

## **National Savings Bank - 2016**

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The audit of financial statements of the National Savings Bank (“the Bank”), and the consolidated financial statements of the Bank, and its Subsidiary ( “the Group”) for the year ended 31 December 2016, comprising the statement of financial position as at 31 December 2016 and the statement of comprehensive income, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory information, was carried out under my direction in pursuance of provisions in Article 154(1) of the Constitution of the Democratic Socialist Republic of Sri Lanka read in conjunction with Section 13(1) of the Finance Act, No. 38 of 1971 and section 37 of the National Savings Bank Act, No. 30 of 1971. The financial statements of the Subsidiary were audited by a firm of Chartered Accountants in public practice appointed by me.

This report is issued in terms of Article 154(6) of the Constitution of the Democratic Socialist Republic of Sri Lanka.

### **1.2 Board’s Responsibility for the Financial Statements**

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The Board of Directors (“Board”) is responsible for the preparation and fair presentation of these financial statements in accordance with Sri Lanka Accounting Standards and for such internal controls as the management determine is necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

### **1.3 Auditor’s Responsibility**

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My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with Sri Lanka Auditing Standards consistent with International Auditing Standards of Supreme Audit Institutions (ISSAI 1000-1810). Those Standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risk of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank’s preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. Subsections (3) and (4) of the Section 13 of the Finance Act, No. 38 of 1971 give discretionary powers to the Auditor General to determine the scope and extent of the audit.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

## **2 Financial statements**

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### **2.1 Opinion - Bank**

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In my opinion, the financial statements give a true and fair view of the financial position of the Bank as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **Opinion - Group**

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In my opinion the consolidated financial statements give a true and fair view of the financial position of the Bank and its Subsidiary as at 31 December 2016 and their financial performance and cash flows for the year then ended in accordance with Sri Lanka Accounting Standards.

### **2.2 Comments on Financial Statements**

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#### **2.2.1 Compliance with Sri Lanka Accounting Standards (LKAS / SLFRS)**

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The work-in progress relating to construction of building amounting to Rs. 77.28 million as at 31 December 2016 included an amount of Rs.35.23 million of capital expenditure incurred on construction of 18 storied building which constructions works had been stopped as at 31 December 2016 due to the management decision to construct this building in another land. Nevertheless, the cost incurred for above construction works had not been derecognized in terms of LKAS 16, as no future economic benefits are expected from its use. Further, the expenditure incurred thereon could be cited as a fruitless expenditure.

#### **2.2.2 Accounting Deficiencies**

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The Bank had acquired two lands with an extent of 28.14 perch in Mahiyanganaya bearing Deed No. 224 and 225 by incurring Rs.200,000 in the year 1999. However, the value of the lands had not been accounted under the freehold assets. Although two buildings located on those lands were revalued and taken into accounts as Rs.1.6 million, those lands had not been considered for revaluation.

### **2.3 Accounts Receivable and Payable**

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The following observations are made.

- a) SWAP cost aggregating Rs. 1,245.899 million paid by the Bank in the year 2016 had been shown as receivable from Kothalawala Defense University and the General Treasury. As there is no documentary evidence made available in respect of recoverability of this amount, management decided to recover this amount from the dividend payable to the Treasury for the first quarter of the year 2017.

- b) Fraudulent withdrawals aggregating Rs. 95.5 million were outstanding as at 31 December 2016 and it was increased by Rs.1.2 million or 1.27 per cent in the year under review as compared with the previous year. Out of this, an amount of Rs.95 million had remained outstanding for more than one year and a sum of Rs.8.8 million had remained outstanding for over five years.

## 2.4 Noncompliance with Laws, Rules, Regulations and Management Decisions

Instances of non-compliance observed with the following Laws, Rules, Regulations and Management Decisions are given below.

<b>Reference to Laws, Rules, Regulations and Management Decisions etc</b>	<b>Non-compliance</b>
<p>(a) National Savings Bank Act No.30 of 1971. (i) Section 47  (ii) Section 47(4)</p>	<p>Deposits which are inoperative over 10 years should have to be transferred to unclaimed deposit reserves account. However, such deposits aggregating Rs.1,282.6 million were remained as dormant in the financial statements as at 31 December 2016 without transferring to the said reserve account.</p> <p>Payments made to customers out of deposits transferred to unclaimed deposit reserve account shall be paid as soon as possible by the Secretary to the Treasury out of the Consolidated Fund to the Bank. Although the Bank had paid Rs. 1,115.43 million during the period from 2000-2016, the Secretary to the Treasury had not reimbursed such money even up to 31 August 2017.</p>
<p>(b) Government Procurement Guidelines - 2006  (i) Guideline 2.1.2  (ii) Guideline 5.3.10</p>	<p>All members of the Procurement Committees and Technical Evaluation Committees are required to sign a declaration in the prescribed format at its first meeting, and such declaration shall be preserved for a period of at least 5 years. However, no such declarations had been furnished with regard to following procurements.</p> <ul style="list-style-type: none"> <li>• Purchase of T shirts for Rs. 5.33 million</li> <li>• Purchase of IT equipment for Rs. 50.57 million</li> <li>• Purchase of ATM machine for Rs.4.65 million</li> <li>• Purchase of motor bicycles for Rs.8.00 million</li> <li>• Renovation of Kekirawa Branch for Rs.2.58 million</li> </ul> <p>Although bid validity period for contracts value in excess of Rs. 5 million or less than Rs.25 million should be 77 days, the Bank had granted 180 days in procurement of T Shirts at a cost of Rs. 5.33 million.</p>

- (iii) Guideline 5.4.8, 8.12.1 and 8.12.13 Although 11 old gold bars valued at Rs. 516,615 had been rejected by the Branches as they could not be used for pawning activities, the value of them had not been recovered from the performance bond provided by the supplier. No responsible officer had examined these gold bars and issued a certificate as to whether they were in accordance with the requirements of the Bank.
- (iv) Guideline 5.3.10 and Section 10 of the Letter of award of the contract
- Bid validity period for contract value in excess of Rs. 2 million and less than Rs. 5 million should be 63 days. However, it was granted 150 days by the the Kekirawa Branch for renovation contract valued at Rs. 2,583,162.
  - Performance bond shall be valid up to the end of the defects liability period of 6 months after the due date of completion. However, the validity period of the bond submitted for this contract was only for 4 months.
- (c) Section 33 of the Contract Agreement A delay charge of Rs. 1,000 per day should be recovered if a supplier had failed to supply the goods within the agreed period. Nevertheless, no such charge had been recovered from the supplier for purchase of computer equipment to the value of Rs. 50.567 million which supplied with the delay of 28 to 92 days.

### **3. Financial Review**

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#### **3.1 Financial Results**

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According to the financial statements presented, the operations of the Bank during the year under review had resulted in a pre- tax net profit of Rs. 13,303 million as compared with the corresponding pre- tax net profit of Rs. 13,034 million in the preceding year thus, indicating an improvement of Rs. 269 million in financial results for the year under review.

The operations of the Subsidiary of the Bank during the year under review had resulted in a pre-tax net profit of Rs.109 million as compared with the corresponding pre-tax net profit of Rs. 253 million in the preceding year thus indicating a deterioration of Rs. 144 million or 57 per cent in the financial results. Increase of interest expense on repurchase agreement by Rs. 183 million or 49 per cent was the main reason attributed for this deterioration in the financial results.

According to the value addition statement of the Bank, the value addition in 2016 was Rs. 23,197 million and it indicated 0.75 per cent increase as compared with the year 2015.

## 3.2 Analytical Financial Review

### (a) Significant Accounting Ratios

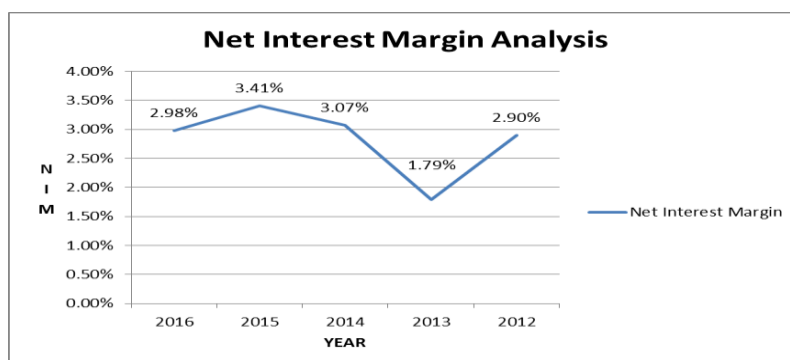
According to the information made available, certain important ratios of the Bank for the year under review and the preceding year together with sector ratios are given below.

	<b>Sector Ratio *</b>	<b>2016</b>	<b>2015</b>
<b><u>Profitability Ratios</u></b>			
(i) Return on Average Shareholder 's funds (ROE) (Percentage)	16.73	29.37	31.15
(ii) Return on Average Assets (ROA) (Percentage)	2.09	1.5	1.6
(iii) Net Interest Margin	3.6	2.98	3.32
(iv) Staff Cost to Operating Expenses	44.91	60.28	56.75
<b><u>Capital Adequacy</u></b>			
(i) Capital Adequacy- Tier I (Minimum 5%)	13.59	12.53	17.83
(ii) Capital Adequacy- Tier II (Minimum 10%)	15.72	14.68	16.34
<b><u>Liquidity Ratios</u></b>			
Liquidity Asset Ratio (Percentage)	34.22	72.6	81.08

\*10 years average annual statistics for Banking Sector published by the Central Bank of Sri Lanka.

The following observations are made in this regard.

- (i) The Return on Average Assets (ROA) and the Net Interest Margin of the Bank had decreased by 0.1 per cent and 0.34 per cent respectively in the year 2016 when compared with previous year, while they had been below the sectorial ratios for the year 2016. The trend of Net Interest Margin of the Bank for the period of 2012 to 2016 is depicted in the following graph.



- (ii) The interest income of the Bank in the year 2016 had increased by Rs. 8,261 million or 11 per cent as compared with the previous year. In the meantime, interest expenses had also increased by Rs. 9,777 million or 19 per cent, thus indicating 8 per cent negative increase in the interest income for the year under review. Hence, the net interest income of the year under review had decreased by Rs.1,516 million or 6 per cent.

- (iii) The Liquidity Ratio had decreased by 8.48 per cent in the year 2016 when compared with the year 2015 though it was at higher as compared with sectorial ratio.
- (iv) The Capital Adequacy Ratios (Tier 1 and Tier 2) of the Bank had deteriorated by 5.3 per cent and 1.66 per cent respectively as at the end of the year 2016 as compared with previous year. As a result, they were slightly behind as compared with standard ratio.

**(b) Profitability**

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- (i) The pre-tax net profit of 197 Branches, 11 Postal Branches, 03 Divisions and Head Office for the year under review was aggregating Rs.16,642 million while net loss of Rs. 617.79 million relating to 41 Branches, one Postal Branch and two Divisions had been included in the pre-tax net profit of the Bank of Rs. 13,303 million for the year under review.
- (ii) The overall income of the Bank for the year under review was Rs.87,399 million and it was Rs. 79,282 million in the preceding year thus, showing an increase of Rs.8,117 million or 10.2 per cent in overall income.

**4. Operating Review**

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**4.1 Performance of the Bank**

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Promoting savings among the people of Sri Lanka, particularly among those with limited means, and the profitable investment of savings so mobilized were the main objectives of the Bank.

According to the information made available for audit, the following observations are made in performing the above objectives.

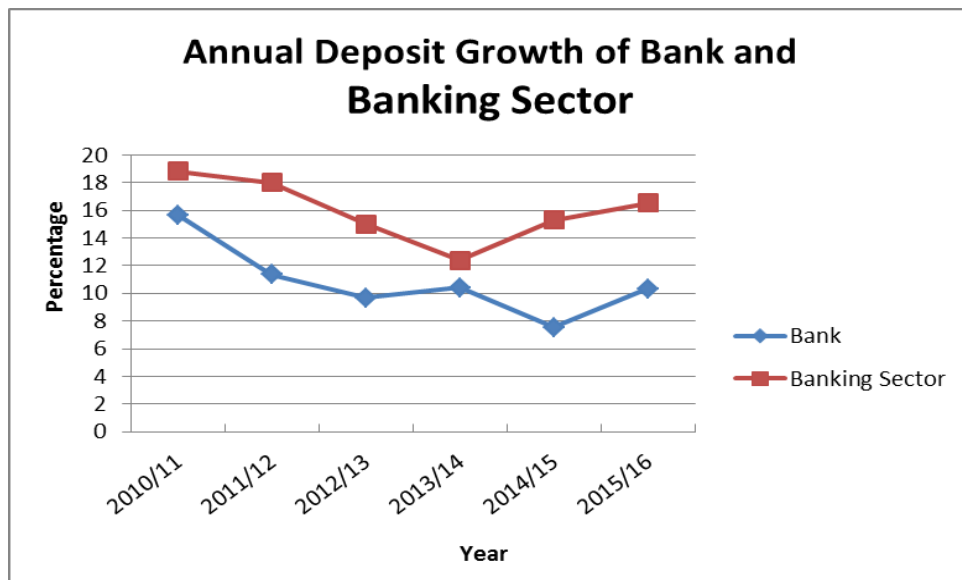
**(a) Deposit Base of the Bank**

The deposits (Savings) base and the market share thereon of the Bank as compared with the Banking Sector and Licensed Specialized Banking Sector are given below.

Year	Deposits			Market Share	
	National Savings Bank	Banking Sector	Licensed Specialized Banking Sector	As a percentage of Banking Sector	As a percentage of Licensed Specialized Banking Sector
	Rs. million	Rs. million	Rs. Million		
2016	657,280	6,295,559	846,146	10.4	77.7
2015	595,776	5,403,131	764,155	11.0	77.9
2014	554,060	4,686,306	709,671	11.8	78.1
2013	501,890	4,169,520	617,081	12.0	81.3
2012	457,650	3,625,374	564,077	12.6	81.1
2011	411,013	3,072,544	513,813	13.4	79.9
2010	355,364	2,586,032	432,606	13.7	82.1

The following observations are made in this regard.

- (i) Though total deposits base of the Banking Sector had improved by 143 per cent from year 2010 to 2016, the Bank had achieved only 85 per cent growth rate during the same period. As such, the market share of the Bank had decreased from 13.7 per cent to 10.4 per cent during the seven years period.
- (ii) The annual growth (year on year) of the deposits base of the Bank shows that the Bank had far behind as compared with the growth of the Banking Sector. It is depicted in the following graph.



- (iii) The Bank had failed to achieve its savings growth rates set out for the year under review and previous 04 years period. Details are given below.

<b>Year</b>	<b>Targeted Rate</b>	<b>Growth</b>	<b>Actual Rate</b>	<b>Growth</b>
	<b>Percentage</b>		<b>Percentage</b>	
2015/16	12		10.3	
2014/15	12.7		7.5	
2013/14	12.1		10.4	
2012/13	13.5		9.7	
2011/12	14.2		11.3	

**(b) Asset based Market Share of the Bank**

The assets base market share of the bank as compared with the banking sector and licensed specialized banking sector for the year under review and preceding seven years is given below.

<b>Year</b>	<b>As a percentage of Banking Sector</b>	<b>As a percentage of Licensed Banking Sector</b>	<b>Specialized</b>
2016	10.07	75.77	
2015	10.50	76.39	
2014	11.18	71.68	
2013	11.01	71.18	
2012	10.00	68.64	
2011	10.97	69.26	
2010	11.38	70.14	

Accordingly, the assets base market share of the Bank in the banking sector was above 11 per cent in 2013 and thereafter it is showing a declining trend. However, the Bank had been able to maintain the assets base market share over 75 per cent among the Licensed Specialized Banking Sector in the years 2015 and 2016.

**(c) Establishment of Savings Points**

According to the information made available, the performance of establishment of the savings points of the Bank during the year under review as compared with the preceding year is given below.

	<b><u>2016</u></b>	<b><u>2015</u></b>
Number of Branches	250	245
Account Holders (million)	19.285	18.808
Number of ATMs	279	271
School Banking Units	2,858	2,287



The Bank had established 5 new Branches and 571 School Banking Units during the year and the number of account holders had increased by 477,000 in the year 2016. Further, the amount of saving had improved by 10.3 per cent in the year 2016 as compared with previous year. However, the banking sector achieved 16.5 per cent growth during the same period.

## 4.2 Operating Weaknesses

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### (a) International Bond Issue- 2013 and 2014

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According to the decision taken by the Cabinet of Ministers on 19 December 2012, it was granted the approval to issue the International Bonds worth US Dollars 1,000 million and to lend these funds to state owned infrastructure development enterprises which are capable of repaying the loans and servicing of respective loans for financing the projects. Accordingly, the Bank had issued international bonds worth US Dollars 750 million in the year 2013 and US Dollars 250 million in 2014 at an interest rate of 8.875 per cent and 5.15 per cent respectively. The following observations are made in this regard.

- i. It had been decided to invest 50 per cent of the bond proceed out of US\$ 750 million in Sri Lanka Development Bonds and balance should be equally given to state own enterprises and government own or control projects as US Dollars denominated loans and Sri Lankan Rupee loans respectively as per the Offering Memorandum. However, US\$ 57.91 million out of the bond proceeds had not been utilized as at the end of the year 2016 for the intended purposes.
- ii. The total amount of the bond proceeds of US\$ 250 million had been invested in Treasury bonds and fixed deposits since the date of bond proceed received without complying the with the requirements of Offering Memorandum. The income on investments of the bond proceeds and expenditure incurred on behalf of this bond issue during three years period up to the year under review is given below.

Year	Value of Bond Rs.	Total Income Rs.	Percentage	Total Expenses Rs.	Percentage
2014	32,966,250,000	917,907,255	***9.32	534,033,203	***5.42
2015	36,015,000,000	2,962,110,449	8.22	1,764,281,301	4.90
2016	37,437,500,000	3,026,575,503	8.08	1,890,383,656	5.05

\*\*\* Interest income/ expenses related 109 days are annualized to arrive the percentage

Accordingly, income has decreased from 8.22 per cent to 8.08 per cent in the year 2016 as compared with the previous year and effective cost of the bond had increased by 0.15 per cent. Further, net gain also had decreased from 3.32 per cent to 3.03 per cent.

**(b) The overall Income and Expenditure of the International Bond Issue of US\$ 1,000 million**

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The Bank had spent sums aggregating Rs.34,341,748,631 as interest and other expenses in respect of the above bonds up to 31 December 2016 while earned an income of Rs. 43,504,850,168 by investing the bond proceeds during the same period. Details are as follows.

<b>Year</b>	<b>Total value of the bond at the year-end according to financial statements</b>	<b>Total interest and other expenses</b>	<b>Percentage</b>	<b>Total interest income</b>	<b>Percentage</b>
	<b>Rs.</b>	<b>Rs.</b>		<b>Rs.</b>	
2013	98,250,000,000	2,559,549,750	***9.06	3,153,860,053	***11.16
2014	131,865,000,000	9,248,552,817	7.01	13,155,256,934	9.98
2015	144,060,000,000	10,874,010,110	7.55	13,818,036,954	9.59
2016	149,750,000,000	<u>11,659,635,954</u>	7.79	<u>13,377,696,227</u>	8.93
<b>Total</b>		<b><u>34,341,748,631</u></b>		<b><u>43,504,850,168</u></b>	

The following observations are also made in this connection.

- (a) The average expenditure of the bonds stood at 7.79 per cent at the end of year 2016. Further, total expenses of the bonds as compared to the value of the bond had increased by 0.24 per cent in the year 2016 due to currency depreciation. Further, Bank had not entered into any forward exchange rate agreement in order to buy Dollars and to repay investors when bonds get matured in the year 2018 and 2019.
- (b) The average total income earned had decreased from 9.59 per cent to 8.93 per cent by 0.66 per cent in the year 2016 as compared with the preceding year. As the average total income was 8.93 per cent and the average total expenses was 7.79 per cent, the Bank had abled to yield a gain of 1.14 per cent as at the end of the year 2016.

**4.3 Delays in Construction Works**

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Even though the construction works of four Branches had been included in Action Plan (Three Branches in year 2011 and one Branch in year 2012), the construction works of those Branches had not been completed even up to 31 December 2016. As a result, the rental amounting to Rs.11.22 million had to be paid for building obtained on rental basis in order to run these Branches. If the construction works completed within the stipulated time period, it would have been able to save this rent payments.

## **4.4 Loan Administration**

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### **4.4.1 Non-performing Loans**

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The total loans outstanding and non-performing loans thereon of the Bank as at the end of the year were Rs. 280,718 million and Rs. 4,774 million and these were Rs. 236,033 million and Rs. 9,055 million in the preceding year.

The following observations are made in this regard.

- (a) The Bank had granted loan facilities amounting to Rs. 280,718 million during the year under review and out of that Rs.4,774 million or 1.70 Per cent was non-performing loan balances as at 31 December 2016. Further, out of total pawning loans, a sum of Rs 2,348 million or 12.37 per cent had reported as non performing as at 31 December 2016.
- (b) Financial Assistance to Weras Ganga Storm Water Drainage Project through Sri Lanka Land Reclamation and Development Corporation ( SLRRDC)

Approval of the Board of Directors had been granted for a loan facility of Rs.14,227 million for the above project at the Board meeting held on 26 June 2013. Further, the Board had granted approval to differ the interest payments due for the years 2014 and 2015 and capitalized on half yearly basis. Accordingly the loan amounting to Rs. 2,550 million had been provided in year 2014 and the total outstanding amount as at 31 December 2016 was Rs.2,798 million which comprising total disbursement of Rs.2,550 million and capitalized interest of Rs.248 million. The following observations are also made in this regard.

- i. The loan facility was reduced to Rs.11,050 million by the Board though Rs.14,227 million was initially approved. According to the loan agreement capital repayments were scheduled to be commenced from 24 October 2016 and installment was Rs.592.79 million. However, capital repayment grace period was extended to 23 April 2018 by the Bank.
- ii. Even though penal interest of 4 per cent to be charged as per loan agreement, SLLRDC requested by a letter dated 03 March 2017 to waive off such penal interest of Rs.4,252,462. However, the Bank had not responded this letter till July 2017.

### **4.4.2 Age analysis of Non-performing Loans**

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The following observations are made.

- (a) Total non-performing loans as at 31 December 2016 amounted to Rs. 4,774.43 million and out of that Rs.313.81 million or 6.57 per cent was remained outstanding for more than 3 years.

- (b) The non-performing loans for over 5 years was Rs. 115.38 million as at the end of the year under review and out of that Rs.88.15 million or 76.4 per cent had represented the housing loans.
- (c) Out of non-performing balances of "Rata Ithurul loans of Rs. 7.81 million, an amount of Rs. 4.13 million or 53 per cent had remained outstanding for more than 5 years.
- (d) Non – performing balances of housing loans, government and personal loans granted on guarantees were represented 21 per cent, 8 per cent and 17 per cent respectively as at the end of year 2016.
- (e) Outstanding pawning advances of Rs. 2,348.43 million represented 49 per cent out of total non performing balances. Further, more than 95 per cent of non performing pawning advances were outstanding between the period ranging one to three years.
- (f) It was observed that the non performing pawning advances (NPA) of 6 Branches was higher than 40 per cent of total pawning advances given as at 31 December 2016. Details are as follows.

<b>Branch</b>	<b>Total Pawning Advances Rs.</b>	<b>Total NPA Rs.</b>	<b>NPA as a percentage of total Advances</b>
Kakirawa	92,976,504	42,136,045	45
Mannar	68,086,128	27,882,329	41
Thalawakele	70,574,540	33,182,521	47
Wattala	137,425,646	66,014,173	48
Pundaluoya	15,976,402	7,891,114	49
Pothuvil	6,306,664	4,143,417	78

#### **4.5 Transactions of Contentious Nature**

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The Bank had incurred an amount of Rs. 83.6 million for the construction of buildings in eight lands without being obtained the legal ownership of the lands to the Bank.

#### **4.6 Apparent Fraudulent Nature Transactions**

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The total value of fraudulent nature transactions of the Bank as at the end of the year 2016 was Rs. 95,524,914 and out of that Rs. 47,299,260 relating to 26 instances were directly involved by the officers of the Bank. Further, a sum of Rs 18,914,481 or 20 per cent of this is related to given pawning loans by taking dud articles. It was further observed, that a sum of Rs 42,984,600 was related to fraudulent withdrawals made through Automatic Teller Machines.

## 4.7 Human Resources Management

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### (a) Staff Position of the Bank

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The following observations are made.

- (i) The approved cadre of the Bank for the year under review was 4,846 and the Bank had deployed 4,384 employees which included 3,286 of permanent staff and 1,098 of contract basis staff at the end of the year 2016. Accordingly, there were 132 excess cadre and 594 vacancies as at 31 December 2016.
- (ii) It was observed that 260 or 31 per cent vacancies are in executive grade and those posts remained vacant by the end of year 2016 without being filled. Ten Assistant General Managers, 23 Chief Managers, 33 Senior Managers and 183 Assistant Managers were included in the above vacant posts. This had badly affected in the smooth operations of the Bank.
- (iii) Out of the cadre position as at 31 December 2016, 2,221 posts or 51 per cent of actual cadre represented the post of staff assistants. Bank had decided to recruit staff assistants who are below 25 years of age based on an interview without conducting a competitive examination, a similar method followed by other public sector banks.
- (iv) Applicants are invited for an interview by the management based on their own list without giving any public notice for suitable candidates to apply.
- (v) Twenty one Staff Assistants had been recruited by increasing the age limit up to 30 years with effect from February 2016. Further it was observed that the marks that should be obtained to be qualified of 40 had decreased up to 36 and accordingly, 99 staff assistants had been recruited on July 2016 without any valid reason.

### (b) Progress of Disciplinary Actions Against Employees

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The following observations are made.

- i. Even though it was decided to recover the cash fraud of Rs. 8,883,042 from the employee who had involved in the fraud at Badulla Branch, only Rs. 2.5 million had been recovered as at the end of the year under review. Though he had been informed regarding the recovery of the balance, such amount has not been repaid even up to 30 June 2017.
- ii. The disciplinary inquiry carried out against the newly recruited transport manager in 2009 had been completed by January 2017. Accordingly it was decided to warn such officer. However, actions had not been taken to place him in his permanent post of transport manager even up to August 2017.

## 5. Accountability and Good Governance

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### 5.1 Action Plan

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The following observations are made.

- (a) Seventeen targets included in the Action Plan relating to five Divisions such as Branch Management, Marketing, Assets Management, Information Technology and Premises had not been implemented during the period under concern.
- (b) Five saving targets given to postal banking sector as per the Action Plan had been achieved less than 58 per cent.

### 5.2 Internal Audit

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While the approved cadre of the Internal Audit Division was 73, actual cadre was 52 officers for the year 2016. Accordingly, 30 vacant post and 09 excess posts were remained in the cadre of the Division as at 31 December 2016. Deputy General Manager (Internal Audit) and one Assistant General Manager positions were also included in the above vacant positions. 10 post of Manager (Audit) in grade III-I and 05 post of Assistant Manager (Audit) in grade III-II had been remained vacant as at 31 December 2016. Though the 01 post in Translator (English) included in the approved cadre, no one had been employed in the actual cadre of the division as at 31 December 2016 and it may lead to get delayed the translation works of the Division. Further, Assistant General Manager (Audit) had been placed in acting Deputy General Manager Post with effect from March 2017.

## 6. Systems and Controls

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Deficiencies observed in systems and controls during the course of audit had been brought to the notice of the Chairman of the Bank. Special attention is needed in respect of the following areas of control.

<b>System and Control</b>	<b>Observations</b>
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Promotion of Savings	Since the objective of the Bank is promotion of savings, annual improvement of savings was noticed as far below as compared with the improvement of the banking industry.
Maintenance of Market Share	The Bank should have a plan to maintain or uplift its market share position because it was noticed that it is declined continuously.
Utilization of Bond Proceeds	Bank had not utilized the entire money received from the issue of bond worth US\$ 250 million which obtained to facilitate the infrastructure projects as per the Offering Memorandum since 2014.