AUDITime

Dhanlaxmi Bank Ltd.
- Centralized audit analytics for a fast-growing business

Company Profile

Incorporated in November 1927 at Kerala, India, Dhanlaxmi Bank Ltd. began with just Rs 11,000 (US $246) in capital and seven employees. In 1977, it was designated a Scheduled Commercial Bank by the Reserve Bank of India. Today, Dhanlaxmi Bank has 4,000 employees, 270 branches and annual revenues of US $2.52 billion. The bank offers a full portfolio of consumer and corporate financial products, plus Non-Resident Indian, micro-lending, and agricultural banking services.

Objectives

In the last several years, Dhanlaxmi Bank has more than doubled its staff – from approximately 1,400 employees to over 4,000. This rapid growth has made it challenging for the 19-member Internal Audit team to verify transactions from more than 270 bank branches. The bank's swift expansion also increased the risk of both internal and external fraud and potentially weakened operational controls. Strict monitoring of these internal controls became critical to ensure Dhanlaxmi complies with Reserve Bank of India regulations.Both management and the audit department wanted a system that could mitigate these risks by analyzing all transactional data. The team identified several key goals, including:

- Automated analysis of critical bank transactions...

- Full, comprehensive data coverage with audit analytics...

- Centralized analysis and processing...

- Repeatable, scheduled data analysis...

- Automated functionality with minimal manual intervention...

- Additional ad-hoc analysis capabilities...

The solution also needed to connect seamlessly with core bank systems and easily manage large daily data volumes. An effective solution would ideally provide central data storage, permission-based digital access, and ensure full security and control over both the data and subsequent test results.The Dhanlaxmi audit team had been primarily performing offsite branch inspections to complete Anti-Money Laundering (AML) and Credit Monitoring and Review Department (CMRD) reports. The team was eager to implement a cost-effective data analysis solution that could be implemented quickly and easily. The technology also needed strong support services and a local partner who could customize the solution to fit the bank's specific goals.

Implementation and Planning

After a thorough vendor analysis, the Dhanlaxmi team chose ACL technology to support its offsite surveillance project. The solution automatically extracts data from core bank systems for thorough analysis – reducing the burden on branch-based inspectors and limiting random sampling techniques. Experienced ACL consultants worked closely with the team to meet the bank's corporate and technical requirements, while collaboration with internal IT specialists ensured a timely implementation. Dhanlaxmi also created a new audit division called the Offsite Surveillance Desk. This division consists of several bank officers that will oversee the ACL solution, which currently includes both daily audit analytics and monthly tests.

Results

Dhanlaxmi Bank has used ACL technology to:

- Streamline, centralize and automate key audit processes…

- Identify revenue leakage and costly exceptions…

- Enhance branch-based internal controls…

- Provide comprehensive transactional analysis…

One of the daily analytics includes a test to pinpoint temporary overdrafts (TOD). While all bank branches are required to verify daily TOD for transactions that exceed control limits, large data volumes often prevented staff from completing the verifications. With ACL technology, the Offsite Surveillance Desk now runs daily analytics to pinpoint TOD exceptions and immediately

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contacts branches that have handled risky transactions. This process has led to greater internal compliance and far fewer exceptions. Other analytics identify accounts that exceed transactional or financial limits, which would previously have gone unnoticed until the full branch inspection was conducted. The automated ACL solution has streamlined audit processes by identifying branch-based exceptions without manual intervention. Issues which otherwise would have taken days or months to identify are now analyzed in near real-time and reported in less than 24 hours.

Branch inspectors now spend less time in the field and maximize their on-the-job efficiency. The ACL solution currently analyzes 60% of offsite bank data and will soon reach 100% coverage. It's a significant achievement for a company that had lacked centralized data analysis functions. Branch user awareness and confidence has also increased as invisible control processes get stronger. Dhanlaxmi has enjoyed considerable ROI from implementing audit analytics and expect increased benefits with time and deeper coverage.

Next Steps

When the Dhanlaxmi audit division began seeing strong results from the ACL implementation, other bank divisions approached the Offsite Surveillance Desk to learn more about audit analytics. The solution will soon be extended to Credit Monitoring, Recovery, and other bank functions.

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