



# *Compliance tests and substantive tests 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

(1) 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:**

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**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...

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## 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*

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### **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

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If **INPUTS** is wrong....

Then..

**OUTPUT** has to be wrong...

Documentation no doubt Important..

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

One example....

# TYPICAL PARAMETRES for a Working capital Facility Account

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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

# Paramatres continued..

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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

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Debits to Income Account

Limit expired

Insurance expired

Balance exceeds Security value

Change of Master data

Dormant account activated

KYC Renewal due

# Some typical substantive tests:

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## **Resolution framework: May 2021**

FUNDED INTEREST TERM LOAN- FITL

REARRANGEMENT OF REPAYMENT SCHEDULES /MORATORIUM.....

# Account needing special Scrutiny

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OFFICE ACCOUNT

SUNDRY ADVANCES

SUNDRY DEPOSITS

PARKED ACCOUNTS

SUSPENSE ACCOUNTS

PAYMENT OIN BEHALF OF OTHER BRANCHES

CLEARING SUSPENSE

# INTERFACE between modules

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FAMS

BANK GUARANTEE MODULE

Check the level of Interconnectivity with CBS .

OTHER TOOLS /UTILITY not having Interface with CBS:

Interest Subvention

Locker rent recovery/dues follow up



# SOME USEFUL Keys at your Finger Tip [ FINACLE]

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ACLI	: Account ledger Enquiry
Control E	: Can view the second effect of the transaction
Control D	: Page down
F3	: Back to Original
ACM	: <b>ACCOUNT MASTER MAINTENANCE</b>
ACLHM	: Account Limit History Maintenance
LTL	: Limit Tree Look out [ Utilisation of Limits]
ATOR	: <b>ACCOUNT TURNOVER REPORT</b>

# Continued..

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AINTRPT	: Interest report for a Particular account
SRM	: Security Register Maintenance
ALM	: Account Lien Maintenance
GI	: Guarantee Inquiry [ F/ P]
ACINT	: Interest calculation
ACTODM	: TOD Maintenance.. Cheque the frequency of TOD
ACLPOA	: Office account Printing
BCREPORT	: Bankers cheques issued and o/st
EXCRPT	: <b>EXCEPTIONAL TRANSACTIONS REPORT</b>

# CASH CREDIT ACCOUNTS : Analysis

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

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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....

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For sparing Your Week end

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