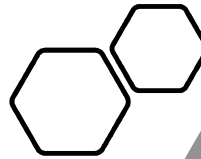


Effective tools for
Bank Audit



Audit Planning & Documentation

CA. Nayan R. Kothari

Vadodara



Strong Planning – Backbone of Auditor

"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 area

Poor Audit Quality

Audit Planning

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

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



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

Balance Sheet

Profit & Loss

LFAR

Tax Audit

Certificate

Understanding BANK AUDIT

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



Post Acceptance Procedure



ACCEPTANCE
LETTER



TIMELINE OF THE
ASSIGNMENT



AUDIT LOCATION &
SCHEDULE



REVIEW OF PRE
SIGN OF CHECKLIST



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



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

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

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

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

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

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

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



AUDIT DOCUMENTATION

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.

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

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

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.

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

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

What to Document ?

Other Bank / RBI balance confirmation

Management Representation Letter

Various other Audit documents / evidence considered in audit process.

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



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

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



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



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	

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

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`

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

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

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

