


Effective tools for  
Bank Audit



# Audit Planning & Documentation

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Vadodara

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Strong Planning – Backbone of Auditor

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*"The more time you spend contemplating what you should have done, you lose valuable time planning what you can and will do"*

**Why ?**  
To ensure that annual accounts gives True and fair View

**Absence of Planning**  
Poor Audit Planning  
Poor Allocation of Work  
Inadequate attention to high-risk areas  
Poor Audit Quality

# Audit Planning

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### Why Planning

-  Rapidly changing in CBS software
-  Changes in RBI Guidelines
-  Frequent pronouncement by ICAI
-  Limited Period of time for Audit
-  Effective Internal Control System

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### Mitigating following Audit Risk

- Non-Compliance with RBI Master Direction
- Non-Compliance with RBI Circular with special emphasize on IRAC Norms & Relief Packages
- Non-Compliance with RBI Notification, Circular, Press Release and FAQs
- Divergence with RBI Risk Assessment Report under Super Advisory Programme for Assessment of Risk and Capital in terns of their annual inspection
- Non-Compliance w.r.t. Bank's closing circular
- Attestation of incorrect statement and Audit Report
- Non-Compliance with technical standard issued by ICAI




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### Runway of Execution of Bank Audit...

- Understanding Bank Audit
- Pre Acceptance Procedure
- Post Acceptance Procedure
- Aids for Essential Bank Audit
- Compliance with SA's issued by ICAI

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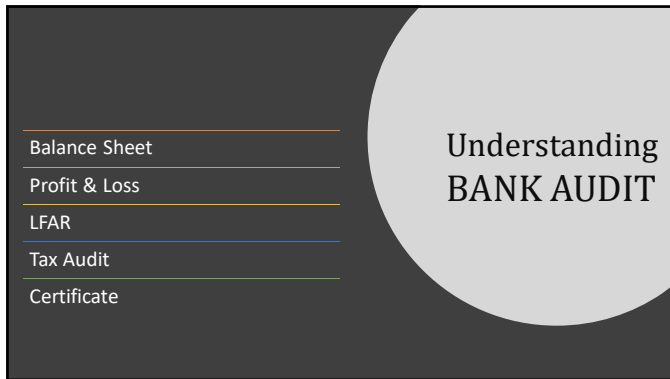
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Understanding  
BANK AUDIT

- Balance Sheet
- Profit & Loss
- LFAR
- Tax Audit
- Certificate

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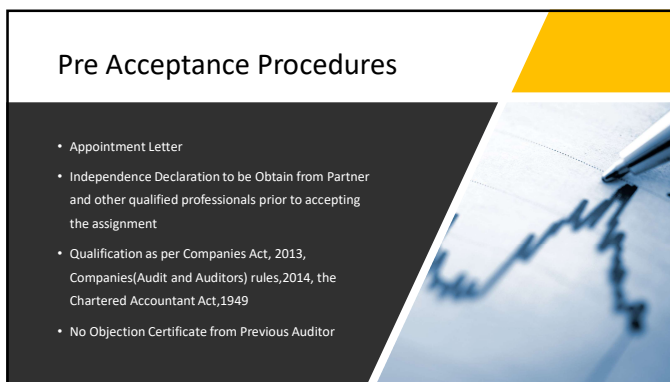
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Pre Acceptance Procedures

- Appointment Letter
- Independence Declaration to be Obtain from Partner and other qualified professionals prior to accepting the assignment
- Qualification as per Companies Act, 2013, Companies(Audit and Auditors) rules,2014, the Chartered Accountant Act,1949
- No Objection Certificate from Previous Auditor

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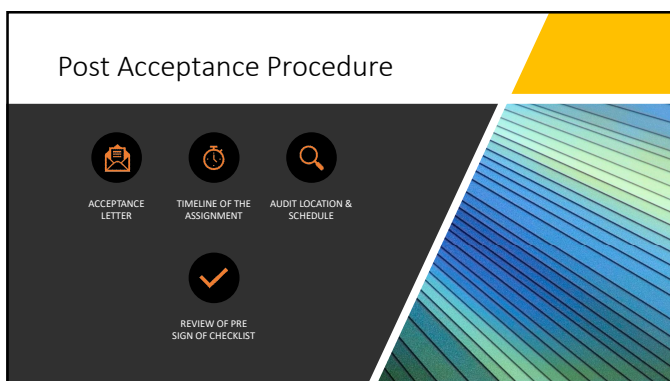
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Post Acceptance Procedure

- ACCEPTANCE LETTER
- TIMELINE OF THE ASSIGNMENT
- AUDIT LOCATION & SCHEDULE
- REVIEW OF PRE SIGN OF CHECKLIST

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## Essential for Bank Audit

- RBI Guidelines, Master Circulars Master Direction, circulars, Press release, FAQs
- Bank Closing Circular
- Enquiry Letter
- Audit Programme
- List of Changes during the year in RBI Regulation to ensure compliance

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## Essential for Bank Audit

- Audit Report Formats
- MIS Reports generated from CBS
- Special Checklist with respect to restructuring of Advances
- Special Checklist with respect to specialized areas of Bank
- Effect of MOCs of previous Year

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## Compliance with SAs issued by ICAI

- SQC 1 Standard on Quality Control
- SA 210 agreeing to the terms of the audit engagement
- SA 230 Audit Documentation
- SA 240 The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
- SA 260 Communication with Those Charged with Governance
- SA 300 Planning An Audit Of Financial Statements
- SA 315 Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and Its Environment
- SA 320 Materiality In Planning And Performing An Audit

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## Compliance with SAs issued by ICAI

- SA 330 The Auditor's Responses To Assessed Risks
- SA 450 Evaluation of Misstatement Identified During the Audit
- SA 500 Audit Evidence
- SA 505 External Confirmation
- SA 520 Analytical Procedures
- SA 530 Audit Sampling
- SA 580 Written Representations
- SA 610 Using the Work of Internal Auditors

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## Compliance with SAs issued by ICAI

- SA 700 Independent Auditor's Reports on Financial Statements
- SA 701 communicate the key audit matters in Independent Auditor's Reports
- SA 705 Modifications to the Opinion in the Independent Auditor's Report
- SA 706 Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report

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## Procedure to be followed



Meeting with branch officials to gain an insight into operation



Meeting for identify & assess the risk of material misstatement



Allocation of work



Request branch to provide adequate number of System



List of Frauds identified during Year

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Procedure to be followed

- 
**External confirmation for the following**  
 Bank Balance with RBI or HO  
 Nostro Balance  
 Advances  
 Deposit
- 
**Request branch to Provide bank NPA Management And Loan Policy**
- 
**Obtains all Closing Returns**

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Procedure to be followed

- 
**Determine the materiality and performance materiality based on Net Profit in terms of SA320.**
- 
**Record and document the same with reference to Pre MOC-Financial Statement presented by Branch**
- 
**Sampling of items to be tested need to be selected as per audit methodology detailed in SA 500 and SA 530**

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## Audit Documentation

### Why?

A sufficient and appropriate record of the basis for the auditor's report

Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirement.

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## Runway for Documentation...



What to Document?



Data / Details to be obtained before commencing Bank Audit



Reports to be Obtained



Data relating to Advances



Appropriate Sampling



Pre Sign-off Checklist

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## What to Document ?

Appointment & Engagement Letter

Audit Plan & Programme

Communication with Previous Auditor

No Objection Certificate issued by Previous Auditor

Minutes of Meeting & Key Correspondence

Materiality with reference to SA 320

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## What to Document ?

Latest RBI Master Directions / Circulars, other material for conducting the audit.

Closing Guidelines / Circular issued by the Bank.

Powers & Responsibilities at various levels.

Policies, Processes and procedures followed.

Trial Balance for the year.

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## What to Document ?

Financial Statement (Pre MOCs and Post MOCs) of Current Year and Previous Year

Various types of Returns required as per Closing Circular

Audit Report

- C.Y. and P.Y. Statutory Audit Report
- Concurrent Audit Report
- Inspection Report
- Other if any

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## What to Document ?

MOCs of current year

Significant Documents related to advances and Deposits

Statement of advances with classification along with various fields duly filled such as security, sanction limits, date of sanction / renewal, outstanding balance etc.

Document related to Old outstanding items of BS

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## What to Document ?

Other Bank / RBI balance confirmation

Management Representation Letter

Various other Audit documents / evidence considered in audit process.

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## Data /Details to be obtained

- Authorities Level
- Portfolio of Advance Accounts
- Advance restructured during year together with schemes
- Portfolio of Non-Fund Based Advance
- Portfolio of Deposit
- Details of other Business of the Branch

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## Data / Details to be obtained

- BS & PL generated from CBS
- List of NPAs as on Reporting Date
- List of Critical(SMAS) account
- No. of accounts upgraded or downgraded during audit period
- List of accounts continuously appearing in exception report
- Details of software/system which are not integrated with CBS
- Exceptional report

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### Reports to be Obtained

- Concurrent Audit Report
- Extract of RBI Annual Risk Assessment Report
- RBI Inspection Report
- Previous Audit Report & Closing Returns
- Stock Audit Report
- System Audit/EDP Audit/Computer Audit Report




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### Reports to be Obtained

- LFAR of Previous Year
- Inspection/Risk Focused Internal Audit Report
- Forensic Audit Report if any
- Credit Audit Report
- Cash & Currency Chest Verification report
- Compliance with MOCs of Previous Audit period
- Certificate of Previous Auditor
- Key Correspondence




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### Data regarding advance to be obtained in Excel form for Data Analysis

Customer ID	Amount Outstanding
Name of Borrower	Interest Accrued & debited
Types of Facilities Given to Borrower	Amount of Provision
Date of Sanction	Value of Security
Account Number	Overdue Amount
Asset Classification	

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## Pre Sign Off Checklist

- UDIN Generated?
- Review 100% Advances from viewpoint of Classification and provisioning?
- Obtained list of Red Flagged Accounts & ensured that same has not been removed within 6 Month, same has been reported as Suspected Fraud or Fraud?
- Review of accounts flagged as RFA by other Banks
- Whether the branch has used Central Fraud Registry while preparing Credit appraisal in respect of granting new facility

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## Pre Sign Off Checklist

- Ensure all Classification of advances as per Master Direction on Priority Sector Lending
- Ensure all borrowers >100 Crores register as LEI (Legal Entity Identifier) in terms of RBI Guideline as at 31.03.2020
- Balance Confirmation of Top Borrowers & Depositors
- Review of accounts classified in SMA2 Category

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## Pre Sign Off Checklist

- KYC Norms
- Identification of instances where maintenance of separate account for devolvement/invocation of LCs/BGs and report same in LFAR
- Ensure compliance w.r.t. Priority Sector Advance and Advance to MSMEs
- Analytical Procedure w.r.t. Other Asset & Liabilities
- Confirm Sundry and Suspense Account Balance for period more than 6 Month have been fully provided for in terms of RBI Guideline

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## Pre Sign Off Checklist

- Ensure register to be maintain for System Based/manual Overdraft/TOD Overdraft? Review the same
- Identify the borrowers where numerous cases of TOD transactions indicating Working Capital Stress
- Compliance of CERSAI
- Review of Financial Statement and ensure irregularities which requires adjustment in FS by way of MOC

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## Pre Sign Off Checklist

- Review selected stressed & seek CRILC Report for SMA1-SMA2 Accounts & ensure classification for further review and possible MOC/NPA classification
- Review of Interest & Penalty Parameter: Ensure Principal & Interest amount charge in account as per Sanction Terms
- Review OTS cases

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