



Auditing *AROUND* the Computer: An approach in Bank branch audit in CBS Environment

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THOSE VIEWS ARE PERSONAL VIEWS & NOT THE VIEWS OF ICAI.

Compliance testing – Non Functional
Substantive testing – Functional

CBS Environment

Legal aspects: Observance of Standard on Auditing. Sec 143(9)

SA - IDENTIFYING AND ASSESSING THE RISK OF MATERIAL
MISSTATEMENT THROUGH UNDERSTANDING OF **ENTITY AND
ENVIRONMENT**

The auditor shall obtain an understanding of the information system, including the related business processes, relevant to financial reporting, including

- The procedures, within both information technology (IT) and manual systems, by which those transactions are initiated, recorded, processed, corrected as necessary, transferred to the general ledger and reported in the financial statements.

What are the areas which are computerized?

Take a review

Auditing With Computer...

Auditing Around Computer

Guiding Principles of LFAR:

**VERIFICATION OF DATA INTEGRITY AND DATA RELATED CONTROL
SYSTEMS AND PROCESSES SHOULD BE CARRIED OUT& BE
COMMENTED UPON WITH THE SPECIAL THRUST ON DATA INPUTS**

Major shift in Approach: Auditing Around the Computer ...

BOOKS AND RECORDS -

1. Whether there are any Software / Systems [Manual / otherwise] used at branches and which are not integrated with CBS: If Yes.. Give details...
2. Whether the Bank has laid down procedures for manual intervention to System generated data and whether there is proper authentication mechanism in place
3. In case branch is subjected to IS Audit are there any adverse features reported which have a direct or indirect bearing on branch accounts ...
4. Whether Branch is generating EXCEPTIONAL transactions report ... Detailed comments
5. FURNISH YOUR COMMENTS ON **DATA INTEGRITY** including Data Entry, its authorization,

SOME OTHER COMMENTS IN LFAR

ADVANCES:

Whether in Borrowal accounts the applicable interest rate is correctly fed ...?

Whether Interest rate is reviewed periodically to take care of floating rate linked to something like MCLR etc. ...

Whether DP is Computed Correctly ...?

PROFIT & LOSS A/C:

Test checking of Interest revealed excess/short credit of material amount ...?

GARBAGE IN ... GARBAGE OUT

GIGO

If INPUT is wrong ...

Then ...

OUTPUT has to be wrong ...

Documentation no doubt Important ...

But Necessary to check how the contents have gone into the System ...

SOME OF THE BANKING SOLUTIONS

Name of the Solution Provider	Name of the Product	Banks using the Product
INFOSYS	FINACLE	Bank Of Baroda Bank Of India Union Bank Of India
TCS	B@NCS	Bank of Maharashtra State Bank Of India Central Bank of India
I - FLEX	FLEX CUBE	Canara Bank

One word of caution ...

CBS Environment

Typically handles the situation through:

- Various Menu driven reports
- Various Exceptional reports
- Various Analytical reports / Customised Monitoring reports

Example - SMA Reporting

Mandatory

SMA - 0	01 - 30 Days Overdue
SMA - 1	31 - 60 Days Overdue
SMA - 2	61 - 90 Days Overdue

In case of CC accounts SMA - 0 is not applicable:

If o/st balance is continuously in excess of sanctioned limit or DP [Whichever is lower]

SMA - 0	Not Applicable
SMA - 1	31 - 60 Days Overdue
SMA - 2	61 - 90 Days Overdue

Where we get all this:

FINACLE

BANK OF BARODA:

**Most of the Monitoring reports pertaining to
LFAR are available on**

CEMU - [Central Exception Monitoring Unit] Portal

Union Bank of India:

**Credit Monitoring and Credit Compliance
- CMCC Portals**

PNB:

MIS Portal

B@NCS:

All in one Daily Folder

TYPICAL PARAMETERS for a Working capital Facility Account

Name of borrower

Constitution

Address

PAN

GST

Customer ID: **MOST IMPORTANT SUBJECT MATTER OF AUDIT**

Working Capital limit

Out of above Fund Based limit

Non Fund limit

Parametres continued ...

Whether Inter se change allowed	: Y/N
Margin on PAID Stock	: XX %
Margin on Book debts	: YY %
Stock statement frequency	: Days
Grace days after which DP to become Nil	: Days
DP Mode	: Derived/ Enabled
Credit rating	: RATING..
Whether the Interest rate linked to above	: Y/N
Next Review Date	: DD/MM/YYYY
Security code	: CODE
Sector code	: CODE

EXCEPTIONAL TRANSACTIONS REPORT

Debits to Income Account

Limit expired

Insurance expired

Balance exceeds Security value

Change of Master data

Dormant account activated

KYC Renewal due

Account needing special Scrutiny

OFFICE ACCOUNT

SUNDRY ADVANCES

SUNDRY DEPOSITS

PARKED ACCOUNTS

SUSPENSE ACCOUNTS

PAYMENT OIN BEHALF OF OTHER BRANCHES

CLEARING SUSPENSE

INTERFACE between modules

FAMS

BANK GUARANTEE MODULE- SFMS

Check the level of Interconnectivity with CBS .

OTHER TOOLS /UTILITY not having Interface with CBS:

Interest Subvention

Locker rent recovery/dues follow up

Menus from CBS reports: from Finacle

Audit Inputs Needed		Source
Loan Account Master Print		HLAMP
Selection of sample of a/cs		HACSP
Interest Table History		HINTTM
Account Limit History		HACLHM

Menus from CBS reports:

Audit Inputs Needed	Source
Limit a/cs overdue report	HLAROR
Loan Balancing report	HBR/ JOTRPT
Stock statement submitted	STKSTMT
TOD Report	HTODRPT

Menus from CBS reports:

Audit Inputs Needed	Source
Loan a/c repayment schedule	HLARSH
A/c turnover report	HATOR
Insurance expired	INSEXPD
Interest applied report	HAINTRPT

Menus from CBS reports:

Audit Inputs Needed	Source
Debits to Income A/c	HFTR
Exceptional transactions	HEXCPRPT
Age wise break up <small>for sundry assets</small>	HMSGOIRP
Age wise break up <small>for liabilities</small>	Same as above

Menus from CBS reports:

Audit Inputs Needed	Source
Guarantee issued & Liability Register	HGILR
Guarantee expired but not received	HGENR
Account lien maintenance	HALM
NPA Reports **	HNPARPT

Menus from CBS reports:TCS- Generally stored daily

Audit Inputs Needed	Source
Jotting report	Loan balance file
Office accounts- O/st items	BGL Reports/ age wise break up
Credit monitoring reports	SMA, Potential NPA, Out of order report, Loan disbursement during the period

Menus from CBS reports:

Audit Inputs Needed	Source
Exceptional transaction	Day end report
Sensitive Stationery/Security	VPIS
TCS REPORTs AVAILABILITY	is Comparatively easy

Menus from CBS reports:FINACLE

Important source	What you will get
HFTR- Bank induced Transfer- Credits	Mere Book entries
HFTR- Bank induced Transfer- Debits	
HLARA-	Details of reschedulements/restructuring

CASH CREDIT ACCOUNTS : Analysis

A/C NO	NAME	LIMIT RS LACS	CREDIT SUMMATIONS	DESIRED	ACTUAL	DEVIATION
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TAKE AWAY ...

TECHNOLOGY IS AN ENABLER..

Make best use of it...

Though Auditing with Computer may not be feasible ...

AUDITING AROUND THE COMPUTER IS VERY much the need of the Hour...

Have

TECHNOLOGY DRIVEN AUDIT

Make best use of System generated reports

Review /Renewal fall due diary, Interest Product Diary, Insurance fall due diary, BG issue register,

Big thank you ...

For sparing Your Weekend

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