

Sample of document



Entity:| Vietcombank| | Period ended:| 31/12/2012| Significant class of transactions/significant disclosure process name:| Credit origination - Transaction processing| | Significant class of transactions/ significant disclosure process owner:| Credit Policy at HODebt management division Client Division | |

We obtain an understanding of the significant classes of transactions (SCOTs) and significant disclosure processes to identify and understand the risks of material misstatement at the assertion level (i. e. , what can go wrongs (WCGWs)) and, when applicable, to identify and understand the controls over the WCGWs. This template assists with completing S03 Understand significant classes of transactions and significant disclosure processes. Significant accounts affected and key business and financial statement risks related to these accounts: * Loan Acc * Interest Acc * Provision Acc * Expense Acc * Receivable Acc| Relevant assertions: * Valuation * Completeness * Right and Obligation * Presentation and Disclosure * Existence | Nature of the SCOT (routine, non-routine, estimation): * Routine| Starting point (initiation) and timing of initiation and recording of the SCOT or significant disclosure process: * Customer's application| Specific circumstances affecting the form and extent of the documentation: * None| Name of the IT application that supports the SCOT * | Inputs/outputs of the critical path of significant class of transactions/significant disclosure process| Inputs/outputs of the supporting IT application| Inputs: * | Inputs: * | Outputs: * | Outputs: * |

Critical path (initiating, recording, processing, reporting, correcting incorrect information) We obtain an understanding of the SCOTs and the significant

disclosure processes by obtaining an understanding of their critical path. The critical path includes:

- * Initiation: the point where the transaction first enters the entity's process and is prepared and submitted for recording
- * Recording: the point where the transaction is first recorded in the books and records of the entity
- * Processing: any changes, manipulation or transfers of the data in the books and records of the entity
- * Reporting: the point where the transaction is reported (i. e. posted) in the general ledger.

When we obtain an understanding of the critical path, we obtain an understanding of how incorrectly processed information is detected and corrected on a timely basis. We also obtain an understanding of how transactions are accumulated and posted from the sub ledger to the general ledger, including controls over associated journal entries. We obtain an understanding of the policies and procedures in place that management uses to determine that directives are carried out and applied, including:

- * Authorization
- * Segregation of incompatible duties
- * Safeguarding of assets
- * Information processing
- * Performance reviews

We use our understanding of the critical path and the policies and procedures to identify WCGWs and, when applicable, relevant controls. In the course of acquiring an understanding of the processing procedures, we frequently learn of many of the controls in use. Thus, while the emphasis at this point is not to identify the presence or absence of controls, we are alert to the possible absence of controls, and to the points at which errors could occur and controls are needed. We consider the effect IT has on the SCOTs and the significant disclosure processes. The manner in which we document

our understanding of the SCOT or significant disclosure process is left to professional judgment of the engagement executives.

However, for critical paths related to routine transactions, a graphical depiction of the flow (e. g. , flowchart), supported with narrative notes (e. g. , use of this template) normally provides for easier identification of the types of errors that can occur. No. | Describe the critical path for the significant class of transactions/significant disclosure process| Describe the automated aspects of the significant class of transactions/significant disclosure process, including: * Manual aspects that depend upon computer functionality or computer generated data * IT applications/infrastructure| 1 | Credit appraisal and granting proposal 1. 1. Loan application: For both HO and Branches, Credit Dept. s organised into 3 divisions:- Client and Project Investment (optional): responsible for receiving and appraising loan request, monitoring and finalizing/ liquidating the loan. - Debt Management: mainly responsible for storing credit contract and other supporting documents as well as updating required information into system; work with Client Division in monitoring the loan. And two Risk Management division : involved in credit approving process in terms of risk assessment. One is under HO and one is based on Ho Chi Minh CityFirstly, Client/ Project Investment officer receives client’s Loan Application and supporting documents – which are clearly stated in Article 14 – Decision 228/NHNT. HTQT: Lending Regulations1. 2.

Loan appraisal: * Secondly, Based on documents obtained and the present credit regulations, Client/ Project Investment officer appraises client’s application under the following aspects: * Suitability (in relation to approved Credit limit, related regulations and current risk management policies of the

bank) * Feasibility, efficiency and level of risk (if exist) related to client's business plan * Solvency * Collaterals: Client officer who receives and appraises loan request also responsible for monitoring and appraising collateral. Deliverable of the officer at this stage is Collateral Appraisal Report (Form BD 1. 1. v002), including signature of client officer-in-charge and Head of Client Division.

Regarding valuation, branches except for compulsory circumstances, are encouraged to cooperate with Independent Appraisal Firms (selected within the list of allowable firms, attached with Document 946/VCB. CSTD – Appendix 01). In case collateral is valued by VCB, Valuation Memo (Form 2. 2: Bien Ban Dinh Gia) must be prepared with signature of client and bank representative, under Decision 30/ VCB. CSTD. For collateral of over 20 billion VND, branch must send to HO the appraisal documents by Appraisal firm and Appraisal/ Periodic Revelation Report (Form BD 1. 2. v002), within 2 days since the reports are given their approving authority. | Manual | | * Next, Client/ Project Investment officer prepares and signs Report of Credit appraisal and granting proposal (Bao cao th? m d? h va D? xu? t c? p TD), following Form 1. 4A, 1. 4B and 1. 5. * The Report is then submitted to Head of Client/ Project Investment Division (TP KH) for revising and signing in case the deliverables of Client/ Project Investment officer are accepted. Otherwise, he/she needs to document reasons as well as additional opinions * Credit/ Project Investment officer then prepares submission documents. a) For clients granted Credit limit, Client officer submits to Branch's Director/ Vice Director or Client Director (GD KH) for HO clients. b) For clients granted Credit limit but required by Credit limit approving authority (C? p th? m quy?

n phe duy?) to seek for higher authority's approval when granting the loan, Client officer submits to both Branch's Director/ Vice Director and the authority which is stated in Announcement of Credit limit Approval (Thong bao phe duy? t GHTD). If the higher authority is Local Credit Committee (HDTD co s?), there is no need to submit to Branch's Director/ Vice Director.

c) For clients not yet granted or beyond Credit limit, Project Investment loan is issued. - Branch-based client: Client/ Project Investment officer submits to Local Credit Committee's Director to organise meeting based on its Regulation on Operations. - HO-based client: Client/ Project Investment officer submits to authorised Client Director. For the credit limits beyond authority of Client Director, submission is sent directly to HO's Credit Risk Management Division for subsequent steps. Submission documents include:

* Client's Loan Request (original) * Report on Credit/ Project investment appraisal and granting proposal (original) * Credit Scoring and Rating Table (original) * Legal documents for new customers * Financial statements * Other relevant documents (if available) | 2. | Loan approval

Based on Report of Credit appraisal and granting proposal, signed by Client officer and Head of Client Division together with supporting documents, the following parties in accordance with their specific authority will start the approving process: 2.

1. Branch's Director/ Vice Director * In case credit granted within Credit limit, Branch's Director/ Vice Director approves the credit grant based on Report of Credit appraisal and granting proposal signed by Client/ Project Investment officer and Branch's Director/ Vice Director, as well as accompanying submission documents. In case credit is granted within Credit limit but required by Credit limit approving authority to seek for higher authority's approval when granting the loan, Client officer submits to both Branch's

Director/ Vice Director and the required authority (If the higher authority is Local Credit Committee (HDTD co s?), there is no need to submit to Branch's Director/ Vice Director).

2. 2. Local Credit Committee * Following its Regulations on Organisation and Operations, Local Credit Committee's Director organises meeting based on submission documents prepared by Client/ Project investment officer. This Committee includes Branch's director, Vice director and head of Client, Investment project and Debt management division. Local Credit Committee approves credit grants which fall within its authority. Otherwise, based on acceptance opinion of Local Credit Committee, submission documents are then sent to Risk Management Division by client officer for subsequent steps. * For branches under the processing range of HCM-based Risk Management Division, Client officer submits set of Loan Proposal documents directly to HO's Risk Management Division and 1 copy of Loan Proposal Form (Form 3. 2) to HCM-based Division in case of beyond its authority. * Branch's set of documents include: * The original Request for Loan approval Form 3. 2 (T? trinh d? ngh? phe duy? t tin d? ng/DTDA) signed by Local Credit Committee's Director. A copy of Local Credit Committee's Meeting minutes * Submission documents to Local Credit Committee| Manual| | 2. 3. Risk Management Division * Based on set of Loan Proposal documents from the Branch, Risk officer evaluates credit risks and prepare Credit Risk Assessment Report (Bao cao ra soa t r? i ro c? p tin d? ng) using Form 2. 3A/2. 3B/2. 4 * The report is then signed by Risk officer before being submitted to at least 2 controllers of Risk Management Division, who later provides their approval plus signature. * Afterwards, Risk officer prepares and signs off every page of Announcement of Credit/ Project Investment Approval(Thong bao phe duy? t c? p tin d? ng/DTDA) Form 4. ,

<https://assignbuster.com/sample-of-document/>

before: * submitting to Head of Risk Management Division and Risk Management Director for signature; * sending an original to the proposing Branch; a copy to General Director as well as relevant Branches. 2. 5. HO-based clients/ projects within Client Director's approving authority Credit proposals under this case are only considered ' approved' when the Report of Credit appraisal and granting proposal is signed and given acceptance opinion by Client Director. Accordingly, Client/ Project investment officer prepares (Thong bao tac nghi? p) and transfers documents to HO Debt Management Division for storage, system entering and other subsequent steps. 2. 6.

Risk Management Director and Client Director Under this circumstance, Risk officer duplicates the steps within the approving authority of Risk Management Director as stated above. The proposal is only considered ' approved' when obtaining signature of both, except for either of them is absent. | | | 2. 7. Central Credit Committee * Central Credit Committee bases on Credit Risk Assessment Report (signed by at least 2 controllers of Risk Management Division) and Branch's document set (original) prepared by Risk officer to call a meeting. * According to Meeting minutes, Risk Management Division prepares and signs off every page of Announcement of Credit/ Project Investment Approval (Form 4. 2) before submitting Director Central Credit Committee for signature. Then submit to: * Client Division at HO an original for subsequent steps * relevant Branches 01 copy * HCM-based Division a copy in case of approving the proposal of branches under its authority. 2. 8. Board of Directors * Under this circumstance, after being approved by Central Credit Committee, Risk Management Division prepares

submission documents in accordance with Regulation of Loan grants under approving authority of BOD. * Risk Management Division then prepares Approval Announcement and sends documents in such a way as cases under Central Credit Committee's authority; in which, documents to Debt Management Division must include Loan Approval Form by BOD. | | 3. | Making loan contract and collateral contract Based on approving results, Client officer continues to seek signature for loan and collateral contract. 3. 1.

Loan contract/Collateral contract * Client/ Project Investment Division signs off (ky t? t) every page of loan contract/collateral contract and send to client for confirmation. After signing off by Client and Bank ' s representer, Loan contract was sent to Accounting division and Debt management Division. collateral contract was sent to Storage division * If any disagreement arises, Client/ Project Investment officer must report to Head of Division. If necessary to amend content or approval conditions, Client/ Project Investment Division issues Form 1. 6: Report on Appraising and Proposing Credit Adjustment, submit to authorised bank representatives for approval. After obtaining client's signature and original of collateral contracts, Client/ Project Investment Division register collateral transactions. * Client/ Project Investment officer prepares 02 (Thong bao tac nghi? p m? HDTD), sign off and submit to Head of Division for signature, before sending to Debt Management Division (relevant documents included) for storage and entering into system. * In case clients do not have CIF yet, Client Division prepares Thong bao tac nghiep mo so CIF (Form 5. 8) then sends to Transaction Accounting dept. to open new CIF. | Manual| 4. | Putting data

into system and managing credit file * After signing loan contract, Client officer prepare and sign on “ Thong bao tac nghiep m? h? p d? ng tin d? g” containing all information needed to put into system, conditions to disburse, a list of documents needed to store and special conditions needed to manage the loan. After that, debt management officer recheck and sign on “ Thong bao tac nghiep”. * Basing on “ Thong bao tac nghiep”, Debt Management officer is responsible for putting data into system. However, only when it is approved online by head/vice of debt management Division, will client data be disclosed on system. Debt Management officer stores all the documents listed on “ thong bao tac nghiep”| IT Dependent| 5. | Disbursement of loanThe disbursement of loan involves the following steps which depend on the appointed approving authority.

However, all of the appointed divisions are held responsible for checking the conformity of client’s withdrawal documents with credit contract. 5. 1. Client/ Project Investment DivisionIf withdrawal request is valid, Client officer prepares “ Thong bao tac nghiep du dieu kien rut von” (Form 5. 4), signs off and submits to Division Head for signature before transferring documents to Debt Management officer for disbursement. 5. 2. Debt Management DivisionThe division directly receives withdrawal request from client and perform checking procedures. Client is required to amend information if found unsuitable. Otherwise, Debt Management officer starts disbursing the loan. 5. 3.

Client/ Project Investment Division receiving request, Debt Management Division performing checking proceduresWithdrawal documents after being received and checked by Client officer, Debt Management officer takes over

for disbursement, based on Credit Approval Announcement and Credit contract. If documents are found invalid, they are sent back to Client Division for completion. 5. 4. Higher authority Client officer prepares “ Thong bao tac nghiep du dieu kien rut von” (signed by him/her and Head of division). Afterwards, based on credit approval results, Client officer submits the above document and other supporting ones to higher authority. If approved, the documents are transferred to Debt Management for disbursement.

The details of disbursement process are briefed as follows: * Debt Management officer opens loan account, fills in CIF, signs off Loan Receipt Note before updating into system for online approval of Division’s Head. * Next, the officer sends: * 01 Loan Receipt Note to client * 01 Loan Receipt Note and supporting documents to relevant departments for disbursement * The last Loan Receipt Note stored in the division. | IT Dependent| 6. | Post-disbursement Monitoring of Loan * At least every 6 months, Client/ Project Investment Division must recheck the loan usage status (usage purpose, collateral status, the balance between assets resulting from the loan and the outstanding balance).

This is implemented in accordance with the predetermined plan (monitoring schedule and methodology), which is proposed by Client officer when preparing Report of Credit appraisal and granting proposal or when “ Thong bao tac nghiep” at the latest. * For collateral monitoring, the following aspects must be assured: * Status compared to previous visit * Forecasted revaluations * Client’s conformity in preserving collateral * Proposal to modify collateral management methods (optional) * Proposal to add/ replace collateral (optional) * Debt Management Division is held responsible for

reminding Client/ Project Investment Division about loan monitoring schedule. The result must be documented on Loan Monitoring Records (Bien b? n Ki? m tra), which is signed by Borrower's representative and submitted to Head of Client/ Project Investment Division for revision and comment. * In case Client/ Project Investment Division detects any signals of risk, officer takes the initiative to propose the corresponding solution (included in Loan Monitoring Records) before submitting to Head of Division, Director of Client Division (for HO-based clients) or Branch's Director/ Deputy Director. * After finalizing the Record, officer sends 01 original to Debt Management, 01 copy to Risk Management Division for co-monitoring. | Manual | 7. Credit Adjustment * Depending on the real situation and client's demand after credit approval, credit adjustment can be made correspondingly. * Procedures of Credit Adjustment are conducted in the same manner as that of Credit Proposal and Approval (only those who are authorised to approve credit are able to approve credit adjustment). Client / investment project officer prepares Report of credit appraisal and credit adjustment- bao cao th? m d? nh va d? xu? t di? u ch? nh tin d? ng. At risk management division prepares Credit risk assessment for adjustment report - Bao cao ra soat r? i ro di? u ch? nh c? p tin d? ng. * Client/ Project Investment Division prepare Thong bao tac nghi? p di? ch? nh HDTD. | Manual| 8. | Loan and interest collection * At least 10 days before due date, Debt Management officer prints out the list of loans and transfer to Client/ Project Investment Division whose officer prepares a document to inform clients and in charge of pushing clients to pay principal and interest * System automatic calculate interest income for loan group 1 * At the due date of loan, Debt Management officer prints out the report of principle and interest up to due date and checking.

Then this report is submitted to Head of Debt management for approving. This report is then transferred to Accounting Division for collecting. If collected in cash, Client has to pay at first at Cash Division. ; after collecting enough and checking, Cash Division. will sign on “ Deposit slip” (Cash receipt) then transfers Cash Receipt Note to Accounting Division for booking entry. * Accountant makes the following entries: * With principal collection: Dr. : Cash/ BankCr. : Loan to Customer * With interest collection: Dr. : Cash/ BankCr. : Interest Income * Accounting voucher printed out and signed by controller and chief accountant. | Application $A*N*t$ Interest = -----
 $360*100$ A: Outstanding balance N: Days (From the last payment day to the next payment day). t: interest rate | 9. Overdue Debt Management * When the loan turns into overdue, debt management officer sends a Reminding Letter to the customer (at least once a month), approved by the Head/Vice of Debt Management Division. This letter is transferred to clients and a copy is also to deliver to the credit officer. * If the customers still don't make payment after more than 3 times received the Reminding Letter, credit officer proposes to the Head of Client/ Project Investment Division to work directly with the customer's representative to cover the debt. * Client/ Project Investment Division combines with Risk Management Division and Legal Division if necessary to protect all the interests of VCB. | 10. | Contract liquidation and Collateral Release Collateral * After the client pays all principle and interest, Debt Management officer prepares and signs on Loan Closing Announcement (Thong bao dong h? so vay). * Client officer informs client of Loan Contract Liquidation (Form 7. 2). * Debt Management officer hands over all relevant documents to Client/ Project Investment Division before the former Division transfers to clients and sends the original of

<https://assignbuster.com/sample-of-document/>

Handover Record (signed by both handover and takeover) to Debt Management for storage purpose. * Finally, Client/ Project Investment Division cancel Collateral Transaction Registry. | |