

Internal Checks & Control Policy



The Sundargarh District Central Co-operative Bank Ltd.,

AT – REGENT MARKET, PO/DIST. – SUNDARGARH

PIN – 770001, ODISHA





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The Sundargarh District Central Co-operative Bank Ltd.,
SUNDARGARH – 770 001
Regd. No. 90/ SG / Dt.1.6.1955

RESOLUTION BY CIRCULATION OF THE PROCEEDINGS OF THE COMMITTEE OF MANAGEMENT
MEETING OF THE SUNDARGARH DISTRICT CENTRAL COOPERATIVE BANK LTD.,
SUNDARGARH HELD ON DTD 08.07.2025.

Venue : Office Chamber
Date: 08.07.2025

Agenda No 3

To consider approval of the
draft policy of
1.Management Policy
2.Fraud Risk Management
Policy
3.Loan Policy
4.Branch Management &
Operation Policy
5.Deposit Policy
6.Internal Checks & Control
Policy
7.Capital Management
Policy
8.Customer Compensation
Policy
9.Customer Acceptance
Policy
10.Customer Service Policy
as per prescribed guidelines
of RBI/ NABARD / RCS
(O).

Resolution

Discussed and approved the following
draft policies as per prescribed guidelines
of RBI/ NABARD/ RCS (O) for execution.
1.Management Policy
2.Fraud Risk Management Policy
3.Loan Policy
4.Branch Management & Operation
Policy
5.Deposit Policy
6.Internal Checks & Control Policy
7.Capital Management Policy
8.Customer Compensation Policy
9.Customer Acceptance Policy
10.Customer Service Policy


Chief Executive Officer
Sundargarh DCC Bank Ltd.


PRESIDENT
Sundargarh DCC Bank Ltd.

Copy circulated to all members of the Committee of Management of the Bank for
information and necessary action.


Chief Executive Officer



INTERNAL CHECKS & CONTROL POLICY OF SUNDERGARH DISTRICT CENTRAL COOPERATIVE BANK

1. Introduction

A healthy growth of banking business, a system of internal checks & control should be put in place in the bank. The internal checks & control frame work consists of rules, procedure, regulation risk management etc. to obviate regulation of omission, and commission likely to arise in the course of daily business and also obviate reputational risk of the bank. Besides this frame work also prevents willful perpetration of fraud by employees & customers, in the present scenario there has been increase volume of business and banking transaction as also complex banking instructions and system along with the autonomy given under reform package, the internal checks and control system has become paramount importance for the bank.

2. Objective of Internal Checks & Control in bank

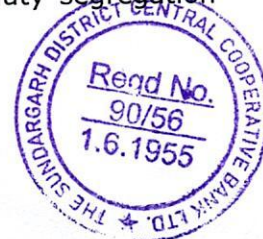
- i. Bank will ensure maintaining the accuracy, reliability & completeness of records, minimize error & irregularity.
- ii. Also ensure proper authorization, execution and recording of transaction to prevent mis approbation of cash & goods.
- iii. The bank will also further ensure protect the bank's assets from loss, theft or misuse.
- iv. To promote operational efficiency in the bank.
- v. To comply with laws, regulation & internal policy of the bank.
- vi. To implement frauds risk management, establishing whistle blow mechanism in the bank.

3. Frame work for Board of Director for effective implementation of internal checks & control of the bank.

- i. The bank will ensure that the BODs formulate various risk strategic in allies with business objective
- ii. Undertaken periodical review of various risk management system developed by the bank.
- iii. Determining risk tolerance appetite & is credit exposure in the bank.
- iv. For effective control of the banking operation BODs will assess the risk mitigation plan of the bank
- v. BODs of the bank will provide strategic guidance on the various initiatives undertaken by the bank
- vi. Ensuring compliance of regulatory & statutory requirement of the bank.

4. Role & Responsibility of CEO and other senior officers of the bank for proper implementation of internal checks & control.

- i. Operation Lise internal checks & control system approved by the Board of Directors of the bank
- ii. Ensure to assign, delegation of power, responsibility of duty segregation and accountability



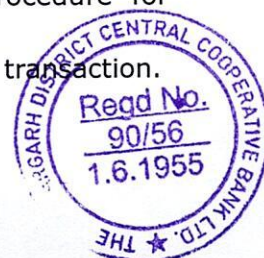
- iii. Ensure bank's activities are being conducted in conformity with policies, rules & regulations of the bank.
- iv. Pay attention to words assessing, managing & mitigating Credit Risk, Market Risk, Operational Risk of the bank.
- v. The CEO and department heads will also ensure proper scrutiny of the Credi proposal & documentation required for protecting the interest of the bank.
- vi. Implementation of all regulatory compliance in the bank to obviate from inflecting penalty.
- vii. Ensure Audit closure to be made and put up to the bank.

5. Ensuring all mandate disclosure & within time limit comply the internal checks & control.

- i. Balance sheet disclosure including off balance sheet items
- ii. Maintenance of CRR & SLR as stipulated by RBI
- iii. KYC and PMLA compliance
- iv. Recovery / TDS remittance / Service Tax & filing returns from time to time.
- v. Reporting STR, CTR to FIU – IND
- vi. CRAR disclosure
- vii. Penalty levy in the bank by the RBI
- viii. Complying IRAC norms
- ix. Adherence to the prudentially norms for classification, Valuation, operations of investment portfolio.

6. Implementation Process of Internal Checks & Control by the bank.

- i. Allocation of duties, & Responsibilities to each staff of the bank.
- ii. Ensuring no single person should have independent control over the all-important business activity of the bank.
- iii. Every three years interval duty among staff to be rotated by the bank.
- iv. Every staff member will be encouraged to go on leave at least once in a year.
- v. Staff attending work at sensitive desk will be given special leave for 10 days in a calendar a year
- vi. Delegation of power amongst the staff will be ensured by the bank.
- vii. Bank will ensure maker & checkers system followed scrupulously
- viii. Bank will ensure for clear work division in front office, mid office & back office in the investment department.
- ix. Balancing of books of accounts to be carried out at periodically internal by the bank & put up to the CEO and Audit committee of the bank.
- x. The bank will ensure a person having physical custody of assets not permitted to access to the books of account.
- xi. The bank will follow proper procedure for safeguarding securities, documents cheques & cash.
- xii. The bank will not allow any deviation in the established procedure adopted, without formal approval from the competent authority.
- xiii. The bank will ensure to follow standardized policies & procedure for operation & reduce the likely hood of mistake.
- xiv. The bank will implement proper documentation practice for all transaction.



- xv. Ensuring the accuracy & validity of data through checks & verification.
- xvi. The bank will implement measure like alarms, surveillance, & secure storage to protect physically assets.
- xvii. Under system access control, bank will implement measures like password, biometric, physical security to limit access to sensitive information.
- xviii. The bank will conduct background checks on new employees to establish their credential.
- xix. The bank will establish whistleblower hotlines for employees to report concerns or potential wrong doings.
- xx. Ther bank will implement scrupulously physical preventive control like badges, biometrics, keycards, fences, locks, mantraps, guard & guard dogs,
- xxi. The bank will also ensure to implement preventive technical control like passwords, encryption, secure protocols, least privilege principle, access control list, antimalware software, firewalls static code analysis & static code reviewed and intrusion detection control.
- xxii. The bank will also to implement preventive administrative control like policy & procedure, onboarding & hinging process, reference & back ground checks, off boarding and termination process, security awareness training & data classification & labelling.

7. Cash handling control to be followed by the H.O / Branches

- i. Cash retained limit will be fixed by the bank prudently every year.
- ii. Excess cash will be remitted by the branches for meaningful use by head office. Non adherence of the instructions concerned employee will be held responsible.
- iii. Adequate insurance coverage for cash in hand, cash in safe, cash in counter & cash in transit will be ensured by the bank
- iv. Cash will be in the dual custody at the branch/HO Officials, periodical rotation of the key will be ensured by the branch & head office.
- v. During the transit of cash from Branch to HO / other bank or HO to Branch / other bank due diligence by the bank & branch will be followed. Security measures to be kept in mind while remitting the cash (RBI guidelines to be followed)

8. Audit assurance of the bank (Internal Audit coverage) (as per Ghose commite report)

Concurrent Audit coverage will be ensured by the bank. The aspects & area to be covered by the concurrent Auditors are given below

Cash

- i. Daily cash transaction with particular reference to any abnormal receipt & payment.
- ii. Poor accounting of inward & outward remittance.
- iii. Expenses incurred by cash payment involving sizeable amount.



Investment Audit

- I. Ensure purchase & sale of securities well within the stipulated norms prescribed by RBI /NABARD
- II. Ensure that the sale of purchase transaction is done at rate beneficial to the bank.
- III. Ensure that the Head Office is complying with the NABARD/RBI broad guidelines regarding BRs, SGL forms, delivery of scrips, documentation & accounting

Deposits

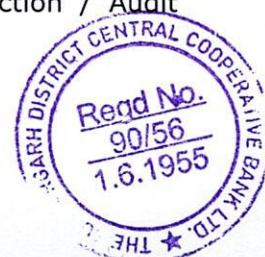
- i. Checking of transaction about deposits received & paid
- ii. Percentage check of interest paid on deposits including calculation of interest in large deposit.
- iii. Checking of new account opened (KYC complaint) opening in new current account /SB account to be verified in the initial period.

Credit portfolio Audit

- i. Ensure proper scrutiny of loans & advance proposal.
- ii. No violation of delegation of power at every level to be ensured.
- iii. Ensure securities, and document have been received and properly changed / registered.
- iv. Ensure to conduct post disbursement, supervision & follow up (receipt of stock statement, instalments & renewal of limits etc.)
- v. Ensure, Bank guarantee issue is well within the delegation of power of the branch and renewed in the due date
- vi. Ensure proper follow up overdue bail of exchange.
- vii. Ensure follow the IRAC norms prescribed by the RBI.
- viii. Ensure that snap inspection is made by the Head Office.
- ix. Bank will conduct stock Audit of Rs 5 crore periodically in case of standard account & NPA Rs 5 lakhs & above respectively.

House keeping

- i. Ensure balancing of account, ledgers and register, cash & general ledger.
- ii. Ensuring prompt reconciliations of entries outstanding in the inter-branch & inter bank account, suspense account & sundry deposit account.
- iii. Calculation of interest, discount, commission & exchange are made proper.
- iv. Ensure debit income account have been permitted by the competent authority.
- v. Checking of transaction of staff account to be insured.
- vi. Checking of clearing difference and process of adjustment of the difference.
- vii. Close examination of income & expenditure account & measure taken by the bank to prevent revenue leakage.
- viii. Proper checking to be undertaken in cheque return / bill return register, reason for return of such instruments.
- ix. Ensuring checking of inward & outward remittance (DD, NEFT, RTGS etc.) made by the bank.
- x. Ensure that branch gives proper compliance to internal inspection / Audit report.
- xi. Ensure that customer complaints are redressed promptly



- xii. Ensure verifications of statements, HO returns & statutory returns etc made periodically.

Conduct of Revenue Audit by the bank

A part from the internal audit & short inspection, bank will ensure to conduct revenue audit in the branches. The reason of leakage if income unearthed during such audit will be examined in-depth and action taken against officials for the lapses.

Audit for electronic Data Processing System

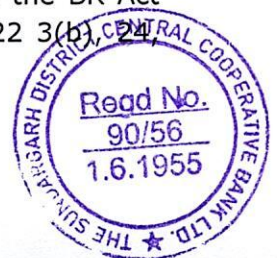
1. Bank will constitute EDP audit to carry out EDP audit in branch & head office for computerized operations.
2. Bank will identify & develop a team of personnel having good knowledge on computer & system.
3. In EDP Audit areas to be examined by the Audit Team Viz security violation in computerized including in adequate/ incomplete system design, programming errors, weak or in adequate logical access control, ineffective employee supervision & management control.
4. The loopholes to be plugged by the bank by strengthening physically logically & procedure access system, introduction of standard for quality assurance/ periodically testing & checking.
5. Contingency plan/procedure in case of failure of system to be introduced by the bank
6. Inspection manual of instruction for inspection / Auditors to be complied & revised / update periodically by the bank.
7. Engaging outside computer agencies, bank will incorporate the clause of visitors right in the contract, so as to have the right to inspect the process of application and also ensure the security of the data/ inputs given to such outside agencies.

8. Function of Audit committee

To enhance the effectiveness of internal audit & inspection, bank will constitute an Audit Committee to oversee & provide direction to the internal audit & inspection machinery the Audit committee of Board of directors consists of 5 Directors of the bank (excluding president & CEO), chartered Accountant member or coopted

The Audit committee of the bank will review following areas of operations of the bank.

- i. Review of the bank's annual financial statement
- ii. Review of different types of inspection/ audits (internal inspection, internal Audit. concurrent audit) conducted within the bank, their periodically & scheduling coverage & quality to ensure as effective internal audit function.
- iii. Review the follow up action in the internal inspection / Internal Audit reports.
- iv. Review the bank's compliance with statutory provisions of the BR Act with particular reference to section 11 (1), 18, 22 3(a), 22 3(b), 24, 26, 26A, 27, 29, 31, & 35 A.



- v. Ensure bank's adherence to KYC & PMLA guideline issued by RBI /NABARD and if any violations recurrence of the same.
- vi. Review information security system particular reference to disaster recovery system & Business contracting planning.
- vii. Review of progress in reconciliations of entries in inter-bank & inter-branch accounts & reconciliations of bank account.
- viii. Review of frauds & action taken to recovery the amount involved, to avoid recurrence of such frauds in future.
- ix. Compliance to statutory Audit report.
- x. Fixing accountability for unsatisfactory compliance of inspection / audit report, delay in compliance & non rectification of deficiencies.
- xi. Certification of physical possession of securities as reported to NABARD /RBI every quarter by internal / Department Auditors or Concurrent Auditors.
- xii. Perform any other activity constitute with the guidelines of RBI/ NABARD, Bank's Bye-laws and coop societies Act.

9. **Submission of control returns to NABARD/RBI by the bank**

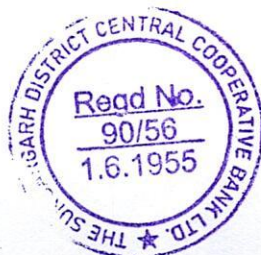
- i. Under section 18(1) & 24 (3) of BR Act for CRR and SLR from- I DTL of the bank on monthly basis.
- ii. Under section 20(2) of BR Act Rule (5) FORM-II unsecured/ secured advances granted to Board of Directors Companies in which any of the Director of the bank is interested as Director or MD or Guarantor
- iii. Under Section 22 of BR Act FORM-II B application for issue of license for commencing banking business for new banks as and when needed
- iv. Under Section 23 of BR Act FORM-VI statement of office to be submitted on quarterly basis
- v. Under section 26 and 26A form VIII and DEAF statement I to V unclaimed deposit account not operating during the last 10 years and deposit accounts not operated more than 10 years on monthly and annual basis to be sent to RBI and NABARD
- vi. Under Section 27(2) and (3) of BR Act form IX and OSC 1 to 10 to be submitted to RBI on monthly and Quarterly and Annually respectively
- vii. Under Section 31 of BR Act Form A and Form B I to be submitted annually in respect of Audited Balance Sheet and Profit and Loss Account of the Bank

In order to have a better control over the branch bank has devised following returns which are submitted on monthly rest to the HO. It is expected that respective department will review the progress and position of finance and put up to the CEO every month. Any shortcoming observed to be communicated to the branch for compliance and also review in the branch managers meeting. All the information shall be submitted to the OStCB by the bank on every month and deficiencies/ shortcoming observed by OStCB to be discussed in the CEO review meeting.



Internal Control Return to be submitted by the Branches

1. 1A- Kisan Credit Card
2. 1B- Enrollment of Members
3. 2 A- Branch and ATM network of CCB
4. 2B- New branch/ ATM opening status
5. 3A- Disbursement of Crop Loan
6. 3B(i)-Crop wise loan Disbursement
7. 3B(ii)- Segment wise crop loan finance
8. 4- LKCC Animal Husbandry Finance
9. 5A(i)- ATL/Farm sector Finance during the month
10. 5A(ii)- ATL/Farm sector Finance up to the month
11. 5B(i)- Nonfarm sector (Priority Sector Finance) during the month
12. 5B(ii)- Non-Farm Sector (Priority Sector Finance up to the month
13. 6A(i)- Finance under Non-Agriculture (Direct Finance under Non-Priority Sector) during the month
14. 6A(ii)- Finance under Non-Agriculture (Direct Finance Non-Priority Sector) up to the month
15. 6B(i)-Total Finance up to the month
16. 6B(ii)- Total Loan outstanding up to the month
17. 7 A- SHG/WSHG formation and credit linkages during the month
18. 7B- SHG/WSHG credit linkage up to the month
19. 8A-JLG formation and credit linkage during the month under JLG and BALARAM
20. 8B- JLG formation and credit linkage up to the month under JLG and BALARAM
21. 9- Pendency in Government Sponsored Schemes
22. 10A- Progress under On-Farm Water Management
23. 10B- Achievement under 12-point new initiatives
24. 11- Operation of Handloom Credit Limit
25. 12A- Deposit position of CCB
26. 12B- Deposit position of PACS/ LAMPS
27. 13- NPA report
28. 14A- DCB Bank versus Society
29. 14B- DCB under Direct Finance
30. 14C- DCB Society versus Members
31. 15A- ST Limit Conversion, finance to Distress Farmers
32. 15B- Consumption of Fertilizer
33. 16A- Disposal of Disputes (Direct finance by DCCB)
34. 16B- Disposal of Disputes (PACS versus Members)
35. 17 A- Disposal of EP cases (Direct advance by CCB)
36. 17B-Disposal of EP cases (PACS versus Members)
37. 17C- Disposal of EP cases by the sale officer
38. 18A- Activities attended by Secretary of CCB
39. 18B- Supervision of PACS/LAMPS
40. 19A- Account Settled under OTS (Direct Finance)
41. 19B- Accounts settled under OTS(through PACS/LAMPS)



CHIEF EXECUTIVE OFFICER
SUNDARGARH DIST. CENTRAL
CO-OP BANK LTD.
SUNDARGARH