।। धर्मो रक्षति रक्षितः ।।

Comply ICAI Code(The Dharma), Code will protect Professional & Profession

Premnath D.S. B.Com., FCA

March 15, 2023

Most Important Reference Material

https://www.icai.org/post/icai-e-journal-main

Download - ICAI – Mar 2023 Journal

Page 83 to 89 CBS LFAR point wise MENU commands

Page 90 – IRAC norms practical Issues

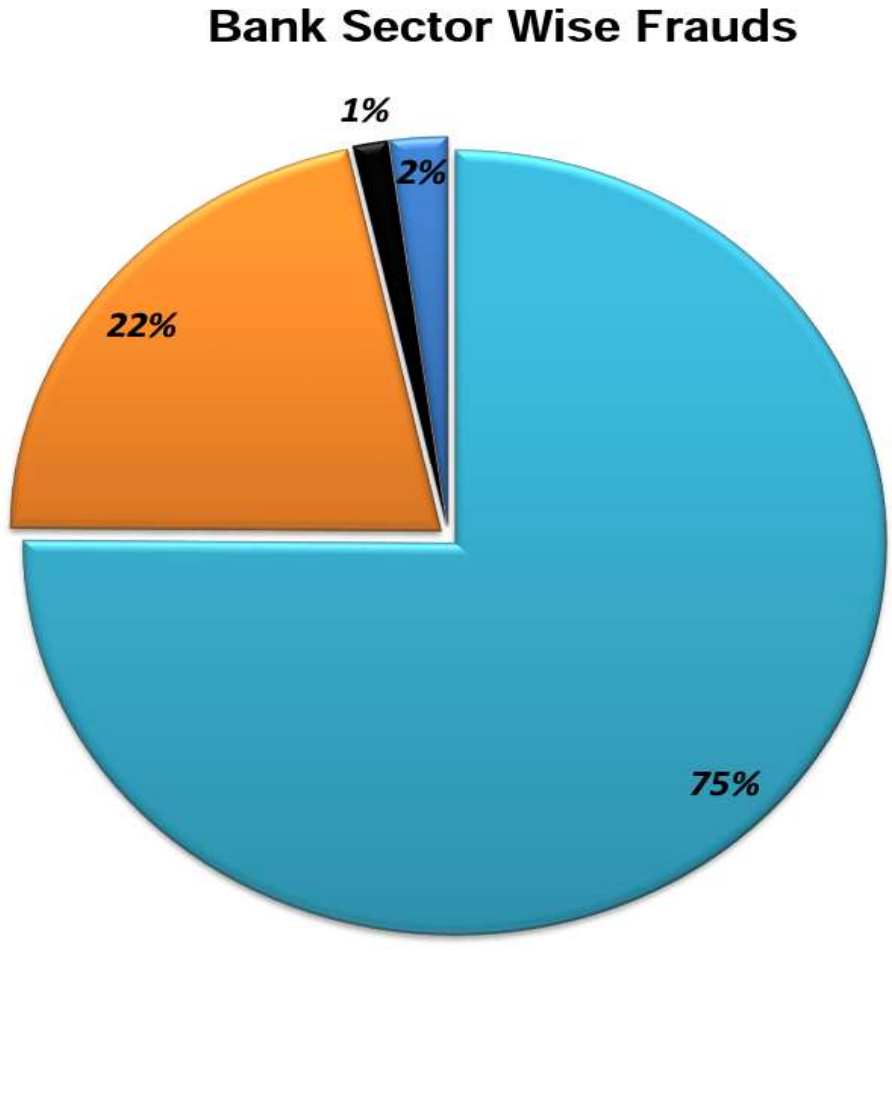
Banking Industry in Indian Economy

- GDP – Rs. 273.08 Lakhs Crores
- Money Supply Rs 219.88 Lakhs Crores & Bank credit Rs 209.38 Lakhs Crores
- NPAs Rs. 27.68 Lakhs Crores(Includes Rs.19.33 Lakh Crores w/off)
- Banking Frauds Rs. 4.96 Lakhs Crores

Bank Sector Wise Frauds Reported

Cumulative data of amounts involved in fraud cases from 2017-18 to 2021-22:

Bank Group/Institution	No of Cases	Amt (in Crs)	%
Public Sector Banks	17040	373177	75%
Private Sector Banks	16174	106127	21%
Foreign Banks	3776	6699	1%
Other Banks	892	10828	2%
TOTAL	**37882**	**496801**	**100%**



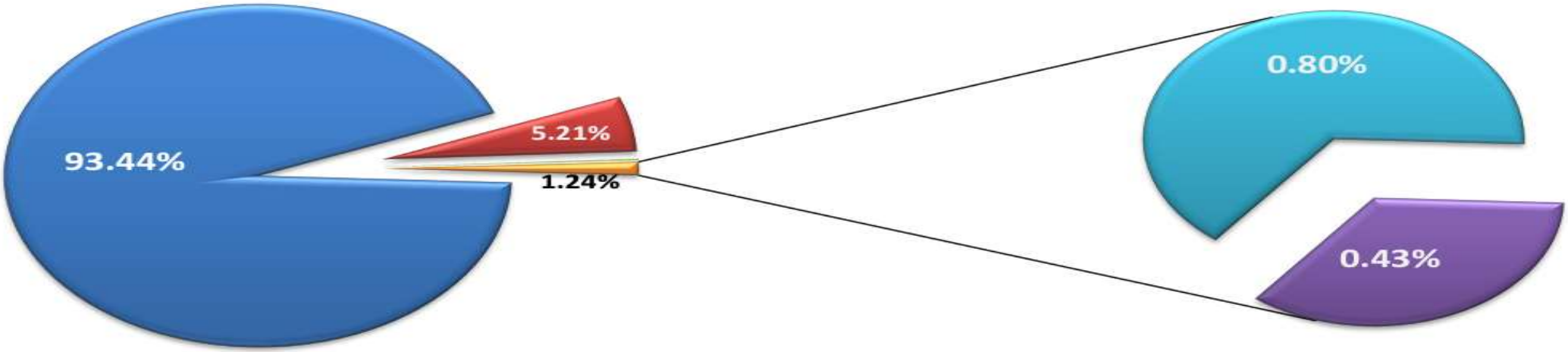
Operation Wise Analysis

Cumulative data of amounts involved in fraud cases from 2017-18 to 2021-22

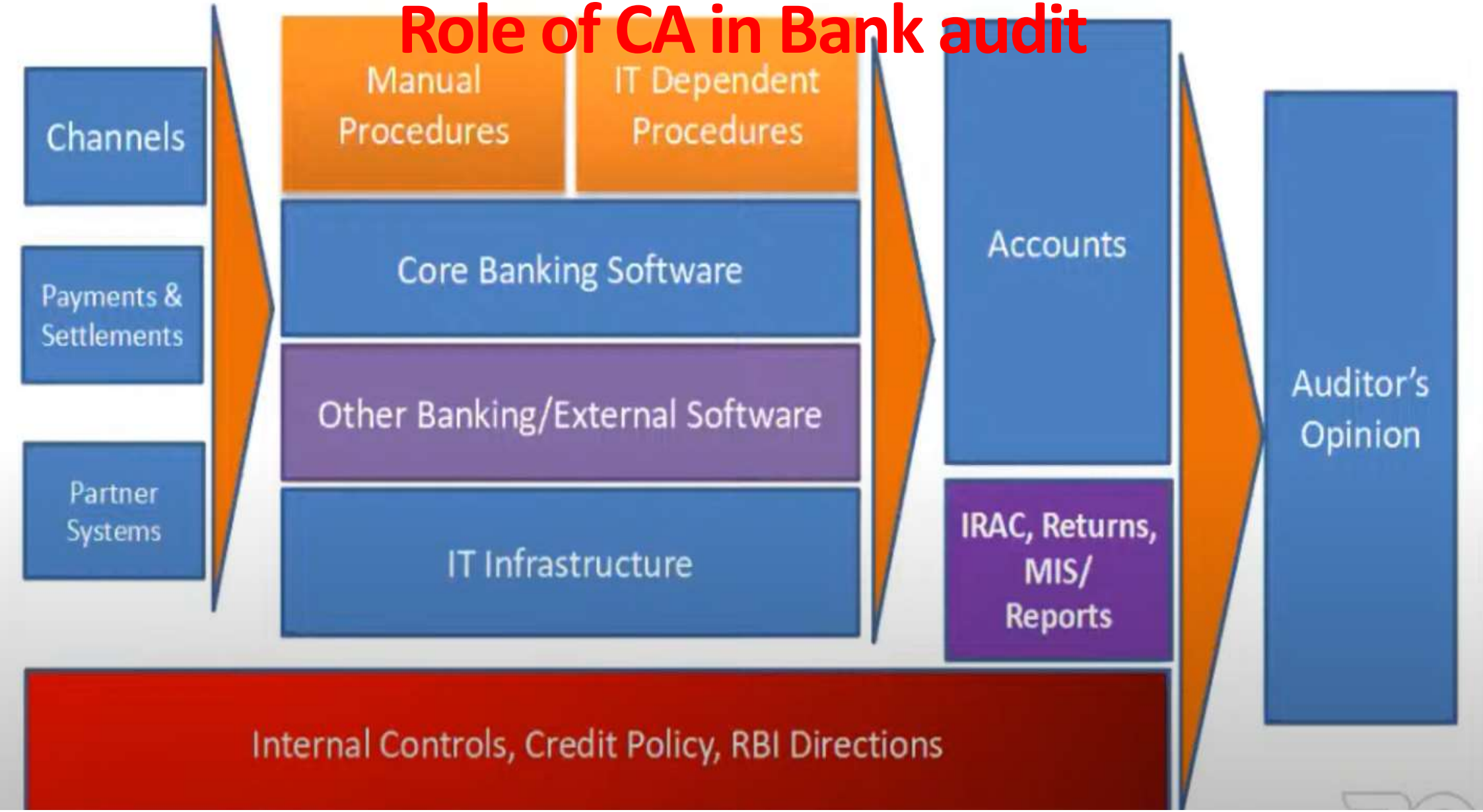
Amount expressed in Crores

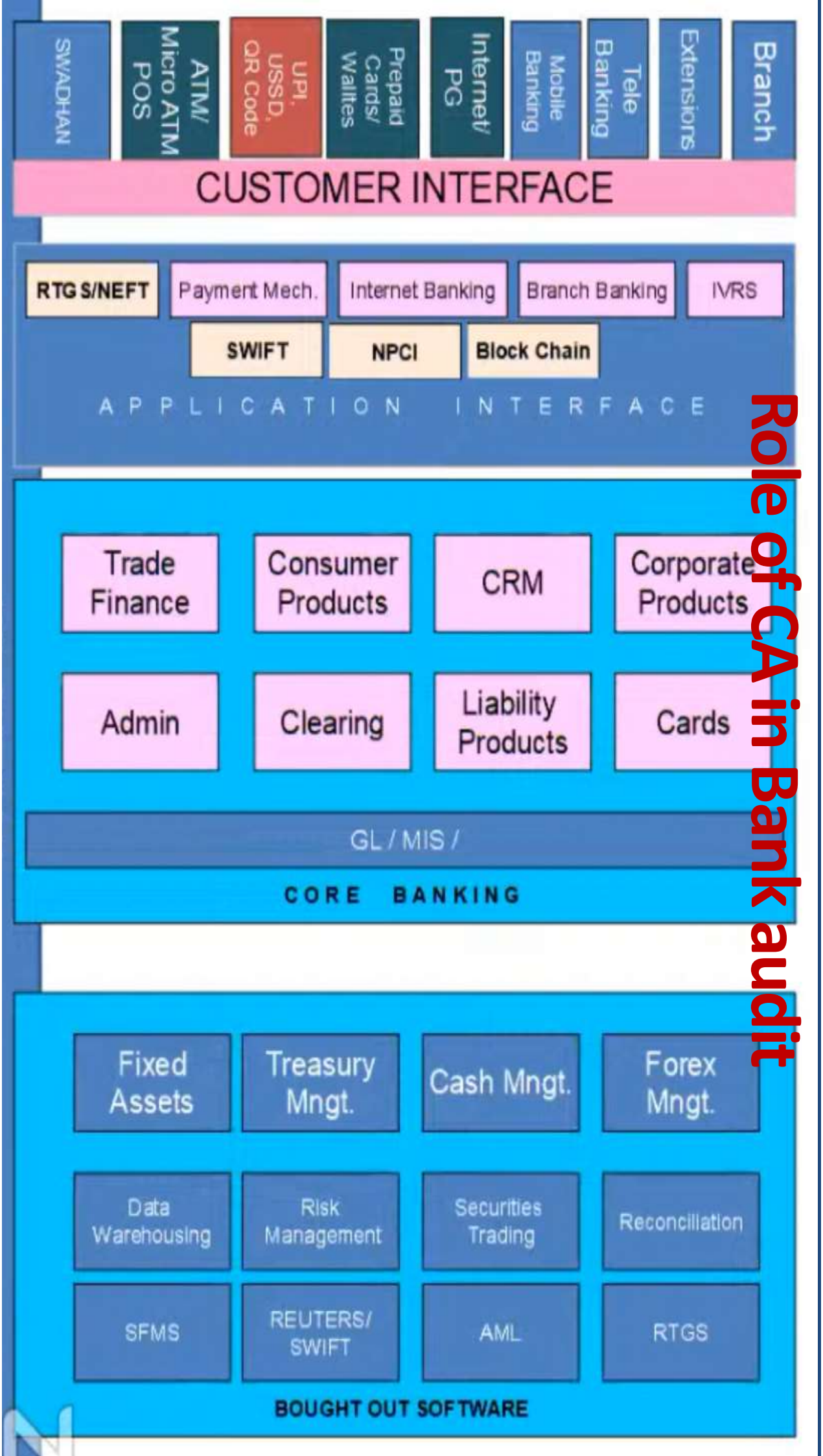
Area of Operation	No of Cases	Amt involved (in Crs)	%
Advances	18075	464188	93.44%
Off Balance Sheet	131	25881	5.21%
Card/Internet	12743	583	0.12%
Deposits	2798	2153	0.43%
Other areas of operation	4135	3993	0.80%
TOTAL	**37882**	**496798**	**100.00%**

Graphical Presentation

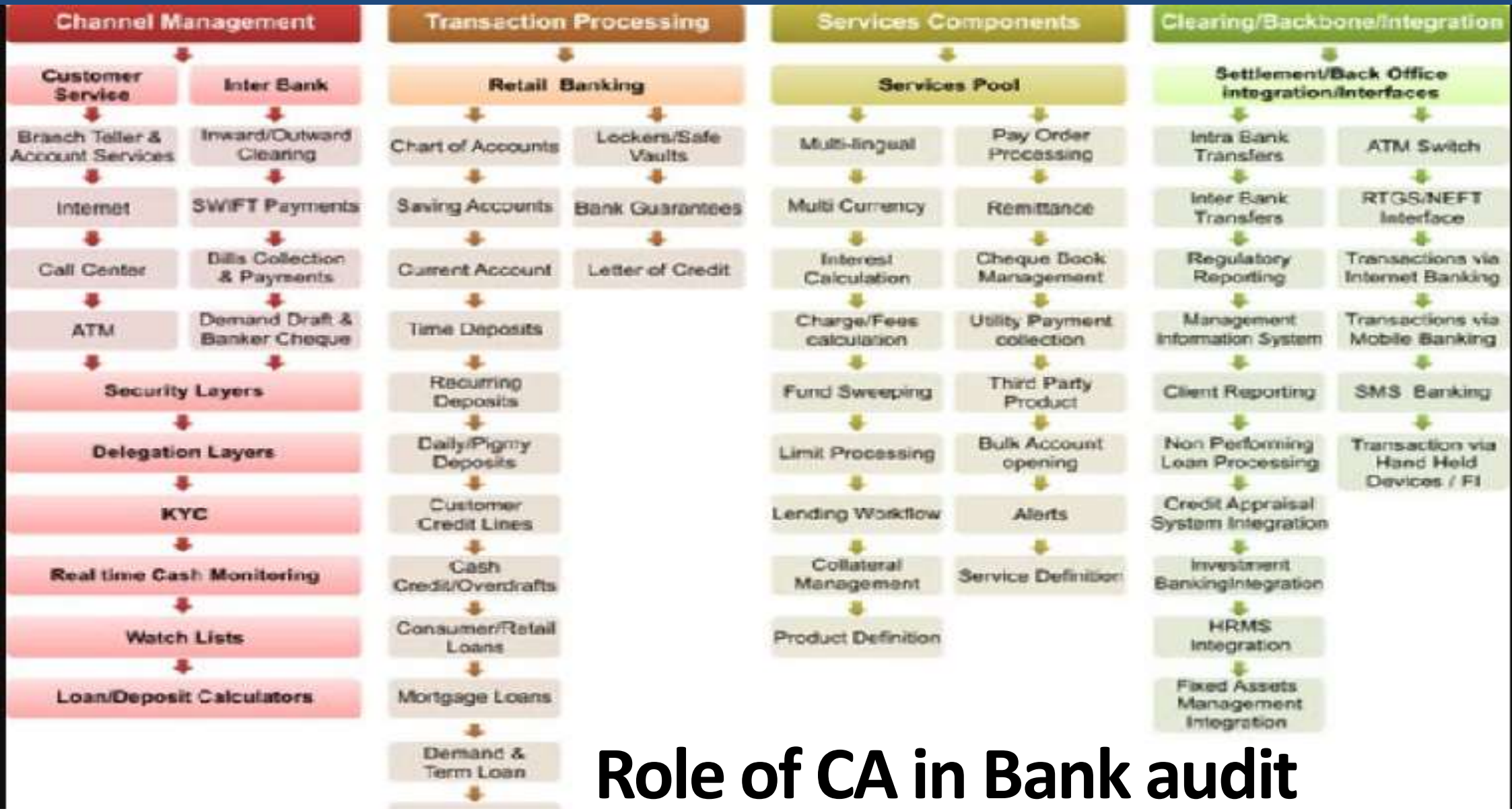


Role of CA in Bank audit





Role of CA in Bank audit



Role of CA in Bank audit

Essence of Audit under CBS

Systems	Impact	Role of CA
More the Technology	Single Digital Framework – Integration – Risk Assessment – Corporate Governance	More of systems audit, controls review
Lesser the Technology	Manual/Digital spread, manual maker/checker – high risk	More of substantive procedures – highcost – More tools
Preventive Controls – Validation – mandatory fields – dropdown, prefill, data security Detective Procedures – txt2colmn/join/merge/append/Sort/Filter/conditional formula/Lookup/pivot/macros/		
Technology to what extent –Marketing/Processing/Appraisal/Mortgage/Lending /Review/Monitoring/Recovery/ Reporting/Compliance/		
Audit Methodology going forward – Systems audit, controls review substantive procedures, knowledge of technology AI/Bot – use of tools		

SC Judgement on Amrapali

- It is observed that there was no monitoring done by the officials of Bank of Maharashtra, Andhra Bank and other banks by releasing of term loan to the Company.
- Even basic checks, End Use of funds were forgone
- No technical requirements followed as relating to release of Term Loan facilities to a borrower.
- The banks acted as mute spectator to unapproved diversion which was almost happening evidently in all banking transactions

Innovation : Pvt Vs PSU banks

Integration Vs Manual operations

Lesser the integration more the audit procedures & use of tools

More the integration More the audit on IT control

https://www.axisbank.com/about-us/press-releases/axis-bank-starts-digital-lending-through-account-aggregator-framework

https://economictimes.indiatimes.com/industry/banking/finance/banking/bad-loans-worth-rs-10-lakh-crore-wrote-off-by-banks-in-last-five-financial-years-says-nirmala-sitharaman/articleshow/96196461.cms

Back

Risks Vs Controls

https://www.jatinverma.org/the-scam-faultline-is-damaging-indian-banks#:~:text=The%20NPAs%20that%20banks%20become,accordingly%20forced%20on%20the%20framework.

https://blog.ipleaders.in/all-you-need-to-know-about-bank-frauds-in-indi/

https://cbi.gov.in/view-fir

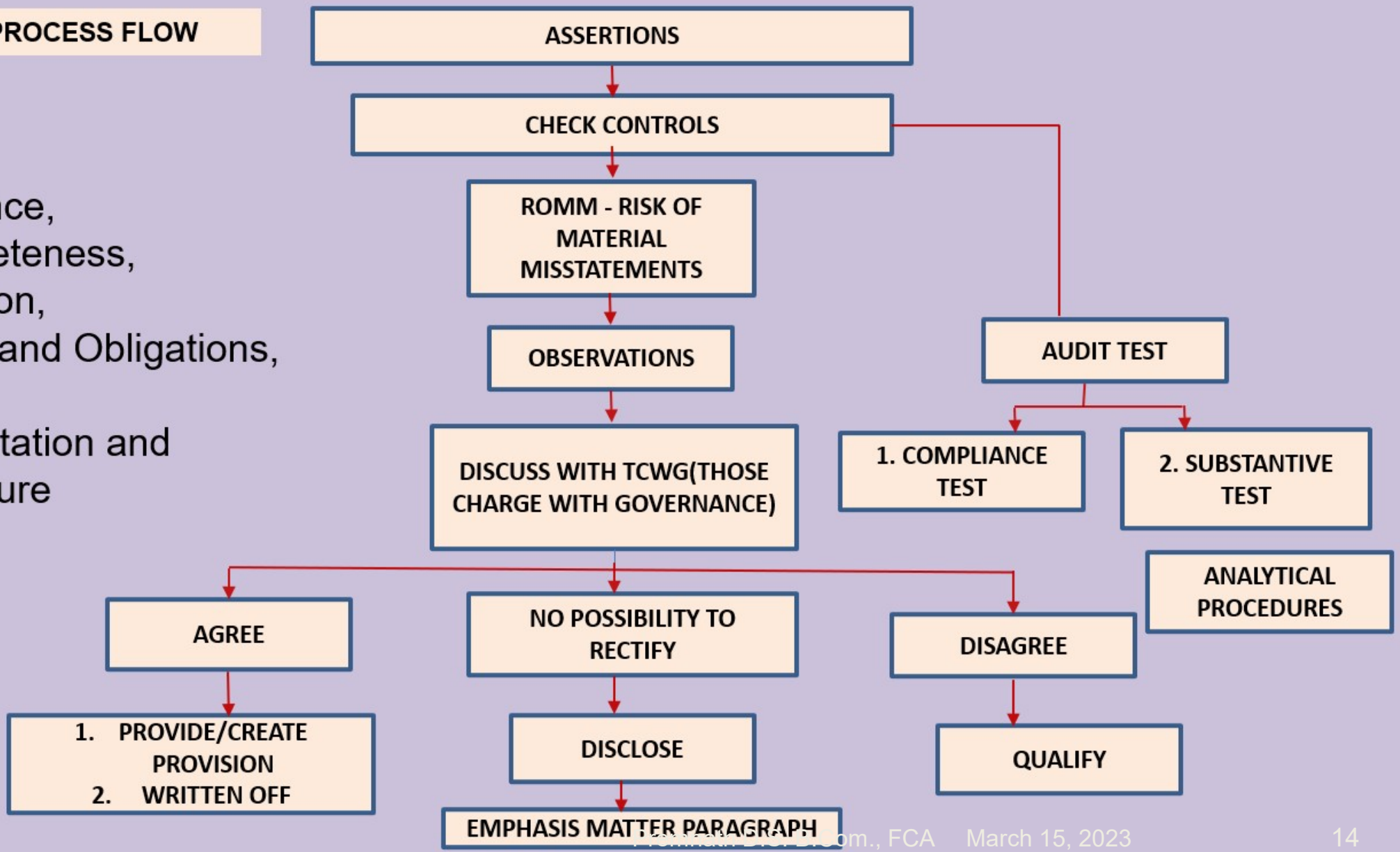
https://www.thehindubusinessline.com/money-and-banking/rbi-selects-6-entities-for-test-phase-under-regulatory-sandbox-for-prevention-and-mitigation-of-financial-frauds/article66341780.ece

Auditors Ability to detect Fraud Vs Professional skepticism

- 55 times PS is referred in Standards on auditing
- Professional skepticism - An attitude that includes a questioning mind, being **alert to conditions** which may indicate possible misstatement due to error or fraud, and a critical assessment of evidence.
- Alert to Conditions – SA 240, SA 520, SA 315
- Business transactions - Digital Evidences - Data Analytic tools
- EWS/Red flags
- Numerous Forensic cases in public domain
- ICAI FAFD Course

AUDIT PROCESS FLOW

Existence,
Completeness,
Valuation,
Rights and Obligations,
and
Presentation and
disclosure



SA 315

Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment

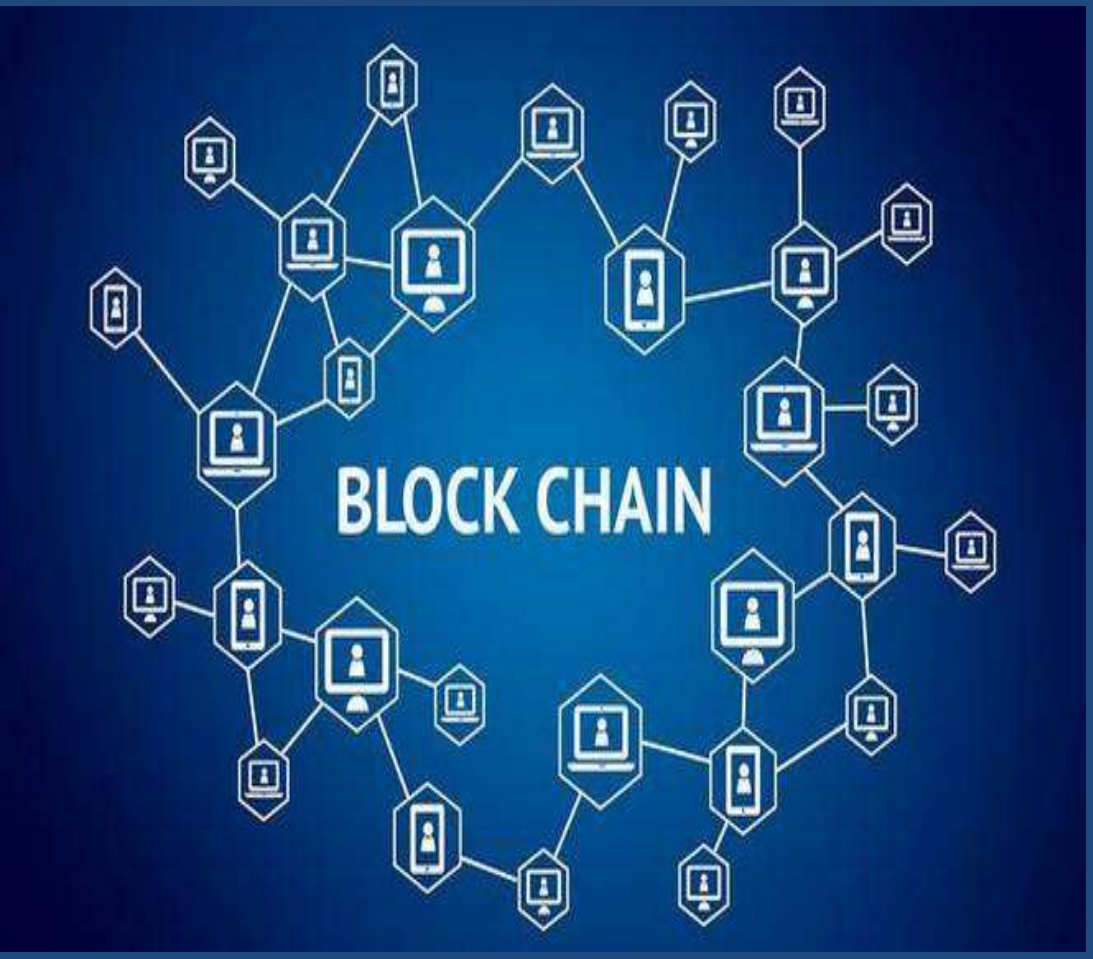
Business of bank is collecting deposits and lending loans/LC/Guarantees

Runs as per Banking Regulation Act, FEMA, PMLA, IT Act, GST, IBC Negotiable Instruments Act, Etc.,

Accounting as per Accounting Standards issued by ICAI

Major Business is operated and controlled thru CBS & Other Standalone Applications

Blockchain tech could help prevent frauds like at PNB

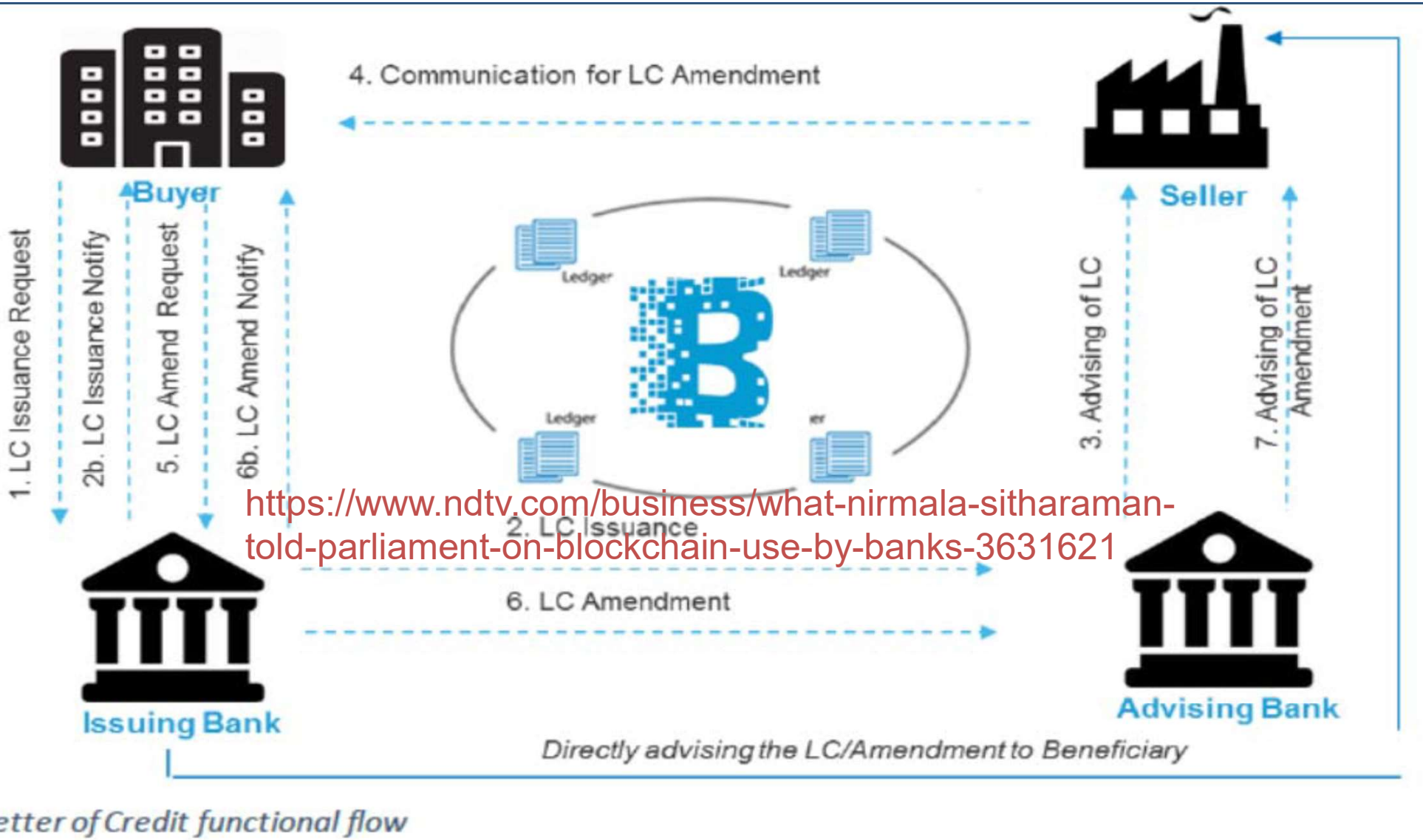


Given the distributed ledger technology's potential to improve monitoring, SBI has adopted it in its reconciliation systems, payment gateways

'Immediate notification'

"Transaction reconciliation systems at present do not result in immediate notification," Mrutyunjay Mahapatra, Deputy Managing Director and Chief Information Officer at State Bank of India, told *The Hindu*. "Using blockchain, all parties on the chain will be immediately notified about a transaction."

Existing Trade Finance Process	Trade Finance Process on Finacle Trade Connect	Benefits
Buyers and sellers have relationships with each other and separately with their banks	Banks, buyers and sellers maintain the same direct relationship with each other	No material change in the relationship process. Engagement with each other is direct and on digital channels, reducing dependency on physical documents
Only the correspondent banks have relationships with each other	Message and document sharing is done on a real-time basis for all involved parties increasing trust, reducing costs, and time.	This ensures a single source of truth and increases trust between the parties.
Each party deals separately with its counterparty through a siloed channel and no one is sure of the status of granular trade	The flow of goods and information is visible to required parties in the transaction, all at the same time	This provides a shared picture of granular trades and ensures efficient risk management.
Low automation, limited visibility	Higher automation, increased transparency and immediate availability of data.	This ensures superior awareness for better decision making. The open data picture also helps open up the possibility of new business avenues for both banks and corporates.



https://www.ndtv.com/business/what-nirmala-sitharaman-told-parliament-on-blockchain-use-by-banks-3631621

Inland Letter of Credit functional flow

Example : Letter of Credit Workflows Put on the Blockchain – Role of CA

RBI Concern on Risk Management – *Due care IFC reporting*

Date : Mar 10, 2022

Importance of Governance and Assurance Functions in Financial Institutions
(Keynote Address delivered by Shri M. K. Jain, Deputy Governor, Reserve Bank of India - March 10, 2022 - at CAFRAL)

Enhanced Supervisory Focus on Oversight and Assurance Framework – RBI's Assessment and Findings

During recent years, assessment of oversight and assurance functions has been bestowed enhanced focus in view of their importance in addressing the root cause of problems. Some of the common weaknesses that have been observed in these functions are:

a) Compliance Function – Failure / delay in detection and reporting of non-compliances, persisting sub-par compliance, deficiencies in compliance testing with respect to inadequate coverage and limited transaction testing, persisting irregularities due to non-addressing of root-causes and not ensuring sustainability of compliance were observed. Further, compliance setup was not resourced adequately with required number and quality of staff in many cases.

b) Risk Management – Disconnect was observed between the Risk Appetite Framework as approved by the Board and actual Business Strategy and decision making, weak risk culture which was amplified by absence of guidance from the senior management, improper Risk Assessment, repeated exceptions to risk policies, conflict of interest especially in Related Party Transactions and absence or faulty Enterprise-wide Risk Management. Operational risk was seen to be high on account of people risk (high attrition rate, lack of succession planning, involvement of staff in fraudulent practices, etc.), elevated IT and technology risk (lack of adequate investment in technology, lack of technically qualified personnel, business disruptions and weak BCP/DR arrangements, etc.), and high Outsourcing risks (over dependence on vendors, lack of monitoring arrangements, gaps in contractual arrangements, etc.).

c) Internal Audit - Audit process unable to capture irregularities, non-coverage of certain areas under scope of audit, compliance and audit not collaborating with each other, lack of ownership and accountability, inadequate review of practices that require alignment to address interests of all stakeholders, non-compliance/delay in compliance with audit observations were some of the major concerns identified.

Control Lapses : Banks Non Compliance to RBI circulars

S #	Banks	Year	Fine Rs.	Violation
1	SBI, Corp Bank, BOB,UBI, AHB, AB, BOM, IOB	Feb 2019	6.5Cr	non-compliance with various directions issued by the RBI on monitoring of end use of funds, exchange of information with other banks, classification and reporting of frauds, and on restructuring of accounts, the central bank said in a statement, SWIFT, FEMA,
2	Karnataka Bank	Feb 2019	4	delays in the implementation of new controls relating to the SWIFT system of international payments. Gitanjali Gems related fraud, with an exposure of around Rs 86 crore.
3	UBI, BOM	Nov 2018	3 Cr	delay in detection and reporting of fraud in some accounts

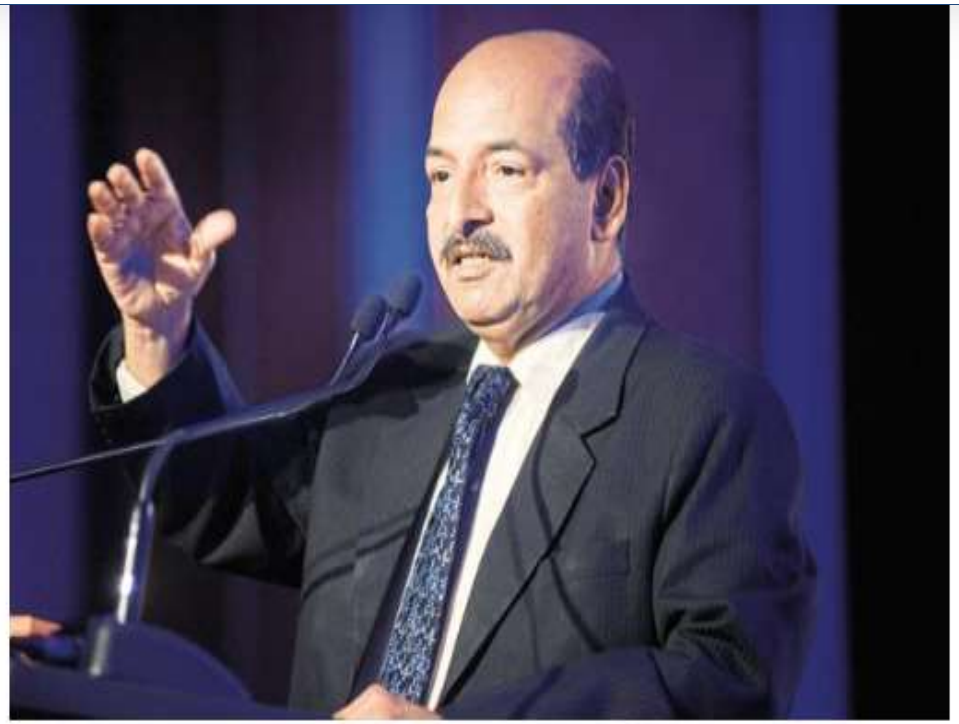
Control Lapses : Banks Non Compliance to RBI circulars

S #	Banks	Year	Fine Rs.Cr	Violation
4	ICICI	2018	58.9	non-compliance of its directions on direct sale of securities from its held-to-maturity (HTM) portfolio and specified disclosure.
5	Indian Bank	2018	1	violating cyber security guidelines.
6	Federal Bank	2018	5	KYC/Anti Money Laundering
7	Axis, IOB	2018	5	NPA, AML, KYC
8	HDFC,PNB,	2016	10	irregularities in advance import remittances, KYC/AML
7	22 Banks	2014	49.5	flouting norms and may be allowing customers to launder money

NPA RBI AQI Divergence

Bank	Divergence Rs. Crs
UBI	589
LVB	54.9
Indian Bank	820
UCO	1217
SBI	11932
IOB	358
BOI	329
Central Bank	2565

RBI told banks to disclose divergence when the additional provisioning for NPAs assessed by RBI exceeds 10% of the published net profits after tax



RBI deputy governor N.S. Vishwanathan. Photo: Abhijit Bhatlekar/Mint

Some banks are not applying NPA classification rules correctly: RBI

2 min read . Updated: 07 Dec 2017, 04:51 AM IST

Malvika Joshi

RBI deputy governor N.S. Vishwanathan says disclosure of bad loan divergence has brought in transparency on management of books by the banks

BAD LOAN PILE-UP

So far, three banks have disclosed variances between their NPA estimates and RBI's. Analysts expect the number to grow.

(In Rs crore)

	FY16 reported gross NPAs	Gross NPAs according to RBI	Divergence	
			(in Rs crore)	(in %)
Yes Bank	749	4,925	4,176	558
Axis Bank	6,088	15,566	9,478	156
ICICI Bank	26,221	31,326	5,105	19.5

NPA: non-performing asset

Source: Annual reports, analyst conference call

RBI AQI NPA Divergence in PSU Banks 45600Crs

How far NPAs are system Driven ?????

Bank IS Audit Experience

- Inadequately scoped
- It lack coverage of end to end testing covering all its interfaces and input, processing and output control.
- There is no testing on configuration control of all input control in interface and all applications controls covering edit and validation check for completeness, accuracy, reference, validity and calculation, segregation of duty both in interfacing as well as cbs.
- There is no scoping for report generated from logic and completeness perspective only accuracy is partially checked.
- Mandatory field are not adequately defined as per regulation.
- SBI KEY AUDIT MATTERS

Bank IS Audit Experience

- Master data field, completeness, accuracy is not tested.
- Lack of data governance and data leakage audit
- There is no checking for overall impact assessment of Gap noted and compensatory and mitigating control.
- What is actually done is just a tip at iceberg.
- Those who do IS audit not understand business and vice versa is also true.
- Customer IDs are not linked to loan a/c resulting in CIBIL misleading reports

Bank IS Audit Experience

Solution

- Regulators to be educated on scope and risk Enterprise architecture of bank to be clearly documented and updated for scoping adequately
- Adequate training on IS audit risk and audit approach Centralized end to end testing by specialist and all observation on IS audit to be critically reviewed for impact assessment

Work done at Branch Level

sbi key audit matter

Manual Check & Control

- Transaction input and Authorisation
- Completion of Branch Operation
- End of the Day (EOD)
- Verification of Document & Securities
- Inspection of stock &Book Debts
- Inspection of Assets & Security
- Pledge of NSC/KVP/Gold Jewelry
- Lien of FD & Mortgage of Property
- KYC Checks
- Monitoring operation of A/c. End utilisation of fund
- Classification of Advance as per RBI norms
- Discretionary Power of Operation TOD , Waiver etc.

- Verify System /Manual Controls
- Verify Preventive Controls
- Verify Detective Controls
- Verify Corrective Controls
- Verify Compensating Controls
- Extract CBS Reports

Data Analysis - Reporting in LFAR/IFC

1. Ask for MIS reports that they submit to RBI/Regional office/Head Office to others
2. Ask for how above content can be taken from CBS.
3. Take CBS reports
4. From CBS reports identify those content useful for NPAs, SMA0,1,2, loan performance indicators like stock statement last submitted, last interest, last principal paid etc.,
5. On the above make analysis for IRAC/Frauds/Non Compliance etc.,
6. Any report you take, ask for 12 months, take loan statement etc., for 12 different dates in a year
7. Append/join or copy paste all 12 files into one file
8. On that joined file or appended file of copy pasted file make sort filter etc., for above analysis

IFC Reporting

Format content – *IFC control testing formats are not uniform among banks*

A. Process flow Risk(What can go wrong) Description
B. Controls – Nature of Control (Preventive/ Detective / Corrective) Manual/System/Automated
C. Risk of Material Misstatement – I&E/A&L/Presentation

From the recent frauds FIR@CBI website analyze risks – Observe Risks verify controls on Fraud risk – comment in IFC for ineffective controls.

Multiple – CIF – KYC Controls

Cus ID	A/c No	Product	loan/Dr	Name
6047637431	2047635295	HSS-GEN-PUB-IND-URBAN-INR	DEPST	Mrs. K RADHA
7123140846	3450196010	QIDR-GEN-PUB-STF-1Y-INR	DEPST	Mrs. RADHA SURESH KAMAT
7123140846	3801816697	MMDC-GEN-EXSTF-SRC-7YAB-II	DEPST	Mrs. RADHA SURESH KAMAT
7123140846	3801816722	MMDC-GEN-EXSTF-SRC-7YAB-II	DEPST	Mrs. RADHA SURESH KAMAT
7189230110	1189212264	HSS-NRE-PUB-IND-ALL-INR	DEPST	Miss. SANRADHA PERIERA
7189237503	1189215844	Cent Convenient - New Sch	LOAN - C	Mrs. RADHA K
7189237503	1189215877	HSS-GEN-STF-IND-ALL-INR	DEPST	Mrs. RADHA K
7189237503	3725460362	RD-GEN-PUB-STF-2YL3Y-INR	DEPST	Mrs. RADHA K
7189237503	3275216404	Festival Advance - Staff	LOAN TL	Mrs. RADHA K



Premnath D.S., B.Com, FCA, March 15, 2023

bafi2020

Additional Details Form 1

23-02-2016

Corporate Cust?		Village Code	
Country Of Residence		Village Name	
Nationality		Sub Dist Name	
ID Proof Type		District Name	
ID Reference		State Name	
ID Issuing Auth		No. Of Benef Owners	
ID Place Of Issue		Beneficial1 Pcnt(%)	
ID Date Of Issue		Beneficial1 OwnrName	
Res Proof Type		Beneficial1 OwnrAdr1	
Res ID Reference		Beneficial1 OwnrAdr2	
Res ID Issuing Auth		Beneficial1 OwnrAdr3	
Res ID Place Of Issu		Beneficial2 Pcnt(%)	
Res ID Date Of Issue		Beneficial2 OwnrName	
Annual Income		Beneficial2 OwnrAdr1	
Src Of Income		Beneficial2 OwnrAdr2	
Networth		Beneficial2 OwnrAdr3	
Area Code		Beneficial3 Pcnt(%)	

Menu Option | cumm | Transmit | ScreenLock | Accept | Commit | PrevRec | NextRec | WhoAmI | Background | PrevBlk | NextBlk

Premnath D S, B.Com, FCA, March 15, 2023

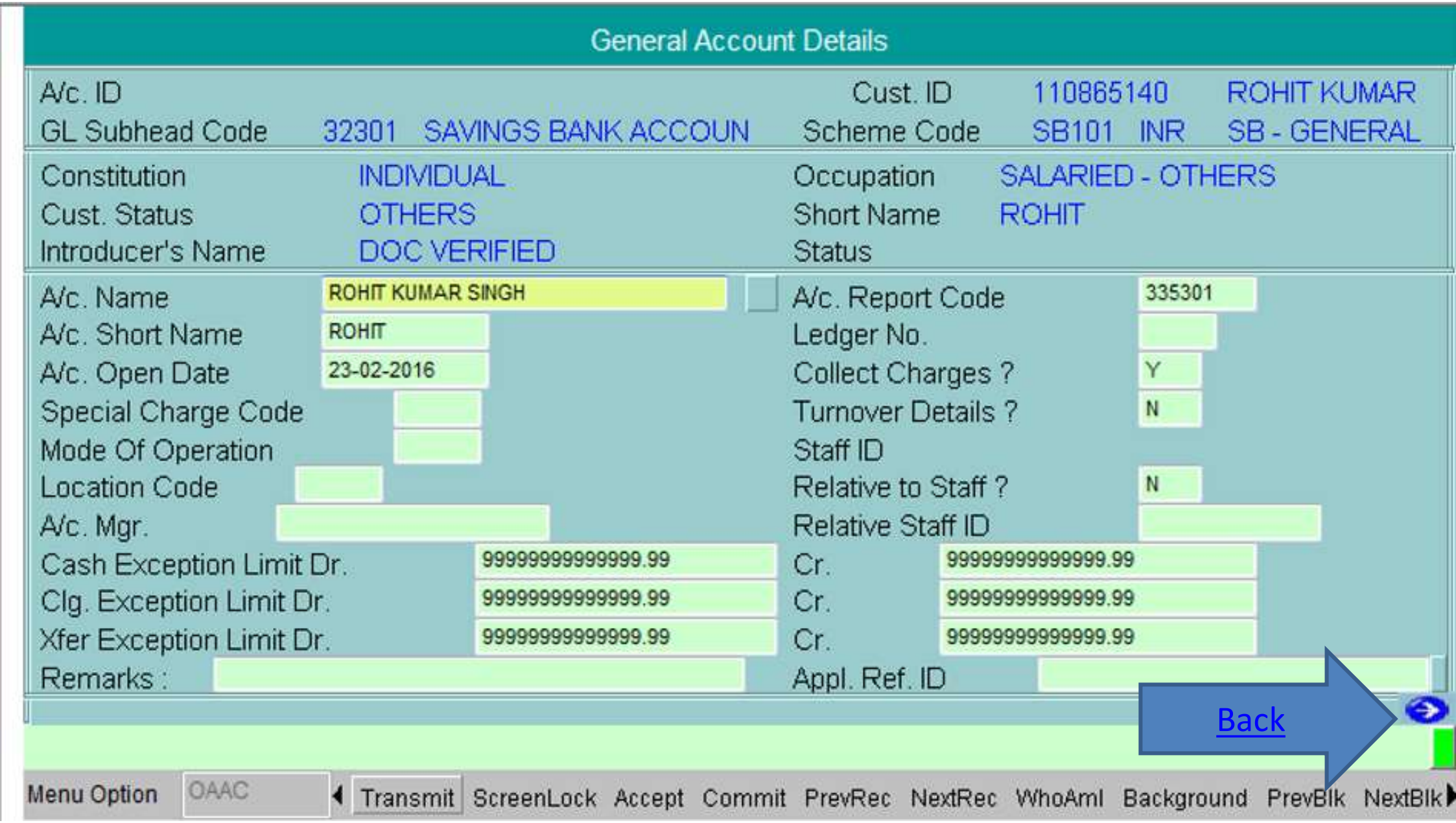
bafi2020

Additional Details Form 1

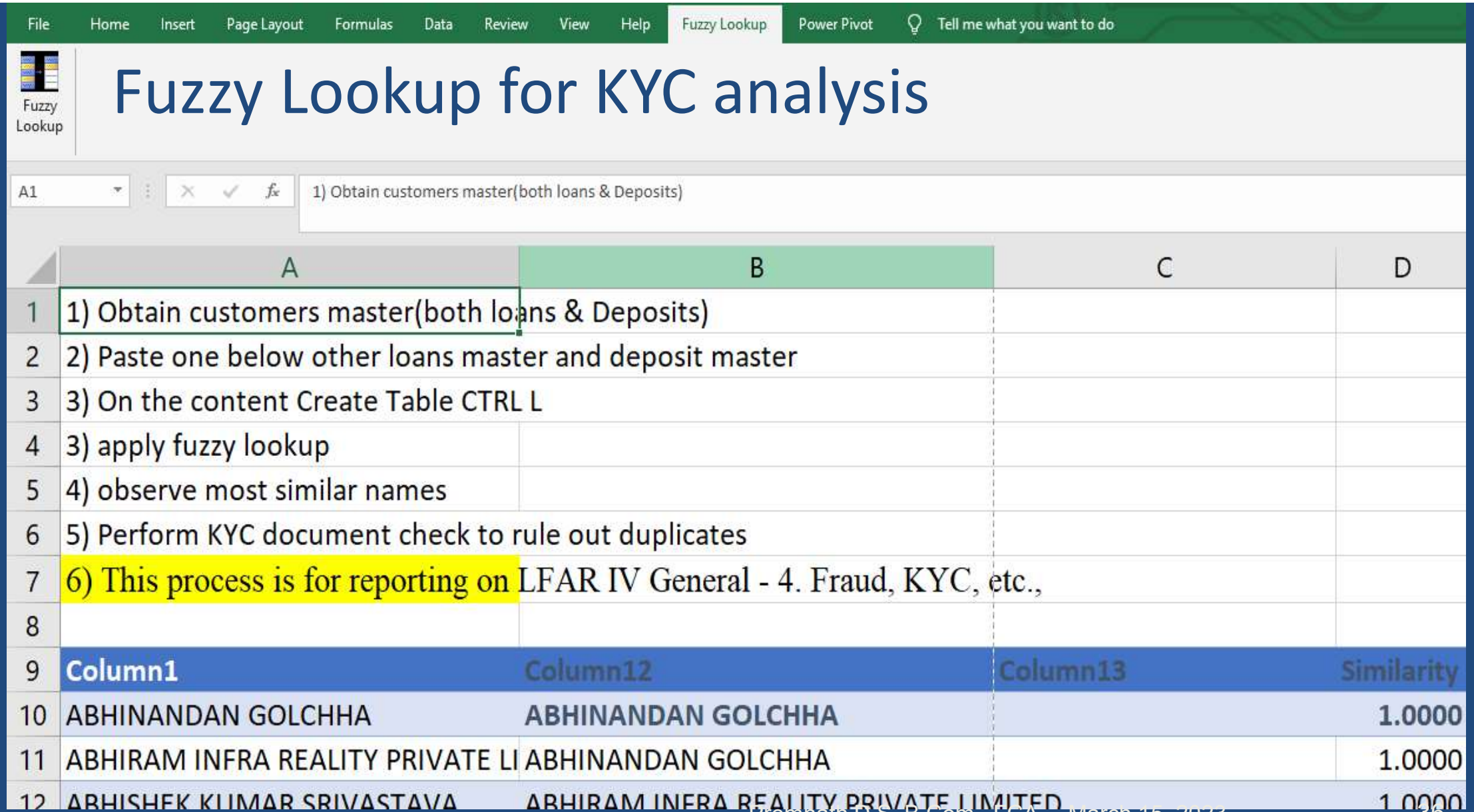
Corporate Cust?	N	Village Code	000000
Country Of Residence	IN	Village Name	Hyderabad
Nationality	IN	Sub Dist Name	
ID Proof Type	PANNO	District Name	Hyderabad
ID Reference	CCGPR7282D	State Name	ANDHRA PR
ID Issuing Auth	GOVT OF INDIA	No. Of Benef Owners	
ID Place Of Issue	PUNE	Beneficial1 Pcnt(%)	
ID Date Of Issue	10-11-2015	Beneficial1 OwnrName	
Res Proof Type	AADHR	Beneficial1 OwnrAdr1	
Res ID Reference	529773756871	Beneficial1 OwnrAdr2	
Res ID Issuing Auth	UIDAI	Beneficial1 OwnrAdr3	
Res ID Place Of Issu	HYDERABAD	Beneficial2 Pcnt(%)	
Res ID Date Of Issue	01-01-2015	Beneficial2 OwnrName	
Annual Income	AI003	Beneficial2 OwnrAdr1	
Src Of Income	SI001	Beneficial2 OwnrAdr2	
Networth	NW001	Beneficial2 OwnrAdr3	
Area Code	2853600000000000	Beneficial3 Pcnt(%)	

Menu Option cumm ◀ Transmit ScreenLock Accept Commit PrevRec NextRec WhoAmI Background Prev

Premnath D S, B.Com., FCA., March 15, 2023


General Account Details
A/c. ID
Cust. ID 110865140 ROHIT KUMAR
GL Subhead Code 32301 SAVINGS BANK ACCOUN
Scheme Code SB101 INR SB - GENERAL
Constitution INDIVIDUAL
Occupation SALARIED - OTHERS
Cust. Status OTHERS
Short Name ROHIT
Introducer's Name DOC VERIFIED
Status
A/c. Name ROHIT KUMAR SINGH
A/c. Report Code 335301
A/c. Short Name ROHIT
Ledger No.
A/c. Open Date 23-02-2016
Collect Charges ? Y
Special Charge Code
Turnover Details ? N
Mode Of Operation
Staff ID
Location Code
Relative to Staff ? N
A/c. Mgr.
Relative Staff ID
Cash Exception Limit Dr. 99999999999999.99
Cr. 99999999999999.99
Clg. Exception Limit Dr. 99999999999999.99
Cr. 99999999999999.99
Xfer Exception Limit Dr. 99999999999999.99
Cr. 99999999999999.99
Remarks :
Appl. Ref. ID
Back
Menu Option OAAC
Transmit ScreenLock Accept Commit PrevRec NextRec WhoAmI Background PrevBlk NextBlk

- BoB were alleged to have remitted Rs 6,000 crore of black money late last year.
- Pursuant to the internal audit of the Bank of Baroda, the Reserve Bank of India and investigative agencies in October 2015 were advised by the bank of certain irregularities observed
- The RBI carried out the investigation and noted the deficiencies which were reflective of weaknesses and failures in internal control mechanisms in respect of certain anti-money laundering provisions such as monitoring of transactions, timely reporting to Financial Intelligence Unit and assigning of Unique Customer Identification Code to customers, BoB said.
- In a clarification to the exchanges on October 12, 2015, BoB had said that a total of 5,853 outward foreign remittances transactions aggregating to $546.10 million (around Rs 3,500 crore) for the purpose as 'Advance remittance for Imports' and for other purposes have been remitted through 38 current accounts to various overseas parties numbering about 400, mainly based in Hong Kong and one of them in the UAE. PNB also informed the BSE that the RBI has imposed an aggregate penalty of Rs 3 crore on it.


File
Home
Insert
Page Layout
Formulas
Data
Review
View
Help
Fuzzy Lookup
Power Pivot
Tell me what you want to do
Fuzzy Lookup
Fuzzy Lookup for KYC analysis
A1
1) Obtain customers master(both loans & Deposits)
A
B
C
D
1 1) Obtain customers master(both loans & Deposits)
2 2) Paste one below other loans master and deposit master
3 3) On the content Create Table CTRL L
4 3) apply fuzzy lookup
5 4) observe most similar names
6 5) Perform KYC document check to rule out duplicates
7 6) This process is for reporting on LFAR IV General - 4. Fraud, KYC, etc.,
8
9 Column1 Column12 Column13 Similarity
10 ABHINANDAN GOLCHHA ABHINANDAN GOLCHHA 1.0000
11 ABHIRAM INFRA REALITY PRIVATE LI ABHINANDAN GOLCHHA 1.0000
12 ABHISHEK KUMAR SRIVASTAVA ABHIRAM INFRA REALITY PRIVATE LIMITED 1.0000

Customer Mater Analysis - KYC

1) Obtain Customer master with phone

2) Apply PIVOT table for phonewise customers

3) Sort on of accounts per phone

4) This process is for reporting on LFAR IV General - 4. Fraud, KYC, etc.,

UBI - FINACLE - ADTRPT - option no 41. for customer master

NAME	phn
3F OIL PALM AGROTECH PVT LTD	9925295995
A B R INFRAS	
A LAXMI	9299949929

Customer master analysis - KYC

Pivot from Customerwise mater for Phonewise customers to check no of accounts for Related party, KYC, Fraud

phn	NAME	Count of NAME
7247577245	MOHAN KUMAR SAHU	1
7247595299	ABHINANDAN GOLCHHA	3
	ABHIRAM INFRA REALITY PRIVATE LIMITED	1
	ALLEN REINFORCED PLASTICS	171
	ATM MOTORS PRIVATE LIMITED	1
	BABA CONTAINERS MANUFACTURERS	8
	GOLCHHA ABHINANDAN	1
7247735775	GANTA SRIKANTH	1

Various Application – Banking System

- Core Banking Application – “FINACLE” of Infosys Ltd inclusive of modules including NPA Management system (as IRCA norms), Government Business Module (GBM), etc.
- Core Banking Application – “FINACLE” of Infosys Ltd for Overseas branches and UK subsidiary of Bank.
- Application Audit for Internet Banking for Domestic and overseas branches.
- Treasury Application from M/s Infosys (Replaced existing KASTLE system), being used at our Treasury branch.
- Application purchased from CMC (TCS) for our Demat operations.
- LAS (Lending Automation Solution)
- MIS (Management Information System)
- PeopleSoft HRM Solution

Various Application – Banking System

- MFTP (Matched Fund Transfer Pricing)
- SWIFT
- ATM Switch
- Document Management System (Account Opening Process)
- Enterprise Application Integrator (EAI)
- Oracle GL
- Centralised FI gateway Application including E-KYC, DemoAuth, APBS, etc.
- E-Remit
- GSTN System

Evidence of Import - Physical Imports

(i) If Rem. exceeds USD 100,000 or its equivalent, it is obligatory on the part of the AD to ensure that the importer submits :-

(a) EC copy of B/E for home consumption, or

(b) EC copy B/E for warehousing, in case of 100% EOU/ or

(c) Customs Assessment Certificate or Postal Appraisal Form, as declared by the importer to the Customs Authorities, where import has been made by post, as evidence that the goods for which the payment was made have actually been imported into India.

(ii) For imports on D/A basis, AD should insist on production of evidence when effecting remittance. However, if importers fail to produce documentary evidence due to genuine reasons such as non- arrival of consignment, delay in delivery/ customs clearance of consignment, etc., AD may, if satisfied, allow reasonable time, upto 3 months from the date of remittance, to the importer.

Key ratios tuned – Check AS policies/Disclosures

AS	Policy/Procedure	Fraud / Risk Over or Understatement
Revenue Recognition	Project Completion/FOB, Ex factory/ Passing of Ownership/ Miles stones/	Non Transparent Policies, unverifiable conditions
Property Plant Equipment	Allocation of Expenses Componentization	COD/Assumption of direct and indirect expenses
Intangibles	Life period assumption, revenue generation	Valuation
Impairment	Valuation and cost	Challenges in recognition
Segment Reporting	Deciding operating segments	Misused for demergers
RPT Disclosure	Method of disclosure ALP	Consolidated disclosure
Inventory	Cost incurred to bring into present location	Challenges in Accounting system
Accounting for Taxes	Calculation methodology	Challenges in interpretation of Asset/Liabilities

Key ratios tuned – Check AS policies/Disclosures

Issue	Fraud / Risk Over or Understatement
Current and Non current	Challenges in deciding Working capital
Life of Assets	Depreciation and Real Asset worth
Recoverability of Debtors	Provision for bad and doubtful debts
Fair valuation	Interest/discounting Rate
Fair Valuation	Projections/ DCF
Gratuity	Iteration/Fund earning rate
Contingencies	Legal Interpretation
Impairment/Going Concern	Valuation

Out of order Validation

1) out of order - o/s bal > sl/dp continuously for 90 days
2) no credits to match int debited for 90 days
3) dp is not with latest stk stmt (3 month stk stmt)
4) a/c not renewed for 6 months from sanction date.
5) Get data of DP/Lmt/SL with vlookup
6) Arrive at OS Vs DP for out of order status
7) Count days if status is Excd for out of order status
8) For every regularisation from Excd to LMT status enquire for genuine source of funds
9) If account reference is given in DESCRIPTION use vlookup with customer master
10) This process is for reporting on LFAR on quality of CC loan scrutiny, frauds, diversion, round tripping etc.,

'=IF(H16>I16,"excd","lmt") formula for limit check

=MIN(VLOOKUP(A13,limit,11,1)*100000,VLOOKUP(A13,dp,9,1)*100000)

formula for dp/sl limit

=IF(J14="excd",(A14-A13)+K13,0)
formula for No of days overdrawn

DATE	BRNC	DESCRIPTION	py	CHQ	WITH DRAWALS	DEPOSITS	BALANCE	limit/dp	CHK	NPA	
1-Apr-18	0	B/F ...			7,28,89,383.63	-	6,58,89,384	7,48,86,000	lmt	0	
3-Apr-18	3067	ECS-HDFC BANK LTD			57,615.00	-	6,59,46,999	7,48,86,000	lmt	0	
3-Apr-18	3067	ECS-HDFC BANK LTD			8,730.00	-	6,59,55,729	7,48,86,000	lmt	0	*hdfc*
3-Apr-18	1879	R S STEEL AND			-	1,20,000	6,58,35,729	7,48,86,000	lmt	0	*kotak*
3-Apr-18	3067	TO CLG : TWINCITY		950058	5,00,000.00	-	6,63,35,729	7,48,86,000	lmt	0	*sbi*
3-Apr-18	798	VRINDAVAN		950066	3,50,000.00	-	6,66,85,729	7,48,86,000	lmt	0	*TANISI

Out of order Validation

1) Extract from Stk stmnt Analysis file following data

2) Vlookup this into ac transaction sheet for limit check for NPA out of order status

DATE	RM Stk	Con Stk	FG Stk	ClgStk	Drs	Stk_Drs	Crs	DP	sl
Mar-10				1619.15					
Apr-18	185.52	263.75	304.76	754.02	538.7679	888.78	101.72	787.06	750.00
May-18	114.25	166.84	373.35	654.44	752.7465	942.47	109.19	833.28	900.00
Jun-18	234.73	183.83	420.28	838.83	514.8396	938.03	106.96	831.07	900.00
Jul-18	129.57	406.49	343.11	879.18	1084.981	1,310.37	152.10	1,158.27	1200.00
Aug-18	56.42	612.28	167.30	836.00	1089.059	1,280.43	148.83	1,131.60	1200.00
Sep-18	167.05	550.97	182.69	900.71	983.1591	1,265.43	146.41	1,119.02	1200.00
Oct-18	165.7888	487.1907	66.44915	719.43	1405.2	1,393.05	169.04	2,214.01	1200.00

1) Pivot on account description wise summary report from CC account

2) if account reference give use vlookup for customer master

3) This process is for reporting on LFAR IV General - 4. Fraud, KYC, etc.,

Row Labels	Sum of WITH DRAWALS	Sum of DEPOSITS	Vlookup from Custome
10028833776	13800000	0	PSVV INFRA PVT LIMITE
10083294181	7350000	0	AMP SHORELINE ENTER
10104717981	9460000	0	TITANIC INTECH LIMITE
10185299593	4410000	0	PSVV ESTATES PRIVATE
10222892903	17700000	0	TITANIC RENEWABLES F
10292375889	20500000	-7500000	GLOBALWIDE TRADING
10300303657	25555000	-2125000	SMARTPRO GLOBAL PR
10300303759	13850000	0	BHARATHI CSR FOUNDA

Premnath D.S. B.Com., FCA March 15, 2023

1) Obtain CC loan files for different dates

2) tag account date of report for each of different loan files of above

3) Copy paste all different date files into one sheet one below another

3) sort on account/party and observe various columns in consistant data on different dates

4) This process is useful for comment in LFAR on system reports and data integrity etc.,

5) Further this process is useful in taking sampling on OCC accounts

DATE	a/cno	product	CIF	CUSTOMER	RATE	LIMIT	DP	LMT EXPY DT
18-08-2018	6630034429	BR-C C - Stocks (SSI)	70966740059	ABHI AYODRI LLC	10.3	20000000.00	20000000.00	29-03-2018
18-08-2018	7171926200	BR-C C SME Credit Plus (S	70966740059	ABHI AYODRI LLC	10.3	2500000.00	2500000.00	29-03-2018
29-09-2018	6630034429	BR-C C - Stocks (SSI)	70966740059	ABHI AYODRI LLC	10.3	20000000.00	20000000.00	29-03-2018
29-09-2018	7171926200	BR-C C SME Credit Plus (S	70966740059	ABHI AYODRI LLC	10.3	2500000.00	2500000.00	29-03-2018
12-11-2018	6630034429	BR-C C - Stocks (SSI)	70966740059	ABHI AYODRI LLC	10.3	20000000.00	20000000.00	29-03-2018
12-11-2018	7171926200	BR-C C SME Credit Plus (S	70966740059	ABHI AYODRI LLC	10.3	2500000.00	2500000.00	29-03-2018
24-12-2018	6630034429	BR-C C - Stocks (SSI)	70966740059	ABHI AYODRI LLC	10.3	20000000.00		
24-12-2018	7171926200	BR-C C SME Credit Plus (S	70966740059	ABHI AYODRI LLC	10.3	2500000.00		
18-03-2019	6630034429	BR-C C - Stocks (SSI)	70966740059	ABHI AYODRI LLC	10.3	20000000.00	20000000.00	29-03-2018
18-03-2019	7171926200	BR-C C SME Credit Plus (S	70966740059	ABHI AYODRI LLC	10.3	2500000.00	2500000.00	29-03-2018
21-03-2019	6630034429	MC-C C - Stocks (SSI)	70966740059	ABHI AYODRI LLC	10.3	20000000.00	20000000.00	25-04-2018

Premnath D S, B.Com., FCA, March 15, 2023

Term Loan Validation – Excel formulas

1) Obtain Term loan files of various dates
2) Tag each file with date in first column
3) Sort on customer name/Ac no
4) Observe deviation customerwise on various columns
5) Based on Sanction date cross check with EMI, period of loan, with Excel PMT function, Goal Seek to cross check EMI etc.,
6) This process is useful for Reporting CBS system of NPA, manual interference etc,

NPER=EXCEL EMI
EMI DUE = CBS EMI

LMT=PV	PMT
EMI=NPER	NPER

Date of Audit (DOA) 31-03-2020

RPTDT	ACCOUNT NO	SANCTION DATE	EDATE	LIMIT	INT RATE	EMI/INSTAL-AMOUNT	NPER	CBS EMI	PMT	DIFF(NPER-EMI)	EMI@DOA
Mar-19	31391430367	06-09-2010	06-07-2017	1435000	12.8	26379	82	67	₹ 30,084.49	₹ 3,705.49	114
Apr-19	31391430367	06-09-2010	06-07-2017	1435000	12.8	26379	82	68	₹ 29,781.04	₹ 3,402.04	114

1) Enter stock details into following template
2) Analyse ratios, stock quality, DP, LMT, SL, check
3) Drs, Stk, Margin analysis for quality of Stock Statement Review
4) LFAR reporting on Review Monitoring, Red Flags, EWS, Frauds

Ratio Analysis is required for Reporting under EWS/Red Flags

	raw materials		Consbls	Fnsd good	ClgStk	dp On stk	dp on drs	dp	O/s CC	sancd limit
	stk	pur	stk							
	A	B	C	E	F	G	H	I	J	K
Mar-18					(A+C+E)	F*0.75	Q*0.6	(G+H)		
Apr-18	191.94	671.32	293.05	287.36	772.35	579.26	326.53	905.79	748.86	750.00
May-18	120.26	707.21	185.38	324.79	630.43	472.82	456.21	929.03	888.59	900.00
Jun-18	247.08	1038.9	204.25	365.62	816.95	612.71	312.02	924.74	867.73	900.00
Jul-18	136.39	845.30	451.66	298.49	886.54	664.91	657.56	1322.47	1161.55	1200.00
Aug-18	59.39	732.71	680.31	145.54	885.24	663.93	660.04	1323.97	1148.25	1200.00
Sep-18	175.84	816.44	612.19	158.93	946.96	710.22	595.85	1306.07	1170.72	1200.00

Early Warning Signals

Drs_days	>90days against to Sanction terms
Stk_days	>180 against to sanction terms

Due to above DP is much below the sanctioned limit
Grs Margin is less than project effecting going concern

%rm/stk	%con/stk	%fg/stk	Sales		Drs	collection	OCC Deposits	Exc/(Shrt) deposits	COGS	Grs Mrgn	Drs_days	Stk_days
			grs	net								
L	M	N	O	P	Q	R	S	T				
(A/G)	(E/G)	(E/G)			108.82	(Q+O-Q)		(S-R)				
24.85%	37.94%	37.21%	846.43	738.27	544.21	411.04	528.3	117.26			231.461	
19.08%	29.41%	51.52%	864.37	753.51	760.35	648.23	477.01	(171.22)	813.24	-59.73	316.677	279.075
30.24%	25.00%	44.75%	1013.45	883.66	520.04	1,253.76	541.21	(712.55)	520.69	362.97	184.73	564.831
15.38%	50.95%	33.67%	1,136.68	504.20	1,095.94	560.78	654.89	94.11	969.31	-465.11	347.097	329.259
6.71%	76.85%	16.44%	1,123.32	980.88	1,100.06	1,119.20	612.68	(506.52)	846.60	134.28	352.546	376.431
18.57%	64.65%	16.78%	838.51	730.78	993.09	945.48	462.32	(483.16)	670.99	59.79	426.366	508.064

System Driven NPAs - How reliable is that ?

Can the system detect the ever greening?

1. Servicing interest/installment
   - from CC/PC account to C/A;
   - from C/A to TL or
   - disbursement to CC.
2. Adhoc limits to regularise.

Limit expired 30jun, Adhoc for 3 months – 30Sep, To be renewed within 180 days – 31Mar – May be PA

System Driven NPAs - How reliable is that ?

Can the system detect the ever greening?

3. Transfer from associate units by allowing excess in CC or new TOD.
4. New loans to Related parties and funds transferred to irregular accounts to reflect as PA
5. Cheque purchase account to CC and cheque returned next day.

System Driven NPAs - How reliable is that ?

Can the system detect the ever greening?

6. Intra day credits & debits
7. Same credit for two quarters by interchanging balances among Related parties
8. Accounting of Devolved LCs
9. Exceeding in Bills limit
10. Inadequate/ wrong DP
11. Combined excess of CC & Devolved LC

System Driven NPAs - How reliable is that ?

Non financial aspects

1. Extension of COD
2. Non satisfactory performance in restructured accounts
3. Additional Finance on restructured account
4. Stock statement older by 6 months.

EWS - Analysis

	Early Warning System - LFAR	Procedures
2	Raid by Income tax /sales tax/ central excise duty officials	Public channels, Confirmation from Authorities, Screenshot of Logins
3	Frequent change in the scope of the project to be undertaken by the borrower	Reconciliation of Capital Creditors/Capital Advances/P&M/CWIP
4	Under insured or over insured inventory	Compare Insured amount Vs valution of collatral & primary security
5	Invoices devoid of TAN and other details	Sample Verification of suspected invoices, public domain verification of suspected parties, google search of address locations
6	Dispute on title of the collateral securities	Land Records, Municipal Records, Google maps
7	Costing of the project which is in wide variance with standard cost of installation of the project	Bench Marking of project cost like cost/MW cost/MT
8	Funds coming from other banks to liquidate the outstanding loan amount	Vlookup
9	Foreign bills remaining outstanding for a long time and tendency for bills to remain overdue	FEMA/CBS/ Set of Drs with Crs

EWS - Analysis

	Early Warning System - LFAR	Procedures
8	Funds coming from other banks to liquidate the outstanding loan amount	Vlookup
9	Foreign bills remaining outstanding for a long time and tendency for bills to remain overdue	FEMA/CBS/ Set of Drs with Crs
10	Onerous clause in issue of BG/LC/standby letters of credit	Check BG/LC clauses wherein market price is below the cost, operations are not in existence, Contract period overshoot, Liabilities are more than BG/LC
11	In merchanting trade, import leg not revealed to the bank	Analysis of GST returns/Customs Data
12	Request received from the borrower to postpone the inspection of the godown for flimsy reasons	Verify the inspection register
13	Delay observed in payment of outstanding dues	Snapshot of tax portals
14	Financing the unit far away from the branch	Google maps for location
15	Claims not acknowledged as debt high	Court Data Bases search
16	Frequent invocation of BGs and devolvement of LCs	CBS
17	Funding of the interest by sanctioning additional facilities	public domains
18	Same collateral charged to a number of lenders	CRILIC, CIBIL, CREDIT RATING, MCS

EWS - Analysis

	Early Warning System - LFAR	Procedures
19	Concealment of certain vital documents like master agreement, insurance coverage	Advances Scrutiny,
20	Floating front / associate companies by investing borrowed money	Use of private websites offering services of corporate information through data mining (Potentially related companies [tofler.in], companies at same address [zubacorp.com])
21	Reduction in the stake of promoter / director	Stock Holding/DEMAT etc., Financials
22	Resignation of the key personnel and frequent changes in the management	Use of private websites offering services of corporate information through data mining (Potentially related companies [tofler.in], companies at same address [zubacorp.com])
23	Substantial increase in unbilled revenue year after year	Cost and Revenue, Cost per unit/Revenue Per unit
24	Large number of transactions with inter-connected companies and large outstanding from such companies	Financial statement disclosure Tofler
25	Significant movements in inventory, disproportionately higher than the growth in turnover	Stock Statement Analysis

EWS - Analysis

	Early Warning System - LFAR	Procedures
26	Significant movements in receivables, disproportionately higher than the growth in turnover and/or increase in ageing of	Stock Statement Analysis
27	Disproportionate increase in other current assets	Stock Statement Analysis
28	Significant increase in working capital borrowing as percentage of turnover	Stock Statement Analysis
29	Critical issues highlighted in the stock audit report	Stock Statement Analysis
30	Increase in Fixed Assets, without corresponding increase in turnover (when project is implemented)	Ratio Analysis
31	Increase in borrowings, despite huge cash and cash equivalents in the borrower's balance sheet	Cash Flow Analysis
32	Liabilities appearing in ROC search report, not reported by the borrower in its annual report	Use of private websites offering services of corporate information through data mining (Potentially related companies [tofler.in], companies at same address [zubacorp.com])
33	Substantial related party transactions	Financial statement disclosure Tofler
34	Material discrepancies in the annual report	Financial statement disclosure Tofler
35	Significant inconsistencies within the annual report (between various sections)	Financial statement disclosure, FRRB

EWS - Analysis

	Early Warning System - LFAR	Procedures
36	Poor disclosure of materially adverse information and no qualification by the statutory auditors	Financial statement disclosure, FRRB
37	Frequent change in accounting period and/or accounting	Financial statement disclosure, FRRB
38	Frequent request for general purpose loans	CBS
39	Movement of an account from one bank to another	CBS
40	Frequent ad hoc sanctions	CBS
41	Not routing of sales proceeds through bank	Stock Statement and Financial analysis
42	LCs issued for local trade / related party transactions	Use of private websites offering services of corporate information through data mining (Potentially related companies [tofler.in], companies at same address [zubacorp.com])
43	High value RTGS payment to unrelated parties	CBS
44	Heavy cash withdrawal in loan accounts	CBS
45	Non submission of original bills	

External Data Source to validate EWS content
Import & Export Data Processing and Monitoring System (IDMPS) and (EDMPS): Online Import and Export document systems connected with Ports, Banks and RBI – Access
ICEGATE Portal – Open access of Bill of Entry and Shipping
VAHAN System – Frauds in vehicle loans are on rise. Use http://vahan.nic.in to search type of vehicle and compare the same with vehicle financed. SMS Based service - Type VAHAN <Registration No.> and send to 77382 99899.
FCRA Online Services
MCA, GST, Income Tax
Use of private websites offering services of corporate information through data mining (Potentially related companies [tofler.in], companies at same address [zubacorp.com])
Willful Defaulters & Suit Filed cases - https://suit.cibil.com/ also refer the bank's website
CRILC (Central Repository of Information on Large Credits) Data – Details of Borrower having consortium limits / multiple banking in excess of Rs. 5 Cr
Credit Rating Reports
CIBIL and other reports
GST Data (Peridot Mobile App by Iris GST in partnership with

Funds diversion – round tripping analysis

1) Obtain related party bank accounts

2) paste bank accounts one below other after tagging each row with account number

3) Sort on date to observe daywise round tripping

4) This process is for reporting on LFAR IV General - 4. Fraud, Related party, Red Flags, EWS

A/c	Date	Narration	Dr	Cr
10028055485	1-Apr-18	B/F ...	7,28,89,384	-
10028055485	3-Apr-18	10028833776	25,00,000	-
10028055485	3-Apr-18	10083294181	4,50,000	-
10028055485	3-Apr-18	ECS-HDFC BANK LTD	57,615	-
10028055485	3-Apr-18	ECS-HDFC BANK LTD	8,730	-
10028055485	3-Apr-18	R S STEEL AND	-	1,20,000
10028055485	3-Apr-18	TO CLG : TWINCITY	5,00,000	-

1) Sample File for Customer Master

2) Useful for linking below customers with anyother cutomer based on account transactions narration reference with vlookup

ACCOUNT NO.	CUSTOMER NAME	BALANCE	BALANCE	POWER	LIMIT	STATUS	DEPOSIT	INTEREST
10028055485	SPV WIRES PVT LTD							
10028833776	PSVV INFRA PVT LIMITED	-	-	-	-	CLOS	1461	8.25
10083294181	AMP SHORELINE ENTERPRISES PRIVATE LIMITE	-	-	-	-	CLOS	1461	8.25
10104717981	TITANIC INTECH LIMITED	-	-	-	-	CLOS	1000	10.25
10185299593	PSVV ESTATES PRIVATE LIMITED	-	-	-	-	OPEN	3653	9.25
10222892903	TITANIC RENEWABLES PRIVATE LIMITED	-	-	-	-	OPEN	3653	9.25
10292375889	GLOBALWIDE TRADING PRIVATE LIMITED	-	-	-	-	OPEN	3653	9.25
10300303657	SMARTPRO GLOBAL PRIVATE LIMITED	-	-	-	-	OPEN	3653	9.25
10300303759	BHARATHI CSR FOUNDATION	-	-	-	-	OPEN	3653	9.25

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
1	Analysis of Branch Profile	Loans Dump from AIMS	Finacle	Pivot Table	Scheme code wise No.of Accounts, Sanction Amt, Bal O/S	To understand the advances profile of the branch
2	Analysis of Branch Profile	Loans Dump from AIMS	Finacle	Vlookup	Mapping Scheme Code with Scheme Description & GL Description	To understand the type of Scheme or facility
3	ROI Analysis - Overall	Loans Dump from AIMS	Finacle	Filter & Sort for Rate column	Identify Lowest & Highest Rates & Analyse with the actual rates of that scheme	Interest Rate Variation
4	Scheme Codewise Data Separation	Loans Dump from AIMS	Finacle	Filter & Sort for Scheme Column	Further Analysis Scheme wise	Separate picture of each scheme would be available

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
5	Scheme wise Priority & Non Priority Analysis	Loans Dump from AIMS	Finacle	Filter & Sort for Nature of Advance Column	Basel MOC & LFAR Commenting	Proper Categorisation into Priority & Non Priority
6	ROI Analysis - Schemewise	Loans Dump from AIMS	Finacle	Filter & Sort for Rate column for each Scheme Sheet	Reasons for Highest & Lowest	Schemewise ROI
7	Accounts Sanctioned during the year	Loans Dump from AIMS	Finacle	Filter & Sort for Sanction Date column & on Sanction Limit	To Select the samples for analysis	Sample Selection
8	Accounts Opened & Closed during the year	Loans Dump from AIMS	Finacle	Filter & Sort for Sanction Date column &	To ascertain why accounts have been opened and closed within the same year	Remove Jewel Loans & Loan against TDs and then check why so?

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
9	Analysis of Repeated Customer Code for Same PAN	Loans Dump from AIMS	Finacle	Concatenate PAN & Custcode along with*; Paste special Values, Remove Duplicates; Demerge with Convert Text to Fixed Columns(Alt+D+E); Pivot Table	Identify Repeated Cust Code for the same person and check NPA status of all accounts for all repeated Cust codes	Same PAN multi cust codes

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
10	Jewel Loans Verification	Loans Dump from AIMS	Finacle	Filter & Sort Date wise	To check any pending renewals beyond 3 months & related classification (whether NPA properly reflected)	Jewel Loans Agri 7% - Limit Rs.2 lakh per person; Non Agri - Higher Rate No limit)
11	Account Summary of OD/CC Accounts	Specific Period Statement of Accounts from Websolutions	Finacle	Filter	To Analyse Self withdrawals, Cash Deposit, Interest Quantification etc.	To check end use of funds

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
12	Wrong Names between papers & Account Name	Loans Dump from AIMS	Finacle	Concatenate Custcode & Account Name along with*; Paste special Values, Remove Duplicates; Demerge with Convert Text to Fixed Columns(Alt+D+E); Pivot Table	To Analyse Documentation Errors	Mismatch between Doc Name & Account Name in system

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
13	Analysis of Out of Order Accounts	Loans Dump from AIMS	Finacle	Filter OD/CC Accounts Reduce Sanction limit from Balance O/s & if negative check the account statements to see the duration of out of order	If Out of Order for beyond 90 days	Even if Credits are insufficient to service interest then again it is out of order if such status continues for 90 days it becomes NPA even though the balance

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
14	Educational Loans	Loans Dump from AIMS	Finacle	Reduce Sanction limit from Balance O/s & if negative check the date of sanction, account statements & Loan Papers to check if any rescheduling is there or is it a potential NPA	Identify health of the account & proper classification	Classification check in Edu loans & reasons for delayed repayment

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
15	Limit Expiry Dates	Loans Dump from AIMS	Finacle	Sort it by Oldest to Newest	Strange Parameters & reasons for the same	Strange Parameters & reasons for the same
16	Scheme Description Discrepancy	Loans Dump from AIMS & Scheme Master	Finacle	Vlookup	Mapping Scheme Code with Scheme Description & GL Description & understand whether Loans issued under proper schemes	Scheme says Agri but non Agri loans issued under the same scheme
17	Bal O/s / Total Disbursement (If Total Disb is Nil then Sanction Amt)	Loans Dump from AIMS	Finacle	Division Formula; Sort Highest to lowest	Whereever Value is > 1 analyse the reasons for so eliminate product categories wherever it is natural to be so	Will give indication of Stressed Accounts; Check with HC2 if reported OK

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
18	Short Review Identification	Loans Dump from AIMS	Finacle	Subtraction Formula between Sanction Limit & Limit Expiry; Sort the resulting days lowest to highest & identify below 365 days, reasons for the	Select the samples & check documentation whether request letter is recd from party & how credit assessment done; Sometimes it will only be updated in the system	System Info update without underlying documents could be identified

Use of Excel – Bank Audit

Sl.No	Description	Reports	CBS	Tools used	Purpose	Notes
19	End Use Check	Accounts Summary	Any	Filter particulars with text filters as containing self	Usage of self cheques in CC & OD Accounts which indicates end use not monitored	Generally CC facilities provided for Working Capital & Stock -Self Cheque might indicate diversion of funds
20	PA NPA Cross Check	Loans Dump from AIMS	Finacle	PAN based Vlookup	To check if borrowerwise classification is proper or not	Multi cust code to same PAN will lead to diff classifications for cust code wise
21	Multi Agri Jewel Loans Rate check	Loans Dump from AIMS	Finacle	Conditional Formatting on Cust code; Filter color & Pivot	To check if same borrower multiple crop loans at multiple rates are issued and if there is any diversification of loans	To check if same borrower multiple crop loans at multiple rates are issued and if there is any diversification of loans

Office Accounts

- Review various office accounts
- Suspense
- Sundry Deposits
- Inter branch (Inter Sol)
- ATM Suspense
- Credit Cards
- Cash Management
- Pointing Type / Non-Pointing Type Accounts
- Audit list of outstanding items
- Inquire whether frauds have occurred using these office accounts

Office Accounts

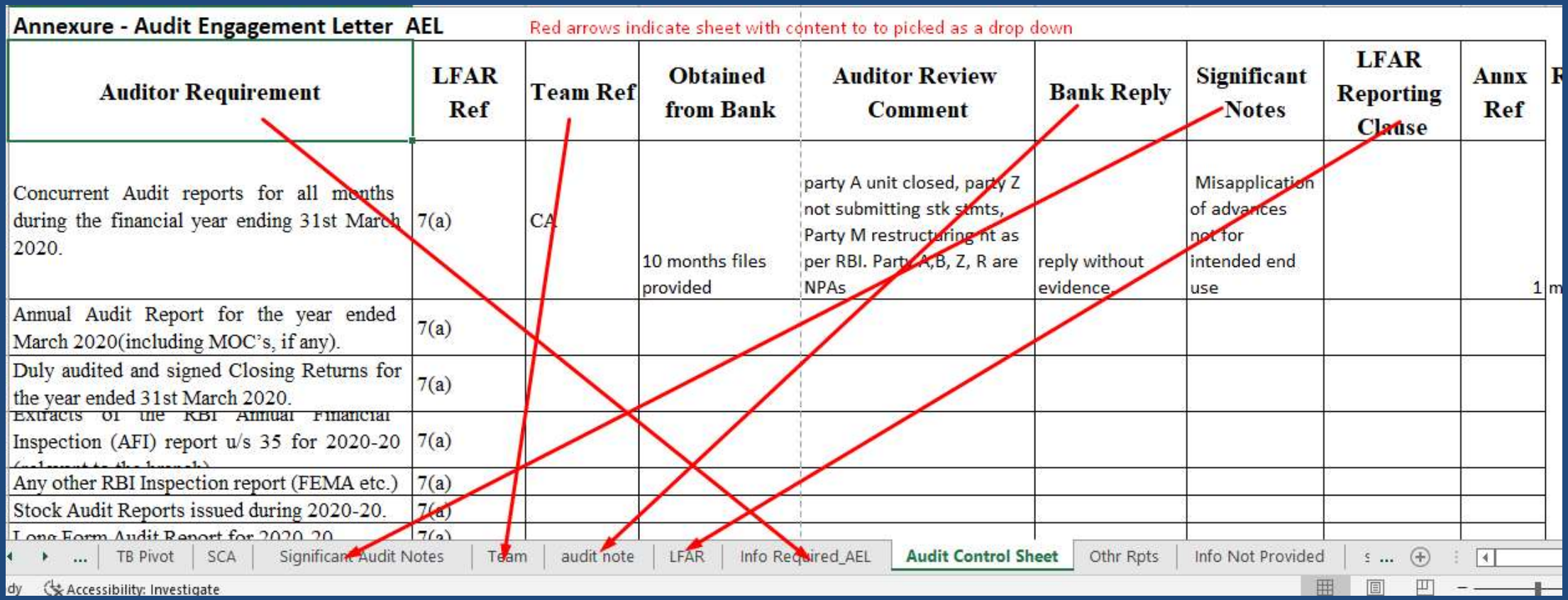
Potential misuse patterns

- Cash Payment from Office Accounts
- TOD through Office Accounts
- Parking of Cash Difference in Office Accounts Clearing / Remittance differences through Office Accounts
- Rotation of entries in Office Accounts
- Correctness in mapping of reversal transaction to originating transaction
- Value Dated Transactions
- Round Tripping
- Advance paid for Fixed Assets not capitalized
- Income realized not credited to Revenue Account

Integrated Bank Branch Audit Approach



Use of Excel – Bank Audit Documentation



Annexure - Audit Engagement Letter AEL

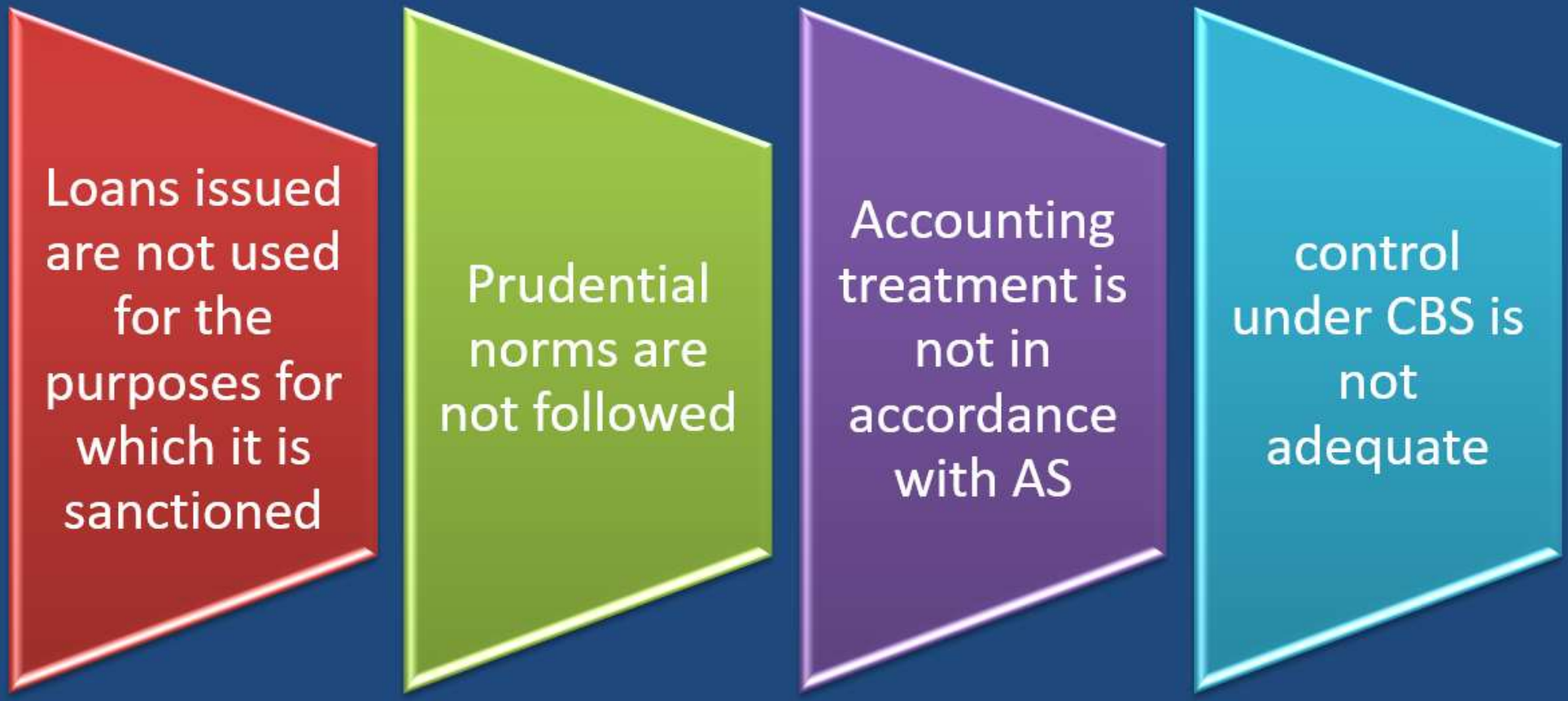
Red arrows indicate sheet with content to to picked as a drop down

Auditor Requirement	LFAR Ref	Team Ref	Obtained from Bank	Auditor Review Comment	Bank Reply	Significant Notes	LFAR Reporting Clause	Annx Ref	R
Concurrent Audit reports for all months during the financial year ending 31st March 2020.	7(a)	CA	10 months files provided	party A unit closed, party Z not submitting stk stmts, Party M restructuring nt as per RBI. Party A,B, Z, R are NPAs	reply without evidence.	Misapplication of advances not for intended end use		1	m
Annual Audit Report for the year ended March 2020(including MOC's, if any).	7(a)								
Duly audited and signed Closing Returns for the year ended 31st March 2020.	7(a)								
Extracts of the RBI Annual Financial Inspection (AFI) report u/s 35 for 2020-20	7(a)								
Any other RBI Inspection report (FEMA etc.)	7(a)								
Stock Audit Reports issued during 2020-20.	7(a)								
Long Form Audit Report for 2020-20	7(a)								

... | TB Pivot | SCA | Significant Audit Notes | Team | audit note | LFAR | Info Required_AEL | Audit Control Sheet | Othr Rpts | Info Not Provided | s ...

dy Accessibility: Investigate

Materiality & Audit Risk



Sampling - Pivot

From Various Loan balancing Text files of CBS prepare pivot tables
Convert Txt to Excel, if MIS reports are not in excel
From these pivot tables select samples with deviation and abnormal

Grouping of Loan Accounts Current Year Sanctions Productwise

CY Sanc	Yes

Row Labels	Values Limits	Oustanding Amt	No of Accs	% to Total O/s
AB-OD Personal (STAFF)	20,00,000	8,87,073	2	0.14%
ACC Allied/Processing Act	2,25,00,000	2,25,00,093	3	3.64%
MC-ASSET BACKED AGRI LOAN	1,62,35,000	1,19,22,946	6	1.93%
MC-C C Prof. & Self Emp(S	50,000	50,212	1	0.01%
MC-OD CLEAN SBF	75,000	63,060	1	0.01%

Grouping of CC/OD Accounts Current Year Sanctions Productwise

CY Sanc	Yes
Loan/CCOD	CC/OD

Row Labels	Values Limits	Oustai
AB-OD Personal (STAFF)	20,00,000	
ACC Allied/Processing Act	2,25,00,000	
MC-ASSET BACKED AGRI LOAN	1,62,35,000	
MC-C C Prof. & Self Emp(S	50,000	
MC-OD CLEAN SBF	75,000	

Sampling – TB analysis

	1) Obtain TB Text for Current year, previous year, as on the date of audit report					
	2) convert txt to Xl			Annexure -		
	3) Tag each column with year					
	4) Paste one year below other after tagging					
	5) Prepare Pivot comparing PY/CY and make variance analysis					
	5) This process is useful for commenting on LFAR III P&L - divergent Trends					
	6) This is useful in Audit documentation on bank branch performance and sampling					
head	Code	Head of account	Opg	Dr	Cr	C
	101100	Cash in Hand in Indian Currency	4406325	673654620	675245899	
	102100	Balances in Current Account with SBI	235262	286242282	285187999	
	102200	Balances in current Account with Other Banks	1000	0	0	
	115300	CDS ITP Remitted 1974	33354	0	0	
fxd asst	118910	Furniture & Fixtures (Gross) At Office - Group 1	1004043	0	0	

LOAN RESCHEDULING

This option (2) is to be used for modelling an existing loan account for rescheduling/ rephasing. The following fields need to be entered so as to be able to calculate the unknown loan parameter:

- Account No – The account for which rescheduling has to be done,
- Reschedule Date – The date as of which rescheduling has to be effective. This date has to be greater than or equal to BOD date.
- Calc Int upto Reshdl. Dt - This field has relevance only if capitalize interest = Y, what this means is that if Calc Int upto Reshdl. Dt = Y, the interest upto current date will also be included in the rephasement principal.
- However if Calc Int upto Reshdl. Dt = N, this interest will not be included in the rephasement principal.
- However, if capitalize interest = N, then the value of Calc Int upto Reshdl. Dt is of no significance.
- The following fields are displayed and can be manipulated for an account that has to be rescheduled. Given any of the three parameters, the fourth one is calculated.
  - → No. of Installments
  - → Interest Rate
  - →Installment Amount
  - → Prepayment Amount
- The other parameters are default populated from scheme level and the functionality is the same as for loan modeling.
- Details of Outstanding loan amount are available on explode from the field "Loan Outstanding"

REPHASEMENT OF EI TYPE OF LOAN A/CS-- MENU OPTION 'REPHASEI'

The menu option REPHASEI has been modified to rephase the accounts where the scheme type is LAA and the scheme code must be of EI type. This menu option will rephase the accounts:

i) where there is a change in the rate of interest applicable in the accounts
ii) where there are pre-payments (advance recovery) in the accounts.

In case of any other scenario where rephasement of an EI based account is required, the existing procedure of rephasing the account using menu option ACM – E - Repayment Schedule Details, as applicable to the Non-EI based loans is to be followed.

FUNCTIONALITIY

On executing the menu option REPHASEI, While there are no changes in the functionality of the fields - Service Outlet, Scheme Codes, Currency Code, Product Group, Start A/c No. and End A/c No., the other fields where the functionality has been modified are as under:

- Adjust Amount/Period: Enter 'A' - For Changing EI amount and keeping period same, or enter 'P' - For Changing period and keeping EI amount same.
- Interest Rate Change: Enter 'Y' if rescheduling is to be done for interest rate change, otherwise enter 'N'.
- Prepayment: Enter 'Y' if rescheduling is to be done due to prepayment, otherwise enter 'N'.
- Date Range From/To: Accounts for which either prepayment or interest rate change happened during the date range entered in these fields will be selected for rephasement.
- The same procedure should also be followed for rephasement of EI based loan accounts on account of any reason other than changes in Interest Rates and/or Prepayment (Advance Recovery).

Premnath D.S. B.Com., FCA March 15, 2023

The Screen SCR: **017035** 'Loans: Create/Amend Repay Schedule' appears.

Field 'Princ. Repay Strt (mmccyy)': enter the month from which the repayment of the Loan has to commence in the required format - mm stands for month, cc for century and yy for year. For example, if the repayment begins March 2004, enter 032004. Ensure that moratorium is taken care of.

As the repayment is EMI (Equated Monthly Instalment), in the Field 'Princ Repay Frequency', select the option of '01:Monthly' from the Drop Down Box.

Likewise, in the Field 'Int Repay Strt (mmccyy)' - fill in the month from which Interest Repayment has to start.

Field 'Int pay Frequency': select the frequency at which Interest has to be repaid, in this case, '01: Monthly' from the Drop Down Box.

Note: in the case of repayment in **EMI** form, the same option should be selected in the Fields 'Princ. Repay Strt (mmccyy)' and 'Int Repay Strt (mmccyy)'. Similarly the same option should be selected in the Fields 'Princ Repay Frequency' and 'Int pay Frequency'.

Last Field 'Princ Repay End dt (mmccyy)': leave the default option '0' as it is.

Click on 'Transmit'.

Premnath D.S. B.Com., FCA March 15, 2023

My Audit Tools Vs Powerful Regulators





Wish you all a Happy Bank Audit Season