



## Bank Audit under CBS Environment

(Focus areas: Issues in NPA identification, Revenue Leakage, Forex Transactions & Office Accounts)

Hosted by **Gandhidham Branch of WIRC of ICAI**

11<sup>th</sup> March, 2017

Presented by CA. Kuntal P. Shah, Ahmedabad

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## Some News Headlines

IBNLIVE • BUSINESS Feb 19, 2014 at 10:18pm EST  
**United Bank blames Infosys software for wrong NPA entries**

**UBI takes a U-turns, says no Issues with Finacle's NPA tool**  
Somasroy Chakraborty/Kolkata 21 Feb 14 | 12:26 AM

If RBI inspectors are able to identify these divergences (Asset Quality) in the limited time-frame that they are on-site, **why the banks' auditors are not able to do so... Is it a question of efficiency of the auditors** or is there a much deeper issue - something to do with the transparency of the process itself?" - (Mr. S S Mundra, RBI Deputy Governor while addressing ACB of ICICI Bank 16<sup>th</sup> January, 2015) Source: Business Standard

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### Few CBS used in India and world over

Package	Provider
Finacle	Infosys
FLEXCUBE	Oracle Financial Services Software, (By iflex)
TCS BaNCS	Tata Consultancy Services (TCS)
Alnova Financial Solutions	Accenture / Alnova
SAP Banking Services	SAP AG

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### Parameters affecting NPA identification

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

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### Parameters affecting NPA identification

\* 1. **Discrepancies in setting up the EMI / Installments:**

- ▣ **Auditors' primary checks:**
  - Whether EMI / installment is correctly setup.
  - Whether EMI / installment amount is matching with the Sanctioned Terms.
  - Whether periodicity of Installment is correctly classified as per Sanctioned Terms?
- ▣ **System support:**
  - **Finacle:**
    - ACI -> Option "E" Repayment details
  - **BaNCS:**
    - DL/TL Accounts & Services → Enquiries → Account
    - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account

*(Short & Long Inquiry options are available under both menu.)*

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### Parameters affecting NPA identification

\* 2. **Multiple sets of EMI / Installments:**

- ▣ **Auditors' primary checks:**
  - For case of Multiple sets of EMI e.g. For 1-5 years EMI of Rs. 7,000 and after 5 years Rs. 7,500
  - Whether sets of EMI are properly entered?
  - Is there any substantial difference between 1<sup>st</sup> set of EMI and 2<sup>nd</sup> or other sets (e.g. 1<sup>st</sup> set Rs. 5,000 and 2<sup>nd</sup> Rs. 1,00,000) which cast doubt on debt serviceability?
- ▣ **System support:**
  - **Finacle:**
    - ACI -> Option "E" Repayment details
  - **BaNCS:**
    - DL/TL Accounts & Services → Enquiries → Account
    - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account

*(Short & Long Inquiry options are available under both menu.)*

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### Parameters affecting NPA identification

\* 3. **System determined Asset Classification vis a vis User defined Asset Classification:**

- ▣ **Auditors' primary checks:**
  - CBS contain two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types.
  - User is generally given the option to differ and select / amend the classification
  - This feature gives rise to numerous question on functioning of CBS.
  - At times it is possible that the classification by CBS may be incorrect due to errors in certain Master Data. However, such accounts require detailed scrutiny.
- ▣ **System support:**
  - **Finacle:**
    - ACM / ACI Option - Y Asset Classification Inquiry
  - A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for. Accounts listed in the said report should be thoroughly verified.

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### Parameters affecting NPA identification

\* 4. **Manipulation in SL / DP:**

- ▣ Auditors' primary checks:
  - Changes in SL / DP should be cross checked with Sanctioned Letter.
  - Whether any change in Limit is supported by necessary documentation?
- ▣ System support:
  - **Finacle:**
    - ACLHM – Account Limit History Maintenance
  - **BaNCS:**
    - Tailormade report on Changes in Account Limits

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### Parameters affecting NPA identification

\* 5. **Incorrect moratorium period:**

- ▣ Auditors' primary checks:
  - Based on moratorium period CBS will identify the Loan Installment and will track repayment.
  - In case the moratorium period / installment start date is erroneously updated system will not show correct result.
- ▣ System support:
  - **Finacle:**
    - ACI – Option "E" – Repayment Details
  - **BaNCS:**
    - Account Master details (Long Inquiry)

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### Parameters affecting NPA identification

\* 6. **Rephasement without reporting it as reschedule:**

- ▣ Auditors' primary checks:
  - At times it is observed that the Loan Account Installments are rephased / recalibrated without reporting the same as Re-Schedule.
  - Verify whether any change in Repayment instruction is made through System. Compare the said accounts with list of Restructured Accounts.
- ▣ System support:
  - **Finacle:**
    - ACI – Option "E" – Repayment Details
  - **BaNCS:**
    - Account Master details (Long Inquiry)
  - Report containing details of all the cases wherein EMI / Installment is changed should be sought

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**Parameters affecting NPA identification**

\* 7. **Installment Start Date is Future Date:**

- ▣ Auditors' primary checks:
  - Check whether Installment Start Date entered as per sanctioned term.
  - In case of future date system will not identify installment and any repayment received will be shown as "Overflow".
- ▣ System support:
  - **Finacle:**
    - ACI - Option "E" - Repayment Details
  - **BaNCS:**
    - Account Master details (Long Inquiry)

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**Parameters affecting NPA identification**

\* 8. **Interest Demand date (Future Date):**

- ▣ Auditors' primary checks:
  - Check whether Interest Start Date entered is as per Sanctioned Term.
  - In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as "Overflow".
- ▣ System support:
  - **Finacle:**
    - ACI - Option "E" - Repayment Details
  - **BaNCS:**
    - Account Master details (Long Inquiry)

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**Parameters affecting NPA identification**

\* 9. **Fictitious credit through Office Account / Inter-branch Account:**

- ▣ Auditors' primary checks:
  - Are there any quarter / year end credits cited in the account?
  - Check the source of Credit Entries.
  - Review transactions in Office Accounts / Inter Branch Accounts.
- ▣ System support:
  - **Finacle:**
    - ACLI - (Use CTRL + E to Explore the Tran)
    - Review of Office Account Ledgers
  - **BaNCS:**
    - Deposit / CC / OD Accounts & Services → Enquiries → Transaction
    - DL/TL Accounts & Services → Enquiries → Transaction

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**Parameters affecting NPA identification**

\* 10. **Round tripping from internal accounts:**

- ▣ Auditors' primary checks:
  - Close scrutiny of transaction and review of chain / series of transaction for accounts with deficiency is required.
  - It is used to generate / misguide the system on Credit Turnover aspect.
- ▣ System support:
  - **Finacle:**
    - ACLI – (Use CTRL + E to Explore the Tran)
    - *Do not rely wholly on "ATOR" / "CUTI" / "ACTI" results*
  - **BaNCS:**
    - Deposit / CC / OD Accounts & Services → Enquiries → Transaction
    - DL/TL Accounts & Services → Enquiries → Transaction

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**Parameters affecting NPA identification**

\* 11. **Temporary Overdrafts:**

- ▣ Auditors' primary checks:
  - At times it is observed that in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned.
  - It is not permitted as per IRAC guidelines.
- ▣ System support:
  - **Finacle:**
    - ACLI – Option "O"
    - TODRP – TOD Register Printing

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**Parameters affecting NPA identification**

\* 12. **Devolved bills parked in Office Accounts and not in limit account:**

- ▣ Auditors' primary checks:
  - Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement)
  - At times it is observed that the amount of devolvement of LC backed bills are parked in Office Accounts to suppress total exposure on borrower.
- ▣ System support:
  - **Finacle:**
    - BI & FBI – With Bill Status as "K" using Status Date Filter

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### Parameters affecting NPA identification

\* 13. **Multiple CUST ID to save the other account from becoming NPA:**

- ▣ **Auditors' primary checks:**
  - Commonly it is observed that before marking of Account as NPA other accounts of the same borrower is transferred to new CUST ID. It will prevent marking of the said accounts as NPA in terms of guidelines of Asset Classification to be Borrowerwise and not Accountwise.
  - Take NPA Report and search all the case by few characters of Name.
- ▣ **System support:**
  - **Finacle:**
    - ACS – Account Selection (Search based on Name)
    - LAGI – Loan Account General Inquiry (Inquiry based on other parameters)
  - **BaNCS:**
    - Customer Management → Enquiries → Search by Name

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### Parameters affecting NPA identification

\* 14. **Deferment for NPA classification (Demonetization):**

- ▣ Circular Dt. **November 21, 2016**
  - **Eligibility:**
    - i) Running working capital finance (CC/OD), Crop loans with sanctioned limits upto Rs. 1 crore
    - ii) Term Loans with original sanctioned limit upto Rs. 1 crore
    - iii) Loans to NBFC / Housing Finance Companies, PACs
    - iv) Loans by State Co-op. Bank to DCCBs
  - **Conditions:**
    - i) Dues are payable between 01.Nov.16 to 31.Dec.16
    - ii) Deferment restricted to the above period for further 60 days
    - iii) Applies only to PAs and not to existing NPAs

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### Parameters affecting NPA identification

- ▣ Circular Dt. **December 28, 2016**
  - **Eligibility:**
    - i) Running working capital finance (CC/OD), Crop loans with sanctioned limits upto Rs. 1 crore
    - ii) **Business (including Agriculture)** Term Loans with
      - original sanctioned limit upto Rs. 1 crore
      - (both limits are mutually exclusive)*
  - **Conditions:**
    - i) Dues are payable between 01.Nov.16 to 31.Dec.16
    - ii) Deferment restricted to the above period for further 30 days (i.e., in all 60 + 30 = 90 days)
    - iii) Applies only to PAs and not to existing NPA

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### Parameters affecting NPA identification

- ▣ **Auditors' primary checks:**
  - Installments getting due during Nov. 2016 and Dec. 2016 will have immunity under this circulars.
  - Check how the system configuration is handled for such cases? Is it manual?
  - Whether Repayment Date is extended by 2 months in CBS? If so there is a possibility of extending entire loan tenure by 2 months (Not in line with Circular)
- ▣ **System support:**
  - **Finacle:**
    - ACI - Option "E" - Repayment Details
  - **BaNCS:**
    - Account Master details (Long Inquiry)

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### Identification of Revenue Leakage

- \* Primary revenue for Banks is Interest on Loans and Advances.
- \* Charging of Interest is completely automated. However, the processing is based on certain important parameters.
- \* System parameters / fields which affect the Interest Computation should be thoroughly verified.
- \* Let us discuss few event / scenario wherein there is possibility of non application / incorrect application of Interest.

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### Identification of Revenue Leakage

\* Various Interest Parameters

- ☐ Interest Table
  - Debit Interest Rate & Credit Interest Rate
    - Interest Version
    - Currency
    - Limit Level Interest
  - Penal Interest
- ☐ Interest Rate (Static & Based on Ref. Rate)
- ☐ Customer Preferential (Dr. Interest) [(+)ve / (-) ve rate]
- ☐ Customer Preferential (Cr. Interest) [(+)ve / (-) ve rate]
- ☐ Important Commands –
  - Finacle: INTCL, AINTRPT, INTPRF, INTTM
  - TCS Bancs: i) OD/CC Accounts -> Interest Rate History  
ii) DL / TL -> Interest Rate History

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### Identification of Revenue Leakage

\* Few reasons for Non Application / wrong application of Interest by CBS:

- ☐ Interest pegging in Advance Accounts set as "Y". (If "Y" is selected, system will charge interest at the rate prevailing at the time of Account Opening. *For the cases of Fixed Rate Loans Pegging Flag will be "Y"*)
- ☐ Future Date is updated in Interest Demand Date
- ☐ Interest on Principal / Payment of Interest Flag is set as "N"
- ☐ Effective Rate of Interest is updated as "0"
- ☐ Account Open and Installment Start Dates are identical.

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### Identification of Revenue Leakage

[Cont ...]

- ☐ Account Open and Interest Demand Dates are identical.
- ☐ Interest Table Code "Zero" is selected
- ☐ Interest Demand Date is Past Date
- ☐ Interest Demand Frequency is Blank.

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 **Audit of Foreign Exchange Transactions**

- \* Liberalization – Opening of New areas for Inbound and Outbound Investment
- \* Ease of Doing Business – Relaxation in certain Forex Transaction procedure / mode of compliance
- \* Enhanced vigilance required for
  - Money Laundering in garb of genuine Foreign Exchange Transaction
  - Misuse of Advances secured against Export Bills
  - Genuineness of Export Documents

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 **Audit of Foreign Exchange Transactions**

**LFAR: For Branches dealing in Foreign Exchange Transactions**

- Material adverse points pointed out in the Audit Reports which continue to persist in relation to NRE/ NRO/ NRNR/ FCNR-B/ EEFC/ RFC ?
- Whether the Branch has followed the instructions and guidelines of the controlling authorities of the bank with regard to the following in relation to the foreign exchange. If not, state the irregularities: Deposits, Advances, Export Bills, Bills for collection, Dealing Room operations, Any other area
- Nostro Account Management

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**Audit of Foreign Exchange Transactions**

\* **Bills / Cheques on Collection - Balancing and reconciliation with GL Balance (Contingent Liab.)**

- Bill Balancing Report (*Finacle: BR, BRCR, FBBR*)
- GL Balance - Respective Cont. Liab. Account
- LFAR Reporting: Liab.3

\* **Bills / Cheques purchased / Discounted – Balancing and reconciliation with GL**

- Bill Balancing Report (*Finacle: BRBPR, FBBR*)
- Aggregation of accounts under BD / BP Scheme Codes

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**Audit of Foreign Exchange Transactions**

\* **Packing Credit (Pre & Post Shipment – In INR or FCY)**

- Adjustment through Export Bills / EEFC Balance
- Review of Transactions for adjustment of balance through other than above mode
- Max Tenor (Pre Shipment): 360 Days
- Max Tenor (Post Shipment): 365 from Shipment Date
- Rate of Interest if not adjusted within 360 days – Clean OD Rate with Penal Interest from *ab initio*
- Monitoring of End use of Fund
- Running Account Facility and Monitoring of adjustment within 360 Days

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**Audit of Foreign Exchange Transactions**

\* **Devolvement of Import Bills under LC**

- Check the Reg. Type and Sub Type of Import Bills under LC
- Use Menu Option FBI (in Finacle) to search Bills under Import LC Delinked (Status Code “K” with Status Date Filter)
- Separate Account opened (if any) for Devolved Bills
- Bill devolved but not crystallized in CBS
- Crystallization of Devolved Bill through Office Account.

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### Money Laundering in garb of Remittance as advance against Import – Cse Study

\* **Modus Operandi**

1. Funds were sent against fictitious export documents to Bank in India
2. Claimed Exports benefit against the Export Realization from Govt.
3. Funds transferred to another bank in India for outward Remittance
4. Outward Remittances were made by reporting the transaction value in CBS with FX Rate of 0.001 (i.e. showing it to a small remittance) as Advance against Import

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### Office Accounts

- \* Type of Office Accounts
  - ▣ **Functionality**
    - Pointing Type / Self Reconciling Accounts
    - Non Pointing Type Accounts
  - ▣ **Entry**
    - Sundry Accounts, Suspense Accounts
    - EOD/BOD Check Accounts
    - Inter branch Account
    - Mirror Accounts
    - Pool Accounts

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**Important Points in Office Accounts Review**

- \* 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

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**Important Points in Office Accounts Review**

- \* 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
- \* LFAR: Point No. Assets.6.b., Liab.2.a.

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## Audit Activity through CBS

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**\* Cash**

- ▣ What to verify?
  - Cash Balance as on 31<sup>st</sup> March
  - Cash Balance as on the date of verification
  - Cash Balances reported in Friday Statement
- ▣ **Source** from where to verify?
  - **In Finacle:**
    - “ACLI” - Account Ledger Inquiry (Vault A/c and Teller Accounts)
  - **In Bancs:**
    - → Reports → Cash Related → View Cash Summary (Click on Fetch)
    - → Branch Reports → Cash Officer's Jotting Book Report
    - → Reports → Printing Reports → Cashier / Teller Cash Report

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## Audit Activity through CBS

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**\* Balances with RBI / SBI / Other Banks**

- ▣ What to verify?
  - Balance as on Date
  - Transactions in Mirror Accounts
  - Reconciliation Statement (Generally outside of CBS)
- ▣ **Source** from where to verify?
  - **In Finacle:**
    - “ACLI” - Account Ledger Inquiry
  - **In Bancs:**
    - → Branch Accounting (BGL) → Enquire → Transaction

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## Audit Activity through CBS

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**\* Advances - 1**

- ▣ What to verify?
  - Sanction Limit / Drawing Power setup
- ▣ **Source** from where to verify?
  - **In Finacle:**
    - “ACLHM” – Account Limit History Maintenance
    - “ACM / ACI” – Account Master (Go to Limit details)
    - “LTL” – Limit Tree Lookup (Tree view of all Limits)
  - **In Bancs:**
    - DL/TL Accounts & Services → Enquiries → Account
    - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account

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## Audit Activity through CBS

**\* Advances - 2**

- ☐ What to verify?
  - Account & Customer Master parameters setup viz.
    - Interest Parameters (Regular & Penal Interest)
    - Repayment Instructions
    - Standing Instructions (SI) Parameters
- ☐ Source from where to verify?
  - **In Finacle:**
    - "ACLHM" – Account Limit History Maintenance for DP & SL – Account Specific
    - "ACM / ACI" – Account Master
    - "CUMM / CUMI" – Customer Master
  - **In Bancs:**
    - DL/TL Accounts & Services → Enquiries → Account
    - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account

*(Short & Long Inquiry options are available under both menu.)*

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## Audit Activity through CBS

**\* Advances - 3**

- ☐ What to verify?
  - Transactions in Borrower's Account
- ☐ Source from where to verify?
  - **In Finacle:**
    - "ACLI" - Account Ledger Inquiry
  - **In Bancs:**
    - Deposit / CC / OD Accounts & Services → Enquiries → Transaction
    - DL/TL Accounts & Services → Enquiries → Transaction

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## Audit Activity through CBS

**\* Advances - 4**

- ☐ What to verify?
  - Interest Rate History
- ☐ Source from where to verify?
  - **In Finacle:**
    - "INTTM" – Interest Table Master Maintenance (Under Inquire Mode – Account Specific)
  - **In Bancs:**
    - Deposit / CC / OD Accounts & Services → Interest Rate History
    - DL/TL Accounts & Services → Interest Rate History

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## Audit Activity through CBS

**\* Advances - 5**

- ▣ What to verify?
  - Conduct of Account and Credit Turnover
    - Turnover of CC Account based on Borrower's Business profile
    - In case of Loan accounts **ACTUAL** recovery of Installments and Interest
- ▣ Source from where to verify?
  - **In Finacle:**
    - "ATOR" – Account Turnover Report
    - "ACTI" – Account Turnover Inquiry
    - "CUTI" – Customer Level Turnover Inquiry
  - **In Bancs:**
    - DL / TL Accounts & Services → Enquiries → Long
    - Deposit/CC/OD Accounts & Services → Enquiries → Long

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## Audit Activity through CBS

**\* Advances - 6**

- ▣ What to verify?
  - Non Performing Asset
    - Search an Account based on Criteria
- ▣ Source from where to verify?
  - **In Finacle:**
    - "ACS" – Account Selection (2<sup>nd</sup> Screen – IRAC Code – Main Asset Classification)
  - **In Bancs:**
    - DL / TL Accounts & Services → Enquiries → Short → Select Option "1" – TL / DL [*Long Inquiry for NPA Date*]
    - Deposit/CC/OD Accounts & Services → Enquiries → Short → Select Option "2" – CC / OD [*Long Inquiry for NPA Date*]
    - Common Processing → Overdue / NPA → NPA Enquiry (Risk Grade Inquiry / NPA Status Inquiry)

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## Audit Activity through CBS

**\* Advances - 7**

- ▣ What to verify?
  - Interest Report
- ▣ Source from where to verify?
  - **In Finacle:**
    - "AINTRPT" – Interest Report for Account
  - **In Bancs:**
    - Product Sheets – To be requested from Data Center (if not available through user login)

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## Audit Activity through CBS

**\* Advances - 8**

- ▣ What to verify?
  - Primary & Collateral Security Maintenance
  
- ▣ Source from where to verify?
  - **In Finacle:**
    - "SRM" – Security Register Maintenance
  - **In Bancs:**
    - DL/ TL Accounts & Services → Security (Primary/ Collateral) → Customer → Amend / Enquiry
    - Amend / Enquire Security

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## Audit Activity through CBS

**\* Advances - 9**

- ▣ What to verify?
  - Lien Marking
  
- ▣ Source from where to verify?
  - **In Finacle:**
    - "ALM" – Account Lien Maintenance
  - **In Bancs:**
    - DL/ TL Accounts & Services → Security (Primary/ Collateral) → Customer → Amend / Enquiry
    - Amend / Enquire Security
    - *(Under Bancs – Colleteral ID is required to be created before setting up limits)*

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## Audit Activity through CBS

**\* Advances - 10**

- ▣ What to verify?
  - Account Ledger Printing
  
- ▣ Source from where to verify?
  - **In Finacle:**
    - "PSP" – Pass Sheet Print
    - "ACLPCA" – Customer Ledger Account Print
  - **In Bancs:**
    - **Print Menu** available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services

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## Audit Activity through CBS

\* **Advances - 11**

- ▣ What to verify?
  - Non Fund based Facility (LC, BG)
- ▣ Source from where to verify?
  - **In Finacle:**
    - "GI" – Guarantee Inquiry
    - "DCQRY" – Documentary Credit Query
  - **In Bancs:**
    - Through Exim Software / Offline Report (if generated by banks)

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## Audit Activity through CBS

\* **Advances - 12**

- ▣ What to verify?
  - Devolved Bills under LC & Devolved Export Discounted / Purchased Bills
- ▣ Source from where to verify?
  - **In Finacle:**
    - "BI" – Bill Inquiry and "FBI" – Foreign Bill Inquiry (with Bill Status Code as "K" with Status Date filter)
  - **In Bancs:**
    - Through Exim Software / Offline Report (if generated by banks)

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## Audit Activity through CBS

\* **Stationery**

- ▣ What to verify?
  - Physical Verification of Stationery and confirmation of Balance as per CBS
- ▣ Source from where to verify?
  - **In Finacle:**
    - "ISRA" – Inventory Status Report (Locationwise viz., Dual Lock, Individual, Cancelled etc.)
  - **In Bancs:**
    - Through Valuable Paper Inventory System [VPIS] module

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### Audit Activity through CBS

\* **Suspense / Sundry Assets Accounts, Bills payable, Sundry Deposits etc. - 1**

- ▣ What to verify?
  - Outstanding entries for reporting
  - Entries outstanding – Whether any provisioning is required?
  
- ▣ Source from where to verify?
  - **In Finacle:**
    - “IOT” – Inquire on Transaction (As on date Inquiry)
    - “MSGOIRP” – Outstanding Items Report
  - **In Bancs:**
    - Through offline reports viz. “Audit BGL accounts age wise break up” and “GL-Outstanding-Acncts” report.

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### Audit Activity through CBS

\* **Suspense / Sundry Assets Accounts, Bills payable, Sundry Deposits etc. - 2**

- ▣ What to verify?
  - Printing of Office Accounts
  
- ▣ Source from where to verify?
  - **In Finacle:**
    - “ACLPOA” – Account Ledger printing Office Account
  - **In Bancs:**
    - Facility of printing of BGL (Branch General Ledgers) is not available under user login. It needs to be requested from Data Center.

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### Audit Activity through CBS

\* **Inter Branch Accounts**

- ▣ What to verify?
  - Un-reconciled transactions
  
- ▣ Source from where to verify?
  - **In Finacle:**
    - Through Outstanding IBR Report.
  - **In Bancs:**
    - Through offline “Outstanding IBR Report”/ “IBR Summary report”

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## Audit Activity through CBS

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**\* TDS Related**

- ▣ What to verify?
  - TDS Information and Reports
  
- ▣ Source from where to verify?
  - **In Finacle:**
    - “TDSIP” – TDS Inquiry & Reports
    - Month-end report on accountwise / transactionwise Tax deduction.
    - Bank specific customized Menu / report
  
  - **In Bancs:**
    - Through offline monthly report on accountwise / transactionwise Tax deduction.

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## Audit Activity through CBS

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**\* Few Important Reports**

- ▣ **Exception Report:**
  - Reports for the month end and two days prior and after month end should be verified.
  - Exceptions of following natures should be closely verified.
    - Balance exceeded Account Limit
    - Manual debits to Income Account
    - Value Dated Transactions
    - Manual entry for SI Failure cases
    - Instrument passed against Clearing

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## Audit Activity through CBS

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- ▣ **Irregularity Report:**
  - Reports for the month end and two days prior and after month end should be verified.
  - Report contains details of Accounts where Balance in Accounts are greater than the Limits Sanctioned. Check whether the same is due to,
    - Application of Interest
    - Granting of Intra Day TOD
    - Passing of Instruments against Clearing Effects

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### Audit Activity through CBS

- ▣ **Accounts where Interest Code is '0':**
  - Interest will not be charged from Accounts where Interest Code is selected as '0'. Hence, a detailed checking is required. Possible reasons can be,
    - Whether NPA Account
    - Accounts with Moratorium?
- ▣ **Interest Collection Flag as "No":**
  - If Interest Collection Flag is selected as "No", Software will not consider the account for calculation and entry for Debit Interest.

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### Audit Activity through CBS

- ▣ **Report containing all Advance Accounts with Limits:**
  - Generally, CBS Software generate a Report wherein details of all Advance Accounts are listed.
  - Excel can be used to verify cases of DP > SL, Margin Requirement etc.

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### Audit Activity through CBS

- ▣ **Report on Probable NPA / Health Code Accounts / Special Mention Accounts:**
  - Obtain reports containing list of Accounts with various deficiencies.
  - System identifies such accounts and a report on Probable NPA Account. Banks classify the accounts as Health Code Type 1, Health Code Type 2, SMA – 1, SMA - 2 etc.

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 **Audit Activity through CBS**

▣ **Report on NPA Accounts:**

- Report will contain list of all NPA Accounts.
- Such accounts should be closely monitored.
- Verify whether account is correctly classified as per IRAC Norms?

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 **Questions ???**



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 **Thank You**

CA. Kuntal P. Shah  
Ahmedabad  
e-mail: [kuntal@pradiprshah.com](mailto:kuntal@pradiprshah.com)

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