

**IRAF: QUESTIONNAIRE FOR SELF-ASSESSMENT**  
**QUESTIONNAIRE ON INTERNAL CONTROL GUIDELINES**

**ANNEXURE VII**

S #	Particulars	Compliant	Comments
		Scale 1-5	
1.	<p>Does the organizational structure of the Bank/DFI establishes/ensures:</p> <ul style="list-style-type: none"> <li>• Clear lines of authority and responsibility for monitoring adherence to prescribed policies?</li> <li>• Timely and accurate financial, operational, and statutory disclosure?</li> <li>• Adequate set of procedures to safeguard and manage assets?</li> <li>• Effective risk assessment framework?</li> <li>• System of compliance with applicable laws and regulations?</li> <li>• Proper segregation of duties, cross-checks and more-than-one-person authorization?</li> <li>• Appointment of qualified and trained staff for the smooth functioning of control processes?</li> <li>• Forced leave policies?</li> <li>• Proper safeguards for access/use of sensitive assets/records?</li> </ul>	1	
2.	Does the internal control system of the bank is all-inclusive in its coverage of functions, and recognizes and continually assesses all the risks facing the bank and the consolidated banking organization that could adversely affect the achievement of the bank's goals?		
3.	Does internal controls ensure efficiency and effectiveness of operations; reliability, completeness and timeliness of financial and management information; and compliance with policies, procedures, regulations and laws?		
4.	Are internal controls periodically revised to appropriately address any new or previously uncontrolled risks?		
5.	<p>Does the Bank/DFI</p> <ul style="list-style-type: none"> <li>• examines and reconciles records regularly to determine that transactions are properly processed, approved and booked?</li> <li>• secures physically all equipment, count periodically and compare with amounts shown on control records the inventories, cash and other assets?</li> </ul>		
6.	Do control policies and procedures exist in the form of operations manuals and desk instructions in the bank/DFI and is the verification done that they are being complied with?		
7.	Are there set standards of professional integrity and work ethics?		

<sup>1</sup> 1 = Fully Compliant, 2 = Significantly Compliant, 3 = Partially Compliant, 4 = Marginally Compliant, 5 = Non Compliant

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8.	Is it ensured that all levels of personnel in the organization know the importance of internal controls and understand their role in the internal controls process and are fully engaged in the process?		
9.	Does the bank assess the costs associated with control processes commensurate with the expected benefits?		
10.	Does the Board of directors determine whether there is an audit and control system in place to periodically test, monitor and promote compliance with internal control policies/procedures and report to the Board instances of noncompliance/exceptions?		
11.	Does the Board of Directors ensure independence of internal and external auditors?		
12.	Does the Board ensure initiation of appropriate remedial actions to alleviate recurring of errors/mistakes of noncompliance?		
13.	Is there continuous supervision by management to ensure if control environment is functioning as prescribed and is modified as appropriate?		
14.	Does the internal control system ensure timely reconciliation of accounts both on-and off-balance-sheet?		
15.	Does the Bank/DFI possess an accountability mechanism for all actions of the personnel in respect of their responsibilities and authorities?		
16.	Does the Bank/DFI possesses <ul style="list-style-type: none"> <li>• an adequate accounting system that properly identifies, assembles, analyzes, classifies, records, and reports the institution's transactions in accordance with prescribed formats and international best practices?</li> <li>• an information system that covers full range of its activities in such a manner that information remains understandable and useful for audit trail?</li> <li>• an adequate communication system that imparts significant information throughout the institution (from top down &amp; from bottom up and laterally) and provides requisite information to external parties such as regulators, shareholders, and customers?</li> </ul>		
17.	Does the Bank/DFI conduct frequent and thorough testing and verification of the accounting, information, and communication systems?		
18.	Do the accounting information and communication systems ensure that risk-taking activities are within policy guidelines and that the systems are adequately tested and reviewed?		

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19.	Are risks inherent in the use of information technology; for accounting, Information and communication purposes controlled by banks, in order to avoid disruptions to business?		
20.	Did the Board of Directors of the Bank/DFI devise & periodically review an adequate and effective internal control system and ensure that the senior management to maintain and monitor performance of the system?		
21.	Does the senior management of the Bank/DFI: <ul style="list-style-type: none"> <li>• Implement strategies and policies as approved by the Board</li> <li>• Develop processes that identify, measure, monitor and control risks incurred by the bank</li> </ul>		
22.	Do the Internal auditors evaluate and validate the effectiveness of control system through proper monitoring and present to Audit Committee, on quarterly basis, a report on internal control system and its significant findings?		
23.	Do the external auditors <ul style="list-style-type: none"> <li>• review control systems for their impact on financial reporting and compliance with relevant policies, procedures, regulations and laws?</li> <li>• identify significant weaknesses that exist in the Bank/DFI and report material weaknesses to management and the board/audit committee through an audit report/management letter?</li> </ul>		
24.	Does evaluation of internal control include the following: <ul style="list-style-type: none"> <li>• Identifying the internal control objectives relevant to the bank, department, business line, or product</li> <li>• Reviewing pertinent policies, procedures, and documentation</li> <li>• Discussing controls with appropriate levels of bank personnel</li> <li>• Observing the control environment</li> <li>• Testing transactions as appropriate</li> <li>• Sharing findings, concerns, and recommendations with the board of directors and senior management</li> <li>• Determining that the bank has taken timely corrective action on noted deficiencies</li> </ul>		
25.	Does the management provide its internal audit department, external auditors and SBP inspectors with adequate access to information in determining whether their organization has a satisfactory system of the internal controls?		

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26.	<p>Does the Bank/DFI annex a 'Statement on Internal Controls' in its annual report on the prescribed format, and does the 'Statement on Internal Controls' cover the following:</p> <ul style="list-style-type: none"> <li>• Statement of management's responsibilities for establishing and maintaining adequate internal controls and procedures followed by management's evaluation of the effectiveness of the bank's internal controls</li> <li>• Board of Directors' endorsement of the management's evaluation</li> <li>• Statutory Auditors' attestation to, and report on, Board's endorsement regarding efficacy of company's internal controls, which are relevant to the financial reporting only?</li> </ul>		

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**President/CEO**

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**Secretary to BOD**