

WELCOME

"RISK AND REPORTS UNDER CBS ENVIRONMENT"

RATLAM, 26TH MARCH' 2017

**PRESENTED BY – GAGAN JHAVAR
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AGENDA -

Discussion on how to utilize the information systems installed in the branch to their fullest to conduct statutory audit of banks' branches; effectively.

MAJOR TASKS IN A STATUTORY BRANCH AUDIT -

- ❑ Verification of Financial Statements, other Closing Returns & Certificates
- ❑ Asset Classification & Income Recognition
- ❑ Revenue Leakage
- ❑ Credit Appraisal, Documentation & Monitoring of Advances
- ❑ Physical verification of assets e.g. Cash, Fixed Assets, Gold Coins, Stamps etc.

PLANNING A STATUTORY BRANCH AUDIT -

- ❑ General Ledger as on 31-03-2017.
- ❑ GL as on 31-03-2017 may be compared with that as on a nearby date say 21-03-2017, 28-03-2017 and 03-04-2017 to know about window dressing, if any.
- ❑ Scheme Code Wise Jotting Summary as on 31-03-2017.
- ❑ Due Date Diaries for Renewal, Insurance, Inspection, Stock Statement etc.

SCHEME CODE WISE JOTTING SUMMARY -

				SCHEME TYPE - CAA
Scheme	Scheme Description	No.	Balance	
CD201	CURRENT- GENERAL	149	8,493,422.25	Cr
	CAA Total A/cs	149	8,493,422.25	--
				SCHEME TYPE - CCA
CC301	CASH CREDIT GENE	21	15,100,810.53	Dr
CC302	WKG CAP DEMAND L	6	114,157.50	Dr
CC321	CASH CREDIT AGRI	986	287,935,205.31	Dr
LA763	AGRICULTURE LOAN	202	33,914,013.32	Dr
	CCA Total A/cs	1215	337,064,186.66	--
				SCHEME TYPE - LAA
LA601	STAR PERSONAL-DL	67	5,088,007.44	Dr
LA602	STAR PERSONAL -T	4	549,393.00	Dr
LA605	STAR VEHICLE LOA	25	10,214,221.37	Dr

PLANNING A STATUTORY BRANCH AUDIT -

- ❑ Account wise Jotting Report / Balance File as on 31-03-2017.
- ❑ Account wise Jotting Report / Balance File as on 31-03-2017 may be compared against that as on a nearby date say 15-03-2017.
- ❑ List of NPA Accounts as on 31-03-2017 may be compared with that as on 31-03-2016 and say 31-12-2016.

PLANNING A STATUTORY BRANCH AUDIT -

- Report on Debit & Credit Summations may be analyzed to identify problematic accounts in CC, OD and KCC.
- Report on Overdue TL or potential NPAs may be analyzed and compared with list of NPAs.
- Analyse sanction terms of top 10 borrower accounts. Verify whether correct rate of interest is fed in the system and whether sanction terms have been complied with.

PLANNING A STATUTORY BRANCH AUDIT -

- Similar analysis may be done for a few advances sanctioned during the year.
- No need to check P&L and Balance Sheet with PL and GL, respectively as the same are system generated.

LFAR -

Cash -

Does the branch generally carry cash balances, which vary significantly from the limits fixed by the controlling authorities of the bank? Whether excess balances have been reported to the controlling authorities of the bank?

USE OF CBS IN BRANCH AUDIT -

Cash Balance -

Finacle "ACLI" – Account Ledger Inquiry

"ACLPOA" – Account Ledger Printing Office Accounts

BaNCS Reports – Cash related – View Cash Summary
Reports – Printing reports – Cashier / Teller Cash
Report

LFAR -

Balances with Reserve Bank of India, State Bank of India and other banks -

a) Were balance confirmation certificates obtained in respect of outstanding balances as at the year-end and whether the aforesaid balances have been reconciled? The nature and extent of differences should be reported.

USE OF CBS IN BRANCH AUDIT -

Balances with other banks -

Finacle "GL" – General Ledger

"ACLI" – Account Ledger Inquiry

"ACLPOA" – Account Ledger Printing Office Accounts

BaNCS Branch accounting (BGL) - Enquire

USE OF CBS IN BRANCH AUDIT -

Account Ledger -

Finacle "ACLI" – Account Ledger Inquiry

"ACLPCA" – Customer Ledger Account Print

"PSP" – Pass Sheet Print

BaNCS DL / TL Accounts & Services – Print Option

Deposit / CC / OD Accounts & Services – Print
Option

USE OF CBS IN BRANCH AUDIT -

Transactions in Accounts -

Finacle "FTI" – Financial Transaction Inquiry

BaNCS DL / TL Accounts & Services – Enquiries –
Transaction

Deposit / CC / OD Accounts & Services – Enquiries –
Transaction

USE OF CBS IN BRANCH AUDIT -

Sanctioned Limit / Drawing Power -

Finacle "ACM" – Account Master
 "ACLHM" - Account Limit History Maintenance

BaNCS DL / TL Accounts & Services – Enquiries – Account

 Deposit / CC / OD Accounts & Services – Enquiries
 – Account

USE OF CBS IN BRANCH AUDIT -

Repayment Terms, Interest Parameters including Penal Interest -

Finacle "ACM" - Account Master

"CUMM / CUMI" - Customer Master Maintenance /
Customer Master Inquiry

"LARSH" - Loans Repayment Schedule Report

BaNCS DL / TL Accounts & Services - Enquiries - Account

Deposit / CC / OD Accounts & Services - Enquiries
- Account

USE OF CBS IN BRANCH AUDIT -

Interest Rate History -

Finacle "INTTM" – Interest Table Master Maintenance

BaNCS DL / TL Accounts & Services – Interest Rate History

Deposit / CC / OD Accounts & Services – Interest Rate History

USE OF CBS IN BRANCH AUDIT -

Turnover in an account or Debit & Credit Summation -

Finacle "ATOR" – Account Turnover Report

"ACTI" – Account Turnover Inquiry

BaNCS DL / TL Accounts & Services – Enquiries – Long

Deposit / CC / OD Accounts & Services – Enquiries
– Long

ATOR FOR CASH CREDIT ACCOUNTS -

Account No.	Limit	Outstanding	Debit Turnover	Credit Turnover	Status
27930110000001	300,000.00	304,500.00	9,135.00	11,000.00	OK
27930110000003	210,000.00	208,000.00	6,240.00		-NPA
27930110000006	650,000.00	648,000.00	19,440.00		-NPA
27930110000013	155,000.00	155,000.00	4,650.00	6,000.00	OK
27930110000016	470,000.00	467,000.00	14,010.00	10,210.00	NPA?
27930110000019	130,000.00	128,489.00	3,854.67	4,000.00	OK
27930110000020	176,000.00	175,678.00	5,270.34	2,650.00	NPA?
27930110000021	200,000.00	195,800.00	5,874.00	6,000.00	OK
27930110000022	350,000.00	364,987.00	10,949.61		-NPA
27930110000024	550,000.00	550,870.00	16,526.10	10,250.00	NPA?

LFAR -

Asset Classification -

Has the branch identified and **classified advances into standard/sub-standard/doubtful/loss assets** in line with the norms prescribed by the Reserve Bank of India?

USE OF CBS IN BRANCH AUDIT -

Account Classification -

Finacle "ACS" – Account Selection or "ACSP" – Account Selection Print

BaNCS DL / TL Accounts & Services – Enquiries – Short – Select Option 1 – DL / TL {Date of NPA is available under Long Inquiry}

Deposit / CC / OD Accounts & Services – Enquiries – Short - Select Option 2 – CC / OD {Date of NPA is available under Long Inquiry}

USE OF CBS IN BRANCH AUDIT -

Account Classification -

Finacle "NPARPT" (NPA Report)

BaNCS CC OD Balance File,

Loans Balance File,

List of NPA Accounts (Under offline reports)

LFAR -

Profit & Loss Account -

Whether the branch has a system to compute **discrepancies in interest** / discount and for timely adjustment thereof in accordance with the guidelines laid down in this regard by the controlling authorities of the bank? Has the test checking of interest revealed excess/short credit of a material amount? If so, give details thereof.

USE OF CBS IN BRANCH AUDIT -

Interest Report -

Finacle "AINTRPT" – Interest Report for Account

BaNCS Product Sheets

USE OF CBS IN BRANCH AUDIT -

Security Maintenance (Primary & Collateral) -

Finacle "SRM" – Security Register Maintenance

BaNCS DL / TL Accounts & Services – Security (Primary / Collateral) – Customer – Amend / Enquiry - Amend / Enquire Security

Deposit / CC / OD Accounts & Services – Security (Primary / Collateral) – Customer – Amend / Enquiry - Amend / Enquire Security

LFAR -

Documentation -

Whether advances against lien of deposits have been properly granted by **marking a lien on the deposit** in accordance with the guidelines of the controlling authorities of the bank?

USE OF CBS IN BRANCH AUDIT -

Lien Marking -

Finacle "ALM" – Account Lien Maintenance
"SRM" – Security Register Maintenance

BaNCS DL / TL Accounts & Services – Security (Primary / Collateral) – Customer – Amend / Enquiry - Amend / Enquire Security

Deposit / CC / OD Accounts & Services – Security (Primary / Collateral) – Customer – Amend / Enquiry - Amend / Enquire Security

LFAR -

Guarantees and Letters of Credit -

- i) Details of **outstanding amount of guarantees** invoked and funded by the Branch at the end of the year may be obtained from the management and reported in the following format:

- ii) Details of the **outstanding amount of letters of credit and co-acceptances** funded by the Branch at the end of the year may be obtained from the management and reported in the following format:

USE OF CBS IN BRANCH AUDIT -

Non-Fund Based Facilities -

- Finacle "DCQRY" – Documentary Credit Query
 "DCREG" – Documentary Credit Register Printing
 "DCLIABRG" – Documentary Credit Liability Register
- "GI" – Guarantee Inquiry
 "GILR" – Guarantee Issued Liability Register
 "GIPNP" – Guarantees Invoked or not Paid
- BaNCS Available in Offline Reports or through EXIM
 Software

USE OF CBS IN BRANCH AUDIT -

Bills Purchased & Discounted -

Finacle "BI" – Bill Inquiry
 "BR" – Bill Balancing Report
 "FBI" – Foreign Bill Inquiry
 "FBBR" – Foreign Bill Balancing Report

BaNCS Available in Offline Reports or through EXIM
 Software

LFAR -

Sensitive Accounts -

Does the system of the bank ensure expeditious clearance of items debited to suspense account? [Details of old outstanding entries](#) may be obtained from the branch and the reasons for delay in adjusting the entries may be ascertained. Does your scrutiny of the accounts under various sub-heads reveal balances, which in your opinion are not recoverable and would require a provision/write-off? If so, give details in the following format:

USE OF CBS IN BRANCH AUDIT -

Sensitive Accounts -

Finacle "MSGOIRP" – Outstanding Items Report

"ACLPOA" – Account Ledger Printing Office Accounts

BaNCS Available in Offline Reports e.g. "Audit BGL Accounts age wise break up" & "GL Outstanding Accnts Report"

LFAR -

Stationery and Stamps -

- i) Does the system of the bank ensure **adequate internal control over issue and custody of stationery** any comprising security items (term deposit receipts, drafts, pay orders, cheque books, traveller's cheques, gift cheques, etc)? Whether the system is being followed by the branch?
- ii) Have you come across **cases of missing/lost items** of such stationery?

USE OF CBS IN BRANCH AUDIT -

Security Stationery -

Finacle "ISRA" - Inventory Status Report

BaNCS Available in the module of "Valuable Paper Inventory System (VPIS)"

TAX AUDIT REPORT - 3CD

Tax deduction at source -

Whether the assessee has deducted tax at source and paid the amount so deducted to the credit of the Central Government in accordance with the provisions of Chapter XVII-B?

USE OF CBS IN BRANCH AUDIT -

Deduction of Tax at Source -

- Finacle "TDSIP" – TDS Inquiry / Print
 "TDSREP" – Customer wise TDS report
 "ACSP" - Account selection for accounts having
 balance more than a threshold
- BaNCS Available in Offline Reports on account wise /
 transaction wise Tax Deduction

LFAR -

Review / Monitoring / Supervision -

- i) Is the procedure laid down by the controlling authorities of the bank, for **periodic review of advances** including **periodic balance confirmation / acknowledgement of debts**, followed by the branch? Provide analysis of the accounts over due for review/ renewal.

- ii) Are the **stock/book debt statements** and other periodic operational data and financial statements, etc., **received regularly** from the borrowers and duly scrutinized?

USE OF CBS IN BRANCH AUDIT -

Due Date Diaries in Finacle -

INSTOEXP Insurance Expiry List

INQLAC Loan Document Expiry Date

LADRPT LAD Report

STKSTMT Stock Statement not submitted

USE OF CBS IN BRANCH AUDIT -

Other relevant Menu options in Finacle -

ODFDREP Report for Matured OD/FD Accounts

POVDPC Party-wise Overdue Packing Credit

PLIST Pending Instalments List

CULI Customer Unutilised Limit Inquiry

EXCPRPT Exceptional Report

IMPACT OF COMPUTERIZATION - LIMITATIONS

1) In many banks CBS (Finacle) is still not used for classification of NPA accounts.

Further, NPA due to non submission of stock statement and non renewal of limits is again required to be classified manually.

IMPACT OF COMPUTERIZATION - LIMITATIONS

2) During transfer of data from CBS (Like Finacle) to Advances software (Like CCIS in BOI, ASCROM in BOB etc.) some alterations / mistakes are possible.

Also there is a lot of data which needs to be fed afresh in Advances Software, since either CBS does not contain it or the data in CBS is not up to date (e.g. value of security are not there in CBS).

IMPACT OF COMPUTERIZATION - LIMITATIONS

3) Updating of data like dates of last inspection, review, documents etc. is not done. Also installment amount, date of first installment etc. are not fed. Thus, CBS may not be used to its fullest.

4) CBS does not generate most of the closing returns.

5) CBS has made our work difficult to the extent that now anybody e.g. central statutory auditor may review branch's data and thereby our work sitting in Z.O. / H.O. of the bank.

REVEUNE LEAKAGE - AUDIT PROCEDURES

Now we have to focus on areas where charges are not automatically applied by the software or where a particular module is not computerised.

Following are a few such probable areas -

- I) Omission in charging penal rate of interest e.g. for non-submission of Financial Statements, Stock /Book-debts Statements, Ext. Credit Rating etc.
 - II) Rate of interest not correctly interpreted and charged especially in case of large advances
 - III) Commitment Charges
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REVEUNE LEAKAGE - AUDIT PROCEDURES

- IV) Rate of interest in case of irregular advance related accounts
- V) Documentation Charges
- VI) Processing Charges
- VII) Inspection Charges
- VIII) Lead Bank (Consortium) Charges
- IX) Cash Handling Charges
- X) Charges for use of Locker exceeding the permissible limit etc.

REVEUNE LEAKAGE - AUDIT PROCEDURES

XI) See reports on Interest changed or applied manually charges applied manually to detect leakage of revenue. Menu "LAPSP" in Finacle may be used.

'Interest Rate History' may also be referred.

REVEUNE LEAKAGE - AUDIT PROCEDURES

- I) See "Interest Failure Reports" for CC/OD and Loans to detect leakage of revenue. 'Interest Rate History' may also be referred.
- II) Ledger accounts of CC accounts on month ends or quarter ends may be analysed.
- III) Sanction letter of Top 10 or 20 accounts (Especially accounts where a 'Minimum Rate of Interest' is being stipulated and Account Master to be checked.
- IV) Interest in case of Irregular KCC Accounts.

REVEUNE LEAKAGE - USEFUL TIPS

- V) Interest in case when EPC is not liquidated within 360 days.
- VI) Due date dairies for submission of stock statements, renewal of credit facilities etc. may be referred to.
- VII) Report on Interest / charges applied manually may be referred to.

FINACLE - BASIC COMMANDS

SHORTCUT KEY	ACTION
F1	HELP
F2	LIST OF ITEMS FOR SELECTION
SHIFT + F4	SELECTING THE ITEM FROM LIST
F10	COMMIT
CTRL + D	PAGE DOWN
CTRL + U	PAGE UP
CTRL + E	EXPLODE DETAILS

FINACLE - BASIC COMMANDS

SHORTCUT KEY	ACTION
F3	BACK TO MAIN MENU
F6	NEXT PAGE
F4	TAKES THE USER TO THE NEXT MANDATORY FIELD AFTER VALIDATION

THANKS.....

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