



# 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:**

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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

## GIGO

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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

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Typically handles the situation through:

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

# Example - SMA Reporting

## Mandatory

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<b>SMA - 0</b>	<b>01 - 30 Days Overdue</b>
<b>SMA - 1</b>	<b>31 - 60 Days Overdue</b>
<b>SMA - 2</b>	<b>61 - 90 Days Overdue</b>

# **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]**

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<b>SMA - 0</b>	<b>Not Applicable</b>
<b>SMA - 1</b>	<b>31 - 60 Days Overdue</b>
<b>SMA - 2</b>	<b>61 - 90 Days Overdue</b>

# Where we get all this:

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**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 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

# Parametres 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

# 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- 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 ...

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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 Weekend

CA. Kiran Kunte