

BANK AUDIT NOTES

Branch Concurrent Audit: Daily Login in CBS System Audit Software

- 1) A/C Opening KYC Verification –Savings & Current- Forms Checked With System List Of A/C 's Opened.
 - 6 Months Transactions in Newly Opened a/c-Ledger a/c Checked
 - Transactions in Closed a/c -Ledger a/c Checked With System List.
 - Inoperative A/c's - Transactions/Authorizations, no of yrs of a/c, total balance.
 - Dormant a/c's - Transactions/Authorizations, no of yrs of a/c, total balance.

2) LOANS ADVANCES

- New loans Sanctioned -Business/Vehicle/Hsg/Gold Loans/Personal/ loans against Paper Securities etc.
DOCUMENTATIONS - Sanction Letter & terms of Original Demand Promissory Note (DPN), Guarantors, Hyp/Deed mortgage, Various Undertaking ,Cersai Certificate Purchase Bills / Receipts .Credit worthiness of Borrower & Guarantors (salary certificate I.T. Papers, Financials).
- EXISTING BORROWER-Monitoring of the Performance of the A/C & Working File- Monthly Stock & Book debtors Statement Submitted - Cal. Of Drawing Power ,Insurance of Prime And collateral Securities, Inspection Report by Branch, Audited Financial ,Review Of Facilities , Scrutiny of Ledger A/C OF CC/OD/Current A/C OF SB A/c Promoters / Guarantors Relative Parties.

3)Other Areas

- Expense Vouching- Ledger a/c's with Bills / Supporting.
- Physical Cash & ATM Cash & Cash Deposit machine.
- Verification of Securities items / Numbered Stationary
- Verification of Gold Packets
- Verification of Additions to Fixed Assets
- Revenue Leakage Audit Processing Charges correct Rate of Interest Applied, Other Commission & Charges, Lockers Rent arrears.
- Verification of HO A/c's , Sundries A/c's , Suspense A/c's , Sundry Creditors A/c's, Bills Payable Ac's , Service Branch A/c's
- Breakup of old entries –Reconciliation.
- Application of Standing Instruction by system Interest rate calculation – Penal rate calculation, Auto debits of charges.
- Verification of Movements of balances of various A/c's in GL & PL.

- Verification of day begin and day end procedures.
- Verification of Exceptional reports.
- Verification of Voucher Bundles.

NPA Norms –

Classification-Standard, Substandard (NPA ≤ 12 months), Doubtful (1 yr, 3yrs, >3 yrs), Loss Assets (>3 yrs)

Provisioning- Standard Assets : General provision 0.40% of o/s

Sub-standard : provision 15% on total o/s + 10% on unsecured portion

Doubtful for 1yr : 25% on secured

Doubtful (1 to 3yrs): 40% on secured

Doubtful >3yrs : 100% on secured.

All types of Doubtful on unsecured portion of o/s: 100% provision

SMA (Special Mention A/c's) SMA- 0, SMA -1 (<60 days), SMA-2 (overdue 60 to 90 days)

Statutory Bank Audit

- Verification of Proper classification & provisioning of NPA's –Standard, substandard, doubtful, loss.
- Calculation of Depreciation.
- Provision for expenses.
- Prepaid expenses.
- Proper disclosures in FS.
- Compliance with LFAR & Tax audit clauses.

Stock Audit

- Monthly stock/ book debt statement – Calculation of D/P
- Scrutiny of ledger A/c's
- Physical Verification of stocks at Borrowers units, old items
- Valuation of stocks- Basis- matching with purchase rates / Sales bills – basis of arriving at cost of finished goods / WIP
- Deduction of Sundry Creditors.
- Aging of book debts- quality of book debts.
- Verification of Closing stock/ Drs/Crs with FS.

4) **Revenue Audits**: is for a particular period, of all the Income needs in the P/L a/c and also the interest paid A/c's on SB & Deposit A/c's. Purpose is to detect if bank has under recovered interest , charges, commission, fees or similar income on Advances, loans ,

credits, facilities like Bank Guarantees, L/c's, Bills Discounting , on other services rendered by the Branch. Scrutiny is done of each Income ledger A/c head in the PL and seen if Interest/ charges is levied as per the sanction letter rate / circulars issued.

- Whether correct rate of interest / charges is fed in the system is ascertained.
- Whether standing instructions auto run by the system at predetermined intervals are executed.
- Whether correct processing charges are debited to Borrowers A/c's.
- Whether correct category of loan / advance type is selected in the Master.
- Interest Variation system reports/ Interest calculation reports are checked.
- Commission charged on Bank guarantees issued / extended on remittances like DD, Pay orders, MT, TT's on local & foreign L/c's , on bills discounted / purchased.
- Whether correct ROI is paid on SB A/c's, various FD schemes.
- Whether all charges in ROI are fed as per circulars.
- All manual entries for passing of Income entries are verified.

5) Information System Audit (IS Audits): IS is audit of computerized environments in the branch, the Hardware , System, Software. Physical controls, Access controls, Preventive maintenance of Computers & Equipments , Maintenance of Backups , Antivirus Protection, Safety Equipments, Security Systems, Report is Exception of reports verification , Cabelling, Wiring , Password change , Log reports, Downtime , Breakdowns of Questionnaire type with marks/ grades allotted for each sub area & then added for Overall marking/ grading –review of various policies Info Technology, Cyber security, Info Systems, Network Managements.