



RAA reports inefficiency in BDBL's core banking solution

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The Royal Audit Authority (RAA) recommends the Bhutan Development Bank Limited to incorporate field receipts management and institute robust IT controls in Finacle Core Banking Solution (CBS).

The report, 2018, IT audit on Finacle CBS at the bank found that without a defined and approved system migration methodology to serve as blueprint for system migration from Ascend Banking System (ABS) to Finacle CBS, the bank was negatively impacted and might do so even in the future.

System migration is the process of moving from the old IT system to a newer IT system in order to gain a competitive edge and enhance performance. However, without a proper migration plan including identification and data conversion, documentation of data mapping, and data quality was found to be inadequate.

“It was not clear which data fields were transformed, which ones were cleaned and which were not available in the old system and had to be generated during transformation,” the report stated.

The status of which accounts were merged in the new system was not clear due to lack of evidence on content analysis, profiling, and test to verify correct procedures involved in migration of accurate data.

Due to lack of testing on unreliable reports generated by Finacle CBS, no follow-up reports could be generated on non-performing loans for five months. This caused BDBL to suffer huge losses in 2017. The bank did not carry out migration audit reports-external or internal to evaluate the complete data uploaded to Finacle CBS.

The report stated that BDBL did not have a holistic overview of system migration, and adequate system control, resulting in loss of important data required for operation of the bank and wastage of time and effort required for data correction.

As BDBL was mandated to provide financial services for rural prosperity, and reduction of poverty, the RAA found that it was not achieved because the Finacle CBS was not used for Farmers' Outreach Banking (FOB), both rural banking and credit operations.

Traditional method of handwritten field money receipts by visiting rural communities on a regular basis was found to be used for services such as deposits, withdrawals and loan EMI repayment collections. This has led to rural clients not being aware of the latest status of their loan and savings accounts, the report stated.

BDBL instituted ABS in 2007 with banking and microfinance services. The system integrated all components of banking such as current account and savings account, deposit, credit, customer

information modules, and internet banking services among others. The ATM service delivery was found to be inefficient as the bank's ATM services switch was located in Nepal.

In 2017, the move from ABS to Finacle CBS was supposed to fulfill BDBL'S mandate through a centralised system linking all branches together for operational efficiency and effective financial service delivery by using information technology.

“With BDBL's vision to become a customer focused bank, Finale CBS was expected to provide customers to operate their accounts, and avail banking services from any branch of the bank, regardless of where the clients maintained their accounts.”

The IT audit of Finale CBS in BDBL was carried out from April 2017 to September 2018.

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