

E-Book on
A Concise Practical Referencer for Statutory Bank Branch Audit



Southern India Regional Council
The Institute of Chartered Accountants of India

(Setup under an Act of Parliament)

ICAI Bhawan, No. 122 Mahatma Gandhi Road, Nungambakkam, Chennai - 600034

© Southern India Regional Council of the Institute of Chartered Accountants of India

All rights reserved. No part of this background material may be reproduced, stored in a retrieval system or transmitted, in any form, or by any means, electronic mechanical, photocopying, recording or otherwise, without prior permission, in writing from the publisher.

Edition : May, 2020

E-mail : sirc@icai.in

Website : www.sircoficai.org

Published by : Southern India Regional Council
The Institute of Chartered Accountants of India
'ICAI Bhawan', 122, Mahatma Gandhi Road,
Nungambakkam, Chennai – 600034.

DISCLAIMER

The views expressed in this E book are those of Members who have compiled the contents. The Southern India Regional Council of the Institute of Chartered Accountants of India may not necessarily subscribe to the views expressed by the Members. For authentic guidance on the Bank Branch Audit, Members are advised to refer Guidance Note on Audit of Banks, 2020 Edition which is available at https://www.icai.org/new_post.html?post_id=16356



Southern India Regional Council
The Institute of Chartered Accountants of India
Chennai

PREFACE

Banking sector is the backbone of any economy as it mobilises funds from the public at large and provides finances to various segments of economy and helps in sustainable socio-economic growth of the economy. The banking sector in India is one of the largest in the world as far as its extensive network of branches is concerned. As the financial intermediary, the role of the sector in the overall growth and development of the Indian economy is quite significant and laudable. Over the years, the sector has been through a long journey and has also achieved new heights with the changing times.

Like other economic activities, the banking sector is also exposed to various risks in its operations. For financial stability in the economy, it is essential that banking sector stays healthy, safe and sound. For safe and sound banking sector, one of the most important factors is reliable financial information supported by quality bank audits. The widespread use of technology has completely changed the working of banks resulting in lesser requirements for people to visit banks physically. Nevertheless, the fundamental aspects of banking i.e. trust and confidence of people on banking sector remains the same. This trust and confidence come on the back of strong quality of audit system and practices in place in India. By conducting audits of financial statements of banks, the auditors play an important role in building a resilient banking sector.

I am happy to place in hands of the Members, this e-book: **A Concise Practical Referencer for Statutory Bank Branch Audit**, which has various Checklists for Statutory Bank Branch Audit, Tax Audit, Interest Subvention, LFAR, Cash retention limit etc. The Background material also has the format for commonly used Finacle Commands, CBS Commands for Audit, how to produce template comments, letter of Engagement, KYC Verification, Reporting of fraud in LFA, Common certificate to be obtained, the modalities of Physical verification of Cash at Branch, at ATM, criteria for scrutiny of advances, NPA norms etc.

I wish to place on record my sincere thanks to CA. S. Ramesh, CA. Uttam Chand Jain, CA. Kuntal Shah, CA. Pradeep Kumar P, CA. Arunkumar K and CA. Vishal V for compiling this e-book. I also thank the Central Council Members and Regional Council Members for their whole hearted support for this endeavour. I also wish to thank the Officials and Staff of SIRC for their hard work in giving this background material its final shape.

I am sure that the members would find the background material useful while conducting the Audit of Bank Branches. Suggestions and views for further improvement of this e-books is solicited from our members through email to sircchairman@icai.in

Chennai
06-May-2020

CA. DUNGAR CHAND U JAIN
Chairman, SIRC of ICAI

A Concise Practical Referencer for Statutory Bank Branch Audit

Table of Contents

Sl. No.	Chapter Code	Particulars	Page No.
		Checklist for Statutory Bank Branch Audit	1-6
1	01	Glossary of Irregularities	7-11
2	02	Core Banking System	12-51
3	03	Internal Control	52
4	04	Bank Audit Important References	53-54
5	05	Addendum – Guidance Note on Audit of Banks 2020 Edition	55-59
6	06	Advisory for Statutory Bank Branch Auditors	60-62
7	C0	Letter of Engagement	63-66
8	C1	Documents to be obtained from Branch	67-68
9	C2	Bank Branch Profile	69-72
10	C3	KYC Verification for New Accounts	73
11	C4	LFAR Checklist	74-80
12	C5	Tax Audit Checklist	81-83
13	C6	Locker Facilities	84-85
14	C7	Reporting of Fraud in LFAR	86
15	C8	Checklist for Interest Subvention	87-90
16	C9	Certificates for compliance with Ghosh & Jilani Committee recommendation	91
17	C10	Common Certificate to be issued	92-93
18	C11	Independent Audit Report of Banking Company other than Nationalised Bank	94-100
19	C11	Independent Audit Report of Nationalised Bank	101-104
20	C12	Illustrative Format of Written Representation	105-109
21	WP1	Cash Retention Limit Checklist	110-111
22	WP2	Physical verification of Cash at Branch and Cash at ATM	112-113
23	WP3	Summary of all Advances & Criteria for Scrutiny of Advances	114-115
24	WP4	Advances – Education Loan	116-117
25	WP5	Advances-Housing Loan	118-119
26	WP6	Advances-Overdraft / Cash Credits	120-122
27	WP7	Advances-Agricultural Loan	123-124
28	WP8	Advances-Other Term Loans	125-127
29	WP9	Advances-Gold Loan	128
30	WP10	NPA Movement	129
31	WP11	NPA Norms	130
32	WP12	Fixed Assets	131

Name of Bank		Name of Audit Firm	
Name of Branch		RBI Code	
Branch Code		Year Ended	

Audit Checklist of Statutory Bank Branch Audit

S No	Category	Particulars	Ref	Extent of Check	Done by	Remarks
1	Appointment	Appointment letter and Instructions from Bank Branch				
2	Appointment	Communication to previous auditor				
3	Appointment	Communication received from previous auditor, if any				
4	Appointment	Acceptance letter to be sent to the Bank HO / Branch				
5	Appointment	Letter of Engagement to be handed over to Branch Head	C0			
6	Preliminary	Specimen list of documents to be collected and reviewed for conducting branch audit:	C1			
7	Preliminary	Update Branch Profile	C2			
8	Preliminary	Request for User ID / Login Credentials before commencement of audit & receipt thereof				
9	Preliminary	Whether Letter of Authority in favour of the Audit Team is prepared				
10	Preliminary	Compilation of Latest RBI Circular / Guidance Note on Bank Audit 2020 by ICAI				
11	Preliminary	Circular - Important Communication from HO / RO for Audit (Annual Closing circular)				
12	Preliminary	Prepare Audit Plan and inform the branch				
13	Preliminary	Check the CBS System used by the bank. Obtain the User Manual / Shortcut Keys.				
14	Physical Verification	Cash on Hand	WP1			
15	Physical Verification	Cash at ATMs	WP2			
16	Audit	Review Previous year audit report, LFAR and Tax Audit Report				

17	Audit	Review copies of Concurrent Audit / Revenue Audit / RBI Inspection Audit / Systems Audit / any other Audit conducted during the year. Any major observation on review of above report shall be documented separately & consider for your Audit Procedures. Also to consider the compliance report to the said Audit Reports				
18	Audit	Test Check the Internal Controls and decide on substantive test wherever required.				
19	Audit	Obtain Branch document file for verification (Eg. Rental Agreement, Insurance of Branch etc.,)				
20	Audit	Obtain the List of Advances - Analyze the Category of each type of Advance	WP3			
21	Audit	Based on the Analysis of Advances - Select Audit Samples	WP3			
22	Audit	Detailed Scrutiny of Large Advances & Review of LFAR 2 prepared by the Branch				
23	Audit	List of advances where Rehabilitation, OTS, Restructuring has been undertaken during the audit period & Review the compliance thereof				
24	Audit	Test Check the rate of interest on Advances & calculation thereof				
25	Audit	Review of accounts upgraded during the year from NPA to standard and verify the compliance relating thereto based on terms and conditions and IRAC Norms	WP11			
26	Audit	Review of accounts classified as NPA during the year and verify the Interest charged but not recovered to be reversed.	WP11			
27	Audit	Obtain & review NPA Movement and Provisions made during the year	WP10			
28	Audit	Review of Provisioning Norms and asset classification (IRAC Norms) (Standard/Sub-standard/Doubtful/Loss assets)				
29	Physical Verification	Jewel Loans (on Sample Basis)	WP9			
30	Audit	Whether List and Status of pending litigation from all empaneled advocates obtained and reviewed				
31	Audit	Whether Audit Team has gone for physical inspection to customer's place - on Sample Basis				

32	Audit	Whether Previous year MOC have been passed in the books				
33	Audit	Obtain & review the reports on SMA-0,1, 2				
34	Audit	Obtain & review the Bank guarantee and Letter of credit - to check for open ended LC as at year end, if any.				
35	Audit	Obtain & review Accounts under IBC				
36	Physical Verification	Stationary (Cheques, Stamps, Drafts etc.)				
37	Physical Verification	Lockers (on Sample Basis)	C6			
38	Audit	KYC Verification	C3			
39	Audit	Obtain the List of Deposits - Analyse				
40	Audit	Based on the Analysis of Deposit - Select Audit Samples				
41	Audit	Test Check the rate of interest on deposits & calculation thereof				
42	Audit	Ensure that interest provision on overdue F.D. has been made as per latest RBI guidelines				
43	Audit	Whether any Window Dressing has been found by verifying movement of deposits post the balance sheet date				
44	Audit	Review of Sundry Assets / Sundry Liabilities / Suspense Accounts				
45	Audit	Review of General Ledger (Balance Sheet)				
46	Audit	Comparative analysis of the balances with the last year's audited balances.				
47	Audit	Review the list of Contingent Liabilities				
48	Audit	Obtain the list of Suits / Cases filed against Bank by customers & the status of the same. Whether necessary reporting in contingent liability has been done by the branch				
49	Audit	Review of General Ledger (Profit / Loss Account)				
50	Audit	Test Check of interest/commission on various advances, bills, L.C., Guarantees, Processing Fees & Other Charges				
51	Audit	Analyse income with related assets (like Avg. Interest Income to Average Advances etc.) and verify major movements or variances.				

52	Audit	Analyse Movement of Deposit vis-à-vis movement in interest expense				
53	Audit	Verification of recovery on account of locker rent, staff accommodation, etc., with details of arrears, if any				
54	Audit	Fixed Assets register - Verification & Documentation	WP12			
55	Audit	Depreciation working as on 31 st March.				
56	Audit	Review and timely reporting of Fraud to HO/RBI/Concerned Authority	C7			
57	Employees Related	Internal Control / Guidelines issued for employee loans, advances, Festival advance etc and review the implementation				
58	Employees Related	Assets given to employee and verification of the register				
59	LFAR	Part I - Assets	C4			
60	LFAR	Part II - Liabilities	C4			
61	LFAR	Part III - Profit & Loss Account	C4			
62	LFAR	Part IV - General	C4			
63	Statutory	TDS - Whether done by Bank Branch or HO, if Branch,				
64	Statutory	Verify the rate from the Masters in CBS				
65	Statutory	Remittance				
66	Statutory	Return Filing Quarterly				
67	Statutory	Check whether Form 16A/16 - generated & issued				
68	Statutory	15G/15H Verification and Online filing				
69	Statutory	Any Intimation / order for outstanding demand has been provided / reported & status thereof				
70	Statutory	GST - Whether done by Bank Branch or Designated Branch, if Branch,				
71	Statutory	Return Filing (3B / GSTR 1)				
72	Statutory	Remittance				
73	Statutory	Input Tax & 2A Reconciliation				
74	Statutory	GST - if done by Designated Branch, Whether input / output is been transferred to the said branch				
75	Statutory	GST - RCM on Advocate Fees / Security Charges / Sponsorship Fees				
76	Statutory	GST - Sale / Transfer of Assets				
77	Statutory	PF / ESI - Bank Branch or HO, If Branch, Review the Compliance & Remittance				

78	Statutory	Profession Tax / Shop Establishment - Registration & Compliance thereof				
79	Tax Audit	Limited Scope Tax Audit - Review, Compliance & Reporting	C5			
80	Certificates	Interest Subvention Certificates	C8			
81	Certificates	Subsidy claim under Prime Minister Rojgar Yojna Or any other scheme of the Central/State Government.				
82	Certificates	Risk weighted assets as per the capital adequacy report. (BASEL II & III)				
83	Certificates	Certificate - details of claims lodged with DICGC / ECGC & rejections				
84	Certificates	Fixed Assets Certificate				
85	Certificates	Certificate relating to implementation of Ghosh Committee	C9			
86	Certificates	Certificate relating to implementation of Jilani Committee	C9			
87	Certificates	Others Certificates as per HO instruction				
88	Final Audit and Reporting	Auditor's Certificate for various certificates issued during the Statutory Branch Bank Audit - ICAI Requirement	C10			
89	Final Audit and Reporting	Branch Audit Report as per SA 700 prescribed by ICAI	C11			
90	Final Audit and Reporting	Preparation of memorandum of changes for changes to be made in classification of advances and in any item of asset/liability and profit and loss account with other remarks and/or information which requires further attention at Regional/Zonal Office level - with exact working				
91	Final Audit and Reporting	Tax Audit Report				
92	Final Audit and Reporting	Long form audit report along with necessary annexures				
93	Final Audit and Reporting	Whether UDIN has been generated for the Branch (1 UDIN per Branch as per FAQ of ICAI)				
94	Certificates to be collected from Branch	Physical verification of the fixed assets carried out on March 31, 2020 or during the year.				
95	Certificates to be collected from Branch	Physical verification of Investment is carried out on March 31, 2020 or during the Year, If investment are held or appearing in the Trial Balance.				

96	Certificates to be collected from Branch	Physical verification of the cash & other items as on March 31, 2020.				
97	Certificates to be collected from Branch	Attendance Certificate regarding duration of the audit of the branch				
98	Certificates to be collected from Branch	Written Representation Letter.	C12			

Chapter - 1

Glossary of Irregularities

Item	Illustrative List of Common Irregularities in Advances
1	Credit Appraisal
1.1	Loan application Form not on record at Branch, not fully filled, not signed & not stamped.
1.2	The appraisal form was not filled up correctly and thereby the appraisal and assessment was not done properly
1.3	The Bank did not receive certain necessary documents and Annexures required with the application form
1.4	Basic documents such as KYC Docs, Memorandum & Articles of Association, Partnership deed, etc., which are a pre-requisite to determine the status of the borrower, not obtained
1.5	Certain adverse features of the borrower not incorporated in the appraisal note forwarded to the management
1.6	Industry/ group exposure and past experience of the Bank is not dealt in the appraisal note sent to the management for sanction
1.7	The level for inventory/ book-debts/ creditors for finding out the working capital is not properly assessed
1.8	Techno-economic feasibility report, which is required to know the technical aspects of the borrower's business, is not obtained from Technical Cell (Ex. Viability of the project)
1.9	The opinion reports of the associate and/ or sister concerns of the borrower are not scrutinized, are not called for, are not updated & are not satisfactory
1.10	The procedure/ instructions of head office regarding preparation of proposals for grant, renewal & enhancement of limits etc. are not followed
1.11	CIBIL rating / Other credit rating not available on record
2	Sanctioning and disbursement
2.1	Credit facility sanctioned beyond the delegated authority or limit of the branch
2.2	Certain proposals were sanctioned pending approval of higher authorities wherever required
2.3	Ad-hoc limits were granted for which sanctions were pending since long
2.4	Facilities were disbursed before completion of documentation, without following sanction terms & without any sanction
2.5	Sanction letter was not available on records
2.6	Guarantor as required in the sanction letter was not obtained
2.7	Required promoters stake/capital contribution/margin money not invested before disbursement of loan
2.8	Sanctions were made without proper appraisal
2.9	Security charge not created before disbursement as required by sanction letter/renewed letter
2.10	Full disbursement of the facility not made
2.11	Sanction terms were not complied with or were not recorded
2.12	Disbursement Made without proper sanction
2.13	Term loan was disbursed by creating the cash credit or savings account of the borrower instead of direct payment to vendors/supplier/contractors (or escrow account) as per the terms of sanction

3	Documentation
3.1	Original security papers/ sale deed/ lease deed/title deed/ agreement of sale not available on record
3.2	Copy of Bills/ receipts, on the basis of which the amount was disbursed not found on record. For e.g. Vehicle Loans, Plant & Machinery
3.3	The security against which the advance was sanction was not available/ was not on record
3.4	Mortgage for the property given as security is not created
3.5	Mortgage for the property given as security created, was inadequate, as compared to terms of sanction
3.6	Documents of Second charge on assets is not on the record
3.7	Second charge as required, on assets is not created in favour of the bank
3.8	Documents pertaining to registration of charges with ROC or any other concerned authority requiring charging of assets is not obtained
3.9	Copies evidencing lodgment of the original conveyance/ sale deeds with the Sub-Registrars for registration not on record
3.10	Documents pertaining to consortium advances not yet executed/ not available with bank
3.11	Documents signed by persons not duly authorized to sign or who have signed in other capacity accepted by the bank
3.12	Signatures of the executants were not found on all the pages of the documents
3.13	Some of the documents on record were blank, without signatures of Branch Manager, witnesses, or guarantors, etc
3.14	Revival letters in respect of documents to be reviewed from the borrowers not received
3.15	Guarantors have expired, not on record, not renewed & not assigned
3.16	Net Worth / Credit Worthiness of the Guarantors not available
3.17	Stamping not as per the amended Stamps Act
3.18	Documents have become mutilated, soiled, time barred or not obtained
3.19	Opinion report by the field officer for the borrowers not found on record
3.20	"Nil Encumbrance Certificate/s" or "No Dues Certificate/s" or "No lien Letters" not obtained for the mortgage/s
3.21	Advances for vehicle loans, Registration certificate, transfer certificate, etc. not obtained
3.22	Work completion certificate, sale deeds, share certificates in societies, etc. not on record for housing loans
3.23	The agreements for hypothecation do not contain details regarding goods hypothecated
3.24	TDR are not discharged or renewed
3.25	No documents executed for enhancement of limit/document not on record
3.26	ECGC Post shipment policy not obtained
3.27	Confirm orders for export credit not found on record for facilities released
3.28	Insurance Policy not on records, not renewed, insufficient (for Borrower/Asset)
3.29	Lien not marked on Insurance Policy infavour of the Bank Branch
4	Review/ Monitoring/ Supervision
4.1	The account is frequently overdrawn or continuously overdrawn
4.2	The account is overdrawn and the branches have not taken sufficient steps to regularise the accounts promptly
4.3	The balance outstanding have exceeded the drawing power
4.4	The stock, book-debts statements not received regularly/ promptly

4.5	The stock, book-debts statements, etc., not scrutinised and no suitable action is taken
4.6	Non-moving stock is not deducted to arrive at the drawing power
4.7	The age-wise break-up of debtors is not found on record. The borrowers are allowed to draw money on entire outstanding debt, which must rather be for the recent debts as prescribed for particular industries and as per margin prescribed in the sanction letter
4.8	Balance confirmation and acknowledgment of debt not obtained
4.9	The Financial statements/ audited statements/FFR 1 & 2/ other operational data, etc., not received regularly/ promptly/ not scrutinised and no suitable action is taken
4.10	Wide discrepancies observed in the stock statements and stock figures in the annual audited financial statements
4.11	No penal interest has been charged for delay in submission of various statements as per the terms of agreement depending upon the type of loan/ credit availed by the borrower
4.12	Branch has not adhered to the prescribed frequency of physical verification of securities given against loans & advances
4.13	Drawing power limits are not revised as per market value of shares for advances against security of shares
4.14	End-use of funds not ensured/ not known/ funds utilised for purpose other than for which granted
4.15	The projections submitted by the borrower stay far beyond the actual performance. Further, no explanation for the same is taken from the borrower
4.16	Major sale proceeds of the borrower not routed through the Bank
4.17	Audited statements of non-corporate borrowers having limit beyond Rs.25 lacs not received
4.18	Renewal proposals of advances not received on time and in many cases the limits are not renewed
4.19	Application of wrong rate of interest, processing charges, commission, other charges, etc. resulting in income leakage/ excess booking of interest of the Bank
4.20	Insurance cover for stock/ property is inadequate/ not on record/ not renewed/ not endorsed in favour of the Bank
4.21	Inspection/ physical verification of security charged, not been carried out
4.22	Expired bills/ foreign currency sight bills which are outstanding, have not been crystallized
4.23	Confirmation as to genuineness of export transactions not obtained from Bank's foreign offices/ correspondents/ customs department
4.24	Import credit, bill of entry evidencing import of goods not found
4.25	Documents are not obtained for bills discounted under Letter of Credit
4.26	Advances, which are eligible for whole turnover packing credit guarantee cover of ECGC, are not brought under its cover
4.27	Though government guaranteed accounts are irregular since long, the issue of invocation of guarantee does not seem to have been considered
4.28	Prescribed margins not maintained as per sanctions
4.29	Allocated limits, full terms of sanctions, stock statements, inspection reports, margin, etc. not available at monitoring branches
4.30	For allocated limits, inordinate delays were noticed in responding to transfer by the allocator branch
4.31	Regular meetings not held with other consortium members to review the performance of borrowers and to assess the current state of affairs/not been held as per norms

4.32	Individual members of the consortium are not advised about the quarterly operating limits/ D. P. allocated to each one of them
4.33	Minutes of the consortium meetings not found on record/not been held as per norms
4.34	Inspection report from the consortium members not obtained
4.35	The capital of the borrower has eroded/ networth is negative/ decreasing. Close monitoring needs to be done
4.36	The drawing power is calculated wrongly and/or hence the borrower is allowed to enjoy excess credit than actually eligible
4.37	Signboard of the bank is not displayed in godown, where the pledged/ hypothecated stock is stored
4.38	Limit not fully utilised by the borrower/No commitment charge is levied for the limit not fully utilised by the borrower
4.39	Loan against TDR/ STDR, which is matured, is neither renewed nor credited to loan account
4.40	The Stock and Debtors Audit Report not found on record. No audit has been done for accounts of the borrower, wherever applicable
4.41	The valuation report in respect of tangible security from government approved valuer have not been obtained
4.42	Guarantees, Opinion Reports, Financial statements, IT assessment orders and etc. of the guarantor are not found on record
4.43	For Small Government Sponsored loan accounts, security cover could not be ascertained since neither any record was available at branch nor physical verification conducted by the branch
4.44	Pre-sanctions and/or post-sanctions inspection reports were not on record
4.45	The account was overdue for repayment and/or no credit was received from the borrower for a long time
4.46	The borrower is absconding or deceased and legal formalities are incomplete and there is wilful default from the borrower.
4.47	Subsidy claim process was incomplete or subsidy was yet to be received or needs follow-up
4.48	Security disposed off/ Entity closed by borrower and no action taken by the branch
4.49	Irregularity not advised to controllers
4.50	Secured and unsecured portion not segregated properly in advance return of the branch
4.51	Renewal of limits was done before the receipt of financial statements
4.52	Heavy cash withdrawal for which consent of corporate Guarantor is not taken
4.53	Proper valuation of stock not done/ needs critical scrutiny
4.54	The party was dealing with other bank also though it was not permitted as per the terms of sanction
4.55	Sticky accounts require close follow-up by the management
5	Bad and doubtful advances
5.1	The IRAC norms for classification of advances were not followed and the same is implemented through Memorandum of Changes by auditors during audit
5.2	Instalments were not received from the borrowers
5.3	Interest was not received from the borrowers
5.4	Legal action for recovery of advances was not taken although authorised by the Board/ Controlling Authority
5.5	Discontinuance of application of interest not followed although authorised by the Board/ Controlling Authority

5.6	Government guarantees have expired and fresh guarantees not obtained/not renewed
5.7	Terms of the BIFR/SARFEASI/IBC scheme not complied
5.8	Payment from government not received although guarantees were unconditional, irrevocable and payable on demand
5.9	Delays in the settlement/ repayment in respect of sanctioned proposals
5.10	The repayment accepted in case of compromise cases inadequate <i>vis-à-vis</i> value of security
5.11	Compromise proposals pending at various levels where local government/ outside agencies are involved as guarantors
5.12	Copy of Search Report not on record
5.13	Decree awarded but no further steps taken for recovery
5.14	DI&CGC claims submitted/ rejected/ pending data not available
5.15	Irregular/ sticky advance not reported to the controlling authority promptly
5.16	Compromise/ OTS proposal is recommended and is under negotiation since long but not finalised. Suit is filed in the court/ DRT and pending to be finalized
5.17	ECGC claim not submitted/ lodged for recovery

Chapter – 2

Core Banking System

(Core Banking System (Extract from Concurrent Audit Manual published by IASB of ICAI, Delhi))

Background

2.1 Over the years, the banking operations have been automated to a large extent and wide range of banking software's have been developed for accounting of transactions and core banking operations. Bank software's are becoming more sophisticated all the time. As new accounting methods develop and more people bank online, private banking software is being developed to streamline the processes.

Banking Industry and Banking Software

Current Scenario

2.2 The face of banking industry is changing continuously. What Banking is today is quite different from what it was in the years gone by. Some of the present trends in banking industry include following:

- Focus on Customer Relationship (Service Oriented Architecture[SOA]);
- Introduction of Value Added Services;
- Connectivity of branches;
- Multiplicity of Delivery Channels (ATM, Cash Deposit Machines, Cheque Deposit Machine, Point of Sale Units, Credit Card, Mobile Banking, Internet Banking);
- Focus on MIS and Risk Management;
- Focus on Reduction of Transaction Cost.

Future Scenario

2.3 One can visualize future scenario in the industry on current trends. Going by the current happenings one can expect the future of banking industry. Some of the important factors are as follows:

- Increase in the expectations of customers;
- Increase in healthy competition due to issue of new banking licenses;
- A greater variety of products and delivery channels in the market;
- Centralised customer management (Service centric approach);
- Information technology to act as an integrator and enabler between demands on the industry and services rendered.

Challenges

2.4 The biggest challenge before the banking industry today is posed by its customers' expectations. The customer today is more informed and aware than before. Customers demand more and more services and delivery channels. Customer's expectations are increasing with respect to anywhere, anytime banking and also for diverse products and facilities.

There are challenges posed by market forces due to stiff competition wherein the differentiator or selection of bank by the customers is based on quality of services. However, the service up-gradation comes with a cost for the bank. Hence, a trade-off between cost of transaction and quality service to customer is the key. Moreover, due to diversified products and services, upto date information for customer and banker is very important.

On the other front the regulatory requirements are rapidly increasing. Apart from handling transactions, customer and competition it is very important to pay equal attention to adherence to regulatory guidelines.

A composite system / software which handles transactions, customer relations, regulatory compliances, MIS/ reports request is the need of the hour. Core Banking Systems (CBS) provide the solution for the same. There are various Core Banking Software's available in the market. More prominent and used in India are Finacle, FLEXCUBE, TCS BaNCS.

Audit of Banks and Banking Softwares

2.5 Ever since the human being started documenting transactions, audit methodology and techniques have evolved over the period of time keeping pace with the style of business. With the growth in business volume and technological advances there has been paradigm shift in various aspects of business. Conducting audit of financial transactions cannot be an exception to the same. Traditional audit techniques and methodology were outcome of the volume and complexities of the business of its time. A classic example of the same is audit techniques applied for conducting audit of a bank operating under Core Banking System (CBS).

As we have witnessed, during the last decade there has been large scale growth in banking services, covering more and more geographical area and large number of population. This has necessitated applying modern technology, particularly in the field of data capturing, recording and processing. CBS is outcome of the same.

For obvious reasons audit methodology cannot remain static, it has also to change. Therefore, with the spread of CBS in large number of cases, changing audit methodology also became inevitable. If the auditor's dependence on technology hinges heavily, there is no reason why auditor should not apply the same technology.

Core Banking Solution (CBS)

What is CBS?

2.6 The core banking system is the set of basic software components that manage the services provided by a bank to its customers through its branches (branch network). The bank's customers can make their transactions from any branch, ATM, service outlets, internet, phone at their disposal.

The CBS is based on Service Oriented Architecture (SOA). It helps banks to reduce risk that can result from manual data entry and out of date information. It also helps banks to improve

service delivery quality and time to its customer. The software is accessed from different branches of bank via communication lines like, telephones, satellite, internet, etc.

Core Banking System (CBS) works on a concept of Centralized Database and Processing. Transactions take place at various geographical locations which get recorded and processed at a Centralized Server. Updation of database is on Real Time Basis. Due to the centralization of transaction processing, issue of out of date information is eliminated. All the users connected to CBS will be able to get upto date information. CBS also enhances quality of reporting and strengthens access control.

Centralized Banking Solution/ Core Banking Solution

2.7 Under CBS data is stored in centralized servers at data centre. This effectively means that all operations at the connected branches, back offices are carried out through servers at data centre including transactions through other delivery channels like, ATMs, internet banking, phone banking, etc.

Under CBS, the branches, back offices are defined as SOL (i.e., Service Outlets) where each SOL functions as a service window. The CBS is capable of processing any transaction from any branch location connected to CBS. It can be equated with single window operations at airline counters or railway reservation counters wherein all the services can be obtained at one place. Hence, under CBS customer is now a customer of the bank and not merely a customer of a branch of the bank. This has facilitated anywhere, anytime banking convenience for the customer.

From bank's perspective, control over the application and processes has been entrusted at data center level. In addition to it, CBS also makes available effective MIS on real-time basis. It enables generation of all periodical returns centrally. As mentioned above, there are various CBS developed by various software companies available in the market and most commonly used are FINACLE, TCS BaNCS and Flex Cube.

Introduction to FINACLE

2.8 A Financial Package, for banking solution developed by Infosys on a platform of Oracle, is thus named as FINACLE. Presently, many Indian Public Sector Banks, Private Sector Banks and Foreign Banks operating in India are using this software as banking solution due to high flexibility and scalability. Finacle is an integrated, on-line, enterprise banking system designed to provide the "e-platform".

Prior to 1995 it was known as BANC 2000, a Total Branch Automation package with a distributed network. After 1995 Infosys developed the same as FINACLE, a Core Banking Solution. Functionalities of Finacle are as follows:

- Finacle facilitates anywhere banking.
- It is menu driven software with easy navigation.
- It is functionality rich and addresses the retail and corporate banking requirements.
- Customization and parameterization are two special features of Finacle.
- Finacle provides multi-lingual support.
- Finacle provides multi-level security, i.e., operation, database and application level security
- It supports workflow based transaction processing.

- It has high level of security control and audit capabilities.
- It has a common transaction interface for all type of transactions.
- It provides a browser based GUI interface to Finacle.
- SQL and PL SQL is used for generation of MIS, reports, queries at centralized level.
- Designed for optimum usage of network bandwidth.
- There are two functional modules:
 - *Retail and Corporate Module*- Encompassing Saving Accounts, Current Accounts, Term Deposits, Cash Credit Accounts, Overdraft Accounts, Term Loans, Demand Loans.
 - *Trade Finance Module* - Encompassing Inland & Foreign Bills, Forward Contracts, Inland & Foreign Documentary Credits, Inland & Foreign Bank Guarantees, Inland & Foreign Remittances and Pre-shipment Credits.

Security in Finacle

2.9 FINACLE is having multiple levels of security. Various security levels embedded in it are as follows:

- OS Level
 - No access to OS
 - OS and application level profile
 - Direct login to application menu
- Database level
 - Protection from external updating
- Application level
 - Menu level
 - User level
 - Product level
 - Account level
 - Transaction level
- Dual control for all transactions
 - Maker-Checker Concept
- Controlled error handling through exceptions
 - (1) Warning (2) Exception (3) Error

Finacle Overview

2.10 Following is an overview of Finacle for understanding of the users:

Finacle User Menu	
Menu Block	Favorites !

Main Menu -> Sub Menu -> Menu Description [Menu Code]		User Defined Favorites						
MESSAGE AREA								(A)
Menu Option	(B)	Btn.1	Btn.2	Btn.3	Btn.4	Btn.5	Btn.6	Btn.7
Action Bar								

A = Progress Indicator

B = Field to Specify Menu Option

- *Menu Block*: The block houses all the menu and sub-menu options available in Finacle.
- *Menu Option Block*: Menu Code to be entered to gain access to the respective menu.
- *Action Bar* : User can execute the process of Finacle operations by clicking on various options on this bar. The hot keys are also assigned for all options, which appear on the bar.
- *Action Buttons*: Every action button has a specific purpose. For e.g., on clicking Who Aml button, system will display use rid of the user who is currently logged in and other information, viz., date and name of SOL in a message box.
- *Message Bar*: The message bar displays warnings, exceptions, errors or lists under a specific field code.
- *Favorites*: Menu items which are required and used on regular basis can be put in favorites by copying from Menu Block. As onetime process, specific menu item which is required to be copied to Favorites should be located in menu block and with the use of drag and drop the function can be stored under favorites menu.
- *Progress Indicator*: It shows the progress of the action initiated through the use of colours (i.e., **Green** indicates that the System is "Ready" for processing, **Red** indicates that the "System is busy in Processing Activity" and **Yellow** indicates that browser is performing internal processing like, assembling/ painting screen as per requirement. User should not operate the system)

General Key Map

2.11 Default Physical Keys in Finacle have been given in the table below. However, default key map differs in individual bank.

Physical Key	What does it do?
F1	Field level help. Like in several word processors and spreadsheet packages, F1 displays context sensitive help messages and field level help messages.
F2	List. This key lists the codes that may be used in a particular field.

Physical Key	What does it do?
F3 / ESC	Quit/ Back. Quits and takes the user back to where he started when in action. It can be used when the input is incorrect and the user wants to abandon what he has been doing. It can also be used to go back to the previous menu.
F4	Accept. After the user has completed the input, this key can be used to accept the data.
F5	Background Menu
F6	Next Block
F8	Copy Record
F9	Display Signature
F10	Commit/ Save. This is very important key and this concludes the transactions. This is the commit and transactions get into the General Ledger (database) when this key is used.
F11	Next field
F12	Previous Block
TAB	Go to next valid field
ENTER	Go to the next field
DOWN Arrow ↓ (Next Rec button)	Next Record (In a list or result of a query)
UP Arrow ↑ (PrecRec button)	Previous Record (In a list or result of a query)
CTRL+F1	Help maintenance
CTRL+F3	Show key map
CTRL+F4	Display error
CTRL+F8	Terminal lock
CTRL+F9	Memo pad look up
CTRL+F11	Context level help
CTRL+D	Page down on a list
CTRL+E	Explode. This key is particularly useful for the further inquiry.
CTRL+F	Clear field. This key combination can be used when the user wants to clear the field.
CTRL+T	Display LGI. The user ID, Terminal ID, SOL, BOD Date and language details are displayed.
CTRL+U	Page up on a list

Physical Key	What does it do?
CTRL+X	Put BOD date. This key combination populates the default BOD date in the field.
SHIFT+F4	Select the current item from the list. This key combination can be used to select a value from the list of valid values listed for a particular field.
SHIFT+F11	Transmit
SHIFT+TAB	Go to the previous field

Introduction to TCS BaNCS

2.12 A Financial Package, for Banking Solution offered by Tata Consulting Services. The Core Banking solution TCS BaNCS is an integrated solution that automates all aspects of core banking operations across entities, languages and currencies. BaNCS is built on open architecture, component-based product suite to leverage service-oriented and event-driven architectures. It's functionalities are as follows:

- Entire range of banking products including savings, checking, overdraft and deposit accounts.
- Entire range of lending products.
- Complement of transactional services including remittance, foreign exchange, cards and trade finance.
- Accessibility through multiple channels, including mobile banking and web.
- Full integration of front, middle, and back office processes.
- Accurate, timely and actionable information about customer relations.
- Single view between bank and customer.
- "Anytime anywhere" banking.

Introduction to Oracle Flex Cube

2.13 Flex Cube provides a comprehensive, integrated, interoperable, and modular solution that enables banks to manage evolving customer expectations. Major functionalities are as follows:

- 24/7 processing of large transaction volumes, with high availability.
- Multiple delivery channel support.
- Security management covering application and role-based access.
- Service-oriented architecture supports agile business process management.
- Componentized architecture helps build scalable and reusable solutions.

Quick Access Screens through Hot Keys in FlexCube

Hot Keys	Screen Name	Description
Alt + B	Balance Inquiry	This screen displays the account details of the savings and checking account balances such as the available balance, nucleated balance, current book balance, passbook balance, net balance, etc.
Alt + C	Customer Name And Address Inquiry	This screen displays the details such as, the name, address, city, country, SSN/TIN number, etc., of the selected customer.
Alt + A	Account Details	This screen displays the account details of the customer such as account number, account branch, account currency, customer name, etc.
Alt + S	Amount based Account Image Display	This screen displays the images on the basis of the details maintained in the Amount Based Operating Instruction Maintenance (Fast Path: 7116) option.
Alt + P		This will enable the user to print the receipt of the transaction.
F8		This will enable the user to return to the same screen.

General Concepts of CBS and Finacle

SOL ID and Set ID (Init. Br. ID)

2.14 **SOL ID** -Under Core Banking System, each Branch, Back Office, Administrative/ Controlling Office are assigned a code, i.e., Service Outlet ID [SOL ID]. It helps in identifying the Branch / Office under which the Account is maintained. Hence, if a branch at Delhi is assigned a SOL ID of "0089", the accounts opened under Delhi Branch will display "0089" as SOL ID in CBS.

As discussed above under CBS any branch can initiate transaction for any of the account maintained with the bank. Hence, a distinction is required between the branch which maintains the account and the branch who initiate the transaction.

Set ID (Init. Br. ID):Set ID or Initiating Branch ID is a SOL ID of the Branch who initiated the transaction. For e.g., transaction of a cash withdrawal by a customer of Mumbai Branch (SOL ID "0044") from Delhi Branch (SOL ID "0089"). In the instant case "0089" is Init. Br. ID and "0044" is Account SOL ID.

In order to search transactions based on the branch who initiated transactions in Finacle, SET ID (Init. Br. ID) parameter is required to be used under Menu Code "FTI".

Tran ID, Journal No. and Date

2.15 Each transaction in Finacle will be assigned a unique Transaction ID. The Transaction ID remains unique only for the day, since, on the next day the Transaction IDs are reset.

Combination of Transaction ID and transaction date make it unique across the system. In Finacle, once the transaction is "Entered", a Tran ID is generated. To locate any transaction from the database the user need to use Tran ID and Date at TI/TM Menu command. Under BaNCS the transaction number is known as Journal Number.

(i) Transaction Type and Sub Type

Transactions in Finacle are entered with the Transaction Type and Transaction Sub Type. It is easier to trace set of transactions with Transaction Type and Sub Type.

Codes for Transaction Type and Sub Types are prescribed differently by each bank. For e.g.,

Transaction Type codes for Cash and Transfer may be of following types.

– Tran Type: Cash: “C”, Transfer: “T”

– Sub Tran Type: CR – Cash Receipt, CP: Cash Payment

The auditor must acquaint himself with the Transaction Types used by each bank. It helps auditors to design query (search parameters) for inquiry of financial transactions.

Customer Master Level Configurations

2.16 Under CBS, the customer is identified by a number, generally, called CUST ID/ CIF No. Following are the advantages of separate configuration for customer and accounts of customer:

- (a) Identification of unique customers.
- (b) Data redundancy can be reduced by eliminating the process of updating repetitive details about customer at each time of opening of account.
- (c) It is easier to comply with customer centric regulations. For, e.g., TDS provisions under Income Tax Act (where payment to customer is important than payment for an account), IRAC Guidelines (where classification of account is borrower-wise and not account-wise).
- (d) Multiple accounts of the customer can be mapped to a customer for better identification. Under the Customer Master Level configuration basic details about the customer are updated. Details include name, date of birth, PAN number, etc.

2.17 Once the CUST ID/ CIF is opened, various accounts can be opened under the said CUST ID/ CIF. Relationship between CUST ID/CIF No. and account is that of parent and child wherein the Account Master inherits the information and parameter values from Customer Master.

In Finacle menu command **CUMM/ CUMI** is used for inquiry on CUST ID/ CIF No. Under BaNCS the customer master details can be reviewed through “Customer Master Details” module.

2.18. Some important points for auditors are as follows:

(i) Issues with multiple CUST-ID

In terms of guidelines issued by the RBI on UCIC, each customer in bank is required to be assigned a unique ID. However, it has been observed in many banks that multiple CUST IDs have been opened for a customer. It has also been observed that at the time of migration, it had migrated old customer information to one CUST ID and have opened new CUST IDs for opening of new accounts post migration.

Due to multiple CUST ID the very purpose of having configuration of CUST ID is defeated. The auditors should verify such discrepancies at the time of account opening

verification. Moreover, the auditors should also seek help of bank's IT Dept. for generation of report based on combination of information, viz., name, PAN, date of birth, employee code, etc., to identify existing cases of multiple CUST ID in the system.

At the time of opening of account, Finacle automatically displays the name of account holder based on CUST ID details. However, Finacle also allows user to amend the name. Generally, the said change is configured as an exception which requires sufficient powers/ work class in the system to override.

The auditor at the time of Account Opening verification should verify the details as per CUST ID and in account. Difference in names at both the places increases unwarranted confusion. Moreover, auditor should seek help of bank's IT Dept. for generation of report based on difference in name as per CUST ID and as per accounts opened (if any).

(ii) Account Level Configurations

Configurations/ parameters for are setup at the time of Account Opening. Modification afterwards is also permitted. Account Level master contains the parameters and details specifically with respect to account. For instance, Interest Rate, Interest payment periodicity, Freeze, Lien, etc.

It is important to note here that under CBS majority of functions and transactions are master driven and hence, any minor error at Master Level (whether Customer Master or Account Master) can have magnanimous effect on transaction processing. For e.g., if Interest Collection Flag is selected as "N" at Account Master Level, the system will not collect any interest. Hence, accuracy of master is a vital audit area.

(iii) Pointing Type Accounts/ Self Reconciling Accounts

Apart from maintaining customer accounts, the bank's general ledger also contains various Suspense/ Sundry Accounts. Such accounts can be with debit or credit balance. The said accounts are used for limited purpose and for parking of entries for limited time frame. Transactions wherein either debit/ credit leg is not confirmed/ identifiable at the time of transactions are parked in such accounts. For e.g., an amount of ` 1,000 is given to an employee in advance for purchase of stationery item for branch. The said transaction will be kept under such Suspense/ Sundry account till the date the employee submits the bill/ returns the advance. The transactions processed in such accounts are not routine hence it calls for continuous monitoring and earliest reversal. Moreover, numerous transactions in an office account make it difficult for reconciliation. In earlier times, the activity of reconciling the office account was manual.

However, under CBS such accounts are opened under Pointing Type Office Account/ Self Reconciling Accounts Scheme Code which facilitates automatic reconciliation and real-time information on outstanding/ non-reversed transactions. Transactions in such type of accounts are in two parts - Originating Transaction and Reversal Transaction. For each reversal entry, the system will prompt the user to point it to an originating transaction. There can be multiple reversals against single originating transaction. Such type of account will also ensure that in case of a debit type office account, credit entry as originating entry will not be permitted.

On the users side, at the time of reversal of Transaction the system will ask the user to “Point” the Originating Transaction against which the transaction is being reversed. On selection, the system will reduce the balance under the said Originating Transaction. Under this type of Pointing Type Account, at any given point of time aggregate of outstanding transaction-wise balance will be equal to the Office Account Ledger Balance. Under Finacle, verification of outstanding/ non-reversed entries can be verified from menu command **IOT (Inquire on Transaction)**. Moreover, a report on outstanding office account transaction can be generated through Menu **MSGOIRP**. Various customized reports for the said purpose are also available under each banks “Report” menu in Finacle.

Under BaNCS, the outstanding entries are available through offline reports viz. “Audit BGL accounts age wise break up” and “GL-Outstanding-Accounts” report.

(iv) Interest Table Maintenance

Interest collection as well as payment in CBS can be through Interest Tables or can be by way of absolute rate. In case a loan account wherein Interest Rate is based on a reference rate (say Base Rate), the Interest Rate field is updated with the Reference Rate Table to ensure automatic updation of Interest on subsequent change.

In case of Interest Table master, the primary rate is sourced from a Master Table. For instance, in case of Loan sanctioned as Base Rate + 3 % whereas Base Rate at the time of Sanction was 10%, the Interest Rate field will be updated either with BR+3 Table code or with BR Table with 3% updated in Account Preferential Debit Interest with +3%. Method of updation of interest may differ from bank to bank.

In case of few specialized products (e.g., subsidy linked accounts) limit level interest rate is required to be applied. In such case the parameters are setup at Interest Table Master Level and the said table code is updated under Interest Table field at Account Master Level. In case of a fixed rate loan, the interest rate is updated as absolute figure in Interest Rate field instead of Table. However, few banks follow the practice of updating “ZERO Interest Rate Table” with necessary interest rate at Account Preferential Debit Interest.

(v) Interest Flags

Values at Interest Flags determine the payment and collection of Interest. Applicable flags (i.e., Interest payment, Interest collection) are required to be updated at Account Master Level. Hence, if the Interest Collection Flag is updated as “N”, there will not be charging of interest by system, although proper Interest Table Master is selected.

(vi) Withholding Tax Flags

Interest payment to the customer is aggregated at Customer Master Level (i.e., for all the accounts opened under a CUST ID / CIF No.). The threshold limit for TDS is computed based on the amount aggregated at CUST ID Level. Once the payment of Interest exceeds minimum threshold level prescribed under Income Tax provisions, the system initiates deduction of taxes from Interest. However, for cases wherein customer

has submitted Form 15H/ 15G/ tax exemption certificate, necessary flags are required to be updated to prevent deduction of taxes upto the enhanced limit (as applicable).

Withholding Tax flags are available at both CUST ID and Account Master Level. With the recent change in the Income Tax guidelines w.r.t. online submission of details of Form 15G/15H, the exemption is required to be flagged at CUST ID level for the amount of Interest Income declared by the customer.

In Finacle, withholding (TDS) flags are driven by Tax Slab. For each type of customer different tax slabs have been defined at Master Level e.g., TDS for individuals, TDS for corporate, TDS for exempt entities. It is important for auditor to verify correctness of Tax Slab vis a vis constitution of customer.

(vii) Freeze Flags(Debit, Credit and Total)

In case of court order, dispute between the joint account holders, recovery notice from revenue authority the transactions in accounts are required to be suspended. Depending upon the requirement the transactions are suspended (viz. Debit, Credit or all) through Freeze Flags.

The freeze can be applied at CUST ID Level (i.e., all the accounts of the customer) or specific account of the customer. The source documents are required to be verified for marking of freeze and unfreeze event. The inquiry of accounts with Freeze Flag can be made in Finacle through ACS Menu Command with Freeze Flag as “T”=Total Freeze, “D”=Debit Freeze, “C”=Credit Freeze.

(viii) Schemes and Scheme Codes

Different types of account products are offered to customer with different characteristics. For instance, various types of Savings Accounts are offered. The aggregation of account balance for such cases will take place at Sub GL & GL Level. However, for account operations and account master setup different schemes are setup in CBS. Scheme Code acts as a placeholder. Inquiry for different types of accounts can be made in Finacle through ACS Menu Command with “Scheme Code”.

Exception Types

2.19 The transaction errors are handled in CBS through following modes:

- Warning – Warns user for possible errors based on prefixed criteria
- Exception – Allows user (with sufficient power) to override. However, the transaction will be recorded in Exception Report for the day
- Error – Does not allow user to proceed further, unless the correct values are filled in.

Maker and Checker Matrix for Valid Transaction

2.20 Under CBS the transactions are processed by atleast two officials of the bank under Maker and Checker mode. The same is tracked through the transaction events (viz. entry, posting and verification). Posting is the event which updates the GL Balance. Posting activity depends on the rights assigned to each user ID.

Inventory Locations

2.21 The inventory concept under CBS refers to handling of security stationeries, viz., Non-personalized cheque books, Demand Drafts, Term Deposit Receipts. Each bank, as per the requirement, creates different inventory location and inventory sub location codes in CBS.

Predominantly, locations are created for joint custody (dual custody), employee custody, external locations. Barring, external location, balancing of security stationery is available for all the locations.

In Finacle the report on outstanding inventory items can be generated through Menu command ISRA. Whereas under BaNCS the same set of reports can be generated through VPIS (Valuable Paper Inventory System) module.

Zones in Clearing Modules

2.22 For easy identification of type of cheque and proper reconciliation various zones are opened on daily basis (as per clearing cycle) in CBS. Various zones are opened for Non CTS Cheques, Inter-bank Cheque, KYC Cheques, MICR Cheques, Non-MICR Cheques, Warrants, CMS Cheques, etc. Opening of Zone is the primary event before lodging any Inward Clearing instrument or Outward Clearing Instrument.

Limit and Limit Node

2.23 Under Finacle the Limit Management is done through Limit Node Maintenance. Wherein, the limits are specified at each node level with capping. Credit Limits can be set at Account Level as well as at Node Level for deriving the Drawing Power for a customer. Setting up of Limit at Node level has following advantages:

- Managing two or more accounts with drawing power deriving from the same security.
- Interchangeability of limits among different accounts.
- Monitoring the overall exposure to a single client/ group of clients.
- Exposure to a select commodity/ security. *Limit Node Maintenance* helps to build these requirements in the limit management

Limit Node

2.24 Limit nodes are used to group accounts under one node to enable easy monitoring and organization. A limit node can be linked to a security for deriving drawing power. Distribution of overall group (group may be a group of clients or a group of accounts) limits to individual members (members may be accounts or clients) is possible through creation of Parent Node and Child Nodes. Every child node can further be distributed to group of accounts or clients. This is diagrammatically explained through below example.

Facility Type	Particulars	Limit (Rs. Lacs)	Remarks
Funded	Term Loan	225	Funded Limit Cap is 500 Lacs
	WCDL	75	

	CC	200	<i>Upper Limits fixed in each type of Facility</i>
	BP / FBP / BD	50	
Total Funded Facilities		500	
Non-Funded	LC	300	Non Funded capping is at Rs. 500 Lacs
	BG	300	
Total Non-Funded Facilities		500	
Total Company Exposure		1000	Total Exposure to Company should not exceed 1,000 Lacs

Temporary Overdraft (TOD) Setup

2.25 Granting of TOD to a customer is a credit decision from bank's perspective. Concurrent auditor has to review the source documents and delegated powers to ascertain whether the sanction was inline with the guidelines prescribed by the bank. Setup of TOD is done in Finacle as follows. TOD is granted to an account under various circumstances. For instance:

Type	Event	Mode
TODIC	Interest Calculation	Single
TODDL	Drop in Limit	Single
TODMN / TODUG	Manual / User Generated	Single/ Running/ Adhoc

Explanation of various TOD modes is as follows.

Mode	Narrative
Single (S)	It refers to TOD for specific purpose/ transaction. It can be used only for the specific transaction during which the same was granted.
Running (R)	It refers to setting up of a parallel limit at account level for a defined period over and above credit limits (if any).
Adhoc (A)	Adhoc allows customer with OD / CC Accounts to operate within TOD Limits for defined period.

2.26 From above narrative it appears that running and adhoc TODs serve the same purpose. However, from CBS perspective, both the events are different. In case of single and running TOD, CBS computes the number of TOD sanctioned in the account. In case the cumulative number exceeds the prescribed limit for an account, an exception gets triggered for all subsequent transactions. Whereas in case of adhoc TOD the said TOD is not counted under number of TODs thereby circumventing the exception controls embedded in the system.

It is important for auditors to verify cases wherein adhoc Limits have not been delinked on expiry in system.

Register Type and Subtype (Trade Transactions)

2.27 The concept of Register Type and Sub Type is same as Transaction Type and sub types as discussed above. The types are used to aggregate transactions of same nature in system. It helps in identifying and tracking of transaction in a better manner. In Finacle, Register Type and Sub Types have been used in Inland Trade Transaction and Foreign Trade Transactions modules.

List of few Register Types and Subtypes for an Import Transactions is as follows:

Reg. Type	Sub Type
Import Bill on Collection	Sight
Import Bill on Collection	Usance
Import Bill under LC	Sight
Import Bill under LC	Usance
Direct Import Bill	TT (Telegraphic Transfer) / DD (Foreign Demand Draft)
Advance Remittance against Import	TT (Telegraphic Transfer) / DD (Foreign Demand Draft)

Auditing through CBS

2.28 Generally, the following set of steps is recommended at the start of the audit to understand the operations at the branch level and familiarize oneself with the branch and its team:

- Document list of software's, applications and interface details associated with CBS.
- Review Usage Manual or Document Software navigation options and Menu Codes.
- Document list of Reports available in CBS and its menu codes.
- Review Exception Reports/ MIS Reports generated by Data Center.
- Review access rights, limited access and free access.

Parameters affecting automatic identification of NPAs and Re-designing of Audit Processes

2.29 In terms of directives issued by Ministry of Finance and Reserve Bank of India, it is mandatory for banks to identify the bad loans through CBS/ Systems instead of conventional methods. CBS like other software work on GIGO principle. Master Data play an important role in correct identification of Bad Loans.

Following are few scenarios wherein incorrect updation in Master Data, manipulation through transactions etc. may impact correct identification of bad loans through CBS.

Parameters	Auditors' Primary Checks	Suggested System Support
Discrepancies in setting up the EMI / Instalments	<ul style="list-style-type: none"> ➤ Whether EMI/ instalment is correctly setup. ➤ Whether EMI/ instalment amount is matching with the Sanctioned Terms. ➤ Whether periodicity of Instalment is correctly classified as per Sanctioned Terms? 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> - ACI -> Option "E" Repayment details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> - DL/TL Accounts & Services → Enquiries → Account - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account <p><i>(Short & Long Inquiry options are available under both menu.)</i></p>
Multiple sets of EMI / Instalments	<ul style="list-style-type: none"> ➤ For case of Multiple sets of EMI e.g. For 1-5 years EMI of ` 7,000 and after 5 years ` 7,500 ➤ Whether sets of EMI are properly entered? ➤ Is there any substantial difference between 1st set of EMI and 2nd or other sets (e.g. 1st set ` 5,000 and 2nd 1,00,000) which cast doubt on debt serviceability? 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> - ACI -> Option "E" Repayment details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> - DL/TL Accounts & Services → Enquiries → Account - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account <p><i>(Short & Long Inquiry options are available under both menu.)</i></p>
System determined Asset Classification vis a vis User defined Asset Classification	<ul style="list-style-type: none"> ➤ CBS contains two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types. ➤ In few CBS it has been observed that user is generally given the option to differ and select/ amend the classification. In such cases detailed scrutiny of NPA system is required to be carried out. ➤ Due to errors in certain Master Data, there can be erroneous identification of account as NPA. However, such accounts require detailed scrutiny. 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACM/ ACI Option – 'Y' Asset Classification Inquiry ➤ A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for. Accounts listed in the said report should be thoroughly verified.

Parameters	Auditors' Primary Checks	Suggested System Support
Manipulation in SL / DP	<ul style="list-style-type: none"> ➤ Changes in SL / DP should be cross checked with Sanctioned Letter. ➤ Whether any change in Limit is supported by necessary documentation? 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACLHM – Account Limit History Maintenance <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Tailor-made report on Changes in Account Limits
Incorrect moratorium period	<ul style="list-style-type: none"> ➤ Based on moratorium period CBS will identify the Loan Instalment and will track repayment. ➤ In case the moratorium period / instalment start date is erroneously updated system will not show correct result. 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACI – Option “E” – Repayment Details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry)
Re-phasement without reporting it as reschedule	<ul style="list-style-type: none"> ➤ Loan Account Instalments are rephased / recalibrated without reporting the same as Re-schedule. ➤ Verify whether any change in Repayment instruction is made through System. Compare the said accounts with list of Restructured Accounts. 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACI – Option “E” – Repayment Details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) ➤ Report containing details of all the cases wherein EMI / Instalment is changed should be sought
Instalment Start Date is Future Date	<ul style="list-style-type: none"> ➤ Check whether Instalment Start Date entered as per sanctioned term? ➤ In case of future date system will not identify instalment and any repayment received will be shown as “Overflow”. 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACI – Option “E” – Repayment Details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry)
Interest Demand date (Future Date)	<ul style="list-style-type: none"> ➤ Check whether Interest Start Date entered is as per Sanctioned Term? ➤ In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as “Overflow”. 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACI – Option “E” – Repayment Details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry)
Fictitious credit through Office	<ul style="list-style-type: none"> ➤ Are there any quarter/ year end credits cited in the account? 	<p><u>Finacle:</u></p>

Parameters	Auditors' Primary Checks	Suggested System Support
Account / Inter-branch Account	<ul style="list-style-type: none"> ➤ Check the source of Credit Entries. ➤ Review transactions in Office Accounts/ Inter Branch Accounts. 	<ul style="list-style-type: none"> ➤ ACLI – (Use CTRL + E to Explore the Tran) ➤ Review of Office Account Ledgers <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services → Enquiries → Transaction ➤ DL/TL Accounts & Services → Enquiries → Transaction
Round tripping from internal accounts	<ul style="list-style-type: none"> ➤ Close scrutiny of transaction and review of chain/ series of transaction for accounts with deficiency is required. ➤ Such transactions will inflate the Credit Turnover in the account. 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACLI – (Use CTRL + E to Explore the Tran) ➤ Using only Account Turnover Information generated through “ATOR” / “CUTI” / “ACTI” menu may lead to incorrect inference, since the credits are not solitary credits in account. <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services → Enquiries → Transaction ➤ DL/TL Accounts & Services → Enquiries → Transaction
Temporary Overdrafts	<ul style="list-style-type: none"> ➤ Check whether the TOD is sanctioned in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned. 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACLI – Option “O” ➤ TODRP – TOD Register Printing <p>BaNCS: TOD Report</p>
Devolved bills parked in Office Accounts and not in limit account	<ul style="list-style-type: none"> ➤ Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement) ➤ Check whether the amount of devolvement of LC backed bills are parked in Office Accounts or any separate account? 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ BI & FBI – with Bill Status as “K” using status date filter <p>BaNCS: Report on Devolved bills under Import LC</p>

Parameters	Auditors' Primary Checks	Suggested System Support
Multiple CUST ID to prevent the other account from becoming NPA	<ul style="list-style-type: none"> ➤ Check whether multiple CUST IDs have been opened for the borrower with different accounts? ➤ NPA Report and search all the case by few characters of Name. 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACS – Account Selection (Search based on Name) ➤ LAGI – Loan Account General Inquiry (Inquiry based on other parameters) <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Customer Management → Enquiries → Search by Name

Parameters Affecting Collection of Interest/ Revenue

2.30 Primary revenue for banks is interest on loans and advances. Charging of interest is completely automated barring few products. However, the processing is based on certain important parameters. System parameters / fields which affect the interest computation should be thoroughly verified. Some important interest parameters are as follows:

- (i) Interest Table
 - Debit Interest Rate and Credit Interest Rate
 - Interest Version
 - Currency
 - Limit Level Interest
 - Penal Interest
- (ii) Interest Rate (Static/Absolute and Based on Ref. Rate)
- (iii) Interest Preferential Customer Level - Interest rate preference will be applied to all the accounts of the customer based on type of Interest.
 - Debit Interest Preferential
 - Positive preference value
 - Negative preference value
 - Credit Interest Preferential
 - Positive preference value
 - Negative preference value
- (iv) Interest Preferential Account Level - Interest rate preference will be applied to the specific account wherein the preference is updated.
 - Debit Interest Preferential
 - Positive preference value
 - Negative preference value
 - Credit Interest Preferential
 - Positive preference value
 - Negative preference value
- (v) System Support / Important Menu Codes:
 - Finacle: INTCI, AINTRPT, INTPRF, INTTM

- TCS Bancs: i) OD/CC Accounts -> Interest Rate History ii) DL / TL -> Interest Rate History

2.31 Following are few events/ scenarios wherein there is a possibility of non-application/ incorrect application of Interest:

Sr. No.	Event / Scenario
1	Interest pegging in Advance Accounts set as "Y". (If "Y" is selected, system will charge interest at the rate prevailing at the time of Account Opening. For the cases of Fixed Rate Loans Pegging Flag will be "Y")
2	Future Date is updated in Interest Demand Date
3	Interest on Principal / Payment of Interest Flag is set as "N"
4	Effective Rate of Interest is updated as "0"
5	Account Open and Instalment Start Dates are identical
6	Account Open and Interest Demand Dates are identical
7	Interest Table Code "Zero" is selected
8	Interest Demand Date is Past Date
9	Interest Demand Frequency is Blank

Audit of Foreign Exchange Transactions with the Use of CBS

2.32 The liberalization of economy is paving way for opening of new areas for inbound and outbound investment. Moreover, with the increase in the global trade the foreign exchange and cross border transactions are increasing at a rapid speed. However, it also poses challenge of preventing misuse of regulations and money laundering activities.

2.33 Following are few activities that the auditor must carry out for concurrent audit of Foreign Exchange Transactions:

Audit Activity	Important Menu Codes of Finacle
Review of Letter of Credits issued, Expired, Search on Outstanding LCs	For Inquiry – DCQRY For Report – DCREG, DCRPTS, DCSTMT
Review of Bank Guarantee issued, invoked, closed, outstanding, Search on expired BGs	For Inquiry – GI For Report – GILR, GPI
Audit of Inland Bills (under collection, under LC, discounted)	For search: BI Search result printing: BP For specific bill: BM
Audit of outstanding Inland Bills	Report – BRRCR (Collection Bills), BRBPR (Purchased Bills)
Audit of Foreign Bills (under collection, under LC, discounted)	For search: FBI Search result printing: FBP

Audit Activity	Important Menu Codes of Finacle
	For specific bill: FBM
Audit of outstanding Foreign Bills	Report – FBBR
Audit of Inward and Outward Remittances (Other than Import and Export Transactions)	For Inward Remittance: IRM For Outward Remittance: ORM
Tracking of Packing Credit granted and tracking of order in case of Running Packing Credit	Account wise Packing Credit: ACLI Running Packing Credit: RPCTM

Audit of Office Account Transactions through CBS

2.34 Office accounts are opened for the purpose of parking entries till the time the final effect is not determined. However, at various occasions it has been observed that the entries remain in the said parking accounts for a long period. Moreover, in case of weak monitoring of the said accounts, the Office Accounts are susceptible to fraud and misappropriation. There are various types of office accounts:

- (i) Based on Functionality
 - Pointing Type/ Self Reconciling Accounts
 - Non Pointing Type Accounts
- (ii) Based on Type of Entry
 - Sundry Accounts, Suspense Accounts
 - EOD/BOD Check Accounts
 - Inter branch Account
 - Mirror Accounts
 - Pool Accounts

2.35 Following are few audit actionables for concurrent auditor carrying out audit of Office Account Transactions:

Events	Audit actionable	Suggested system support
Cash Payment from Office Accounts	Authorization of Transaction as per Delegated Authority	Finacle: <ul style="list-style-type: none"> • ACLI – For Transaction • FTI – For Search BaNCS: <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction
TOD through Office Accounts	Through ineligible credit originating from a office account, customer can be accommodated. It also circumvent the number of TODs granted to customer.	Finacle: <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account BaNCS: <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction

Events	Audit actionable	Suggested system support
	Moreover, interest will not be applied in the said case.	
Parking of Cash Difference in Office Accounts, Clearing/ Remittance differences through Office Accounts	Difference in Reconciliation, Cash Shortage debited to Office Account and not reversed. Review ledger account in detailed on monthly basis.	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction • “Outstanding BGL Transaction” Report
Rotation of entries in Office Accounts	To prevent entry being reported as long outstanding entry, a new transaction with debit and credit leg in the same account is posted. Thus, the system considers the new transaction date for reporting as outstanding entries. Review transactions with same Debit and Credit amount through Ledger Scrutiny	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction
Correctness in mapping of reversal transaction to originating transaction	If the transactions have not been reversed against the related originating entries the report generated by CBS will show incorrect outstanding items.	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI – For Reversal Transaction in Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction
Value Dated (Back Dated) Transactions	Transaction credited in the advance type accounts, Operative accounts with a value date (Back date) wherein the clear funds were not available in the office accounts. Review the transactions from Revenue Leakage perspective.	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account • FTI – For Value Dated Transaction <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction

Events	Audit actionable	Suggested system support
Round Tripping	<p>Rotation of entry from office account to operative account(s) without any justification/ source document.</p> <p>Review the transactions from the perspective of inflating credit turnover of account.</p>	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction
Advance paid for Fixed Assets not capitalized	<p>Entries for payment of advance against procurement of Fixed Assets not reversed.</p>	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction • “Outstanding BGL Transaction” Report
Income realized not credited to Revenue Account	<p>Loan Instalment received from Customer, not adjusted.</p> <p>Processing Fees received, not credited to Income Account</p> <p>Charges collected, not credit to Income Account</p>	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction • “Outstanding BGL Transaction” Report

Manual Updation in CBS and its Verification Aspects

2.36 Under any CBS the transactions are processed as per pre-defined process. Majority of the processes in CBS are automated and based on masters. A manual intervention in automated process leads to error in transaction processing.

Following are few manual changes/ modification in system which affects the transaction processing. The concurrent auditor must review the manual updation in CBS on monthly basis:

Manual Entry	Probable impact
<u>Advances</u>	
Interest Rate change	Revenue Leakage, Excess collection of Interest
Change in EMI	Revenue Leakage, NPA Identification
Processing of transactions against un- cleared outward clearing effect	Recovery of amount from customer in case of cheque return
Backdated Renewal Date updation (Updating Date of Renewal on running date with past date)	NPA Identification
Change in Limit – From Non Fund Base to Fund Base	NPA Identification
<u>Account & Customer Master</u>	
Tax exemption updation	Non compliance with TDS provisions
Dormant to Active	Susceptible to fraud
Interest Table Code as “0”	Revenue Leakage
Interest Collection Flag “N”	Revenue Leakage
Reclassification of Agriculture Advance as per revised RBI norms dt. April 23, 2015	Sectorial Classification
<u>Foreign Exchange Transactions</u>	
Erroneous Foreign Exchange Rate	Revenue Leakage, Accommodation to customer
Full BOE received flag marked as “Y” wherein BOE for entire transaction is not received	Reporting to RBI under BEF Return
FIRC Issuance (without updating flag printed “Y”)	Duplicate issuance of FIRC without “Duplicate FIRC” inscription.
Merchant Trade Transaction (Manual mapping)	Reporting to RBI
<u>Transaction Processing & Housekeeping</u>	
Changes / Modification in Auto Calculated charge amount at the time of posting of transaction	Revenue Leakage
Ineligible Credits to NRE and FCRA Accounts	Non-compliance of FEMA Guidelines
ATM Replenishment entries	Susceptible to Fraud
Payment for FD Closure proceeds in Cash through Office Accounts in excess of ` 20,000	Non-compliance with Income Tax Guidelines
Revalidation of Old DDs	Susceptible to Fraud

Manual Entry	Probable impact
Value Dating (Credit Transactions in CC / OD Account with Value Date without Value Dating at Debit Leg)	Revenue Leakage
Debit to Income Account (though Transaction Maintenance Menu)	Revenue Leakage
Manual Credit to Income Account (though Transaction Maintenance Menu)	Revenue Leakage (Computation of Income credited to be verified)
RTGS / NEFT in cash through office accounts > 49,999	Non-compliance with AML guidelines
Delay in posting of clearing cheque return	Accommodation to customer
Manual Transfer of Security Stationery from Inventory location to External Location	Susceptible to Fraud (Avoid reporting of missing inventory)

Generation and Verification of Specific Reports Based on Various Criteria

2.37 CBS allows generation of various reports through frontend as well as through backend. Few important reports for review by concurrent auditors are as follows:

(a) Exception Report

Reports for the month end and two days prior and after month end should be verified. Exceptions of following natures should be closely verified:

- (i) Balance exceeded Account Limit
- (ii) Manual debits to Income Account
- (iii) Value Dated Transactions
- (iv) Manual entry for SI Failure cases
- (v) Instrument passed against Clearing
- (vi) Backdated entries (normally restricted)

(b) Irregularity Report

Reports for the month end and two days prior and after month end should be verified. Report contains details of Accounts where Balance in Accounts are greater than the limits sanctioned. Check whether the same is due to:

- (i) Application of Interest
- (ii) Granting of Intra Day TOD
- (iii) Passing of Instruments against Clearing Effects

(c) Accounts where Interest Code is '0'

Interest will not be charged from Accounts where Interest Code is selected as '0'. Hence, a detailed checking is required. Possible reasons can be if it is a NPA account or an account with a moratorium.

(d) Interest Collection Flag as “No”

If Interest Collection Flag is selected as “No”, Software will not consider the account for calculation and entry for Debit Interest.

(e) Debit Interest SI Failed Report

Failure of Standing Instruction for Debit Interest should be closely verified. If the SI is failed the Account will not be debited for Interest. SI Failure can be for any reason like:

- (i) Non-availability of Balance in Account (In case of TOD in Operative Account)
- (ii) Non-availability of Limit in Account
- (iii) Technical Snag in execution

Whether Branch has manually passed the entry for all such cases should be verified.

(f) Loan Instalment SI Failed Report

Same as above.

(g) Report containing all Advance Accounts with Limits

Generally, CBS Softwares generate a Report wherein details of all Advance Accounts are listed. Excel can be used to verify cases of DP > SL, Margin Requirement, etc.

(h) TOD Report

Documents and sanction orders should be verified for all the cases of Manually granted TODs. In Finacle the report can be generated through Menu Code “TODRP”.

(i) Account Turnover Report

To review the quantum of transactions in the borrower accounts turnover reports should be used. In Finacle, inquiry for Account Turnover can be carried out through “ACTI, CUTI” Menu codes and report can be generated through “ATOR” Menu.

(j) Loan Inquiry

In Finacle, criterion based search for Loan Accounts is available through Menu option “LAGI”. The said menu can be used to verify:

- New sanction, Accounts closed
- Loans under various schemes
- Loans based on Account Classifications
- Accounts search based on Limit (Credit & Stock Audit)

(k) Loan Overdue Inquiry

In Finacle, criterion based search for Overdue & Overflow Loan Accounts is available through Menu option “LAOPI”. In case of BaNCS the said details are available through offline daily report. The said menu can be used to verify:

- Principle & Interest Overdue and Overflow
- Overdue in “%” as well as Overdue in “No. of Days”

(l) Financial Transaction Inquiry

In Finacle, report based on different criteria for financial transactions can be generated through Menu Option “FTR”. The said menu can be used to verify:

- Loan disbursement in Cash (Sub GL code & Tran Type)
- Value Dated Transactions verification (Only value dated flag)
- Transactions in Loan / OD-CC Accounts (SubGL, Tran Type, Part Tran Type)
- Credits to NRE Accounts in a period (Sub GL, Part Tran Type)
- Credits to FCRA Accounts in a period (Sub GL, Part Tran Type)
- Cash Deposit Transactions above Rs. 50,000 to verify compliance with Income Tax Guidelines on PAN (Tran Type, Tran Sub Type)
- Cash Transactions above Rs. 10 Lacs to verify compliance with AML Guidelines (Tran Type)
- Debits to ESCROW Accounts to verify compliance with ESCROW Agreement (Sub GL, Part Tran Type)

Guide on Audit Activity through CBS for LFAR and Tax Audit Requirements

2.38 Each bank uses its own format for concurrent audits. A common report format used by all the banks is of Long Form Audit Report (issued by statutory auditor). Following are few checkpoints for concurrent auditors alongwith suggested system support.

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
Cash	<ul style="list-style-type: none">➤ Physical verification of Cash Balance➤ Cash Balance as on the date of Audit Period➤ Cash Balances reported in Friday Statement	<p>Finacle:</p> <ul style="list-style-type: none">➤ “ACLI” - Account Ledger Inquiry (Vault A/c and Teller Accounts) <p>BaNCS:</p> <ul style="list-style-type: none">➤ ➔ Reports ➔ Cash Related ➔ View Cash Summary (Click on Fetch)➤ ➔ Branch Reports ➔ Cash Officer's Jotting Book Report

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
		<ul style="list-style-type: none"> ➤ ➔ Reports ➔ Printing Reports ➔ Cashier / Teller Cash Report
Balances with RBI / SBI / Other Banks	<ul style="list-style-type: none"> ➤ Balance as on Date ➤ Transactions in Mirror Accounts ➤ Reconciliation Statement (Generally outside of CBS) 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "ACLI" - Account Ledger Inquiry <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ ➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction
Advances	<ul style="list-style-type: none"> ➤ Sanction Limit / Drawing Power setup 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "ACLHM" – Account Limit History Maintenance ➤ "ACM / ACI" – Account Master (Go to Limit details) ➤ "LTL" – Limit Tree Lookup (Tree view of all Limits) <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ DL/TL Accounts & Services ➔ Enquiries ➔ Account ➤ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account
Advances	<ul style="list-style-type: none"> ➤ Account & Customer Master parameters setup viz., ➤ Interest Parameters (Regular & Penal Interest) ➤ Repayment Instructions ➤ Standing Instructions (SI) Parameters 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "ACLHM" – Account Limit History Maintenance for DP & SL – Account Specific ➤ "ACM / ACI" – Account Master ➤ "CUMM / CUMI" – Customer Master <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ DL/TL Accounts & Services ➔ Enquiries ➔ Account ➤ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account <p><i>(Short & Long Inquiry options are available under both menu.)</i></p>
Advances	<ul style="list-style-type: none"> ➤ Transactions in Borrower's Account 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "ACLI" - Account Ledger Inquiry <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction ➤ DL/TL Accounts & Services ➔ Enquiries ➔ Transaction
Advances	<ul style="list-style-type: none"> ➤ Interest Rate History 	<p><u>Finacle:</u></p>

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
		<ul style="list-style-type: none"> ➤ "INTTM" – Interest Table Master Maintenance (Under Inquire Mode – Account Specific) <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services → Interest Rate History ➤ DL/TL Accounts & Services → Interest Rate History
Advances	<ul style="list-style-type: none"> ➤ Conduct of Account and Credit Turnover ➤ Turnover of CC Account based on Borrower's Business profile ➤ In case of Loan accounts ACTUAL recovery of Installments and Interest 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ "ATOR" – Account Turnover Report ➤ "ACTI" – Account Turnover Inquiry ➤ "CUTI" – Customer Level Turnover Inquiry <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ DL / TL Accounts & Services → Enquiries → Long ➤ Deposit/CC/OD Accounts & Services → Enquiries → Long
Advances	<ul style="list-style-type: none"> ➤ Non Performing Asset ➤ Search an Account based on Criteria 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ "ACS" – Account Selection (2nd Screen – IRAC Code – Main Asset Classification) <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ DL / TL Accounts & Services → Enquiries → Short → Select Option "1" – TL / DL [Long Inquiry for NPA Date] ➤ Deposit/CC/OD Accounts & Services → Enquiries → Short → Select Option "2" – CC / OD [Long Inquiry for NPA Date] ➤ Common Processing → Overdue / NPA → NPA Enquiry (Risk Grade Inquiry / NPA Status Inquiry)
Advances	<ul style="list-style-type: none"> ➤ Interest Report 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ "AINTRPT" – Interest Report for Account <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Product Sheets – To be requested from Data Center (if not available through user login)
Advances	<ul style="list-style-type: none"> ➤ Primary & Collateral Security Maintenance 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ "SRM" – Security Register Maintenance

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
		<p>BaNCS:</p> <ul style="list-style-type: none"> ➤ DL/ TL Accounts & Services → Security (Primary/ Collateral) → Customer → Amend / Enquiry → Amend / Enquire Security
Advances	<ul style="list-style-type: none"> ➤ Lien Marking 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ “ALM” – Account Lien Maintenance <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ DL/ TL Accounts & Services → Security (Primary/ Collateral) → Customer → Amend / Enquiry → Amend / Enquire Security <p><i>(Under BaNCS – Collateral ID is required to be created before setting up limits)</i></p>
Advances	<ul style="list-style-type: none"> ➤ Account Ledger Printing 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ “PSP” – Pass Sheet Print ➤ “ACLPCA” – Customer Ledger Account Print <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Print Menu available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services
Advances	<ul style="list-style-type: none"> ➤ Non Fund based Facility (LC, BG) 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ “GI” – Guarantee Inquiry ➤ “DCQRY” – Documentary Credit Query <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Report generated from Trade module
Stationery	<ul style="list-style-type: none"> ➤ Physical Verification of Stationery and confirmation of Balance as per CBS 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ “ISRA” – Inventory Status Report (<i>Location wise viz., Dual Lock, Individual, Cancelled etc.</i>) <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Through Valuable Paper Inventory System [VPIS] module
Office Accounts (Suspense, Sundry etc.)	<ul style="list-style-type: none"> ➤ Outstanding entries for reporting ➤ Entries outstanding – Whether any provisioning is required? 	<p>Finacle:</p> <ul style="list-style-type: none"> ➤ “IOT” – Inquire on Transaction (As on date Inquiry) ➤ “MSGOIRP” – Outstanding Items Report <p>BaNCS:</p>

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
		<ul style="list-style-type: none"> ➤ Through offline reports viz. "Audit BGL accounts age wise break up" and "GL-Outstanding-Accounts" report.
Office Accounts (Suspense, Sundry etc.)	<ul style="list-style-type: none"> ➤ Printing of Office Accounts 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "ACLPOA" – Account Ledger printing Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ BGL Accounting Menu
Inter Branch Account	<ul style="list-style-type: none"> ➤ Un-reconciled transactions 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ Through Outstanding IBR Report. <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Through offline "Outstanding IBR Report"/ "IBR Summary report"
TDS Related	<ul style="list-style-type: none"> ➤ TDS Information and Reports 	<p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "TDSIP" – TDS Inquiry & Reports ➤ Month-end report on account wise / transaction wise Tax deduction. ➤ Bank specific customized Menu / report <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Through offline monthly report on account wise / transaction wise Tax deduction.

List of Important Menu Commands

2.39 Following is the list of various important menu commands for concurrent auditors based on area of operations in the bank:

(i) Accounts, Customer Master and Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	CUMM / CUMI	Customer Master Maintenance / Inquiry	Inquiry
Finacle 7	ACM / ACI	Account Master Maintenance / Inquiry	Inquiry
Finacle 7	ACLI	Account Ledger Inquiry	Inquiry
Finacle 7	ACCBAL	Component of Account Balance Inquiry	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	ACS	Account Criterion Search	Inquiry (Search / Criterion based)
Finacle 7	CUS	Customer Selection / Inquiry	Inquiry (Search / Criterion based)
Finacle 7	ACINT	Interest Run for Accounts	Inquiry / Report
Finacle 7	INTTM	Interest Table Master Maintenance	Inquiry
Finacle 7	AFI	Audit File Inquiry	Inquiry
Finacle 10	CRM Module	Customer Master maintenance	Inquiry & Modifications
Finacle 10	HACLI, HACLINQ	Account Ledger Inquiry	Inquiry
Finacle 10	HACM, HACMTD	Account Master, Account Master Term Deposits	Inquiry
Finacle 10	HINTTM	Interest Table Master Maintenance	Inquiry
Finacle 10	HAFI	Audit File Inquiry	Inquiry
BaNCS	Customer Management → Enquiries → Search by CIF Number	To verify all accounts of one Customer	Inquiry
BaNCS	Customer Management → Enquiries → Search by ID Number	Search using available information (ID Number)	Inquiry
BaNCS	Customer Management → Enquiries → Search by Name	Search using available information (Name)	Inquiry
BaNCS	Customer Management → Relationship / Ownership → Associated Accounts	Inquiry on Linked Accounts, Owned Accounts etc.	Inquiry
Flex Cube	CH021	Account Master Maintenance	Inquiry
Flex Cube	CH701	Customer account balances-Other than loans-For standard accounts but including CC limit accounts	Inquiry
Flex Cube	CH703	RD account balances- Customer wise	Inquiry
Flex Cube	2000	CTI Customer Search	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Flex Cube	7004	Customer Name and Address Inquiry	Inquiry
Flex Cube	7100	All Balance Inquiry	Inquiry
Flex Cube	7105	Display Customer Image	Inquiry
Flex Cube	BA095	Account Level Attributes Inquiry	Inquiry
Flex Cube	7002	Balance Inquiry	Inquiry
Flex Cube	CH031	Statement Inquiry	Inquiry
Flex Cube	BAM24	Account Status Audit Trail Inquiry	Inquiry
Flex Cube	1337	Term Deposit Interest Payout Inquiry	Inquiry
Flex Cube	7020	TERM DEPOSIT Balance Inquiry	Inquiry
Flex Cube	TD023	TERM DEPOSIT Rates History Inquiry	Inquiry
Flex Cube	TD031	TERM DEPOSIT Audit Trail Inquiry	Inquiry
Flex Cube	TD037	TERM DEPOSIT Account Ledger Inquiry	Inquiry
Flex Cube	TD050	TERM DEPOSIT Interest Inquiry	Inquiry
Flex Cube	TD11	TDS Inquiry	Inquiry

(ii) Transactions

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	TM / TI	Transaction Maintenance / Inquiry	Inquiry
Finacle 7	FTI	Financial Transaction Inquiry	Inquiry (Search / Criterion based)
Finacle 7	FTR	Financial Transaction Inquiry Report	Report
Finacle 10	HTI	Transaction Maintenance / Inquiry	Inquiry
Finacle 10	HFTI	Financial Transaction Inquiry	Inquiry (Search / Criterion based)
BaNCS	Deposit / CC / OD Accounts & Services → Enquiries → Transaction	Transaction Enquiry (Additional options available: Transaction Types: 99 – All Financial, 98 – Cash Transaction, 25 – Repayment Details, 33 – Message Details	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
BaNCS	→ Branch Accounting (BGL) → Enquire → Transaction	BGL Transaction Enquiry	Inquiry
Flex Cube	TD044	TD Transactions Inquiry	Inquiry
Flex Cube	LN058	Loan Interest Adjustment Transaction	Inquiry
Flex Cube	PM025	Payment Transaction Inquiry	Inquiry
Flex Cube	GLM04	GL Transactions and Movements Inquiry	Inquiry
Flex Cube	AT002	Audit Trail Financial Transactions Inquiry	Inquiry
Flex Cube	BA777	Audit Trail Inquiry for Non-Financial Txns	Inquiry

(iii) Clearing Transactions

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	MCLZOH	Maintain Clearing Zone	Inquiry
Finacle 7	OCTM	Outward Clearing Transaction Maintenance	Inquiry
Finacle 7	ICTM	Inward Clearing Transaction Maintenance	Inquiry
Finacle 10	HOCTM	Maintain Clearing Zone	Inquiry
Finacle 10	HICTM	Outward Clearing Transaction Maintenance	Inquiry
Finacle 10	HMCLZOH	Inward Clearing Transaction Maintenance	Inquiry
BaNCS	Collection and Cheque Purchase → Enquiries → Enquiries	Inquiry for Cheque Purchase / on Collection	Inquiry
Flex Cube	ST023	Outward Clearing	Inquiry
Flex Cube	ST033	Inward Clearing	Inquiry
Flex Cube	BA990	Clearing Inquiry	Inquiry
Flex Cube	ST002	Value Date Clearing Inquiry	Inquiry

(iv) Office Accounts Maintenance

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	ACLPOA	Account Ledger Print Office Account	Report
Finacle 7	IOT	Inquire on Transaction	Inquiry & Report
Finacle 7	MSGOIRP	Outstanding Items Report	Report
Finacle 10	HIOT	Inquire on Transaction	Inquiry & Report
Finacle 10	HACLPOA	Account Ledger Print Office Account	Report
BaNCS	→ Branch Accounting (BGL) → Enquire → Account	Enquiry on BGL Account	Inquiry
BaNCS	→ Branch Accounting (BGL) → Enquire → Account Number Search	Search an Account Number by BGL Name	Inquiry
BaNCS	→ Branch Accounting (BGL) → Enquire → Transaction	BGL Transaction Enquiry	Inquiry
Flex Cube	GLM01	GL Voucher Entry	Inquiry
Flex Cube	GLM02	Chart of Accounts	Inquiry
Flex Cube	GLM04	GL Transactions and Movement Inquiry	Inquiry
Flex Cube	1005	Miscellaneous GL Transfer (Dr/Cr)	Inquiry

(v) Loans & Advances

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	SRM	Security Register Maintenance	Inquiry
Finacle 7	HCLM / CLL	Collateral Maintenance	Inquiry
Finacle 7	ACHLM	Account History Limit Maintenance	Inquiry
Finacle 7	ALM	Account Lien Maintenance	Inquiry
Finacle 7	ACTODM	Account TOD Maintenance	Inquiry
Finacle 7	TODRP	TOD Register Printing	Inquiry
Finacle 7	PSP	Pass Sheet Print	Report
Finacle 7	ACLPCA	Account Ledger Printing	Report

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	LAGI	Loan General Inquiry	Inquiry (Criterion based search)
Finacle 7	LAOPI	Loan Overdue Position Inquiry	Inquiry (Criterion based search)
Finacle 7	LTL	Limit Tree Lookup	Inquiry
Finacle 7	LNDI	Limit Node Inquiry	Inquiry
Finacle 7	AINTRPT	Interest Report for Accounts	Report
Finacle 10	HSCLM	Security Register Maintenance	Inquiry
Finacle 10	HALM	Account Lien Maintenance	Inquiry
Finacle 10	HACTODM	Account TOD Maintenance	Inquiry
Finacle 10	HPSP	Pass Sheet Print	Report
Finacle 10	HACLHM	Account Limit History Maintenance	Inquiry
Finacle 10	HAINTRPT	Interest Report for Accounts	Report
Finacle 10	HINTPRF	Interest Proof Report	Report
BaNCS	Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account	To verify the Account Master Details	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services → Enquiries → Statement Print	Printing Statement of Account for a Deposit or CC / OD	Report
BaNCS	Deposit / CC / OD Accounts & Services → Enquiries → Short	Basic details on Enquiry on Screen on Deposit Accounts	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services → Enquiries → Long	Additional Details on Enquiry Screen for Deposit Accounts	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services → Interest Rate History	Details of changes in Interest Rate for an account	Inquiry
BaNCS	→ DL/TL Accounts & Services → Loan Tracking → Operations	Loan account operations	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
BaNCS	→ DL/TL Accounts & Services → Loan Processing → Generate Repayment Schedules → Action – “E”	To print Repayment schedule for a DL / TL Account	Report
BaNCS	→ DL/TL Accounts & Services → Enquiries → Short → Option “Balance Breakup Enquiry”	To view amount of Arrears & Breakup of Principal, Interest Realized, Charges & Arrear of Interest	Inquiry
BaNCS	→ DL/TL Accounts & Services → Security (Primary / Collateral) → Customer → Enquiry → Enquire Security Summary	Enquire on linked collateral	Inquiry
Flex Cube	CH066	Limit Collateral Inquiry	Inquiry
Flex Cube	CHM06	OD Collateral Maintenance	Inquiry
Flex Cube	CHM07	OD Limit Master Maintenance	Inquiry
Flex Cube	ST070	Cheque Purchase	Inquiry
Flex Cube	CH033	Average Quarterly / Monthly Balance Inquiry	Inquiry
Flex Cube	TDM24	Lien Master	Inquiry
Flex Cube	1413	Loan Disbursement Inquiry	Inquiry
Flex Cube	LN522	Account Schedule Inquiry	Inquiry
Flex Cube	LNM10	Account Transactions Inquiry	Inquiry
Flex Cube	BA433	Collateral To Accounts Inquiry	Inquiry
Flex Cube	BA434	Account To Collateral Inquiry	Inquiry

(vi) DD / PO, Cheque Book maintenance, Stop Payments and Security Stationery maintenance

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	DDSM	DD Status Maintenance	Inquiry
Finacle 7	DDIP	Inquiry on Specific DD Paid	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	ISRA	Inventory Status Report	Report
Finacle 7	IMI	Inventory Movement Inquiry	Inquiry
Finacle 7	ICHB	Issue Cheque Book	Inquiry
Finacle 7	CHBM	Cheque Book Maintenance	Inquiry
Finacle 7	SPP	Stop Payment of Cheque	Inquiry
Finacle 7	SPRG	Stop Payment Register	Report
Finacle 10	HDDSM	DD Status Maintenance	Inquiry
Finacle 10	HDDIP	Inquiry on Specific DD Paid	Inquiry
Finacle 10	HISRA	Inventory Status Report	Report
Finacle 10	HIMI	Inventory Movement Inquiry	Inquiry
Finacle 10	HICHB	Issue Cheque Book	Inquiry
Finacle 10	HCHBM	Cheque Book Maintenance	Inquiry
Finacle 10	HSPP	Stop Payment of Cheque	Inquiry
Finacle 10	HSPRG	Stop Payment Register	Inquiry
BaNCS	→ Valuable Paper Inventory System [VPIS] → Enquiry of VPIS → General Enquiry	To check inventory status	Inquiry
BaNCS	→ VPIS → Lost / Damaged / Cancelled Inventories	Location for Lost / Damaged / Cancelled Inventories	Inquiry
BaNCS	→ VPIS → Enquiry of VPIS → Teller Level Inquiry	Details of Inventory available at Teller level	Inquiry
Flex Cube	CH078	Cheque Status Maintenance	Inquiry
Flex Cube	CHM35	Stop Cheque Instructions	Inquiry
Flex Cube	CHM37	Cheque Book Issue Maintenance	Inquiry
Flex Cube	IV011	Stock Inquiry	Inquiry
Flex Cube	IV004	Inventory Lost report Register maintenance	Inquiry
Flex Cube	MCA80	Inquiry of sold/issued inventory	Inquiry

(vii) Compliances

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	TDSIP	TDS Inquiry / Print	Inquiry and Report
Finacle 7	AFSM	Account Freeze Maintenance	Inquiry
Finacle 10	HTDSIP	TDS Inquiry / Print	Inquiry and Report
Finacle 10	HAFSM	Account Freeze Maintenance	Inquiry
Flex Cube	TDS06	Tax Parameters Maintenance	Inquiry
Flex Cube	TDS04	Tax waiver criteria Maintenance	Inquiry
Flex Cube	TDS05	Customer special Tax code maintenance	Inquiry
Flex Cube	TDS11	Tax Inquiry	Inquiry

(viii) Trade Finance and Foreign Exchange Transactions

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	INBOEM	Bill of Entry Maintenance	Inquiry
Finacle 7	BI	Bills Inquiry (Inland)	Inquiry (Criterion based search)
Finacle 7	BP	Bills Inquiry (Inland) – Printing	Report
Finacle 7	BM	Bill Maintenance (Inland)	Inquiry
Finacle 7	FBI	Foreign Bill Inquiry	Inquiry (Criterion based search)
Finacle 7	FBM	Foreign Bill Maintenance	Inquiry
Finacle 7	FBP	Foreign Bill Inquiry – Printing	Report
Finacle 7	BRBPR	Balancing Report for Bills Purchased (Inland)	Report
Finacle 7	BRCR	Balancing Report for Bills on Collection (Inland)	Report
Finacle 7	FBBR	Balancing Report for Foreign Bills	Report
Finacle 7	DCQRY	Documentary Credit Query	Inquiry (Criterion based search)
Finacle 7	GI	Guarantee Inquiry	Inquiry
Finacle 7	IRM	Inward Remittance Maintenance	Inquiry
Finacle 7	ORM	Outward Remittance Maintenance	Inquiry
Finacle 10	HINBOEM	Bill of Entry Maintenance	Inquiry
Finacle 10	MIIB	Maintain Import & Inward Bills	Inquiry
Finacle 10	MEOB	Maintain Export & Outward Bills	Inquiry
Finacle 10	IBL	Bill Inquiry	Inquiry (Criterion based search)

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 10	HBRBPR	Balancing Report for Bills Purchased (Inland)	Inquiry
Finacle 10	HBRCR	Balancing Report for Bills on Collection (Inland)	Inquiry
Finacle 10	HFBBR	Balancing Report for Foreign Bills	Inquiry
Finacle 10	HGI	Guarantee Inquiry	Inquiry
Finacle 10	HIRM	Inward Remittance Maintenance	Inquiry
Finacle 10	HORM	Outward Remittance Maintenance	Inquiry
Flex Cube	SY001	Guarantee Inquiry	Inquiry
Flex Cube	BIM04	Bill Parameters Maintenance	Inquiry
Flex Cube	BIM05	Bills Processing Maintenance	Inquiry
Flex Cube	BI001	Bills Data Entry	Inquiry

Note:

The discussion of Menu codes / commands in this chapter is only for guidance of members. The purpose of inclusion of the same here is to understand functioning of banking software. Moreover, with the continuous changes and customization requests by banks, all the menu codes may not be available / accessible in all the banks.

The Finacle menu codes discussed in this chapter is for version 7 (except expressly mentioned). Finacle has introduced new version namely Finacle 10.X. Few banks have already migrated to newer version and few more are in process of migration. Under Finacle 10.X there are changes in Menu Codes apart from other navigational changes.

Disclaimer:

Images, Logo, Screen Shots, Menu Codes, Software Name, etc., are the property of respective Software developer/ Trademark owners.

Chapter – 3 Internal Control

The following are sample indicators on the level of Internal Controls:

1. General monitoring controls (such as oversight of management)
 - a. SBA should check internal controls on custody of cash and see that the cash management policy of the bank is duly followed.
 - b. SBA should check internal controls on operations of ATM or cash dispensing machine or such other machines and see that the cash management policy of the bank is duly followed.
 - c. SBA should physically check cash at the branch and at the ATM attached to branch.
 - d. SBA should examine rotation of duties of key management at branch for effective operations based on management policy of the Bank.
 - e. SBA should check the internal controls on custody of Cheques, Demand Drafts and other Stationery and whether management policy is been followed by the Branch.
 - f. SBA should examine limit for cash holding and what is cash actually hold by branch throughout the year.
 - g. SBA should examine the controls of physical property of the branch including security requirements.
 - h. SBA should check the no of employees of the branch and compare with active Passwords.
2. Controls over the prevention and detection of fraud.
3. Controls over significant transactions with related parties
4. Controls over significant transactions outside the entity's normal course of business.
5. Controls over the period-end financial reporting process (such as controls over non-recurring journal entries).

Chapter - 4

Bank Audit_Important References

Dear Sir,

Bank Branch Audit of Public Sector Banks for the year 2019-20

In these tough times of the global spread of pandemic COVID-19, challenges are being faced by one and all. Limited physical movement, restricted access to information and constraints of resources have impacted all the economic processes pervasively.

In respect of the bank branch audit of the Public Sector Banks (PSBs) for the year 2019-20, series of concerted efforts have been made by Professional Development Committee of ICAI. The representations and the advisories issued by the Institute on the subject matter are tabulated chronologically for the reference of members at large:

S.No.	Date	Matter in Brief	Details
1	20th March, 2020	RBI and various Regulators approached for relaxing timelines of statutory filings of Audit and other compliances due to on-going spurt of Covid-19.	Detailed Representation
2	7th April, 2020	RBI informed that all listed banks should follow the instructions issued by SEBI. With respect to LFAR and all certificates can be submitted by 31st July 2020.	Announcement enclosed
3	9th April, 2020	Interactive meet with Central Statutory Auditors of all 85 firms with President & Vice President, ICAI, Chairman & Vice Chairman, PDC	Note on effectiveness of Bank Branch Audit enclosed
4	13th April, 2020	Advisory issued to approximately 35,000 firms eligible for Bank Branch Audit for initiating the process of Statutory Bank Branch audit remotely to ensure timely and effective Bank Branch Audit. The said advisory was also shared with all Central Statutory Auditors for their information.	The detailed advisory enclosed & annexure
5	14th April, 2020	Representations sent to RBI to re-look guidelines for NPA and COVID-19, in view of rigorous audit to be carried out.	Copy of representation is enclosed.
6	15th April, 2020	Letter sent to CMD's of all Banks informing them the above advisory issued to Statutory Bank Branch Auditors. The CMDs were requested to issue an	Copy enclosed

		appointment letter to the Branch Auditors, if not issued.	
7	16th April, 2020	Representation submitted again to R BI reiterating them not to reduce the number of branches and scope of Bank Branch Audit.	Copy enclosed

ICAI will be conducting couple of webinars to discuss and resolve the various challenges which the statutory auditors are likely to face and the practical resolutions thereto for online work of bank branch audit.

Further, similar to earlier years, an expert panel has been formulated by AASB of ICAI to address the queries related to statutory bank audit raised by the members, which will be announced shortly.

The members are requested to refer the Institute's website for all the authenticated information regarding the afore-mentioned matters and also follow the advisories.

Regards,
Seema Gerotra
Joint Director &
Secretary, Professional Development Committee
The Institute of Chartered Accountants of India,
'ICAI BHAWAN', NEW DELHI - 110 002. India
Telephone - Direct +91 11 30110547
Telephone - Board +91 11 39893989 Extn: 547
Website: <http://www.icai.org/>
PD Knowledge Portal : <http://pdicai.org/>
<http://www.icai.org/followus/>

Chapter-5

Addendum to the Guidance Note on Audit of Banks, 2020 Edition

Addendum to the Guidance Note on Audit of Banks, 2020 Edition with reference to RBI circular no.: RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 dated March 27, 2020 on COVID 19 - Regulatory Package

The RBI issued a circular dated March 27, 2020 granting relief for borrowers as Covid-19 Regulatory package. The relief granted to borrowers *vis-à-vis* IRAC norms is as follows:

1. Rescheduling of Payments – Term Loans and Working Capital Facilities

1.1. Term Loans

In respect of all term loans (including agricultural term loans, retail and crop loans), all commercial banks (including regional rural banks, small finance banks and local area banks), co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies) (lending institutions) are permitted to grant a moratorium of three months on payment of all instalments falling due between March 1, 2020 and May 31, 2020. The repayment schedule for such loans as also the residual tenor, will be shifted across the board by three months after the moratorium period. Interest shall continue to accrue on the outstanding portion of the term loans during the moratorium period.

The banks have been permitted to grant a moratorium period of three months on payment of all instalments to all types of term loans which are falling due between March 01, 2020 and May 31, 2020 and accordingly the residual tenor of the account would be extended to the extent of such moratorium period granted. The footnote to the circular specifies that Instalments will include the following payments falling due from March 1, 2020 to May 31, 2020: (i) principal and/or interest components; (ii) bullet repayments; (iii) Equated Monthly instalments; (iv) credit card dues.

However, the circular is silent as regards the absorbing of the interest which would be payable by the borrower during the moratorium period of three months as to whether the same would result in incremental EMIs for the residual period or the residual period gets extended for requisite period beyond the expected extension of three months. It may be presumed that the banks would be permitted to follow either of the two options. They would need to mention the option that will be followed in the Board approved policy in this regard. Further, as regards the applicability of IRAC norms, the relief in the form of moratorium period does not have any impact.

1.2. Working Capital Facilities

In respect of working capital facilities sanctioned in the form of cash credit/overdraft (CC/OD), lending institutions are permitted to defer the recovery of interest applied in respect of all such facilities during the period from March 1, 2020 upto May 31, 2020 (deferment). The accumulated accrued interest shall be recovered immediately after the completion of this period.

The banks have been permitted to defer the recovery of interest applied on working

capital finance facilities during the period March 01, 2020 upto May 31, 2020. Thus, the interest debited to the account during the period March 01, 2020 upto May 31, 2020 would be considered as 'not due' till May 31, 2020. Hence, while applying the yardsticks of 'out of order' status for such accounts, the interest component would be required to be excluded during the period March 01, 2020 to May 31, 2020. However, the said interest which is considered as 'not due' during such period, would be required to be considered as due on June 01, 2020.

As regards the applicability of IRAC norms, the relief in the form of deferment of interest during the said period will have limited impact to the extent of following while applying three yardsticks of 'out of order' status of an account, viz., if the outstanding balance remains continuously in excess of the sanctioned limit / drawing power for 90 days, or in cases where the outstanding balance in the principal operating account is less than the sanctioned limit / drawing power, but there are no credits continuously for 90 days as on the date of Balance Sheet or credits are not enough to cover the interest debited during the same period.

1.3. Other facilities like LCBD, Bill Discounting, etc.

The captioned RBI circular does not grant any relief to other facilities like LCBD and Bill Discounting as both are neither in the form of Term Loan nor in the form of Cash Credit / Overdraft facilities.

1.4. Investments

The captioned RBI circular does not grant any relief to Investment portfolio of the bank.

2. Easing of Working Capital Financing

In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions may recalculate the 'drawing power' by reducing the margins and/or by reassessing the working capital cycle. This relief shall be available in respect of all such changes effected up to May 31, 2020 and shall be contingent on the lending institutions satisfying themselves that the same is necessitated on account of the economic fallout from COVID-

19. Further, accounts provided relief under these instructions shall be subject to subsequent supervisory review with regard to their justifiability on account of the economic fallout from COVID-19.

The circular grants discretion to the lending institutions regarding reduction in margin and reassessment of working capital cycle, during the period upto May 31, 2020. The bank's board approved policy will need to prescribe the manner of implementing this requirement.

The said relief will have limited impact to the extent of change in method of calculation of drawing power to the extent of reduction in margin and relaxation in consideration of working capital cycle.

3. Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

The relief granted by banks to the borrower as specified and permitted under the said circular, will not be considered as concession or change in terms and conditions of loan agreements due to financial difficulty of the borrower under paragraph 2 of the Annex to the Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions, 2019 dated June 7, 2019 (‘Prudential Framework’). Consequently, such a measure, by itself, shall not result in asset classification downgrade.

However, any relief granted over and above than specified in the said circular may result in asset classification downgrade.

4. Applicability of the circular

The circular does not distinguish between Standard Accounts and Non- Performing Accounts and thus, the benefit of relaxation provided under this circular would be available across classifications of Assets.

Addendum to the Guidance Note on Audit of Banks, 2020 Edition with reference to RBI circular no.: RBI/2019-20/220 DOR.No.BP.BC. 63/21.04.048/2019-20 dated April 17, 2020 on COVID 19 Regulatory Package - Asset Classification and Provisioning

The RBI issued a circular dated April 17, 2020 granting relief w.r.t. Asset Classification and Provisioning as follows:

1. Term Loans

In respect of Term Loan accounts classified as standard as on February 29, 2020, even if overdue, the moratorium period, wherever granted, shall be excluded by the lending institutions from the number of days past-due for the purpose of asset classification under the IRAC norms.

The circular grants relief to the term loan accounts availing moratorium benefit, to the extent of moratorium period granted, by excluding the same while calculating the delinquency for asset classification.

Thus, in case if a Term Loan account has not opted for the moratorium period, the benefit of the exclusion of the period between March 01, 2020 to May 31, 2020 in calculation of delinquency for asset classification would not be available.

2. Working Capital Facilities

In respect of working capital facilities sanctioned in the form of cash credit/overdraft (‘CC/OD’), the Regulatory Package permitted the recovery of interest applied during the period from March 1, 2020 upto May 31, 2020 to be deferred (‘deferment period’). Such deferment period, wherever granted in respect of all facilities classified as standard, including SMA, as on February 29, 2020, shall be excluded for the determination of out of order status.

The circular grants a relief from testing a CC/OD account for determination of ‘out of order’ status during the intervening period of March 01, 2020 and May 31, 2020. Thus, an account which is standard as on February 29, 2020 (i.e., not out of order status)

would remain standard (or in other words in same category as standard or SMA) till May 31, 2020.

3. Provisioning

3.1. Term Loans

In case of Term Loans, wherein the benefit of moratorium period has been availed and such moratorium period has also been granted for the purpose of calculating the delinquency related to asset classification, on such accounts, a general provision of 10% would be required to be made to the extent of total outstanding in the loan accounts in phased-wise manner as follows:

- (i) Quarter ended March 31, 2020 – not less than 5 per cent
- (ii) Quarter ending June 30, 2020 – not less than 5 per cent

The said provision would be applicable only in the cases wherein such accounts would otherwise (i.e., without availing the benefit related to asset classification) have been marked as NPA and the said provisioning requirement will not apply to the accounts which otherwise would have continued to be under standard category. The following table includes illustrative examples to clarify further:

(Presumption: the account is standard account as at February 29, 2020 and has availed a moratorium period for payment of EMIs for a period of 3 months (March 01, 2020 to May 31, 2020):

Instalment overdue since	Provision required	Provision required for the quarter
December 15, 2019	Yes	March, 2020 – 5% June, 2020 – 5%
January 01, 2020	Yes	March, 2020 – 5% June, 2020 – 5%
January 15, 2020	Yes	June, 2020 – 10%
February 29, 2020	Yes	June, 2020 – 10%

3.2. Working Capital Facilities

In case of working capital facilities wherein the benefit of exclusion of period of March 01, 2020 to May 31, 2020 is availed, a general provision of 10% would be required to be made to the extent of total outstanding in the loan accounts in phased-wise manner as follows:

- (i) Quarter ended March 31, 2020 – not less than 5 per cent
- (ii) Quarter ending June 30, 2020 – not less than 5 per cent

The said provision would be applicable only in the cases wherein such accounts would otherwise (i.e., without availing the benefit related to 'out of order') have been marked as NPA and the said provisioning requirement will not apply to the accounts which otherwise would have continued to be under standard category.

- 3.3.** The above provisions may be adjusted against the actual provisioning requirements for slippages from the accounts reckoned for such provisions. The residual provisions at the end of the financial year can be written back or adjusted against the provisions required for all other accounts.
- 3.4.** The above provisions shall not be reckoned for arriving at net NPAs till they are adjusted against the actual provisioning requirements as specified earlier. Further, till such adjustments, these provisions shall not be netted from gross advances but shown separately in the balance sheet as appropriate.
- 3.5.** The said provision is required to be made to the extent of the balance outstanding in the account wherein such benefit is availed and thus is not required to be made borrower-wise.
- 4.** As regards the accounts which have been marked as NPA as at February 29, 2020, the asset classification norms based on subsequent aging would continue as per usual asset classification. Thus, the relaxation specified in this circular is limited to the extent the borrower accounts which were standard as at February 29, 2020 and not otherwise.
- 5.** It would be pertinent to note that the said circular specifies as regards maintenance of status quo of account classification as at February 29, 2020 upto May 31, 2020 but that does not preclude upgradation of an NPA account on account of extinction of delinquencies in the said account due to which the account was classified as NPA (e.g.: In case of Term Loan account, borrower has repaid the overdue amount to the fullest extent).
- 6.** The circular provides for the disclosure and reporting requirements related to the assets which have availed the asset classification benefit as per the extant relaxation under this circular.

Chapter- 6

Advisory for Statutory Bank Branch Auditors

Specific Considerations while conducting Distance Audit / Remote Audit / Online Audit of Bank Branch under current Covid-19 situation

Dear Professional Colleagues,

We hope this communicate will find you safe and healthy. We are sure that by now most of us must have received appointment letters for statutory bank branch audits indicating branches to be audited along with the timelines specified by the banks in certain cases, which may be a tough challenge in the present scenario.

ICAI has always remained at the helm of affairs relating to auditing and accounting profession and always lived with its motto to be partner in nation building. In the present challenging scenario, we are sure that all the members of ICAI would contribute to the noble cause of performing our functions and duties with utmost professionalism with pragmatic vision in our role as an auditor. Living up to these expectations, most of the Statutory Branch Auditors (SBAs) have already commenced the process of the bank branch statutory audits and rest are about to start off the said process.

This communication is to address certain vital aspects related to Statutory Bank Branch Audits in the form of “Specific Considerations while conducting Distance Audit / Remote Audit / Online Audit of Bank Branch under current Covid-19 situation”. An illustrative list of such considerations is enumerated below.

In the present circumstances, where the world at large faces challenges due to Covid-19 pandemic, there is a sea change which is expected in the way businesses (including banking) is conducted and the way the audit profession would require to nurture itself to adopt the changed environment. Though the methodologies of conducting audit are likely to undergo a change, the objective of the audit does not change, which require the auditors to ensure that sufficient appropriate audit evidence is available with the auditor based on which he is able to express his opinion. Thus, it is advisable for the auditor that while planning and performing the alternative procedures, more professional skepticism may be exercised to ensure compliance with Standards on Auditing.

Specific Considerations while conducting Distance Audit / Remote Audit / Online Audit of Bank Branch under current Covid-19 situation:

1. On a broader basis, there is no change expected in the function of statutory audit as compared with the earlier years, thus, the compliance with the regulatory norms including compliance with Standards on Auditing, Guidance Notes issued by ICAI on the subject matter remains unaltered. Thus, there is no

dilution (in any form) of Standards on Auditing and / or any other mandatory guidelines issued by ICAI;

2. An auditor would thus take following steps on receipt of appointment letter for statutory bank audit:
 - a. Accept the appointment as branch auditors;
 - b. Plan and make available the requisite staff for conducting branch audits allotted to you;
 - c. Communicate with previous auditors via email (instead of by registered post as permitted by ESB advisory);
 - d. Use illustrative format as given in the PDC advisory to communicate with the respective branches;
3. The audit firm will enquire and adopt the SOPs adopted by the respective banks under Covid-19 situation and would strictly comply with the government regulatory guidelines issued in this regard without any deviation thereof;
4. The audit firm can opt for all the communications by email instead of physical mode wherever necessary and it is suggested that all the communications are initiated by the audit firm from a designated single email-id which will enable the firm to keep a tab on all the communications with the bank officials at the respective branches under audit. Further, the firm may consider to number such communications in chronological order for having better controls;
5. The audit firm can request the bank to provide the data / documents required for the purpose of conducting the audit in soft copy format at mutual convenience of the auditor and auditee. The audit firm will ensure strict compliance with the Non-Disclosure Agreement (NDA) terms with regards to such data / documents received and will ensure confidentiality of the data / documents;
6. In view of the present lockdown and government advisory, the audit firms are advised to co-ordinate with the concerned bank officials for necessary arrangements for movement and safety of staff of audit firm within and outside of red zone, depending on location of auditor and the branch;
7. The audit firm can ask the respective bank to provide an access for staff / partners at the nearest branch so as to enable to have delegation of work amongst them;
8. In case of non-availability of requisite files / documents at the branch, the audit firm may request either for arrangement of visit to Central Processing Cells (CPCs) or to make the files maintained at CPCs available at the branch;

9. An audit firm can seek support from the branches in following forms:
 - a. To ensure that the requisite bank officials are present at the branches who are able to give required information and explanations to the auditor;
 - b. To request the branch officials, that the branches to be kept open for entire day along with availability of CBS as per the requirements of the audit firm;
10. If sufficient appropriate audit evidence is not available, if need be, an auditor may include Emphasis of Matter / Key Audit Matters / Scope Limitations / Disclaimer of opinion, etc. in the audit report / certificates;
11. The Reserve Bank of India issued two circulars dated March 27, 2020 and April 17, 2020 resulting in changes in Asset Classification, and Provisioning norms to certain extent. It is suggested that the auditor should satisfy itself as regards compliance of the same by the bank;
12. You may also use the facility "Online Panel of Experts for answering the queries of Bank Branch Auditors" made available by the Auditing and Assurance Standards Board (AASB) of ICAI for responding queries related to statutory bank branch audit. With a view to support our members for fast resolution of such queries, the AASB has offered an online support to our members from May 02, 2020 for the bank branch audits for the year ended 31st March 2020. The queries can be sent at email id: **bankauditfaq@icai.in**

We once again assure you all that the forum of ICAI would be always available to each of its members to address any practical / professional issues arising while performing the function of statutory bank branch audits.

Best wishes, stay safe and healthy!

Chairman & Vice Chairman
Auditing and Assurance Standards Board of ICAI
Dated: May 06, 2020

[Reproduced from the Guidance Note on Bank Audit, 2020 issued by ICAI]

Illustrative Format of Engagement Letter to be sent to the Appointing Authority of the
Nationalised Bank by Branch Auditor

{The following letter is for use as a guide and will need to be varied according to individual requirements and circumstances relevant to the engagement.}

[Date]

The Board of Directors
(or the appropriate representative of senior management).

Subject: Engagement Letter

Dear Sirs,

I/We refer to the letter no. datedreceived from(Name of the relevant authority) informing me/us about my/our appointment to carry out the statutory audit of the (name of the branch) branches of your Bank for the financial year beginning April 1, 20XX and ending 31st March 20YY, including Tax Audit, issuance of the Long Form Audit Report and, as a part of the audit, verification and/ or certification of certain specific aspects pertaining to these branches, as listed in your aforementioned letter.

1. Scope and Objective

We are pleased to confirm our acceptance for the aforementioned assignment through the Letter of Acceptance attached herewith and the following sets out the area of responsibility of the Branch Management and myself/ourselves subject to the following:

- i) Our audit of the financial statements of these branches will be conducted with the objective of our expressing an opinion on the financial statements of these branches. These financial statements include the Balance Sheet (Form A), wherein we express our opinion on the true and fair view of the state of affairs and the Profit and Loss Account (Form B), wherein we express our opinion on the true balance of the profit/ loss for the year ended on 31st March 20XX.
- ii) We will conduct our audit in accordance with the Standards on Auditing (SAs) and any other applicable pronouncements issued by Institute of Chartered Accountants of India (ICAI), as well as the requirements of the Banking Regulation Act, 1949, and the guidelines/ directions issued by the Reserve Bank of India under the said statutes, from time to time. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.
- iii) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

- iv) Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with SAs.
- v) In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- vi) We invite your attention to the fact that, in terms of RBI Circular No. DBS.FGV.(F).No. BC/23.08.001/2001-02 dated May 3, 2002 relating to implementation of recommendations of the Committee on Legal Aspects of Bank Frauds (Mitra Committee) and the recommendations of the High Level Group set-up by the Central Vigilance Commission applicable to all scheduled commercial banks (excluding RRBs) we are required to report to the RBI anything susceptible to fraud or fraudulent activity or any act of excess power or any foul play in any transaction.

2. Management's Responsibility

Our assignment will be conducted on the basis that the branch management and, where appropriate, those charged with governance of the bank acknowledge and understand that they have responsibility:

- (a) For the preparation of financial statements that give a true and fair view in accordance with the applicable Financial Reporting Framework. This includes:
 - the responsibility for the preparation of financial statements on a going concern basis;
 - the responsibility for selection and consistent application of appropriate accounting policies, including implementation of applicable Accounting Standards, along with proper explanation relating to any material departures from those Accounting Standards;
 - the responsibility for making judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the branch at the end of the financial year and true balance of the profit or loss of the branch for that period.
- (b) For such internal controls, as the branch management determines, are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The responsibility for internal controls also implicitly enshrines the responsibility for compliance with the relevant directions/ circulars of the Reserve Bank of India, including for those aspects which have been specifically listed for verification/ certification by us in your aforementioned letter; and (c) to provide us with:
 - (i) access to all information, including the books, account, vouchers, internal policies and circulars, and other records and documentation, of the branch, whether kept at the branch office or elsewhere, of which the branch management is aware, that is relevant

to the preparation of the financial statements such as records, documentation and other matters;

- (ii) additional information that we may request from the branch management for the purpose of the audit, including any internal audit, concurrent audit, revenue audit, stock audit, Reserve Bank of India's Inspection report; and their latest updated compliance position.
- (iii) Unrestricted access to persons within the entity, from whom we determine it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the branch such information and explanations, as we may think necessary for the performance of our duties as auditor.

3. Other Matters

As part of our assignment, we will request from the branch management, written confirmation concerning representations made to us in connection with the audit, in accordance with Standard on Auditing 580 – “Written Representations”, issued by the ICAI including confirmations in respect of the balances held by the Branch with other banks, and such other items on the financial statements of the Branch, as may be considered necessary by us for the purpose of our assignment.

It may also be noted that non-submission of the written confirmation to the representations asked for or non-provision of any information/ confirmation, requested by us from the branch management, may result in limitation on the scope of our assignment and possibly invite necessary qualification in our auditors report

In terms of Standard on Auditing 720(Revised) – “The Auditor's Responsibilities Relating to Other Information” issued by the ICAI, we request you to provide to us a Draft of the Annual Report containing the audited financial statements so as to enable us to read the same and communicate material inconsistencies, if any, with the audited financial statements, before issuing the auditor's report on the financial statements.

We also wish to invite your attention to the fact that, our audit process is subject to 'peer review'/ 'quality review' under the Chartered Accountants Act, 1949, to be conducted by an independent reviewer. The reviewer may inspect, examine or take abstracts of our working papers, in the course of the peer review / quality review.

We look forward to full cooperation from your staff during our audit.

Our fees for the said audits (excluding fees for Tax Audit and the travelling expenses will be as specified by the Reserve Bank of India/ State Bank of India.

Our fees for audit of Non Business Offices/ CMS Branches, as well as the tax audit fees of the branches, would be as specified in your aforementioned letter.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our aforementioned assignment/s including our respective responsibilities. (Kindly also mark a copy of such acknowledgement to the concerned official/s of the respective branch managements.)

XYZ & Co.
Chartered Accountants
.....
(Signature)
(Name of the Member)

Date:
Place:
Designation

Acknowledged on behalf of Branch ofBank

.....
(Signature)
Name and Designation
Date

Attached: Letter of Acceptance duly signed by us.

Specimen list of documents to be kept ready or to be collected and reviewed for conducting branch audit:

1. Balancing Report (Trial Balance) as on 31st March of the year of Audit & immediately preceding previous year.
2. Closing circular issued by Bank's head office for conducting branch audit
3. Previous year's auditor report / LFAR.
4. Compliance Report of previous year's LFAR and date on which MOC, if any, of previous year has been given effect in Books of Branch
5. RBI inspection report/ branch concurrent audit report /Internal inspection report/ Diligence Report / Credit Audit Report/ vigilance enquiry/ systems audit report or any special investigation reports conducted during the year
6. Compliance report of RBI inspection report/ branch concurrent audit report /internal inspection report/ Diligence Report / Credit Audit Report/ vigilance enquiry or any special investigation reports towards the branch.
7. Latest RBI master circular for "Income recognition and assets classification" & other relevant circulars.
8. Documents related to verification of advances –
 - List of stress advances (SMA-2) as on 15th March. (stress advances / SMA-2 report indicate the list of advances which are overdue for more than 60 days and if the same is not regularized before year end i.e. 31st march than the advance will become NPA)
 - List of new sanction made during the year.
 - List of adhoc sanction made during the year.
 - List of accounts referred for Restructuring
 - List of accounts restructured during the year
 - List of accounts approved by RO for initiation of IBC and its status as on date.
 - List of Bank guarantee and Letter of credit issued by the Branch for its customer and on behalf of other Branch's customer.
9. Documents related to NPA's:
 - List of NPA accounts as on 31st March.
 - List of accounts upgraded during the financial year.
 - List of accounts downgraded during the year.

- List of early mortality cases for the year under audit.
- Details of the NPA classification with secured /unsecured and NPA provision amount.
- List of NPA accounts recovered / closed during the year.

10. OFF / SFF (Fixed Assets):

- Fixed Assets register.
- List of new assets purchased during the year.
- List of fixed assets sold/discarded during the year.
- List of Assets transferred from/to other branch during the year
- Physical verification report of branch fixed assets if conducted during the year.
- Depreciation working as on 31st March.

11. Bank reconciliation:

- List of bank account which branch maintained with other banks.
- Reconciliation statement of all banks account as on 31st march.

12. Inter branch reconciliation:

- Inter branch reconciliation statement.
- Provision for net outstanding debit balance for more than 6 months.

13. List & status of Pending litigation to be obtained from all the empanelled Advocates

14. Traces User ID & Password

15. GST User ID & Password

Name of the Bank :
Branch :

Year Ended :
Branch Code :

BANK BRANCH PROFILE

Sl. No.	Particulars	Remarks
1	Name of The Bank	
2	Branch Name	
3	Branch Code	
4	Address of the Branch	
5	Contact Number & E-Mail ID	
6	Date of opening of the branch	
7	CIN	
8	PAN	
9	Goods & Service Tax (GST) Regn No.	
10	TAN	
11	Profession Tax Regn.	
12	Area Classification - Metro/Urban/Sub-urban/Rural	
13	Category Of Branch - ELB/VLB/L/M/S	
14	Name of The Branch Manager Present	
15	Present Branch Manager Appointed On	
16	Mobile Number of the Branch Manager	
17	Name of The Branch Manager immediately preceding	
18	Previous Branch Manager was Appointed On	
19	Whether hand over report received from the Previous manager	
20	Weekly holiday	
21	Working hours	
22	Cash Retention Limit	
23	Cash Retention Limit Letter reference details	
24	Main Door Key - Branch - Incharge Details	
25	Main Door Key Duplicate - Branch - Incharge Details	
26	The Main Safe Door key (whether dual custody?)	
	Name & Designation - Primary Custodian	
	Name & Designation - Secondary Custodian	
	Name & Designation - Duplicate Keys Custodian, if any	

27	Whether Locker Facilities provided at the Branch	
	If Yes, Name & Designation - Incharge	
28	Staff Details	
	on Roll	
	Temporary Staffs	
	Total	
	Name	Designation
	Officers:	
29	Branch Head Sanctioning Powers - Communication Letter No. and Date - Please Provide a copy of the same)	
30	Account with other Banks (Name & Branch)	
31	Does The Bank Deal In Any other Currency Other than INR, if Yes, Provide Details Of all such Currency Dealt in	
32	Whether Investment is made at the branch?	
33	Whether any Investments held on behalf of the Head Office or any other departments by the Branch?	
34	Whether the branch is covered by Lead Bank Scheme?	
35	Whether the branch has been covered by any RBI/Inspection Audit etc., and if YES, details thereof	
36	Whether the branch has been subjected to inspection / Audit etc. during the financial year, and if YES, details thereof	
	Nature of Audit / Inspection	Report Date
	RBI Inspection	
	Statutory Audit & LFAR	
	Tax Audit	
	Concurrent Audit	

	Revenue Leakage Audit	
	Information Systems Audit	
	Other, if any, specify	
37	Whether Branch issue Letter of credit and bank Guarantee on behalf of other branches	
38	Whether ATM / CDM is attached to the Branch, If Yes, Details thereof	
39	Whether cash in the ATM is furnished by the Branch	
40	Major Types of Advances by the Branch	
41	Change in Interest Rates - Whether updated in the system at Branch level.	
42	Location of the Server	
43	No. of system available in the branch	
44	Is Fixed Assets Register maintained at the branch (Manual / Computerized)	
45	What are the Daily Report taken in hard copy?	
46	Salary Calculation (HO/Branch)	
47	Documentation of Security Documents	
48	Property owned or rented, if rented, whether Rental Agreement is renewed?	
49	Insurance (HO/Branch)	
50	Whether the Branch is installed with Alarm, Details thereof	
51	Is there a separate log book maintained for cheque book received from the RO and sent to the customers	
52	Current Base Rate	
53	Periodicity of Back - up & Custody	
54	Any Suits filled during the Financial Year	
55	Whether any leasing finance activity carried on by the Branch	
56	Is there a separate log book maintained for documents received and sent to/from the Branch (Documents like Stock/Book Debt statements, Renewal Application, Financial Statements, Stock audit report etc.)	
57	List of Empaneled Advocates (Name & Contact Details)	

58	List of Empaneled Valuers (Name & Contact Details)	
59	List of Empaneled Appraiser (Name & Contact Details)	
60	Any Fraud reported in branch in past/present	
61	Total Assets as on March 31, 2020	
62	Total Liabilities as on March 31, 2020	
63	Total count of Advances as on March 31, 2020	
64	Advances as on March 31, 2020	
65	Deposits as on March 31, 2020	
66	Income as on March 31, 2020	
67	Expenses as on March 31, 2020	
68	Profit / Loss as on March 31, 2020	
69	Any Other Information	

Reviewed by
Name
Date

Branch Manager
Name
Date

Name of the Bank		Year Ended	31-03-2020
Name of the Branch		Branch Code	

KYC Verification for New Accounts

S. No.	Particulars	Remarks
1	Number of Account as on opening of financial year	
2	Number of Accounts opened during the year	
3	Number of Accounts Closed during the year	
4	Number of Account as on closing of financial year	
5	Sample no. of new Accounts selected for verification of KYC Documents	
6	Whether KYC available on the records	
7	No. of Accounts having discrepancies in KYC to be reported in LFAR	

Sample KYC Details to be available on records

S. No.	Particulars
1	PAN Card
2	Aadhar Card along with Consent Letter therefor
3	Certificate of Incorporation
4	MOA
5	AOA
6	Partnership Deed
7	Trust Deed
8	GST Certificate
9	MSME Certificate
10	Photos

User may kindly refer to master direction no. RBI/DBR/201516/18DBR.AML.BC.No.81/ 14.01.001/2015-16 updated as on April 20, 2018 on "Know Your Customer (KYC)

Prepared By
Date

Reviewed By
Date

Name of the Bank		Year Ended	
Name of the Branch		Branch Code	

Summary of Verification of LFAR						
S No	Particulars	LFAR No	Documentation By	Reviewed By	Remarks	Working Paper Ref No.
Part I - Assets						
Cash						
1	Verify the compliance with of cash retention limit	1				WP1 & WP2
2	Assess the adequacy of Insurance with respect to cash held by the branch	1				
3	Whether Cash is maintained in Joint Custody of 2 or More officials	1				
Balances with Reserve Bank of India, State Bank of India and other Banks						
4	Confirmation & Review of Balances from RBI/Branches/ RO	2				
Money at call and Short Notice						
5	In case of Money at Call and Short Notice, Whether Guidelines of HO has been complied with	3				
Investments						
6	Whether branch have any investment	4				
7	if yes, the verification, Income recognition and guidelines thereof has been followed	4				
8	If no, obtain NIL certificate from branch and comment accordingly	4				

	Advances					
9	Obtain the list of large borrowers having limit/balance outstanding in excess of 5% of the branch advances or Rs 2 Crores whichever is less (Both Fund and Non-Fund Based)	5				WP3 to WP9
10	Verification of Advances with respect to Credit appraisal, Sanction, Documentation, Review and Supervision is complied with	5				
	Review of Credit Appraisal	5(a)	Refer illustrative List for Discrepancies C1			
11	System of assessing the Credit worthiness					
12	Adherence to Guidelines / procedures issued by the HO / RO / Zonal office with respect to granting / renewal of advances					
13	Whether all necessary documents required for credit appraisal has been obtained					
	Review of Sanction / Disbursements	5(b)				
14	Whether the advance sanctioned is within the delegated powers / authority to the branch					
15	All conditions mentioned in the sanction letter have been complied with prior to disbursement					
16	In case of non-compliance whether the same has been reported / reviewed					
	Review of Documentation / Monitoring / Supervision	5(c) & 5(d)				
17	Whether all necessary documents required for credit as per the terms of sanction have been obtained, if not, report the cases of deficiencies					

18	Whether lien has been marked in the securities / Insurance					
19	In case of Consortium / Joint Advance, Whether documentation policy has been followed					
20	Obtaining of Audited accounts in case of Noncorporate borrowers advances exceeding Rs. 25 Lakhs					
21	Periodic physical verification of Stocks and other securities					
22	Periodic review of advances and confirmation of balance					
23	Provide information relating to overdue/pending renewal between 6 months and 1 year and over 1 year					
24	Obtaining of Book debts. Stock Reports periodically and duly scrutinized by the branch and action taken thereof					
25	Quarterly certificates of CA on Book debts / Stock					
26	In case of Working Capital above Rs. 5 Crore Annual Stock Audit report conducted by the branch					
27	In case of Financing / Leasing - Whether specific guidelines relating to creating of charges and obtaining of Insurance etc have been complied with.					
28	Policy relating to recovery of credit card dues					
29	Review of Provisioning Norms and asset classification (IRAC Norms) (Sub-standard/Standard/Doubtful/ Loss assets)					

30	In case of Legal action has been authorized by HO, whether branch has initiated the same					
31	Whether claims has been DICGC / ECGC lodged and settled and status thereof					
32	Valuation reports have been obtained once in 3 years in case of NPA accounts					
33	Obtain the list of cases of write off / compromise / settlement / waiver in excess of Rs. 50 lakhs and report and whether relevant guidelines of HO has been complied.					
	Guarantees and Letter of Credit	5(e)				
34	Report the outstanding amounts of guarantees invoked and funded by the Branch at the end of the year and LC's in the prescribed format					
	Other Assets					
	Stationery and Stamps					
35	Verification of Stationary and Stamps (such as Term Deposit Receipts, Drafts, Pay Orders, Cheque Books, Traveler's Cheques, Gift Cheques, etc.) with register maintained at the branch	6(a)				
	Suspense Accounts/Sundry Assets					
36	Review the sundry assets and suspense accounts at the branch	6(b)				
37	Obtain the reason for balance on the above accounts and report the outstanding balances age wise	6(b)				
		Part II - Liabilities				
	Deposits					

38	Obtain the list of Inoperative accounts (including deposits) and whether guidelines with respect to the same has been complied with	1(i)				
39	Review the large/unusual movements in aggregate deposits after balance sheet date till the date of audit	1(ii)				
40	Obtain the list of Overdue/matured term deposit at the end of the year and report the total amount	1(iii)				
	Other Liabilities - Bills Payable, Sundry Deposits					
41	Review the sundry deposits, bills payable or other liabilities pending for 3 years or more at the branch	2				
42	Obtain the reason for balance on the above accounts, also review unusual movements thereof and report the outstanding balances age wise	2				
	Contingent Liabilities					
43	Obtain the list of major items of contingent liabilities (other than guarantees, LC) not acknowledged by the Branch	3				
			Part III - Profit & Loss Account			
44	Test check the Interest on advances computed by the CBS system and in case of any discrepancies check whether the same has been adjusted in accordance with the guidelines issued by the HO	1				
45	Whether the branch has complied with IRAC norms prescribed by RBI	2				

46	Obtain the List the NPA and there movements. Further verify whether interest has not been recognized in these NPA accounts	2				
47	Test check the Interest on deposits computed by the CBS system and in case of any discrepancies check whether the same has been adjusted in accordance with the guidelines issued by the HO	3				
48	Whether Interest has been estimated on overdue/ matured term deposits	4				
49	Carry out an analytical procedure with respect to major item of income / expense and obtain explanation from the branch in case of any large discrepancy	5				
	Part IV - General					
	Books & Records					
50	Whether any manual books of accounts is maintained at the branch, if yes, kindly review the same;	1(a)				
51	Whether hard copies of accounts are printed regularly	1(b)				
52	Indicate the extent of computerization and the areas of operation covered.	1(b)				
53	Internal controls with respect to access and data security are adequate	1(b)				
54	Guidelines with respect to regular back-ups of accounts and off-site storage are followed	1(b)				
55	Is there adequate contingency and disaster recovery plans	1(b)				
	Reconciliation of Control and Subsidiary Records					

56	In case of any unreconciled balances of Control and Subsidiary Records are noticed, report the same.	2				
	Inter-Branch Accounts					
57	Whether the Inter Bank accounts have been reconciled on regular intervals	3				
	Audits / Inspections					
58	In framing of audit report whether the adverse comments arising out of all other audits carried on the branch during the year has been considered	4				
	Frauds					
59	Is there any fraud discovered during the year at the branch and report the same.	5				Refer Checklist C2
	Miscellaneous					
60	On examination of accounts is there any prima facie window dressing	6(i)				
61	Obtain fixed asset register and verify the title documents thereof available at the branch	6(ii)				
62	Report any other matters to the attention of the central statutory auditors	6(iii)				
	Questionnaire Applicable to Specialized Branches					
63	In case of specialized branch (Foreign exchange transactions, Asset recovery branch, dealing with advances above 100 crores, service branch, specified questionnaire annexed to LFAR is to be reported					

POINTS TO BE CONSIDERED FOR TAX AUDIT OF BANK BRANCH

Normally Tax Audit at the branch has a limited scope & the Branch Auditor should make appropriate disclosure about the limitation of its scope in Form 3CA submitted along with Form 3CD. Some of the important matters relevant at the branch level has been discussed briefly here under:

1) In Form 3CA, below clause (3), the following para is recommended to be added as per Guidance Note to Tax Audit 2014 issued by ICAI

“Assessee’s Responsibility for the Financial Statements and the Statement of Particulars in Form 3CD

1. *The assessee is responsible for the preparation of the aforesaid financial statements that give a true and fair view of the financial position and financial performance (if applicable) in accordance with the applicable Accounting Standards issued by the Institute of Chartered Accountants of India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.*

2. *The assessee is also responsible for the preparation of the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6G(1)(b) of Income Tax Rules, 1962 that give true and correct particulars as per the provisions of the Income-tax Act, 1961 read with Rules, Notifications, circulars etc that are to be included in the Statement.*

Tax Auditor’s Responsibility

3. *My/ Our responsibility is to express an opinion on these financial statements based on my/our audit. I/We have conducted this audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.*

4. *An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purposes of expressing an opinion on the effectiveness of the entity’s internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.*

5. *I/We believe that the audit evidence I/we have obtained is sufficient and appropriate to provide a basis for my/our audit opinion.*

6. *I/We are also responsible for verifying the statement of particulars required to be furnished under section 44AB of the Income-tax Act, 1961 annexed herewith in Form No. 3CD read with Rule 6G (1) (b) of Income-tax Rules, 1962. I/ We have conducted my/our verification of the statement in accordance with Guidance Note on Tax Audit under section 44AB of the Income-tax Act, 1961, issued by the Institute of Chartered Accountants of India.”*

2) Books of Accounts maintained, Examined & Place where it is stored – Clause No. 11 & 12 of Form 3CD

3) ICDS – Clause No. 16 of Form 3CD – following information is recommended to be provided against this clause.

“The compliance relating to ICDS is normally carried out at the Consolidated Level.”

4) Fixed Assets and Depreciation – Clause No. 18 of Form 3CD

a To Check Current Year Additions along with Original Invoices, Date of put to use, amount capitalized in the books of the branch, GST input credit (if any), proper Asset Classification in the Block of Assets and disclosure requirement of ICDS-Fixed Assets also to be taken care of.

5) Contribution to PF / ESI / Other Funds – if done by the branch, verify and report the same in Clause No. 20(b) & 26 of Form 3CD

6) General Scrutiny of Expenses/Charges – Clause No. 21 (a) of Form 3CD

a General ledger review of expenses should be done to identify any debits of personal nature or capital nature is been claimed. Accordingly appropriate reporting to be done.

b Check for any penalty or fine debited to P & L Account, if yes, whether it has been reported under the relevant clause of the Form 3CD

7) Non deduction/Non Payment of TDS and General compliance related to TDS Provisions – Clause 21(b) & 34(a) to (c) of Form 3 CD

a General Ledger review should be done keeping in mind the relevant TDS provisions relating to Residents and Non-Residents of the Income tax Act, 1961.

b The payments made to Resident & Non-residents (including interest payments made to NRE Account holders) interest, contractors, professionals, rent, etc. should be verified

c TDS on fixed deposit interest deducted by the system shall also be checked on a test check basis.

d Any cases of non-compliance should be reported under the appropriate sub-clause of Form 3CD.

- e Whether TDS Filing is done within due date. In case of delay, whether appropriate interest and late fees is remitted and reported in relevant clause.
- 8) Verify the Compliance with respect to Cash Payments and its disallowance under Section 40A(3) read with Rule 6 DD on test check basis – Clause No. 21(d) of Form 3CD
- 9) Verify whether any Interest is been paid for Delayed Payment to any MSME Supplier – Clause no. 22 of Form 3CD
- 10) Verify whether any Prior Period Income/Expenses is been credited/debited and its reporting – Clause 27 (b) of Form 3 CD
- 11) Any demand / refund issued under any other tax law shall be reported – Clause No.41 of form 3CD

Name of the Bank :
Branch

Year
Ended
Branch Code

Information Relating To Locker Facilities				
S. No.	Particulars			Remarks
1	Number of Lockers, Available at the Branch			
2	Types of Lockers Available & Numbers thereof - in following Format			
	Type	Status	No. of Lockers	Rent per Annum
	A	Rented		
		Vacant		
		Total	0	
3	Is there penal interest on overdue rent, if yes, rate thereof			
4	What is the periods for which locker is let?			
5	Whether there is dual custody of Lockers?			
6	Details of Officers in Charge of the Lockers			
	Name of the Officer	Designation	In Charge Since	
7	Summary of Lockers			
	Total Number of Lockers Rented			
	At the Beginning of the Year			
	<u>Add</u> : Rented During the Year			
	<u>Less</u> ; Vacated during the Year			
	At the Closing of the Year			

8	Total Number of Registers Maintained		
	Locker User Register		
	Locker Usage Register		
	Locker Keys Register		
	Any other Register		
9	Is there any prescribed application Form		
10	If yes, Is Any register for same. Kindly attach a blank form		
11	Is there any Deposit Collected for the Locker		
12	If yes, Is there is any Register for the same		
13	Are the Locker Rent Charges / Information captured in the CBS!. Is it manual entry or automated.		
14	What is accounting Code & Name of the Ledger - where rent is accounted		
15	Are there any lockers which are not used though rent is received		
16	Are there any lockers Broken Open During the Year. If yes, details thereof.		
16	Are there any lockers Broken Open During the Year. If yes, details thereof.		

Verified By

Name

Signature

Reviewed By

Name

Signature

Designation

REPORTING OF FRAUD IN LFAR

- 1) Obtain the copy of Fraud Policy (incl Reporting on fund diversions, siphoning of funds and willful defaults) issued by the Bank.
- 2) Review the Fraud reported to HO/RBI/Board.
- 3) Whether Periodic anti-fraud training & awareness sessions are in place.
- 4) Whether Whistle Blower hotlines are in place.
- 5) Auditor has to examine robustness of anti-fraud controls, staff accountability is in place.
- 6) Whether the Reporting mechanisms by the Branch to RBI is effectively in place.
- 7) In case of adverse issues, the same have to be discussed at appropriate levels of the management. Necessary reporting will have to be done in the Long Form Audit Report or the main audit reports as the case may be.

Name of the Bank		Year Ended	31-03-2020
Name of the Branch		Branch Code	

Verification of Various Interest Subvention Schemes

Agri Loan / Agri Gold Loan

S. No.	Particulars	Remarks
1	Obtain the list Interest Subvention claimed from the Govt during the year from CBS	
2	Verify the following for Short Term Crop Loans:	
	A) Whether the maximum amount of loan is less than Rs.3 lacs	
	B) Whether the maximum period of loan is 1 year from date of disbursement up to the date of actual repayment or up to the due date of the loan fixed by the banks, whichever is earlier	
	C) Test check the rate of Interest charged & Interest Subvention of 2%	
	D) In case of Prompt repayment within due date, Additional 3% Interest Subvention to be verified making total interest subvention @ 2%+3% (5%)	
	E) Additional subvention to short term crop loans affected by natural calamity by 2% per annum for the first year on the restructured loan amount. Such restructured loans shall attract normal rate of interest from the second year onwards.	
	F) Interest on the loan account has been properly charged. Ensure that the interest is first credited to the account and then a claim is made for reimbursement.	

	G) Verify whether Aadhar Linkage is been done to avail the Interest Subvention	
	H) Inquire about any rejection made in earlier year's claims and reasons thereof.	
3	In case of KCC facility to Animal Husbandry farmers and Fisheries, RBI has decided to extend interest subvention for two years 2019-20 and 2020-21 on specified stipulations	
4	Verify the data submitted by the bank on the ISS portal / DBT platform - Category wise data / individual farmer wise on sample basis	

Prepared By

Reviewed
By

Date

Date

Name of the Bank		Year Ended	31-03-2020
Name of the Branch		Branch Code	

Verification of Various Interest Subvention Schemes

Micro, Small and Medium Enterprises

S. No.	Particulars	Remarks
1	Obtain the list Interest Subvention claimed from the Govt during the year from CBS	
2	Verify the following:	
	A) Valid Udyog Aadhar & GST	
	B) Advances (Term Loan / WC) by Scheduled Commercial Bank	
	C) MSME Exporters availing Interest Subvention under Department of Commerce is not eligible	
	D) MSME availing Interest Subvention under any other scheme of Central or State Govt is not eligible	
	E) Whether Interest Subvention is claimed only maximum coverage of loan upto Rs.1 Crore	
	F) Test Check Interest subvention is calculated at 2% on outstanding balance	
	G) Statutory Auditor Certificate is obtained from MSME	

Prepared By

Reviewed By

Date

Date

Name of the Bank		Year Ended	31-03-2020
Name of the Branch		Branch Code	

Verification of Various Interest Subvention Schemes

Housing Loan

S. No.	Particulars	Remarks
1	Obtain the list of Interest Subvention claimed from the Govt during the year from CBS	
2	Verify the following:	
	A) Valid Udyog Aadhar	
	B) Whether the Housing Development / Project is covered under Pradhan Mantri Awas Yogana	
	C) To verify the Income Criteria of the Assessee ? Whether eligible for subvention or not ?	
	D) In case of Joint Applicant, Income of both the applicant to be analyzed	
	E) To check whether Carpet Area and Location of the Housing Project falls within the category prescribed	
	F) Subsidy should be reduced from the principle amount of the loan and thereby causing a reduction in EMI	

Prepared By

Reviewed
By

Date

Date

[Reproduced from the Guidance Note on Bank Audits issued by ICAI]
Illustrative Format of Certificate w.r.t. Compliance/
Implementation Status of the Recommendations of the Ghosh and Jilani Committees

We have examined the attached Format of compliance/ implementation by _____ (name of bank/ bank branch/Department/Zonal Office) with the recommendations of the Ghosh Committee relating to Frauds and Malpractices in Banks and Format of Progress in Implementation of Jilani Committee recommendations, as prepared by the management. The responsibility for compliance with/ implementation of the recommendations of the Ghosh and the Jilani Committees is that of the management of the _____ (name of the bank/ bank branch/Department/Zonal Office). Our responsibility is to examine the report on the status of compliance therewith as contained in the attached Formats, as prepared by the management, thus far and no further.

We have not carried out an investigation into the status of compliance by/ implementation of the management with the recommendations of the Ghosh and Jilani Committees. Our examination is limited to inquiries and obtaining confirmations from the management and other appropriate persons and test checks of the attached status of recommendations.

Based on our above examination, subject to the matter highlighted below, we certify that to the best of our knowledge and belief and according to the information and explanation given to us and as shown by the records examined by us, the attached Formats of compliance with the recommendations of the Ghosh and Jilani Committees, as prepared by the management is correct.

- 1.
- 2.

Date:

For and on behalf of

Place:

Chartered Accountants

(Firm Registration No.)

.....

(Name and Designation)

(Membership Number)

UDIN

[Reproduced from the Guidance Note on Bank Audit, 2020 issued by ICAI]

Illustrative Format of Covering Report for various
Certificates issued by SBAs

Independent Auditor's Certificate for various certificates issued during the Statutory Audit of [Name of the Branch] [Branch Code] of [Name of the Bank] for the Financial year 2019 – 2020.

1. This Certificate is issued in accordance with the terms of our agreement dated [date of Engagement Letter].
2. The accompanying Statement contains various certificates issued by us during the Statutory Audit of [Name of the Branch] [Branch Code] of [Name of the Bank] for the Financial year 2019 – 2020, **listed in Annexure [Name]**, which we have initialled for identification purposes only.

Managements' Responsibility for the Statement

3. The preparation of the accompanying Statement is the responsibility of the Management of the Bank. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and presentation of the Statement, and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.
4. The Management is also responsible for ensuring that the (Name of the Branch) (Branch Code of Bank) (Name of the Bank) complies with the requirements of the Equity Listing Agreement and for providing all relevant information to the Securities and Exchange Board of India.

Auditor's Responsibility

5. Pursuant to the requirements of the various RBI guidelines, our responsibility is to express reasonable assurance in the form of an opinion based on our audit and examination of books and records on test check basis, as to whether the [Name of the Branch] [Branch Code] of [Name of the Bank] has undertaken only those activities that have been specifically permitted by the RBI and has complied with the specified terms and conditions.
6. We audited the financial statements of [Name of the Branch] [Branch Code] of [Name of the Bank] for the Financial year 2019 – 2020, on which we issued an unmodified audit opinion vide our reports dated [date of Audit Report]. Our audit of these financial statements was conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.
7. We conducted our examination of the Statements/Certificates given in Annexure [Name] , in accordance with the Guidance Note on Reports or Certificates for Special Purposes issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.

8. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

9. Based on our examination as above, and the information and explanations given to us, we report that the Statement in Annexure [Name] is in agreement with the books of account and other records of [Name of the Branch] [Branch Code] of [Name of the Bank] for the Financial year 2019 – 2020 as produced to us for our examination, and the information thereof is prepared, in all material respects, in accordance with the applicable criteria.

Restriction on Use

10. This certificate has been prepared at the request of the [Name of the Branch] [Branch Code] of [Name of the Bank] solely with reference to our appointment letter, for the purpose of onward compilation of various certificates and disclosure requirements for [Name of the Bank] as a whole. It should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or any duty of care or for any other purpose or to any other party to whom it is shown or into whose hands it may come without our prior consent in writing.

For Chartered Accountants
Firm’s Registration Number:

Partner / Proprietor
Membership Number:
UDIN

Place:
Date:

**[Reproduced from Guidance Note on Bank Audit, 2020 issued by ICAI]
Illustrative Format of Report of the Branch Auditor of a Banking Company
Independent Bank Branch Auditor's Report**

To,
The Statutory Central Auditors
_____ Bank Limited

Report on the Audit of the Financial Statements Opinion

1. We have audited the Financial Statements of _____ Branch of _____ (name of the Bank) which comprise the Balance Sheet as at 31st March 20XX, the Statement of Profit and Loss, and other explanatory information [in which are included the Returns for the year ended on that date].
2. In our opinion, and to the best of our information and according to the explanations given to us, read with the Memorandum of Changes (mentioned in paragraph 7 below), the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs in case of the Balance Sheet of the branch as at March 31, 20XX and its profit/loss for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

4. Management of the Branch is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Branch in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Branch and for preventing and detecting frauds and other irregularities; selection and application of appropriate

accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Financial Statements

5. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Report that the audit at branch level is not be able to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained at branch, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with

relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

6. No adjustments/provisions have been made in the accounts of the Branch in respect of matters usually dealt with at Central Office, including in respect of:

- (a) Bonus, ex-gratia, and other similar expenditure and allowances to branch employees;
- (b) Terminal permissible benefits to eligible employees on their retirement (including additional retirement benefits), Gratuity, Pension, liability for leave encashment benefits and other benefits covered in terms of 'AS 15 (Revised)–Employee Benefits' issued by the Institute of Chartered Accountants of India;
- (c) Arrears of salary/wages/allowances, if any, payable to staff;
- (d) Staff welfare contractual obligations;
- (e) Old unreconciled/unlinked entries at debit under various heads comprising Inter branch/office Adjustments;
- (f) Interest on overdue term deposits;
- (g) Depreciation on fixed assets;
- (h) Auditors' fees and expenses;
- (i) Taxation (Current Tax and Deferred Tax);
- (j) Any other provision made by Head Office.

7. The following is a summary of Memorandum of Changes submitted by us to the branch management⁴.

Memorandum of Changes (summary)			
	No.	Increase	Decrease
a) In respect of Income			
b) In respect of expenditure			
c) In respect of Assets			
d) In respect of Liabilities			
e) In respect of Gross NPAs			
f) In respect of Provision on NPAs ⁵			
g) In respect of Classification of Advances			
h) In respect of Risk Weighted Assets			
i) Other items (if any)			

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provision of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

9. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit and have found them to be satisfactory.

b. The transactions of the branch which have come to my/our notice have been within the powers of the Bank.

c. The returns received from the branch have been found adequate for the purposes of our audit.

10. Further, as required by section 143(3) of the Act, we report that:

a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;

b. in our opinion, proper books of account as required by law have been kept by the branch so far as appears from our examination of those books;

c. the Balance Sheet, and the Statement of Profit and Loss, dealt with by this report are in agreement with the books of account;

d. in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;

e. with respect to the adequacy of the internal financial controls over financial reporting of the Branch and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";

f. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

a) the Branch has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule XX / Note XX to the financial statements; (or the Branch does not have any pending litigations which would impact its financial position)

b) the Branch has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts -Refer Schedule XX / Note XX to the financial statements; (or the Branch did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses) and

c) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Branch (or, following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Branch or there were no amounts which were

required to be transferred to the Investor Education and Protection Fund by the Branch).

For ABC and Co.
Chartered Accountants
Firm Registration No. _____

Signature
(Name of the Member Signing the Audit Report)
(Designation)
Membership Number
UDIN

Place of Signature
Date

**Annexure A to the independent auditor's report of even date on the financial statements
of _____ Branch of _____ Bank Limited
[Referred to in Paragraph 10(e)]**

Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of _____ Branch of _____ Bank Limited ('the Branch') as at 31 March 20XX in conjunction with our audit of the financial statements of the Branch for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

2. The Management of the Branch is responsible for establishing and maintaining internal financial controls based on _____ [for example, "the internal control over financial reporting criteria established by the Branch considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI').] These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Branch's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Branch's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls over financial reporting, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Branch's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls over Financial Reporting

6. A branch's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A branch's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the branch; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the branch are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the branch's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Branch has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 201X, based on _____ [for example, "the internal control over financial reporting criteria established by the Branch considering the essential components of internal control stated in the Guidance Note issued by the ICAI"].

For ABC and Co.
Chartered Accountants
(Firm's Registration No.)

Signature
(Name of the Member Signing the Audit Report)
(Designation)
Membership Number
UDIN

Place of Signature
Date of Report

**[Reproduced from Guidance Note on Bank Audit, 2020 issued by ICAI]
Illustrative Format of Report of the Branch
Auditor of a Nationalised Bank
Independent Branch Auditor's Report**

To,
The Statutory Central Auditors _____ Bank

Report on the Audit of the Financial Statements Opinion

1. We have audited the Financial Statements of _____ Branch of _____ (name of the Bank) which comprise the Balance Sheet as at 31st March 20XX, the Statement of Profit and Loss for the year then ended and other explanatory information [in which are included the Returns for the year ended on that date].
2. In our opinion, and to the best of our information and according to the explanations given to us, read with the Memorandum of Changes (mentioned in paragraph 7 below), the aforesaid financial statements give the information required by the Banking Regulation Act, 1949, in the manner so required for bank and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs in case of the Balance Sheet of the branch as at March 31, 20XX and true balance of profit/loss for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with ethical requirements that are relevant to our audit of the financial statements, in [jurisdiction] and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

4. The Bank's management is responsible with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by ICAI, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free

from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

5. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Report that the audit at branch level is not be able to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained at branch, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

6. No adjustments/provisions have been made in the accounts of the Branch in respect of matters usually dealt with at Central Office, including in respect of:

- (a) Bonus, ex-gratia, and other similar expenditure and allowances to branch employees;
- (b) Terminal permissible benefits to eligible employees on their retirement (including additional retirement benefits), Gratuity, Pension, liability for leave encashment benefits and other benefits covered in terms of 'AS 15 (Revised)–Employee Benefits' issued by the Institute of Chartered Accountants of India;
- (c) Arrears of salary/wages/allowances, if any, payable to staff;
- (d) Staff welfare contractual obligations;
- (e) Old unreconciled/unlinked entries at debit under various heads comprising Inter branch/office Adjustments;
- (f) Interest on overdue term deposits;
- (g) Depreciation on fixed assets;
- (h) Auditors' fees and expenses;
- (i) Taxation (Current Tax and Deferred Tax);
- (j) Any other provision made by Head Office.

7. The following is a summary of Memorandum of Changes submitted by us to the branch management¹.

Memorandum of Changes (summary)			
	No.	Increase	Decrease
a) In respect of Income			
b) In respect of expenditure			
c) In respect of Assets			
d) In respect of Liabilities			
e) In respect of Gross NPAs			
f) In respect of Provision on NPAs ²			
g) In respect of Classification of Advances			
h) In respect of Risk Weighted Assets			
i) Other items (if any)			

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with Section 29 of the Banking Regulation Act, 1949;

9. Subject to the limitations of the audit indicated in paragraphs 4 to 6 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory;
- b. The transactions of the branch which have come to our notice have been within the powers of the Bank.

c. the returns received from the branch have been found adequate for the purposes of our audit
10. We further report that:

- a. in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
- b. the Balance Sheet, and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
- c. In our opinion, the Balance Sheet, and the Profit and Loss Account comply with the applicable accounting standards, to the extent they are not inconsistent with the accounting policies prescribed by RBI.

For ABC and Co.
Chartered Accountants
Firm Registration No.

Signature
(Name of the Member Signing the Audit Report)
(Designation)
Membership Number
UDIN

Place of Signature
Date

**[Reproduced from Guidance Note on Bank Audit, 2020 issued by ICAI]
Illustrative Format of Written Representation
Letter to be obtained from the Branch Management**

M/s XYZ & Co.,
Chartered Accountants,
Place

Dear Sir(s),

Sub.: Audit for the year ended March 31, 20XX

This representation letter is provided in connection with your audit of the financial statements of _____ branch of _____ bank, for the year ended March 31, 20XX, for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the state of affairs of _____ branch of _____ bank as of March 31, 20XX, and of the results of operations for the year then ended. We acknowledge our responsibility for preparation of financial statements, in accordance with the financial reporting framework applicable to the Bank, including the regulatory requirements of the Reserve Bank of India.

We confirm, to the best of our knowledge and belief, the following representations:

1. Accounting Policies

The accounting policies, as approved by the board of directors of the Bank, have been duly followed. There are no changes in the accounting policies followed by the branch during the current year.

2. Assets

- 2.1 All the assets owned by the bank and transferred to the branch and such other asset/s, as has/ have been acquired by the branch, has/have been duly accounted for, and none of the assets is encumbered.
- 2.2 Fixed assets held by branches have been properly accounted from the date the asset is purchased and put to use and have been physically verified at the year end. No discrepancies have been noticed on such verification. Depreciation on these assets has been adequately provided as per the policy of the bank.
- 2.3 In respect of assets other than fixed assets, the same have not been impaired and do not have a value lower than realizable value.
- 2.4 The branch is operating from a leased premise and there is no dispute with respect to the tenancy and lease charges.
- 2.5 The Branch has not got any notice from the landlord for evacuation or redevelopment of the premises which may possibly necessitate shifting the branch premises in the near future.

3. Capital Commitments

At the balance sheet date, outstanding commitments for capital expenditure have been duly

depicted in the financial statements.

4. Cash and Bank Balances

The cash balance as on March 31, 20XX is Rs. _____, and has been verified by us. Internal guidelines on periodic cash verification have been duly followed.

Fake notes received by the Bank have been duly impounded and relevant guidelines of RBI thereon have been complied.

Effective Dual custody of Cash has been maintained at all times during the financial year.

5. Liabilities

The branch has recorded all known and anticipated liabilities in the financial statements. Liabilities on account of GST have been correctly recorded.

6. Contingent Liabilities

6.1 The branch has fully disclosed in the notes to the financial statements;

- (a) guarantees that we have given to third parties;
- (b) Letters of Credits (Local/ Import);
- (c) Letters of Comfort (Local/ Import);
- (d) Deferred Payment Credits/ Guarantees (Local/ Import); and (e) Other contingent liabilities.

6.2 Other than for advances, there are no matters involving the branch in any claims in litigation, arbitration or other disputes, in which there may be some financial implications, including for staff claims, branch rentals, municipal taxes, local levies, etc., except for those which have been appropriately included under contingent liabilities.

6.3 None of the contingent liabilities disclosed and other than provided for are likely to result in a further loss, requiring adjustment of assets or liabilities or provisions in the books of accounts.

6.4 Frivolous claims from Customers / third parties have not been included in Contingent liabilities.

Provisions for Claims and Losses

7. Provision has been made in the accounts for all known losses and claims of material amounts.

8. There have been no events subsequent to the balance sheet date, that require adjustment of, or disclosure in, the financial statements or notes thereto.

9. We have made available to you all the following latest reports on the accounts of our branch, and updated compliance by the branch on the observations contained therein:

- a) Previous year's branch audit report and LFAR;
- b) Internal inspection reports;
- c) Report on any other Inspection Audit that has been conducted in the course of the year, relevant to the financial year 2017-18.

Apart from the above, the branch has not received any show cause notice, inspection advice, etc., from the Government of India, Reserve Bank of India or any other monitoring or regulatory authority of India that could have a material effect on the financial statements of the branch during

the year.

10. Balancing of Books

The books of the accounts are computerised and hence the subsidiary records are automatically balanced with the relevant control records. In the case of manual sub-ledgers maintained, we confirm that they duly match with the general ledger balances.

11. Overdue/Matured Term Deposits

All overdue/ matured term deposits are held as matured term deposits.

12. Advances

In respect of the Advances and income thereon, the income recognition and asset classification norms prescribed by the Reserve Bank of India have been complied with.

13. Outstanding in Suspense/ Sundry Account

The year-wise/ entry-wise break up of amounts outstanding in Sundry deposits/ Sundry assets, as on March 31, 2017 has already been submitted to you along with explanation of the nature of the amounts in brief, and supporting evidences relating to the existence of such amounts in the aforesaid accounts.

14. Interest Provisions

Interest provision has been made on deposits, etc., in accordance with the extant instructions of the Head Office.

The interest provision for Head Office Interest shall be made at the Head Office.

15. Long Form Audit Report–Branch Response to the Questionnaire

In connection with the Long Form Audit Report, complete information (including all updated Internal Circulars issued till date, Receipt & disposal of Complaints & grievances) as regards each item in the questionnaire, has been made available to you in order to enable you to verify the same for the purpose of your audit.

16. Other Certification

Duly authenticated, information along with necessary source documents as regards other matters which, as per the bank's letter of appointment, require certification, has been made available to you.

17. On Demonetization is deleted as not applicable this year.

18. Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation, updated internal policies and circulars and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.

- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.
- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- Any other matters that the auditor may consider necessary.

19. General

There is no enquiry going on or concluded during the year by the Central Bureau of Investigation (CBI), or any other vigilance or investigating agency, on the branch or on its employees and no cases of frauds or of misappropriation of assets of the branch have come to the notice of the Management during the year, other than for amounts for which provisions have already been made in the books of accounts.

20. The provision for non-performing assets, depreciation, provision for income tax, provision for bonus, gratuity, etc., is made at the Head Office. Therefore, the same has not been provided in the branch accounts. The branch has correctly deducted Tax at source and paid the same on time to the relevant authorities.

21. FIMMDA guidelines have been followed, wherever applicable.

22. The branch has complied with all aspects of contractual agreements, that could have a material effect on the financial statements in the event of non-compliance. There has not been non-compliance with requirements of regulating authorities, that could have a material effect on the financial statements in the event of non-compliance.

23. The other particulars required, have already been given to you, and particulars and other representations made to you from time to time are true and correct in all respects.

Thanking you,

Yours faithfully

For & on behalf of _____ branch of _____ bank

Authorised Signatory

WP1

Name of the Bank		Year Ended	31-03-2020
Name of the Branch		Branch Code	

Cash retention over and above the stipulated limit of Rs

Annexure - 1

Month	No of days Exceeding the Limit	No of Working days	%	Date of Max. Bal	Max Bal Amount
Apr 2019					
May 2019					
Jun 2019					
Jul 2019					
Aug 2019					
Sep 2019					
Oct 2019					
Nov 2019					
Dec 2019					
Jan 2020					
Feb 2020					
Mar 2020					

Checklist

S. No.	Particulars	Remarks
1	Whether Insurance is been taken by HO/ Branch	
2	Value of Insurance	
3	Whether Transit Insurance has been obtained	
4	Cash Retention Limit	
5	Retention Limit - Circular/Letter by HO	
6	Who is Joint Custodian of Cash	
7	Note down Marking done on Manual cash books	

Prepared By

Reviewed By

Date

Date

WP1

Name of the Bank		Year Ended	31-03-2020
Name of the Branch		Branch Code	

VERIFICATION OF CASH RETENTION LIMIT

DURING THE YEAR

CASH RETENTION LIMIT = Rs.

Details of days on which cash balance was in excess of Cash Retention Limit

Sl. No.	Date	Closing Balance
1.		
2.		
3.		
4.		
5.		
6.		
7.		
8.		
9.		
10.		
11.		
12.		
13.		
14.		
15.		
16.		
17.		
18.		
Total	0	0

WP2

Name of the Bank		Year Ended	
Name of the Branch		Branch Code	

PHYSICAL VERIFICATION OF CASH AT Branch

AS AT - -

Sl. No.	Denomination	Nos	Amount (INR)
1.	2,000		
2.	500		
3.	200		
4.	100		
5.	50		
6.	20		
7.	10		
8.	5		
9.	2		
10.	1		
11.	Coins		
Total Physical Value of CASH at Branch			-

Total CASH Balance as per CBS / Register at Branch

Difference if any -

For _____
Chartered Accountants

For <Name of the Bank>
_____ Branch

[_____]
<Designation>

[Branch Manager]

WP2

Name of the Bank		Year Ended	
Name of the Branch		Branch Code	

PHYSICAL VERIFICATION OF CASH AT ATM

AS AT - -

Amount available in the ATM Machine as per slip at the time of opening	
Date and Time of Slip	

Sl. No.	Denomination	Nos	Amount (INR)
1.	2,000		
2.	500		
3.	100		
4.	Spill Tray		
Total Value of currency			-

Actual Amount available in the ATM Machine			
Sl. No.	Denomination	Nos	Amount (INR)
1.	2,000		
2.	500		
3.	100		
4.	Spill Tray		
Total Value of physical currency notes			-

Difference if any

Amount available in the ATM Machine as per slip at the time of Closing			
Date and Time of Slip			
Sl. No.	Denomination	Nos	Amount (INR)
1.	2,000		
2.	500		
3.	100		
4.	Spill Tray		
Total Value of currency			-

If ATM is attached to the branch, Then Account No. thereof and Balance	
---	--

Remarks	
----------------	--

For _____
Chartered Accountants

For <Name of the Bank>
_____ Branch

[_____]
<Designation>

[Branch Manager]

Name of the Bank :

Year Ended

Branch

Branch Code

Summary / Analysis of Advances

S. No.	Particulars	Number of Accounts	Amount (Rs.)	Total (Rs.)	% of Total Advances (6 = 5 / total advance value)
(1)	(2)	(3)	(4)	(5)	
1. Advance to Staff					
a.	Vehicle Loan				
b.	Personal Loan / Medical Loan				
c.	Clean Overdraft				
d.	Others			-	
2. Advance to Others					
a.	Term Loans				
i.	Agricultural Loan				
ii.	MSME				
iii.	Export Credit				
iv.	Business Loans				
v.	Housing Loan				
vi.	Educational Loans				
vii.	Mudra Loan				
viii.	Gold Loan				
ix.	Others		-		
b.	Demand Loans				
i.	Loans Against Deposit				
ii.	Loans Against NSC, KVP				
iii.	Working Capital				
iv.	Others		-		
c.	Cash Credit		-		
d.	Packing Credit		-		
e.	Overdraft		-		
f.	TOD		-		
	Foreign Export Bills		-		
g.	Purchased		-		
	Foreign Export Bills		-		
h.	Discounted		-		
i.	Others		-	-	
Total Advances				-	

Prepared By

Reviewed by

Date

Date

WP3

Name of the Bank :
Branch

Year Ended
Branch Code

Criteria for Scrutiny of Advances

S. No.	Particulars	No of Accounts	Amount (Rs.)
I Computation of Large Advance			
1)	Total Advances		-
2)	Large Advance (Lower of 5% of Total Advance or 2 Crores):		
(a)	5% of the Total Advances	-	
(b)	Rs. 2 Crore		-
II Scrutiny Criteria			
		%	Sample Selected No of Accounts Amount outstanding
(1)	Large Advances	100%	
(2)	Other Advances		
(a)	Advances sanctioned during the year*		
(b)	NPA Advances upgraded	100%	
(c)	Restructured Accounts	100%	
(d)	Existing Advances*		
(3)	TOTAL	-	-

Extent of Coverage for No. of Accounts and Amount O/s.
(Samples / Total Advances)

* - The Percentage of Sample to be selected has to be determined by the Auditor

Prepared By	Reviewed by
Date	Date

Checklist for Education Loan

Name of Bank	
Branch Name	
Branch Code	
Type of Loan (Category as per Bank)	
Name of the borrower	
Account No	
Customer ID	
If any other facility availed by the borrower, Account details of respective accounts	
Classification (as per Bank)	NPA / STANDARD / SUBSTANDARD / D1/D2/D3 / LOSS ASSET
Loan Application	Yes / No
Whether Credit Appraisal is done ?	Yes / No
Date of Sanction	
Sanction Letter	Yes / No
Sanctioning Authority	
KYC - (PAN/AADHAR) [Auditor Jedge ment - to be checked for current year loan advanced]	
Credit Rating / Ranking by the Bank / CIBIL Score	
Loan Amount	
Rate of Interest and Penal Interest rate	
EMI Commencement Date and Month	
Period of Loan (In Month)	
Moratorium Period (Eg. Course completion or 1 year or 6 months after Job whichever is earlier - <i>differs from Bank to Bank - to be checked as per the policy of respective banks</i>)	
EMI Amount	
Account Balance as on 31.03.2020	
Agreement & Promissory Note (Whether fully filled up, executed, Signed & Stamped)	
Any other remarks with reference to the loan agreements	
Whether Processing Fees have been recovered as per the terms of sanction (for Current year advances) / Other Fees by bank and Verify the date of debit of the charges	
Income Proof of Parents / Guardian	
Life Insurance (Parents / Guardian / Borrower)	

Type of Education & Name of Institute and description about the course	
Date of commencement & completion of course	
Whether the course is an approved course - obtain the list of courses from the bank against which Education loan can be given	
Fees Estimate and other related documents from the Institute	
Whether Mark Sheets reviewed periodically & available on records	
Whether the disbursement made is as per the sanction letter ?	
Whether the loan is eligible for subsidy? If so documentation have been clearly maintained for the same? Further what is the subsidy claimed for this account ?	
No of Pending EMI as on March 31 (If more than 3, review IRAC status)	
Classification (In case of any change, as per Auditor)	
Remarks	

Prepared By

Reviewed By

Date

Date

Checklist for Housing Loan

Name of Bank	
Branch Name	
Branch Code	
Type of Loan (Category as per Bank)	
Name of the borrowers	
Account No	
Customer ID	
If any other facility availed by the borrower, Account details of respective accounts	
Classification (as per Bank)	NPA / STANDARD / SUBSTANDARD / D1/D2/D3 / LOSS ASSET
Loan Application	Yes / No
Legal Opinion from the Bank empaneled advocates	
Valuation Report (Mention the Name, Date and Values incld Distress Sale Value)	
Whether Credit Appraisal is done ?	Yes / No
Photos - Visit Report of the site	
Plan / Approval Letter from the concerned authority of the Site	
Date of Sanction	
Sanction Letter	Yes / No
Sanctioning Authority	
KYC - (PAN/AADHAR) [Auditor Jedge- ment - to be checked for current year loan advanced]	
Credit Rating / Ranking by the Bank / CIBIL Score	
Loan Amount	
Any top-up Loan availed, if Yes, Details thereof	
Rate of Interest and Penal Interest rate	
EMI Commencement Date and Month	
EMI Amount	
Period of Loan (In Month)	
Account Balance as on 31.03.2020	
Agreement & Promissory Note (Whether fully filled up, executed, Signed & Stamped)	
Any other remarks with reference to the loan agreements	

Income Proof of Applicants (ITR V/ Salary Certificate / Computation / Financial Statements / Form 16)	
Guarantee Agreement (Whether fully filled up, executed, Signed & Stamped)	
Net Worth Statement of Guarantor	
Life Insurance (Borrower) & Lien thereon	
Encumbrance Certificate (EC) Pre & Post Sanction	
Equitable Mortgage	
Memorandum of Title Deeds / Hypothecation Deed	
CRESAI Registration Details	
Sale Agreement / Deed & Parent Document	
Construction Agreement, if any	
In case of Construction by contractor copy of Agreement / Invoice	
Estimate / Report from Chartered engineer	
To Check Utilization of Funds (Funds should be used only for the purpose of buying House or Construction as per the application)	
Insurance Copy (Renewed, Lien Marked & Check Sufficiency in value)	
Whether Processing Fees have been recovered as per the terms of sanction (for Current year advances) / Other Fees by bank and Verify the date of debit of the charges	
Whether the disbursement made is as per the sanction letter ?	
Whether the loan is eligible for subsidy? If so documentation have been clearly maintained for the same? Further what is the subsidy claimed for this account ?	
Periodic Visit Report undertaken post sanction based on terms	
No of Pending EMI as on March 31 (If more than 3 Months, review IRAC status)	
Classification (In case of any change, as per Auditor)	
Remarks	

Prepared By
Date

Reviewed By
Date

Checklist for Overdraft / Cash Credits

WP6

Name of Bank	
Branch Name	
Branch Code	
Type of Loan (Category as per Bank)	
Name of the borrower	
Account No	
Customer ID	
If any other facility availed by the borrower, Account details of respective accounts	
Constitution of the borrower	
Classification (as per Bank)	NPA / STANDARD / SUBSTANDARD / D1/D2/D3 / LOSS ASSET
Loan Application	Yes / No
Whether Credit Appraisal is done ?	Yes / No
Pre-Sanction Form (if available)	
Date of Sanction	
Sanction Letter	
Sanctioning Authority	
Renewal Due Date / sanction ticket	
Renewal Letter/Application (if available)	
Post-Sanction Form	
Account Balance as on 31.03.2020	
KYC - (PAN/MOA/AOA/COI/ PARTNERSHIP DEED/GST/ AADHAR) including KYC of Directors / Partners [Auditor Jedgegement - to be checked for current year loan advanced]	
Credit Rating / Ranking by the Bank / CIBIL Score	
Loan Amount / Limit	
Breakup - Fund Based & Non Fund Based	
Drawing Power (in case of any change, mention the drawing power and effective date thereon)	
Rate of Interest and Penal Interest rate	
Agreement & Promissory Note (Whether executed, Signed & Stamped)	

Any other remarks with reference to the loan agreements	
Whether Processing Fees have been recovered as per the terms of sanction (for Current year advances) / Other Fees by bank and Verify the date of debit of the charges	
In case of Company, Whether Board Resolution is passed and a copy of the minutes is obtained	
Income Proof of Applicants (ITR V/ Computation / Financial Statements / Form 16) (If Income >10 Lakhs, CA Audited Financials) - Every Year	
Primary Security	
Collateral Security	
Personal Guarantees by Borrower / Director / Partner	
Net Worth Statement of Guarantor	
Whether Insurance Copy available on Record and is live (Lien Marked - Yes/No)	
Insurance Value - compare with maximum stock as per available statements	
Valuation Report is to be obtained once in 3 years. To check whether it was obtained and available in file.	
Encumbrance Certificate	
Equitable Mortgage	
Memorandum of Title Deeds / Hypothecation Deed	
Charge Creation - Roc Compliance	
Periodical Visit Report of the site	
Whether any quarterly reports as required by sanction letter is available on record, if yes verify the same	
Parodic Stock statement / Debtors statement (Verify as per the terms, CA Certificate is being obtained on quarterly basis)	
Last available Stock Statement - Month	
Project Report (Including projections, CMA etc)	
In case of WC limit beyond 5 crore - Annual audit of Stock - by bank	

Whether Drawing power has been reviewed by the bank	
In case of any excess over DP, whether the account has been reclassified as per IRAC	
In case of sanction of adhoc limits, whether the limit is adequately covered by the security, If not, the criteria based on which sanction is done	
No of days the account has exceeded DP / out of order and Interest not serviced (If more than 90 days, review IRAC status)	
Classification (In case of any change, as per Auditor)	
Remarks	

Prepared By
Date

Reviewed By
Date

Checklist for Agricultural Loan

Name of Bank	
Branch Name	
Branch Code	
Type of Loan (Category as per Bank)	
Name of the borrower	
Account No	
Customer ID	
If any other facility availed by the borrower, Account details of respective accounts	
Constitution of the borrower	
Classification (as per Bank)	NPA / STANDARD / SUBSTANDARD / D1/D2/D3 / LOSS ASSET
Loan Application	Yes / No
Whether Credit Appraisal is done ?	Yes / No
Date of Sanction	
Sanction Letter	
Sanctioning Authority	
KYC - (PAN/AADHAR) [Auditor Jedgegment - to be checked for current year loan advanced]	
Account Balance as on 31.03.2020	
Credit Rating / Ranking by the Bank / CIBIL Score	
Agreement & Promissory Note (Whether executed, Signed & Stamped)	
Any other remarks with reference to the loan agreements	
Whether Processing Fees have been recovered as per the terms of sanction (for Current year advances) / Other Fees by bank and Verify the date of debit of the charges	
Loan Amount	
Rate of Interest and Penal Interest rate	
Period of Loan (In Month)	
Whether the disbursement made is as per the sanction letter ?	
Agricultural Land and its details (Copy of Sale Deed)	
Undertaking for Agri. Land	Yes / No
Patta / Chitta / Adangal	
Photos - Visit Report of the site / Asset	

Whether Principle and Interest serviced as on March 31 (If remains due for two harvest season but for a period not exceeding 2.5 years, review IRAC status)	
Classification (In case of any change, as per Auditor)	
Remarks	

Prepared By

Reviewed By

Date

Date

Checklist for Term Loans / Vehicle Loans / Demand Loans / Machinery Loan

Name of Bank	
Branch Name	
Branch Code	
Type of Loan (Category as per Bank)	
Name of the borrower	
Account No	
Customer ID	
If any other facility availed by the borrower, Account details of respective accounts	
Constitution of the borrower	
Classification (as per Bank)	NPA / STANDARD / SUBSTANDARD / D1/D2/D3 / LOSS ASSET
Loan Application	Yes / No
Whether Credit Appraisal is done ?	Yes / No
Date of Sanction	
Account Balance as on 31.03.2020	
KYC - (PAN/MOA/AOA/COI/ PARTNERSHIP DEED/GST/ AADHAR) [Auditor Jedgegment - to be checked for current year loan advanced]	
Sanction Letter	
Sanctioning Authority	
Post Sanction Compliance	
Credit Rating / Ranking by the Bank / CIBIL Score	
Agreement & Promissory Note (Whether executed, Signed & Stamped)	
Any other remarks with reference to the loan agreements	
Loan Amount	
Rate of Interest and Penal Interest rate	
EMI Commencement Date and Month	
EMI Amount	
Period of Loan (In Month)	
Whether Processing Fees have been recovered as per the terms of sanction (for Current year advances) / Other Fees by bank and Verify the date of debit of the charges	

Whether the disbursement made is as per the sanction letter ?	
Income Proof of Applicants (ITR V/ Computation / Financial Statements / Form 16) (If Income >10 Lakhs, CA audited Financials)	
Board Resolution	
Insurance Copy (Lien Marked - Yes/No)	
Primary Security	
Collateral Security	
Personal Guarantees by Borrower / Director / Partner	
Net Worth Statement of Guarantor	
Legal Opinion from the Bank empaneled advocates	
Sale Deed (In case of Mortgage loan)	
Valuation Report	
Encumbrance Certificate (Pre & Post Sanction)	
Equitable Mortgage	
Memorandum of Title Deeds / Hypothecation Deed	
CRESAI Registration Details	
Charge Creation - Roc Compliance	
Proforma Agreement / Invoice of the assets	
Endorsement of Asset with concerned authority (eg. Vehicle with RTO) - RC Book & Original Key	
In case of Vehicle Loan, Lien can also be verified on https://vahan.nic.in/nrservices/	
Lien marked on the assets (eg. Lien on FD etc)	
Estimate from Chartered engineer as applicable	
Utilization of Funds (Whether the loan has been disbursed directly to the supplier)	
Photos - Visit Report of the site / Asset	
Project Report (Including projections, CMA etc)	

No of Pending EMI as on March 31 (If more than 3 Months, review IRAC status)	
Classification (In case of any change, as per Auditor)	
Remarks	

Prepared By
Date

Reviewed By
Date

Checklist for Gold Loan

Name of Bank	
Branch Name	
Branch Code	
Type of Loan (Category/Nomenclature as per Bank)	
Name of the borrower	
Account No	
Customer ID	
If any other facility availed by the borrower, Account details of respective accounts	
Classification (as per Bank)	NPA / STANDARD / SUBSTANDARD / D1/D2/D3 / LOSS ASSET
Loan Application	Yes / No
Sanction Letter	
Santioning Authority	
Whether Credit Appraisal is done ?	Yes / No
Date of Loan	
Weight (Gross & Net if available)	
Quantity (No. of Items)	
Value of Gold	
Appraisal Name and Report	
Loan Amount	
Interest Rate	
Date of Repayment	
Account Balance as on 31.03.2020	
Purpose of Loan	
Classification (In case of any change, as per Auditor)	
Remarks	

Prepared By

Reviewed By

Date

Date

WP10

	Name of the Bank		Year Ended	31-03-2020
	Name of the Branch		Branch Code	

NPA Movement Analysis / Review

S. No.	Particulars	No.	Amount
1	Number of Account NPA as on opening of financial year		
2	Add : Accounts downgraded to NPA during the year		
3	Sub-Total (1 + 2)	0	0
4	Less : Accounts upgraded from NPA during the year		
5	Less : NPA Accounts recovered &/ closed during the year		
6	Net NPA as at the Year End (3 - 4 - 5)	0	0

Checklist to Verify NPA Accounts'

S. No.	Particulars
1	Verify the Opening from the previous year certificates
2	Obtain account wise details of NPA's recognized during the year
3	Verify whether the accounts taken as sample and are NPA's according to the auditor are included in the above list
4	Obtain account wise details of NPA's recovered / regularized during the year
5	Test Check the accounts which have been regularized are as per the IRAC Norms & as per the Terms / Conditions of regularization
6	Test Check the accounts whether it has been actually recovered or it is through window dressing. Also check whether Interest & other charges collected has been duly recognized as income.
7	In case of NPA Accounts, to check whether Income has not been recognized & income earlier recognized but not recovered should be reversed
8	In case of newly recognized NPA's, other charges like legal expenses etc. should not be debited to the NPA Account
9	In case of any discrepancies for Point no.6, 7, 8, Suitable MOC shall be recommended by the auditor along with workings therefor.

Prepared By

Verified By

Reviewed By

Date

Date

Date

Name of the Bank
Branch

Year Ended
Branch Code

Checklist for Verification of Advances whose classification has been upgraded during the year

S. No.	Particulars	Remarks
1	Obtain the List of Accounts upgraded during the year	
2	Review the ledger for the whole year	
3	Check whether repayment of principle and interest is satisfactory as per the terms of restructuring at least for a year / or as per terms of sanction	
4	In case of additional facilities sanctioned as a part of restructured plan, they shall also be downgraded, if the performance is not satisfactory after one year	
5	In case of Restructured Advances, Ensure Proper Documentation such as Offer and Acceptance of the Scheme	
6	In case of non satisfactory performance of advance accounts for a period of one year or period as per terms of sanction, the account should not be upgraded to performing asset	
7	Further verify the IRAC norms in respect to provisioning is also complied	

Prepared by

Reviewed By

Name of the Bank
Branch

Year Ended
Branch Code

Checklist for Verification of Fixed Assets

S. No.	Particulars	Remarks
1	Obtain the Fixed Assets Register of the Branch	
2	Whether the branch has followed accounting policies prescribed by the HO with respect too capitalization, charges of depreciation & useful life of Assets	
3	Review the current year additions along with Original Invoices	
4	To check whether GST Input Tax Credit is claimed on Assets purchased and are eligible under GST Law, if Yes, Depreciation shall not be eligible	
5	Physically verify the Assets & Report any discrepancies	
6	To check whether Fixed Assets are numbered and tagged accordingly	
7	Whether the branch has the policy to verify the assets physically on periodic basis	
8	Physical verification report of branch fixed assets if conducted during the year.	
9	Whether any assets sold / discarded during the year	
10	To check for GST compliances on sale of assets or transfer of assets to other states	
11	Whether Assets related to previous manager/employees have been transferred to respective branch	
12	To check whether the Depreciation is been considered only from put to use date	
13	To check for Depreciation as per Income Tax Act, 1961	
14	Depreciation is not eligible for Assets above Rs.10,000 purchased by any other mode other than Banking Channel under the Income Tax Act, 1961	

Prepared by

Reviewed By

Date

Date

E-Book on
A Concise Practical Referencer for Statutory Bank Branch Audit



Southern India Regional Council
The Institute of Chartered Accountants of India
(Setup under an Act of Parliament)
ICAI Bhawan, No. 122 Mahatma Gandhi Road, Nungambakkam, Chennai - 600034