score: 2 > 50% -Risk score: 1			
19	Average Cost of Deposits	<= 10% -Risk score: 4 >10% <=8% - Risk score:3 >8% <=5% -Risk score: 2 > 5% -Risk score: 1			
20	Average Cash Holding & Retention Limit in relation to permitted holding as a percentage	< =10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
21	<u>Total L/C, L/G Exposure</u> a) % Change over last year (L/C)	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	b) % Change over last year (L/G)	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
22	Credit Concentration: Sector-wise				

Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	a) Advance to Agriculture	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	b) Advance to other priority sector	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	Credit Concentration to Sensitive Sectors	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
23	Credit Concentration : Size Wise				
	a) Advance above Rs 1 Crore	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	i) Account Number in relation to last year	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	ii) Total Amount in relation to last year.	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	b) Accounts having limit over 5% of TOAD in relation to last year	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	i) Number of Accounts in relation to last year	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			



Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	ii) Amount in relation to last year	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
24	Credit Concentration (In comparison to last year)				
	a) Housing	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	b) Trade Credit	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	c) Mortgage	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	d) Educational	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	e) Personal	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	f) Car	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			



Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	g) Consumer	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	h) Others excluding those stated under item no. (a) to (g)	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
25	Credit Concentration in High Risk Grades (As per Bank's Credit Rating)	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
26	Quality of assessment of Credit Requirement				
	l) Performing Asset to Gross advance				
	% of Standard Asset against TOAD	Growth < =10% -Risk score: 4 Growth >10% <=30% - Risk score:3 Growth >30% <=50% -Risk score: 2 Growth > 50% -Risk score: 1			
	Low risk rated advance to total credit				
	% of Prime Advance Against TOAD	Growth < =10% -Risk score: 4 Growth >10% <=30% - Risk score:3 Growth >30% <=50% -Risk score: 2 Growth > 50% -Risk score: 1			
	Marginal Risk grade advance to total credit				



Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	% of Moderate Advance Against TOAD	Growth < =10% -Risk score: 4 Growth >10% <=30% - Risk score:3 Growth >30% <=50% -Risk score: 2 Growth > 50% -Risk score: 1			
	High Risk Grade Advance to Total Credit				
	% of High Risk Advance Against TOAD	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	II) Non-performing Credit to Gross Credit				
	% of substandard assets to total assets	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	% of doubtful assets to total assets	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	% of loss asset to total asset	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	% of Gross NPA to gross advance in comparison to last year	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			



Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
27	Trends in NPA generation rate				
	a) NPAs to Credit in i) Priority Sectors	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	b) NPAs to Credit in ii) Non priority Sectors	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
	c) NPAs to credit in different products.	Growth <= 10% -Risk score: 1 Growth >10% <=30% - Risk score:2 Growth >30% <=50% -Risk score: 3 Growth > 50% -Risk score: 4			
28	Exposure wise number of NPA A/cs out of Total Number of Advance A/cs				
	less than Rs 1 crore (Single Account Exposure)	>= 50% - Risk Score: 1			
	Rs 1 crore to < Rs 5 crore(Single Account Exposure)	>= 20% - Risk Score: 2			
	Rs 5 crore to < Rs 10 crores(Single Account Exposure)	>= 10% - Risk Score: 3			
	Rs 10 crore and above(Single Account Exposure)	>= 5% - Risk Score: 4			
29	NPAs to credit in accepted Risk Grades of the bank (%)	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			



Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
30	NPAs to credit in sensitive sectors (%)	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
31	Upgradation of NPAs as a percentage of NPAs	100% - Risk Score : 0 > 75 % < 100% - Risk score:1 < 75% to >50 % -Risk score :2 < 50% to > 30% - Risk score:3 < 30% - Risk score:4			
32	Recoveries from One Time Settlement (OTS) as a percentage to NPAs	100% - Risk Score : 0 > 75 % < 100% - Risk score:1 < 75% to >50 % -Risk score :2 < 50% to > 30% - Risk score:3 < 30% - Risk score:4			
33	Recoveries from suit filed and decreed accounts in % of total suit filed / decreed accounts	100% - Risk Score : 0 > 75 % < 100% - Risk score:1 < 75% to >50 % -Risk score :2 50% to > 30% - Risk score:3 < 30% - Risk score:4			
34	Recoveries from Write-offs as a percentage to NPAs (Shadow Register)	100% - Risk Score : 0 > 75 % < 100% - Risk score:1 < 75% to >50 % -Risk score :2 < 50% to > 30% - Risk score:3 < 30% - Risk score:4			
35	Exposure in Inland L/C in % of Total Advance	>= 5% -Risk score: 1 >=3% <5% -Risk score: 2 >=1% <3% - Risk score:3 < 1% -Risk score: 4			
36	Exposure in Inland Guarantee in % of Total Advance	>= 5% -Risk score: 1 >=3% <5% -Risk score: 2 >=1% <3% - Risk score:3 < 1% -Risk score: 4			

Sl. No	RBIA ITEM	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
37	Exposure in Foreign L/C in % of Total Advance	>= 5% -Risk score: 1 >=3% <5% -Risk score: 2 >=1% <3% - Risk score:3 < 1% -Risk score: 4			
38	Exposure in Foreign Guarantee in % of Total Advance	>= 5% -Risk score: 1 >=3% <5% -Risk score: 2 >=1% <3% - Risk score:3 < 1% -Risk score: 4			
39	Exposure on account of forex contracts, options, futures, including derivatives etc. in % of Total Advance.	>= 5% -Risk score: 1 >=3% <5% -Risk score: 2 >=1% <3% - Risk score:3 < 1% -Risk score: 4			
40	Off balance sheet exposures in % of Total Advance.	< 10% -Risk score: 1 >10% <30% - Risk score:2 >30% <50% -Risk score: 3 > 50% -Risk score: 4			



Control Analysis

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
41	Departure from prudential guidelines with reference to exposure to proprietorship/ partnership/ corporate/groups/ infrastructure project	Yes - Risk Score : 4 No - Risk Score : 1			
42	Trend in breaching exposure ceiling norms	Habitual - Risk Score : 4 Occasional - Risk Score: 3 Once Only - Risk Score: 2 None - Risk Score : 0			
43	Maintenance of proposal received/ disposal register	Regular & Up to Date - Risk Score : 0 Irregularly maintained - Risk Score : 2 Not maintained - Risk Score: 4			
	a) Receiving of activity wise standard application	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Pre-sanction inspection conducted	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44	Appraisals done in:				
	i) Agricultural Advance	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	ii) Govt. sponsored cases	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	iii) Retail Banking	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	iv) Traditional Loans	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	v) Corporate Advances	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.1	Opinion sheets were drawn	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.2	Borrowers/guarantors bio-data obtained.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.3	Required financial statement received.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.4	Adherence of Loan Policy for Working Capital Assessment	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.5	IT/ST return were collected in deserving cases	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.6	In cases of Term Loan, Loan policy has been followed.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.7	Bench mark ratios have been taken into consideration	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.8	Resolution by the company for borrowing obtained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
44.9	Changes in the promoter Directors reported to ROC in form no. 32	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
45	Risk rating/ Loan Pricing done as per Loan Policy:-				
	a) Risk rating done as per Loan Policy	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Loan pricing (interest rate charged) done as per Loan Policy.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) In case of schematic advances pricing (interest rate charged) were done as per the schemes	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
46	Procedures followed in case of lending to sensitive sectors	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
47	Sanctions/Rejections noted in the proposal Received/Disposal Register and Properly authorized and Reported	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
48	Sanction letter issued with all necessary terms and conditions:				
	a) In case of all loan accounts sanction letters were issued.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	b) All terms & conditions incorporated in the sanction letter	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
49	Are the terms and conditions conveyed to the borrowers:				
	a) Copy of the sanction letter received by the borrowers	Yes - Risk Score: 0 No - Risk Score: 4			
	b) Borrowers have accepted the terms and conditions in writings promptly	Yes - Risk Score: 0 No - Risk Score: 4			
50	Branch reporting all credit sanctions to Higher Authority				
	a) Loan Sanction are reported to Controlling Office	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) All loans/ advances sanctioned are routed through proper channel	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
51	Branch exercising Financial Authority Judiciously:				



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	a) The branch exercised Financial Authority as per the delegated power	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Drawings allowed by the branch in excess to the drawing power:	In all Cases - Risk Score : 4 In some cases - Risk Score : 3 Not at all - Risk Score : 0			
	c) If yes, whether it has been reported to Controlling Office in time and confirmed by Controlling Office	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
52	Compliance of Branch with the comments of Controlling Office on Loan Sanction Statement and irregularity sheets				
	The comments of Controlling Office were complied (in case of non compliance risk rating/scoring will be reversed)	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
53	Compliance of terms and conditions of sanction letters				

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	a) Before disbursement full set of documents were obtained as per terms and conditions of sanction letter	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Charges have been created as per law	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) Terms and conditions complied with	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
54	Execution of loan documents				
	a) Loan documents fully executed and properly filled in	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Properly stamped	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) Vernacular declaration obtained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	d) Alteration in documents authenticated by the executor	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
55	Safe custody of the documents				
	a) Documents are arranged in an orderly manner	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	b) Securities are arranged in an orderly manner	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) Documents are under dual control	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	d) Documents are kept in safe custody	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
56	Charges have been registered in case of company accounts and search reports taken				
	a) Charges have been registered in time	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Certificate obtained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
57	Valuation of immovable properties				
	a) Valuation of immovable property done by the approved valuer	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) (i) Valuation reports received in the formats designed by the Bank	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(ii) Whether valuation reports from more than one approved valuer taken in eligible cases	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) (i) Independent valuation done by the branch and report kept in file.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(ii) Two officers individually visited the shop / unit and the property to be mortgaged has verified and inspection report kept in file	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	d) Securities are properly insured	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	e) Insurance register is maintained in the branch and updated	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	f) Stock audit was conducted for advance Rs 1 crore and above on yearly basis.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	g) In case of movable property valuation have been revalued once in 3 years (Except Housing Loan)	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
58	In case of Loan backed by Mortgage:				
	i) Searching of property done by the approved lawyer	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	ii) Search report obtained as per Prescribed Format	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	iii) Searching of property was done as per Bank's Guidelines	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	iv) Original Money Receipt issued by sub-registrar office for conduction of search obtained from the lawyer.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	v) Original Title Deed kept in the branch as mortgage	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	vi) Original IGR (discharged) and certified copy of the Title Deed taken	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	vii) Original IGR date is more than one year old	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
58.1	Declaration from the borrowers to publish their names, in case of default, have obtained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
59	Disbursement made as per terms of sanctions				
	a) Cash Credit disbursed after installation of Plant & Machinery in case of new units	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Money receipt from supplier/ dealer obtained for Plant & Machinery if financed by the bank and Bills & Receipted challan kept in file.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) (i) Payment of Fixed Assets made to the supplier directly by Pay Order/Drafts	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	ii) Whether disbursement for Construction work made as per terms of sanction	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	Credit Disbursement Monitoring Sheet sent to Controlling Office in deserving cases	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
60	End use of fund was ensured: -				
	a) Plant / Machinery installed	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Fund released for working capital properly utilized	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) Operation in the account started	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	d) Post disbursement follow up done	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
61	Stock statement and Drawing Power calculation				
	a) Stock statement submitted by the borrower	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Submission of stock statement in time	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	c) Drawing power is calculated on the basis of stock statement	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	d) Margin is maintained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	e) Unpaid stocks are not considered for Drawing Power Calculations	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	f) Drawing allowed as per Drawing Power	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	g) QIS / MSOD obtained in time	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
62	QIS is analysed (Projections vis a vis achievements)				
	a) Fund diversions are checked	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Projections are controlled	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) Limits/drawings are allowed as per performance/ Projections	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	d) Discrepancies if found and followed up to ensure end use of fund.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
63	Monthly control returns (MCR) are sent in deserving cases	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
64	Deviation from prescribed norms are observed in case of temporary overdrafts/ excess drawings	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
65	Legal compliance certificate submitted by the branch to its controller	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
66	In case of Rs 10 Lac and above whether discretionary power (for excess drawing exercised by the branch beyond the delegated power and reported to Controlling Office immediately	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
67	In case of transaction of Rs 1 crore and above, either deposit, opening of LC, LG, Insurance/payments of drafts, legal compliance done	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
68	Monitoring of Term Loan, CC and OD A/c by Branch, RO:				
	a) The over drawings in C/C, O/D are monitored	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Default in interest & principal in case of T/L were followed up	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
69	Detection of diversion of short term fund				
	(i) Any payment towards long term liability from C/C A/C	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(ii) Fall in Drawing Power	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
70	Return of unpaid bills followed up	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
70.1	Slow recovery from customers are taken care of	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
70.2	Poor - turnover in the account	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
70.3	Fall in sales value	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
70.4	Non-submission of Stock Statements & Financial Statement	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
70.5	Non - Compliance of terms and conditions	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
71	Review of Borrow A/C :-				
	a) Account overdue for review during the year	All Accounts Reviewed - Risk Score: 0 < 10% -Risk score: 1 >10% <30% - Risk score:2 >30% >50% -Risk score: 3 > 50% -Risk score: 4			
	b) Review of Accounts done as per Bank's Format	In all Cases - Risk Score : 0 In some cases - Risk Score : 2 Not at all - Risk Score : 4			
	c) Review done within time limit	In all Cases - Risk Score : 0 In some cases - Risk Score : 2 Not at all - Risk Score : 4			
	d) Reported to controller in time.	In all Cases - Risk Score : 0 In some cases - Risk Score : 2 Not at all - Risk Score : 4			
72	Renewal of Documents: -				
	a) Limitation register updated	Not at all - Risk Score : 4 Sometimes - Risk Score : 3 Always - Risk Score : 0			
	b) % of documents time barred out of total documents	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
	c) Balance confirmation obtained at regular intervals	In all Cases - Risk Score : 0 In some cases - Risk Score : 2 Not at all - Risk Score : 4			

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	d) In case of renewal, Link letters/revival letters were obtained	In all Cases - Risk Score : 0 In some cases - Risk Score : 2 Not at all - Risk Score : 4			
	e) In case of expired documents for renewal fresh Promote was obtained	In all Cases - Risk Score : 0 In some cases - Risk Score : 2 Not at all - Risk Score : 4			
73	Recording and Reporting MIS : -				
	a) Loan Sanction Statements/irregularities sheets sent in time	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b) Demand Collection Balance register maintained (Wherever applicable)	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c) Advance related return/reports are sent in time	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
74	Updating of Register related to Credit:				
	(a) Limitation Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(b) Drawing Power Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(c) Security Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(d) Insurance Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(e) Mortgaged Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(f) Demand Collection Balance Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(g) Ex-custody register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(h) Register of Subsidy Claim, Settled	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(i) Shadow Register and Reconciliation	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(j) Memorandum Register and calculation of upto date notional interest.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(k) Cheque purchase Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(i) Bill Purchase / Bill Discount Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(m) L/C issue Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(n) L.G. issue Register	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(o) Bills purchased (BP) / Bills discounted (BD) are within the sanctioned limit	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(p) Whether reported through Sanction Statement while sanctioning BP/ BD	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
75	Any long outstanding / overdue items under				
	a) BP	< 6 months - Risk Score: 0 > 6 months - Risk Score: 4			
	b) BD	< 6 months - Risk Score: 0 > 6 months - Risk Score: 4			
	c) COP	< 6 months - Risk Score: 0 > 6 months - Risk Score: 4			
	d) FBP	< 6 months - Risk Score: 0 > 6 months - Risk Score: 4			
	e) Others if any	< 6 months - Risk Score: 0 > 6 months - Risk Score: 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
75.1	Whether permission from RBI obtained in case of delay in collection of foreign bills beyond the stipulated period	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
75.2	Follow up measures undertaken by the branch	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
75.3	All the transactions were against genuine trade bill	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
76	H.O. Guidelines being followed in case of B/P, B/D,L/C,L/G etc., as to :				
	1) Sufficient stipulated margin obtained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	2) Usance bill were appropriately stamped	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	3) Dishonoured cheques were not purchased	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	4) In case of supply bills irrevocable general power of Attorney obtained.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	5) Transport Receipt/Lorry receipt taken in case of B/P B/D	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	6) For B/P, B/D, L/C, FBP due dated are diarised	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	7) It is followed up	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	8) Marking of Protective clause in revolving inland LC	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	9) While calculation of Drawing Power for CC a/c, goods under packing credit are not included	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	10) ECGC insurance cover obtained in deserving cases	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	11) In case of invocation of guarantee payment realised from the borrowers	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	12) In case of devolvement of L/C payment realised from the borrower	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
77	Are all bills purchased/ discounted/re-discounted/co-accepted within the branch delegated power				
	(1) B/P, C/P were in terms of LC	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(2) All the documents obtained in terms of LC	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(3) All documents were despatched promptly	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(4)(i) In cases of overdue bills whether branch reported to its controller	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(4)(ii) Necessary follow up done :-	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	5) % of bills/CP overdue during last year	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
	6) The incidence of devolvement (in terms of %) related to single borrower/nos of borrowers	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
78	Migration from PA to NPA:				
	i) % of no. of accounts became sub-standard from standard accounts	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
	(ii) % of Amount became doubtful from sub-standard accounts	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
	(iii) % of fresh generation of NPA	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
78.1	Provisioning done as per RBI Guidelines	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
78.2	Branch reporting the NPAs and provisions are done as per prescribed guidelines	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
78.3	For recovery necessary action taken by the branch	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
78.4	Whether reporting to Controlling Office done in time	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
79.1	No of recovery camps held during last year wherever eligible	>= 12 - Risk Score: 0 <12 >= 10 - Risk Score: 1 < 10 >= 8 - Risk Score: 2 <8 >= 5 - Risk Score: 3 <5 - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
79.2	Amount recovered (% of Recovery from NPA Account out of the total Recovered Amount)	> 75 % - Risk score:0 < 75% to >50 % -Risk score :1 50% to > 30% - Risk score:3 < 30% - Risk score:5			
79.3	Suit filed/Decreed accounts were followed up with the lawyers	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
79.4	Steps taken for execution of decree	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
79.5	All the copies of decree are in the branch	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
79.6	Steps taken for enforcing Securitization Act/ PDR Act	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
80	Achievement (%) vis-à-vis recovery target	100% - Risk Score : 0 > 75 % < 100% - Risk score:1 < 75% to >50 % -Risk score :2 50% to > 30% - Risk score:3 < 30% - Risk score:4			
81	No of accounts(%) upgraded	100% - Risk Score : 0 > 75 % < 100% - Risk score:1 < 75% to >50 % -Risk score :2 50% to > 30% - Risk score:3 < 30% - Risk score:5			
82	Amount settled through OTS where compromise settlement were done	100% - Risk Score : 0 > 75 % < 100% - Risk score:1 < 75% to >50 % -Risk score :2 50% to > 30% - Risk score:3 < 30% - Risk score:4			

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
83	Technical write off, Rehabilitation/ Nursing finance done	In all eligible cases - Risk Score: 0 >75%<100% of eligible cases - Risk score:1 >50% to <75% of eligible cases -Risk score :2 50% to > 30% of eligible cases - Risk score:3 < 30% of eligible cases- Risk score:4			
84	In cases of OTS banks recovery policy was followed	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
85	OTS have been reported to the controller	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
85.1	In case of OTS, write off and waiver allowed as per recovery policy of the bank	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
85.2	Settlement beyond the policy have been reported to Controlling Office / prior permission obtained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
86	L/C and L/G sanctioned as per Bank's policy				
	(i) Guarantee issued for inter company deposit/loans	In all Cases - Risk Score : 4 In some cases - Risk Score : 3 Not at all - Risk Score : 0			
	(ii) Guarantee issued for placing deposit with a banking financial corporation	In all Cases - Risk Score : 4 In some cases - Risk Score : 3 Not at all - Risk Score : 0			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(iii) Prior permission from controlling office obtained for issuing guarantee for more than 1 year	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(iv) Guarantee issued favouring banks/FIS or other lending institution	In all Cases - Risk Score : 4 In some cases - Risk Score : 3 Not at all - Risk Score : 0			
	(v) Margin money for L/C & L/G excluded from building up of current assets other than construction companies	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(vi) Fund and non fund business should not exceed the provisions laid down in the Loan Policy of the bank	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(vii) Non fund limit allowed to sub-standard accounts only for up gradation & regularization	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			

SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(viii) Non fund business limit sanctioned for imported raw materials was considered as need based	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	(ix) Non fund limit was sanctioned to a nursing sick units	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
87.1	For insurance of L/C, L/G the branch acted within their Drawing Power	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
87.2	L/C, L/G registers are maintained properly	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
87.3	Due date of L/C s are noted	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
87.4	Expiry date of L/G s are noted	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
87.5	Follow up done well in advance and recorded	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
87.6	In case, risk has been crystallised in L/C & L/G business whether it has been reported to controlling office	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
87.7	Follow up done to regularise these risks	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



SI No	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
88.1	KYC norms for maintaining register for all cash transaction of Rs 10 Lacs and above reported to Higher Authorities regularly	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
88.2	Any unique/ suspicious transactions observed during inspection have been reported to Controlling Office	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
88.3	Submission of cash Transaction Report (CTR) and Suspicious Transaction Report (STR) to Controlling Office as per HO guidelines	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
88.4	All the specified records are maintained for minimum 10 years	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			

89. Operational Risk

	Name	Designation	Date of Posting
Positioning of Staff (officers and clerks) in key areas			
i) Account Opening			
ii) Clearing/cheque, Bill collection			
iii) Term Deposits			
iv) Advance			
v) Administration			



	Name	Designation	Date of Posting
vi) Forex business			
vii) Remittances			
viii) Cash			
ix) Miscellaneous			

Sl. No.	RBIA ITEMS	RISK PARAMETERS	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
90	Job Rotation Done	If due but not changed - Risk Score: 4			
		Not yet due but changed - Risk Score: 3			
		Not due not changed - Risk Score: 0			
91	Per employee business in relation to previous financial year	>= 20% - Risk Score: 0			
		< 20% >=15% - Risk Score: 1			
		<15% >=10% - Risk Score: 2			
		<10% >=5% - Risk Score: 3			
		< 5% - Risk Score: 4			

Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
92	Employee Motivation				
	a) Employees are punctual	Yes - Risk Score: 0 No - Risk Score: 4			
	b) Employees are customer oriented	Yes - Risk Score: 0 No - Risk Score: 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	c) Attendance is Recorded	Yes - Risk Score: 0 No - Risk Score: 4			
	d) Late marking is done	Yes - Risk Score: 0 No - Risk Score: 4			
	e) (i) Leave application are submitted in time and leaves are granted as per rules.	Yes - Risk Score: 0 No - Risk Score: 4			
	(ii) Without pay/ unauthorized absence warranting deduction of pay if any, is reported to Controlling Office	Yes - Risk Score: 0 No - Risk Score: 4			
	(iii) No of Staff who has not taken any leave in last one year	None - Risk Score: 0 One - Risk Score: 4			
	f) Staff is courteous to customer	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	g) Team spirit	Good in all Cases - Risk Score : 0 Good in some cases - Risk Score : 3 Good not at all - Risk Score : 4			
	h) Inter personal relationship	Good in all Cases - Risk Score : 0 Good in some cases - Risk Score : 3 Good not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	i) Salary is paid properly	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	j) Income tax/ Professional tax is deducted and deposited in time	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	k) Temporary advance against salary is allowed and realized as per rules	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	l) Deduction of salary for strike days	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	m) Records related to staff matters are maintained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	n) Verification of daily vouchers as per norms	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	o) Upto date filing of vouchers and record keeping thereof	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	p) Staff nominated for training attended	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	q) The staff are imparted training for acquiring necessary job skill	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
93	Branch Environment				
	1) Location of the Branch (Rural/ Semi Urban (SU)/ Urban/Metro)	a) Rural - Risk Score: 1 b) SU - Risk Score: 2 c) Urban - Risk Score: 3 d) Metro - Risk Score: 4			
	2) Activity (major) in the area where the branch is situated	Agriculture - Risk Score:1 Business-Risk Score: 2 Industry-Risk Score: 3 Service - Risk Score:4			
	3) Competition	Single bank branch within 2 km - Risk Score:1 More than 1but less than 5 - Risk Score: 2 More than 5 but less than 10 - Risk Score: 3 Above 10 - Risk Score:4			
94	The delineation of responsibilities.				
	a. Office orders are issued regularly.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b. Office orders are accepted by the concerned officers/Staff	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c. Office orders are issued precisely as to the duties	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	d. The powers are appropriately delegated	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
95	Frequency and impact of job rotation				
	a. Job rotations are done as per H.O. Guidelines(If job rotation is not possible a single man branch risk is high)	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b. The Branch maintains Manuals/ Circulars Properly	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	b. Circulars are circulated among the staff members	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	c. Circulars/ Instructions Register is maintained	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	ii) Circulars regarding policy changes, change of interest rates, change of service charges etc. are informed to staff.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	d) The staff meetings are held regularly to discuss the circulars issued during the period	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	e) The branch maintains any error and omission register.	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	f) % of increase in errors committed during current year in comparison to last year	Nil-Risk Score:0 Upto> 30%-Risk Score:1 30 % to > 50% : Risk Score:2 50% to >75%:Risk score:3 75% to 100% Risk Score:4			
	g) All the rectifications are done	In all Cases - Risk Score : 0 In some cases - Risk Score : 3 Not at all - Risk Score : 4			
	h) The branch complying with the defined procedures for handling over taking over the charges	In all respect - Risk Score : 0 Partially - Risk Score : 2 Not at all - Risk Score : 4			
	i) The branch has an operational manual	Yes - Risk Score: 0 No - Risk Score: 4			
96	Efficacy of information flows:-				
	a) The Branch maintains calendar of reports and returns.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	b) The Branch submits reports and returns to Controller and HO regularly and in time	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c) Any control mechanism to ensure submission of reports and returns.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
97	Handling of cash:				
	a) Cash physically verified and found in order as on the date of inspection	Yes - Risk Score:0 No - Risk Score:4			
	b) Details of non-issuable notes updated	Yes - Risk Score:0 No - Risk Score:4			
	c) Details of soiled notes and mutilated notes are sorted in the branch	Always - Risk Score : 0 Sometimes - Risk Score : 3 Not at all - Risk Score : 4			
	d) Clean note policy observed	Yes - Risk Score:0 No - Risk Score:4			
	e) Exchange of soiled and mutilated notes.	Yes - Risk Score:0 No - Risk Score:4			
	f) Average cash balance as per instructions are maintained.	Yes - Risk Score:0 No - Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	g) Monthly verification of cash in last 12 months done	Yes - Risk Score:0 No - Risk Score:4			
	h) Any shortage/ excess of cash found during last year	Yes - Risk Score:4 No - Risk Score:0			
	i) Recording of scroll serial number in pay in slip/ deposits slip (prior to tendering of cash) is done?	Yes - Risk Score:0 No - Risk Score:4			
	j) The scroll is reconciled at the days end	Yes - Risk Score:0 No - Risk Score:4			
	k) Joint custody of cash is maintained	Yes - Risk Score:0 No - Risk Score:4			
	l) Maintenance of safe guide register/key register/inward and outward cash remittance register/Gun and cartridge register	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	m) Duplicate key changed during the last year	Yes - Risk Score:0 No - Risk Score:4			
	n) Verification of duplicate cash key during last year's inspection	Done - Risk Score:0 Not Done - Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	o) Security measures are taken for inward/outward remittance as per HO Guidelines	Always - Risk Score : 0 Sometimes - Risk Score : 3 Not at all - Risk Score : 4			
	p) Security of cash cabin and locking systems of cash doors	Always - Risk Score : 0 Sometimes - Risk Score : 3 Not at all - Risk Score : 4			
	q) Maintenance and construction of strong room as per HO directives	Yes - Risk Score:0 No - Risk Score:4			
	r) Fixation of SWG - MS Sheet in front of cash counter	Yes - Risk Score:0 No - Risk Score:4			
	s) Maintenance of registers and reporting of cash withdrawal/ deposits Rs 10 Lacs and above to controlling office	Yes - Risk Score:0 No - Risk Score:4			
	t) Submission of Cash Transaction Report (CTR) and Suspicious Transactions Report (STR) as per PML Act 2002	Yes - Risk Score:0 No - Risk Score:4			
	u) Function of Alarm bell.	Yes - Risk Score:0 No - Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
98	Currency chest operation (Only for chest branches)				
	a) Currency chest balance is verified periodically by Controlling Office	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b) Systems and procedures in respect of maintenance of currency chest are in order	Yes - Risk Score:0 No - Risk Score:4			
	c) Operation of currency chest is in dual control	Yes - Risk Score:0 No - Risk Score:4			
	d) Grill doors of strong room are locked from inside during operation	Yes - Risk Score:0 No - Risk Score:4			
	e) Chest slips are sent to RBI and controller in due time	Always - Risk Score : 0 Sometimes - Risk Score : 3 Not at all - Risk Score : 4			
	f) Currency chest register is maintained properly	Yes - Risk Score:0 No - Risk Score:4			
	g) Bin cards are updated & the Bins are under double lock	Yes - Risk Score:0 No - Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	h) Annual possession certificate are timely submitted to controller	Yes - Risk Score:0 No - Risk Score:4			
	i) Fitness certificate of currency chest displayed	Yes - Risk Score:0 No - Risk Score:4			
	j) Watch & ward arrangement is working round the clock and their duties are periodically rotated	Yes - Risk Score:0 No - Risk Score:4			
	k) The adjudication of mutilated notes are done as per RBI note refund rules.	Yes - Risk Score:0 No - Risk Score:4			
99	Bank Account				
	a. Whether excess bank balances are maintained beyond the limit prescribed by Controller	Not at all - Risk Score : 0 Sometimes - Risk Score : 3 Always - Risk Score : 4			
	b. Whether bank accounts are reconciled regularly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Safe keeping of blank cheque book is ensured?	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	d. TT discounting/ fund remittances to designated branches are carried out as per HO Guidelines.	Yes - Risk Score:0 No - Risk Score:4			
	e. Entries remaining unadjusted for more than one month/more than three months/ more than six months	1 to 3 month - Risk Score:0 3 to 6 month - Risk Score:3 >6 months - Risk Score - 4			
	f. Credit entries afforded by the bank but not responded by the branch for more than one month/ more than three months/more than six months	1 to 3 month - Risk Score:0 3 to 6 month - Risk Score:3 >6 months - Risk Score - 4			
	g. Debit entries afforded by the bank but not responded by the branch for more than one month/ more than three months/more than six months	1 to 3 month - Risk Score:0 3 to 6 month - Risk Score:3 >6 months - Risk Score - 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	h. Credit afforded by the branch but not responded by the bank for more than one month/ more than three months/more than six months	1 to 3 month - Risk Score:0 3 to 6 month - Risk Score:3 >6 months - Risk Score - 4			
	l) Debit afforded by the branch but not responded by the bank for more than one month/ more than three months/more than six months	1 to 3 month - Risk Score:0 3 to 6 month - Risk Score:3 >6 months - Risk Score - 4			
100	Frequency of operational disruption during last year				
	a. No of times of cessations of work	Not at all - Risk Score : 0 Sometimes - Risk Score : 3 Frequently - Risk Score : 4			
	b. No of times strikes call were given by the Trade Unions	Not at all - Risk Score : 0 Sometimes - Risk Score : 3 Frequently - Risk Score : 4			
	c. No of times local bandh in the area	Not at all - Risk Score : 0 Sometimes - Risk Score : 3 Frequently - Risk Score : 4			
	d. Computer failure	Not at all - Risk Score : 0 Sometimes - Risk Score : 3 Frequently - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
101	Comments on loose security at operational point				
101.1	I. Deposits accounts				
	a. Obtaining proper introduction	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Issuance of letter of thanks/ patronage by registered post	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Account is monitored until correctness of Depositor's address is established	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Observation of KYC norms	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e. Proper preservation of A/c opening forms	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	f. Access to A/c opening forms is restricted to authorized persons for verification of signature	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	g. Observance of formalities as per norms while closing and disposal of final balance	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	h. Extension of nomination facilities and proper recording.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	i. Noting and cancellation of power of attorney	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	j. Noting of stop payment order	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	k. Issue of statement of A/c passbook as per rules.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	l. Maintenance of standing instructions register	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	m. Realisation of IC in deserving cases	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
101.2	<u>NRE/NRO/FCNR (B) Accounts</u>				
	a. Allowing operation as per provision in exchange control Manuals/FEDA I rules	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



SI. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	b. Submission of statements and returns to controller	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Deduction of Tax in case of NRO A/c and deposit of the same with the tax authorities	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Power of attorney for operating the A/c by a resident third party as per manual.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e. Change of status of A/c on return of the A/c holder with intention to settle in India permanently	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	f. Quality of maintenance of ledgers, registers, application of interest.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
102	Status of checking & balancing of cash book, sub cash book, GL, GLB etc.				
	a. All transactions are allotted transaction numbers generated by the system and the same are recorded on the vouchers	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Posting of vouchers and checking the same with the machine generated reports	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Reconciliation of day's total of transfer journal register with system generated transfer transactions.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Checking of exceptional transaction report (Here, checking of reports of invalid log-in attempts may be included)	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	Balancing of books of accounts are done regularly (Use separate sheet showing the latest position of reconciliation)	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
103	Status of submission of General a/c				
	a. Preparation of daily statement and Submission of the same on day to day basis	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Reconciliation of closing balance with GL	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Tracers are responded promptly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Position of Pending tracers yet to be responded	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e. Recovery of money with interest was done and reported to controller in respect of double/wrong response of Advice(MT, OCC) etc. by the branch	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	f. Preparation of daily statement of Draft A/c together with schedule of draft issued and paid	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	g. Verification of the position of reconciliation of balance in Draft account	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	h. Inter branch statement & DD statement submitted timely.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	i) Follow up and position of Nostro A/c [not related to branch]	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
104	Status of follow up of following accounts:				
	IBC : -				
	a. Tallying of outstanding bills in hand with the control register	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Noting of due dates	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Sending notices promptly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Safe custody of pending bills	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	e. In case of FIBC, compliance as per FEMA done.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	f. Timely return of over due bills	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	g. Passing of contra vouchers	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
105	<u>OBC:</u>				
	a. Proper maintenance of records	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Checking and authentication of entries in the register	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Prompt despatch of collection items.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Balancing of outstanding bills	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e. In case of foreign bills necessary guidelines of FEMA have been followed	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
106	ICC				
	a. Cheques are promptly debited to customer's account or sent for collection without delay	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Collection proceeds on paid instruments are returned promptly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Charges are realised properly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
107	OCC				
	a. Instant credit is allowed as per norms	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Cheques are promptly sent for collection	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Control register is maintained	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Collection proceeds are promptly credited to customer's A/c	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e. Balances drawn regularly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	f. Long outstanding entries are followed up	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	g. Dishonoured cheques are returned to customers immediately	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	h. Necessary charges are recovered as per rules.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
108	CLEARING				
	a. Maintenance of records/register	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Return of un-paid cheques to customer / clearing house	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Frauds observed if any(any type of fraud carry high risk)	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Follow up of long outstanding items are done	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
109	Suspense A/c				
	a. Register is maintained with full particulars	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	b. Monthly statement of outstanding entries are sent to Controller	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Efforts are taken to reduce outstanding entries	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. All the entries are properly approved	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e. The percentage of outstanding amount in the A/c in comparison to total outstanding in Nominal account	< =10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
	f. Steps taken by the branch to remove the Suspense A/c	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
110	Suspense A/C with Other Branches and Head Office				
	a. Maintenance of Register with full particulars	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Checking and authentication of entries	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	c. All the transactions are authorised transactions	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Long outstanding entries are followed up	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Transfer of items remaining unadjusted for over three years to HO	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
111	Quality of compilation and submission of RBI weekly statements				
	a. Whether the statement is machine generated or manual	Machine-Risk Score:1 Manual-Risk Score: 4			
	b. Whether both the sides of the statement (Asset & Liabilities) tally.	Yes-Risk Score:0 No.-Risk Score:4			
	c. Whether it is submitted timely or not	Yes-Risk Score:0 No.-Risk Score:4			
112	Status of response to various correspondences and promptness in submission of MIS (Various reports/ returns)				



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	a. P/L Statement are sent promptly	Yes-Risk Score:0 No.-Risk Score:4			
	b. General Charges statement (in duplicate) are sent regularly	Yes-Risk Score:0 No.-Risk Score:4			
	c. Other important statement and return are sent regularly	Yes-Risk Score:0 No.-Risk Score:4			
113	II. Public Provident Fund/Special Deposit Scheme/Capital Gains A/c				
	a. Govt./RBI/HO guidelines issued from time to time are complied with	Yes-Risk Score:0 No.-Risk Score:4			
	b. Transfer of funds done in time.	<=1 month - Risk Score:0 <=3 month - Risk Score:2 < =6 months - Risk Score : 3 > 6 months - Risk Score :4			
	c. Claim for Turnover commission lodged in time and obtained in time	<=1 month - Risk Score:0 <=3 month - Risk Score:2 < =6 months - Risk Score : 3 > 6 months - Risk Score :4			
	d. Vouching is done properly	Yes-Risk Score:0 No.-Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
114	III. Payment at par instruments				
	a. Dividend/interest warrant paid at par	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. While sending for collection, the details of the instruments is given in the advice	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Proper follow up done for long outstanding items.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
115.1	Claims under dividend warrant/interest warrants/refund orders etc. are done	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
115.2	Maintenance of records/books of A/cs as per Bank's guidelines/Retrieval/destruction of old records.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
116	Compliance with Audit/Inspection Report				
	a. Adequate and timely compliance with the previous audit/inspection/document audit and comments of visiting officers	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			

Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	b. Reply to system audit and surprise inspection conducted since last inspection	Done-Risk Score: 0 Not Done-Risk Score:4			
	c. Reply to concurrent audit	Done-Risk Score: 0 Not Done-Risk Score:4			
	d. Instances recurrence of similar irregularities	Not at all-Risk Score:0 Sometimes-Risk Score:3 Always-Risk Score:4			
	e. The branch identified the reasons for non compliance and addressed the reasons to avoid recurrence	Yes-Risk Score: 0 No-Risk Score:4			
	f. The branch timely complying with the comments in the preventive vigilance report	Yes-Risk Score: 0 No-Risk Score:4			
	g. The rectification of comments made in the audit/inspection being taken within the reasonable time frame?	Yes-Risk Score: 0 No-Risk Score:4			
	h. % of compliance of audit/ inspection report	100% - Risk Score:0 >=50%<100% - Risk Score:3 < 50% - Risk Score: 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
117	Control on Deposit A/cs				
	a. Diarising maturity dates of term deposit	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. Sending of due notice promptly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	c. Transfer of deposits to matured deposits on due dates	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Duplicate deposit receipt issue register is maintained	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e. All formalities regarding issuance of duplicate deposit receipt complied	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
118	Level of control over dormant/In operative A/c s:				
	a. Letters are sent to the customers in due time	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	b. While transferring A/cs to In-operative due notices are served	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	c. Operation in In-operative A/c s are allowed with the notice of the competent authority	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. A/c opening forms/signature cards are segregated and kept separately	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
119	Indenting of security forms:				
	The Branch places indent on due dates	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
120	Management of security forms:				
	(i) Inventory for security items is maintained	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(ii) Security items are physically checked	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(iii) Access to security forms allowed only to authorized persons	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(iv) Forms are counted and stamped with branch name	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(v) Stamped agreements and blank forms are physically verified	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(vi) Inventory for stationery items is maintained.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(vii) Physical verification of stationery items are done	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(viii) Valuation of stationery items is done on the basis of prices noted in the register	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
121	Status of maintenance of records of Security items.				
	(i) Records of lost drafts are maintained and available to the officials of draft section.	Yes-Risk Score:0 No.-Risk Score:4			
	(ii) Loss of security items like Demand Drafts, Deposit Receipts, MT Advice, Pay Orders have been reported to HO	Yes-Risk Score:0 No.-Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
122	Maintenance of records of valuable items				
	(i) Gold ornaments under pledge				
	(a) Whether proper register is maintained	Yes-Risk Score:0 No.-Risk Score:4			
	(b) Whether all the packets are physically verified with the number of accounts Count and Check whether all the packets are sealed	Yes-Risk Score:0 No.-Risk Score:4			
	(d) Whether gold packets are under dual control and kept in separate custody in the strong room	Yes-Risk Score:0 No.-Risk Score:4			
	(e) Gold ornaments relating to closed loan A/cs - whether returned to the customers	Yes-Risk Score:0 No.-Risk Score:4			
122.1	Safe deposit locker/ proper custody of master key and keys of vacant lockers/ change of locks of surrendered locker	Yes-Risk Score:0 No.-Risk Score:4			



SI. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
122.2	(iii) Articles in safe deposit - Maintenance of records and safe keeping of the articles in the strong room under joint custody.	Yes-Risk Score:0 No.-Risk Score:4			
122.3	Safe Deposit Articles				
	a. The articles are held as per safe custody register	Yes-Risk Score:0 No.-Risk Score:4			
	b. The prescribed charges collected/ received	Yes-Risk Score:0 No.-Risk Score:4			
	c. The counter foil of safe custody receipts	Yes-Risk Score:0 No.-Risk Score:4			
	d. The delivery of articles against the safe custody receipts.	Yes-Risk Score:0 No.-Risk Score:4			
122.4	Safe Deposit Lockers				
	a. Stamped agreements obtained duly signed and filed serially	Yes-Risk Score:0 No.-Risk Score:4			
	b. Condition regarding operation is incorporated in the agreements along with other details covering recovery of rent.	Yes-Risk Score:0 No.-Risk Score:4			

Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	c. Locker operation register maintained and each operation recorded and authenticated by the supervisor.	Yes-Risk Score:0 No.-Risk Score:4			
	d. Collection of locker rent regularly done on due date	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e. The keys of vacant locker held in joint custody in a secured place.	Yes-Risk Score:0 No.-Risk Score:4			
	f. Locking system changed after lockers surrendered	Yes-Risk Score:0 No.-Risk Score:4			
	g. Password for locker is maintained	Yes-Risk Score:0 No.-Risk Score:4			
123	Status of maintenance of records of :				
	(i) Usance bills including foreign bills pending for realization/ collection.				
	(a) Proper register is maintained with details including due dates of bills	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(b) All bills are under safe custody	Yes-Risk Score:0 No.-Risk Score:4			
	(ii) Demand Bills				
	All pending demand bills are under safe custody	Yes-Risk Score:0 No.-Risk Score:4			
	(iii) Parcels: (Including foreign)				
	Maintenance of records and safe keeping under dual custody	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(iv) Maintenance of key registers for cash keys and other keys including lockers	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(v) Petty cash including postal stamps are accounted for.	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(vi) Maintenance of documents register and security register	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(vii) Surprise verification of cash	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	(viii) Any other (specify)	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	c) Month end reports generated filed and preserved properly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d) Reports of interest application, service changes etc. filed and preserved properly	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	e) All vouchers and other instruments including Term deposits receipts are signed by two officers/ authorized persons	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
124	Tests on receiving/ paying interest				
124.1	Provisioning is made strictly as per HO Circulars	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
124.2	If done, whether at the end of each month	Yes-Risk Score:0 No.-Risk Score:4			
124.3	Adjustment of the "Interest payable A/c" is done properly and adequately	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
124.4	Interest paid (usually overdue/ broken period) is correctly calculated and verified by the authorized officials on the same day	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
124.5	There is any separate entry as interest paid in the P/L or other A/c without routing through the "Interest payable A/c"	Yes-Risk Score:0 No.-Risk Score:4			
124.6	Balancing is done on "Interest Payable A/c"	Yes-Risk Score:0 No.-Risk Score:4			
124.7	Application of interest or borrowable accounts made correctly and is being checked	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
124.8	Prompt noting of revision of rate of interest	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
125	Fixed Assets				
	a. Detailed report of all fixed assets is maintained	Yes-Risk Score:0 No.-Risk Score:4			
	b. Depreciation is provided as per guidelines	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	c. Necessary reporting/ approval from the competent authority has been obtained for all additions/ purchases to fixed assets and invoice thereof retained	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	d. Any unused item/excess item of furniture maintained by the branch.	Yes-Risk Score:0 No.-Risk Score:4			
	e. Fixed assets sold / transferred to others branch are properly accounted for	Regularly - Risk Score : 0 Irregularly - Risk Score : 3 Not at all - Risk Score : 4			
	f. Impairment of assets has been properly accounted for	Yes-Risk Score:0 No.-Risk Score:4			
126	System Failure				
	a. Any system failure during the last year	Yes: Risk Score:4 No: Risk Score:0			
127	System security				
	Programming Error				
	a. There was any request for change in the system by the Manager.	Yes: Risk Score:4 No: Risk Score:0			



SI. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	b. Presence of anti-virus software	Yes: Risk Score:0 No: Risk Score:4			
	Tele communications failures/errors during the last year	Yes: Risk Score:4 No: Risk Score:0			
	Level of manual interventions required to process transactions	Yes: Risk Score:4 No: Risk Score:0			
	Level and extent of computerization of business	Total - Risk Score:0 Partial - Risk Score:3 Not at all - Risk Score:4			
128	Vendor support is adequate/ timely				
	(a) Vendors' service was/were called for during last year.	Not at all - Risk Score:0 Occasionally - Risk Score:3 Frequent - Risk Score: 4			
129	Validity of IT systems				
	a. Executions of each transaction involves minimum of two persons, i.e. , maker checker system	Yes: Risk Score:0 No: Risk Score:4			
	b. Proper procedures are in place for scanning of signatures and verification through the system	Yes: Risk Score:0 No: Risk Score:4			

Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
130	Control aspects for IT infrastructure.				
	a. Proper care is taken for safeguarding computer assets	Yes: Risk Score:0 No: Risk Score:4			
	b. Entry to server room is restricted and monitored	Yes: Risk Score:0 No: Risk Score:4			
131	Backup and disaster recovery plan				
	a. Periodical balance are taken and tallied with the Trial Balance Fig	Yes: Risk Score:0 No: Risk Score:4			
	b. All the reports are checked, authenticated, preserved	Yes: Risk Score:0 No: Risk Score:4			
	c. All control registers are maintained.	Yes: Risk Score:0 No: Risk Score:4			
	d. Monthly ledger printouts are taken and safely preserved for all future references after due authentication	Yes: Risk Score:0 No: Risk Score:4			
	e) Contingency plan in place for handling breakdown in IT systems	Yes: Risk Score:0 No: Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	f) Any existence of any fall back mechanism	Yes: Risk Score:0 No: Risk Score:4			
	g) Day-end reports are checked and authenticated	Yes: Risk Score:0 No: Risk Score:4			
	h) Exceptional transaction reports are perused, authenticated, and kept in personal custody of Manager (here instead of 'perused', it may be checked)	Yes: Risk Score:0 No: Risk Score:4			
	i) Transfer journal register is maintained and reconciled with the system generated Transfer Journal Report	Yes: Risk Score:0 No: Risk Score:4			
	j) Checking of vouchers with the machine printouts are in vogue	Yes: Risk Score:0 No: Risk Score:4			
	k) Interest paid to and realized from various a/cs under different head are correct.	Yes: Risk Score:0 No: Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	l) Backups are tested periodically for their re-usability and whether they are preserved offsite	Yes: Risk Score:0 No: Risk Score:4			
	m) List of users and their access levels are periodically reviewed	Yes: Risk Score:0 No: Risk Score:4			
	n) DBA enjoys power of authenticate of transactions	Yes: Risk Score:0 No: Risk Score:4			
	o) Modification to master data are reported at the day end and reviewed	Yes: Risk Score:0 No: Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	p) Modification in the master file (names, address, interest rates, nominee, issue of duplicate pass book, change of operational mandate, deceased, minor to major conversion, revocation of stop payment instruction, change of standing instruction, revocation of suspension of operation as IT/Court Attachment Order amendments to credit management etc.) are recorded in a register	Yes: Risk Score:0 No: Risk Score:4			
	q) Access to operating system and database is restricted to authorized user only.	Yes: Risk Score:0 No: Risk Score:4			

SI. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	r) IT related frauds (If yes Details of No of Cases and Amount involved and the present position to be reported to HO)	Yes: Risk Score:4 No: Risk Score:0			
	s) Corrective actions taken	Regularly - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
132	Customer Service				
	(a) Adherence of customer service norms followed	Regularly - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	(b) Dispatch of credit/debit advices	Regularly - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	© Promptness in reply to customers letter	Regularly - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	(d) Settlement of deceased A/c s	Regularly - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	(e) Extension of nomination facility	Regularly - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	(f) Display of “May I help you” counter Sit’s Function	Yes: Risk Score:0 No: Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(g) Functioning of customer service committee	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	(h) Observance of customer day	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	(i) Non cash transactions during extended hours	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	(j) Teller service	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	(k) ATM service	Yes: Risk Score:0 No: Risk Score:4			
	(l) Complaint register	Yes: Risk Score:0 No: Risk Score:4			
	(m) Suggestion box	Yes: Risk Score:0 No: Risk Score:4			
	(n) Feedback from the customers is received.	Yes: Risk Score:0 No: Risk Score:4			
	(o) Transfer of A/Cs	Yes: Risk Score:0 No: Risk Score:4			
	(p) Customer amenities as per Feedback from Customers	Excellent-Risk Score:0 Good-Risk Score:2 Average - Risk Score:3 Poor-Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	(q) Up keep of premises	Excellent-Risk Score:0 Good-Risk Score:2 Average - Risk Score:3 Poor-Risk Score:4			
	(r) Observance of time norms	Yes: Risk Score:0 No: Risk Score:4			
	(s) (i) Display of notice boards yes/no	Yes: Risk Score:0 No: Risk Score:4			
	(ii) Toll Free No. displayed.	Yes: Risk Score:0 No: Risk Score:4			
	(t) Customer orientation of staff	Yes: Risk Score:0 No: Risk Score:4			
	(u) Complaint against the Branch	Frequent - Risk Score:4 Sometimes-Risk Score:3 Not at all - Risk Score:0			
133	Response time for Credit/Approvals				
	a) Branch sanctions credit proposals within the prescribed time limits.	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
134	Response time for cheque collection				
	a) Branch follows time norms	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	b) Response time for cheque clearance (Other than High Value)	< 1 day - Risk Score:0 < 2 days - Risk Score:3 > 2 days - Risk Score : 4			
	c) Response time for issuance of Demand Draft	< 1 Hr - Risk Score:0 < 2 Hrs - Risk Score:3 > 2 Hrs - Risk Score : 4			
135	Disposal of Customer Complaints				
	a) Promptness in disposal of complaints letters from various customers	< 3 days - Risk Score:0 4-7 days - Risk Score:3 > 7 days - Risk Score : 4			
	b) Trends in number of customer complaints	Not at all - Risk Score:0 Occasionally - Risk Score:3 Frequent - Risk Score: 4			
	c) Branch recording the disposal of every complaint.	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
136	Personnel & Premises				
	a) The employees handling the different business processes have the necessary skill set	All - Risk Score:0 Some - Risk Score:3 None - Risk Score:4			
	b) Awareness of important aspects of business goals, housekeeping, customer service and audit reports amongst staff and officials is observed	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	c) The branch has a process of matching the skill sets with the job requirement	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	d) The branch has a formal process of identifying the training requirements in general and for specialized jobs?	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	e) The key officials joining the branch become aware of the strengths/ weakness/ opportunities/ threats/ of the branch before taking charge	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	f) The staffs are courteous to customers and the general working environment is cordial in the branch	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	g) Punctuality and presence/ availability in the desk is maintained	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	h) Any instance of misconduct/vigilance cases against employees	Not at all - Risk Score:0 Occasionally - Risk Score:3 Frequent - Risk Score: 4			
	l) The employees have been sent on the training essential to do the job better.	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	j) All the circulars, communications of the bank are circulated amongst staff	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	k) The branch complying with the defined procedures for handing over/ taking over of charge.	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	l) Job rotation is done to all staff members without exception at regular intervals	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	m) Team spirit and general discipline is observed	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	n) Adherence to leave discipline.	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			

Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	o) Records of salary/ Leave/medical reimbursement/ LTC/IT & Prof. Tax/Temp. Adv/Liveries/ Assets & Liab. Statement etc. are maintained properly	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	p) Arrival departure time is noted in the attendance register and late marking is being done	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	q) Lay out, maintenance and upkeep of front office and back office is adequate. Whether bank's sign board is properly displayed	Always - Risk Score:0 Sometimes - Risk Score:3 Not at all - Risk Score:4			
	r) Adequate protection against fire and other security hazards.	Yes: Risk Score:0 No: Risk Score:4			
	s) The branch has adequate furniture numbered, accounted for, well maintained and adequately insured	Yes: Risk Score:0 No: Risk Score:4			



SI. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	t) The branch is in a position to continue its business operation from the current premises i.e. formalities regarding renewal of lease and registration of lease deeds have been complied with wherever applicable	Yes: Risk Score:0 No: Risk Score:4			
	u) Fixed Assets Registers/Ledgers are maintained properly and depreciation entries passed as per guidelines.	Yes: Risk Score:0 No: Risk Score:4			
	v) Fixed Assets are numbered and properly maintained.	Yes: Risk Score:0 No: Risk Score:4			
	w) The lease agreement is renewed before expiry by the appropriate authorities. (wherever applicable)	Yes: Risk Score:0 No: Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	x) The lease agreement has been signed by the appropriate authority with necessary approvals. (in case of lease hold)	Yes: Risk Score:0 No: Risk Score:4			
	y) Is the lay out and general upkeep of the branch good	Yes: Risk Score:0 No: Risk Score:4			
137	LIQUIDITY RISK				
	a) The branch meeting its target for deposit growth	100% of target - Risk Score : 0 90% to <100% of target : Risk Score 1 70% to <90% of target : Risk Score 2 50% to <70% of target : Risk Score 3 <50% of target : Risk Score 4			
	b) The branch has increased the number of accounts	Growth <= 10% -Risk score: 4 Growth >10% <=30% - Risk score:3 Growth >30% <=50% -Risk score: 2 Growth > 50% -Risk score: 1			
137.1	No of accounts opened during the year in comparison to the last year (to be expressed at %)				
	Savings Bank A/C	<= 10% -Risk score: 4 >10% <=30% - Risk score:3 >30% <=50% -Risk score: 2 > 50% -Risk score: 1			



SI. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	Current Deposit A/C	<= 10% -Risk score: 4 >10% <=30% - Risk score:3 >30% <=50% -Risk score: 2 > 50% -Risk score: 1			
	Term Deposit	<= 10% -Risk score: 4 >10% <=30% - Risk score:3 >30% <=50% -Risk score: 2 > 50% -Risk score: 1			
137.2	No of accounts closed during the year				
	Savings Bank A/C	< =10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
	Current Deposit A/C	< =10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
	Term Deposit	< =10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
137.3	Targets for composition of deposits				
	The branch meets its target for cost of deposits.	>90% <= 100% of target - Risk score:1 >70% <= 90% of target - Risk score :2 >50% <= 70% of target - Risk score :3 <=50% of target - Risk score:4			

Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
137.4	The branch maintains adequate cash to meet its day to day requirements with a permissible limit.	Yes: Risk Score:0 No: Risk Score :4			
137.5	Stability of Retail Deposit Base (Variation from the last year's retail deposit base in %)	<50% - Risk score:1 =>50% <70% - Risk score 2 =>70% <90% -Risk score :3 =>90% - Risk score :4			
137.6	Seasonality pattern in deposit, if any(Variation from the last year's retail deposit base in %)	<= 10% -Risk score: 1 >10% <=30% - Risk score:2 >30% <=50% -Risk score: 3 > 50% -Risk score: 4			
137.7	The branch tend to market bulk deposit by paying higher interest	Yes: Risk Score:4 No: Risk Score:0			
137.8	The branch tend to market short term deposits	Yes: Risk Score:4 No: Risk Score:0			
137.9	l) The branch markets retail deposits by attracting new savings accounts	Yes: Risk Score:0 No: Risk Score:4			
137.10	m) The branch monitors the maturity profile of its liabilities.	Yes: Risk Score:0 No: Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
138	Earning Risk				
	a) Ratio of non-interest income to non-interest non staff expenses (expressed as %)	< 10% -Risk score: 4 =>10% <30% - Risk score:3 =>30% <50% -Risk score: 2 => 50% -Risk score: 1			
	b) Reduction of Cost per employee in comparison to previous year(expressed as %) Note: For increase risk score will be vice versa	Reduction by < 10% -Risk score: 4 Reduction by =>10% < 30% - Risk score:3 Reduction by =>30% <50% -Risk score: 2 Reduction by => 50% -Risk score: 1			
	c) Increase in Key income sources in comparison to previous year (expressed as %)	Increased by < 10% -Risk score: 4 Increased by =>10% <30% - Risk score:3 Increased by =>30% <50% -Risk score: 2 Increased by => 50% -Risk score: 1			
	d) Assessment of quality and stability of earnings	Good -Risk Score:1 Average - Risk Score:3 Poor-Risk Score:4			
	e) Trends of interest earnings	Achieved corporate target - Risk score: 0 Achieved < 10% -Risk score: 4 Achieved =>10% <30% - Risk score:3 Achieved =>30% <50% -Risk score: 2 > 50% -Risk score: 1			
139	Occurrence of Revenue Leakage detected (By Concurrent Auditor/ Revenue Auditor)				



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	I) Interest on advance				
	i) Cash Credit A/c.	Yes: Risk Score:4 No: Risk Score:0			
	ii) Overdraft	Yes: Risk Score:4 No: Risk Score:0			
	iii) Term Loan	Yes: Risk Score:4 No: Risk Score:0			
	iv) Demand Loan	Yes: Risk Score:4 No: Risk Score:0			
	v) Packing Credit	Yes: Risk Score:4 No: Risk Score:0			
	vi) Adv. Against bills	Yes: Risk Score:4 No: Risk Score:0			
	vii) FBP/BP/CP	Yes: Risk Score:4 No: Risk Score:0			
	viii) Any other heads (specify)	Yes: Risk Score:4 No: Risk Score:0			
	II) Penal Interest	Yes: Risk Score:4 No: Risk Score:0			
	III) Service Charges	Yes: Risk Score:4 No: Risk Score:0			
	IV) Processing Charges	Yes: Risk Score:4 No: Risk Score:0			
	V) Incidental Charges	Yes: Risk Score:4 No: Risk Score:0			



SI. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	VI) Commission on LC/LG	Yes: Risk Score:4 No: Risk Score:0			
	VII) Exchange on Remittance	Yes: Risk Score:4 No: Risk Score:0			
	VIII) Banker's Cheque, Pay Order	Yes: Risk Score:4 No: Risk Score:0			
	IX) Realisation of Service Tax	Yes: Risk Score:4 No: Risk Score:0			
	X) Others (specify)	Yes: Risk Score:4 No: Risk Score:0			
	XI) Interest/penal int./IC/Service Charge/Exchange/Comm. Are correctly charged and realised	Yes: Risk Score:0 No: Risk Score:4			
140	Expenditure				
	Interest on Savings Bank Deposit correctly charged	Yes : Risk score 0 No : Risk score 4			
	Interest on Term Deposit correctly charged	Yes : Risk score 0 No : Risk score 4			
	b) Interest on other deposit (specify) correctly charged.	Yes : Risk score 0 No : Risk score 4			
	c) Claims for reimbursement lodged in time	Yes: Risk Score:0 No: Risk Score:4			
	d) Claims for reimbursement settled in time	Yes: Risk Score:0 No: Risk Score:4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
141	Utilization of Lockers and revenue there from				
	i) Percentage of lockers utilized.	< 10% -Risk score: 4 =>10% <30% - Risk score:3 =>30% <50% -Risk score: 2 => 50%<100% -Risk score: 1 100% - Risk score 0			
	ii) Average no. of months for which such lockers are lying vacant	>12 months-Risk Score:4 =>6 months <12 months - Risk Score:3 =>4 months <6 months-Risk Score:2 =>2 months < 4 months-Risk Score:1 <2 months - Risk score 0			
	iii) Percentage of lockers in default in respect of locker rent	< 10% -Risk score: 1 =>10% <30% - Risk score:2 =>30% <50% -Risk score: 3 => 50% -Risk score: 4			
142	Revenue leakage detected by the inspector at the time of inspection and amount recovered, if any	Yes: Risk Score:0 No: Risk Score:4			
143	Asset Quality & Stability				
	Earning from Core business activity.				
	1. Interest yield on Advance as % of total income	< 10% -Risk score: 4 =>10% <30% - Risk score:3 =>30% <50% -Risk score: 2 => 50% -Risk score: 1			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	2. Other than Interest yield on Advance as % of total income	< 10% -Risk score: 4 =>10% <30% - Risk score:3 =>30% <50% -Risk score: 2 => 50% -Risk score: 1			
	3. Income from big corporate advances as % of total income.	< 10% -Risk score: 1 =>10% <30% - Risk score:2 =>30% <50% -Risk score: 3 > 50% -Risk score: 4			
	4. Extent of % of non interest non-staff expenses to non-interest income	< 10% -Risk score: 4 =>10% <30% - Risk score:3 =>30% <50% -Risk score: 2 => 50% -Risk score: 1			
	5. Increase in NPA	Above 10% - Risk score :4 => 5% <10% - Risk score: 3 =>3% <5% - Risk score 2 <3%- Risk score1			
144	ATM Services				
	i. ATM safe under dual control (The same may be verified from the key charge Register)	Yes - Risk Score : 0 No - Risk Score : 4			
	ii. The capacity of cash Dispenser in line with the cash in ATM Limit for the Branch	Yes - Risk Score : 0 No - Risk Score : 4			
	iii. ATM has not been out of cash since last inspection	Yes - Risk Score : 0 No - Risk Score : 4			

Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	iv. Cash in ATM safely with ATM detail printed on the roll	Yes - Risk Score : 0 No - Risk Score : 4			
	v. Cash withdrawal limits set in the ATM	Yes - Risk Score : 0 No - Risk Score : 4			
	vi. ATM is subject to surprise cash count at least once in a month	Yes - Risk Score : 0 No - Risk Score : 4			
	vii. Adequate stock of ATM printer paper and other consumables are kept at Branch	Yes - Risk Score : 0 No - Risk Score : 4			
	viii. Captured cards accounted for and recorded	Yes - Risk Score : 0 No - Risk Score : 4			
	ix. Captured cards remain in dual control	Yes - Risk Score : 0 No - Risk Score : 4			
	x. PIN stored separate from the plastic cards	Yes - Risk Score : 0 No - Risk Score : 4			
	xi. Any security/ burglary alarm arrangement in ATM	Yes - Risk Score : 0 No - Risk Score : 4			
	xii. ATM equipped with the fire extinguisher	Yes - Risk Score : 0 No - Risk Score : 4			
	xiii. Temperature of ATM room within acceptable limits	Yes - Risk Score : 0 No - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	xiv. Any back up Power arrangement for ATM	Yes - Risk Score : 0 No - Risk Score : 4			
	xv. ATM print current time/date when logged as supervisor	Yes - Risk Score : 0 No - Risk Score : 4			
	xvi. The particulars are immediately fed on their receipt by the Branch	Yes - Risk Score : 0 No - Risk Score : 4			
	xvii. Branch maintains any record for destroyed, wasted and spoiled cards	Yes - Risk Score : 0 No - Risk Score : 4			
	xviii. Data connections to ATM accounts are secured to prevent unauthorized access	Yes - Risk Score : 0 No - Risk Score : 4			
	xix. ATM display Out of Service notice as appropriate	Yes - Risk Score : 0 No - Risk Score : 4			
	xx. Physical access to ATM Chamber require card swipe	Yes - Risk Score : 0 No - Risk Score : 4			
	xxi. ATM Chamber door lock automatically on each entry/exit	Yes - Risk Score : 0 No - Risk Score : 4			



Sl. No.	RBIA ITEMS	RISK PARAMETER	PERFORMANCE ANALYSIS		SCORE
			POSITIVE FACTOR	NEGATIVE FACTOR	
	xxii. A security guard monitor activities inside the chamber	Yes - Risk Score : 0 No - Risk Score : 4			

RBIA ITEM	Risk parameter	YR BEFORE LAST YR	LAST YEAR	AS ON THE DATE OF AUDIT	RISK SCORE
Growth trend in loans and advances	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
a) TOAD	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
b) Growth trend over last year	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
Growth trend in Prisec Advances	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
a) Total Prisec Adv	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				



RBIA ITEM	Risk parameter	YR BEFORE LAST YR	LAST YEAR	AS ON THE DATE OF AUDIT	RISK SCORE
b) % growth trend over last year	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
Growth trend in retails sector	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
a) Total Retail Credit	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
b) Growth trend over last year	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
Credit Growth to High Risk Grade	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
Credit Growth in sensitive sector	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
(l) Loan against shares/ debentures	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				



RBIA ITEM	Risk parameter	YR BEFORE LAST YR	LAST YEAR	AS ON THE DATE OF AUDIT	RISK SCORE
(ii) Loan against real estate	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
(iii) Housing Loan	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
Exceeding Rs 20 Lacs	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				
a) Total advance in the sector	Achieved Growth < 10% -Risk score: 1 Achieved >10% <30% - Risk score:2 Achieved >30% >50% -Risk score: 3 Achieved > 50% -Risk score: 4				

