

# **BANK BRANCH AUDIT AUDIT PLANNING & DOCUMENTATION**

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# Audit Planning??

💡 What's For ??



# How to Justify

## **Auditors' Responsibility**

3. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.
  - a. We have sought and obtained all the information and explanations, which to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory;
  - b. In our opinion, the transactions of the Bank which have come to our notice have been within the powers of the Bank; and
  - c. The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

# Duties & Responsibilities

(2) The auditor shall have the powers of, exercise the functions vested in, and discharge the duties and be subject to the liabilities and penalties imposed on, auditors of companies by <sup>2</sup>[section 227 of the Companies Act, 1956 (1 of 1956), <sup>3</sup>[and auditors, if any, appointed by the law establishing, constituting or forming the banking company concerned.]

Sec. 143 (9)- Auditors are required to comply with auditing standards

Compliance of Quality Control Standards.

# Myths--

- 💡 Bank Branch Audit is an Audit of Loans & Advances----
- 💡 Bank Branch Audit is an Audit for NPA.....
- 💡 Certification it's a last day signing work----

# Bank Branch Audit ---

## 🔑 Financial Statement Audit- Reasonable Assurance

- Financial Statement U/s 29 of B.R. Act.
- Audit U/s 30 of B.R. Act.
- Nationalized Banks Report U/s 10 (4) Of BANKING COMPANIES (ACQUISITION AND TRANSFER OF UNDERTAKINGS) ACT, 1970 & B.R. Act U/s 30 (3).
- LFAR – RBI requirement.

## 🔑 Tax Audit – True & Correct view

## 🔑 Gosh & Jilani Committee Report

## 🔑 Certification- Absolute Assurance

- Government Schemes

# What is required for Planning--

## 👤 Documentation of –

- 👤 Auditing Standards
- 👤 Accounting Standards
- 👤 Banking transactions related laws
- 👤 Master Directions & Master Circulars by RBI
- 👤 Government Schemes for Certification
- 👤 Bank Policies

## 👤 What to do with it ?

- 👤 Study it – Mark for action points- Prepare Check points in excel

sheet

## **Standards on Quality Control (SQCs)**

SQC 1, "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements"

Announcement on Amendment to SQC 1 - Retention Period for Engagement Documentation (Working Papers)

## **Audits and Reviews of Historical Financial Information**

### **New/Revised Standards (Auditing, Review and Others) issued under the Clarity Project**

#### **100-199 Introductory Matters**

#### **200-299 General Principles and Responsibilities**

SA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing  
SA 210, Agreeing the Terms of Audit Engagements  
SA 220, Quality Control for an Audit of Financial Statements  
SA 230, Audit Documentation  
SA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements  
SA 250, Consideration of Laws and Regulations in an Audit of Financial Statements  
Revised SA 260, Communication with Those Charged with Governance  
SA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management  
SA 299, Responsibility of Joint Auditors  
Revised SA 299, Joint Audit of Financial Statements

#### **300-499 Risk Assessment and Response to Assessed Risks**

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  
SA 330, The Auditor's Responses to Assessed Risks  
SA 402, Audit Considerations Relating to an Entity Using a Service Organisation  
SA 450, Evaluation of Misstatements Identified During the Audit

#### **500-599 Audit Evidence**

SA 500, Audit Evidence  
SA 501, Audit Evidence-Specific Considerations for Selected Items  
SA 505, External Confirmations  
SA 510, Initial Audit Engagements – Opening Balances  
SA 520, Analytical Procedures  
SA 530, Audit Sampling  
SA 540, Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures  
SA 550, Related Parties  
SA 560, Subsequent Events  
Revised SA 570, Going Concern  
SA 580, Written Representations

#### **600-699 Using Work of Others**

SA 600, Using the Work of Another Auditor  
Revised SA 610, Using the Work of Internal Auditors  
SA 620, Using the Work of an Auditor's Expert

#### **700-799 Audit Conclusions and Reporting**

SA 700, Forming an Opinion and Reporting on Financial Statements  
Revised SA 700, Forming an Opinion and Reporting on Financial Statements  
SA 701, Communicating Key Audit Matters in the Independent Auditor's Report  
SA 705, Modifications to the Opinion in the Independent Auditor's Report  
Revised 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  
Revised SA 706, Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report  
SA 710, Comparative Information—Corresponding Figures and Comparative Financial Statements  
SA 720, The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements  
Revised SA 720, The Auditor's Responsibilities Relating to Other Information

# SA -230 AUDIT DOCUMENTATION

## *Nature and Purposes of Audit Documentation*

2. Audit documentation that meets the requirements of this SA and the specific documentation requirements of other relevant SAs provides:
  - (a) Evidence of the auditor's basis for a conclusion about the achievement of the overall objectives of the auditor; and
  - (b) Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.
3. Audit documentation serves a number of additional purposes, including the following:
  - ◆ Assisting the engagement team to plan and perform the audit.
  - ◆ Assisting members of the engagement team responsible for supervision to direct and supervise the audit work, and to discharge their review responsibilities in accordance with SA 220<sup>3</sup>.
  - ◆ Enabling the engagement team to be accountable for its work.

# SA -230 AUDIT DOCUMENTATION

- 🗨️ Are credit card dues recovered promptly?
- 🗨️ Have the controlling authorities of the bank laid down any guidelines with respect to conduct and operations of Inoperative Accounts? In the cases examined by you, have you come across instances where the guidelines laid down in this regard have not been followed? If yes, give details thereof.
- 🗨️ Whether the branch has a system to compute discrepancies in interest/discount and for timely adjustment thereof in accordance with the guidelines laid down in this regard by the controlling authorities of the bank? Has the test checking of interest revealed excess/ short credit of a material amount? If so, give details thereof.

# Planning is ---

🧠 Not only to decide who, when will perform the activities---

🧠 But How activities will be performed ? Developing SOPs.

🧠 Audit & Certification area wise

🧠 Information required

🧠 Auditors Verification aspects

🧠 Check points for transactions related Legal compliance

🧠 Check points for transaction related regulatory compliance

🧠 Check points for transaction related bank policy compliance

🧠 Evidences for auditors opinion or conclusion

# Planning is ---

- 💡 Excel file- with SA wise excel sheet – check points – document maintained for it- able to prove audit conducted as per SAs.
- 💡 E.g. Basis for sampling for verification of loans and advances as per Guidance notes
- 💡 Sampling for verification of profit and loss accounts items
- 💡 How the risk assessed in the business or transaction process flow?

# E.g. Risk Assessment

| SR.NO. | AUDIT AREA       | Risk Assessed                               | Document/Process verified | Coverage in Check Points | Sample size |
|--------|------------------|---------------------------------------------|---------------------------|--------------------------|-------------|
| 1      | NPA              | Incorrect Classification of Assets          |                           |                          |             |
|        |                  | Incorrect Provision Calculation             |                           |                          |             |
|        |                  | Non availability of latest valuation report |                           |                          |             |
|        |                  | Non reversal of income                      |                           |                          |             |
|        |                  |                                             |                           |                          |             |
|        |                  |                                             |                           |                          |             |
| 2      | Service Charges  | Revenue leakage in Processing Charges       |                           |                          |             |
|        |                  | Non Collection of GST                       |                           |                          |             |
|        |                  |                                             |                           |                          |             |
| 3      | Loans & Advances | LTV ratio not maintained as RBI circular    |                           |                          |             |
|        |                  | CERSAI registration not done                |                           |                          |             |
|        |                  | CIC compliance not done                     |                           |                          |             |

# Planning is ---

## 🧠 Developing audit and certification area wise

- 🧠 Excel based check points
- 🧠 List of documents to be verified for the purpose
- 🧠 Horizontal (Month wise, Year wise comparison) , Vertical (%age of base amount) & Ratio Analysis format

## 🧠 Check points to Cover-

- 🧠 Legal Compliance
- 🧠 Regulatory Compliance
- 🧠 Bank Policy Compliance

## 🧠 Achieve Objectives of-

- 🧠 Risk Assessment and sample size verified
- 🧠 List with number of records verified
- 🧠 Provides confidence for Audit Report and LFAR remarks

# USE of AI

# RBI CIRCULAR

🧠 IRAC CIRCULAR

🧠 KYC DIRECTIONS

🧠 WILFUL DEFAULTERS DIRECTION

🧠 PRIORITY SECTOR LENDING

🧠 HOUSING FINANCE

🧠 INOPERATIVE / UNCLAIMED DEPOSITS

🧠 COUNTERFEIT CURRENCY NOTE

🧠 KEY FACT STATEMENT

🧠 DEPOSIT MASTER DIRECTION

# Documentation

- 🔑 Compliance File for work performed as per SA.
- 🔑 Excel file to demonstrate risk assessed for various business and transaction processes under audit.
- 🔑 Legal / Regulatory material considered for developing SOP or Check Points.
- 🔑 Audit area wise /Certification wise Check Point files.
- 🔑 Copies of Reports/ Documents collected as evidence.
- 🔑 Communication about area wise clarification sought, information

***Audit documentation*** – The record of audit procedures performed, relevant audit evidence obtained, and conclusions the auditor reached (terms such as “working papers” or “workpapers” are also sometimes used).

# SA-701- Communicating Key Audit Matters in the Independent Auditor's Report

**Key audit matters—** Those matters that, in the auditor's professional judgment, were of most significance in the audit of the financial statements of the current period. Key audit matters are selected from matters communicated with those charged with governance.

- (a) Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with SA 315.<sup>5</sup> (Ref: Para. A19–A22)
- (b) Significant auditor judgments relating to areas in the financial statements that involved significant management judgment, including accounting estimates that have been identified as having high estimation uncertainty. (Ref: Para. A23–A24)
- (c) The effect on the audit of significant events or transactions that occurred during the period. (Ref: Para. A25–A26)

# SA- 701- Communicating Key Audit Matters in the Independent Auditor's Report

These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and the auditor does not provide a separate opinion on these matters. (Ref: Para. A31–A33)

## *Key Audit Matters Not a Substitute for Expressing a Modified Opinion*

### **Documentation**

18. The auditor shall include in the audit documentation:<sup>6</sup> (Ref: Para. A64)
- (a) The matters that required significant auditor attention as determined in accordance with paragraph 9, and the rationale for the auditor's determination as to whether or not each of these matters is a key audit matter in accordance with paragraph 10;
  - (b) Where applicable, the rationale for the auditor's determination that there are no key audit matters to communicate in the auditor's report or that the only key audit matters to communicate are those matters addressed by paragraph 15; and
  - (c) Where applicable, the rationale for the auditor's determination not to communicate in the auditor's report a matter determined to be a key audit matter.

# Quality Review Board

- 🔔 The Quality Review Board (hereinafter “QRB”/ “the Board”) has been set up by the Central Government under section 28A of the Chartered Accountants Act, 1949.
- 🔔 (a) Criteria based on companies whose accounts have been audited - the audited accounts of companies having wider public interest, such as listed companies.
- 🔔 (b) Criteria based on Audit Firms auditing the accounts - Selection of audit firms may also be made for review of their work on random basis, the volume of work handled by them represented by the number and nature of clients, their involvement in sectors that may be identified as facing high risk, as well as on account of their reported involvement in fraud or

# SQC 1 (STANDARD OF QUALITY CONTROL) CHECKLIST

- 🔑 SQC - Firm's responsibilities for its system of quality control for audits.
- 🔑 *The firm should establish a system of quality control designed to provide it with reasonable assurance that the firm and its personnel comply with professional standards and regulatory and legal requirements, and that reports issued by the firm<sup>3</sup> or engagement partner(s) are appropriate in the circumstances.*
- 🔑 Development of Policies and Procedure for-
  - 🔑 Leadership Responsibilities for Quality within Firm
  - 🔑 Compliance of Ethical Requirements
  - 🔑 Client Engagement Process
  - 🔑 Engagement Performance Process

🔑 Monitoring

# SQC 1 CHECKLIST

## 🧠 Leadership Responsibilities-

- 🧠 Perform work that complies with professional standards and regulatory and legal requirements.
- 🧠 Issue reports that are appropriate in the circumstances.
- 🧠 Assignment of responsibilities so that commercial considerations do not override the quality of work performed;
- 🧠 policies and procedures addressing performance evaluation, compensation, and promotion.

# SQC 1 CHECKLIST

- 🔦 Policy & Procedure for Compliance of Ethical Requirements in General and for Assignments.
- 🔦 Engagement Partner to communicate details of Engagement and firm to evaluate the impact of independence requirements.
- 🔦 Confirmation of Independence from all the personnel of the firm.
- 🔦 Develop Client Engagement Documentation.
- 🔦 Communication with previous professionals.
- 🔦 Background searches and inquiry from third party about

# SQC 1 CHECKLIST

- 🔦 Development of documentation to confirm the firms capabilities, competence, time and resources to perform engagement.
- 🔦 Consideration for Conflict of Interest.
- 🔦 Policy and Procedure for withdrawal from engagement.
- 🔦 HR policy for recruitment and training.
- 🔦 Documentation of engagement team and their roles and responsibilities.
- 🔦 Process to confirm engagement is performed as per professional standards and as per legal /regulatory

# SQC 1 CHECKLIST

- 🧠 Policy and Procedure for Engagement Documentation.
- 🧠 Retention and ownership of documentation.
- 🧠 Review and Monitoring of Engagement Performance.
- 🧠 Process to resolve differences of opinions.
- 🧠 Process for Engagement Quality Control Review.

