



Vasai Branch of WIRC of  
The Institute of Chartered  
Accountants of India



# **Referencer on Statutory Bank Branch Audit - *For Beginners & Experts***



## MOTTO

य एष सुप्तेषु जागर्ति कामं कामं पुरुषो निर्मिमाणः ।  
तदेव शुक्रं तद् ब्रह्म तदेवामृतमुच्यते ।  
तस्मिंल्लोकाः श्रिताः सर्वे तदु नात्येति कश्चन । एतद् वै तत् ॥

Ya eṣa supteṣu jāgarti kāmam kāmam puruṣo nirmimāṇah ।  
Tadeva śukram tad brahma tadevāmṛtamucyate ।  
Tasminlokāḥ śritāḥ sarve tadu nātyeti kaścan । Etad vai tat ॥

That person who is awake in those that sleep, shaping desire after desire, that, indeed, is the pure. That is Brahman that, indeed is called the immortal. In it all the worlds rest and no one ever goes beyond it. This, verily, is that, kamam kamam: desire after desire, really objects of desire. Even dream objects like objects of waking consciousness are due to the Supreme Person. Even dream consciousness is a proof of the existence of the self.

No one ever goes beyond it: of Eckhart: 'On reaching God all progress ends'.

Source: Kathopanishad





THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA  
VASAI BRANCH (WIRC)

# **Referencer on Statutory Bank Branch Audit - For Beginners & Experts**

## **DISCLAIMER**

Due care has been taken to ensure that this publication provides relevant and accurate information. In the event of any mistakes coming to light, we seek your pardon and request the readers to bring such mistakes to our attention for improvements. The information and data in this presentation are solely for informational purpose. It does not constitute any professional advice and it is advised that professional advice be taken before taking any action based on the information provided in this presentation.

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# Foreword

Dear Professional colleagues,

It gives me immense pleasure to present the publication “**Referencer on Statutory Bank Branch Audit- For Beginners & Experts**”, an initiative by the Vasai Branch of WIRC of ICAI. This publication is a testament to the dedication and commitment of the Vasai Branch in supporting Chartered Accountants by providing valuable insights into the evolving landscape of bank audits.



The banking sector is undergoing rapid transformation due to technological advancements, regulatory changes, and increasing complexities in financial transactions. In this dynamic environment, statutory bank branch audits play a crucial role in ensuring financial discipline, transparency, and compliance with regulatory frameworks. Auditors are entrusted with the significant responsibility of identifying irregularities, strengthening internal controls, and safeguarding the integrity of the banking system. Their role is not just about financial reporting but also about protecting stakeholder interests and fostering trust in the financial ecosystem.

Recognizing the need for a structured and comprehensive reference guide, the Vasai Branch has put in tireless efforts to compile this publication, which covers essential aspects such as audit procedures, risk assessments, compliance checks, and the latest regulatory updates. This Publication will serve as a practical tool for professionals, enabling them to conduct audits with greater precision and confidence.

On behalf of entire Vasai Branch team, I wish to express my sincere thanks to CA. Charanjot Singh Nanda, Hon'ble President, ICAI and CA. Prasanna Kumar D, Hon'ble Vice-President, ICAI for their guidance and motivation.

I extend my sincere appreciation to the Past Chairman CA. Abhishek Tiwari and entire Vasai Branch team for their hard work in bringing this resource to life. A special note of gratitude to the Managing Committee members and all contributors who have shared their expertise to make this publication a valuable reference for members. Your efforts reflect the spirit of excellence and commitment that defines our profession.

I am confident that this publication will serve as a useful guide for Chartered Accountants and aspiring professionals engaged in bank audits. I encourage all readers to make the most of this resource and continue upholding the highest standards of auditing and financial reporting.

Wishing you success in all your professional endeavors!

**CA Ketan Saiya**  
(Chairperson WIRC-ICAI)

# Foreword

Dear Professional Colleagues,

Banking Sector in India is rapidly changing due to technological innovation, financial liberalization with entry of new private and foreign banks, introduction of new products/services and geographical expansion. Banks function under the supervisory and regulatory directions of the Reserve Bank of India to minimise the internal and external risks that are faced by banks. Statutory Audit helps banks to provide the stakeholders a comfort with regard to credibility of the financial statements of banks. In order to maintain quality of bank audits, it is essential that the statutory auditors are well equipped in terms of their knowledge of the banking sector and keep themselves abreast with the latest developments in banking sector



I am pleased to state that the Vasai Branch of WIRC of ICAI is publishing a publication on titled **'Referencer on Statutory Bank Branch Audit- For Beginners & Experts'**. I am sure this publication will help members and students into the intricacies of Bank Branch Audit. This Publication is going to help professionals as a tool for quick reference understanding of standard terms as well as procedure to be followed while conducting Bank Audits.

On behalf of entire Vasai Branch team I wish to express my sincere thanks to CA. Charanjot Singh Nanda, Hon'ble President, ICAI and CA. Prasanna Kumar D, Hon'ble Vice-President, ICAI for their guidance and motivation.

I have great pleasure in acknowledging the contribution made by Past Chairman CA. Abhishek Tiwari & CA Pankaj Tiwari, my colleagues in Managing Committee of Vasai Branch and the entire team of contributors.

I am confident that the members and other stakeholders would find the Valuable Information highly useful in their professional assignments.

**CA Daya Bansal**

Chairperson Vasai Branch of WIRC of ICAI

# Preface

A Bank audit is a routine examination of the records and services of a bank to ensure whether they are in compliance with the laws and standards of the industry. Banks have to get many types of audits done such as statutory audit, revenue audit, concurrent audit, etc. Statutory Auditors are appointed by RBI with due coordination of the concerned Bank Management, RBI and ICAI. Every year after the end of the previous financial year, in every branch of the banks, a very rigorous audit is conducted. The steps involved in Bank Audit are



- a) Scrutiny of Loan Applications.
- b) KYC Compliance.
- c) Latest Audited Financial Statements of the borrowers.
- d) Project Report, Projected P&L, Balance Sheet and Cash Flow Statement.
- e) Board Resolution for Availing the Credit Facilities.
- f) All the Government Department's Registration.
- g) Technical Review.

This Publication gives an in-depth knowledge on the Bank Branch Audit requirements right from Verification of advances to NPA's and auditing under computerized environment to various circulars norms applicable to Banks. The author has also provided various tips for conducting Bank Branch Audit to help the professionals conduct audit in an effective and diligent way

This Publication also highlights the requirements to conduct the Bank Branch Audit but also provides detailed explanations ways through which the same can be conducted.

I would like to congratulate CA Daya Amit Bansal, Chairperson of Vasai Branch of WIRC of ICAI and the entire Managing Committee Members of Vasai Branch of WIRC of ICAI for sparing time and putting their best efforts in the making of this erudite publication.

**CA Abhishek Tiwari**

(Past Chairman Vasai Branch - WIRC)





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# Current Banking Scenario & Fraud in the Banking Industry

CA Virendra Jain

As of 2025, the banking scenario in India continues to evolve rapidly, driven by technological advancements, regulatory changes, and shifting consumer expectations. However, the industry also faces significant challenges, particularly in the area of fraud. Here's an overview of the current banking scenario and the state of fraud in the Indian banking industry:

## Current Banking Scenario in India (2025)

### 1. Digital Transformation

The Indian banking sector has fully embraced digitalization, with a majority of transactions now conducted through digital channels such as mobile banking, UPI (Unified Payments Interface), and internet banking. - The adoption of AI, blockchain, and cloud computing has enhanced operational efficiency and customer experience.

### 2. Financial Inclusion

Government initiatives like Jan Dhan Yojana, Aadhaar linkage, and the expansion of rural banking have significantly improved financial inclusion. - Neobanks and fintech companies are playing a crucial role in reaching underserved populations.

### 3. Regulatory Environment

The Reserve Bank of India (RBI) continues to strengthen regulations to ensure stability and transparency in the banking sector. - Stricter norms for cybersecurity and data protection have been implemented to safeguard customer information.

### 4. Rise of Fintech

Fintech companies are collaborating with traditional banks to offer innovative products and services, such as instant loans, digital wallets, and robo-advisory services. UPI has become the backbone of India's digital payments ecosystem, with record-breaking transaction volumes.

### 5. Green Banking

Banks are increasingly focusing on sustainable finance, offering green loans and investing in

renewable energy projects to align with global climate goals.

## Fraud in the Banking Industry (2025)

Despite the advancements, fraud remains a critical issue in the Indian banking sector. The types of fraud have evolved, with cybercriminals leveraging sophisticated techniques to exploit vulnerabilities.

### 1. Common Types of Fraud

**Phishing and Social Engineering:** Fraudsters use fake emails, messages, and calls to trick customers into revealing sensitive information like OTPs and passwords.

**UPI and Payment Frauds:** With the widespread use of UPI, frauds related to fake QR codes, unauthorized transactions, and SIM swap scams have increased. –

**Loan Frauds:** Fraudulent loan applications, identity theft, and document forgery remain prevalent.

**Insider Frauds:** Collusion between bank employees and external parties to siphon off funds or manipulate records.

**Cyberattacks:** Ransomware, malware, and DDoS attacks targeting banks' IT systems have become more frequent.

### 2. Impact of Fraud

Financial losses for both banks and customers. - Erosion of trust in digital banking platforms. - Increased regulatory scrutiny and compliance costs for banks.

### 3. Measures to Combat Fraud

**Advanced Analytics and AI:** Banks are using AI and machine learning to detect unusual patterns and flag potential fraud in real-time.

**Biometric Authentication:** Adoption of biometric verification (e.g., fingerprint, facial recognition) to enhance security.

**Blockchain Technology:** Implementing blockchain for secure and transparent transactions.



**Customer Awareness:** Banks are conducting campaigns to educate customers about safe banking practices and recognizing fraud attempts.

**Regulatory Interventions:** The RBI has mandated stricter reporting requirements for frauds and introduced guidelines for cybersecurity resilience.

#### 4. Challenges

Keeping pace with the rapidly evolving tactics of cybercriminals. - Balancing security with user convenience in digital banking. - Addressing the skill gap in cybersecurity within the banking workforce.

Recent reports from the Reserve Bank of India (RBI) indicate a concerning surge in bank fraud cases in India. Here's a summary of the key points:

##### Significant Increase:

There's been a notable year-on-year increase in both the number of bank fraud cases and the total amount involved. Specifically, in the first half of the financial year 2024-25, there was a significant rise in fraud cases and the amount of money lost. The amount involved has seen a very large increase.

##### Digital Fraud:

A substantial portion of these frauds is attributed to internet and card-related activities, highlighting the growing vulnerability of digital platforms. Social engineering attacks on customers, and the use of mule bank accounts are increasing.

##### RBI's Response:

The RBI is actively working to address this issue by: Strengthening transaction monitoring systems.

Improving coordination with law enforcement agencies. Working on creating a public repository of Digital Lending Apps (DLAs) to help verify their legitimacy. Increasing penalties on regulated entities.

##### Key Factors:

The rise of digital banking and payments has created new avenues for fraudulent activities. The increasing sophistication of cybercriminals poses a significant challenge.

In essence, while digital banking offers convenience, it also necessitates heightened vigilance and robust security measures. The RBI is taking steps to mitigate these risks, and banks are also urged to strengthen their customer onboarding and transaction monitoring systems.

##### Future Outlook:

The Indian banking sector is expected to continue its growth trajectory, with a strong focus on innovation and customer-centric services. - However, combating fraud will remain a top priority, requiring collaboration between banks, regulators, and technology providers. - The integration of emerging technologies like quantum computing and advanced AI could further strengthen fraud prevention mechanisms. In summary, while the Indian banking industry in 2025 is more advanced and inclusive than ever, the threat of fraud poses a significant challenge. Proactive measures and continuous innovation will be key to maintaining trust and stability in the sector.

# Practical Guidance to the Beginners for Branch Audit

CA Abhishek Tiwari

## Steps before Commencing the Audit

- The acceptance to be conveyed along with all the documents and undertakings called for by the bank only after intimating the previous Statutory Auditors and seeking their NOC on E-mail followed by the hard copy.
- RBI master circular on IRAC norms to be read and kept handy—hard as well as soft copies.
- Bank's branch closing circular copy to be taken on record and needs to be studied thoroughly.
- Finacle Option Menu list needs be kept handy.
- E-mail ID and Contact Nos. of branch officials, MEF expert panel to be kept handy.
- Work allocation sheet to be prepared as per the practical exposure of the audit staff.
- Enough stationery like note pads, green Ink pens, pencils, erasers, calculators, laptop, charger, working paper file, seal, stamp pad etc. to be carried.
- The appointment letters, consent letters with other documents and correspondence to be carried in a separate file
- The list of initial requirements like various audit report files, registers, finacle reports etc. needs to be e-mailed before hand to the branch so that on the day of visit to the branch the requirements would be ready and time can be saved in collecting the requirements on day 1.
- Ask for designated minimum 2 computers with audit login before starting the audit itself. This should be one of the requirements while calling for various reports and files.

## Steps on the First Day at the Branch

- Spend some time on Day 1 to interact with the branch head on the business mix, thrust area of advances, major advances i.e., Advances over ` 5 Crore and ` 1 Crore etc. Various audits conducted during the audit period, the audit ratings, staff strength, concurrent audit

applicable or not, control over long outstanding entries in suspense and sundry, Govt. business if any handled by the Branch, On site ATM if any, lockers if any, Trainings undergone by the staff, Any major thing which as a branch head he would like to discuss, fraud if any reported during the year in the branch etc. This will give you grip and feel of the branch.

- Get yourself introduced to the staff so that co-ordination and authority can be established which is must for the smooth and speedy conduct of the statutory audit.
- Go through the quarter end closing circular, internal audit report, concurrent audit reports, system audit report, RBI report, revenue audit Reports and previous Statutory Audit Reports and jot down the observations which you also need to comment upon or needs to be enquired w.r.t. LFAR etc.
- Migration audit file to be enquired into if the branch has been migrated to CBS platform during the audit period.

## Steps for audit of Advances and NPA related matters

- The entire GL with sub-heads can be asked to be converted into Excel with opening and closing balances and transactions during the year. This will give you accounts where balances are constant and needs to be enquired into. This is Trial Balance scrutiny.
- Last year MOCs and its effect in books subsequent to completion of audit whether given or not to be seen along with copy for our record
- Potential NPA or mock run report for last 3 months needs to be called for.
- The asset classification wise and facility wise advance portfolio converted in excel along with security Value and date of identification of NPA is to be asked for. The entire IRAC norms exercise will be easy if this excel sheet is analysed using Excel Tools. Major work is



reduced and you will find errors like No security value entered or same primary or collateral value is entered or collateral is there but primary value is not entered etc., which can be enquired into. The whole provision is based on security value so ensuring this is very important.

- Quarter to quarter movement of NPA with NPA as of 31st March of previous year to be compared. This will give you link to advances which are upgraded or restructured or written off during the audit period.
- Then call for NPA movement statement sent to controlling offices on monthly basis and scrutinise them as well for the recoveries etc.
- Excel sheets for valuation not done or overdue for more than 3 years, pending stock statements for more than 6 months, expired insurance policies, pending stock audits, accounts pending for review/renewal beyond 6 months. These are the Technical reasons for which advance needs to be classified as NPA. Hence go through the concurrent audit or CCIS reports or system generated MIS reports from Finacle.
- Debit balances in SB/CA and CC Accounts report and TOD/TOL daily reports to be scrutinised.
- Exception report for last 3 months to be reviewed without fail since these reports capture the unusual transactions and the details like accounts pending for review, overdue instalments etc.
- CC accounts to be verified for interest debits and total credits for the end of the quarter. This is one of the reasons for identifying and classifying NPA in sticky or problematic accounts. This exercise can be correlated with the accounts getting NPA for the technical reason as well.
- In case of CC accounts, cash deposits at the year end or transfers from other accounts on last day and Re-transfer on the next day during the last quarter under review are generally accommodation entry to bring those accounts out of NPA classification and hence needs to be enquired into.
- CC accounts with no credits in the accounts for the last quarter also needs to be classified as NPA so check that.
- Term loans to be scrutinised with repayment options and by exploring (i.e., cntrl E) in repayment option to see interest and principal outstanding. The loans overdue report generated

from Finacle MIS reports or exception reports if capturing these overdue instalment entries or CCIS report if capturing this overdue instalment/ Interest needs to be verified. LAOPI option can be used to get the interest and principal break up for the same.

- Gold loans to be physically verified randomly for availability of security and the documentation to be verified as per the bank's internal circular.
- Loan or OD against third party TDR to be specifically verified.
- Documents related to frauds if any reported during the audit period to be gone through.
- Physical verification of primary and collateral security as per the valuation reports or documents to be done by the staff without fail for the accounts identified by Excel Tools especially.
- Time barred documents where no Acknowledgment of Debt (AOD) or Debit Balance Confirmation (DBC) document is obtained also needs to be commented upon.
- NPA sets to be signed by the statutory Auditor first needs to be checked wrt. opening balances as on 1st April of the audit period.

The audited gross and net NPA fig as of 31st March of previous year should be the opening balance as of 1st of April of the audit period.

- Bank Guarantees and LCs devolved if any etc. to be verified. Bank Guarantees and LCs issued, LOUs issued, corresponding liability vouchers passed for the same in CBS or not w.r.t. SWIFT messages transmitted/originated from SWIFT directly.
  - Major advances sanctioned during the year to be verified and commented upon.
- Steps for audit related to Cash and housekeeping matters
- Verification of Cash and ATM Cash for on-site ATM to be done
  - ATM reconciliation and Inter bank and branch reconciliation files to be seen. The remarks from the concurrent and internal audit files can be noted and enquired regarding this.
  - Cash retention limit and cash insurance policy details needs to be called for.
  - Physical verification of sensitive stationery needs to be done by the staff from the ISRA i.e., Inventory Status Report generated from



Finacle. The double lock and employee Location inventory stock should be matched and cross tallied.

- Furniture and Fixed Assets statement to be scrutinised and additions and deletions or inter branch or inter unit transfers to be enquired and verified with the indents and delivery challans. This is important to ensure since the depreciation would be charged on these items in HO books.
- Statutory payments related to staff to be verified since there is a certification to that effect.
- Account Opening forms ESP Current Accounts opened and closed within a short span to be randomly verified.
- RTGS and NEFT report generated from MIS reports to be scrutinized and enquired into for regular transfers and end use of funds.
- Suspense and sundry ledgers to be scrutinised for long outstanding entries and entries having impact on assets of the branch. The jotting report or balancing report can be generated for the long outstanding entries and the same needs to be verified from the previous quarterly closing returns as well. MSGOIRP option is used to generate the date wise outstanding report mostly.
- Interest subvention scheme heads to be verified since there is a certification to that effect.
- ECGC premium paid or pending ledger and reports to be verified since there is a certification to that effect.
- Claims acknowledged as debts and pending are to be verified since there is a certification to that effect.
- CTR and STR reports, soft and hard copies to be seen and confirmed prior to the submission to the controlling offices.
- Overdue term deposits figures to be compared with the previous year and noted down.

- Other items related to housekeeping issues and LFAR to be verified.

#### **Steps for compiling the Main Report & LFAR etc.**

- Take previous year statutory audit report with LFAR and ask the staff at office to compile the old details, send the observations on daily basis to them to make changes or if the audit staff does it online at the branch itself will save time in submission of audit report and LFAR.
- Review the entire work, discuss the observations online with the branch staff and the branch head.
- Training to staff, Co-ordination within audit team, ongoing discussions with seniors in the team, collecting audit working papers and documentary evidences, taking management written representations in the standard format provided along with our own issues observed, taking TDS certificate from the branch officials etc., before signing the reports and statements is must.
- If required the issues can be discussed with the central statutory auditor for the Zone.
- Overlapping of the work to be strictly avoided.
- The date of visits by the partners and staff along with travelling and conveyance proofs to be recorded and preserved to claim the reimbursements at the time of raising bill.
- The attendance certificate to be obtained duly signed and sealed by the branch head. This is required as a supporting for the claim reimbursements.

This practical guide is for the branches not having Forex and Treasury Operations. The list is endless but have tried to consolidate few important practical things for you all. Let's do the quality audit in the given deadline with proper audit planning and knowledge about certification work.

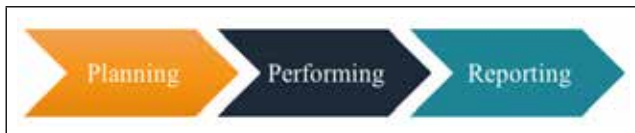


# Audit Planning

CA Shweta Jain

An **Audit plan** is the specific guideline to be followed when conducting an **audit, It helps the auditor obtain sufficient appropriate evidence for the circumstances.**

The whole auditing process can generally be divided into three different phases and Proper Planning is required at all the three phases.



## Auditing Process:

### Reporting phase

deals with making conclusions, reporting to any necessary adjustments to management, and issuing the independent auditor's report.

### Audit planning phase

includes procedures such as gaining an understanding of the clients and its business, making risk and materiality assessments, determining an audit strategy, and determining the type of evidence to collect, based on the risk levels.

### Performing Phase

refers to the means of collecting evidence.

### Basic expectation from Auditor:

- Integrity, objectivity and independence
- Confidentiality
- Skill and competence
- Working papers
- Planning
- Audit evidence
- Evaluation of accounting system and internal control
- Opinion and report

## Planning required at three stages:

- A. Pre Commencement of Audit:
- B. During the Audit
- C. Completion of Audit

### A. Pre Commencement of Audit:

- Before we start-Some Ground Work
- Letter seeking information
- Changing scenario in the banking industry
- RBI regulations & other standards
- Important Standards on Auditing

### Before we start-Some Ground Work:

- Acceptance letter to appointing authority
- Engagement Letter and scope of work
- NOC from previous auditor
- Basic Information from branch.
- Evaluation of Internal Controls
- Prepare Audit Program
- Overall Time & Manpower Planning
- Audit Files –
  - Permanent Audit File
  - Working Papers File

### Letter seeking information:

Before actual commencement of audit a letter may be written to the management of bank asking for following information:

1. Organizational chart of bank and bank branch.
2. List of departments in the bank branch along with name of head of department.
3. Authority and responsibility of each officer in the bank.



4. Details of software used by bank.
5. List of reports generated by the software.
6. Special feature of each banking product.
7. Areas where work has been outsourced to outsiders
8. Accounting policy followed by the bank.
9. Copies of last year annual accounts and current year quarterly/half yearly accounts,
10. Copy of day book.
11. Information of top 10 borrowers for each kind of loan
12. Instructions issued by Head office for closing of accounts.

**Changing scenario in banking industry:**

- Focus on frauds
- Impact of IBC
- Recapitalisation of PSB's
- Upcoming IND-AS implementation
- GST, E-TDS in Bank Branch Audit and its Reporting
- Bank mergers
- Covid Impact

**RBI regulations to be followed:**

- IRAC norms and other related circulars
- Frauds classification and reporting
- Cash Reserve Ratio (CRR)/Statutory Liquid Ratio(SLR)
- Capital Adequacy
- Exposure norms
- Guarantees and co-acceptances
- Wilful Defaulters

**Auditing standards to be followed:**

- SA 200 –Basic Principles Governing Audit.
- SA 210 – Terms of Audit Engagement
- SA 220 – Quality Control for an Audit of Financial Statements
- SA 230 – Audit Documentation
- SA 300 – Planning an Audit of financial statements

- SA 310 – Knowledge of Business
- SA 315 – Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment
- SA 320 –Materiality in Planning and Performing an Audit
- SA 400 –Risk Assessment and Internal Control SA

**B. During the audit: following are the things which we need to prepare during the course of audit.**

- Audit Program
- Work at branch
- Audit Performance
- Internal controls in bank branch
- Additional Controls for Computerized Environment

**Audit Program**

- Define broadly the scope of audit.
- Identify the thrust areas.
- Set materiality levels standards for each area.
- Lay down over all time schedule.
- Training to Audit staff and special skill if required.
- Weak areas identified during the Audit be given extra focus.
- Physical verification of cash and other securities / Sensitive Accounts
- Frauds / Sundry Assets / Suspense Account / Inter Branch reconciliation
- Contingent liabilities

**Work at Branch:**

- Previous Years Audited Return
- Concurrent Audit Report.
- Internal Inspection Report
- RBI Inspection Report.
- Various Other Audit Reports
- Review Compliance of these Reports
- Audit Trail
- Manual Registers / Records



- Core Banking Solution / CBS System

#### **Audit Performance:**

- Analyze and Evaluate the errors in samples selected
- Work as per Audit Program and schedule
- Get the rectification / MOC Passed
- Prepare reports according to requirement
- Qualify in Audit Report if necessary

#### **Internal controls in bank branch:**

- Banks have a system of job rotation among staff.
- Work of one staff member is invariably supervised / checked by another staff member, irrespective of the nature of work.
- The financial and administrative powers of each official / each position are fixed and communicated to all persons concerned.
- Branch managers have to send periodic confirmation to their controlling authority on compliance of the laid down systems and procedures.
- All branches of a bank have a unique code number which is circulated amongst all offices of the bank
- All books are to be balanced periodically, Balancing is to be confirmed by an official.
- Particulars of lost security forms are immediately advised to controlling so that they can exercise caution.
- Fraud prone items like currency, valuables, draft forms, term deposit receipts, travellers cheques and other such security forms are in the custody of at least two officials of the branch.

#### **Additional Controls for Computerized Environment:**

- The system maintains a record of all log-ins and log-outs.
- If the transaction is sought to be posted to a dormant (or inoperative) account, the processing is halted and can be proceeded with only with a supervisory password.
- The system checks whether the amount to be withdrawn is within the drawing power.

- The system flashes a message if the balance in a lien account would fall below the lien amount after the processing of the transaction.
- Access to the system is available only between stipulated hours and specified days only.
- Individual users can access only specified directories and files, A user timeout is prescribed.
- Exception situations such as limit excess, reactivating dormant accounts, etc. can be handled only with a valid supervisory level password.
- Once the end-of-the-day process is over, the ledgers cannot be opened without a supervisory level password.

#### **C. Completion of audit:**

- Benefit of Planning in branch audits
- Expectation from branch auditors
- Documentation
- Statutory Audit Report
- Audit of Advances
- Audit of Deposit
- Audit of Trial Balance
- LFAR
- Other reporting and certifications
- UDIN

#### **Importance\ Benefits of planning:**

- Limitation of time
- Complex transactions -Data constraints-invisibility of data
- Appropriate attention to important areas of the audit
- High volume
- Focus on NPA
- Possibility of frauds
- Professional responsibilities

#### **Expectation from branch auditors:**

- From Eyes and ears of CSA
- Effective Reporting



- Work in full adherence to **professional standards** to add comfort to CSA/RBI/Shareholders/Government
- Compliance with: -
  - RBI / ICAI Guidelines
  - Terms of Appointment
  - Accounting Standards
  - Standards on Auditing
- Completion of work in time

**Documentation SA 230:**

- work not documented means work not done
- Documentation is the working papers prepared and obtained by the auditor and retained by him in connection with performance of an **audit**.

**Audit Documentation depends on factors such as:**

- Size and complexity of entity
- Nature of the audit procedures to be performed
- Identified risks of material misstatements
- Significance of the audit evidence obtained
- Nature and extent of exceptions identified
- Audit methodology and tools used

**Statutory Audit Report:**

- Format as per SA 700 and 701
- Addressed to SCA/Bank
- Compliance with Accounting standards to be mentioned in main report.
- Qualifications can be through Memorandum of Changes or Specific remarks in the last para.

# Verification of Advances - Funded & Non-Funded

CA Pankaj Tiwari

## A. Brief Background:

As per the Report on Trend and Progress of Banking in India 2023-24 presented by Reserve Bank of India on December 26, 2024, the Indian commercial banking sector exhibited sustained strength during 2023-24 and H1: 2024-25. The consolidated balance sheet of scheduled commercial banks (SCBs) underwent double-digit expansion, led by robust credit growth. Banks' profitability rose for the sixth consecutive year and asset quality improved further with the gross non-performing assets (GNPA) ratio falling to its lowest in 13 years at 2.7 per cent at end-March 2024.

Further, as per the Financial Stability Report of December 2024 published by RBI highlights that the Industrial credit has been accelerating from low levels but remains below the growth in loans to other major sectors. Services and personal loans led the overall credit growth; within personal loans, credit card receivables continued to post robust growth.

Since past few years, the Banks have been focusing upon RAM i.e. Retail, Agricultural and MSME portfolio.

### Important Point:

During the year, the RBI has been raising its concern on significant growth in the unsecured lending portfolio and systematic risk build up in personal loan segment. On September 30, 2024 the RBI has also issued circular highlighting Irregular practices observed in grant of loans against pledge of gold ornaments and jewellery. The major deficiencies include (i) shortcomings in use of third parties for sourcing and appraisal of loans; (ii) valuation of gold without the presence of the customer; (iii) inadequate due diligence and lack of end use monitoring of gold loans; (iv) lack of transparency during auction of gold ornaments and jewellery on default by the customer; (v) weaknesses in monitoring of LTV; and (vi) incorrect application of risk-weights, etc.

The audit of advances (both funds based & non-fund) is still critical because critical because of the following factors:

- Advances generally constitute the largest item of the assets in the Bank Balance Sheet;
- Close Monitoring of Lending Activity of the Bank by the Reserve Bank of India- Significant Divergence in earlier year
- Inherent Fraud Risk in loans granted by the bank;
- Misappropriation/diversions of funds by the borrower in absence of predefined end use restriction;
- Possible Evergreening of Loans by the bank/ borrowers;
- Interest income and Fee income on advances (Retail as well as Corporate Loans) is major income for banks
- Important area of reporting in Long Form Audit Report in Bank Audit etc.

Hence, inclusion of such chapter discussing important aspects in this publication is important from the perspective of the Bank Branch Auditor.

## B. Scope of the paper:

The paper deals with providing guidance on basics of advances in banking, important circulars relevant from FY 2024-25 audit, practical aspects to be covered during audit & observations relating to different types of advances. The paper also covers some brief audit procedures which can be performed during verification of advances.

The paper excludes detailed discussion on IRAC norms relating to non-performing assets and reporting on matters required under LFAR.

## C. Advances-Basics & regulatory guidance:

In India, generally the bank originates fund-based advances in one of the following manners:

- Self- Origination (including through DSA's)
- Securitisation /Assignments of loans from other banks/FI;



- Inter Bank Participation Certificates [IBPC];
- Priority Sector Lending Certificate (PSLC)[off-balance sheet item]

The advances originated through IBPC and PSLC are normally dealt at the head-office or corporate offices & therefore the same may not be covered by bank branch auditor.

At the commencement of the audit, the branch auditor should always first analyse portfolio mix of the branch in the following manner to assess the audit risk:

Risk parameter	Branch Status	Risk
Type of Advances	Major unsecured portfolio	High
Nature of Advances	Major advances to Industrial entities & less exposure to retail customer	High
Movement in Advances	Significant increase in advances over previous year	High
Fraud reporting	Major frauds reported during the quarter	High
Internal/ External audit report	Significant lapses identified in the reports	High
Authorisation Matrix	90% of loans sanctioned by within the branch authority	High

The above risk matrix will help the auditor to be more vigilant and plan the assignment in effective manner.

#### Important Circulars:

Few important circulars relating to advances (relevant for FY24-25) are as follows:

- Fair Practices Code for Lenders – Charging of Interest dated April 29, 2024
- Gold loans - Irregular practices observed in grant of loans against pledge of gold ornaments and jewellery dated September 30, 2024
- Master Direction - Reserve Bank of India (Interest Rate on Advances) Directions,
- Master Circular - Guarantees and Co-acceptances
- Master Circular – Housing Finance
- Master Circular - Bank Finance to Non-Banking Financial Companies (NBFCs)

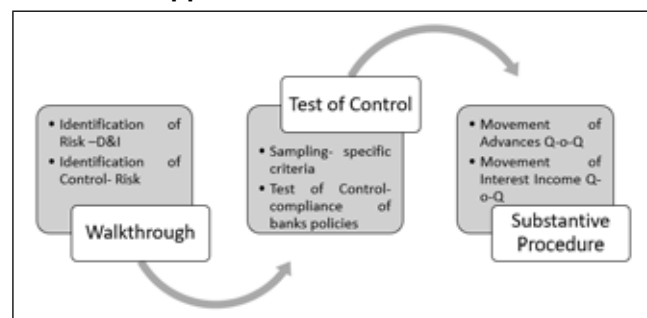
#### D. Types of Advances:

The advances are classified based on type of facility for e.g. Fund based advances & Non-fund based advances. These advances are also further classified based on sector like for e.g. advances to priority sector, non-priority sector etc.

The advances in the financial statements are classified under Schedule-9 which includes following:

Classification of Advances as per Schedule-9	Coverage (net of PWO*)
Bills purchased and discounted	a) Bills discounted b) Receivables acquired under Factoring
Cash credits, overdrafts and loans repayable on Demand	c) Cash Credit facility & Overdraft facility d) Credit card receivables e) Packing Credit (Rupee & Export) f) Demand Loans g) Loan against Deposit h) Debit balance in Saving & Current A/c
Term Loans	i) All term loan facility [Borrower & Staff] j) Loan with Bullet repayment k) IBPC- with risk sharing

#### E. Audit Approach for Advances:



The audit procedures may differ based on the type of branch, nature of advances and risk assessment done at the beginning.

The branch auditor should keep the following points in mind at the time of verification of the advances:

- Testing of the Internal Control System in the bank on sanction & disbursement of loans- different process owner (Credit + Operation)



- Identify the risk areas- Large Advances, Smaller Advances- coverage as per new RBI circular.
- Materiality - Sample Checking to be done- team to decide the criteria for sampling depending upon the exposure of the bank (retail vs. corporate)
- Full verification of certain advances- Reported in IA, RBI inspection reports, widely reported in press.
- Review SMA reporting by the bank on Monthly basis to identify account with continuous weakness- independent process understanding of SMA- implication on Provisioning

During the **evaluation of internal control system**, the branch auditor should inquire and verify the following:

- Review of operating manuals/SOP related to various processes at the branch
- Level of implementation of the IC system at the bank
- Sanctioning process in the Bank
  - o Sanctioning Authority and Powers
  - o Extent of computerization & Documentation- Sanction note/CAM
  - o Internal Communication within departments (Credit, Risk & Operations)
  - o Quality and trained Staff at Credit & Operation department
- External Inspection/valuation done by expert- evaluation of onboarding process/allotment process.
- Existence of IT systems and its effectiveness
  - o Reports on Potential/Automatic NPAs and whether any parameters can be changed by manual intervention.

The branch auditor should consider following at the time of determining **extent of checking and materiality level**:

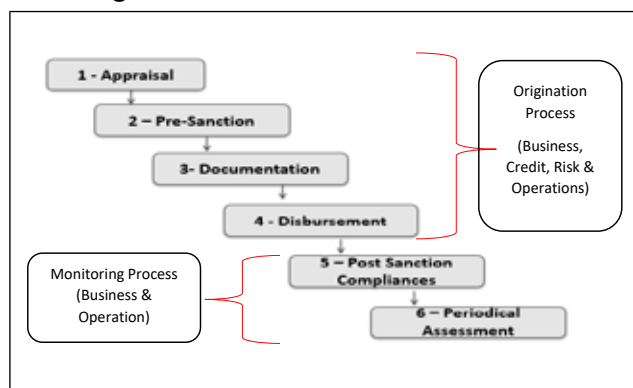
- Understand the various categories of portfolio at the bank- Corporate, SME & Retail
- New Sanctions during Financial Year- Top exposures- specifically moved to SMA in CY
- Advances with Adverse Remarks in:
  - o Concurrent Audit/IA Report
  - o PY LFAR & Audit report

## Verification of Advances- Funded & Non-Funded

- o RBI Inspection report
- o Internal Inspection/Credit Audit
- Major movements (upgrades & downgrades) in NPA / Restructured advances.
- Quick mortality accounts (QMR) from the perspective of probability of Fraud

The bank during the process of sanctioning loans obtains & prepares various documents to assess the credit risk & other risk relating to the exposure. As part of verification of loan documentation, the branch auditor may adopt checklist approach to verify these documents and focus on certain key documents such as Credit Appraisal Memo (CAM), Legal report, Valuer report, Inspection report, CIBIL reports etc.

### F. Stages for verification of Advances:



The auditor should review following points during **Credit Appraisal & Sanction stage** of the loan cycle:

- Sanction by Appropriate authority as per authorisation Matrix (SMC, COE etc.)
- All parameters as per credit policy have been considered by the bank before making the appraisal (financial ratio, inspection of unit, sector exposure details etc.)
- Review of the information available in public domain relating to the borrower and promoters
- Security provided to the bank against the facility (primary and collateral)- charge created by the bank on the same- confirmation from consortium member on security creation
- Comments made by the credit team and responses from business team on the same- mainly on deviation as compared to normal policy.
- Adverse comment in key financial indicators- Sales, Profit, Current Assets Current Liabilities, Contingent Liabilities and Notes to Accounts





- Inherent risk in the new exposure either due to promoter group or industry performance (Airline, Gems & Jewelry)

The auditor should review following points during **Disbursement process** of the loan cycle:

- Review of the valuation reports and legal report
- Adequate documentation – as per sanction note/ bank's policy- Corporate Guarantee resolutions etc.
- Creation of charge – ROC site and verification of records with MCA
- NOC from previous banker/lender in case of security creation on existing mortgage property
- Review of Internal Disbursement checklist (different format in banks) under Maker-Checker control
- Review of process of account opening (finacle, finone etc.) under Maker –checker control – verification of Master Creation in operating system is critical
- End-use of funds in case of disbursement to Current a/c of the borrower (normally in case of project loans, term loans etc.)- self certified or by Independent Auditor
- Physical Inspection of Security documents on sample basis /access to e-depository

#### Important Point:

On April 29, 2024, the RBI has issued circular highlighting the instances of lenders resorting to certain unfair practices in charging of interest. The RBI had directed the Banks to review their practices regarding mode of disbursal of loans, application of interest and other charges and take corrective action, including system level changes. This could be an important area for the Branch auditor in FY 24-25.

The auditor should review following points during **Monitoring process** of the loan cycle:

- Review of operation in accounts – sample basis across all categories of advances
  - o Cash Credit- utilisation vs. Turnover in account vs. Turnover as per FS
  - o Term Loan/Project loans for Capex- % of completion vs. disbursement- any negative indicator

- o SMA reporting process- identification of stress in particular exposure to group or exposure to sector
- o Retail advances- mainly servicing of EMI/ interest
- o Intelligent Scrutiny of accounts- sign of weakness
- o Transfer from/transfer to other Current accounts- window dressing
- o Frequent cheque returns, excessive withdrawal- EWS (Early Warning Signal)
- o Transfer of funds to group concern
- Review of Probable NPA report generated by the bank and identification of instances of ever greening- routing through other accounts
- Loan against shares- Periodic statement of valuation of shares pledged to ensure margin is maintained.
- Assessment of Impact of Change in Government Rules & Regulations

The auditor should review following points during **Review/Renewal of Advances** of the loan cycle:

- Ad-hoc/Short Review/Renewal of Credit Facilities- August 21,2020
  - o Avoid frequent and repeated ad-hoc/short review or renewal of credit facilities
  - o Record to be maintained in CBS system;
  - o Review/renewal process should be brought under the scope of Concurrent/internal audit;
  - o Specific clause in LFAR- to comment upon frequent renewal of loans
  - o Limit realigned/enhanced- necessary documents are executed for such enhancement- new security provided
- Review of credit history with Banks- based on RFA/NPA/Fraud Status as per CRILIC report
- Change in the business scenario/indication of any stress in the account since last renewal- limit need to be reduced to additional collateral (tangible security to be provided)
- Cash credit accounts compulsorily reviewed on annual basis, TL- different banks follow different policies.





### G. Key Points on verification of Advances:

Areas of evaluation	Corporate portfolio	Retail Portfolio	Retail Agri/Priority Sector portfolio
Credit Evaluation	<ul style="list-style-type: none"> <li>❖ Background of promoters</li> <li>❖ Business model evaluation – industry or sector performance</li> </ul>	<ul style="list-style-type: none"> <li>❖ Repayment capacity of Borrower</li> <li>❖ Income to Loan obligation ratio</li> <li>❖ Credit history with other banks/FI</li> </ul>	<ul style="list-style-type: none"> <li>❖ Eligibility criteria- agri or allied agri activities</li> <li>❖ Inspection/visits done by the Branch manager before disbursement- Jewel Loan experience</li> </ul>
Security cover & Documentation	<ul style="list-style-type: none"> <li>❖ Original security documents</li> <li>❖ Verification of Legal Report</li> <li>❖ Valuation Report</li> <li>❖ Adequacy of security available against loan O/s</li> <li>❖ Regular Inspection/valuation</li> <li>❖ Charge Creation on ROC/CERSAI</li> </ul>	<ul style="list-style-type: none"> <li>❖ Original security documents</li> <li>❖ Valuation Report- HL</li> <li>❖ Physical inspection by bank</li> <li>❖ Existence of security &amp; Marketability</li> <li>❖ Compliance to LTV ratio of RBI</li> <li>❖ Charge creation- CERSAI for HL</li> </ul>	<ul style="list-style-type: none"> <li>❖ Margin money details</li> <li>❖ Land records/ documents for validating AG land</li> <li>❖ Availability of security for sale</li> <li>❖ End Use verification- diversion</li> <li>❖ High risk on unsecured advances</li> </ul>

### H. Verification of Non-Fund based advances:

While the general verification of funded and non- funded advances is done simultaneously, there are certain components of non-funded advances, which need to be looked into additionally. Reserve Bank of India has issued a Master Circular under the heading “Guarantees and Co-acceptances”, which can act as a guiding parameter.

Non-funded advances are called “Off Balance Sheet” items, as their value is not reflected in the Balance Sheet. They form the “Contingent Liability” items of the bank. However, for the purpose of keeping a control over these items, banks have a system of passing contra entries in its books of accounts at the branch level and hence these items get reflected on the liability as well as asset side of the Trial Balance. However, while preparing the Balance Sheet of the bank as a whole, the value of these items are reflected in the “Notes to Accounts”.

**Guarantees** - Guarantees are of two types –

Financial guarantee	Performance guarantee
wherein the guarantor (the bank) promises to pay the stated amount to the beneficiary, if the person for whom the guarantee is given, fails to pay the same (also referred to as invoking the guarantee)	wherein the guarantor promises to pay the beneficiary a stated sum of amount, if the person for whom the guarantee is given, fails to perform, as expected, in a given period of time.
Financial guarantee carry the same credit risk as a direct extension of credit i.e. the risk of loss is directly linked to the creditworthiness of the counterparty against whom a potential claim is acquired.	The risk of loss depends on the event which need not necessarily be related to creditworthiness of the counterparty involved.

### Letter of Credit:

Letter of Credit (LC) is a promise by a banker to honour the payments to be made by its customer (the buyer or importer) to the seller or exporter. This type of payment facility is generally used in international trade. In this type of facility, at the request of the buyer, his banker opens an LC, which is sent to the seller. Based on such LC, the seller dispatches the goods and then sends the bills and other documents through his banker to the



buyer's banker, which has opened the LC, to make payment of the bill.

#### **Area of Auditor's scepticism for non-Fund based advances-**

- Verification of classification as performance and financial guarantee- incorrect classification impact the capital adequacy computation,
- All LCs/BGs which are either devolved/invoked during the year are debited to the primary account (current/cc) of the borrower and not parked as separate facility.
- Inquiry in cases where the guarantees are issued on behalf of customer who is not having any fund based facility with the bank,
- Verification of margin in form of fixed deposits and lien on the same
- Verification of income & accrual in the books- more specifically in cases where the recovery is done at the end of tenure,
- Expired LCs/BGs wherein the claim period has expired & the same are continuing to be included in the outstanding list by the branch. The auditor should issue suitable MOC to reverse all such instruments.
- Overall level reconciliation between the income recorded vs. gross number and value of these instruments.

#### **I. Reporting & Rectifications**

The bank branch auditor should report discrepancies noted in the process and controls advances in -

Statutory Audit Major/Critical discrepancies report & in Long Form Audit Report (LFAR) section related to advances. The auditor should maintain adequate documentation of issues reported in LFAR to avoid any dispute/disagreement in future for e.g. RBI clarification/observations.

The auditor should also highlight the major issues/concern in the NPA norms under respective para of LFAR and if in his/her professional judgement is of serious nature the auditor can include the same in main audit report at appropriate place as well.

The discrepancies having financial impact need to be rectified through Memorandum of Changes (MOC). The auditor should maintain adequate documentation for the discrepancies observed and rectified through MOC.

#### **J. Conclusion:**

The verification of advances (fund and non-fund based) is one of most critical areas in the bank audit. The AQR reports issued by the RBI in past had highlighted various discrepancies in asset classification & provision of NPA. In recent time, such instances have reduced however this still remains as one of the focus areas of the regulators. The RBI has issued various circulars/notification/directions to capture certain loopholes/ambiguity enjoyed by the banks in past. As an auditor, this is high risk area and the auditor should not only carry out suitable audit procedures but should also document the same along with appropriate audit evidences.

# Identification of Non-Performing Assets (NPA) as per IRACP Norms 2.0

CA Rakshita Yadav

## A. Brief Background:

The Reserve Bank of India (RBI) released its 29th Financial Stability Report (FSR) on December 30, 2024, which inter alia stated that the gross non-performing asset (GNPA) ratio of scheduled commercial banks (SCBs) fell to twelve-year low of 2.6% and net non-performing assets (NNPA) has declined to 0.6% aided by strong provisioning in September 2024. The provisioning coverage ratio (PCR) of SCBs improved further to 77.0 per cent in – September 2024, largely due to proactive provisioning by PSBs. Additionally, the special mention accounts – 2 (SMA-2) ratio, which is a lead indicator of asset quality, is also displaying low potential impairment. **Disaggregation of NPA movements reveals that write-offs remain a significant component of NPA reduction.**

The report highlights the improvement in asset quality was widespread across various sectors and bank groups.

## Sectoral Asset Quality

The improvement in asset quality of SCBs was broad based across sectors and bank groups. In the personal loans segment, asset quality remained largely stable, except for a marginal uptick in respect of credit card receivables across bank groups, which recorded the highest credit growth within the personal loans segment and may require careful monitoring. Within the industrial sector, asset quality exhibited sustained improvement across the major sub-sectors.

## Credit Quality of Large Borrowers

Additionally, the share of large borrowers in the GNPA of banks has steadily declined over the past two years. The asset quality of large borrower portfolios has improved significantly, with the GNPA ratio decreasing from 4.5% in March 2023 to 2.4% in September 2024. The share of the top 100 borrowers in the total GNPA has decreased to 34.6% in September 2024, signalling a growing credit appetite among medium-sized borrowers. In terms of value, investment grade advances (rated BBB and above) constituted 1.5 per cent of the funded advances to large borrowers with long-term external ratings.

It is seen that the Banks' retail loan quality has remained stable as the GNPA ratio stood at 1.2 per cent in September 2024. Moreover, the SMA (1+2) ratio, a lead indicator of incipient stress, has also declined to 2.5 per cent in September 2024 from 3.0 per cent a year ago. The GNPA ratio for unsecured lending was marginally higher at 1.7 per cent.

### Important Point:

An area of concern, however, is the sharp rise in write-offs, especially among private sector banks (PVBs), which could be partly masking worsening asset quality in this segment and dilution in underwriting standards. Fresh accretion of NPAs in retail loan portfolios was also dominated by slippages in the unsecured loan book, with 51.9 per cent from unsecured loans as at end-September 2024.

In spite of all the above positive indicators, the verification of correct classification and provisioning on non-performing assets is still critical because of its impact on the profit and loss account of the Banks and regulatory oversight on this area. Recently, the RBI has levied penalties on few Scheduled Commercial Banks due to lapses observed in assets classification and provisioning on non-performing assets. Additionally, as an auditor this area of the audit is critical because of the following factors:

- Close Monitoring of by the Reserve Bank of India- Significant Divergence in few SCBs in recent times
- Possible Evergreening of Loans by the Bank to avoid classification of account as NPA
- Consequential impact on interest income and Fee income on advances (Retail as well as Corporate Loans) on classification of account as NPA
- Important area of reporting in Long Form Audit Report in Bank Audit etc.

In recent time, the RBI has conducted its inspections and has identified certain divergence which are as follow:



- Non-implementation of Resolution Plan (RP)-7th June 2019:
  - Defaults not rectified within the review period of 30 days or viable RP not implemented within 180 days
  - Additional provision made only on FB exposure portion and not on total o/s amount (FB+NFB)
- DP computed based on the expired stock statements- to be classified as NPA
- Wrongful upgradation of NPA accounts before implementation of restructuring plan
- Wrongful reversal of provision on change in ownership before expiry of monitoring period
- Realisable value of security less than 10% of o/s- not classified as Loss assets –only in NPA cases
- Continuing avoidable manual interventions in the identification, classification and provisioning of NPA's

Hence, inclusion of such chapter discussing important aspects in this publication is important from the perspective of the Bank Branch Auditor.

### B. Scope of the paper:

The paper deals with providing guidance on basics on asset classification and provisioning norms, important circulars relevant from FY 2024-25 audit, practical aspects to be covered during audit. The paper also covers some brief audit procedures which can be performed during verification of NPAs.

The paper excludes detailed discussion on Verification of Advances (Fund and Non-Fund based) and reporting thereon as required under LFAR.

### C. Recent developments in Asset Classification & Provisioning norms- Quick Recap:

During FY 2020-21, the Reserve Bank of India directed the Banks to automate the system of Income Recognition, Asset Classification and Provisioning processes in Banks. The timeline was given till June 30, 2021 to comply with these directions.

Further during FY 2021-22, the Reserve Bank of India has issued updated Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated October 1, 2021. Subsequent clarifications were also issued by RBI on November 12, 2021 and February 15, 2022 which has completely changed the way the Banks were recognising NPA specially in case of Cash credit facility.

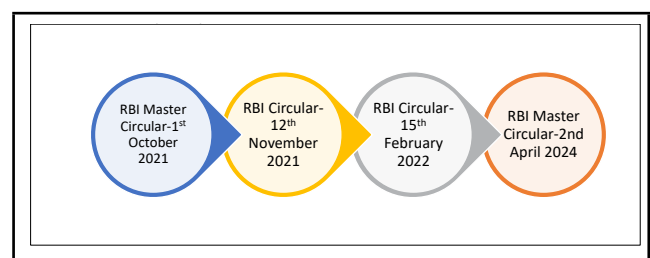
Some of the major highlights of these circulars (November-21 and February-22) were as follows:

- Specification of due date/repayment date in loan agreement
- Classification of SMA & NPA –part of day-end process through system
- Clarification cum modification regarding definition of 'out of order'
- Income recognition policy in case of loans with moratorium on interest
- Issuance of Consumer education material on classification of SMA/NPA
- Out of order- applicable to all loan products being offered as an overdraft facility
- Previous 90 days period- inclusive of the day for which the day-end process is being run in case of cash credit facility
- Upgradation of the facility-only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities

The RBI has issued a consolidated circular including all the above changes and clarification on April 1, 2024. The branch auditor should refer the Master Circular Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated April 2, 2024 for the purpose of audit of FY 2024-25.

Due to the above, the NPA classification of borrower other than CC/OD was done on expiry of 90th day instead of on 91st day. Further, clarity on condition of out of order in case of CC account for considering the previous 90 days credit on process run date has brought more clarity and uniformity across the banking industry. However, still there are few Banks which are following different approach in classification of these account as out of order.

To Summarise, the journey of IRAC Norms 2.0 is as follows:





### Important Circulars:

Few important circulars relating to asset classification and provisioning (relevant for FY24-25) are as follows:

- Master Circular Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances 2nd April 2024
- Framework for Compromise Settlements and Technical Write-offs- June 8, 2023

For the FY 2024-25, the Branch auditor must go through the above circulars before since in current

year new NPA class has been prescribed by the RBI over and above the accounts classified as NPA based on record of recovery as per IRACP norms.

### D. Asset Classification Norms applicable for FY 24-25:

#### I) Identification of account as NPA:

As per RBI Master Circular Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances dated 2nd April 2024, the asset classification norms for major assets class are as follows:

Asset Class	Classification criteria as per IRACP norms	Important point of verification by the Bank Branch Auditor (BBA)
Term loan	Para 2.1.2 (i):  interest and/ or instalment of principal remains overdue for a period of more than 90 days in respect of a term loan.	1. Account shall be flagged as overdue as part of day-end process on the due date itself.  E.g. if the due date of the loan is 31st January 2024 and the amount is not received till EOD of the bank on 31st January 2024. The account shall be tagged as overdue from 31st January 2024 and account will be classified as NPA on 30th April 2024 instead of 1st May 2024.  2. Sample testing by the BBAs to verify the implementation of the above change in system for the accounts classified during the year.
Cash Credit/ Overdraft account	Financial parameters:  2.2.1 A CC/OD account shall be treated as 'out of order' if:  i) The outstanding balance in the CC/OD account remains continuously in excess of the sanctioned limit/drawing power for 90 days, or <b>[C-1]</b>  ii) The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, <b>[C-2]</b>  or  iii) the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period. <b>[C-3]</b>	5. Post transition to day-end process, the determination of 'out of order' criteria is moving 90 days criteria instead of determining the same on monthly/ quarterly basis as determined by the Banks in previous years.  6. Sample testing of the CC/OD accounts to verify the implementation of above change in the system  7. Verification of C-3 is critical for the classification of account as out of order – more specifically the evaluation of credits in previous 90 days from the interest debit date vs. credits in the account after the interest debit date.  8. The exception of computing drawing power on old stock statements is only in cases of "large borrowers" and should not be blanket exceptions to every borrower.



Asset Class	Classification criteria as per IRACP norms	Important point of verification by the Bank Branch Auditor (BBA)
	<p>Non-Financial parameters:</p> <p>3. The outstanding in the account based on drawing power calculated from stock statements older than three months, would be deemed as irregular. Such irregularity continued for 90 days.</p> <p>4. an account where the regular/ ad hoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of ad hoc sanction will be treated as NPA.</p>	<p>9. Full renewal of facility within 180 days from the original expiry instead of any other subsequent renewal date.</p>

### Rule on Upgradation:

Further, the loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. Further, post the clarification/reiteration by RBI on 15th February 2022, in case of borrowers having more than one credit facility from a Bank, loan accounts shall be upgraded from NPA to standard asset category only upon repayment of entire arrears of interest and principal pertaining to all the credit facilities. The BBAs need to carefully examine this area as there are possibilities of errors in identification and upgradation.

Please refer to the Master Circular on IRACP norms for the asset classification criteria on other type of facilities such as Agricultural loans, Bills discounted etc. There is **NO CHANGE** in the asset classification criteria of these assets in current year as compared to previous years.

In addition to the above, some of the other asset classification criteria are as follows:

- ❖ In case where the realisable value of security is less than **50% of the value assessed by the Bank**, such NPA cases should be straight away classified under Doubtful category.
- ❖ In case where the realisable value of security is less than **10% of the outstanding account**, the said account should be straight away classified under Doubtful category

### Classification of account as NPA

The RBI has issued circular on Compromise Settlements and Technical Write-offs applicable from 8th June 2023. As per the circular, Compromise settlements where the time for payment of the agreed settlement amount exceeds three months shall be treated as restructuring. Hence the account should be classified as NPA.

- ❖ Further, in respect of borrowers subject to compromise settlements, there shall be a cooling period as determined by the respective Board approved policies subject to a floor of 12 months (other than farm credits).
- ❖ Considering this as manual process in most of the Banks, the review of the compliance of the above circular is very important part of audit for the current year.

### II) Provisioning on NPA accounts:

There is no change in the provisioning norms applicable to different class of NPA accounts for FY 2024-25.

### Security Valuation of NPA accounts:

The security value of assets available with the Bank is imperative input for the purpose of ensuring the correct classification and provisioning thereon.

The brief of the same is as follows:

Types of Advances	Types of Security available	Impact under IRACP norms
Standard Advances	<ul style="list-style-type: none"> <li>• Immovable and Movable Assets (P &amp; M, Inventories etc.);</li> <li>• Shares and Securities.</li> <li>• Fixed Deposits and other liquid security (LIC, KVP, NSC etc.)</li> <li>• Guarantee by Govt./Promoter/Corporate</li> </ul>	<ul style="list-style-type: none"> <li>• Schedule-9- Secured and Unsecured Loans;</li> <li>• Para 4.2.9 of IRAC Norms;</li> <li>• Para 4.2.11 of IRAC Norms;</li> <li>• Para 4.2.14 of IRAC Norms</li> </ul>



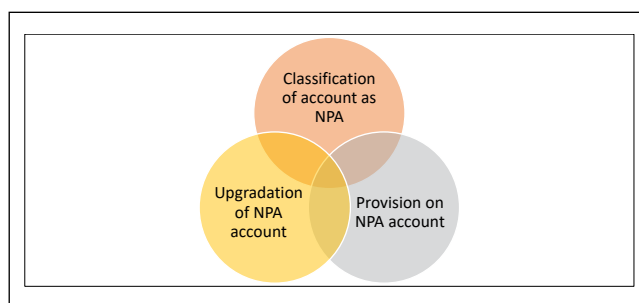


Types of Advances	Types of Security available	Impact under IRACP norms
Non-performing Assets (NPA)	<ul style="list-style-type: none"> <li>Immovable and Movable Assets (P &amp; M, Inventories etc.);</li> <li>Shares and Securities.</li> <li>Fixed Deposits and other liquid security (LIC, KVP, NSC etc.)</li> <li>Guarantee by Govt./Promoter/Corporate</li> </ul>	<ul style="list-style-type: none"> <li>Para 4.2.9 of IRAC Norms</li> <li>Para 5.3 of IRAC Norms;</li> </ul>

Further, the BBAs are also required to comment on the frequency of the valuation on immovable properties charged to the once in three years. There is no threshold prescribed by IRACP norms for obtaining the valuation. Further, BBAs are also required to comment on substantial deterioration in value of security during financial year as per latest valuation report in comparison with earlier valuation report on record.

#### E. Audit Approach for NPA:

The auditor should design the audit approach in the following areas to ensure the correct classification of NPA and provision thereon:



The branch should the following audit approach for verification of NPA in branch audit:

- ❖ Automated classification of NPA- verify system, parameters, controls on modification of parameters, control on categorisation of NPA
- ❖ CC/OD/WC facility- verify the computation of drawing power, fresh sanction to escape the NPA classification, stock statement submission with the latest Balance Sheet.
- ❖ Reversal of unrealised interest on first time classification as NPA and subsequent transfer to memorandum account
- ❖ Borrower wise classification, Upgradation, and subsequent downgradation of NPA accounts are as per IRAC Norms
- ❖ Valuation of Security of high outstanding NPA cases- above a certain threshold determined by the Bank.

- ❖ No debits allowed in the NPA Accounts (e.g. Legal Charges debit separately)

The branch auditor should perform the following minimum audit procedure as regards to NPA:

- ❖ Comparison of NPA of current year vs. Previous year [Name of Customer, Date of NPA, O/s Balance etc.]
- ❖ Verification of the any changes in the above and reasons for the same along with relevant supporting documents
- ❖ Increase in the O/s Balances- due to recovery charges etc. should be debited to P & L A/c- CRIP Cost in case of IBC cases
- ❖ Verification of the recovery in the NPA accounts- apportionment as per the recovery policy of the Bank- adjustment of recoveries done through suspense a/c rather than direct NEFT/RTGS
- ❖ Verification of the security valuation for the cases shifted to Doubtful category in the current year from the date of NPA
- ❖ Verification of Fraud accounts – comparison of the same with the last year and new accounts identified in the CY
- ❖ Verification of NPA dates in case of restructured advances (correct date in compliance with RBI guidelines)
- ❖ Disclosure of Customer Education Literature on NPA on the Banks website and inclusion of the same in the loan agreements.

#### F. Practical issues and challenges related to NPA:

Post the automation of all the activities related to NPA including provisioning and upgradations, the traditional challenges in terms of manual errors in the branch audit have reduced but not completely eliminated.

However, the banking sector is a very dynamic sector with technological advancement in all the segments of



banking. Therefore, as an auditor of the Bank, we should be one step closer to this development if not ahead of the same.

Based on the practical experience of the audits in previous years, the BBAs can look at the following areas during FY 2024-25:

Area	Practical Issues	Potential Impact on Branch Audit
Identification of account as NPA	1. Time-gap between the approval and flagging OTS accounts in system	❖ Non-identification of NPA- MOC and reporting in LFAR under Restructuring.
	2. Quality of credits in cash credits accounts	❖ Non-identification of NPA- MOC and reporting in LFAR
	3. Classification of cases of Negative amortization	❖ Non-identification of NPA- MOC and reporting in LFAR
	4. Classification of Co-Borrower as NPA	❖ Non-identification of NPA- MOC and reporting in LFAR
Provision on NPA accounts	5. Value of security post multiple auction failure	❖ Under provisioning- MOC
	6. Existence of security in system but not in possession	❖ Under provisioning- MOC
	7. Value of Plant & Machinery based on valuation report without any impact of subsequent depreciation.	❖ Under provisioning- MOC
Upgradation of NPA accounts	8. Recoveries of guaranteed amount relating to ECLGS loans	❖ Incorrect upgradation – MOC
	9. Upgradation with Linked facilities in overdue status	❖ Incorrect upgradation – MOC
	10. Upgradation of written off accounts post recovery till date of w/off	❖ Incorrect upgradation – MOC
Level of Automation	11. Number of manual interventions and manner of approval of these.	❖ Reporting with regards to the degree of automation adopted and any required improvements in system.

## G. Reporting & Rectifications

The Bank branch auditor should report discrepancies noted in the process and controls in Statutory Audit Major/Critical discrepancies report & in Long Form Audit Report (LFAR) section related to Asset Classification, Provisioning of Advances and Resolution of Stressed Assets. The auditor should maintain adequate documentation of issues reported in LFAR to avoid any dispute/disagreement in future for e.g. RBI clarification/ observations.

The auditor should also highlight the major issues/concern in the NPA norms in separate communication to the SCAs as well as to the senior management of the Bank as Early Warning Report (EWR) if in his/her professional judgement is of serious nature and may impact the overall compliance to IRACP norms by the Bank.

The discrepancies having financial impact need to be rectified through Memorandum of Changes (MOC). The auditor should maintain adequate documentation for the discrepancies observed and rectified through MOC.

## H. Conclusion:

The verification of compliance with IRACP norms is one of most critical areas in the Bank audit. The AQR reports issued by the RBI in past had highlighted various discrepancies in asset classification & provision of NPA. In recent time, such instances have reduced however this still remains as one of the focus areas of the regulators. The RBI has issued various circulars/notification/directions to capture certain loopholes/ambiguity enjoyed by the Banks in past. As an auditor, this is high risk area, and the auditor should not only carry out suitable audit procedures but should also document the same along with appropriate audit evidence.



# Identification of Early Warning Signals (EWS) and Red Flagged Accounts (RFA)

CA Vaibhav Patodi

## A. Brief Background:

The Reserve Bank of India has issued revised Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions dated July 15, 2024. The Chapter III of the direction deals with Early Detection of Frauds – Framework for Early Warning Signals (EWS) and Red Flagging of Accounts (RFA). Further, the Chapter- IV deals with various reporting aspects of RFA accounts. Classification to RFA

Some of the key requirements based on the above circular is as follows:

RBI Direction	Requirement related to EWS/RFA
Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions dated July 15, 2024	<ul style="list-style-type: none"><li>• Board approved framework for EWS and RFA</li><li>• Brought non-credit related transactions in addition to credit related transactions under the ambit of EWS mechanism</li><li>• An external/internal audit of the borrower at the behest of the lender has now been made compulsory, earlier it was optional.</li><li>• Appropriate Turnaround Time (TAT), preferably not more than 30 days, for examination of EWS alerts / triggers</li><li>• Integrated with Core Banking Solution (CBS) or other operational systems</li><li>• Transactional data of accounts, financial performance of borrowers, market intelligence, conduct of the borrowers, etc.</li><li>• Account more than Rs. 3 crore (earlier Rs.50 cr.)- reporting of red-flagged to RBI in CRILIC platform within 7 days</li><li>• Classifying an account as a fraud account or removing the status of RFA within 180 days</li></ul>

As per the circular, *A Red Flagged Account is one where suspicion of fraudulent activity is thrown up by the presence of one or more EWS indicators, alerting / triggering deeper investigation from potential fraud angle and initiating preventive measures by the banks.*

The Bank Branch Auditors are also required to report upon in LFAR that *Whether the system of Early Warning Framework is working effectively and, as required, the early warning signals form the basis for classifying an account as RFA.*

Therefore, review of such indicators are important from the perspective of bank branch audit as well.

## B. Specific Audit procedures to identify Red-Flag accounts:

The Bank Branch auditor can look at the following indicators during review of loan files to identify any red flags in the loan account:



Stages of Loan	Early indicators
Pre-Sanction Stage	<ul style="list-style-type: none"> <li>Independent information and market intelligence – track record</li> <li>Raids conducted on their businesses</li> <li>Validation of submitted information/data from external sources – GST portal etc.</li> <li>History of Business – time period and industry- reason for OTS</li> <li>Involvement in legal disputes</li> </ul>
Disbursement	<ul style="list-style-type: none"> <li>Rationale for allowing dilution of these terms and conditions</li> <li>Number of deviations allowed to one customer</li> <li>Level at which such dilutions were allowed</li> <li>Nature of deviations given – Core/Non-Core or Financial or Non-Financial</li> <li>TAT from Sanction to Disbursement- short TAT may indicate collusion</li> <li>Available Security- Tangible/Intangible</li> </ul>
Review and Monitoring of Account	<ul style="list-style-type: none"> <li>Diversion of funds in an account</li> <li>Adequacy of stock vis-a-vis stock statements</li> <li>Review of Financial Statements – any negative observation in CARO</li> <li>Stress in group accounts- SMA</li> <li>Significant transactions with related parties/group companies</li> <li>Extension in DCCO without justified reason</li> <li>Charge creation pending since disbursement and penal charged applied on the account due to the same</li> <li>Significant transfer of money to new vendors/unknown vendors- not related to Business</li> <li>Delay in submission of stock statements/ receivable statements</li> <li>Frequent changes in Statutory Auditors</li> </ul>

Further, during review of the account the Bank Branch auditor could verify the following indicators as well to identify any red flags:

Category	Type of Instances
Operations of Account	<ul style="list-style-type: none"> <li>Bouncing of high value cheques</li> <li>Foreign bills remaining outstanding with the bank for a long time and tendency for bills to remain overdue.</li> <li>Delay observed in payment of outstanding dues- Solvency issue- CARO reporting</li> <li>Frequent invocation of BGs and devolvement of LCs</li> <li>Under insured or over insured inventory</li> <li>Funding of the interest by sanctioning additional facilities</li> <li>Heavy cash withdrawal in loan accounts</li> <li>Significant increase in working capital borrowing as percentage of turnover</li> </ul>



Category	Type of Instances
Concealment or Falsification of documents	<ul style="list-style-type: none"> <li>Concealment of certain vital documents like master agreement, insurance coverage, end use certificate</li> <li>Frequent change in accounting period and/or accounting policies</li> <li>Substantial increase in unbilled revenue year after year or WIP</li> </ul>
Diversion of Funds	<ul style="list-style-type: none"> <li>High value RTGS payment to unrelated parties</li> <li>Increase in borrowings, despite huge cash and cash equivalents in the borrower's balance sheet</li> <li>Frequent change in the scope of the project to be undertaken by the borrower</li> </ul>
Issues in Primary/ Collateral Security	<ul style="list-style-type: none"> <li>Dispute on title of collateral securities</li> <li>Critical issues highlighted in the stock audit report</li> <li>Non- production of original bills for verification upon request.</li> <li>Increase in Fixed Assets, without corresponding increase in long term sources (when project is implemented)</li> <li>Continuous denying for site visit/inspection of the premises</li> <li>Significant stock lying with Third party</li> </ul>
Inter-Group/ Concentration of Transactions	<ul style="list-style-type: none"> <li>Funds coming from other banks to liquidate the outstanding loan amount unless in normal course</li> <li>Floating front / associate companies by investing borrowed money</li> <li>LCs issued for local trade with related party transactions without underlying trade transaction</li> <li>Large number of transactions with inter-connected companies and large outstanding from such companies</li> <li>Substantial increase in related party transactions</li> <li>Significant issues raised by Auditor in CARO 2020 report related to loans and advances to related parties</li> </ul>
Regulatory Concerns & Other Signals	<ul style="list-style-type: none"> <li>Default in undisputed payment to the statutory bodies as declared in the Annual report.</li> <li>Raid by Income tax /sales tax/ central excise duty officials</li> <li>Resignation of the key personnel and frequent changes in the management</li> <li>Significant reduction in the stake of promoter/director or</li> <li>increase in the encumbered shares of promoter/director</li> </ul>

#### A. Conclusion:

The identification of any potential red flag in the account is critical area in the audit of advances. The auditor should pay special attention to these types of red-flags and highlight the same at the earliest to the appropriate authority for necessary actions.

Further, in recent times the RBI has been highlighting several instances of frauds by the employees in various areas such as Gold Loan, use of Mule accounts etc. The auditor should also pay equal attention to these areas as well.

# Audit of Bank Branch Balance Sheet

CA Abhishek Tiwari

## a. Fixed Assets in Banks:

- Sub-section (1) of Section 29 of the Banking Regulation Act, 1949 requires the preparation of Balance Sheet in Form A of Third Schedule to the Act. As Schedule 10 of Form A the fixed assets are to be shown under two broad heads which are as follows:

- Premises; and
- Other Fixed Assets

- The premises include the Building and other property owned by the bank and used in the business operations. The other fixed assets include assets such as furniture and fixtures, motor vehicles, office equipments, computers and other application software.

- *Acquisition process:*

The purchase/acquisition of the fixed assets are usually centralised at the head office, however these can be purchased by the regional or branch offices up to a monetary limit prescribed in the operating guidelines. The bank's fixed assets also comprised of certain assets which are provided by the banks' to staff the records of which are maintained at the office where employee is posted.

- *Maintenance of Records:*

In certain banks the records for all assets other than premises are maintained at the branches and in certain banks all the records are either maintained at the branch or the head offices. The process of providing depreciation is also difference across various banks viz. Centralised system or provided at the branch level. The auditor should update them self about the practice followed at the branch and should obtain proper communication from the head office on these aspects. In recent time the bank have adopted a centralised system to maintain the records of the fixed assets viz. Fixed Assets Management software wherein the initial records are updated by the head office or centralised team subsequently any modification in the same

on account of sale or on account of branch transfer should be updated at the branch level itself.

The branch management is also responsible for carrying out physical verification of these assets at regular interval and submit the report to the head office or update the changes in the system.

- *Presentation:*

As discussed above, the fixed assets are classified into two categories in the balance sheet, viz., Premises and Other Fixed assets. The schedule does not provide any guidance on disclosure of assets taken on lease (i.e. Finance Lease) and Intangible Assets; however the same should be shown separately to comply with Accounting standard issued by ICAI.

- *Depreciation:*

With respect to the Bank's no rates of depreciation on fixed assets have been prescribed separately under the act. The Act requires the auditor to verify the rates of depreciation are appropriate, in case of banking companies, the bank need to follow schedule II of the Companies Act, 2013.

- *Key Areas of Verification during audit:*

In case the acquisition process is handled at the branch or the records are maintained at the branch, the auditor should verify the following during the audit process:

### a. Premises:

- Opening Balance- In case of new branch/ new financial year, the auditor should verify the opening balances of the premises with the last year's financials, ledger or Fixed Asset Register (FAR).
- Additions- The auditor should verify the original legal documents for purchase of the premises



- (if available). In case the asset is constructed by the bank the auditor should verify the approval from appropriate authority and other relevant documents.
- In case the premise is on the lease, the auditor should also verify the improvement to such premises and the amortisation of such leasehold improvement over remaining useful life.
  - The auditor should also verify the compliance with AS-10 (Revised) on Property, Plant and Equipment applicable from 01.04.2016 which is based on the principles of Ind As.
  - The auditor should also ensure the compliance of Section 9 of the Banking Regulation Act, 1949 which *prohibits that the banking companies can't hold any immovable property for more than period of 7 years* from the date of its acquisition. However, the same is *not applicable* wherein the immovable *property is acquired for its own use*. The auditor should make specific comment on the same and should send a report directly to Head office in such cases.
  - In cases where in the premises have been revalued during the year, the auditor should perform a detailed verification of the treatment in the branch books and compliance with the AS-10 (R) and Guidance Note of Revaluation Reserve.

**b. Other Fixed Assets (viz. Furniture & Fixtures, Office Equipments etc.):**

The audit process will be similar as compared to audit of a company under the Companies Act, 2013. However following are certain critical checks and controls that auditor should perform:

- Verification of system of recording movement of movable fixed assets from one branch to another like for e.g. when the fixed assets is transferred from one branch to another branch the accumulated depreciation relating to such assets are also transferred ;

- Verification of Control over such movement and proper authorisation of such movement;
- Physical verification of these assets at regular interval and treatment of the discrepancies observed during such verification;
- Scrutiny of the repair and renovation expenses to ensure that no item of capital nature are charged to the profit and loss account;
- Verification of documents available for sale of a particular fixed assets

The auditor should also verify the additions to the fixed assets and examine that all the expenditure to bring the assets to its working condition has been dealt properly.

The auditor should also verify the '*put to use*' date for the assets capitalised during the year. In most of the banks the same is considered as '*Invoice date*', however the said practice is in contravention to AS-10 (R) which require the assets to be depreciated from the date such assets are available for use.

**b. Current Assets (Other Assets):**

Sub-section (1) of Section 29 of the Banking Regulation Act, 1949 requires the preparation of Balance Sheet in Form A of Third Schedule to the Act. As per Schedule 11 of Form A, the Other Assets are shown under following broad heads which are as follows:

- *Inter office adjustment(net)*
- *Interest Accrued*
- *Taxes paid in advance*
- *Stationery and Stamps*
- *Non-banking assets acquired in satisfaction of claims*
- *Others*

The audit of the above financial caption is always top priority for the auditor, since the error or misstatement in these accounts can have serious implication of the financial statement. These accounts are also used to park temporary advances and other suspense balances which are seeds of fraudulent activities. In this section of the chapter will focus on what are the critical points which the auditor should verify while performing the audit of these account balances.

**a. Inter office adjustment(net):**

The above has been dealt in detail in Chapter-9 on Monitoring-Sundry Liabilities, Suspense Account and Sundry Assets.

**b. Interest Accrued:**

This mainly includes the following:

- **Interest accrued on advances-** The bank debits the borrowers account on the respective due date, however there will be certain portion of interest which is accrued but not due on these advances. Like for e.g. the last payment date of interest for the borrower was 15th March 20XX, in this case the interest from 16th March till 31st March is interest accrued but not due on advances.
- **Interest Accrued on Investment:** This include the interest on the investment of the bank in G-Sec and other type of instruments. The interest is accrued on daily basis however settled on a pre-determined date. Till then such interest is accounted as interest accrued.

**Branch Auditor Verification:**

1. **Recomputation-** The auditor should on test check basis should recomputed the accrued interest amount manually and should compare the same with the system computation. [Audit Assertion- "Accuracy" (✓) ] This will also identify the instances of income leakage if any.
2. **Control Total:** The auditor should obtain the account wise interest accrual and same should tally with the general ledger balance on a particular cut-off date. [Audit Assertion- "Completeness" (✓) ]

- The auditor should also examine the compliance with AS-9 on Revenue Recognition issued by ICAI to ensure that only such interest are recognised which can be realised in the ordinary course of its business.

**c. Taxes paid in advance/Tax deducted at source:**

This is mainly handled at the head office and may not be there at branch balance sheet. Only TDS deducted by the branches and to be deposited with the government is handled at branch and the audit process of

these will be similar to those in an audit of other type of entities.

**d. Stationery and Stamps:**

This is one of the important area where the auditor should give special emphasis. In adequate control on these may lead to misappropriation of the most valuable physical asset of the bank i.e. Cash.

**Branch Auditor Verification:**

1. **Physical verification:** The auditor should physically verify the stationery and stamps on hand on regular basis especially stationery of security items. Any discrepancies should be reported to the branch and head office immediately. [Audit Assertion- "Existence" (✓) ]
2. **Recording of expenses:** The auditor should verify that the expenses charged to the head are under proper approval and authorisation. These expenses are also supported by the proper evidence in the form of bills etc. [Audit Assertion- "Accuracy" (✓) ]

**e. Non-banking assets acquired in satisfaction of claims:**

The above has been discussed in detailed in the above para of the chapter and the auditor should perform those limited procedure on this particular head.

**f. Others:**

This is the residual category and includes the balances not classified specifically under any of the above headings. The audit process for some of the items are as follows:

- **Non-interest bearing staff advances:** The auditor should verify the relevant documents (if available) for the advances granted during the year along with the bank's policy in this regard.
- **Security Deposit:** The auditor should verify the relevant documents and other supporting evidence for the same. The auditor should also verify that these deposits have not become refundable.
- **Suspense Accounts:** The same has been covered separately in the other chapters.



- Prepaid Expenses: The auditor should verify the computation of the prepaid expenses and in case of other entities. The auditor should also verify the basis of allocation of the prepaid expenses along with the relevant documents.

**c. Current liabilities (Other Liabilities and Provision):**

Sub-section (1) of Section 29 of the Banking Regulation Act, 1949 requires the preparation of Balance Sheet in Form A of Third Schedule to the Act. As per Schedule 5 of Form A, the Other Liabilities and Provisions are shown under following broad heads which are as follows:

- Bills payable;
- Inter-office adjustment(net)
- Interest Accrued
- Others (Including Provisions)

The brief details and the audit approach on the above accounts are as follows:

**a. Bills Payable:**

This mainly includes the instruments against which the bank has received the money, however the same is payable to customer as per his order. This mainly includes DD, Travellers cheque, Pay-orders, Bankers cheque etc.

The auditor should verify and evaluate the internal control on these balances and issuance of the same. Like for e.g. the auditor should verify the following:

- Drafts, Travellers cheque and other instruments are made in standard printed forms as provided by the head office;
- Ageing analysis of the balances outstanding in these accounts and reason for the same should be obtained from the bank branch;
- The MIS reports send to the Head office for computation of DICGC insurance premium and for transfer to DEAF should also be verified by the auditor.

**b. Inter-office adjustment(net):**

The above has been dealt in detail in Chapter-9 on Monitoring-Sundry Liabilities, Suspense Account and Sundry Assets.

**c. Interest Accrued:**

This includes the interest payable and interest accrued but not due on deposits and borrowings are to be shown under this head. The interest accrued on the deposits and borrowings are in accordance with the terms of various types of deposit and borrowing. These should not be clubbed with the figures of deposits and borrowing in Schedule-3.

The auditor should perform the following procedure:

**Branch Auditor Verification:**

1. Recomputation- The auditor should on test check basis should recomputed the accrued interest amount manually and should compare the same with the system computation. [Audit Assertion- "Accuracy" (✓) ]
2. Control Total: The auditor should obtain the account wise interest accrual and same should tally with the general ledger balance on a particular cut-off date. [Audit Assertion- "Completeness" (✓) ]

**d. Others (including provision):**

The following items are to be included under this head:

- Net provision for income tax and other taxes;
- Proposed dividend [No more required as per AS-4 (revised)]
- Sundry Deposits such as Margin Deposits, Staff Security Deposit etc.
- Collection in suit filed accounts;
- Provision for expenses; and
- Provision for employee Benefits etc.

The auditor should focus on the following accounts under this head:

- a. *Provision for expenses:* The auditor should verify the details and supporting evidence of provision for expenses. The auditor should ensure that the expenses provide on the basis of the management estimates are reasonable and are adequate based on the historical data.

The auditor should also perform month on month analysis to verify that there are not major variation in the provision





for expenses and if any should be dealt properly in the accounts.

- b. *Tax Deducted at Source:* The payment of TDS may be centralised or de-centralised. However the auditor should verify that whether the tax has been correctly deducted from the payments as per the provision of income tax act, 1961. The auditor should also verify that whether there is any delay in sending the details to the head office for payment of TDS and if any the auditor should ascertain the reason for such delay.
- c. *Other provisions:* The auditor should examine the other provisions and other items of liabilities in the same manner as in case of any other entities.

**d. Conclusion & Key take away:**

The auditor should obtain age-wise details of major outstanding from both other assets as well as other liabilities. The auditor should also focus on analytical review of these balance like for e.g. Year on Year or Month on Month analysis and should enquired for the reason for any major variance.

The auditor should also take due care in documenting the audit work which helps the auditor to substantiate the opinion framed. The auditor should also refer to SA-230 on Audit Documentation issued by Chartered Accountants of India.



# Audit of Profit & Loss Account

CA Abhishek Tiwari

## Verification of Income:

- This article covers limited aspect of leakage in income of bank branches. The main income of bank includes interest income. Penal interest, Various bank's service charges such as cheques return charges, annual account maintenance charges, annual inspection charges on advances, renewal charges, other income – DD commission, bank guarantee commission, any other fees. Commission, charges recovered by bank.
- The banks are functioning under CBS environment, however there may be certain subsidiary records maintained. The auditor should check master data-parameter sets-interest rates fed in computers etc. also as when transaction triggers income the same should be accounted for, as many time even in compute manually charges are to be recovered, for example if cheques have returned bank official should recover necessary charges, further one more such example is timely receipt of stock statement and feeding of correct date of receipt in system, let's say if due date of receipt of stock statement is 10th and if stock statement is received on 18th then same date should be fed in system so computer calculates penal interest for 8 days. Hence auditor will have to understand point of time when income or charges are to be booked and process of booking and it needs to be verified whether set process is being followed or not. The auditor has to check on test basis that all income is booked correctly if he finds errors he has to extend the percentage of check. If scope states extensive checking he may have to do that also. Apart from doing test check auditor should apply various analytical techniques such as ratio analysis, comparative analysis, verifying interest income/expenses as percentage of average advances/deposits. This will help auditor to catch material error if any.
- As we know normally banks intimate changes in rate of interest through circular or e-mails now-a-

days, auditor should obtain latest circular/email for applicable charges and find out as and when changes have happened value date is properly applied. Needless to mention that auditor should be well aware of accounting policies being followed by the bank.

For income leakage, the auditor should look in the following areas:

1. Timely and correct application of interest on all types of loans. The auditor should see the accounts where interest is not charged/less charged.
2. Appropriateness of rate of interest – correct rate of interest as per sanctioned terms, especially, in case of advance against fixed deposit of third party; the interest should be changed additionally,
3. Concessions given to the borrower in the rate of interest on loans should be seen Wherever are revised, the impact thereof on the concessions needs to be seen more carefully
4. In case of NPA accounts, the interest is to be recognized as income only on realization to should be realized out of fresh and genuine credits and not from fresh sanction of loans
5. Penal interest should be verified. The Penal interest is on account of delay in submission of Statements, Non- compliance of the terms of sanction, incomplete documentation Facilities after due date, etc.
6. Temporary overdrafts (TOD) in saving bank accounts rr Current accounts.
7. Other income
  - a. Insurance/ mutual fund commission.
  - b. Locker rent- recovery of locker rent and position of outstanding locker rent

In all above cases, the auditor should not only verify the calculation but also see whether be Applied and accounted for properly.

**a. Expenses in Banking companies:**

Sub-section (1) of Section 29 of the Banking Regulation Act, 1949 requires the preparation of Profit and Loss Account in Form B of Third Schedule to the Act. As per the said schedule the expenditure is to be shown under three broad heads which are as follows:

- *Interest Expended- Schedule 15;*
- *Operating Expenses- Schedule 16; and*
- *Provisions and contingencies*

The audit of expenses has always been a focus area for every auditor either in audit of banks or audit of companies, since the error or misstatement in the same may have serious impact on the profitability and results of the entity.

In the later part of chapter we will focus only on the audit of operating expenses reflected in Schedule-16 of the Financial Statement.

**b. Operating Expenses:**

The following items are included under this head:

- (a) Payment to and Provision for Employees;
- (b) Rent, Taxes and Lighting;
- (c) Printing and Stationery;
- (d) Advertisement and Publicity;
- (e) Depreciation on Banks' Property;
- (f) Directors' Fees, Allowances and Expenses;
- (g) Auditor's Fees and Expenses;
- (h) Law charges;
- (i) Postage, Telegrams, Telephones, etc.;
- (j) Repairs and Maintenance;
- (k) Insurance; and
- (l) Other Expenditure

The notes and instructions for compilation of Profit and Loss Account, issued by Reserve Bank, require that in case any particular item under this head exceeds 1% of total income, particulars thereof may be given in the notes.

We are aware that most of the banks in the present scenario are working in the Core Banking System (CBS) environment. However, the overall objective and scope of audit does not change in a Computer Information System (CIS)

or CBS environment. Further in most of the banks the payment and provisioning of certain expenses are authorised and accounted at Head Office/Corporate office. For e.g. Expenses at Sr. No. (a) Payment and Provision for employee benefit; (e) Depreciation on Banks' Property; (f) Directors' Fees, Allowances and Expenses; (g) Auditor's Fees and Expenses etc. are generally accounted at the head office/corporate office of the bank.

Considering the above scenario of CBS environment and centralised accounting of certain expenses, the expenditure at Sr. no. (b), (c), (d), (h), (i), and (j) are more relevant for the audit.

**c. Key areas of expenses during audit:**

The following expenses are more relevant from the audit perspective which should be covered by the auditor during the audit. The brief details of these expenses are as follows:

**i. Rent, Taxes and Lighting:**

This item of expense mainly includes the rent paid by the bank branch on building premises, other local body taxes, electricity charges and other similar charges and levies. Considering the size and location of the branch this may be one of the high value expenses and needs to be verified with professional skepticism.

**ii. Printing & Stationery:**

This is mainly the expense incurred by the branch on books, forms, and other stationery used by the bank branch. In the current banking scenario, there are certain expenses in the nature of printing and stationery incurred by the branch and other stationery particularly security paper like draft forms, cheque books would be received by the branch from the head office.

**iii. Advertisement and Publicity:**

This mainly includes the expense incurred by the bank for advertisement etc. These advertisements are mainly for announcing new schemes, offers etc. They may also include certain expenses incurred by the branch for publishing legal notices for the auction of the property etc.

**iv. Law charges:**

Legal charges and other expenses or fees in relation to legal services are included under this head.



**v. Postage, Telegrams, Telephones, etc.:**

This mainly includes all postal charges like stamps used in the banking industry, telephone expenses incurred by the branches, etc. This will also include internet and broadband expenses incurred at the bank branch.

**vi. Repairs and maintenance:**

This include mainly the repairs to bank's property, repairs to the computer system at the branch, other annual maintenance charges for other office equipment. This is also one of the high value items and area of errors. For e.g. Determining whether a particular expense is capital or revenue in nature.

**vii. Other expenditure:**

This mainly includes all other expenses which are not included in any of the other heads, like license fees, entertainment expenses, travel expenses etc.

The auditor should focus on these expenses and should cover 100% vouching and verification of supporting documents of these expenses.

In the ensuing paragraphs, it has been attempted to elaborate the key processes an auditor can perform once he is conducting the audit of bank branch.

**d. Audit Approach:**

Before starting the audit process for verification of expenses, the auditor should obtain an authorisation matrix for all these expenses which prescribe the limit on authorisation for respective expenditure. The audit approach for verification of these expenses can be explained in two stages:

**(a) Vouching and verification:**

**(a) Rent, Taxes and Lighting:**

The auditor should check the following to verify the accuracy and completeness of the rent expenses:

- Whether the branch has a copy of leave and license agreement for the period under audit? If not, check/verify the date of expiration of the agreement has expired and status of renewal of such agreement?

- Whether the amount debited as rent expenses and the amount as per the Leave & License agreement is same?
- Whether the rent expenses include reimbursement of utility expenses as well? If yes, whether the same has been classified appropriately?
- Whether the rent expenses are accounted on monthly basis as per the terms of leave and license agreement?
- Whether the branch is regular in paying the municipal taxes or any other taxes due to the local authority? If there are any disputes whether the bank branch has made adequate provision towards the same?
- Whether the bank has recorded the above expenses for full period under the audit, if not whether the branch has made adequate provision for outstanding amount?

The auditor should verify that adequate provision has been made for the agreements which are expired and pending for renewal as on the date of report. For e.g. In case the rent agreement has expired on 1st April, 2016 and the bank branch is in negotiation with the lessee for the rent amount, the bank should make adequate provision during the interim period.

The auditor should also verify that the vouchers for payment of the rent expense are appropriately authorised as per the authorisation matrix. In case of any diversion the auditor should bring out such discrepancies in the report. In case the rent expenses are directly paid by the head office since the documents i.e. Leave and License Agreement are with the branch, the auditor should verify these expenses and comment in the report.

In case the leave and license agreement has an escalation clause, the auditor should enquire about its treatment w.r.t. AS-19 on Accounting



for leases wherein para 23 requires that lease payments under operating lease should be recognised on straight line basis.

In case of lighting and other taxes the auditor should verify that the expenses are relating to for the period under audit and there are no prior period expenses debited in the current period.

**(b) Printing & Stationery:**

The auditor should verify the following to determine the accuracy and correctness of expenses incurred:

- Whether the expenses are incurred and documents evidencing purchase is received?
- Whether the expenses incurred with approval of sanction of the competent authority?
- Whether these expenses are relating to the current period and whether the same are approved from the Head office?

In some banks, the head office fixes a limit on a particular expenditure and in case the bank wants to incur the expenditure beyond the set limit, prior approval from the head office is necessary to be obtained.

Further the auditor should also verify whether the purchases are made from approved vendors, if any, as approved by the head office.

**(c) Advertisement and Publicity**

The auditor should verify the following for the expenditure incurred by the branch:

- Whether the invoice and other documents are approved from the appropriate sanctioning authority?
- Whether the expenses are incurred as per the directions from the head office and within the limits as specified by the Head office?

Further the auditor should also verify the publicity material For e.g. advertisement in the newspaper,

pamphlets and other materials, to ascertain the genuineness of expenses incurred.

**(d) Law charges:**

The auditor should verify all legal expenses incurred in connection with various legal services. The auditor should verify the legal charges payable by the bank branch with the list of disputed cases pending at various levels.

The auditor should verify the authorisation of these expenses incurred by the bank branch and should also briefly understand the background of such cases. The auditor should get the list of disputed cases reported by the branch to the head office and should co-relate these cases with the legal expenses incurred. This process of verification may result into identification of certain legal expenses incurred in connection with legal cases which are not reported as disputed cases to the head office.

**(e) Repair and maintenance expenses:**

The auditor should scrutinise the repairs and maintenance account to ascertain that new fixed assets and substantial improvement to existing assets have not been included in repairs and maintenance.

The auditor should verify and take special care in case large amounts are charged to the profit and loss account under this head.

**(f) Other expenditure like Travelling expenses, conveyance etc.:**

The auditor should verify all the expenses incurred by the branch other than covered above for e.g. Conveyance, travelling, lodging and boarding expenses etc.

The head office of the Bank prescribes the limit on these types of expense depending upon the category and designation of the employee.

The auditor should verify 100% vouchers of above expenses and should match it with the limits as specified by the bank's head office.



**(b) Analytical Procedures:**

The auditor should perform the analytical procedure as per SA-520 issued by ICAI, which involves analysis of trends and ratios.

The auditor may compare the amounts of these expenses with the corresponding

figures of previous years. For e.g. The auditor should perform month on month rent analysis and verify major variance in the average rent per month.

The auditor should also do ratio analysis of the major expenses incurred as compared to the previous year and should get a brief understanding of the reason in variation.

Illustrative working for Analytical procedure:

Sr. No.	Nature of Expenses	Current Period (in Lakhs)	Previous Period (in Lakhs)	% change	Reason for variation
1.	Rent expenses	15	10	50%	The branch has taken additional premises at ABC for setting up the ATM facility and hence the rental expenses are higher as compared to previous period.

The auditor should prepare the similar analysis for all the expenses and should discuss the same with the branch management at the time of discussing the draft report.

The auditor should also do a monthly trend analysis of the above expenses and should discuss any major variation in the current period. In case the auditor believes that the reasons given by the branch management are not satisfactory the auditor should highlight the same in the auditors' report.

**e. Conclusion & Key take away:**

As quoted by Robert H Montgomery, Montgomery's Auditing, 1912, "*The skills of an accountant can always be ascertained by an inspection of his working papers*". The auditor should also take due care in documenting the audit work done which will serve as an Insurance paper at the time of peer review or any other reviews conducted by ICAI or any other Statutory Body. The auditor should also refer to SA-230 on Audit Documentation issued by Chartered Accountants of India.

# Audit Documentation in Bank Branch Audit

CA Giriraj Soni

- **Role of audit documentation in general audit [SA-230]:**

- The Standard on Auditing(SA)-230 deals with the auditor's responsibility to prepare audit documentation for an audit of financial statements. These audit documentation provides an evidence of the auditor's basis for a conclusion and also provides an evidence that the audit was planned and performed in accordance with SA's.
- The audit documentation serves a number of additional purposes including the following:
  - Assisting the engagement team to plan and perform the audit;
  - Enabling the engagement team to be accountable for its work;
  - Retaining a record of matters of continuing significance to future audits;
  - Enabling the conduct of external inspections in accordance with applicable legal, regulatory or other requirements.
- In the recent year, the Quality Review Board (QRB) has issued various reports on its finding with regards to the compliance of technical standards (Accounting Standard, Standard on Auditing etc.) after review of the audit documentation/ audit working papers of several audit firms. The report interalia includes several critical observations with respect to the compliance of audit documentation. These observations are discussed in the later part of the paper.

- **Role of audit documentation in Bank Branch Audit (BBA):**

- The importance of the audit documentation become more significant in the Bank Branch Audit due to the onerous responsibility on the Branch Auditor. The Branch auditor is expected to complete

the audit of any size of the branch in the maximum seven days. This creates lot of challenges on the part of the Branch auditor to complete the statutory audit along with the audit documentation.

- The documentation of the audit work done by the Branch Auditor also becomes more important as the Statutory Central Auditors' (SCA's) place heavy reliance on the work done by the Bank Branch Auditor (BBA).
- The documentation of work done in bank audit is very important considering as the same is open to the inspection by RBI, Quality Review Board, Peer Review and other regulators.
- In the recent year, the Quality Review Board has reported certain observation specifically relating to bank audit such as:
  - *Working for Provision of NPA's are not available in respect of the branches allocated to the firm;*
  - *Computation of NPA for the Bank was not documented and without adequate documentation it was not clear how the assets were identified as standard or otherwise.*
  - *Long Form Audit Reports annexures were not linked to work papers wherever possible.*
  - *In LFAR, there were unreconciled difference, wherein it was stated that pending final clearance the overall impact on the account in the opinion of the management of the company will not be material/significant. However, how this assertion was validated/evaluated by the firm was not documented.*
  - *In respect of classification of NPA on receivables, the Audit Firm did not have in their file, the veracity of the classification of NPAs.*





- The above observations raised a significant doubt on the work performed by the Bank Branch Auditor/ Statutory Central Auditor. These types of the observations also raise lot of concern on the quality of the audit work and its impact on the reliance placed by the others.

• **Key Areas of documentation in Bank Branch Audit:**

In the bank branch audit there are several areas where the auditor need to prepare audit documentation, however following are the key areas where the auditor should prepare the audit documentation with more diligence:

**a. Documentation for Appointment and Planning:**

- It has been observed in various review reports that there is lack of audit documentation as far as planning of any audit is considered.
- As per the ICAI code of conduct, in case of a new appointment the branch auditor should obtain the No-Objection Certificate from the previous auditor. The branch auditor should also ensure that the Code of Ethics are complied with before commencing the audit assignment.
- Generally, the appointment letter from the bank officials are issued at year end. The auditor should ensure that the required documentation are completed before the start of audit to avoid any non-compliance or any lapses in the same.
- The illustrative list of documents to be kept in the audit file is separately given in Annexure to this paper.

**b. Documentation while doing verification of advances:**

- Advances are most significant area in bank audit and takes majority of time in execution. The process starts with selection of the samples accounts to verify the sanctioning and disbursement process of the advances and ends with the reporting on large advances in the LFAR.
- The auditor should document the sample selection or criteria used for selecting the sample.

- In documenting the sample selection, the auditor should include the basis of selection such as comments made in the Inspection Report, Concurrent Audit Reports, Earlier statutory audit report etc.
- The auditor should have comprehensive checklist which covers the checkpoints for various type of facilities sanctioned and disbursed by the bank. The checklist should cover various regulatory guidelines issued by RBI such as compliance to LTV ratio for housing loans, Rating verification for CRAR etc. The above checklist should be based on the latest updated guidelines issued by the RBI and as per the policy of the bank.
- The auditor should ensure that response to checklist is descriptive instead of Yes or No. Since the SA-230 requires identifying the characteristics of specific items tested so as to identify any inconsistencies or deviations. Like for e.g.:

Audit Process	Auditor's Reply	SA-230 requirement
Whether the loan has been sanction by an appropriate sanction authority?	Yes	Yes, by Mr. Satish Singh (AGM-Credit) on 11th September, 2017

- The documents should include management response for observation on these sample selected for verification. After incorporating the response from the branch, checklist to have conclusion on the observations. The conclusion should state whether it requires reporting to LFAR or not.
- The observation as per checklist should be linked to the relevant comments in the LFAR wherever possible.

**c. Documentation for IRAC Norm (Non-Performing Assets):**

- It is one of critical area in any bank branch audit and is extended part of advances verification. In this process, Auditor may select samples or verify 100%, based on the NPA levels at Branch. In most of the banks, NPA





are monitored at centralised cell / Branch and auditor has limited role for verification at Branch level.

- In Bank, MIS is available for NPA classification and provision. The auditor should recheck the MIS and keep that working in audit file. While certifying the Annexure related to NPA, the auditor should ensure that the figures reported in these annexures are reconciled with the working prepared by the team.
- The working should also include sample Valuation Reports, Financial Statement etc. used for verification of NPA Provision. The auditor may obtain copies or scan copies of supporting for the future reference.
- In some cases, The auditor may use professional judgement either in identifying an account as NPA or in evaluating the adequacy of the provision. The auditor should adequately document these judgments and keep a note in the working paper files. The auditor may also obtain specific representation required from the Management on any of issues.
- In cases, the auditor identifies an account as NPA or suggest certain additional provisioning on the advances then MOC to be issued. Back up papers for MOC and relevant remarks should be kept in the audit file.
- As per the RBI guidelines, NPA are to be system generated. Accordingly Auditor to document the test applied for verification of the same such as date of NPA, SMA classification, Provision working based on the IRAC Norms. The auditor can also keep the relevant system screen shot whenever required.

**d. Documentation for Other Areas, Certification, Annexures:**

- Apart from LFAR, The auditor is also expected to audit the other areas of the bank to certify the true and fair view on the financial statements.
- The auditor should obtain adequate audit evidence for the other areas

such as cash verification including ATM cash, Fixed Asset purchase / sale etc.

- The auditor should prepare the variance analysis of the significant items of financial statement and document reason for any significant variation.
- The auditor also needs to certify various annexures pertaining to different areas such as Priority Sector Advances, Sensitive Sector Advances, Aging of sundry / suspense items. These annexures are directly relied upon by the Statutory Central Auditor (SCA's) at the time of finalisation of the accounts of the banks. The branch auditor should ensure that these annexures/ certificates issued by the auditor are properly supported with the documentary evidences. The auditor should carry out the audit of various certificates such as Priority Sector advances/ Sensitive sector advances on test check basis and keep the documents for samples tested.
- In certain cases, the branch auditor is required to issue certain certificate for benefits claimed by borrowers, wherein there is a possibility that due to lapses on the part of the bank the ineligible borrowers have received certain benefits such as Interest Subvention claims to the Farmers. The auditor should ensure that appropriate documents are obtained to issue the certificate which at later stage may be subject to scrutiny by the Reserve Bank of India or any other Regulator.

**e. Documentation for Auditors' Report, LFAR & MOC's:**

This is also the critical stage of the bank audit wherein the auditor concludes on all the points and issues a final audit report, Issue LFAR based on the audit carried out at branch.

- The auditor should prepare a list of all the issues identified during the course of the audit across all the areas at the Branch. The auditor should incorporate the response received from the branch management.



- The discussion note should include conclusion on each of the points to include in the report or drop the observations from LFAR reporting.
- The Query sheet can be any format as per the practice of the Auditor. The illustrative format of the master sheet can be as follows:

Query No.	Area of Operation	Observation of Auditor	Branch Reply	Conclusion	Reference point in LFAR/ AR
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- |  |   |
|--|---|
| <ul style="list-style-type: none"> <li>- The branch auditor is also required to issue a Long Form Audit Report (LFAR), wherein the auditor is required to state many factual information like for e.g. Cash Retention Limit etc. It has been observed that the Branch Auditors do not keep the supporting documents for these comments in the LFAR. Hence it is advisable to the branch auditor to prepare a complete set of audit documentation for the LFAR.</li> <li>- The auditor is also required to comment upon the advances beyond a certain threshold limit. These annexures are normally prepared by the bank's management; the auditor is required to give his/her comments. The auditor should keep the appropriate audit evidences for these comments and should also keep the supporting evidences for the same.</li> <li>- In the PSB' branch audit, the audit adjustment entries are passed through Memorandum of Changes (MOC's) wherein the changes are suggested such as change in classification in NPA, additional Provisioning on NPA</li> </ul> | <p>Accounts, correction in the returns etc. These MOC's are dealt at Regional/ Zonal office level.</p> <ul style="list-style-type: none"> <li>- The auditors should keep all the appropriate documents/ relevant supporting for each MOC's suggested at the Branch such as the reason and related vouchers, MIS reports, valuation report (for change in value of security ) etc. These evidences will be helpful to the auditor in future for any query either from the Head office/ Regional office or by SCA's.</li> </ul> |
|--|---|

**f. Conclusion:**

- The audit documentation are for the benefit of auditor and should be obtained during the course of audit. The branch auditor should obtain Representation Letter as per the format specified in Guidance note on bank Audit. The auditor should prepare these documentations on timely basis preferably during the course of the audit rather than after the end of the audit.
- At the end it is very famous saying which goes as follows:

***"The skills of an accountant can always be ascertained by an inspection of his working paper."***

***Robert H Montgomery***

**Illustrative List of Minimum required documents in Bank Branch Audit file:**

Stage of Audit	Minimum documents for Audit Documentation	Yes/No
(A) Appointment formality & Planning	<ul style="list-style-type: none"> <li>- Appointment Letter from Bank;</li> <li>- Reply to Appointment Letter</li> <li>- NOC received from Previous Auditor</li> <li>- Partner/Proprietor declaration submitted to Bank</li> <li>- Audit Programme indicating the Areas Allocated [Bank Branch Audit Programme in the GN on Bank Audit Can Be Considered as base]</li> <li>- Details of Team Member indicating the experience [ to reflect the proper mix of Junior and Senior Staff]</li> <li>- Agenda of Meeting with Branch Manager and Minutes of Meeting with the Manager</li> </ul>	
(B) Verification of Advances:	<ul style="list-style-type: none"> <li>- Loan MIS as on Cut-off Date along with List of New files sanctioned</li> <li>- Sample Selection work paper [indicating the various parameter adopted for selecting the samples]</li> <li>- Comprehensive Checklist of Verification of Advances</li> <li>- Query sheet shared with Branch Manager</li> </ul>	
(C) Verification of Non-Performing Assets	<ul style="list-style-type: none"> <li>- List of NPA Accounts as on Cut-off date</li> <li>- Sample Selection work paper [indicating the various parameter adopted for selecting the samples]</li> <li>- NPA Provision Work paper</li> <li>- List of Diversion observed and List of Cases with inadequate Provision</li> <li>- Issue Memorandum- Advances shared with Branch Manager</li> </ul>	
(D) Other Areas of Audit & Certification of Annexures	<ul style="list-style-type: none"> <li>- Cash Balance/ ATM Balance/ Bank Balance with Other Bank certificates</li> <li>- Analytical Review of major items of Balance Sheet and Profit &amp; Loss Account</li> <li>- Work paper listing Various Annexures/Certificates issued along with the work done and nature of audit evidences obtained against each of these certificates</li> <li>- Fixed Asset Schedule including Verification Report</li> <li>- Issue Memorandum- Other Areas shared with Branch Manager</li> </ul>	
(E) Auditors' Report, LFAR & MOC's	<ul style="list-style-type: none"> <li>- Master Sheet for all the query/observation raised in Branch Audit</li> <li>- Audit Evidences for the information/facts stated in LFAR</li> <li>- List of MOC's suggested at the Branch along with Supporting working/documentary evidences</li> </ul>	
(F) Final Annexures and Other Reports	<ul style="list-style-type: none"> <li>- Final Signed Copy of the Financial Statement along with Auditors' Report</li> <li>- Signed copies of various annexures and certificates</li> <li>- Management Representation Letter</li> </ul>	

# Summary of Important Circulars for Bank Branch Audit (FY 2024-25-PSB/SCB Bank Branch)

CA Shahbaz Multani

- **Brief Background:**

The Reserve Bank of India (RBI) at frequent interval issues various circulars/notifications/guidelines applicable to all the regulated entities viz. Scheduled Commercial Bank's (SCB's), Regional Rural Banks (RRB's), Non-Banking Financial Companies (NBFC's) etc. These relevant guidelines can be obtained from [www.rbi.org.in /Notifications/Master Circulars/Master Directions](http://www.rbi.org.in/Notifications/Master%20Circulars/Master%20Directions) etc.

In the current period, the RBI has revised some of the master circulars issued in previous financial year and the same required revision due to various regulatory changes, new norms etc. started the practice of issuing Master circulars relating to various matters of the regulated entities. These Master Circulars are issued primarily for two reasons; (a) compiling all the relevant circular/notifications issued in the relevant period and (b) any new guidelines to be amended in the scope of the Master circular. This practice had been discontinued since few years, however in current year the RBI has issued Master Circular on some of the key Matters for the BFSI industries which were not updated since very long. Like for e.g., RBI has issued Master Circular on Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances which was last revised in April 2024.

Hence, inclusion of such chapter compiling all the important circulars in this publication is important from the perspective of the Bank Branch Auditor.

- **Scope of the paper:**

The paper deals with the circulars/notifications issued by the RBI other than the Master Directions/Master Circulars issued on various subject matters. The Master Circular and Directions can be referred on the RBI website. The listed circulars/notifications deal with the specific area of operation which are relevant from the perspective of the Bank Branch Auditor (BBAR).

The paper also covers some brief audit procedures which can be performed while conducting the Branch Audit to verify the compliance of these circular. The paper covers all the relevant circulars issued between the periods 1st April 2024 to 28th February 2025.

The paper excludes from its scope the circulars/ notifications which are mainly from the perspective of Statutory Central Auditors (SCA's) for e.g. Prudential Framework for Resolution of Stressed Assets (High exposure), Disclosure in the "Notes to Accounts" to the Financial Statements - Divergence in the asset classification and provisioning etc. These circulars are part of Guidance on Bank Audit (2024) as part of Appendices.

- **Summary of some important circulars issued by RBI:**

Subject	Brief details *
Gold loans - Irregular practices observed in grant of loans against pledge of gold ornaments and jewellery  Date: September 30, 2024  RBI Reference: - RBI/2024-25/77 DoS.CO.PPG.SEC.10/11.01.005/2024-25	The Reserve Bank of India on September 30, 2024 has issued this circular addressing irregular practices observed in the granting of gold loans by banks and non-banking financial companies (NBFCs).  All Supervised Entities (SEs) are advised to comprehensively review their policies, processes and practices on gold loans to identify gaps, including those highlighted in this advice, and initiate appropriate remedial measures in a timebound manner. Further, the gold loan portfolio should be closely monitored, especially in the light of significant growth in the portfolio in certain SEs. It should also be ensured that adequate controls are in place over outsourced activities and third-party service providers.



Subject	Brief details *
	<p>The circular addresses irregular practices in granting gold loans by banks and NBFCs, emphasizing the need for:</p> <ol style="list-style-type: none"> <li>1. Proper Valuation</li> <li>2. Due Diligence</li> <li>3. Transparency in Auctions</li> <li>4. Regulation of LTV and Interest Rates</li> <li>5. Internal Controls</li> <li>6. End use monitoring</li> </ol> <p><b>Role of BBA:</b></p> <p>The auditor should verify the bank follows proper procedures for granting and managing gold loans, ensuring transparency, fairness, and compliance with regulatory guidelines.</p>
<p>Fair Lending Practice - Penal Charges in Loan Accounts</p> <p>Date: August 18, 2023, December 29, 2023</p> <p>RBI Reference: -</p> <p>RBI/2023-24/53</p> <p>DoR.MCS.</p> <p>REC.28/01.01.001/2023-24</p> <p>RBI/2023-24/102 DoR.MCS.</p> <p>REC.61/01.01.001/2023-24</p>	<p>The circular issued by RBI on 18th August 2018, however on 19th December 2023 with reference to this circular. The RBI issued Extension of Timeline for Implementation of Instructions with effect from 1st April 2024.</p> <p>RBI has issued various guidelines to ensure reasonableness and transparency in disclosure of penal interest. Under the extant guidelines, lending institutions have the operational autonomy to formulate Board approved policy for levy of penal rates of interest.</p> <p>The primary focus is on regulating and clarifying the application of penal charges, ensuring they are reasonable and properly communicated to customers.</p> <p><b>Role of BBA:</b></p> <p>The Branch auditor should review the compliance of the above circular, including its lending practices and internal policies.</p> <p>Any inconsistencies should be clearly brought to the notice by making comment in LFAR.</p>
<p>Fair Practices Code for Lenders – Charging of Interest</p> <p>Date: April 29, 2024</p> <p>RBI Reference: -</p> <p>RBI/2024-25/30</p> <p>DoS.CO.PPG.</p> <p>SEC.1/11.01.005/2024-25</p>	<p>The guidelines on Fair Practices Code issued to various Regulated Entities (REs) since 2003, inter-alia, advocate fairness and transparency in charging of interest by the lenders, while providing adequate freedom to REs as regards their loan pricing policy.</p> <p>During the course of the onsite examination of REs for the period ended March 31, 2023, the Reserve Bank came across instances of lenders resorting to certain unfair practices in charging of interest. Some of the unfair practices observed are explained below:</p> <ol style="list-style-type: none"> <li>1. Charging of interest from the date of sanction of loan or date of execution of loan agreement and not from the date of actual disbursement of the funds to the customer.</li> <li>2. In the case of disbursal or repayment of loans during the course of the month, charging interest for the entire month, rather than charging interest only for the period for which the loan was outstanding.</li> <li>3. In some cases, it was observed that REs were collecting one or more instalments in advance but reckoning the full loan amount for charging interest.</li> </ol> <p>In the interest of fairness and transparency, RBI has directed to review their practices regarding mode of disbursal of loans, application of interest and other charges and take corrective action, including system level changes, as may be necessary, to address the issues highlighted above.</p>



Subject	Brief details *
	<p><b>Role of BBA:</b></p> <p>The Branch auditor should review the compliance of the above circular, including its lending practices and internal policies.</p> <p>Any inconsistencies should be clearly brought to the notice by making comment in LFAR.</p>
<p>Key Facts Statement (KFS) for Loans &amp; Advances</p> <p>Date: April 15 2024</p> <p>RBI Reference: - RBI/2024-25/18 DOR.STR. REC.13/13.03.00/2024-25</p>	<p>The RBI issued Circular on April 15, 2024, aiming to standardize the disclosure of loan terms through the introduction of the <b>Key Facts Statement (KFS)</b> for all loans and advances.</p> <p>The purpose of KFS is to provide borrowers with clear and concise information about loan terms, including charges, penalties, and fees, enabling informed decision-making. It contains details of all charges, penalties, fees, computation of the Annual Percentage Rate (APR), other costs associated with the loan and an amortization schedule.</p> <p><b>Role of BBA:</b></p> <p>The auditor should inquire about the compliance of the above circular and verify some samples on test check basis to ensure that KFS are issued to borrower as per the standard format given in the circular.</p> <p>Any inconsistencies should be clearly brought to the notice by making comment in LFAR.</p>
<p>Inoperative Accounts / Unclaimed Deposits in Banks- Revised Instructions</p> <p>Date: January 1 2024</p> <p>RBI Reference: - RBI/2023-24/105 DOR.SOG (LEG). REC/64/09.08.024/2023-24</p>	<p>The RBI issued circular on January 1, 2024 to provide comprehensive guidance on the measures to be put in place by the banks covering various aspects of classifying accounts and deposits as inoperative accounts and unclaimed deposits, as the case may be, periodic review of such accounts and deposits, measures to prevent fraud in such accounts/deposits, grievance redressal mechanism for expeditious resolution of complaints, steps to be taken for tracing the customers of inoperative accounts/ unclaimed deposits including their nominees/ legal heirs for re-activation of accounts, settlement of claims or closure and the process to be followed by them.</p> <p>The revised instructions is applicable from April 1, 2024.</p> <p><b>Role of BBA:</b></p> <p>The BBAs are required to report system of identification of dormant/ inoperative accounts and internal controls with regard to operations in such accounts. The BBA should review the process in light of this guidelines and Any inconsistencies should be clearly brought to the notice by making comment in LFAR.</p>

(\*Please refer full text of circular for more details and guidance)

• **Conclusion:**

The Government & the RBI has continued to focus on enhancing transparency, fairness, and efficiency in the banking sector. Various key initiatives have been introduced to safeguard consumer interests, improve lending practices, and ensure that financial institutions operate with greater accountability. demonstrate a continued push toward improving **consumer protection**, enhancing **operational transparency**, and ensuring **fair lending practices**. By focusing on issues such as **accurate interest rates**, **clear disclosures**, and **responsible lending**, the RBI is laying the groundwork for a more customer-friendly banking environment. The circulars not only help safeguard the interests of borrowers but also ensure that banks operate with the highest standards of **integrity** and **transparency**.

The above are certain important circulars/notifications which should be looked at by the Branch Auditor with professional scepticism. The auditor should also go through the relevant Master Circulars/Master Directions/ Other Circulars issued by the Reserve Bank of India from time to time.

# Important Finacle Menu for Bank Branch Audit

CA Komail Talajawala

SRN	COMMANDS	FUNCTIONS OF FINACLE MENU
1	AALI	A/c Abnormal Limits/Details Inquiry
2	ABMR	Report of Accounts Below Min Balance
3	ACCBAL	Components of Account Balance Inquiry
4	ACDET	Account Balance Details
5	ACLI	Account Ledger Inquiry
6	ACI	Customer Accounts Inquiry
7	ACLPOA	Office Account Ledgers Print
8	ACLPCA	Customer Account Ledger Print
9	ACMP	Account Master Print
10	ACSP	Account Selection Print
11	ACTI	Account Turnover Inquiry
12	ACTODI	Account TOD Inquiry
13	ADVC	Print DR/CR Advice to Customer
14	AFI	Audit File Inquiry
15	AFINQU	Audit File Inquiry
16	AFP	Audit File Print
17	AICR	Advanced Interest Collected Report- Bills
18	AINTRPT	Interest Report for Accounts
19	AITINQ	Account Interest Details Inquiry
20	ALMSP	Agricultural Loans Master Sheet Print
21	ASTI	Amount-slab Table Inquiry
22	ATI	Abnormal Transactions Inquiry
23	ATMBRPT	Balances outstanding in MBBCASH001, ATMCASH001, ATMTEMP001 where balance not equal to ZERO.
24	BDTR	Bills due Today report

SRN	COMMANDS	FUNCTIONS OF FINACLE MENU
25	BEHI	Bills Events History Inquiry
26	BGCLOSE	Guarantee close register printing
27	BGPRINT	Guarantee printing
28	BI	Bills Inquiry
29	BICR	Bills Interest Collected Report
30	BICS	Bills Collection Schedule
31	BKTI	Bank Table Inquiry
32	BR	Balancing Report
33	BRBPR	Balancing report bills purchased
34	BRCR	Balancing report bills collection
35	BRRBPR	Bills Register Report - Bills Purchased
36	BRRCR	Bills Register Report - Collection Inward/Outward
37	BRTI	Branch Table Inquiry
38	CALLRPT 1	Call over Report for SB and CA Accounts
39	CALLRPT 2	Call over Report for CC and OD Accounts
40	CALLRPT 3	Call over Report for Loan Accounts
41	CALLRPT 4	Call over Report for TDA Accounts
42	CALLRPT 5	Call over Report for DD
43	CALLRPT 6	Call over Report for Office Accounts
44	CALLRPT 7	Accounts with interest table code Zero.
45	CALLRPT 8	TDS details for a given Cust-Id
46	CALLRPT 9	Interest details for a given Sol-Id.
47	CALLRPT 11	Pay slip reconciliation/ outstanding Report





SRN	COMMANDS	FUNCTIONS OF FINACLE MENU
48	CALLRPT 12	Interest Certificate Only for TDR for a grievance
49	CALLRPT 14	Inward Clearing File Generation
50	CALLRPT 15	Statement of Service Tax
51	CALLRPT 16	Statement of PPF Transactions
52	CALLRPT 17	BCTT Download for a Branch
53	CALLRPT 18	BCTT Consolidation for Zonal Offices
54	CBM	Customer Becoming Major
55	CHGIR	Charges Income Report
56	CHRGADV	Charge Advice Printing
57	CTI	Calendar Table Inquiry
58	CUACLI	Inquire on Your Account Ledger Entries
59	CUBI	Bills Inquiry
60	CULAC	Customer Accounts List
61	CULI	Customer Unutilized Limit Inquiry
62	CUMI	Customer Master Inquiry
63	CUS	Customer Selection
64	CUSTBALP	Printing of Customer Balances
65	DCEXPLST	Report on DC Expired
66	DCLIABRG	DC Liability Register
67	DCQRY	Document credit Query
68	DCQRYP	Documentary Credits Query Printing
69	DCREG	Documentary Credits Register Printing
70	DCRPTS	DC Reports and Advices
71	DDIC	DD Credits Inquiry
72	DDID	DD Debits Inquiry
73	DDII	Specific DD issued Inquiry
74	DDIP	Specific DD Paid Inquiry
75	DDIR	DD Issue Reports
76	DDP A->	DD Issued Summary
77	DDP B->	DD Issued Register
78	DDP C->	DD Paid Summary
79	DDP D->	DD Paid Register
80	DDP E->	DD Cancellation & Rectification Summary

SRN	COMMANDS	FUNCTIONS OF FINACLE MENU
81	DDP F->	DD Cancellation & Rectification Register
82	DDP G->	DD Consolidated Summary
83	DDP H ->	All Summary A, C, E, G
84	DDP I ->	All Registers B, D, F
85	DDP J ->	All Summaries & Registers
86	DDP2 A ->	Drafts Issued Schedule
87	DDP2 B ->	Drafts Issued Register
88	DDP2 C ->	Drafts Paid Schedule (other than Ex-advice)
89	DDP2 D->	Drafts Paid Register (other than Ex-advice)
90	DDP2 E->	Drafts Paid Ex-advice Schedule
91	DDP2 F->	Drafts Paid Ex-Advice Register
92	DDP2 G->	Drafts Reversing Debits Schedule
93	DDP2 H->	Drafts Reversing Credits Schedule
94	DDP2 I->	Drafts A/c Schedule
95	DDP2 J->	All Schedules A, C, E, G, H, I
96	DDP2 K	All Registers B, D, F
97	DDP2 L	All Schedules & Registers J, K
98	DDPALL	Print all unprinted DDs
99	DDPRNT	Print a DD
100	DDREPRNT	Reprint a DD/ Print advice
101	DDXFER	Advice of Drawing Printing
102	DEPINT	Interest calculator for deposits
103	DEPMOD	Deposit Modeling
104	DRP	Deposits Receipt Print
105	DTCS	Display Tran Code Summary
106	DTR	Deposit Transactions Report
107	DUDRP	Deposits Receipt Print [Duplicate]
108	ECGCRPC	ECGC PREMIUM REPORT FOR RPC
109	EFI	Employee File Inquiry
110	EXCPRPT	Exceptions Report
111	FBADVP	FOREIGN BILLS ADVICE PRINT



<b>SRN</b>	<b>COMMANDS</b>	<b>FUNCTIONS OF FINACLE MENU</b>
112	FBBR	FOREIGN BILLS BALANCING REGISTER
113	FBCS	Foreign Bills Covering Schedule
114	FBECGC	ECGC PREMIUM REPORT FOR BILLS
115	FBHI	Foreign Bills History Inquiry
116	FBI	Foreign Bills Inquiry
117	FBP	Foreign Bills Printing
118	FBRPR	Reserve Payment Register
119	FI	Fate Inquiry
120	FOIQ	FAB Outward Clearing Instrument Inquiry
121	FTI	Financial Transactions Inquiry
122	FTR	Financial Transactions Inquiry & Report
123	FWCHI	Forward Contract History Inquiry
124	FWCLIAB	Forward Contract Liability Register
125	FWCODLST	List of Overdue and Matured FC
126	FWCQRY	Query on FC
127	GDET	General Deposits Details
128	GI	Guarantee Inquiry
129	GILR	Guarantees Issued cum Liability Register
130	GP	Guarantee Printing
131	GPI	Guarantee Parameters Inquiry
132	GSPI	General Scheme Parameters Inquiry
133	GURFIMU	Reference File Inquiry Menu
134	HACCBAL	Balance details of an Account
135	HACCDDET	General Details
136	HACIMU	CRV - Account Level Menu
137	HACLHI	Limit Details
138	HACLI	Transactions Inquiry
139	HACS	Account Selection
140	HACTI	Account turnover details
141	HADVC	Print DR/CR Advice to Customer
142	HAITINQ	Account Interest Details Inquiry

<b>SRN</b>	<b>COMMANDS</b>	<b>FUNCTIONS OF FINACLE MENU</b>
143	HBKQRY	Bank Level Query Option
144	HCELI	Collateral Entity Linkage Inquiry
145	HCRVMU	Customer Relationship View- Main Menu
146	HCUACC	Accounts of Customer
147	HCUCA	Current Account of Customer
148	HCUCC	Cash Credit of Customer
149	HCUDET	General details of Customer
150	HCUIMU	CRV - Customer Level Menu
151	HCULA	Loan Accounts of Customer
152	HCUMAT	Forthcoming Maturities of Customer
153	HCUOD	Overdraft Accounts of Customer
154	HCUPSD	Portfolio details of Customer
155	HCUS	Customer Selection
156	HCUSB	Savings Account of Customer
157	HCUSEL	Customer Selection
158	HCUSUM	Summary details of Customer
159	HCUSWP	Sweep details of Customer
160	HCUTD	Term Deposits of Customer
161	HCUTI	Turnover Summary of Customer
162	HDCDET	Delivery Channel transaction details
163	HFTI	Financial Transactions Inquiry
164	HICI	Inward Cheques Inquiry
165	HII	Hot Items Inquiry
166	HINTCI	Interest Table Code Inquiry
167	HINTTI	Interest Rate Details Inquiry
168	HIOGLT	Inquire on GL Transactions
169	HIOT	Inquire on Transactions
170	HLAGI	Loan Account General Inquiry
171	HLAI	Loan Inquiry
172	HLAMOD	Loan Modeling
173	HLAOPI	Loans Overdue Position Inquiry
174	HLAPSP	Loan Account Pass Sheet Print



SRN	COMMANDS	FUNCTIONS OF FINACLE MENU
175	HLARSH	Loans Repayment Schedule Report
176	HM	Help Maintenance
177	HOCI	Outward Cheques Inquiry
178	HOCIP	HOC Inquiry cum BA(R) Print
179	HODBCH	Bill and Collection History Details
180	HOIQ	Outward Clearing Instrument Inquiry
181	HOPQ	Outward Clearing Pattern Inquiry
182	HPARTINQ	Inquiry on Partitioned Account
183	HPBP	Passbook Print
184	HPSP	Pass Sheet Print
185	HRTHQRY	Rate list History Query
186	HTD	Term deposit transaction details
187	HTDINT	Term deposit interest details
188	HTDSIP	TDS Inquiry & Printing
189	HTDTAX	Term deposit tax deduction details
190	HTFIN	Customer Trade Finance Inquiry
191	HTINQ	Hot Items Lookup
192	HTODCS	TOD Criteria and Selection
193	IBADVP	Customer Advice Inland Bills
194	IMI	Inventory Movement Inquiry
195	IMR	Inventory Movement Report
196	INQACHQ	Inquire Account Number for a Cheque
197	INTCERT	Interest Certificate Print
198	INTSI	Interest Slab Inquiry
199	INTTI	Interest Table Inquiry
200	IOCLS	Inquire On Clearing Transaction Sets
201	IOGLT	Inquire on GL Transactions
202	IOT	Inquire on Transactions
203	ISAR	Inter Sol Audit Report
204	ISI	Inventory Inquiry Split and Merge-EM
205	ISIA	Inventory Inquiry Split and Merge
206	ISTR	Inter Sol Transaction Report

SRN	COMMANDS	FUNCTIONS OF FINACLE MENU
207	ITCI	Interest Table Code Inquiry
208	ITI	Instruments Table Inquiry
209	LAGI	Loans General Inquiry
210	LAITCI	Loan Interest Table Code Inquiry
211	LAOPI	Loans Overdue Position Inquiry
212	LAPSP	Loan Account Pass Sheet Print
213	LLIR	Limit Liability Inquiry/Report
214	LNDI	Limit Node Details Inquiry
215	LNHTIR	Limit Node History/Tran Inquiry/Report
216	LNI	Limit Node Inquiry
217	LVSI	Loan Interest Version Slabs Inquiry
218	MNTPST	Maintain PST Table (Modify & Inquiry)
219	NEWOLDAC	New Old Account
220	OIQ	Outward Clearing Instruments Inquiry
221	OPQ	Outward Clearing Part Tran Inquiry
222	OTRINQ	Offline Transaction Inquiry
223	PARTINQ	Inquiry on Partitioned Account
224	PBP	Pass Book Print
225	PCLSO	Print Clearing Schedule
226	PDADI	Past Due A/c Details Inquiry And Report
227	PDML	Print/Display Media List
228	PENDDRP	Pending Deposits Receipt Print
229	PHINQ	Inquiry on History of Partition A/c
230	PICS	Print Inward Clearing Schedule
231	PICW	Print Inward Clearing Waste
232	PLIST	Pending Installments List - Recurring Deposits
233	PLR	Party-wise Liability Register for PC
234	PRR25	PRR25 Report of rejected cheques
235	PRR38	Statement of Daily Cash Position



SRN	COMMANDS	FUNCTIONS OF FINACLE MENU
236	PRRTL	Rate list Printing
237	PRTINQ	Print Queue Inquiry
238	PSR32	Sanction Limits for Accounts based on Sector & Sub-sector codes
239	PTW 1	Full Transfer Waste
240	PTW 12	System Generated Transactions
241	PTW 2	Only Certified Transaction
242	PTW 3	Only Unposted Transaction
243	PTW 4	Only Verified Transaction
244	QBR	Quick Balancing Report
245	RBTI	Register Table Balance Inquiry
246	RDD	Rate-wise Distribution of Deposits
247	REDRP	Reprint Deposits Receipt
248	REJREP	Rejected Instruments Report/Advice
249	RENHIST	TD Renewal History Details
250	RINTINQ	Interest Inquiry for RPC Accounts
251	RINTRPT RPC	Account Interest Report
252	RPCRPT RPC	Account Report
253	RRCDI	Reference Code Inquiry
254	RTHQRY	Rate list History Query

SRN	COMMANDS	FUNCTIONS OF FINACLE MENU
255	SCWRPT	Shroff Cash Report
256	SDD	Scheme-wise Distribution of Deposits
257	SEL	Superseding Expired Limits
258	SIETR	SIs Executed Today Report
259	SII	Standing Instructions Inquiry
260	SIRP	Standing Instructions Register Printing
261	SMI	Swift Messages Inquiry
262	SPRG	Stop Payment Register
263	TCPI	Teller Wise Cash Position Inquiry
264	TCPIA	Teller Wise Cash Position Inquiry / All
265	TDSIP	TDS Inquiry & Printing
266	TEI T	Transactions Exceptions Inquiry
267	TI	Transactions Inquiry
268	TODCS	TOD Criteria and Selection
269	TODRP	TOD Register Printing
270	TRANINQ	Tran Inquiry
271	TRANLIST	Tran list display
272	TRTRI	Treasury Transaction Report and Inquiry
273	TVSI	Term Deposits Interest Slabs Inquiry
274	VCHR	Print DR/CR Voucher

## NOTES

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## NOTES

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## NOTES

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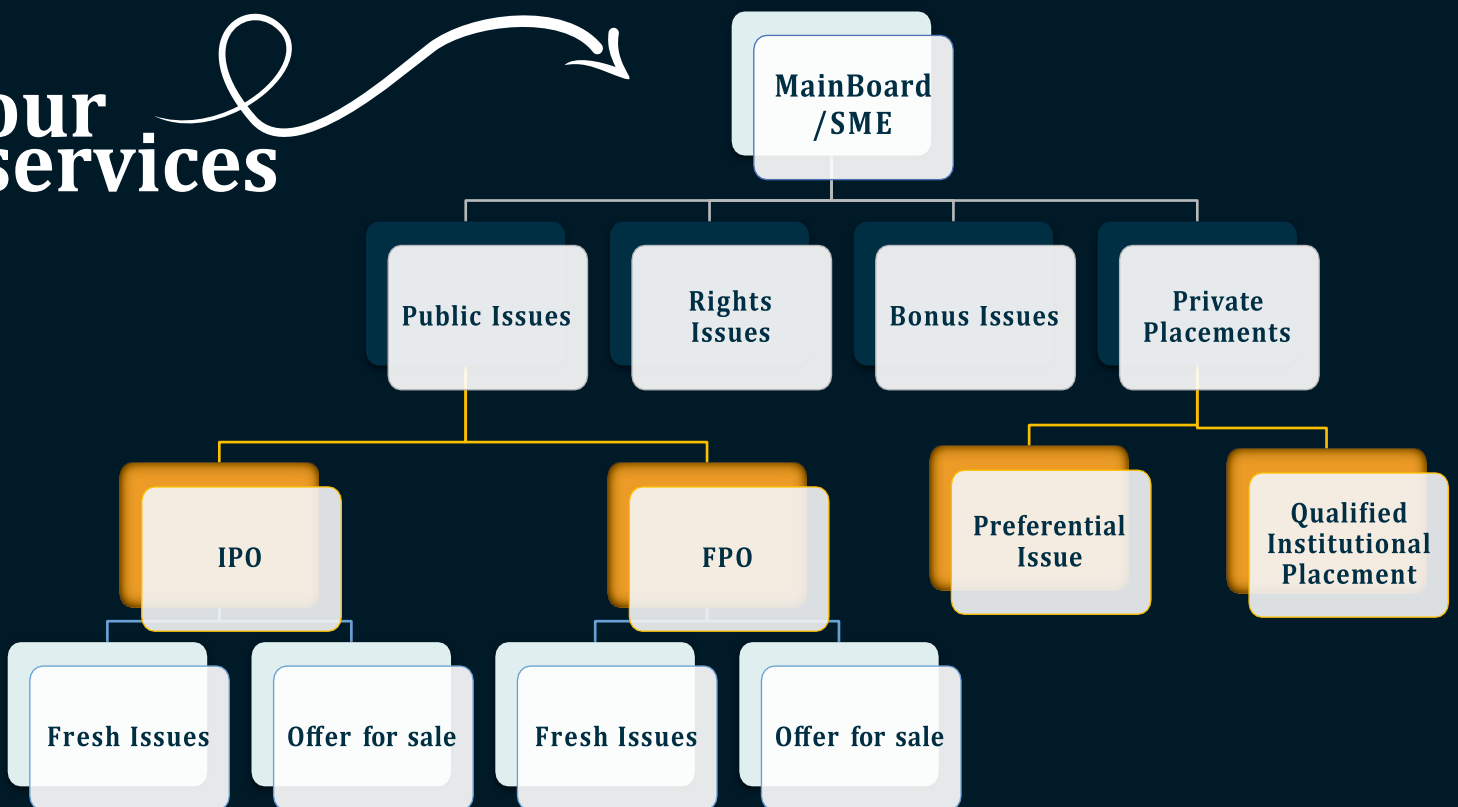


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