AUDITime

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Axis Bank establishes audit automation and risk monitoring using VUEFRAME

Axis Bank

AXIS Bank's Registered Office is at Ahmedabad, India and its Central Office is located at Mumbai, India. Presently, The Bank has a wide presence through its 841 Branches & Extension Counters and 3,629 ATMs across 521 centers and towns in India. The Bank has five international offices – branches at Singapore, Hong Kong and Dubai (at the DIFC) and representative offices in Shanghai and Dubai - with focus on corporate lending, trade finance, syndication, investment banking, risk management and liability businesses. The Net Worth of the Bank is USD $1991 Million as on 31.03.2009. Founded in 1994, the net profit of the bank as on 31.03.2009 stood at USD $370 Million, a growth of 69.5% over the net profit of the previous year.

The Bank has strengths in both retail and corporate banking and is committed to adopting the best industry practices internationally in order to achieve excellence.

Business Challenges

AXIS Bank by its volume of transactions has multifaceted business challenges. The changing business environment, due to rapid growth of the Bank coupled with stiff competition in performance of business in the banking industry on one hand, and occurrence of frauds and undesirable transactions on the other, are throwing significant challenges on the Bank. The challenges are both internal and external. The challenges are common to the banking industry in general and unique to our organization in particular in specific areas.

Illustrative examples of the challenges are as under:

- Risk Management, especially in the area of Operational Risk
- High rate of turnover of personnel
- Dilution in maker-checker principle due to high volume of transactions
- Increased dependence on technology for performing business
- Meeting customer requirements in the competitive market
- Increasing compliance governance by the regulatory authorities
- Periodic on-site internal audit Gaps of 12-18 months between two audits

Financial market break down at global level has affected financial institutions in India as well. More so than the financial impact it has changed the way the top management and regulators are looking and perceiving risk within the organisation. This has also lead to change in expectations and dire need for mechanisms which will increase the confidence level of the Audit committee on the Audit process. The need for increase in confidence level raised several other questions:-

- How can we carry out analysis for 100% of the records?
- How do we ensure that data which are on different platforms can be mapped together so as to give a comprehensive risk position to the organisation?
- How do we analyze transactions and masters close to its generation?
- Can we do away with files given by IT for analysis and directly fetch data from source as receiving data in modifiable format also dilutes the confidence level?
- How can we achieve repeatability and standardisation in the approach so as to ensure perpetual solution and not stop gap arrangement?

AUDITime's Solution

To address the above challenges and have perpetual solution we adopted strategic shift in the way the whole audit and risk monitoring mechanism is approached. As a phase initiative we started with process re-engineering within audit department and charted audit automation as our key initiative.

Audit team along with Technology department evaluated various options on Audit automation to see which one suits the environment. AUDITime's VUEFRAME scored over others on various ground including User Interface, specifically

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addressing Audit requirement, performance and AUDITime's expertise.

Phase I analysis was on 'client-server' architecture. The exceptions generated can be viewed/ downloaded centrally. However, it was not possible for the various operating functionaries/ branch controllers to view these exceptions. In order to facilitate viewing/ downloading of the generated exceptions by controlling office users, a web-based software (VUEFRAME) has been implemented by AUDITime. This solution enables users over the intranet to perform the following:

- View and download the exceptions by remote users
- Provides a dashboard of the exceptions with analytical tool capability
- Assists in identifying a trend of the exceptions for a branch/ all branches in a zone over a period of time
- Generates a graph of the exception for a branch / all branches in a zone
- Provides MIS and a database to the exceptions to Controllers and other departments concerned
- Exceptions generated are auto-mailed to branches

Major Benefits

Automation using VUEFRAME has benefited the Bank on several fronts:

With reference to control compliances

Analysis of approximately 835 branches on select areas is presently being done from central location – Mumbai. The exceptions generated from VUEFRAME are viewed by controlling officers and auditors and send to branches periodically to enumerate their explanations. The branches are sending their responses via their controllers. This audit process has been able to curb the number of undesirable transactions at the erring branches.

Trend analysis over a period of time has shown that the deviations are on the decline, reducing by about 30-50% of the total deviations observed during the initial phase implementation.

Because of the power of VUEFRAME and direct link with Finacle database at our Disaster Recovery Site, we are able to analyse the entire population of data, if situation demands, in virtually a 'real time' scenario, with little or no time lag between the happening of an event and its analysis. The 100% analyses of data adds to the confidence level and helps bolster the observation without fear of a bias creeping in due to a limited sample size.

Certain control aspects have been instituted because of the analysis of data through VUEFRAME like Deletion of Finacle user Ids immediately after separation of the user from the Bank etc.

With the aid of VUEFRAME, we have been able to carry out 100 per cent verification of select areas of regulatory compliance, rather than on a sample basis.

With reference to resources

By automating data analysis with VUEFRAME, we have been able to save 50-60% of the time required for this process.

The integrated solution has enabled us to reduce the resources required for data analysis by 20-30%. The resources thus freed are utilized for other value-added activities.

Data extraction is being scheduled during off-peak hours, resulting in balancing of load on the Server. This has resulted in an optimal use of Server efficiency and overall effectiveness.

With reference to on-site audit by internal auditors

By providing exception reports in advance to the internal auditors, the time required for on-site verification of these exceptions is presently reduced by 20% however we are hopeful that this will be reduced by 40-50% as the process matures over a period of time. This time is utilized by the auditors to focus on other key areas.

Planning of on-site audits by the Internal Auditors has also become much easier since data is being analysed off-site and priority areas are determined through this process. This has helped in reducing the time spent on-site (and related cost) for internal audits that are performed at remote locations.

The Department has been able to enhance its audit coverage without increasing in the number of Resource Persons (Internal Auditors).

With reference to Operational Risk

Data analysis through VUEFRAME has become very important in providing suitable inputs (Key

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CASE STUDY

SOFTWARE TESTING

RISK & AUDIT SERVICES

INFORMATION SECURITY

Risk Indicators) for managing operational risk of the Bank, as per Basel II parameters.

Identifying unusual/ suspicious transactions have become a lot easier as we can have a detailed historical data to find out the behavioural pattern of a branch.

Because of the use of VUEFRAME, the Bank is able to focus on Operational Risks inherent in the business and on providing effective solutions based on intense analysis of data.

With reference to Income Leakage

We are able to recover substantial amounts by identifying possible income leakages, which happens at the branches due to oversight or error.

By using VUEFRAME, we have identified significant shortfalls in charges recovered. Over 50% of the shortfall detected has been recovered and the balance is being followed up for recovery.

To sum up VUEFRAME has really empowered our team and has also helped us achieve our strategic goals and prove without doubt to the top management that the new process has increased the confidence in the audit activities

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