

Exclusive seminar on Bank Audit through Core Banking System

**Organized by Jalandhar Branch of NIRC of
ICAI on 4th March, 2017**

- Topics: i) **Bank Audit under CBS Environment
(Focus on Finacle and BANCS)**
- ii) **Issues in NPA identification, Revenue
Leakage, Forex Transactions & Office
Accounts Review through CBS System –
Case Studies along with Bank Audit
Activity through CBS (LFAR & Tax Audit
Requirements)**

Sessions by: **CA. Kuntal P. Shah, Ahmedabad**

Sections

- | | |
|-------------|--|
| Section – 1 | Bank Audit under CBS Environment (Focus on Finacle and BANCS) |
| Section – 2 | Presentation on Issues in NPA identification, Revenue Leakage, Forex Transactions & Office Accounts Review through CBS System – Case Studies and Bank Audit Activity through CBS (LFAR & Tax Audit Requirements) |
| Section – 3 | Note on Review of Demonetization Activity by Chartered Accountants in Banks published by ICAI. |
| Section – 4 | Chapter on “Core Banking System” of Manual on Concurrent Audit of Bank published by ICAI. |

Section – 1

**Presentation on Bank
Audit under CBS
Environment (Focus on
Finacle and BANCS)**

Bank Audit under CBS Environment – (Focus on Finacle and BANCS)

Session By: CA. Kuntal Shah,
Ahmedabad

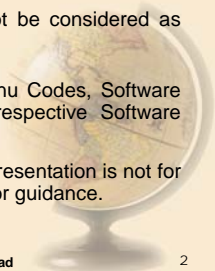


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Session Details

- **Part – 1**
 - ✦ Software Usage in Banks
 - ✦ Usage of Finacle & BANCS
- **Part – 2**
 - ✦ Data Extraction from FINACLE

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Session -1 Overview

• General Concepts of CBS and of Finacle

- Security in Finacle
- Overview of Finacle
- Various Menu Commands / Options of Finacle in detail
- Various Menu Commands / Options of BANCS in detail
- Upgrades / Changes in Finacle 10.X

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General Concepts in Finacle

• SOL ID and Set ID

- ✦ SOL: Service OutLet ID i.e. Branch, Back Office etc.
- ✦ SET ID: Branch / Back Office who initiated the transaction

• Tran ID & Date

- ✦ A unique No. generated after completion of Transaction through TM Module. The said number alongwith Date can track a particular transaction from Database.

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General Concepts in Finacle

• Transaction Type & Subtype

- ✦ Tran Type: E.g. Cash: "C", Transfer: "T"
- ✦ Sub Tran Type: E.g. CR – Cash Receipt, CP: Cash Payment

• Account No. Formation

- ✦ Separate series of Account Nos. for different Types of Accounts
 - E.g. An Account No. 0099 05 014678 – is made up of Branch Code i.e. "0099", Account Type – "05" say Current Account and Account No. – "014678"

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General Concepts in Finacle

- Master Level Configurations
- Account Level Configurations
- Pointing Type Accounts
- Interest Table Maintenance
- Interest Flags
- Register Type & Subtype (Trade Transactions)

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General Concepts in Finacle

- Withholding Tax Flags
- Freeze Flags (Debit, Credit and Both)
- General Ledger Concepts
 - ✦ GL → GL Subhead → Account
- Functions available at Entry / Modification Stage
 - ✦ A = Add , I = Inquire, M = Modify, D = Delete, V=Verify, X = Cancel

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General Concepts in Finacle

- Transactions Events by user Category
 - ✦ Entered by
 - ✦ Posted by
 - ✦ Verified by
 - ✦ Deleted by
 - ✦ Modified by
- Exception Types
 - ✦ Warning – Warns user for possible errors based on prefixed criteria
 - ✦ Exception – Allows user to override. However, the transaction will be recorded in Exception Report for the day
 - ✦ Error – Do not allow user to proceed further. Unless the correct values are filled in the user is not allowed to go further.

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General Concepts in Finacle

- **Maker & Checker Matrix for Valid Transaction**

- ✦ There has to be two persons as Maker and Checker.

| Maker can | Checker Can |
|----------------|-------------|
| Enter | Post |
| Enter & Post * | Verify |

* Posting activity depends upon Rights assigned to each user ID

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General Concepts in Finacle

- **Inventory Locations**

- ✦ ZZ/EXT, DL, FL, EM

- **Limit and Limit Node Concept**

- ✦ Credit Limits can be set at Account Level as well as at Node Level for deriving the Drawing Power for a customer. In case the limits are set at Node Level then the following are the advantages:
 - ✦ Managing two or more accounts with drawing power deriving from the same security.
 - ✦ Interchangeability of limits among different accounts.
 - ✦ Monitoring the overall exposure to a single client / group of clients.
 - ✦ Exposure to a select commodity / security. *Limit Node Maintenance* helps you to build these requirements in the limit management

Cont ...

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General Concepts in Finacle

- **Limit Node Concept:**

- ✦ Limit nodes are used to group accounts under one node to enable easy monitoring and organization. A limit node can be linked to a security for deriving drawing power. Distribution of overall group (group may be a group of clients or a group of accounts) limits to individual members (members may be accounts or clients) is possible through creation of Parent Node and Child Nodes. It would be interesting to note that limits of every child node can further be distributed to group of accounts or clients. This is diagrammatically explained below.

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General Concepts in Finacle

- The table represents the limits sanctioned to a client with the following conditions

| Facility Type | Particulars | Limit (Rs.Lakhs) | Remarks |
|-----------------------------|---------------|------------------|--|
| Funded | Term Loan | 225 | Funded Limit Cap is 500 Lakhs Upper Limits fixed in each type of Facility |
| | WCDL | 75 | |
| | CC | 200 | |
| | BP / FBP / BD | 50 | |
| Total Funded Facilities | | 500 | |
| Non-Funded | LC | 300 | Non Funded capping is at Rs. 500 Lakhs |
| | BG | 300 | |
| Total Non-Funded Facilities | | 500 | |
| Total Company Exposure | | 1000 | Total Exposure to Company should not exceed 1,000 Lakhs |

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Session -1 Overview

- General Concepts of CBS and of Finacle
- Security in Finacle**
- Overview of Finacle
- Various Menu Commands / Options of Finacle in detail
- Various Menu Commands / Options of BANCS in detail
- Upgrades / Changes in Finacle 10.X

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Security in Finacle

- Multiple levels of security
- OS Level
 - No access to OS
 - OS and application level profile
 - Direct login to application menu
- Database level
 - Protection from external updating
- Application level
 - Menu level
 - User level
 - Product level
 - Account level
 - Transaction level
- Dual control for all transactions
 - Maker-Checker Concept
- Controlled error handling through exceptions
 - (1) Warning (2) Exception (3) Error

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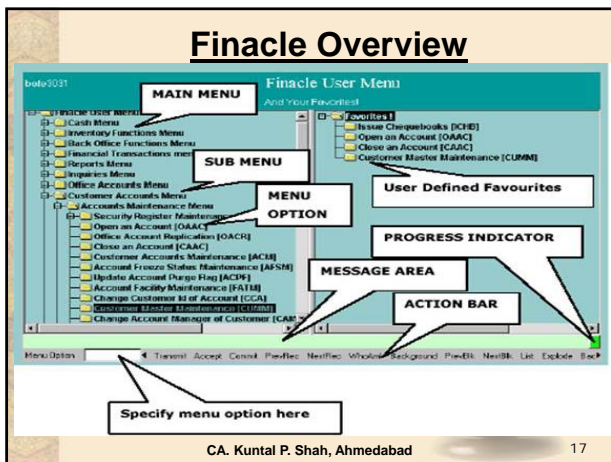
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Finacle Overview



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Finacle Overview

- **Menu Block:** The block houses all the menu and sub-menu options available in Finacle.
- **Menu Option Block:** Menu Code to be entered to gain access to the respective menu.
- **Action Bar:** User can execute the process of Finacle Operations by clicking on various options on this bar. The Hot-Keys are also assigned for all options, which appear on the bar.
- **Message Bar:** The message Bar displays warnings, exceptions, errors or Lists under a specific field code.
- **Favorites:** Menu items which are required and used on Regular basis can be put in favorites by copying from Menu Block. As a one time process Specific Menu Item which is required to be copied to Favorites should be located in Menu Block and with the use of Drag and Drop the function can be stored under Favorites menu.
- **Progress Indicator:** It shows the progress of the action initiated through the use of Colours (i.e. Green indicates that the System is "Ready" for processing and Red indicates that the "System is busy in Processing Activity).

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Finacle General Key Map

| Physical Key | What does it do? |
|--------------|---|
| F1 | Field level help. Like in several word processors and spreadsheet packages, F1 displays context sensitive help messages and field level help messages. |
| F2 | List. This key lists the codes that may be used in a particular field. |
| F3 / Esc | Quit/ Back. Quits and takes the user back to where he started when in action. It can be used when the input is incorrect and the user wants to abandon what he has been doing. It can also be used to go back to the previous menu. |
| F4 | Accept. After the user has completed the input, this key can be used to accept the data. |
| F5 | Background Menu |
| F6 | Next Block |
| F8 | Copy Record |
| F9 | Display Signature |

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Finacle General Key Map

| Physical Key | What does it do? |
|--------------|---|
| F10 | Commit/ Save. This is very important key and this concludes the transactions. This is the commit and transactions get into the General Ledger (database) when this key is used. |
| F11 | Next field |
| F12 | Previous Block |
| TAB | Go to next valid field |
| ENTER | Go to the next field |
| CTRL+F1 | Help maintenance |
| CTRL+F3 | Show key map |
| CTRL+F4 | Display error |
| CTRL+F8 | Terminal lock |
| CTRL+F9 | Memo pad look up |
| CTRL+F11 | Context level help |

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Finacle General Key Map

| Physical Key | What does it do? |
|--------------|--|
| CTRL+D | Page down on a list |
| CTRL+E | Explode. This key is particularly useful for the further inquiry . |
| CTRL+F | Clear field. This key combination can be used when the user wants to clear the field. |
| CTRL+T | Display LGI. The user ID, Terminal ID, SOL, BOD Date and language details are displayed. |
| CTRL+U | Page up on a list |
| CTRL+X | Put BOD date. This key combination populates the default BOD date in the field. |
| SHIFT+F4 | Select the current item from the list. This key combination can be used to select a value from the list of valid values listed for a particular field. |
| SHIFT+F11 | Transmit |
| SHIFT+TAB | Go to the previous field |

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Various Menu Commands / Options in Finacle in detail

- Command List Categories
 - ✦ Accounts and Customer Master
 - ✦ Transactions
 - ✦ Clearing Transactions
 - ✦ Office Account Maintenance
 - ✦ Advances
 - ✦ DD / PO Inquiry
 - ✦ Security Stationery Movement and Maintenance
 - ✦ Cheque Book Issuance & Stop Payment Instructions
 - ✦ Compliances
 - ✦ Trade Finance
 - ✦ Audit

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Accounts and Customer Master

CUMM (Entry as well as Inquiry Option) [Fin.10x-CRM Module]

- **Acronym** for: Customer Master
- It houses basic details about customer viz. Name, Address, DOB / DOI, TDS Category, Financial Details, ID Proof / Introducer Details etc.
- **Concept**
 - ✦ CUST ID Concept and Accounts of Customer under CUST ID. Unique No. generated by the system. The number is not Branch Specific.
- **Use**
 - ✦ To verify the Master details updated for the customer. Few Parameters have direct impact on Accounts opened under CUST ID. E.g. TDS Exemption Flags at Customer Master Level
- **Issues**
 - ✦ Issues if multiple CUST IDs have been opened for Customer.

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Accounts and Customer Master

ACLI (Only Inquiry Option) [Fin.10.x- HACLI & HACLINQ]

- Acronym for: Account Ledger Inquiry
- Concept
 - ✦ Balance Type (Opening Balance, Closing Balance, Available Balance, Effective Available Balance and Shadow Balance)
- Use
 - ✦ It is used to verify the list of Transactions (both Credit and Debit) for a Account for the given period.
 - ✦ It contains Dynamic Data. Data can further be explored and drives through the Transaction Origination Point.
 - ✦ It also provide certain basic details with respect to Account as Header like Account Name and Description, Op. & Cl. Balance, Available Balance and Effective available balance, Currency, GL Subhead Code, Account Type, Account Open Date, Account Closed Date, Account Status and Date from which the said status is in effect, Funds in Clearing etc.

Cont ...

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Accounts and Customer Master

ACLI (Only Inquiry Option) (Cont...)

- Tip:
 - ✦ To go to Account Master Level configuration page mention account no. After opening ACLI Menu. Press "Explode" Key to directly go into ACM. In Finacle menus are inter-linked at various places. Due to which it gives flexibility of tracing the details / verification of complete Audit Trail

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Accounts and Customer Master

ACM [Fin.10.x- HACM, HACMTD]

- Acronym for: Account Master
- Use
 - ✦ It is used to verify the Account Level configurations and details.
 - ✦ It provides basic details like Cust ID, GL Subhead Code, Account Type, Interest Rate etc.

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Accounts and Customer Master

INTTM

[Fin.10.x- HINTTM]

- Acronym for: Interest Table Master

- Use

- ✦ It is used to modify interest Rate for Deposits and Advances Account



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Accounts and Customer Master

ACINT

- Use

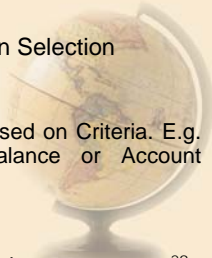
- ✦ It is used to verify running Interest Calculations

ACS

- Acronym for: Account Criterion Selection

- Use:

- ✦ It is used to find Account based on Criteria. E.g. Account with Negative Balance or Account containing name "ABC" etc.



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Transactions

TM & TI [Fin.10.x- HTM, HTI]

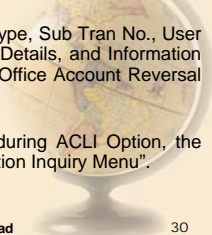
- Acronym for: Transaction Maintenance and Transaction Inquiry

- Use:

- ✦ The menu is used to carry out Transactions in Finacle.
- ✦ With the use of Tran ID and Date the transaction can be located from TI / TM Menu.
- ✦ It contains Tran Type, Part Tran Type, Sub Tran No., User Details, Foreign Exchange Rates Details, and Information on Originating Transaction for an Office Account Reversal Entry.

- Tip:

- ✦ When "Explode" key is pressed during ACLI Option, the Finacle takes the user to "Transaction Inquiry Menu".



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Transactions

FTI *[Fin.10.x- HFTI, HFTR (Report)]*

- Acronym for: Financial Transaction Inquiry
- Use:
 - ✦ It is used to find a Transaction based on various search criteria.
 - ✦ The Menu option houses various search parameters based on which the transaction can be located.
 - ✦ The menu option is having exceptional capacity to locate any transaction from entire database. It only requires user to put certain criteria.
- Tip:
 - ✦ It is important for the Auditors to know each Search parameters and its mapping at the time of Transaction Processing. Without the knowledge of parameters used in Transaction processing, FTI will be a toothless weapon.
 - ✦ The option should be used sensibly (i.e. with as much parameters as possible) since, it affects the retrieval speed and also increases pressure on Central Database.

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Clearing Transactions

OCTM *[Fin.10.x- HOCTM]*

- Acronym for: Outward Clearing Transaction Maintenance
- Use:
 - ✦ The menu option is used for lodgment of Outward Clearing instruments under a zone.
 - ✦ Clearing Zone must have been opened in the first step to make use of OCTM Option.

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Clearing Transactions

ICTM *[Fin.10.x- HICTMO]*

- Acronym for: Inward Clearing Transaction Maintenance
- Use:
 - ✦ The menu option is used for lodgment of Inward Clearing instruments under a zone.
 - ✦ Clearing Zone must have been opened in the first step to make use of ICTM Option.

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Clearing Transactions

MCLZOH [Fin.10.x– HMCLZOH]

- Acronym for: Maintain Clearing Zone

- Use:

- ✦ The menu option is used to open, to close and to release the Clearing Zones.
- ✦ Opening of Zone is the primary step before lodgement of cheques for Inward or Outward Instruments.
- ✦ Zone facilitates in combining instruments of same type / category. It also helps in Cross Checking and Error Detection.

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Office Accounts Maintenance

ACLPOA [Fin.10.x– HACLPOA]

- Acronym for: Account Ledger Print Office Account

- Use:

- ✦ It is useful in Printing Account Ledger for an office Account.
- ✦ Printing of all the accounts other than office account is done through PSP / ACLPCA Mode.

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Office Accounts Maintenance

IOT [Fin.10.x– HIOT]

- Acronym for: Inquire on Transactions

- Concepts:

- ✦ Pointing Type, Reversal Type, Reversal Method

- Use:

- ✦ It is used to inquire on Office Account Transactions viz. Suspense / Office Accounts
- ✦ As discussed during Concepts stage the office Accounts are opened with Pointing Type Account capability, wherein each originating transaction is required to be settled by corresponding Reversal Transaction.
- ✦ The Menu option is used to track and search transactions based on its status (i.e. Reversed, Part Reversed, Not Reversed etc.)

- Issues:

- ✦ Reversal Discipline, Fraught with Fraud Risk, Reversal issues

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Advances

SRM [Fin.10.x– HSCLM]

- Acronym for: Security Register Maintenance

- Concepts:

- ✦ For Setting up of Drawing Power in any Account wherein Facility is sanctioned based on Security, this menu option is used.
- ✦ The Concept of Maintenance of Security Register is not new. In earlier times the same use to take place in Physical Register. However, updation of manual register takes lot of time and energy. Moreover, it does not give Real Time updation about Security, Insurance Coverage, Margin Requirements, Nature of Security, Last Valuation Date, Default in submission of Debtors and Stock Statement, Penal Interest for Default in submission of Statements etc.

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Advances

SRM

- Use:

- ✦ SRM is used for maintenance of security and drawing power allocation in respect of all advance accounts where drawing power is derived from securities.
- ✦ The option, if used diligently and correctly, gives excellent result when compared to manual register.

- Issues:

- ✦ It is generally observed that the Bank Officials do not update stock / debtors statement receipt details in SRM
- ✦ Moreover, Insurance dates are also not filled in / updated properly.
- ✦ Date of Valuation of Assets under Hypothecation is not filled up. On account of the same, when Account becomes NPA old papers are required to be searched through. Moreover, if the details are not filled in it can not be tracked what is the Age of Security Valuation.

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Advances

ALM [Fin.10.x– HALM]

- Acronym for: Account Lien Maintenance

- Use:

- ✦ It is used to mark / lift Lien from Account. If the lien is marked on the Account system does not permit user to carry out transactions which are not consistent with lien particulars.

- ✦ For carrying out of Transaction in such account, Lien is required to be lifted in order to process the Transaction.

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Advances

ACTODM [Fin.10.x- HACTODM]

- Acronym for: Account TOD Maintenance
- Use:
 - ✦ The option is used to allow overdraw then the prescribed limit. It is a Credit Decision taken by the official / authorizer. On setting up of TOD the system allows user to process the transaction beyond the regular limit setup at Account Level.
 - ✦ TOD can be System Generated or can be User Generated. The only difference between the two is System at the time of processing any transaction at the backend viz. Interest Application finds the limit insufficient for debit grants TOD to process the transaction. Whereas, User Generated TOD is allowed manually by user as per available Credit Powers for case to case basis.
 - ✦ TOD can be of Single Type, Running Type or of Ad-hoc Type. Single Type TOD is applicable for Specific Purpose / Transactions and used only once. Running Type and Ad-hoc Type TODs allow client to operate within the prescribed limit for the defined period.

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Advances

PSP [Fin.10.x- HPSP]

- Acronym for: Pass Sheet Print
- Use:
 - ✦ It is used to print Ledger Account / Account Statement for Client.

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Advances

LAGI

- Acronym for: Loan General Inquiry
- Use:
 - ✦ It is used to inquire Loan Account details.

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Advances

LAOPI

- Acronym for: Loan Overdue Position Inquiry
- Use:
 - ✦ It is used to inquire Overdue / Overflow position for a Loan.
 - ✦ Principal as well as Interest Overdue position can be verified for a given account



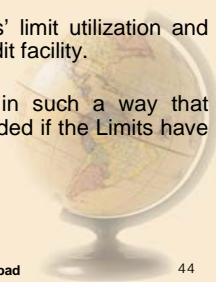
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LTL

- Acronym for: Limit Tree Lookup
- Use:
 - ✦ It is used to monitor clients' limit utilization and available limit for further credit facility.
 - ✦ The system is configured in such a way that credit facilities are not extended if the Limits have not been or are insufficient.



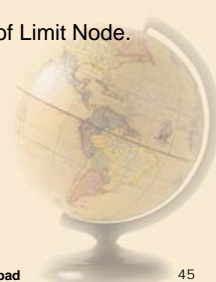
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Advances

LNDI

- Acronym for: Limit Node Inquiry
- Use:
 - ✦ It is used to inquire position of Limit Node.



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Advances

ACLHM [Fin.10.x– HACLHM]

- Acronym for: Account Limit History Maintenance
- Use:
 - ✦ It is used to verify history of Drawing Power and Sanctioned limit for an account.
 - ✦ It gives periodwise details for DP and SL.

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AINTRPT [Fin.10.x– HAINTRPT]

- Acronym for: Interest Report for Accounts
- Use:
 - ✦ It is used to generate report on details for Interest for an account.

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Advances

INTPRF [Fin.10.x– HINTPRF]

- Acronym for: Interest Proof Report
- Use:
 - ✦ To check the detailed computation of already completed Interest Run.
 - ✦ Important Field: Interest Run Date
 - ✦ Source: Interest Transaction – Narration Field

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Advances

OAAC

- Acronym for: Open an Account
- Use:
 - ✦ As the word suggest the option is used to open an account of customer.
 - ✦ Details punched in can be verified through ACM mode once the account is opened in System.

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DD / PO Inquiry

DDSM [Fin.10.x- HDDSM]

- Acronym for: DD Status Maintenance
- Use:
 - ✦ It is used to verify the Status of DD / PO Issued.

DDIP [Fin.10.x- HDDIP]

- Acronym for: Inquiry on Specific DD Paid
- Use:
 - ✦ It is used to verify the Payment Status of specific DD / PO Issued.
 - ✦ It should be checked for the cases where requests for reissue of DD / PO are received due to Lost of Original DD / PO.

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Security Stationery Movement and Maintenance

ISRA [Fin.10.x- HISRA]

- Acronym for: Inventory Status Report
- Use:
 - ✦ The report gives details of Security Stationery available under each location in a SOL ID.
 - ✦ The Security Stationery physically available with all the bank employees should be verified based on this report.

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Security Stationery Movement and Maintenance

IMI

[Fin.10.x- HIMI]

- Acronym for: Inventory Movement Inquiry
- Use:
 - ✦ The menu option is used to verify the entries for movement of inventory from one location to another.



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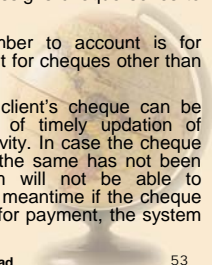
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Cheque Book Issuance & Stop Payment Instructions

ICHB

[Fin.10.x- HICHB]

- Acronym for: Issue Cheque Books
- Use:
 - ✦ The menu option is used to issue cheque books to account holder. On issuance the system assigns cheque series to the account.
 - ✦ The assignment of cheque number to account is for Security Reasons. It prevents debit for cheques other than those issued to client.
 - ✦ In CBS Environment where the client's cheque can be presented anywhere importance of timely updation of Cheque Book is an important Activity. In case the cheque book is issued from Branch and the same has not been updated in System, the system will not be able to incorporate the series. During the meantime if the cheque from the said series is presented for payment, the system will throw an error.



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Cheque Book Issuance & Stop Payment Instructions

CHBM

[Fin.10.x- HCHBM]

- Acronym for: Cheque Book Maintenance
- Use:
 - ✦ It is used to verify and maintain cheque book series issued to an account.
 - ✦ It shows position of cheques in following manner.
 - P = Passed
 - U = Unused
 - S = Stopped
 - C = Cautioned
 - D = Destroyed
 - R = Returned unpaid



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Cheque Book Issuance & Stop Payment Instructions

SPP

[Fin.10.x- HSPP]

- Acronym for: Stop Payment of Cheque
- Use:
 - ✦ It is used to mark stop payment to a cheque or cheque series.
 - ✦ The function can be used in Inquire mode to verify timely updation of Stop Payment Requests and collection of prescribed charges for processing of application.
- Tip:
 - ✦ Use SPRG **[Fin.10.x- HSPRG]** menu to generate and print a report on all Stop Payment Transactions during the prescribed period.

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Compliances

TDSIP

[Fin.10.x- HTDSIP]

- Acronym for: TDS Inquiry / Print
- Use:
 - ✦ The menu option is used to verify and inquire TDS details.

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Compliances

AFSM

[Fin.10.x- HAFSM]

- Acronym for: Account Freeze Status Maintenance
- Use:
 - ✦ It is used to mark / lift Freeze at Account Level. Freeze marking can be for any reasons viz. on receipt of Tax Recovery Notice, on receipt of Notices as per various statutes to suspend the operation.
 - ✦ Freeze can be of Debit Freeze, Credit Freeze or Total Freeze.
 - ✦ The system does not permit any transactions based on the Freeze Code. To carry out the Transaction Freeze is required to be lifted.

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Trade Finance

i) Bills Related

a. INBOEM

[Fin.10.x- HINBOEM]

It is used to verify the Bill of Entry received details updated. Details of BOEs are updated against Import Bill Ref. Nos.

b. BM & BI **[Fin.10.x- For Import & Inward Bill - "MIIB" and For Export & Outward Bill "MEOB"]**

- Acronym for: Bills Maintenance and Bill Inquiry (Inland)
- Use:
 - ✦ The menu is used for maintenance of Inland Bills and Cheques purchased or sent for collection.
 - ✦ The menu option is also used to mark realization / delinking against the said bills.
 - ✦ BI Option is used for Inquiry mode only. BM Option can also be used with "I" mode to verify the details in Inquire Mode.

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Trade Finance

c. FBM

- ✦ Acronym for: Foreign Bill Maintenance

✦ Use:

- The menu is used for maintenance of Foreign Bills (Import and Exports), Foreign Currency Cheques, Travellers Cheques, Outward and Inward Remittances etc.
- The menu option is also used to mark realization / delinking against the said bills.

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Trade Finance

d. FBI **[Fin.10.x - IBL]**

- ✦ Acronym for: Foreign Bill Inquiry

✦ Use:

- Same as FTI Option, FBI menu provides user to locate a transaction or series of Transactions based on various criteria.
- The transactions are recorded as per Register Type. Hence, knowledge and information for each register type is must for using this option.

✦ Tip:

- To know the register types and its description press "F2 or List Command" at "Reg. Type" field in FBI. The action will display all register type. Notings for the screen details can be made for future reference.

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Trade Finance

e. FBP *[Fin.10.x – IBL]*

✦ Acronym for: Foreign Bill Inquiry Printing

✦ Use:

- The option is used for printing of results derived from FBI Option.
- The option will take user to FBI Option only. However, if this option is used the user will have option to take print of the records searched.
- Printing will be for each event for each transaction (e.g. Lodgment {L} , Realization {R}, Part Realization {P}, Closure {Z}, Delinking {K} etc.)

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Trade Finance

e. BRBPR *[Fin.10.x – HBRBPR]*

✦ Acronym for: Balancing Report for Bills Purchased (Inland)

✦ Use:

- The report is generated to verify the Status of Bills Purchased.
- Long pending / overdue bills can be verified from the said report.

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Trade Finance

e. BRRCR *[Fin.10.x – HBRRCR]*

✦ Acronym for: Balancing Report for Bills on Collection (Inland)

✦ Use:

- The report is generated to verify the Status of Bills on Collection.
- Long pending / overdue bills can be verified from the said report.


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Trade Finance

e. FBBR [Fin.10.x – HFBBR]

- ✦ Acronym for: Balancing Report for Foreign Bills
- ✦ Use:
 - The report is generated to verify the Status of Foreign Import and Export Bills.
 - Long pending / overdue bills can be verified from the said report.




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Trade Finance

ii) Letter of Credits

a. DCQRY

- ✦ Acronym for: Documentary Credit Query
- ✦ Use:
 - The menu is used to verify the documentary credit details and list as per parameters.

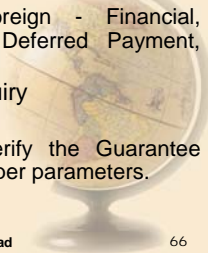


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Trade Finance

iii) Bank Guarantees

- **GI** [Fin.10.x – HGI]
 - ✦ (Driven by Register Types - List of Register Type for Each category should be obtained from branch)
 - ✦ (For both Inland & Foreign - Financial, Performance, Bid Bond, Deferred Payment, Advance Payment)
- Acronym for: Guarantee Inquiry
- Use:
 - ✦ The menu is used to verify the Guarantee Issuance details and list as per parameters.



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Trade Finance

iv) Remittances

- **IRM** **[Fin.10.x – HIRM]**
 - ✦ Acronym for: Inward Remittance Maintenance
- Use:
 - ✦ The menu is used to verify details of Inward Remittance Transaction
- **ORM** **[Fin.10.x – HORM]**
 - ✦ Acronym for: Outward Remittance Maintenance
- Use:
 - ✦ The menu is used to verify details of Outward Remittance Transaction

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Audit

AFI **[Fin.10.x – HAFI]**

- Acronym for: Audit File Inquiry
- Use:
 - ✦ The menu contains Audit Trail of Non Financial Transactions like change in Account Master, Change in Account Status (e.g. Dormant to Active) etc.

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Session -1 Overview

- General Concepts of CBS and of Finacle
- Security in Finacle
- Overview of Finacle
- Various Menu Commands / Options of Finacle in detail
- Various Menu Commands / Options of BANCS in detail
- Upgrades / Changes in Finacle 10.X

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Customer Details

• Customer Master Details

| | |
|--|--|
| Customer Management → | |
| → Enquiries → Search by CIF Number | To verify all accounts of one Customer |
| → Enquiries → Search by ID Number | Search using available information |
| → Enquiries → Search by Name | Search using available information |
| → Relationship / Ownership → Associated Accounts | Options available – Linked Accounts, Owned Accounts etc. |

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Account Configuration & Transactions

• Deposit / CC / OD Accounts Master & Transactions

| | |
|---|---|
| Deposit / CC / OD Accounts & Services → | |
| → Enquiries → Deposit / CC / OD Account | To verify the Account Master Details |
| → Cheque Book Functions → Enquiries → Cheque Books by Cheque Book-Numbers | Cheque Book Inquiry |
| → Enquiries → Statement Print | Printing Statement of Account for a Deposit or CC / OD |
| → Enquiries → Short | Basic details on Enquiry on Screen on Deposit Accounts |
| → Enquiries → Long | Additional Details on Enquiry Screen for Deposit Accounts |

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Account Configuration & Transactions

• Deposit Accounts Master & Transactions (Cont...)

| | |
|--|---|
| Deposit / CC / OD Accounts & Services → | |
| → Enquiries → Transaction | For Transaction Enquiry (Txn. Types: 99 – All Financial, 98 – Cash Transaction, 25 – Repayment Details, 33 – Message Details) |
| → Amend → Pending Charge | Pending Charges details |
| → Enquiries → Term Deposit Advice | Information and details on Term Deposit Advice |

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Cash Transactions

• Cash

| | |
|---|---|
| → Reports → Cash Related → View Cash Summary (Click on Fetch) | To view position of cash drawers of all the users by the Cash Officer |
| → Branch Reports → Cash Officer's Jotting Book Report | It generates the reports viz. Jotting Book, Vault Transactions, Hand Balance and Check Total Report |
| → Reports → Printing Reports → Cashier / Teller Cash Report | Report of Cash Transactions – Tellerwise |

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Security Stationery Maintenance

• Valuable Paper Inventory System (VPIS)

| | |
|--|---|
| → VPIS → Inventory Maintenance | Used to release of Security Forms |
| → VPIS → Enquiry of VPIS → General Enquiry | Used to check inventory status |
| → VPIS → Lost / Damaged / Cancelled Inventories | Location for Lost / Damaged / Cancelled Inventories |
| → VPIS → Enquiry → General Enquiry | Used to enquire status of Inventory |
| → VPIS → Enquiry of VPIS → Teller Level Enquiry | Details of Inventory available at Teller level |

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Branch General Ledger (BGL)

• General Ledger Enquiry

| | |
|---|--------------------------------------|
| → Branch Accounting (BGL) → Enquire → Account | Enquiry on BGL Account |
| → Branch Accounting (BGL) → Enquire → Account Number Search | Search an Account Number by BGL Name |
| → Branch Accounting (BGL) → Enquire → Transaction | BGL Transaction Enquiry |

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User Maintenance / Administration

| | |
|--|---|
| → User / System Administration → Enquiry → User Enquiry | Used to view the list of users logged on in Branch ID |
| → User / System Administration → Changes → Change User Status | Used to change the Login Credentials on account of Leave to prevent misuse of login |
| → User / System Administration → Changes → Change User Type Permanently | Used to change the Login Credentials on account of Transfer / Deputation |

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Miscellaneous

| | |
|--|--|
| → Collection and Cheque Purchase → Enquiries → Enquiries | Inquiry for Cheque Purchase / on Collection |
| → Image Maintenance → Access Images | To access Sign. images uploaded in CBS |
| → General Enquiries → Branch Enquiry | The menu helps the user to find out branch details by using various filters. |

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Loan Module

| | |
|---|---|
| → DL/TL Accounts & Services → Loan Tracking → Operations | To Change Interest Rate at Account Level in TL / DL Account |
| → Transaction Posting → Loan Accounts (DL/TL) → Loan Closure | To close a DL/TL account |
| → DL/TL Accounts & Services → Loan Processing → Generate Repayment Schedules → Action – "E" | To print Repayment schedule for a DL / TL Account |
| → DL/TL Accounts & Services → Enquiries → Short → Option "Balance Breakup Enquiry" | To view amount of Arrears & Breakup of Principal, Interest Realized, Charges & Arrear of Interest |
| → DL/TL Accounts & Services → Security (Primary / Collateral) → Customer → Enquiry → Enquire Security Summary | To find Collateral Number |

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Note

- The menu codes discussed here is only for guidance and all the menu codes may not be applicable / available in Finacle / BANCS Software in all the banks.

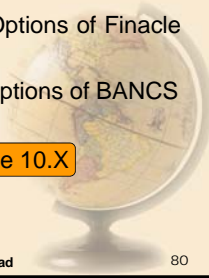


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Session -1 Overview

- General Concepts of CBS and of Finacle
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Upgrades / Changes in Finacle 10.X

- Entire new module “CRM” in place of CUMM command
- CRM Module contains
 - ✦ General Details,
 - ✦ Demographic,
 - General
 - Caste | Nationality | Marital Status | Mailing Preference | Tax Exemption Form Ref. | Tax Exemption Start and End date | TRC Validity
 - Qualification
 - Employment
 - Income & Exp. Details



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Upgrades / Changes in Finacle 10.X

✦ Psychographic info.

- Profile
 - General details
- Segmentation
 - Preferential Discount
- Relationship Details
 - Introducer | Guarantor | Reference | Ben. Owner
- Asset
 - Assets purchased with Finance details
- Credit Bureau Preferences
 - External Rating details

✦ Trade Finance

✦ BASEL Profiling

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Upgrades / Changes in Finacle 10.X

- Trade Finance and Forex Menu
 - ✦ Single Reg. Type code instead of two codes
 - ✦ Flag in Inward Remittance module for Advance against Exports cases
- New UI (User Interface)
- Changed Menu Codes
- Account Setup (Different for Operative Account and Term Deposits)

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Upgrades / Changes in Finacle 10.X

- Signature verification system separated from Main Application. New module "SVS". Though linking is available besides account no. for seamless movement.
- Apart from enhancements and above points there are various Navigational Changes and Process Changes in Finacle 10X.

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Session – 2

Data Extraction Techniques in FINACLE

Data Extraction Techniques in FINACLE

- Through PR (Print Report) Menu / Print Queue in Background Menu

✦ Print to Printer | On Screen | Export to File

- Common Process

- For Printing / Export / On Screen view from Report Menu, the user need to press "Transmit" key after generation of Search Parameters / Execution of Report.
- On pressing "Transmit" Key the system will ask for Printing Configuration viz. Background Printing or Foreground Printing. In "Printing Required" field "N" should be updated.
- The action will generate report in Background Menu or can be accessed through PR Menu.
- From PR Menu the report can be printed / exported / viewed.
- Generally, Read Only Login in FINACLE do not allow user to generate / print any report. For the said purpose execution of such option should be carried out by the person having sufficient work class (Authorisation)

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Data Extraction Techniques in FINACLE

- Through TextDump Option in Finacle

✦ "TextDump" button is available in Action Bar. The user can use this option at the time when the On Screen Criterion Based Report is populated.

✦ The system will extract the text and will provide in a Dialogue Box.

✦ However, there is a limitation in using this option. Finacle will provide all the information in Single Column and hence, the information received in dialogue box need to be formatted manually in Excel.

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Case Study - 1 on Few Report Menus of Finacle

- FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):
 - ✦ To verify any transaction based on various parameters FTI Menu is used.
 - Case Study:
 - Credits to NRE Accounts in a period
 - Credits to FCRA Accounts in a period
 - Cash Deposit above Rs. 50,000 to verify compliance with Income Tax Guidelines on PAN
 - Cash Transactions above Rs. 10 Lacs to verify compliance with AML Guidelines
 - Debits to ESCROW Accounts to verify compliance with ESCROW Agreement
 - Purchase of Gold through Cash Deposit
 - Value Dated Transactions verification
 - Transactions in Dormant & Inactive Accounts

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Case Study - 1 on Few Report Menus of Finacle

| Financial Transactions Inquiry | | | |
|--|--|----------------------|--|
| Selection Criteria | | | |
| Set ID | | Tran. ID | |
| A/c. SOL ID | | Tran. Type | |
| Today's Tran. only | | Tran. Sub Type | |
| A/c. ID | | Part Tran. Type | |
| CCY | | Only Value Dated | |
| Instr. ID | | Reference No. | |
| Instr. Type | | GL SbHead Code | |
| Tran. Amt Low | | Addnl Crit Ind | |
| Tran. Amt High | | Inter SOL Tran. only | |
| Start Date | | Tran. Status | |
| End Date | | Show Cash Part Tran. | |
| Report Code | | Show Trading PTran. | |
| Entered User ID | | A/c. Status | |
| Posted User ID | | A/c. Label | |
| Delivery Channel | | Past Due? | |
| Reversal Tran. Flg. | | | |
| FOR FASTER RESULTS ENTER ACCOUNT NUMBER, START DATE AND END DATE | | | |

Case Study - 1 on Few Report Menus of Finacle

- FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):
 - ✦ **Important Fields / Parameters Information**
 - Set ID – SOL ID of Branch who has initiated the Transaction
 - A/c SOL ID – SOL ID of Branch where Account is Opened
 - Today's Tran Only: By default it is selected as "Y". If the details are populated for past period the field should be kept blank.
 - Tran Amt Low: For Amount based search, lower limit should be mentioned in this field.
 - Tran Amt High: For Amount based search, Higher limit should be mentioned in this field.

Cont ...

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Case Study - 1 on Few Report Menus of Finacle

- FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):
 - ✦ **Important Fields / Parameters Information (Cont..)**
 - Start Date & End Date: For Period Search enter the dates in these fields.
 - Tran Type – As discussed in Concept Stage
 - Tran Sub Type – As discussed in Concept Stage
 - Part Tran Type – Debit or Credit?
 - Only Value Dated – To be mentioned as “Y” If only value dated transactions to be searched.
 - GL Subhead Code – If search is to be carried out through particular GL Subhead, code should be mentioned in this field.
 - Acct Status – If the search is to be carried out for the accounts based on Account Status (Viz. A for Active, D for Dormant and I for Inactive Accounts)

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Case Study - 1 on Few Report Menus of Finacle

- FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):
 - ✦ If the output generated through FTI is required in Printed Form / Exported as File, Menu Command FTR should be used.
 - ✦ FTR Command will provide the same parameters as that of FTI. Once all the parameters are filled in and transactions have been populated, “Transmit” Key should be pressed.
 - ✦ Follow the Common Process described earlier.

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Case Study - 2 on Few Report Menus of Finacle

- FBI, FBP, BI, BP (Trade Finance Menu)
 - ✦ To verify any Trade Finance related transaction based on various parameters BI, BP (For Inland) and FBI, FBP (Foreign) commands are used.
 - Case Study:
 - Import & Export Bills (Under LC, Collection, Advance Import, Direct Import, Export Bill Negotiated / Purchased / Discounted / Under LC / Advance against Exports) lodged or Accepted or Realised during the period. Same way for Inland Bills
 - Inward Remittance and Outward Remittance Transactions (Foreign Currency / TC / Purchased / Sold, I/w & O/w Remittance through DD / TT, Travel Card Sold / Refund of Excess Funds etc.)
 - Generation of Information of Bills realised during the period to verify Form A1 and Form A2

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Case Study - 2 on Few Report Menus of Finacle

| Bills Inquiry | | | |
|----------------|----------|-------------|--------|
| Cust Oper A/c | INR | DC Ref No | |
| BP A/c | INR | Lodger Ref | |
| Reg Type | | Mass ID | |
| Reg Sub Type | | Drwe Cent | |
| Bill Date From | To | Inw/outw? | |
| Status Dt From | To | Bill Status | G |
| Due Date From | To | Ver Stat | |
| Lodge Dt From | To | Func Code | |
| Bill ID From | To | LiabExist | |
| Bill Amt From | To | Purchase? | |
| Customer ID | | Summary ? | Y |
| Lodge/Coll Br | | Bill Cnt? | Y |
| Bill Grp Code | | Accepted? | |
| Drawee | | TBR ? | |
| LC/DPG/Co-Acpt | | Closed ? | N |
| Bank/Branch | | Deleted ? | N |
| Lodge Date | Reg Type | Cust A/c | Drawee |

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Case Study - 2 on Few Report Menus of Finacle

• FBI, FBP, BI, BP (Trade Finance Menu)

✦ Important Fields / Parameters Information

- **Reg. Type:** Type of Transaction as discussed in Concept Stage
- **Reg. Sub Type:** Sub type of Transaction as discussed in Concept Stage
- **Lodgment Date:** If Query is based on Lodgment Date, Dates should be filled in here.
- **Status Date:** If Query is based on Date when the Status of bill was changed, dates should be filled in here. Status of Bill means G=Lodgment, R=Realised, A=Accepted, K=De-linked, P=Part Realised etc. This parameter should be used with Bill Status Parameter. Report will be generated for one parameter at a time.
- **Due Date:** If Query is based on Date when the bill is due, dates should be filled in here. To verify overdue bills this search parameter should be used.
- **Closed and Deleted Flag:** If Closed bills are also required the field should be blank or "Y". Same way if Deleted Transactions are also required the field should be blank or "Y".

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Case Study - 3 on Few Report Menus of Finacle

• GI (Guarantee Inquiry)

- ✦ To verify Details of Guarantees issued GI Command should be used.
- ✦ Guarantee Registers and Type of Guarantee – As discussed at Concept Stage alongwith Register Type and Sub-Type concept
- ✦ Date of Issuance Filter, Date of Expiry are various filters available.
- ✦ **Related Menu Options**
 - GILR – Guarantee Issued cum Liability Report
 - GPI – Guarantee Parameters Inquiry

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Case Study - 4 on Few Report Menus of Finacle

- **DCQRY (Documentary Credit Query)**
 - ✦ To verify Details of Letter of Credits issued DCQRY Command should be used.
 - ✦ DC Reg. Type (e.g. Inland / Foreign) and LC Type (e.g. Inward / Outward) are important fields for generation of report.
 - ✦ Date of Issuance Filter, Date of Expiry are various filters available.
- ✦ **Related Menu Options**
 - DCREG – Documentary Credits Register Printing
 - DCRPTS – DC Reports and Advises
 - DCSTMT – Statement of Documentary Credits

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List of Important Report Menu Commands in FINACLE

- **ACSP** – Account Selection & Print
- **AINTRPT** – Interest Report for Accounts
- **BR** – Bill Balancing Report
- **BRCR** – Bills on Collection Balancing Report (Inland)
- **BRBPR** – Bills Purchased Balancing Report (Inland)
- **FBBR** – Foreign Bills Balancing Report
- **FTR** – Financial Transaction Inquiry and Report
- **PSP** – Pass-Sheet Print
- **SIRP** – Standing Instructions Register Printing
- **SPRG** – Stop Payment Register
- **LLIR** – Limit Liability Inquiry / Report
- **TODRP** – TOD Register Printing

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List of Important Report Menu Commands in FINACLE

- **ISRA** – Inventory Status Report
- **TDSREP** – Cust-wise TDS Report
- **FBIR** – Import Register Report
- **ACLPOA** – Office Account Ledgers Print
- **MSOIRP** – Minor Subs outstanding Items Report
- Report Menu designed and configured for each Bank houses hundreds of reports. Auditor need to inquire with Bank Official Menu code. E.g. In BoB the menu code may be BOBMENU.

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Questions?



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Thank You

CA. Kuntal P. Shah

e-mail: kuntal@pradiprshah.com



Section – 2

**Presentation on Issues in NPA
identification, Revenue Leakage,
Forex Transactions & Office
Accounts Review through CBS
System – Case Studies and
Bank Audit Activity through
CBS (LFAR & Tax Audit
Requirements)**



Bank Audit under CBS Environment

(Focus areas: Issues in NPA identification, Revenue Leakage, Forex Transactions & Office Accounts)

Hosted by **Jalandhar Branch of NIRC of ICAI**

4th March, 2017

Presented by CA. Kuntal P. Shah, Ahmedabad



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Some News Headlines

BHASKAR • BUSINESS

Feb 19, 2014 at 10:10pm IST


United Bank blames Infosys software for wrong NPA entries

UBI takes a U-turn, says no issues with Finacle's NPA tool
Somasroy Chakraborty/Kolkata 21 Feb 14 | 12:26 AM

If RBI inspectors are able to identify these divergences (Asset Quality) in the limited time-frame that they are on-site, **why the banks' auditors are not able to do so... Is it a question of efficiency of the auditors** or is there a much deeper issue - something to do with the transparency of the process itself?," - (Mr. S S Mundra, RBI Deputy Governor while addressing ACB of ICICI Bank 16th January, 2015) Source: Business Standard

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3



Few CBS used in India and world over

| Package | Provider |
|----------------------------|--|
| Finacle | Infosys |
| FLEXCUBE | Oracle Financial Services Software, (By iflex) |
| TCS BaNCS | Tata Consultancy Services (TCS) |
| Alnova Financial Solutions | Accenture / Alnova |
| SAP Banking Services | SAP AG |

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- * Identification of Revenue Leakage
- * Foreign Exchange Transactions
- * Office Accounts
- * Audit activity through CBS – LFAR & Tax Audit Requirements


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Parameters affecting NPA identification

- * In terms of directives issued by Ministry of Finance and Reserve Bank of India, it is mandatory for banks to identify the bad loans through CBS / Systems instead of conventional methods.
- * CBS like other software work on GIGO principle.
- * Master Data play an important role in correct identification of Bad Loans.

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Parameters affecting NPA identification

★ 1. **Discrepancies in setting up the EMI / Installments:**

- ▢ Auditors' primary checks:
 - Whether EMI / installment is correctly setup.
 - Whether EMI / installment amount is matching with the Sanctioned Terms.
 - Whether periodicity of Installment is correctly classified as per Sanctioned Terms?
- ▢ System support:
 - **Finacle:**
 - ACI -> Option "E" Repayment details
 - **BaNCS:**
 - DL/TL Accounts & Services → Enquiries → Account
 - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account

(Short & Long Inquiry options are available under both menu.)

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Parameters affecting NPA identification

★ 2. **Multiple sets of EMI / Installments:**

- ▢ Auditors' primary checks:
 - For case of Multiple sets of EMI e.g. For 1-5 years EMI of Rs. 7,000 and after 5 years Rs. 7,500
 - Whether sets of EMI are properly entered?
 - Is there any substantial difference between 1st set of EMI and 2nd or other sets (e.g. 1st set Rs. 5,000 and 2nd Rs. 1,00,000) which cast doubt on debt serviceability?
- ▢ System support:
 - **Finacle:**
 - ACI -> Option "E" Repayment details
 - **BaNCS:**
 - DL/TL Accounts & Services → Enquiries → Account
 - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account

(Short & Long Inquiry options are available under both menu.)

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Parameters affecting NPA identification

★ 3. **System determined Asset Classification vis a vis User defined Asset Classification:**

- ▢ Auditors' primary checks:
 - CBS contain two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types.
 - User is generally given the option to differ and select / amend the classification
 - This feature gives rise to numerous question on functioning of CBS.
 - At times it is possible that the classification by CBS may be incorrect due to errors in certain Master Data. However, such accounts require detailed scrutiny.
- ▢ System support:
 - **Finacle:**
 - ACM / ACI Option - Y Asset Classification Inquiry
 - A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for. Accounts listed in the said report should be thoroughly verified.

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Parameters affecting NPA identification

★ 4. Manipulation in SL / DP:

- ▣ Auditors' primary checks:
 - Changes in SL / DP should be cross checked with Sanctioned Letter.
 - Whether any change in Limit is supported by necessary documentation?
- ▣ System support:
 - **Finacle:**
 - ACLHM – Account Limit History Maintenance
 - **BaNCS:**
 - Tailormade report on Changes in Account Limits

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Parameters affecting NPA identification

★ 5. Incorrect moratorium period:

- ▣ Auditors' primary checks:
 - Based on moratorium period CBS will identify the Loan Installment and will track repayment.
 - In case the moratorium period / installment start date is erroneously updated system will not show correct result.
- ▣ System support:
 - **Finacle:**
 - ACI – Option "E" – Repayment Details
 - **BaNCS:**
 - Account Master details (Long Inquiry)

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Parameters affecting NPA identification

★ 6. Rephasement without reporting it as reschedule:

- ▣ Auditors' primary checks:
 - At times it is observed that the Loan Account Installments are rephased / recalibrated without reporting the same as Re-Schedule.
 - Verify whether any change in Repayment instruction is made through System. Compare the said accounts with list of Restructured Accounts.
- ▣ System support:
 - **Finacle:**
 - ACI – Option "E" – Repayment Details
 - **BaNCS:**
 - Account Master details (Long Inquiry)
 - Report containing details of all the cases wherein EMI / Installment is changed should be sought

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Parameters affecting NPA identification

★ 7. Installment Start Date is Future Date:

- Auditors' primary checks:**
 - Check whether Installment Start Date entered as per sanctioned term.
 - In case of future date system will not identify installment and any repayment received will be shown as "Overflow".
- System support:**
 - **Finacle:**
 - ACI – Option "E" – Repayment Details
 - **BaNCS:**
 - Account Master details (Long Inquiry)

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Parameters affecting NPA identification

★ 8. Interest Demand date (Future Date):

- Auditors' primary checks:**
 - Check whether Interest Start Date entered is as per Sanctioned Term.
 - In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as "Overflow".
- System support:**
 - **Finacle:**
 - ACI – Option "E" – Repayment Details
 - **BaNCS:**
 - Account Master details (Long Inquiry)

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Parameters affecting NPA identification

★ 9. Fictitious credit through Office Account / Inter-branch Account:

- Auditors' primary checks:**
 - Are there any quarter / year end credits cited in the account?
 - Check the source of Credit Entries.
 - Review transactions in Office Accounts / Inter Branch Accounts.
- System support:**
 - **Finacle:**
 - ACLI – (Use CTRL + E to Explore the Tran)
 - Review of Office Account Ledgers
 - **BaNCS:**
 - Deposit / CC / OD Accounts & Services → Enquiries → Transaction
 - DL/TL Accounts & Services → Enquiries → Transaction

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Parameters affecting NPA identification

★ 10. **Round tripping from internal accounts:**

- ▣ Auditors' primary checks:
 - Close scrutiny of transaction and review of chain / series of transaction for accounts with deficiency is required.
 - It is used to generate / misguide the system on Credit Turnover aspect.
- ▣ System support:
 - **Finacle:**
 - ACLI – (Use CTRL + E to Explore the Tran)
 - Do not rely wholly on "ATOR" / "CUTI" / "ACTI" results
 - **BaNCS:**
 - Deposit / CC / OD Accounts & Services → Enquiries → Transaction
 - DL/TL Accounts & Services → Enquiries → Transaction

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Parameters affecting NPA identification

★ 11. **Temporary Overdrafts:**

- ▣ Auditors' primary checks:
 - At times it is observed that in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned.
 - It is not permitted as per IRAC guidelines.
- ▣ System support:
 - **Finacle:**
 - ACLI – Option "O"
 - TODRP – TOD Register Printing

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Parameters affecting NPA identification

★ 12. **Devolved bills parked in Office Accounts and not in limit account:**

- ▣ Auditors' primary checks:
 - Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement)
 - At times it is observed that the amount of devolvement of LC backed bills are parked in Office Accounts to suppress total exposure on borrower.
- ▣ System support:
 - **Finacle:**
 - BI & FBI – With Bill Status as "K" using Status Date Filter

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Parameters affecting NPA identification

* 13. **Multiple CUST ID to save the other account from becoming NPA:**

- ▣ **Auditors' primary checks:**
 - Commonly it is observed that before marking of Account as NPA other accounts of the same borrower is transferred to new CUST ID. It will prevent marking of the said accounts as NPA in terms of guidelines of Asset Classification to be Borrowerwise and not Accountwise.
 - Take NPA Report and search all the case by few characters of Name.
- ▣ **System support:**
 - **Finacle:**
 - ACS – Account Selection (Search based on Name)
 - LAGI – Loan Account General Inquiry (Inquiry based on other parameters)
 - **BaNCs:**
 - Customer Management ➔ Enquiries ➔ Search by Name

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Parameters affecting NPA identification

* 14. **Deferment for NPA classification (Demonetization):**

- ▣ Circular Dt. **November 21, 2016**
 - **Eligibility:**
 - i) Running working capital finance (CC/OD), Crop loans with sanctioned limits upto Rs. 1 crore
 - ii) Term Loans with original sanctioned limit upto Rs. 1 crore
 - iii) Loans to NBFC / Housing Finance Companies, PACs
 - iv) Loans by State Co-op. Bank to DCCBs
 - **Conditions:**
 - i) Dues are payable between 01.Nov.16 to 31.Dec.16
 - ii) Deferment restricted to the above period for further 60 days
 - iii) Applies only to PAs and not to existing NPAs


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Parameters affecting NPA identification

- ▣ Circular Dt. **December 28, 2016**
 - **Eligibility:**
 - i) Running working capital finance (CC/OD), Crop loans with sanctioned limits upto Rs. 1 crore
 - ii) **Business (including Agriculture)** Term Loans with
 - original sanctioned limit upto Rs. 1 crore
 - (both limits are mutually exclusive)
 - **Conditions:**
 - i) Dues are payable between 01.Nov.16 to 31.Dec.16
 - ii) Deferment restricted to the above period for further 30 days (i.e., in all 60 + 30 = 90 days)
 - iii) Applies only to PAs and not to existing NPA

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Parameters affecting NPA identification

- ▣ Auditors' primary checks:
 - Installments getting due during Nov. 2016 and Dec. 2016 will have immunity under this circulars.
 - Check how the system configuration is handled for such cases? Is it manual?
 - Whether Repayment Date is extended by 2 months in CBS? If so there is a possibility of extending entire loan tenure by 2 months (Not in line with Circular)
- ▣ System support:
 - **Finacle:**
 - ACI – Option “E” – Repayment Details
 - **BaNCS:**
 - Account Master details (Long Inquiry)

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- * Foreign Exchange Transactions
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Identification of Revenue Leakage

- * Primary revenue for Banks is Interest on Loans and Advances.
- * Charging of Interest is completely automated. However, the processing is based on certain important parameters.
- * System parameters / fields which affect the Interest Computation should be thoroughly verified.
- * Let us discuss few event / scenario wherein there is possibility of non application / incorrect application of Interest.

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Identification of Revenue Leakage

* Various Interest Parameters

- ☐ Interest Table
 - Debit Interest Rate & Credit Interest Rate
 - Interest Version
 - Currency
 - Limit Level Interest
 - Penal Interest
- ☐ Interest Rate (Static & Based on Ref. Rate)
- ☐ Customer Preferential (Dr. Interest) [(+)ve / (-) ve rate]
- ☐ Customer Preferential (Cr. Interest) [(+)ve / (-) ve rate]
- ☐ Important Commands –
 - Finacle: INTCL, AINTRPT, INTPRF, INTTM
 - TCS Bancs: i) OD/CC Accounts -> Interest Rate History
ii) DL / TL -> Interest Rate History

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Identification of Revenue Leakage

* Few reasons for Non Application / wrong application of Interest by CBS:

- ☐ Interest pegging in Advance Accounts set as "Y". (If "Y" is selected, system will charge interest at the rate prevailing at the time of Account Opening. *For the cases of Fixed Rate Loans Pegging Flag will be "Y"*)
- ☐ Future Date is updated in Interest Demand Date
- ☐ Interest on Principal / Payment of Interest Flag is set as "N"
- ☐ Effective Rate of Interest is updated as "0"
- ☐ Account Open and Installment Start Dates are identical.

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Identification of Revenue Leakage

[Cont ...]

- ☐ Account Open and Interest Demand Dates are identical.
- ☐ Interest Table Code "Zero" is selected
- ☐ Interest Demand Date is Past Date
- ☐ Interest Demand Frequency is Blank.


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| Audit of Foreign Exchange Transactions | |
|---|----|
| * Liberalization – Opening of New areas for Inbound and Outbound Investment | |
| * Ease of Doing Business – Relaxation in certain Forex Transaction procedure / mode of compliance | |
| * Enhanced vigilance required for | |
| ☐ Money Laundering in garb of genuine Foreign Exchange Transaction | |
| ☐ Misuse of Advances secured against Export Bills | |
| ☐ Genuineness of Export Documents | |
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| Audit of Foreign Exchange Transactions | |
|--|----|
| LFAR: For Branches dealing in Foreign Exchange Transactions | |
| ☐ Material adverse points pointed out in the Audit Reports which continue to persist in relation to NRE/ NRO/ NRNR/ FCNR-B/ EEFC/ RFC ? | |
| ☐ Whether the Branch has followed the instructions and guidelines of the controlling authorities of the bank with regard to the following in relation to the foreign exchange. If not, state the irregularities: Deposits, Advances, Export Bills, Bills for collection, Dealing Room operations, Any other area | |
| ☐ Nostro Account Management | |
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Audit of Foreign Exchange Transactions

- * **Bills / Cheques on Collection - Balancing and reconciliation with GL Balance (Contingent Liab.)**
 - ☐ Bill Balancing Report (*Finacle: BR, BRCR, FBBR*)
 - ☐ GL Balance - Respective Cont. Liab. Account
 - ☐ LFAR Reporting: Liab.3
- * **Bills / Cheques purchased / Discounted – Balancing and reconciliation with GL**
 - ☐ Bill Balancing Report (*Finacle: BRBPR, FBBR*)
 - ☐ Aggregation of accounts under BD / BP Scheme Codes


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Audit of Foreign Exchange Transactions

- * **Packing Credit (Pre & Post Shipment – In INR or FCY)**
 - ☐ Adjustment through Export Bills / EEFC Balance
 - ☐ Review of Transactions for adjustment of balance through other than above mode
 - ☐ Max Tenor (Pre Shipment): 360 Days
 - ☐ Max Tenor (Post Shipment): 365 from Shipment Date
 - ☐ Rate of Interest if not adjusted within 360 days – Clean OD Rate with Penal Interest from ab initio
 - ☐ Monitoring of End use of Fund
 - ☐ Running Account Facility and Monitoring of adjustment within 360 Days

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Audit of Foreign Exchange Transactions

- * **Devolvement of Import Bills under LC**
 - ☐ Check the Reg. Type and Sub Type of Import Bills under LC
 - ☐ Use Menu Option FBI (in Finacle) to search Bills under Import LC Delinked (Status Code "K" with Status Date Filter)
 - ☐ Separate Account opened (if any) for Devolved Bills
 - ☐ Bill devolved but not crystallized in CBS
 - ☐ Crystallization of Devolved Bill through Office Account.

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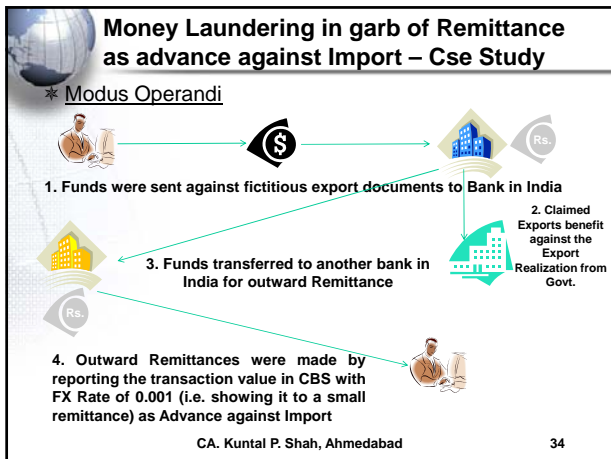


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Office Accounts

- * Type of Office Accounts
 - ▣ **Functionality**
 - Pointing Type / Self Reconciling Accounts
 - Non Pointing Type Accounts
 - ▣ **Entry**
 - Sundry Accounts, Suspense Accounts
 - EOD/BOD Check Accounts
 - Inter branch Account
 - Mirror Accounts
 - Pool Accounts


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Important Points in Office Accounts Review

- * Cash Payment from Office Accounts
- * TOD through Office Accounts
- * Parking of Cash Difference in Office Accounts
- * Clearing / Remittance differences through Office Accounts
- * Rotation of entries in Office Accounts

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Important Points in Office Accounts Review

- * Correctness in mapping of reversal transaction to originating transaction
- * Value Dated Transactions
- * Round Tripping
- * Advance paid for Fixed Assets not capitalized
- * Income realized not credited to Revenue Account
- * LFAR: Point No. Assets.6.b., Liab.2.a.

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Audit Activity through CBS

★ **Cash**

- ▣ What to verify?
 - Cash Balance as on 31st March
 - Cash Balance as on the date of verification
 - Cash Balances reported in Friday Statement
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - “ACLI” - Account Ledger Inquiry (Vault A/c and Teller Accounts)
 - **In Bancs:**
 - ➔ Reports ➔ Cash Related ➔ View Cash Summary (Click on Fetch)
 - ➔ Branch Reports ➔ Cash Officer's Jotting Book Report
 - ➔ Reports ➔ Printing Reports ➔ Cashier / Teller Cash Report

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Audit Activity through CBS

★ **Balances with RBI / SBI / Other Banks**

- ▣ What to verify?
 - Balance as on Date
 - Transactions in Mirror Accounts
 - Reconciliation Statement (Generally outside of CBS)
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - “ACLI” - Account Ledger Inquiry
 - **In Bancs:**
 - ➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction

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Audit Activity through CBS

★ **Advances - 1**

- ▣ What to verify?
 - Sanction Limit / Drawing Power setup
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - “ACLHM” – Account Limit History Maintenance
 - “ACM / ACI” – Account Master (Go to Limit details)
 - “LTL” – Limit Tree Lookup (Tree view of all Limits)
 - **In Bancs:**
 - DL/TL Accounts & Services ➔ Enquiries ➔ Account
 - Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account

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Audit Activity through CBS

★ **Advances - 2**

- ▣ What to verify?
 - Account & Customer Master parameters setup viz.
 - Interest Parameters (Regular & Penal Interest)
 - Repayment Instructions
 - Standing Instructions (SI) Parameters
- ▣ Source from where to verify?
 - **In Finacle:**
 - “**ACLHM**” – Account Limit History Maintenance for DP & SL – Account Specific
 - “**ACM / ACI**” – Account Master
 - “**CUMM / CUMI**” – Customer Master
 - **In Bancs:**
 - DL/TL Accounts & Services → Enquiries → Account
 - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account

(Short & Long Inquiry options are available under both menu.)

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Audit Activity through CBS

★ **Advances - 3**

- ▣ What to verify?
 - Transactions in Borrower's Account
- ▣ Source from where to verify?
 - **In Finacle:**
 - “**ACLI**” - Account Ledger Inquiry
 - **In Bancs:**
 - Deposit / CC / OD Accounts & Services → Enquiries → Transaction
 - DL/TL Accounts & Services → Enquiries → Transaction

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Audit Activity through CBS

★ **Advances - 4**

- ▣ What to verify?
 - Interest Rate History
- ▣ Source from where to verify?
 - **In Finacle:**
 - “**INTTM**” – Interest Table Master Maintenance (Under Inquire Mode – Account Specific)
 - **In Bancs:**
 - Deposit / CC / OD Accounts & Services → Interest Rate History
 - DL/TL Accounts & Services → Interest Rate History

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Audit Activity through CBS

★ **Advances - 5**


▣ What to verify?

- Conduct of Account and Credit Turnover
 - Turnover of CC Account based on Borrower's Business profile
 - In case of Loan accounts **ACTUAL** recovery of Installments and Interest

▣ **Source** from where to verify?

- **In Finacle:**
 - "ATOR" – Account Turnover Report
 - "ACTI" – Account Turnover Inquiry
 - "CUTI" – Customer Level Turnover Inquiry
- **In Bancs:**
 - DL / TL Accounts & Services → Enquiries → Long
 - Deposit/CC/OD Accounts & Services → Enquiries → Long

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Audit Activity through CBS

★ **Advances - 6**


▣ What to verify?

- Non Performing Asset
 - Search an Account based on Criteria

▣ **Source** from where to verify?

- **In Finacle:**
 - "ACS" – Account Selection (2nd Screen – IRAC Code – Main Asset Classification)
- **In Bancs:**
 - DL / TL Accounts & Services → Enquiries → Short → Select Option "1" – TL / DL [*Long Inquiry for NPA Date*]
 - Deposit/CC/OD Accounts & Services → Enquiries → Short → Select Option "2" – CC / OD [*Long Inquiry for NPA Date*]
 - Common Processing → Overdue / NPA → NPA Enquiry (Risk Grade Inquiry / NPA Status Inquiry)

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Audit Activity through CBS

★ **Advances - 7**


▣ What to verify?

- Interest Report

▣ **Source** from where to verify?

- **In Finacle:**
 - "AINTRPT" – Interest Report for Account
- **In Bancs:**
 - Product Sheets – To be requested from Data Center (if not available through user login)

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Audit Activity through CBS

★ **Advances - 8**


▣ What to verify?

- Primary & Collateral Security Maintenance

▣ **Source** from where to verify?

- **In Finacle:**
 - “SRM” – Security Register Maintenance
- **In Bancs:**
 - DL/ TL Accounts & Services → Security (Primary/ Collateral) → Customer → Amend / Enquiry → Amend / Enquire Security

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Audit Activity through CBS

★ **Advances - 9**


▣ What to verify?

- Lien Marking

▣ **Source** from where to verify?

- **In Finacle:**
 - “ALM” – Account Lien Maintenance
- **In Bancs:**
 - DL/ TL Accounts & Services → Security (Primary/ Collateral) → Customer → Amend / Enquiry → Amend / Enquire Security
 - *(Under Bancs – Colleteral ID is required to be created before setting up limits)*

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Audit Activity through CBS

★ **Advances - 10**


▣ What to verify?

- Account Ledger Printing

▣ **Source** from where to verify?

- **In Finacle:**
 - “PSP” – Pass Sheet Print
 - “ACLPCA” – Customer Ledger Account Print
- **In Bancs:**
 - **Print Menu** available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services

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Audit Activity through CBS

★ **Advances - 11**

- ▣ What to verify?
 - Non Fund based Facility (LC, BG)
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - “GI” – Guarantee Inquiry
 - “DCQRY” – Documentary Credit Query
 - **In Bancs:**
 - Through Exim Software / Offline Report (if generated by banks)

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Audit Activity through CBS

★ **Advances - 12**

- ▣ What to verify?
 - Devolved Bills under LC & Devolved Export Discounted / Purchased Bills
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - “BI” – Bill Inquiry and “FBI” – Foreign Bill Inquiry
(with Bill Status Code as “K” with Status Date filter)
 - **In Bancs:**
 - Through Exim Software / Offline Report (if generated by banks)

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Audit Activity through CBS

★ **Stationery**

- ▣ What to verify?
 - Physical Verification of Stationery and confirmation of Balance as per CBS
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - “ISRA” – Inventory Status Report (*Locationwise viz., Dual Lock, Individual, Cancelled etc.*)
 - **In Bancs:**
 - Through Valuable Paper Inventory System [VPIS] module

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Audit Activity through CBS

★ **Suspense / Sundry Assets Accounts, Bills payable, Sundry Deposits etc. - 1**


▣ What to verify?

- Outstanding entries for reporting
- Entries outstanding – Whether any provisioning is required?

▣ **Source** from where to verify?

- **In Finacle:**
 - “IOT” – Inquire on Transaction (As on date Inquiry)
 - “MSGOIRP” – Outstanding Items Report
- **In Bancs:**
 - Through offline reports viz. “Audit BGL accounts age wise break up” and “GL-Outstanding-Accts” report.

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Audit Activity through CBS

★ **Suspense / Sundry Assets Accounts, Bills payable, Sundry Deposits etc. - 2**


▣ What to verify?

- Printing of Office Accounts

▣ **Source** from where to verify?

- **In Finacle:**
 - “ACLPOA” – Account Ledger printing Office Account
- **In Bancs:**
 - Facility of printing of BGL (Branch General Ledgers) is not available under user login. It needs to be requested from Data Center.

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Audit Activity through CBS

★ **Inter Branch Accounts**


▣ What to verify?

- Un-reconciled transactions

▣ **Source** from where to verify?

- **In Finacle:**
 - Through Outstanding IBR Report.
- **In Bancs:**
 - Through offline “Outstanding IBR Report”/ “IBR Summary report”

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Audit Activity through CBS

★ **TDS Related**

- ▣ What to verify?
 - TDS Information and Reports
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - “TDSIP” – TDS Inquiry & Reports
 - Month-end report on accountwise / transactionwise Tax deduction.
 - Bank specific customized Menu / report
 - **In Bancs:**
 - Through offline monthly report on accountwise / transactionwise Tax deduction.

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Audit Activity through CBS

★ **Few Important Reports**

- ▣ **Exception Report:**
 - Reports for the month end and two days prior and after month end should be verified.
 - Exceptions of following natures should be closely verified.
 - Balance exceeded Account Limit
 - Manual debits to Income Account
 - Value Dated Transactions
 - Manual entry for SI Failure cases
 - Instrument passed against Clearing

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Audit Activity through CBS

- ▣ **Irregularity Report:**
 - Reports for the month end and two days prior and after month end should be verified.
 - Report contains details of Accounts where Balance in Accounts are greater than the Limits Sanctioned. Check whether the same is due to,
 - Application of Interest
 - Granting of Intra Day TOD
 - Passing of Instruments against Clearing Effects

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Audit Activity through CBS

- ▣ **Accounts where Interest Code is '0':**
 - Interest will not be charged from Accounts where Interest Code is selected as '0'. Hence, a detailed checking is required. Possible reasons can be,
 - Whether NPA Account
 - Accounts with Moratorium?
- ▣ **Interest Collection Flag as "No":**
 - If Interest Collection Flag is selected as "No", Software will not consider the account for calculation and entry for Debit Interest.


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Audit Activity through CBS

- ▣ **Report containing all Advance Accounts with Limits:**
 - Generally, CBS Software generate a Report wherein details of all Advance Accounts are listed.
 - Excel can be used to verify cases of DP > SL, Margin Requirement etc.


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Audit Activity through CBS

- ▣ **Report on Probable NPA / Health Code Accounts / Special Mention Accounts:**
 - Obtain reports containing list of Accounts with various deficiencies.
 - System identifies such accounts and a report on Probable NPA Account. Banks classify the accounts as Health Code Type 1, Health Code Type 2, SMA – 1, SMA - 2 etc.

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Audit Activity through CBS




Report on NPA Accounts:


- Report will contain list of all NPA Accounts.
- Such accounts should be closely monitored.
- Verify whether account is correctly classified as per IRAC Norms?

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Questions ???



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Thank You

CA. Kuntal P. Shah

Ahmedabad

e-mail: kuntal@pradiprshah.com

Section – 3

**Note on Review of
Demonetization Activity
by Chartered Accountants
in Banks published by
ICAI**

NOTE ON

REVIEW OF DEMONETISATION ACTIVITY BY CHARTERED ACCOUNTANTS IN BANKS



INTERNAL AUDIT STANDARDS BOARD

The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

NEW DELHI



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The Internal Audit Standards Board is one of the important Boards/ Committees of the Institute, which has been constituted with the prime objective to reinforce the primacy of the Institute as a promoter, source and purveyor of the knowledge of internal audit in the country. The basic idea was to enable the members of the Institute to provide more effective and efficient value added services related to the field of internal audit so as to enable the clients to systematize and strengthen their governance process by systematizing and strengthening their control and risk management process. The Board is working relentlessly to bring out high quality technical literature in the form of Standards on Internal Audit and Technical Guides/ Studies/ Manuals, which constitute an important tool in helping internal auditors to provide effective and efficient internal audit services to the clients and/ or employers.



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 2. Cash Deposit (SBN) Transactions
 3. Cash Withdrawal Transactions
 4. Reporting and other Requirements under Demonetisation Activity
 5. Review Methodology
- II. Appendix I - Important Guidelines issued by RBI, Income Tax Dept. on Demonetisation**
- III. Appendix II- Indicative Checklist for Review of Demonetisation Activity by Chartered Accountants in Banks.**

DISCLAIMER:

- This note has been prepared based on the guidelines/ notifications/ circulars issued upto 31st December, 2016 with respect to Demonetisation Activity.
- Members should also follow the instructions/ guidelines/ internal circulars issued by respective banks to carry out review regarding Demonetisation Activity.
- The checklist points provided in this document are suggestive in nature for providing guidance to the members.
- Several points mentioned in checklist given in the note require data from CBS to carry out review procedures. It may be noted that data availability varies from bank to bank.



NOTE ON REVIEW OF DEMONETISATION ACTIVITY BY CHARTERED ACCOUNTANTS IN BANKS

In terms of Gazette Notification No. 2652 dated November 08, 2016 issued by Government of India, ₹ 500 and ₹ 1000 denominations of Bank Notes of the existing series issued by Reserve Bank of India (hereinafter referred to as “Specified Bank Notes” or “SBN”) ceased to be legal tender with effect from November 09, 2016, to the extent specified in the Notification.

Since the said date, there has been a rush at banks to deposit the SBN by customers. Moreover, there are certain restrictions on withdrawal from the accounts to match demand and supply of legal tender notes. As immediate relief, the Govt. of India has allowed exchange facility (exchange of SBN against Legal Tender Notes) for a time bound period.

It has been observed at certain banks prescribed procedures have not been followed. There have been instances of hoarding of large chunk of cash by certain individuals as well as misuse of bank accounts by certain unscrupulous elements with the connivance of few bank officials impacting the motive of the exercise i.e. dealing with Fake Currency and use of large denomination of cash as black money.

ICAI, being a premier accounting body in India and as a partner in nation building is also a part of the Demonetisation activity initiated by Hon. Govt of India. Members of the ICAI have been entrusted to carry out review of Demonetisation activity at various bank branches.

This Note deals with following aspects of the Demonetisation process:

1. Facility for Exchange of Notes
2. Cash Deposit Transactions
3. Cash Withdrawal Transactions
4. Reporting Requirements
5. Review Methodology

It also includes following appendices:

Appendix 1 - Important Guidelines issued by RBI, Income Tax Dept. on Demonetisation.

Appendix 2 - Indicative Checklist for Review of Demonetisation Activity by Chartered Accountants in Banks





1. FACILITY FOR EXCHANGE OF NOTES

Facility of Exchange of SBN with legal tender notes over the counter was provided to general public as one time arrangement. Limits alongwith the applicable period is as follows:

Limits

- From 10th Nov. 2016 to 13th Nov. 2016 – ₹ 4,000
- From 14th Nov. 2016 to 17th Nov. 2016 – ₹ 4,500
- From 18th Nov. 2016 to 24th Nov. 2016 – ₹ 2,000
- From 24th Nov. 2016 – Nil at Branch counters
- From 25th Nov. 2016 to 31st December, 2016 – For Foreign Citizen (Foreign Passport Holders) – ₹ 5,000 per week

Document requirement

- Application in RBI prescribed format (Refer Annexure – 5 of Circular Dt. 8th Nov. 2016)
- ID Proof (Any one from Aadhaar Card, Driving License, Voter ID Card, Pass Port, NREGA Card, PAN Card, Identity Card Issued by Government Department, Public Sector Unit to its Staff)
- For Exchange Facility extended to Foreign Passport Holders (a) Self Declaration stating that facility is not availed during the week and (b) Copy of Passport

Important Points w.r.t. Exchange Facility

- Facility was available for exchange in person only
- Facility was not allowed for other than tenderer even with Authority letter
- Facility was available **only once** from 10th Nov., 2016 to 30th Dec. 2016
- Facility was available only against old ₹ 500 and ₹ 1,000 notes (SBN)
- Banks have been permitted to use indelible ink w.e.f. 16th Nov. 2016 to prevent multiple exchange by same person.
- Banks to ensure facility of exchange extended to Foreign Citizen should not exceed ₹ 5,000 per week.





2. CASH DEPOSIT (SBN) TRANSACTIONS

There are no limits in depositing SBN in Bank Account barring few exceptions viz., Non KYC Complied Accounts, Small Savings Accounts.

Limits

- Maximum amount upto ₹ 50,000 can be deposited in Non KYC compliance accounts (during the entire period i.e. 8th Nov. 2016 to 30th Dec. 2016)
- Any amount can be deposited in KYC complied accounts
- **No cash deposit is permitted in Small Savings Scheme Accounts** (viz. Public Provident Fund, Senior Citizen Scheme, Sukanya Sunidhi Scheme, Atal Pension Yojna) w.e.f. 23rd Nov. 2016
- Deposit of Cash in excess of ₹ 5,000 only once (**w.e.f. 19th December, 2016 till 21st Dec. 2016. – All type of accounts with explanation from customer for non-deposit of cash till date in presence of two bank officials**).
- W.e.f. 21st Dec., 2016 – In case of KYC compliant accounts, no limit of cash deposit and no explanation for cash deposit post 19th Dec. 2016.

In case of non-KYC compliant accounts and deposit in excess of ₹5,000 (transaction-wise and also in aggregate) with upper limit of ₹ 50,000.

Documents required

- Pay in slip with Customer's Signature (to confirm personal visit)
- Authority Letter specifically mentioning deposit of old SBN in case of deposit by third party
- Separate pay in slip for SBN and Non SBN notes

Important Points w.r.t. Cash Deposit Transactions

- Various circulars have been issued by RBI to ensure compliance with KYC guidelines
- An amendment in Income Tax Rules for seeking PAN and reporting of transactions through AIR for cash deposits between 8th November, 2016 to 30th December 2016.
- Availability of denomination details on Pay in Slips.
- Separate Pay-in-Slip for SBN and non SBN deposit
- Deposits by third party – Copy of Authority Letter specifying the consent of Account Holder to deposit SBN in his/her account.
- Cash deposit is allowed in Loan as well as Deposit accounts
- Adherence to FEMA guidelines on deposit of Cash in accounts maintained by NRIs



3. CASH WITHDRAWAL TRANSACTIONS

There are various restrictions on Cash Withdrawal through Branches. There are restrictions on withdrawal of cash through ATMs and POS machines as well.

Limit

❖ Withdrawal through Branch

- **From 10th Nov. 2016 to 13th Nov. 2016** - ₹ 10,000 per day subject to overall limit of ₹ 20,000 (including ATM withdrawals)
- **From 14th Nov., 2016** – ₹ 24,000 (Maximum in a week) & For Current A/c (operational from last three months) - ₹ 50,000
- **From 21st Nov. 2016** – For OD / CC Accounts (operational from last three months) – ₹ 50,000 (Enhanced limit is not available to Personal OD accounts)
- **From 22nd Nov. 2016** – For Farmers limit was enhanced to ₹ 25,000 and For Trader registered with APMC / Mandi limit was enhanced to ₹ 50,000
- Transactions between Bank to Bank, Bank to Post Office, Bank to Money Changer having presence at Airport or Bank to White Label ATM operator – No Limit
- **From 22nd Nov. 2016** – ₹ 2,50,000 on the occasion of wedding subject to fulfilment of terms and conditions prescribed by RBI.
- **From 29th Nov. 2016** - Additional limit of withdrawal for Legal Tender notes deposited in Account(Over and above regular limit)
- **From 30th Nov. 2016** – ₹ 10,000 PMJDY Accounts, Additional amount to be assessed by Branch Manager
- **From 15th Dec. 2016** – No debit transactions (Cash as well as transfer / remittance) wherein in case of Non-KYC compliant Accounts (including Small Savings Account, BSBD/Jandhan Accounts) wherein Balance in Account has exceeded ₹ 5 Lacs and Total Deposits (including Credit by Electronic or other means) made after November 9, 2016 exceed ₹ 2 Lacs.
- **For withdrawal by Govt. Dept.** - No Limit. On production of evidence of requirement issued by an office and approved by Bank Official in the rank of General Manager & above

❖ ATM withdrawals

- From 10th Nov. 2016 to 13th Nov. 2016 - ₹ 2,000 per day per card
- From 14th Nov., 2016 – ₹ 2,500 per day per card
- From 1st January, 2017 – ₹ 4,500 per day per card

❖ Cash Through POS Machine

- ₹ 2,000 per day per card

Documents required

- Cheque / Withdrawal slips
- Debit Cards (for withdrawal through POS machine)
- Documents prescribed in Cir. Dt. Nov. 22, 2016 for enhanced limit for withdrawal on the occasion of wedding
- Documents for enhanced limits of withdrawal by Govt. Dept. as prescribed in Cir. Dt. November 11, 2016
- Documents to ascertain eligibility for enhanced limits for withdrawal by Farmer or Trader registered with APMC / Mandi


4. REPORTING AND OTHER REQUIREMENTS UNDER DEMONETISATION PROCESS

RBI has prescribed following reporting from banks w.r.t. Demonetisation Process:

- a. Reporting of Balance as on 8th November, 2016 in Annexure – 1 by 1 pm on 9th November, 2016
- b. Daily reporting of Cash withdrawn in SBN in Annexure – 6 (Branch to Controlling Office) & Annexure – 6A (Reporting officer to RBI) of Circular Dt. 8th Nov. 2016
- c. From 10th November, 2016 to 11th November, 2016 – Format as per Circular Dt. 8th November, 2016
- d. From 12th November, 2016 - Format as per Circulars Dt. 11th November, 2016 (No. RBI/2016-17/125 and RBI/2016-17/128 to include details of counterfeit notes detected and notes disbursed through counters and ATM)
- e. Circular issued by RBI reiterating timely reporting of daily movement of SBN in reporting format i.e. Annexure 6A – RBI Circular Dt. 16.11.2016
- f. Report on detection of Counterfeit Notes as per following periodicity:

| Reporting Period | Report to be submitted by |
|----------------------------------|---------------------------|
| November 10 to December 09, 2016 | December 16, 2016 |
| December 10 to December 16, 2016 | December 23, 2016 |
| December 17 to December 30, 2016 | January 06, 2017 |

- g. Maintenance of records for distribution of Mahatma Gandhi (New) series Banknotes


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- h. Reporting of Information on collection of SBNs on December 30, 2016 through email to RBI
 - i. Deposit of SBN cash (by bank branches other than DCCBs) as on December 30, 2016 to RBI Issue Office or Currency Chest by December 31, 2016.
 - j. SBNs cannot form part of banks' cash balances from the close of business as on December 31, 2016.

5. REVIEW METHODOLOGY

- a. Chartered Accountant should review Cash Deposit, Exchange and Withdrawal Transactions based on documents available with the branch for each day.
- b. One of the important activity to keep tab on handling of SBN by branch is to review process of reconciliation of SBN received i.e. (Opening Balance of SBN **Add** Receipt of SBN **Less** Remitted to Chest must agree with Closing Balance of SBN as per Cash/Vault Book) – [Reconciliation is required for each SBN in number / pieces]
- c. In order to ensure that compliance with payment threshold guidelines Chartered Accountant should review process of reconciliation of Legal Tender Notes (Op. Balance of Legal Tender Notes **Add** Receipt from Customers **Add** Received from Chest **Less** Remitted to Chest must agree with Closing Balance of SBN as per Cash / Vault Book) - [Reconciliation is required for each Legal Tender Notes in number / pieces]
- d. Review CCTV recording covering cash area on random basis for coverage, operation of branch.
- e. Review Cash Vault / Balancing Register commencing from 8th Nov. 2016. Verify whether any cuttings / overwritings have been observed any day in SBN or other Legal Tender? If so ascertain the reason for the same.
- f. Review Cash Deposit Slips for corrections in Denomination i.e. say from Legal Tender Notes to SBN.
- g. Review Data generated from System.
- h. In case of any specific issue the Chartered Accountant may request the bank in writing to generate Data based on regulatory and monitoring guidelines.
- i. RBI vide notification dt. November 21, 2016 allowed relaxation in recognition of assets as NPA subject to certain conditions.

Applicable to:

- Running Working Capital (CC/OD, Crop Loans) Sanctioned Limit is less than or equal to ₹ 1 Crore

- 
- Term Loans (Business or **Personal**, Secured or Unsecured, **including Housing Loans**) where original sanctioned amount is ₹ 1 Crore or less [*Emphasis supplied*]
 - The above limits (i.e. WC and TL) are mutually exclusive

Conditions:

- Dues payable between 1st Nov. 2016 to 31st Dec. 2016.
- Dues before 1st Nov. 2016 to be covered under extant instructions
- Guidelines have been issued to defer the classification time and not for delaying migration of Account from Standard to Sub Standard Assets

- j. RBI vide notification dt. December 28, 2016 amended notification dt. November 21, 2016 allowing further relaxation of 30 days in addition to the 60 days in certain category of accounts in recognition of assets as NPA subject to certain conditions.

Applicable to:

- Permitting banks to defer the down grade of an account that was standard as on November 1, 2016, but would have become NPA for any reason during the period November 1, 2016 to December 31, 2016, by 90 days from the date of such downgrade in the following categories of accounts
- Running Working Capital (CC/OD, Crop Loans) Sanctioned Limit is less than or equal to ₹ 1 Crore
- Term Loans (**Business, Secured or Unsecured**) where original sanctioned amount is ₹ 1 Crore or less [*Emphasis supplied*]
- The above limits (i.e. WC and TL) are mutually exclusive

Conditions:

- Dues payable between 1st Nov. 2016 to 31st Dec. 2016.
- Dues before 1st Nov. 2016 to be covered under extant instructions
- The additional time given shall only apply to defer the classification of an existing standard asset as substandard and not for delaying the migration of an account across sub-categories of NPA.
- Dues payable after January 1, 2017 will be covered by the extant instructions for the respective REs.

Appendix 1

Important Guidelines issued by RBI, Income Tax Dept. on Demonetisation

| Sr. No. | Guidelines Ref. No. | Subject | Date of Issue |
|---------|--|--|-------------------|
| 1. | RBI/2016-17/111 DPSS. CO. PD. No./02.10.002 /2016-2017 | ATMs – Non-dispensing of Old High Denomination Notes – Closure of operations | November 8, 2016 |
| 2. | RBI/2016-17/112 DCM (Plg) No. 1226 / 10.27.00 / 2016-17 | Withdrawal of Legal Tender Character of existing ₹ 500/- and ₹ 1000/- Bank Notes | November 8, 2016 |
| 3. | RBI/2016-17/114 DBR. No. Leg. BC. 31/09. 07.005/2016-17 | Banks to remain open for public on Saturday, November 12 and Sunday, November 13, 2016 | November 9, 2016 |
| 4. | RBI/2016-17/115 DCM (Plg) No. 1241/10.27.00/2016-17 | RBI Instruction to Banks for Changes in ATM | November 9, 2016 |
| 5. | RBI/2016-17/116 DPSS (CO) RTGS No. 1212/04.04.002 /2016-17 | Payment Systems to remain open on Saturday, November 12 and Sunday, November 13, 2016 | November 10, 2016 |
| 6. | RBI/2016-17/123 DCM (Plg) No. 1251/10.27.00/2016-17 | Limits for Banks, Post offices, Money Changers, White Label ATMs | November 10, 2016 |
| 7. | RBI/2016-17/124 DCM (Plg) No. 1256 / 10.27.00 / 2016-17 | Relaxation for Government Departments | November 11, 2016 |
| 8. | RBI/2016-17/125 DCM (Plg) No. 1264 / 10.27.00 / 2016-17 | Reporting and Monitoring | November 11, 2016 |
| 9. | RBI/2016-17/127 A.P. (DIR Series) Circular No. 17 | Issue of Pre-Paid Instruments to Foreign Tourists | November 11, 2016 |
| 10. | RBI/2016-17/128 DCM (Plg) No. 1268 / 10.27.00 / 2016-17 | Reporting and Monitoring – Information on Issuance of Banknotes Over the Counters / ATMs | November 12, 2016 |
| 11. | RBI/2016-17/129 DCM (Plg) No.1272 /10.27.00/2016-17 | Revision in Limits for Cash | November 13, 2016 |
| 12. | RBI/2016-17/130 DCM (Plg) No.1273/10.27.00/2016-17 | Applicability of the Scheme to DCCBs Withdrawal of Legal Tender Character of existing ₹ 500/- and ₹ 1000/- Bank Notes – Applicability of the Scheme to DCCBs | November 14, 2016 |



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| 13. | RBI/2016-17/131 DCM (Plg) No. 1274 / 10.27.00 / 2016-17 | Expanding the Distribution Locations for Deposit and Withdrawal of Cash Withdrawal of Legal Tender Character of Specified Bank Notes – Expanding the distribution locations for deposit and withdrawal of cash | November 14, 2016 |
| 14. | RBI/2016-17/132 DPSS. CO. PD. No. 1240 / 02.10.004 / 2016 – 2017 | Usage of ATMs – Waiver of Customer Charges | November 14, 2016 |
| 15. | RBI/2016-17/133 DCM (Plg) No. 1280 / 10.27.00 / 2016-17 | SOP for putting Indelible Ink on the Finger of the Customers coming to a Bank Branch for SBNs | November 15, 2016 |
| 16. | RBI/2016-17/135 DCM (Plg) No. 1287 / 10.27.00 / 2016-17 | Compliance with Provisions of 114B of the Income Tax Rules, 1962 | November 16, 2016 |
| 17. | RBI/2016-17/136 DCM (Plg) No. 1291 / 10.27.00 / 2016-17 | Daily Reporting by Banks Withdrawal of Legal Tender Character of existing ₹ 500/- and ₹ 1000/- Bank Notes – Daily Reporting | November 16, 2016 |
| 18. | RBI/2016-17/139 DCM (Plg) No. 1302 / 10.27.00 / 2016-17 | Limit for Exchange Over the Counters Revised Withdrawal of Legal Tender Character of existing ₹ 500/- and ₹ 1000/- Bank Notes – Exchange over the counters | November 17, 2016 |
| 19. | RBI/2016-17/140DPSS.CO. PD.1280/02.14.003/2016-17 | Cash Withdrawal at POS - Withdrawal Limits and Customer Fee/Charges - Relaxation | November 18, 2016 |
| 20. | RBI/2016-17/142 DCM (Plg) No. 1317 / 10.27.00 / 2016-17 | Cash Withdrawal Limit Facility for Overdraft/ Cash Credit Accounts | November 21, 2016 |
| 21. | RBI/2016-17/143 DBR.No.BP. BC.37/21.04.048/2016-17 | Relaxation in Prudential Norms Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances November 21, 2016 | November 21, 2016 |
| 22. | RBI/2016-2017/145 DCM (Plg) No. 1320/10.27.00/ 2016-17 | Cash Withdrawal for Wedding Withdrawal of Legal Tender Character of existing ₹ 500/- and ₹ 1000/- Specified Bank Notes (SBNs) – Cash withdrawal for purpose of celebration of wedding | November 21, 2016 |





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| 23. | RBI/2016-17/146 DCM (Plg) No. 1323/10.27.00 / 2016-17 | Revisions for Farmers/Traders registered with APMC/Mandis | November 21, 2016 |
| 24. | RBI/2016-17/147 DCM (Plg) No. 1341/10.27.00/2016-17 | Fraudulent Practices | November 22, 2016 |
| 25. | RBI/2016-17/149 DCM (Plg) No. 1346/10.27.00/2016-17 | Cash Withdrawal for purpose of Celebration of Wedding – Modification | November 22, 2016 |
| 26. | RBI/2016-17/153 DCM (Plg) No.1383/10.27.00/2016-17 | Specified Bank Notes (SBNs) - Deposit under Guarantee Scheme to decongest the storage facilities at banks | November 24, 2016 |
| 27. | RBI/2016-17/154 DCM (Plg) No.1384/10.27.00/2016-17 | Withdrawal of Specified Banknotes: Cash requirements of pensioners and Armed Forces Personnel | November 24, 2016 |
| 28. | RBI/2016-17/155 DCM (Plg) No. 1391/10.27.00/2016-17 | Discontinuation of over the Counters Exchange of SBN | November 24, 2016 |
| 29. | A.P. (DIR Series) Circular No. 20 | Exchange facility to foreign citizens | November 25, 2016 |
| 30. | RBI/2016-17/159 DBR.No.Ret. BC.41/12.01.001/2016-17 | Reserve Bank of India Act, 1934 – Section 42(1A) Requirement for maintaining additional CRR | November 26, 2016 |
| 31. | RBI/2016-17/160 DCM (Plg) No. 1430/10.27.00/2016-17 | Chest Guarantee Scheme for Specified Bank Notes (SBNs) – CGSS | November 27, 2016 |
| 32. | RBI/2016-17/163 DCM. No. 1437 / 10.27.00 / 2016-17 | Withdrawal of cash from bank deposit accounts - Relaxation | November 28, 2016 |
| 33. | RBI/2016-17/162 DCM (Plg) .1438/10.27.00/2016-17 | Chest Guarantee Scheme for Specified Bank Notes (SBNs) – CGSS | November 28, 2016 |
| 34. | RBI/2016-17/164 DCM (Plg) No. 1459/10.27.00/2016-17 | Deposit of Specified Bank Notes (SBNs) – Chest Balance Limit / Cash Holding Limit | November 29, 2016 |
| 35. | RBI/2016-17/165 DCM (Plg) No. 1450/10.27.00/2016-17 | Accounts under PMJDY – Precautions | November 29, 2016 |
| 36. | RBI/2016-17/166 DCM (Plg) .1500/10.27.00/2016-17 | Information from Unauthenticated Sources – Advisory to banks | December 01, 2016 |
| 37. | RBI/2016-17/173 DBR.AML. BC. .44/14.01.001/2016-17 | Requirement of customer due diligence and need for maintenance of records | December 06, 2016 |
| 38. | RBI/2016-17/174 DBR.No.Ret. C.46/12.01.001/2016-17 | Reserve Bank of India Act, 1934 – Section 42(1A) Withdrawal of the Incremental CRR | December 07, 2016 |





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| 39. | RBI/2016-17/176 DBR.AML.BC. No. 18/14.01.001/2016-17 | Amendment to Master Direction (MD) on KYC | December 08, 2016 |
| 40. | RBI/2016-17/177 DBR.AML. BC.47/14.01.01/2016-17 | Amendment to Master Direction on Know Your Customer | December 08, 2016 |
| 41. | RBI/2016-17/179 DCM (Plg) No. 1679/10.27.00/2016-17 | Detection of counterfeit notes in Specified Bank Notes (SBNs) – Reporting | December 12, 2016 |
| 42. | RBI/2016-17/180 DCM (Plg) No. 1683/10.27.00/2016-17 | Distribution of Mahatma Gandhi (New) Series Banknotes – Records | December 12, 2016 |
| 43. | RBI/2016-17/181 DCM (Plg) No. 1712/10.27.00/2016-17 | Preservation of CCTV recordings | December 13, 2016 |
| 44. | RBI/2016-17/183 DBR.AML. BC.48/14.01.01/2016-17 | Compliance to provisions of Master Direction on Know Your Customer (KYC) | December 15, 2016 |
| 45. | RBI/2016-17/186 A.P. (DIR Series) Circular No. 22 | Exchange facility to foreign citizens | December 16, 2016 |
| 46. | RBI/2016-17/189 DCM (Plg) No. 1859/10.27.00/2016-17 | Withdrawal of Legal Tender Character of existing ₹ 500/- and ₹ 1000/- Bank Notes (Specified Bank Notes) - Deposit of Specified Bank Notes (SBNs) into bank accounts | December 19, 2016 |
| 47. | RBI/2016-17/191 DCM (Plg) No. 1911/10.27.00/2016-17 | Withdrawal of Legal Tender Character of existing ₹ 500/- and ₹ 1000/- Bank Notes (Specified Bank Notes) - Deposit of Specified Bank Notes (SBNs) into bank accounts- Modification | December 21, 2016 |
| 48. | RBI/2016-17/201 DCM (Plg) o.2103/10.27.00/2016-17 | Classification and Provisioning pertaining to Advances | December 28, 2016 |
| 49. | RBI/2016-17/201 DCM (Plg) o.2103/10.27.00/2016-17 | Closure of the scheme of exchange of Specified Bank Notes (SBNs) at banks on December 30 th 2016 - Accounting | December 30, 2016 |
| 50. | RBI/2016-17/204 DCM (Plg) No. 2142/10.27.00/2016-17 | Cash withdrawal from ATMs – Enhancement of daily limits | December 30, 2016 |





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| 51. | RBI/2016-17/205 DCM (Plg) No.2170 /10.27.00/2016-17 | Facility for exchange of Specified Bank Notes (SBNs) during Grace Period – Verification of KYC and Account details at select RBI counters | December 31, 2016 |
| 52. | Amendment in Rule 114B & 114E of Income Tax Rules, 1962 | Amendment in requirement of PAN for Cash Deposits in Bank during the period 9 th Nov. 2016 to 30 th Dec. 2016 | November 15, 2016 |



Appendix 2
Indicative Checklist for Review of Demonetisation Activity
by Chartered Accountants in Banks
Part – 1 Exchange of Notes

| Ref- No. | Checkpoint | Ref. to RBI guidelines | Periodicity |
|-------------|--|---|--|
| E-1 | <p>Whether Limits for Exchange of Notes over the counter were adhered to?</p> <p>Limits From 10th Nov. 2016 to 13th Nov. 2016 – ₹ 4,000 From 14th Nov. 2016 to 17th Nov. 2016 – ₹ 4,500 From 18th Nov. 2016 to 24th Nov. 2016 – ₹ 2,000 From 24th Nov. 2016 – Nil at Branch counters From 25th Nov. 2016 - 31st Dec. 2016 - ₹ 5,000 per week for Foreign Citizen (Foreign Passport Holders)</p> | <p>RBI/2016-17/112 DCM (Plg) No. 1226/10.27.00/2016-17 Dt. 08.Nov.2016</p> <p>RBI/2016-17/129 DCM (Plg) No. 1272 /10.27.00/2016-17 Dt. 13.Nov.2016</p> <p>RBI/2016-17/139 DCM (Plg) No. 1302/10.27.00/2016-17 Dt. 17.11.2016</p> <p>RBI/2016-17/155 DCM (Plg) No. 1391/10.27.00 / 2016-17 Dt. 24.11.2016</p> <p>A.P. (DIR Series) Circular No. 20 Dt. 25.11.2016 and RBI/2016-17/186 A.P. (DIR Series) Circular No. 22 Dt. 16.12.2016</p> | <p>10.Nov.2016 to 24.Nov.2016 and upto 31.Dec.2016 (Foreign Citizen)</p> |
| E-2 | <p>Whether prescribed documents have been obtained for Exchange of Notes over the counter?</p> <p>Documents: 1. Request Letter (Format as per Annexure - 5 of RBI Circular) 2. ID Proof (Check whether copies have been obtained - Acceptable ID proofs are Any one from Aadhaar Card Driving License Voter ID Card Passport NREGA Card PAN Card Identity Card Issued by Government Department, Public Sector Unit to its Staff)</p> | <p>BI/2016-17/112 DCM (Plg) No. 1226/10.27.00/2016-17 Dt. 08.Nov.2016</p> | <p>10.Nov.2016 to 24.Nov.2016</p> |



| | | | |
|-----|--|---|----------------------------|
| E-3 | Check whether prescribed documents have been obtained for extending exchange of Notes facility to Foreign Citizen (Foreign Passport Holders). Documents: 1. Self Declaration stating that facility is not availed during the week. 2. Copy of Passport Maximum permissible limit ₹ 5,000 per week. | A.P. (DIR Series) Circular No. 20 Dt. 25.11.2016 and RBI/2016-17/186 A.P. (DIR Series) Circular No. 22 Dt. 16.12.2016 | upto 31.Dec.2016 |
| E-4 | Are there any instances of extending facility of exchange to same person more than once during the period 10th Nov. 2016 to 24th Nov. 2016? If so report the instances. | RBI/2016-17/112 DCM (Plg) No. 1226 / 10.27.00 / 2016-17 Dt. 08.Nov.2016 Para 3.C.i | 10.Nov.2016 to 24.Nov.2016 |
| E-5 | Are there any instances of extending facility to person based on Authority Letter? If so, report such instances. | | 10.Nov.2016 to 24.Nov.2016 |
| E-6 | Whether proper records have been maintained in system to record the number of SBN (₹ 500 & ₹ 1,000) received at Exchange Counters? If not, whether any manual records (viz. Register) is maintained? | | 10.Nov.2016 to 24.Nov.2016 |
| E-7 | Whether CCTV Recording of Cash Area is available? Whether adequate backup of recording is available? | RBI/2016-17/112 DCM (Plg) No. 1226 / 10.27.00 / 2016-17 Dt. 08.Nov.2016 Para 2.XII | 10.Nov.2016 to 24.Nov.2016 |
| E-8 | Review the CCTV Recording on random basis to check misuse of exchange facility. | RBI/2016-17/112 DCM (Plg) No. 1226 / 10.27.00 / 2016-17 Dt. 08.Nov.2016 (Para 2.XII) | 10.Nov.2016 to 24.Nov.2016 |





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|------|--|---|----------------------------|
| E-9 | From November 16, 2016 starting from metro cities, whether indelible ink was put on right index finger by the branch at exchange counters? Check CCTV footage to review the compliance. | RBI/2016-17/133 DCM (Plg) No. 1280 / 10.27.00 / 2016-17 Dt. 15.Nov.2016 | 15.Nov.2016 to 24.Nov.2016 |
| E-10 | Report the case of any abnormal increase value of notes exchanged through counter. Points to be considered are normal footfall in branch, capacity of branch to handle number of customers | | 10.Nov.2016 to 24.Nov.2016 |
| E-11 | Check any Business Correspondents (BC) are reporting to Branch? If so, whether facility of Exchange was provided by BCs? The facility of exchange cannot be provided by BC. | RBI/2016-17/115 DCM (Plg) No. 1241 / 10.27.00 / 2016-17 Dt. 09.Nov.2016 - Para VI.4 | 10.Nov.2016 to 24.Nov.2016 |



Part – 2 Cash Withdrawal

| Ref- No. | Checkpoint | Ref. to RBI guidelines | Periodicity |
|-------------|--|--|-------------------|
| P-1 | <p>Whether Limits for withdrawal over the counter were adhered to?</p> <p><u>Limits for withdrawal from Branch</u></p> <p>From 10th Nov. 2016 to 13th Nov. 2016 – ₹ 10,000 per day with weekly capping of ₹ 20,000 (Including ATM withdrawals)</p> <p>From 14th Nov. 2016 – ₹ 24,000 (Maximum in a week) & For Current A/c (operational from last three months) - ₹ 50,000</p> <p>From 21st Nov. 2016 - For OD/ CC Accounts (operational from last three months) – ₹ 50,000 (Enhanced limit is not available to Personal OD accounts)</p> <p>From 22nd Nov. 2016 - Farmers ₹ 25,000 and Trader registered with APMC / Mandi - ₹ 50,000</p> <p>From 22nd Nov. 2016 - ₹ 2,50,000 on the occasion of wedding subject to conditions as prescribed.</p> <p>From 29th Nov. 2016 - Enhanced limit of withdrawal to the extent of deposit of legal tender notes from the date.</p> <p>From 30th Nov. 2016 - ₹ 10,000 from PMJDY KYC Compliant Account. Additional amount based on requirement and after due diligence by Branch Manager.</p> <p>Otherwise only ₹ 5,000 per month subject to maximum ₹ 10,000</p> | <p>RBI/2016-17/112 DCM (Plg) No. 1226/10.27.00/2016-17 dt. 08.Nov.2016</p> <p>RBI/2016-17/123 DCM (Plg) No. 1251/10.27.00 / 2016-17 dt. 10.Nov.2016</p> <p>RBI/2016-17/124 DCM (Plg) No. 1256/10.27.00 / 2016-17 dt. 11.Nov.2016</p> <p>RBI/2016-17/129 DCM (Plg) No. 1272 /10.27.00/2016-17 dt. 13.Nov.2016</p> <p>RBI/2016-17/131 DCM (Plg) No. 1274/10.27.00/ 2016-17 dt. 14.Nov.2016</p> <p>RBI/2016-17/135 DCM (Plg) No. 1287/10.27.00/2016-17 dt. 16.Nov.2016</p> <p>RBI/2016-17/142 DCM (Plg) No. 1317/10.27.00/2016-17 dt. 21.Nov.2016</p> <p>RBI/2016-2017/145 DCM (Plg) No. 1320 / 10.27.00 / 2016-17 dt. 21.Nov.2016</p> <p>RBI/2016-17/146 DCM (Plg) No. 1323 / 10.27.00 / 2016-17 dt. 21.Nov.2016</p> | From 10 Nov. 2016 |

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| | <p>For withdrawal by Govt. Dept. - No Limit. On production of evidence of requirement issued by an office and approved by Bank Official in the rank of General Manager & above</p> <p>No limit for cash transaction between Bank to Bank, Bank to Post Office, Bank to Money Changer having presence at International Airport and Bank to White label ATM operator</p> | <p>RBI/2016-17/146 DCM (Plg) No.1323/10.27.00/2016-17 dt. 21.Nov.2016</p> <p>RBI/2016-17/163 DCM. No.1437/10.27.00/2016-17 dt. 28.Nov.2016</p> | |
| P-2 | <p>Whether Limits for withdrawal through other modes?</p> <p><u>Limits for withdrawal through ATM:</u> From 10th Nov. 2016 to 13th Nov. 2016 - ₹ 2,000 per day per card From 14th Nov., 2016 – ₹ 2,500 per day per card From 1st Jan. 2017 – ₹ 4,500 per day per card</p> <p>Limits for withdrawal through POS Machine: From 18.11.2016 - ₹ 2,000 per day</p> | <p>RBI/2016-17/112 DCM (Plg) No. 1226 / 10.27.00 / 2016-17 dt. 08.Nov.2016</p> <p>RBI/2016-17/129 DCM (Plg) No. 1272 /10.27.00/2016-17 dt. 13.Nov.2016</p> <p>RBI/2016-17/140 DPSS. CO. PD. No. 1280 / 02.14.003 /2016-17 dt.</p> | From 10.Nov. 2016 |



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| P-3 | In case of enhanced limit for withdrawal, check whether requisite documents have been obtained by the bank? | RBI/2016-17/123 DCM (Plg) No. 1251 / 10.27.00 / 2016-17 dt. 10.Nov.2016 RBI/2016-17/124 DCM (Plg) No. 1256 / 10.27.00 / 2016-17 dt. .Nov.2016 RBI/2016-2017/145 DCM (Plg) No. 1320 / 10.27.00 / 2016-17 dt. 21.Nov.2016 & Amendment RBI/2016-17/149 DCM (Plg) No. 1346/10.27.00/2016-17 dt. 22.Nov.2016 RBI/2016-17/146 DCM (Plg) No. 1323 / 10.27.00 / 2016-17 dt. 21.Nov.2016 | From 10.Nov.2016 |
| P-4 | Whether denomination details have been mentioned on Cheque / Withdrawal slip in all the cases? | | From 10.Nov.2016 |
| P-5 | Test check the cases of Cash withdrawal to ascertain whether system level controls have been embedded in compliance with RBI guidelines? If not, detailed scrutiny is required to be carried out to detect the cases wherein payments have been made in excess of limits prescribed. | | From 10.Nov.2016 |





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| P-6 | <p>Review the CCTV footage based on time of transaction to ascertain whether the payments have been made to customer / payee only.</p> <p>Report the instances wherein cheque was posted in system where no customers were in branch and cash was paid.</p> <p>Are there any instances wherein delivery of bulk cash in legal tender took place?</p> <p>Are there any cases of transaction beyond the branch hours where there are no customers in the branch / at the counter?</p> | | From 10.Nov.2016 |
| P-7 | <p>Report the cases wherein enhanced limit to cash withdrawal is permitted for Current Account / OD A/c / CC Account in operation for less than 3 months.</p> <p>Also, report cases wherein enhanced limit of cash withdrawal (i.e. ₹ 50,000) was permitted in Personal OD Accounts.</p> | | From 15.Nov.2016 |
| P-8 | <p>Debit restrictions in Non KYC compliant accounts including those opened under Small Savings Account Scheme and Jan Dhan Scheme with Balance in excess of ₹ 5 Lacs and Credits (Cash, Electronic or other) in excess of ₹ 2 Lacs from 9th Nov. 2016.</p> | | From 15.Dec.2016 |



Part – 3 Cash Receipt

| Ref-No. | Checkpoint | Ref. to RBI guidelines | Periodicity |
|---------|--|---|------------------|
| R-1 | <p>Whether Limits for Cash Deposits over the counter were adhered to?</p> <p><u>Limits</u></p> <ol style="list-style-type: none"> Maximum amount upto ₹ 50,000 – Non KYC compliant accounts Any amount – in KYC compliant accounts No cash deposit is allowed in Small Savings Scheme Accounts (i.e. PPF, Senior Citizen Scheme, Sukanya Sunidhi Scheme, Atal Pension Yojna) | <p>RBI/2016-17/112 DCM (Plg) No. 1226/10.27.00/2016-17 Dt. 08.Nov.2016 Para 3.C.ii</p> <p><u>Small Savings Scheme:</u> FAQ No. 24 (Notification No. RBI/2016-17/151 DCM (Plg) No.1351/10.27.00/2016-17 dt. 23.11.2016)</p> | From 10.Nov.2016 |
| R-2 | <p>Check whether required documents have been obtained for Cash Deposits (SBN) from 10.Nov.2016 by customer in his/her own account?</p> <p><u>Documents:</u></p> <ol style="list-style-type: none"> Pay in Slip with proper denomination details ID Proof (Check whether copies have been obtained or have been confirmed by Branch official for having verified the ID Proof of customer) Explanation from customer for non deposit of cash till 19 Dec. 2016 (when transaction is in excess of ₹ 5,000 or cumulative amount of deposit exceeds ₹ 5,000) -(19.Dec.2016 to 21.Dec.2016) - All type of Accounts | <p>RBI/2016-17/112 DCM (Plg) No. 1226 / 10.27.00 / 2016-17 Dt. 08.Nov.2016 Para 3.C.iii</p> <p>RBI/2016-17/189 DCM (Plg) No. 1859/10.27.00/2016-17 dt. December 19, 2016</p> <p>RBI/2016-17/191 DCM (Plg) No. 1911/10.27.00/2016-17 December 21, 2016</p> | From 10.Nov.2016 |



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| | 4. Explanation from customer for non deposit of cash till 19 Dec. 2016 (when transaction is in excess of ₹ 5,000 or cumulative amount of deposit exceeds ₹ 5,000) - (From 21.Dec.2016) - For non KYC compliant accounts. | | |
| R-3 | <p>Check whether required documents have been obtained for Cash Deposits (SBN) from 10.Nov.2016 by person other than account holder? (Third party cash deposit)</p> <p><u>Documents:</u></p> <ol style="list-style-type: none">1. Pay in Slip with proper denomination details2. Authority Letter from Account holder expressly mentioning no objection in favor of tenderer to deposit SBN in his / her account.3. Copy of ID proof (Acceptable ID proofs are Any one from Aadhaar Card Driving License Voter ID Card Passport NREGA Card PAN Card Identity Card Issued by Government Department, Public Sector Unit to its Staff) | RBI/2016-17/112 DCM (Plg) No.1226/10.27.00/2016-17 Dt. 08.Nov.2016 Para 3.C.iv | From 10 Nov. 2016 |
| R-4 | Check whether separate pay in slip is used for deposit of SBN and Legal Tender Notes (especially for New ₹ 500 note) | RBI/2016-17/131 DCM (Plg) No. 1274 / 10.27.00 / 2016-17 dt. 14.Nov.2016Para vi (Monitoring) | From 15 Nov. 2016 |
| R-5 | Are there any cases wherein Cash in excess of specified limit was accepted in accounts where KYC is still pending? If so, report such cases | | |





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| R-6 | Are there any cases wherein Cash was accepted in excess of ₹ 50,000 where PAN is not seeded into the account? | RBI/2016-17/135 DCM (Plg) No. 1287 / 10.27.00 / 2016-17 Dt. 16.Nov.2016 | RBI Guidelines prospective w.e.f. 16.Nov. 2016 IT Guidelines retrospective applicability w.e.f. 09.Nov.2016 |
| R-7 | Check how the transaction of cash deposit on account of flushing of ATM has been accounted? Whether document evidencing denomination of cash is available with the branch? | | 09.Nov. 2016 |
| R-8 | Check are there any cases wherein Cash Deposit is not deposited to customer's account, instead credited to office account and later on transferred to customer's account (As transfer entry and not as cash entry). Report all such instances. Review of all office account and daily transaction report to identify such cases. | | From 10.Nov.2016 |
| R-9 | Check how the transaction of cash movement (SBN) from / to Currency Chest / Other Branch have been accounted? Whether documents containing denomination details alongwith confirmation of other branch / Currency Chest are on record? | | From 09.Nov.2016 |



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| R-10 | <p>Is there any Cash Deposit / Cash Recycler Machine attached with Branch? If so, whether the same is recalibrated before made in use after 10.Nov.2016?</p> <p><u>Cash Recycler-</u></p> <p>Recalibration w.r.t. prevention of dispensing SBN</p> <p><u>Cash Deposit Machine -</u></p> <p>Disabling deposit of SBN by Third Party in account. Authentication of customer by Debit Card only.</p> | RBI/2016-17/115 DCM (Plg) No.1241/10.27.00/2016-17 Dt. 09.Nov.2016 - Para V | From 10.Nov.2016 |
| R-11 | <p>In case of Cash Deposit of ₹ 1 mln. and above, check whether the documents / transaction comply with Rule 4 of Prevention of Money-laundering (Maintenance of Records) Rules, 2005.</p> | Rule 3 & Rule 4 of Prevention of Money-laundering (Maintenance of Records) Rules, 2005. | From 10.Nov.2016 |
| | <p><u>Rule 4-PML Rules, 2005</u></p> <p><i>Records containing Information</i> <i>The records referred to in rule 3 shall contain all necessary information specified by the Regulator to permit reconstruction of individual transaction including* the following information:-</i></p> <p><i>(a) the nature of the transactions;</i></p> <p><i>(b) the amount of the transaction and the currency in which it was denominated;</i></p> <p><i>(c) the date on which the transaction was conducted; and</i></p> <p><i>(d) the parties to the transaction</i></p> | | |





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| R-12 | In case of Cash Deposit in NRO / NRE Account, check whether FEMA guidelines have been complied with. | Reg. 3(2)(b) of FEMA (Export and Import of Currency) Regulations, 2015 – Notification No. 6(R) dated 29-12-2015 | From 10.Nov.2016 |
| R-13 | Check whether enhanced due diligence is carried out by branch for cash deposit in Minor Account, Third Party cash deposit in Minor Account and bulk cash deposit in Trust, Association, Society accounts. Refer bank's internal guidelines for activities to be carried out by branches. | | From 10.Nov.2016 |
| R-14 | Check whether copies of relevant records / challans are available with branch for deposit of SBN for Direct Tax (including IDS) and Indirect Tax collection. | | From 10.Nov.2016 |
| R-15 | Check whether any cuttings / overwriting in Pay in Slips have been observed? If so whether the same is authenticated by Depositor? | | From 10.Nov.2016 |
| R-16 | Check the adherence to the guidelines applicable for transactions in Small Savings Account and Basic Savings Accounts. | | From 10.Nov.2016 |



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| R-17 | <p><u>Process followed for handling of Counterfeit Notes:</u></p> <ul style="list-style-type: none">a. Check process of impounding of counterfeit notesb. Check process of maintenance of register and stampsc. Check process of issuance of acknowledgement of impoundingd. Check process of reporting of counterfeit notese. Review reporting made in Annexure 6A with counterfeit note register.f. Check whether process of FIR filing is done as per extant guidelines. | From 10.Nov.2016 |
|------|---|---------------------|



Part – 4 Reporting Requirements

| Ref- No. | Checkpoint | Ref. to RBI guidelines | Periodicity |
|---------------------|---|---|--------------------|
| RP-1 | Reporting of Closing Balance of SBN as on 8th November, 2016 to RBI (Annexure - 1 of RBI Circular) | RBI/2016-17/112 DCM (Plg) No. 1226 / 10.27.00/2016-17 dt. 08.Nov.2016 | On 09.Nov.2016 |
| RP-2 | Daily reporting of Cash Deposit and Exchange in format Annexure - 6 and Annexure 6A to Controlling Office and RBI Amendment in format of Reporting (i.e. Annexure 6) w.e.f. 12.Nov.2016 | RBI/2016-17/112 DCM (Plg) No. 1226 / 10.27.00 / 2016-17 dt. 08.Nov.2016 | From 10.Nov.2016 |
| RP-3 | Daily of Reporting details of Counterfeit Notes detected and information on payment over the counter added | RBI/2016-17/128 DCM (Plg) No.1268 / 10.27.00/2016-17 dt. 12.Nov.2016 | From 12.Nov.2016 |
| RP-4 | Is there any delay in the reporting of information to Controlling Office / RBI? If so, report the cases. | | From 10.Nov.2016 |
| RP-5 | Whether proper records have been maintained for the figures reported in Annexure 6? | | From 10.Nov.2016 |
| RP-6 | Whether total collection of SBNs upto December 30, 2016 have been reported through email to RBI? | RBI/2016-17/201 DCM (Plg) No. 2103 / 10.27.00 /2016-17 | 30.Dec.2016 |

Part – 5 New Account opening from 10th Nov. 2016

| Ref- No. | Checkpoint | Periodicity |
|---------------------|---|--------------------|
| N-1 | Whether all the Accounts opened after 8th November, 2016 have been activated after completion of KYC formalities? | From 10.Nov.2016 |
| N-2 | Whether PAN is obtained / updated in case wherein SBN in excess of ₹ 50,000 is accepted for Account Opening? | From 10.Nov.2016 |
| N-3 | Whether copies of Foreign Passport have been obtained before issuance of Prepaid Cards to Foreign Nationals? | From 10.Nov.2016 |

Part – 6 Review & Other aspects


| Ref- No. | Checkpoint |
|-------------|--|
| M-1 | Check whether any withdrawal have been accounted through Office Account beyond the prescribed limit to customer? |
| M-2 | Review all office accounts (including inter branch accounts) for usage other than prescribed purpose or possible use as rotation of entries. |
| M-3 | Review entries in Staff Accounts, Accounts of relatives of staff for any abnormal deposits / withdrawals. (Obtain duly certified list of Staff Name with Account Numbers from Branch Manager / HR Dept.) |
| M-4 | <p>Check whether multiple accounts of a same customer have been opened with different CUST ID / CIF No.? Whether such accounts have been used as bulk deposits / withdrawals?</p> <p><u>Suggested Data:</u> For multiple CUST ID for same customer (Triggers PAN, Passport No., Aadhar Card, Date of Birth and Name etc.)</p> |
| M-5 | For KYC / Re-KYC updations after 8th November, 2016 check whether the KYCs have been updated after obtaining requisite documents. Point out cases wherein KYC updation in system is carried out without obtaining requisite documents. |
| M-6 | Check whether requisite documents have been obtained for lifting of Dormancy Flags post 8th November, 2016 |
| M-7 | <p>Check whether denominationwise reconciliation of SBN received at branch is available? Check whether supporting data / details are on record.</p> <p><u>Reconciliation methodology</u> Op. Balance of SBN as per Cash Register + Received at Counter + Received at Exchange Counter - Remitted to Chest = Cl. Balance of SBN as per Cash Register.</p> |
| M-8 | <p>Check whether denominationwise reconciliation of Legal Tender notes disbursed from branch is available? Check whether supporting data / details are on record.</p> <p><u>Reconciliation methodology</u> Op. Balance of Legal Tender Notes as per Cash Register + Received from Chest - Remitted to Chest = Cl. Balance of Legal Tender Notes as per Cash Register. (For each denomination)</p> |
| M-9 | Check whether Vault / Cash register is updated and the balance as per register is tallying with Balance as per CBS for the day. |
| M-10 | <p>Newly opened Accounts with SBN (from 8th Nov. 2016 to till date) Review any abnormal transactions in the said type of cases.</p> |
| M-11 | <p>Foreign Outward Remittance after deposit of cash in SBN Bring out the cases to the notice of Branch for enhanced due diligence of transaction from money laundering and FEMA perspective.</p> |

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| M-12 | <p>New Loans sanctioned with disbursement in cash & pre mature repayment of loan in cash during the period (esp. Agri Loan, Gold Loans)</p> <p>Bring out the cases wherein loan disbursement was made in Cash (Legal Tender) repayment was done in SBN. Report the cases wherein “Replacement of Currency” trend is visible.</p> |
| M-13 | <p>Deposit in Account between period 10th Oct. 2016 and 30th Dec. 2016 in excess of ₹ 2,50,000 without PAN Rule 114b amended</p> <p>Check whether any cash deposit (aggregate) beyond ₹ 2,50,000 is allowed in accounts wherein PAN is not available?</p> <p>Report the cases as non adherence to IT guidelines.</p> |
| M-14 | <p>Cash Deposit in Jan Dhan Account</p> <p>There have been various reports of the PMJDY accounts being misused. Check whether documents are available for cash deposit. Whether process of ascertaining customer’s visit to branch is evidenced.</p> <p>Moreover, also check whether the funds have been immediately transferred through RTGS / NEFT / Transfer to third party account after deposit of SBN.</p> <p>In addition to it, check any case of multiple transfers from different PMJDY Account to one account or group of account.</p> |
| M-15 | <p>Excess deposit (in excess of dues) in Loan and Credit Card Accounts? (Availability of PAN for Reporting)</p> <p>Are there any transactions of excess cash deposit (deposit in excess of total due amount) in Loan / Credit Card Accounts? If so check whether all KYC details including PAN is available in the Loan Account.</p> <p>Check are there any cases of repayment of loan through bulk cash deposit in EMI Loan Accounts? If so, whether any suspicious transactions have been observed? If so report the same for enhanced due diligence.</p> <p>Also check whether such deposits have been routed through a pool account? If so comment on possibility of non reporting due to transfer of funds from pool account to actual account with transaction type other than Cash.</p> |
| M-16 | <p>Dormant Activation and cash deposit immediately after activation</p> <p>Check whether any suspicious transactions have been observed in accounts wherein cash has been deposited immediately after dormancy flag is lifted.</p> |
| M-17 | <p>New Account Opening and Closure in short period with SBN Cash deposit</p> <p>Check whether new account has been opened and closed in short period for deposit of SBN. In case of any suspicious activity report the same to Branch for enhanced due diligence.</p> |




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| M-18 | Large cash deposit in Tax collection account (Availability of PAN for Reporting) Check whether PAN / Tax collection numbers are available in case of large cash deposit for Tax Collection (Indirect Tax) |
| M-19 | Cash deposits near to reporting limits Review cases of multiple cash deposits in accounts near to prescribed limits for Reporting. Report in case any suspicious activity is evidenced. |
| M-20 | Data on Issuance of DD / PO/ NEFT / RTGS against deposit of SBN to third party Check whether any case of cash deposit of SBN in account wherein the funds have been remitted by way of DD / PO / NEFT / RTGS to other account. Whether any suspicious activity is noticed? If so report the same to Branch for enhanced due diligence. |
| M-21 | Data on Issuance of DD / PO to Insurance companies for subscription to new insurance policy (Non availability of name of purchaser on DD) Check whether DD / PO was issued by way of cash or by way of debit to account (where cash is deposited in SBN) in favor of Insurance Company. The route may be used to fund policy of other person (other than the account holder). Check whether any suspicious transaction is observed. If so report the same for enhanced due diligence. |
| M-22 | Acceptance of SBN for para banking activities viz. Life Insurance Policies, ULIPs through Office Accounts Check whether any insurance, ULIP plans have been offered to customer under para banking activities by deposit of SBN through office accounts. If so report the said cases. |
| M-23 | Instances of Cash Shortage: Check the cash shortage reported by branch on various days. Check whether the cash shortage in excess of ₹ 10,000 have been reported as Fraud in terms of Master Directions on Fraud (RBI/DBS/2016-17/28 DBS. CO. CFMC. BC. No. 1 /23.04.001/2016-17 Dt. July 01, 2016) |
| M-24 | Instances of Excess Cash: Check instances of Cash Excess reporting by branch. Check for reversal of entries from Excess Cash Office Account with documents for correctness of transaction. |





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| M-25 | Demand Draft issuance in Cash and cancellation by credit to Account: Check instances of issuance of Demand Draft against Cash and cancellation of the said draft by credit to Account. |
| M-26 | Relaxation in Prudential Norms for Income Recognition, Asset Classification and Provisioning pertaining to Advances Review recovery in advance accounts and NPA classifications based on the guidelines issued by RBI on November 21, 2016 and December 28, 2016. |
| M-27 | Transfer of SBNs to RBI Issue Office / Currency Chest by December 31, 2016 Check whether all the SBNs held by branch(other than those of DCCBs) have been physically moved to RBI Issue office / Currency Chest by December 31, 2016? <i>(SBNs cannot form part of banks' cash balances from the close of business as on December 31, 2016.)</i> |



COMPOSITION OF INTERNAL AUDIT STANDARDS BOARD 2016-17

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Chairman, Internal Audit Standards Board

CA. Anil Satyanarayan Bhandari, FCA

Vice-Chairman, Internal Audit Standards Board

CA. M. Devaraja Reddy, FCA

President, ICAI

CA. Nilesh Shivji Vikamsey, FCA

Vice-President, ICAI

CA. Tarun Jamnadas Ghia, FCA

CA. Mangesh Pandurang Kinare, FCA

CA. Dhinal Ashvinbhai Shah, FCA

CA. Babu Abraham Kallivayalil, FCA

CA. K. Sripriya, FCA

CA. M. P. Vijay Kumar, FCA

CA. Ranjeet Kumar Agarwal, FCA

CA. Sushil Kumar Goyal, FCA

CA. Debashis Mitra, FCA

CA. Shyam Lal Agarwal, FCA

CA. Kemisha Soni, FCA

CA. Sanjiv Kumar Chaudhary, FCA

CA. Sanjay Vasudeva, FCA

Shri Vithayathil Kurian

Shri Vijay Kumar Jhalani

Co-opted Members

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CA. Kartik Bharatkumar Radia, FCA

CA. Krishna Kumar T., FCA

CA. Vipin Gupta, FCA

CA. Viswanath K., FCA

CA. Yashwant Jaywant Kasar, FCA

Special Invitee

CA. Shobhit Dwivedi

Secretary, IASB

CA. Jyoti Singh

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New Delhi

Branches

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Amritsar
Bhatinda
Chandigarh
Faridabad
Gurgaon
Hisar
Jalandhar
Jammu & Kashmir
Ludhiana
Panipat
Patiala
Rohtak
Shimla
Sonapat
Yamunanagar
Karnal
Sangrur

Central Region

Regional Office

Kanpur

Branches

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Allahabad
Alwar
Bareilly
Bhiliwara
Bhilai
Bhopal
Dhanbad
Dehra Dun
Ghaziabad
Gwalior
Indore
Jaipur
Jamshedpur
Jodhpur
Kota
Lucknow
Mathura
Moradabad
Meerut
Muzaffarnagar
Noida
Patna
Raipur
Ranchi
Saharanpur
Udaipur
Varanasi
Jabalpur
Ujjain
Bikaner
Bilaspur
Gorakhpur
Pali
Sriganganagar
Ratlam

Eastern Region

Kolkata

Branches

Asansol
Bhubaneswar
Cuttack
Durgapur
Guwahati
Siliguri
Rourkela
Sambalpur

Western Region

Regional Office

Mumbai

Branches

Ahmedabad
Ahmednagar
Anand
Aurangabad
Baroda
Goa
Jalgaon
Jamnagar
Kolhapur
Nagpur
Nashik
Pune
Rajkot
Sangli
Solapur
Surat
Akola
Vasai
Thane
Akola
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Navi Mumbai
Pimpri Chinchwad
Amravati
Vapi
Gandhidham
Bhavnagar
Latur

Southern Region

Regional Office

Chennai

Branches

Alleppey
Bangalore
Belgaum
Calicut
Coimbatore
Ernakulam
Erode
Guntur
Hubli
Hyderabad
Kottayam
Kumbakonam
Madurai
Mangalore
Mysore
Palghat
Pondicherry
Quilon
Salem
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Tirunelveli
Trichur
Tirupur
Trivandrum
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Udupi
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Vijayawada
Visakhapatnam

Bellary
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Nellore
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The Institute of Chartered Accountants of India
'ICAI Bhawan', Indraprastha Marg
P. B. No. 7100, New Delhi - 110 002, INDIA

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Section - 4

**Chapter on “Core Banking
System” of Manual on
Concurrent Audit of Bank
published by ICAI**

Chapter 2

Core Banking System

Background

2.1 Over the years, the banking operations have been atomized to a large extent and wide range of banking software's have been developed for accounting of transactions and core banking operations. Bank software's are becoming more sophisticated all the time. As new accounting methods develop and more people bank online, private banking software is being developed to streamline the processes.

Banking Industry and Banking Software

Current Scenario

2.2 The face of banking industry is changing continuously. What Banking is today is quite different from what it was in the years gone by. Some of the present trends in banking industry include following:

- Focus on Customer Relationship (Service Oriented Architecture[SOA]);
- Introduction of Value Added Services;
- Connectivity of branches;
- Multiplicity of Delivery Channels (ATM, Cash Deposit Machines, Cheque Deposit Machine, Point of Sale Units, Credit Card, Mobile Banking, Internet Banking);
- Focus on MIS and Risk Management;
- Focus on Reduction of Transaction Cost.

Future Scenario

2.3 One can visualize future scenario in the industry on current trends. Going by the current happenings one can expect the future of banking industry. Some of the important factors are as follows:

- Increase in the expectations of customers;
- Increase in healthy competition due to issue of new banking licenses;

- A greater variety of products and delivery channels in the market;
- Centralised customer management (Service centric approach);
- Information technology to act as an integrator and enabler between demands on the industry and services rendered.

Challenges

2.4 The biggest challenge before the banking industry today is posed by its customers' expectations. The customer today is more informed and aware than before. Customers demand more and more services and delivery channels. Customer's expectations are increasing with respect to anywhere, anytime banking and also for diverse products and facilities.

There are challenges posed by market forces due to stiff competition wherein the differentiator or selection of bank by the customers is based on quality of services. However, the service up-gradation comes with a cost for the bank. Hence, a trade-off between cost of transaction and quality service to customer is the key. Moreover, due to diversified products and services, upto date information for customer and banker is very important.

On the other front the regulatory requirements are rapidly increasing. Apart from handling transactions, customer and competition it is very important to pay equal attention to adherence to regulatory guidelines.

A composite system / software which handles transactions, customer relations, regulatory compliances, MIS/ reports request is the need of the hour. Core Banking Systems (CBS) provide the solution for the same. There are various Core Banking Software's available in the market. More prominent and used in India are Finacle, FLEXCUBE, TCS BaNCS.

Audit of Banks and Banking Softwares

2.5 Ever since the human being started documenting transactions, audit methodology and techniques have evolved over the period of time keeping pace with the style of business. With the growth in business volume and technological advances there has been paradigm shift in various aspects of business. Conducting audit of financial transactions cannot be an exception to the same. Traditional audit techniques and methodology were outcome of the volume and complexities of the business of its time. A classic example of the same is audit techniques applied for conducting audit of a bank operating under Core Banking System (CBS).

As we have witnessed, during the last decade there has been large scale growth in banking services, covering more and more geographical area and large number of population. This has necessitated applying modern technology, particularly in the field of data capturing, recording and processing. CBS is outcome of the same.

For obvious reasons audit methodology cannot remain static, it has also to change. Therefore, with the spread of CBS in large number of cases, changing audit methodology also became inevitable. If the auditor's dependence on technology hinges heavily, there is no reason why auditor should not apply the same technology.

Core Banking Solution (CBS)

What is CBS?

2.6 The core banking system is the set of basic software components that manage the services provided by a bank to its customers through its branches (branch network). The bank's customers can make their transactions from any branch, ATM, service outlets, internet, phone at their disposal.

The CBS is based on Service Oriented Architecture (SOA). It helps banks to reduce risk that can result from manual data entry and out of date information. It also helps banks to improve service delivery quality and time to its customer. The software is accessed from different branches of bank via communication lines like, telephones, satellite, internet, etc.

Core Banking System (CBS) works on a concept of Centralized Database and Processing. Transactions take place at various geographical locations which get recorded and processed at a Centralized Server. Updation of database is on Real Time Basis. Due to the centralization of transaction processing, issue of out of date information is eliminated. All the users connected to CBS will be able to get upto date information. CBS also enhances quality of reporting and strengthens access control.

Centralized Banking Solution/ Core Banking Solution

2.7 Under CBS data is stored in centralized servers at data centre. This effectively means that all operations at the connected branches, back offices are

carried out through servers at data centre including transactions through other delivery channels like, ATMs, internet banking, phone banking, etc.

Under CBS, the branches, back offices are defined as SOL (i.e., Service Outlets) where each SOL functions as a service window. The CBS is capable of processing any transaction from any branch location connected to CBS. It can be equated with single window operations at airline counters or railway reservation counters wherein all the services can be obtained at one place. Hence, under CBS customer is now a customer of the bank and not merely a customer of a branch of the bank. This has facilitated anywhere, anytime banking convenience for the customer.

From bank's perspective, control over the application and processes has been entrusted at data center level. In addition to it, CBS also makes available effective MIS on real-time basis. It enables generation of all periodical returns centrally. As mentioned above, there are various CBS developed by various software companies available in the market and most commonly used are FINACLE, TCS BaNCS and Flex Cube.

Introduction to FINACLE

2.8 A Financial Package, for banking solution developed by Infosys on a platform of Oracle, is thus named as FINACLE. Presently, many Indian Public Sector Banks, Private Sector Banks and Foreign Banks operating in India are using this software as banking solution due to high flexibility and scalability. Finacle is an integrated, on-line, enterprise banking system designed to provide the "e-platform".

Prior to 1995 it was known as BANC 2000, a Total Branch Automation package with a distributed network. After 1995 Infosys developed the same as FINACLE, a Core Banking Solution. Functionalities of Finacle are as follows:

- Finacle facilitates anywhere banking.
- It is menu driven software with easy navigation.
- It is functionality rich and addresses the retail and corporate banking requirements.
- Customization and parameterization are two special features of Finacle.
- Finacle provides multi-lingual support.

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- Finacle provides multi-level security, i.e., operation, database and application level security
- It supports workflow based transaction processing.
- It has high level of security control and audit capabilities.
- It has a common transaction interface for all type of transactions.
- It provides a browser based GUI interface to Finacle.
- SQL and PL SQL is used for generation of MIS, reports, queries at centralized level.
- Designed for optimum usage of network bandwidth.
- There are two functional modules:
 - *Retail and Corporate Module*- Encompassing Saving Accounts, Current Accounts, Term Deposits, Cash Credit Accounts, Overdraft Accounts, Term Loans, Demand Loans.
 - *Trade Finance Module* - Encompassing Inland & Foreign Bills, Forward Contracts, Inland & Foreign Documentary Credits, Inland & Foreign Bank Guarantees, Inland & Foreign Remittances and Pre-shipment Credits.

Security in Finacle

2.9 FINACLE is having multiple levels of security. Various security levels embedded in it are as follows:

- OS Level
 - No access to OS
 - OS and application level profile
 - Direct login to application menu
- Database level
 - Protection from external updating
- Application level
 - Menu level
 - User level

- Product level
- Account level
- Transaction level
- Dual control for all transactions
 - Maker-Checker Concept
- Controlled error handling through exceptions
 - (1) Warning (2) Exception (3) Error

Finacle Overview

2.10 Following is an overview of Finacle for understanding of the users:

| Finacle User Menu | | | | | | | | |
|--|-----|-------|-------|-------------------------------|-------|-------|-------|-------|
| Menu Block | | | | Favorites ! | | | | |
| Main Menu -> Sub Menu -> Menu Description [Menu Code] | | | | User Defined Favorites | | | | |
| MESSAGE AREA | | | | | | | | (A) |
| Menu Option | (B) | Btn.1 | Btn.2 | Btn.3 | Btn.4 | Btn.5 | Btn.6 | Btn.7 |
| Action Bar | | | | | | | | |

A = Progress Indicator

B = Field to Specify Menu Option

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- *Menu Block*: The block houses all the menu and sub-menu options available in Finacle.
- *Menu Option Block*: Menu Code to be entered to gain access to the respective menu.
- *Action Bar* : User can execute the process of Finacle operations by clicking on various options on this bar. The hot keys are also assigned for all options, which appear on the bar.
- *Action Buttons*: Every action button has a specific purpose. For e.g., on clicking Who Aml button, system will display use rid of the user who is currently logged in and other information, viz., date and name of SOL in a message box.
- *Message Bar*: The message bar displays warnings, exceptions, errors or lists under a specific field code.
- *Favorites*: Menu items which are required and used on regular basis can be put in favorites by copying from Menu Block. As onetime process, specific menu item which is required to be copied to Favorites should be located in menu block and with the use of drag and drop the function can be stored under favorites menu.
- *Progress Indicator*: It shows the progress of the action initiated through the use of colours (i.e., **Green** indicates that the System is “Ready” for processing, **Red** indicates that the “System is busy in Processing Activity” and **Yellow** indicates that browser is performing internal processing like, assembling/ painting screen as per requirement. User should not operate the system)

General Key Map

2.11 Default Physical Keys in Finacle have been given in the table below. However, default key map differs in individual bank.

| Physical Key | What does it do? |
|---------------------|--|
| F1 | Field level help. Like in several word processors and spreadsheet packages, F1 displays context sensitive help messages and field level help messages. |
| F2 | List. This key lists the codes that may be used in a particular field. |

| Physical Key | What does it do? |
|---|---|
| F3 / ESC | Quit/ Back. Quits and takes the user back to where he started when in action. It can be used when the input is incorrect and the user wants to abandon what he has been doing. It can also be used to go back to the previous menu. |
| F4 | Accept. After the user has completed the input, this key can be used to accept the data. |
| F5 | Background Menu |
| F6 | Next Block |
| F8 | Copy Record |
| F9 | Display Signature |
| F10 | Commit/ Save. This is very important key and this concludes the transactions. This is the commit and transactions get into the General Ledger (database) when this key is used. |
| F11 | Next field |
| F12 | Previous Block |
| TAB | Go to next valid field |
| ENTER | Go to the next field |
| DOWN Arrow ↓ (Next Rec button) | Next Record (In a list or result of a query) |
| UP Arrow ↑ (PrecRec button) | Previous Record (In a list or result of a query) |
| CTRL+F1 | Help maintenance |
| CTRL+F3 | Show key map |
| CTRL+F4 | Display error |
| CTRL+F8 | Terminal lock |

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| Physical Key | What does it do? |
|---------------------|--|
| CTRL+F9 | Memo pad look up |
| CTRL+F11 | Context level help |
| CTRL+D | Page down on a list |
| CTRL+E | Explode. This key is particularly useful for the further inquiry. |
| CTRL+F | Clear field. This key combination can be used when the user wants to clear the field. |
| CTRL+T | Display LGI. The user ID, Terminal ID, SOL, BOD Date and language details are displayed. |
| CTRL+U | Page up on a list |
| CTRL+X | Put BOD date. This key combination populates the default BOD date in the field. |
| SHIFT+F4 | Select the current item from the list. This key combination can be used to select a value from the list of valid values listed for a particular field. |
| SHIFT+F11 | Transmit |
| SHIFT+TAB | Go to the previous field |

Introduction to TCS BaNCS

2.12 A Financial Package, for Banking Solution offered by Tata Consulting Services. The Core Banking solution TCS BaNCS is an integrated solution that automates all aspects of core banking operations across entities, languages and currencies. BaNCS is built on open architecture, component-based product suite to leverage service-oriented and event-driven architectures. It's functionalities are as follows:

- Entire range of banking products including savings, checking, overdraft and deposit accounts.
- Entire range of lending products.
- Complement of transactional services including remittance, foreign exchange, cards and trade finance.

- Accessibility through multiple channels, including mobile banking and web.
- Full integration of front, middle, and back office processes.
- Accurate, timely and actionable information about customer relations.
- Single view between bank and customer.
- “Anytime anywhere” banking.

Introduction to Oracle Flex Cube

2.13 Flex Cube provides a comprehensive, integrated, interoperable, and modular solution that enables banks to manage evolving customer expectations.

Major functionalities are as follows:

- 24/7 processing of large transaction volumes, with high availability.
- Multiple delivery channel support.
- Security management covering application and role-based access.
- Service-oriented architecture supports agile business process management.
- Componentized architecture helps build scalable and reusable solutions.

Quick Access Screens through Hot Keys in FlexCube

| Hot Keys | Screen Name | Description |
|----------|------------------------------------|---|
| Alt + B | Balance Inquiry | This screen displays the account details of the savings and checking account balances such as the available balance, nucleated balance, current book balance, passbook balance, net balance, etc. |
| Alt + C | Customer Name And Address Inquiry | This screen displays the details such as, the name, address, city, country, SSN/TIN number, etc., of the selected customer. |
| Alt + A | Account Details | This screen displays the account details of the customer such as account number, account branch, account currency, customer name, etc. |
| Alt + S | Amount based Account Image Display | This screen displays the images on the basis of the details maintained in the Amount Based Operating Instruction Maintenance (Fast Path: |

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| Hot Keys | Screen Name | Description |
|----------|-------------|--|
| | | 7116) option. |
| Alt + P | | This will enable the user to print the receipt of the transaction. |
| F8 | | This will enable the user to return to the same screen. |

General Concepts of CBS and Finacle

SOL ID and Set ID (Init. Br. ID)

2.14 **SOL ID** -Under Core Banking System, each Branch, Back Office, Administrative/ Controlling Office are assigned a code, i.e., Service Outlet ID [SOL ID]. It helps in identifying the Branch / Office under which the Account is maintained. Hence, if a branch at Delhi is assigned a SOL ID of "0089", the accounts opened under Delhi Branch will display "0089" as SOL ID in CBS.

As discussed above under CBS any branch can initiate transaction for any of the account maintained with the bank. Hence, a distinction is required between the branch which maintains the account and the branch who initiate the transaction.

Set ID (Init. Br. ID):Set ID or Initiating Branch ID is a SOL ID of the Branch who initiated the transaction. For e.g., transaction of a cash withdrawal by a customer of Mumbai Branch (SOL ID "0044") from Delhi Branch (SOL ID "0089"). In the instant case "0089" is Init. Br. ID and "0044" is Account SOL ID.

In order to search transactions based on the branch who initiated transactions in Finacle, SET ID (Init. Br. ID) parameter is required to be used under Menu Code "FTI".

Tran ID, Journal No. and Date

2.15 Each transaction in Finacle will be assigned a unique Transaction ID. The Transaction ID remains unique only for the day, since, on the next day the Transaction IDs are reset.

Combination of Transaction ID and transaction date make it unique across the system. In Finacle, once the transaction is "Entered", a Tran ID is generated. To locate any transaction from the database the user need to use Tran ID and Date

at TI/TM Menu command. Under BaNCS the transaction number is known as Journal Number.

(i) Transaction Type and Sub Type

Transactions in Finacle are entered with the Transaction Type and Transaction Sub Type. It is easier to trace set of transactions with Transaction Type and Sub Type.

Codes for Transaction Type and Sub Types are prescribed differently by each bank. For e.g.,

Transaction Type codes for Cash and Transfer may be of following types.

- Tran Type: Cash: “C”, Transfer: “T”
- Sub Tran Type: CR – Cash Receipt, CP: Cash Payment

The auditor must acquaint himself with the Transaction Types used by each bank. It helps auditors to design query (search parameters) for inquiry of financial transactions.

Customer Master Level Configurations

2.16 Under CBS, the customer is identified by a number, generally, called CUST ID/ CIF No. Following are the advantages of separate configuration for customer and accounts of customer:

- (a) Identification of unique customers.
- (b) Data redundancy can be reduced by eliminating the process of updating repetitive details about customer at each time of opening of account.
- (c) It is easier to comply with customer centric regulations. For, e.g., TDS provisions under Income Tax Act (where payment to customer is important than payment for an account), IRAC Guidelines (where classification of account is borrower-wise and not account-wise).
- (d) Multiple accounts of the customer can be mapped to a customer for better identification.

Under the Customer Master Level configuration basic details about the customer are updated. Details include name, date of birth, PAN number, etc.

2.17 Once the CUST ID/ CIF is opened, various accounts can be opened under the said CUST ID/ CIF. Relationship between CUST ID/CIF No. and

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account is that of parent and child wherein the Account Master inherits the information and parameter values from Customer Master.

In Finacle menu command **CUMM/ CUMI** is used for inquiry on CUST ID/ CIF No. Under BaNCS the customer master details can be reviewed through “Customer Master Details” module.

2.18. Some important points for auditors are as follows:

(i) Issues with multiple CUST-ID

In terms of guidelines issued by the RBI on UCIC, each customer in bank is required to be assigned a unique ID. However, it has been observed in many banks that multiple CUST IDs have been opened for a customer. It has also been observed that at the time of migration, it had migrated old customer information to one CUST ID and have opened new CUST IDs for opening of new accounts post migration.

Due to multiple CUST ID the very purpose of having configuration of CUST ID is defeated. The auditors should verify such discrepancies at the time of account opening verification. Moreover, the auditors should also seek help of bank's IT Dept. for generation of report based on combination of information, viz., name, PAN, date of birth, employee code, etc., to identify existing cases of multiple CUST ID in the system.

At the time of opening of account, Finacle automatically displays the name of account holder based on CUST ID details. However, Finacle also allows user to amend the name. Generally, the said change is configured as an exception which requires sufficient powers/ work class in the system to override.

The auditor at the time of Account Opening verification should verify the details as per CUST ID and in account. Difference in names at both the places increases unwarranted confusion. Moreover, auditor should seek help of bank's IT Dept. for generation of report based on difference in name as per CUST ID and as per accounts opened (if any).

(ii) Account Level Configurations

Configurations/ parameters for are setup at the time of Account Opening. Modification afterwards is also permitted. Account Level master contains

the parameters and details specifically with respect to account. For instance, Interest Rate, Interest payment periodicity, Freeze, Lien, etc.

It is important to note here that under CBS majority of functions and transactions are master driven and hence, any minor error at Master Level (whether Customer Master or Account Master) can have magnanimous effect on transaction processing. For e.g., if Interest Collection Flag is selected as “N” at Account Master Level, the system will not collect any interest. Hence, accuracy of master is a vital audit area.

(iii) Pointing Type Accounts/ Self Reconciling Accounts

Apart from maintaining customer accounts, the bank’s general ledger also contains various Suspense/ Sundry Accounts. Such accounts can be with debit or credit balance. The said accounts are used for limited purpose and for parking of entries for limited time frame. Transactions wherein either debit/ credit leg is not confirmed/ identifiable at the time of transactions are parked in such accounts. For e.g., an amount of ₹ 1,000 is given to an employee in advance for purchase of stationery item for branch. The said transaction will be kept under such Suspense/ Sundry account till the date the employee submits the bill/ returns the advance. The transactions processed in such accounts are not routine hence it calls for continuous monitoring and earliest reversal. Moreover, numerous transactions in an office account make it difficult for reconciliation. In earlier times, the activity of reconciling the office account was manual.

However, under CBS such accounts are opened under Pointing Type Office Account/ Self Reconciling Accounts Scheme Code which facilitates automatic reconciliation and real-time information on outstanding/ non-reversed transactions. Transactions in such type of accounts are in two parts - Originating Transaction and Reversal Transaction. For each reversal entry, the system will prompt the user to point it to an originating transaction. There can be multiple reversals against single originating transaction. Such type of account will also ensure that in case of a debit type office account, credit entry as originating entry will not be permitted.

On the users side, at the time of reversal of Transaction the system will ask the user to “Point” the Originating Transaction against which the

transaction is being reversed. On selection, the system will reduce the balance under the said Originating Transaction. Under this type of Pointing Type Account, at any given point of time aggregate of outstanding transaction-wise balance will be equal to the Office Account Ledger Balance. Under Finacle, verification of outstanding/ non-reversed entries can be verified from menu command **IOT (Inquire on Transaction)**. Moreover, a report on outstanding office account transaction can be generated through Menu **MSGOIRP**. Various customized reports for the said purpose are also available under each banks "Report" menu in Finacle.

Under BaNCS, the outstanding entries are available through offline reports viz. "Audit BGL accounts age wise break up" and "GL-Outstanding-Accounts" report.

(iv) Interest Table Maintenance

Interest collection as well as payment in CBS can be through Interest Tables or can be by way of absolute rate. In case a loan account wherein Interest Rate is based on a reference rate (say Base Rate), the Interest Rate field is updated with the Reference Rate Table to ensure automatic updation of Interest on subsequent change.

In case of Interest Table master, the primary rate is sourced from a Master Table. For instance, in case of Loan sanctioned as Base Rate + 3 % whereas Base Rate at the time of Sanction was 10%, the Interest Rate field will be updated either with BR+3 Table code or with BR Table with 3% updated in Account Preferential Debit Interest with +3%. Method of updation of interest may differ from bank to bank.

In case of few specialized products (e.g., subsidy linked accounts) limit level interest rate is required to be applied. In such case the parameters are setup at Interest Table Master Level and the said table code is updated under Interest Table field at Account Master Level. In case of a fixed rate loan, the interest rate is updated as absolute figure in Interest Rate field instead of Table. However, few banks follow the practice of updating "ZERO Interest Rate Table" with necessary interest rate at Account Preferential Debit Interest.

(a) Interest Flags

Values at Interest Flags determine the payment and collection of Interest. Applicable flags (i.e., Interest payment, Interest collection) are required to be updated at Account Master Level. Hence, if the Interest Collection Flag is updated as “N”, there will not be charging of interest by system, although proper Interest Table Master is selected.

(b) Withholding Tax Flags

Interest payment to the customer is aggregated at Customer Master Level (i.e., for all the accounts opened under a CUST ID / CIF No.). The threshold limit for TDS is computed based on the amount aggregated at CUST ID Level. Once the payment of Interest exceeds minimum threshold level prescribed under Income Tax provisions, the system initiates deduction of taxes from Interest. However, for cases wherein customer has submitted Form 15H/ 15G/ tax exemption certificate, necessary flags are required to be updated to prevent deduction of taxes upto the enhanced limit (as applicable).

Withholding Tax flags are available at both CUST ID and Account Master Level. With the recent change in the Income Tax guidelines w.r.t. online submission of details of Form 15G/15H, the exemption is required to be flagged at CUST ID level for the amount of Interest Income declared by the customer.

In Finacle, withholding (TDS) flags are driven by Tax Slab. For each type of customer different tax slabs have been defined at Master Level e.g., TDS for individuals, TDS for corporate, TDS for exempt entities. It is important for auditor to verify correctness of Tax Slab vis a vis constitution of customer.

(c) Freeze Flags(Debit, Credit and Total)

In case of court order, dispute between the joint account holders, recovery notice from revenue authority the transactions in accounts are required to be suspended. Depending upon the requirement the transactions are suspended (viz. Debit, Credit or all) through Freeze Flags.

The freeze can be applied at CUST ID Level (i.e., all the accounts of the customer) or specific account of the customer. The source documents are required to be verified for marking of freeze and unfreeze event. The inquiry of accounts with Freeze Flag can be made in Finacle through ACS Menu Command with Freeze Flag as “T”=Total Freeze, “D”=Debit Freeze, “C”=Credit Freeze.

(d) Schemes and Scheme Codes

Different types of account products are offered to customer with different characteristics. For instance, various types of Savings Accounts are offered. The aggregation of account balance for such cases will take place at Sub GL & GL Level. However, for account operations and account master setup different schemes are setup in CBS. Scheme Code acts as a placeholder. Inquiry for different types of accounts can be made in Finacle through ACS Menu Command with “Scheme Code”.

Exception Types

2.19 The transaction errors are handled in CBS through following modes:

- Warning – Warns user for possible errors based on prefixed criteria
- Exception – Allows user (with sufficient power) to override. However, the transaction will be recorded in Exception Report for the day
- Error – Does not allow user to proceed further, unless the correct values are filled in.

Maker and Checker Matrix for Valid Transaction

2.20 Under CBS the transactions are processed by atleast two officials of the bank under Maker and Checker mode. The same is tracked through the transaction events (viz. entry, posting and verification). Posting is the event which updates the GL Balance. Posting activity depends on the rights assigned to each user ID.

Inventory Locations

2.21 The inventory concept under CBS refers to handling of security stationeries, viz., Non-personalized cheque books, Demand Drafts, Term Deposit Receipts. Each bank, as per the requirement, creates different inventory location and inventory sub location codes in CBS.

Predominantly, locations are created for joint custody (dual custody), employee custody, external locations. Barring, external location, balancing of security stationery is available for all the locations.

In Finacle the report on outstanding inventory items can be generated through Menu command ISRA. Whereas under BaNCS the same set of reports can be generated through VPIS (Valuable Paper Inventory System) module.

Zones in Clearing Modules

2.22 For easy identification of type of cheque and proper reconciliation various zones are opened on daily basis (as per clearing cycle) in CBS. Various zones are opened for Non CTS Cheques, Inter-bank Cheque, KYC Cheques, MICR Cheques, Non-MICR Cheques, Warrants, CMS Cheques, etc. Opening of Zone is the primary event before lodging any Inward Clearing instrument or Outward Clearing Instrument.

Limit and Limit Node

2.23 Under Finacle the Limit Management is done through Limit Node Maintenance. Wherein, the limits are specified at each node level with capping. Credit Limits can be set at Account Level as well as at Node Level for deriving the Drawing Power for a customer. Setting up of Limit at Node level has following advantages:

- Managing two or more accounts with drawing power deriving from the same security.
- Interchangeability of limits among different accounts.
- Monitoring the overall exposure to a single client/ group of clients.
- Exposure to a select commodity/ security. *Limit Node Maintenance* helps to build these requirements in the limit management

Limit Node

2.24 Limit nodes are used to group accounts under one node to enable easy monitoring and organization. A limit node can be linked to a security for deriving drawing power. Distribution of overall group (group may be a group of clients or a group of accounts) limits to individual members (members may be accounts or clients) is possible through creation of Parent Node and Child Nodes. Every child

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node can further be distributed to group of accounts or clients. This is diagrammatically explained through below example.

| Facility Type | Particulars | Limit (Rs. Lacs) | Remarks |
|------------------------------------|---------------|---------------------|--|
| Funded | Term Loan | 225 | Funded Limit Cap is 500 Lacs <i>Upper Limits fixed in each type of Facility</i> |
| | WCDL | 75 | |
| | CC | 200 | |
| | BP / FBP / BD | 50 | |
| Total Funded Facilities | | 500 | |
| Non-Funded | LC | 300 | Non Funded capping is at Rs. 500 Lacs |
| | BG | 300 | |
| Total Non-Funded Facilities | | 500 | |
| Total Company Exposure | | 1000 | Total Exposure to Company should not exceed 1,000 Lacs |

Temporary Overdraft (TOD) Setup

2.25 Granting of TOD to a customer is a credit decision from bank's perspective. Concurrent auditor has to review the source documents and delegated powers to ascertain whether the sanction was inline with the guidelines prescribed by the bank. Setup of TOD is done in Finacle as follows. TOD is granted to an account under various circumstances. For instance:

| Type | Event | Mode |
|---------------|-------------------------|------------------------|
| TODIC | Interest Calculation | Single |
| TODDL | Drop in Limit | Single |
| TODMN / TODUG | Manual / User Generated | Single/ Running/ Adhoc |

Explanation of various TOD modes is as follows.

| Mode | Narrative |
|-------------|---|
| Single (S) | It refers to TOD for specific purpose/ transaction. It can be used only for the specific transaction during which the same was granted. |
| Running (R) | It refers to setting up of a parallel limit at account level for a defined period over and above credit limits (if any). |
| Adhoc (A) | Adhoc allows customer with OD / CC Accounts to operate within TOD Limits for defined period. |

2.26 From above narrative it appears that running and adhoc TODs serve the same purpose. However, from CBS perspective, both the events are different. In case of single and running TOD, CBS computes the number of TOD sanctioned in the account. In case the cumulative number exceeds the prescribed limit for an account, an exception gets triggered for all subsequent transactions. Whereas in case of adhoc TOD the said TOD is not counted under number of TODs thereby circumventing the exception controls embedded in the system.

It is important for auditors to verify cases wherein adhoc Limits have not been delinked on expiry in system.

Register Type and Subtype (Trade Transactions)

2.27 The concept of Register Type and Sub Type is same as Transaction Type and sub types as discussed above. The types are used to aggregate transactions of same nature in system. It helps in identifying and tracking of transaction in a better manner. In Finacle, Register Type and Sub Types have been used in Inland Trade Transaction and Foreign Trade Transactions modules.

List of few Register Types and Subtypes for an Import Transactions is as follows:

| Reg. Type | Sub Type |
|---------------------------|----------|
| Import Bill on Collection | Sight |
| Import Bill on Collection | Usance |
| Import Bill under LC | Sight |
| Import Bill under LC | Usance |

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| | |
|-----------------------------------|---|
| Direct Import Bill | TT (Telegraphic Transfer) / DD (Foreign Demand Draft) |
| Advance Remittance against Import | TT (Telegraphic Transfer) / DD (Foreign Demand Draft) |

Auditing through CBS

2.28 Generally, the following set of steps is recommended at the start of the audit to understand the operations at the branch level and familiarize oneself with the branch and its team:

- Document list of software's, applications and interface details associated with CBS.
- Review Usage Manual or Document Software navigation options and Menu Codes.
- Document list of Reports available in CBS and its menu codes.
- Review Exception Reports/ MIS Reports generated by Data Center.
- Review access rights, limited access and free access.

Parameters Affecting Automatic Identification of NPAs and Re-designing of Audit Processes

2.29 In terms of directives issued by Ministry of Finance and Reserve Bank of India, it is mandatory for banks to identify the bad loans through CBS/ Systems instead of conventional methods. CBS like other software work on GIGO principle. Master Data play an important role in correct identification of Bad Loans.

Following are few scenarios wherein incorrect updation in Master Data, manipulation through transactions etc. may impact correct identification of bad loans through CBS.

| Parameters | Auditors' Primary Checks | Suggested System Support |
|--|---|---|
| Discrepancies in setting up the EMI / Instalments | <ul style="list-style-type: none"> ➤ Whether EMI/ instalment is correctly setup. ➤ Whether EMI/ | <p>Finacle:</p> <p>– ACI -> Option "E" Repayment details</p> <p>BaNCS:</p> |

Core Banking System

| Parameters | Auditors' Primary Checks | Suggested System Support |
|---|---|---|
| | <p>instalment amount is matching with the Sanctioned Terms.</p> <p>➤ Whether periodicity of Instalment is correctly classified as per Sanctioned Terms?</p> | <p>– DL/TL Accounts & Services → Enquiries → Account</p> <p>– Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account</p> <p>(Short & Long Inquiry options are available under both menu.)</p> |
| Multiple sets of EMI / Instalments | <p>➤ For case of Multiple sets of EMI e.g. For 1-5 years EMI of ₹ 7,000 and after 5 years ₹ 7,500</p> <p>➤ Whether sets of EMI are properly entered?</p> <p>➤ Is there any substantial difference between 1st set of EMI and 2nd or other sets (e.g. 1st set ₹ 5,000 and 2nd ₹ 1,00,000) which cast doubt on debt serviceability?</p> | <p><u>Finacle:</u></p> <p>– ACI -> Option “E” Repayment details</p> <p><u>BaNCS:</u></p> <p>– DL/TL Accounts & Services → Enquiries → Account</p> <p>– Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account</p> <p>(Short & Long Inquiry options are available under both menu.)</p> |

Manual on Concurrent Audit of Banks

| Parameters | Auditors' Primary Checks | Suggested System Support |
|--|---|---|
| System determined Asset Classification vis a vis User defined Asset Classification | <ul style="list-style-type: none"> ➤ CBS contains two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types. ➤ In few CBS it has been observed that user is generally given the option to differ and select/ amend the classification. In such cases detailed scrutiny of NPA system is required to be carried out. ➤ Due to errors in certain Master Data, there can be erroneous identification of account as NPA. However, such accounts require detailed scrutiny. | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACM/ ACI Option – 'Y' Asset Classification Inquiry ➤ A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for. Accounts listed in the said report should be thoroughly verified. |

Core Banking System

| Parameters | Auditors' Primary Checks | Suggested System Support |
|--|---|---|
| Manipulation in SL / DP | <ul style="list-style-type: none"> ➤ Changes in SL / DP should be cross checked with Sanctioned Letter. ➤ Whether any change in Limit is supported by necessary documentation? | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACLHM – Account Limit History Maintenance <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Tailor-made report on Changes in Account Limits |
| Incorrect moratorium period | <ul style="list-style-type: none"> ➤ Based on moratorium period CBS will identify the Loan Instalment and will track repayment. ➤ In case the moratorium period / instalment start date is erroneously updated system will not show correct result. | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACI – Option “E” – Repayment Details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) |
| Re-phasing without reporting it as reschedule | <ul style="list-style-type: none"> ➤ Loan Account Instalments are rephased / recalibrated without reporting the same as Re-schedule. ➤ Verify whether any change in Repayment instruction is made through System. Compare the said accounts with list of Restructured | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACI – Option “E” – Repayment Details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) ➤ Report containing details of all the cases wherein EMI / Instalment is changed should be sought |

Manual on Concurrent Audit of Banks

| Parameters | Auditors' Primary Checks | Suggested System Support |
|--|--|---|
| | Accounts. | |
| Instalment Start Date is Future Date | <ul style="list-style-type: none"> ➤ Check whether Instalment Start Date entered as per sanctioned term? ➤ In case of future date system will not identify instalment and any repayment received will be shown as "Overflow". | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACI – Option "E" – Repayment Details <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) |
| Interest Demand date (Future Date) | <ul style="list-style-type: none"> ➤ Check whether Interest Start Date entered is as per Sanctioned Term? ➤ In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as "Overflow". | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACI – Option "E" – Repayment Details <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) |
| Fictitious credit through Office Account / Inter-branch Account | <ul style="list-style-type: none"> ➤ Are there any quarter/year end credits cited in the account? ➤ Check the source of Credit Entries. ➤ Review transactions in Office Accounts/ Inter Branch Accounts. | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACLI – (Use CTRL + E to Explore the Tran) ➤ Review of Office Account Ledgers <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services → Enquiries → Transaction |

Core Banking System

| Parameters | Auditors' Primary Checks | Suggested System Support |
|--|--|---|
| | | <ul style="list-style-type: none"> ➤ DL/TL Accounts & Services → Enquiries → Transaction |
| Round tripping from internal accounts | <ul style="list-style-type: none"> ➤ Close scrutiny of transaction and review of chain/ series of transaction for accounts with deficiency is required. ➤ Such transactions will inflate the Credit Turnover in the account. | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACLI – (Use CTRL + E to Explore the Tran) ➤ Using only Account Turnover Information generated through “ATOR” / “CUTI” / “ACTI” menu may lead to incorrect inference, since the credits are not solitary credits in account. <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services → Enquiries → Transaction ➤ DL/TL Accounts & Services → Enquiries → Transaction |
| Temporary Overdrafts | <ul style="list-style-type: none"> ➤ Check whether the TOD is sanctioned in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned. | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ ACLI – Option “O” ➤ TODRP – TOD Register Printing <p><u>BaNCS:</u></p> <p>TOD Report</p> |

Manual on Concurrent Audit of Banks

| Parameters | Auditors' Primary Checks | Suggested System Support |
|---|---|--|
| Devolved bills parked in Office Accounts and not in limit account | <ul style="list-style-type: none"> ➤ Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement) ➤ Check whether the amount of devolvement of LC backed bills are parked in Office Accounts or any separate account? | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ BI & FBI – with Bill Status as “K” using status date filter <p>BaNCS:</p> <p>Report on Devolved bills under Import LC</p> |
| Multiple CUST ID to prevent the other account from becoming NPA | <ul style="list-style-type: none"> ➤ Check whether multiple CUST IDs have been opened for the borrower with different accounts? ➤ NPA Report and search all the case by few characters ofName. | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACS – Account Selection (Search based on Name) ➤ LAGI – Loan Account General Inquiry (Inquiry based on other parameters) <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Customer Management → Enquiries → Search by Name |

Parameters Affecting Collection of Interest/ Revenue

2.30 Primary revenue for banks is interest on loans and advances. Charging of interest is completely automated barring few products. However, the processing is based on certain important parameters. System parameters / fields which affect the interest computation should be thoroughly verified. Some important interest parameters are as follows:

- (i) Interest Table
 - Debit Interest Rate and Credit Interest Rate
 - Interest Version
 - Currency
 - Limit Level Interest
 - Penal Interest
- (ii) Interest Rate (Static/Absolute and Based on Ref. Rate)
- (iii) Interest Preferential Customer Level - Interest rate preference will be applied to all the accounts of the customer based on type of Interest.
 - Debit Interest Preferential
 - Positive preference value
 - Negative preference value
 - Credit Interest Preferential
 - Positive preference value
 - Negative preference value
- (iv) Interest Preferential Account Level - Interest rate preference will be applied to the specific account wherein the preference is updated.
 - Debit Interest Preferential
 - Positive preference value
 - Negative preference value
 - Credit Interest Preferential
 - Positive preference value
 - Negative preference value
- (v) System Support / Important Menu Codes:
 - Finacle: INTCI, AINTRPT, INTPRF, INTTM
 - TCS Bance: i) OD/CC Accounts -> Interest Rate History ii) DL / TL -> Interest Rate History

Manual on Concurrent Audit of Banks

2.31 Following are few events/ scenarios wherein there is a possibility of non-application/ incorrect application of Interest:

| Sr. No. | Event / Scenario |
|---------|--|
| 1 | Interest pegging in Advance Accounts set as "Y". (If "Y" is selected, system will charge interest at the rate prevailing at the time of Account Opening. For the cases of Fixed Rate Loans Pegging Flag will be "Y") |
| 2 | Future Date is updated in Interest Demand Date |
| 3 | Interest on Principal / Payment of Interest Flag is set as "N" |
| 4 | Effective Rate of Interest is updated as "0" |
| 5 | Account Open and Instalment Start Dates are identical |
| 6 | Account Open and Interest Demand Dates are identical |
| 7 | Interest Table Code "Zero" is selected |
| 8 | Interest Demand Date is Past Date |
| 9 | Interest Demand Frequency is Blank |

Audit of Foreign Exchange Transactions with the Use of CBS

2.32 The liberalization of economy is paving way for opening of new areas for inbound and outbound investment. Moreover, with the increase in the global trade the foreign exchange and cross border transactions are increasing at a rapid speed. However, it also poses challenge of preventing misuse of regulations and money laundering activities.

2.33 Following are few activities that the auditor must carry out for concurrent audit of Foreign Exchange Transactions:

| Audit Activity | Important Menu Codes of Finacle |
|--|---|
| Review of Letter of Credits issued, Expired, Search on Outstanding LCs | For Inquiry – DCQRY For Report – DCREG, DCRPTS, DCSTMT |
| Review of Bank Guarantee issued, invoked, closed, outstanding, Search on expired BGs | For Inquiry – GI For Report – GILR, GPI |

Core Banking System

| Audit Activity | Important Menu Codes of Finacle |
|--|--|
| Audit of Inland Bills (under collection, under LC, discounted) | For search: BI Search result printing: BP For specific bill: BM |
| Audit of outstanding Inland Bills | Report – BRCR (Collection Bills), BRBPR (Purchased Bills) |
| Audit of Foreign Bills (under collection, under LC, discounted) | For search: FBI Search result printing: FBP For specific bill: FBM |
| Audit of outstanding Foreign Bills | Report – FBRR |
| Audit of Inward and Outward Remittances (Other than Import and Export Transactions) | For Inward Remittance: IRM For Outward Remittance: ORM |
| Tracking of Packing Credit granted and tracking of order in case of Running Packing Credit | Account wise Packing Credit: ACLI Running Packing Credit: RPCTM |

Audit of Office Account Transactions through CBS

2.34 Office accounts are opened for the purpose of parking entries till the time the final effect is not determined. However, at various occasions it has been observed that the entries remain in the said parking accounts for a long period. Moreover, in case of weak monitoring of the said accounts, the Office Accounts are susceptible to fraud and misappropriation. There are various types of office accounts:

- (i) Based on Functionality
 - Pointing Type/ Self Reconciling Accounts
 - Non Pointing Type Accounts
- (ii) Based on Type of Entry
 - Sundry Accounts, Suspense Accounts
 - EOD/BOD Check Accounts

Manual on Concurrent Audit of Banks

- Inter branch Account
- Mirror Accounts
- Pool Accounts

2.35 Following are few audit actionables for concurrent auditor carrying out audit of Office Account Transactions:

| Events | Audit actionable | Suggested system support |
|---|---|--|
| Cash Payment from Office Accounts | Authorization of Transaction as per Delegated Authority | <u>Finacle:</u> <ul style="list-style-type: none"> • ACLI – For Transaction • FTI – For Search <u>BaNCS:</u> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| TOD through Office Accounts | <p>Through ineligible credit originating from a office account, customer can be accommodated.</p> <p>It also circumvent the number of TODs granted to customer.</p> <p>Moreover, interest will not be applied in the said case.</p> | <u>Finacle:</u> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account <u>BaNCS:</u> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| Parking of Cash Difference in Office Accounts, Clearing/ Remittance differences through Office Accounts | <p>Difference in Reconciliation, Cash Shortage debited to Office Account and not reversed.</p> <p>Review ledger account in detailed on monthly basis.</p> | <u>Finacle:</u> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For |

Core Banking System

| Events | Audit actionable | Suggested system support |
|---|---|---|
| | | <p>Printing of outstanding office account transaction report</p> <p>BaNCS:</p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report |
| Rotation of entries in Office Accounts | <p>To prevent entry being reported as long outstanding entry, a new transaction with debit and credit leg in the same account is posted. Thus, the system considers the new transaction date for reporting as outstanding entries.</p> <p>Review transactions with same Debit and Credit amount through Ledger Scrutiny</p> | <p>Finacle:</p> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account <p>BaNCS:</p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| Correctness in mapping of reversal transaction to originating transaction | <p>If the transactions have not been reversed against the related originating entries the report generated by CBS will show incorrect outstanding items.</p> | <p>Finacle:</p> <ul style="list-style-type: none"> • ACLI – For Reversal Transaction in Office Account <p>BaNCS:</p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |

Manual on Concurrent Audit of Banks

| Events | Audit actionable | Suggested system support |
|---|---|---|
| Value Dated (Back Dated) Transactions | Transaction credited in the advance type accounts, Operative accounts with a value date (Back date) wherein the clear funds were not available in the office accounts. Review the transactions from Revenue Leakage perspective. | Finacle: <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account • FTI – For Value Dated Transaction BaNCS: <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| Round Tripping | Rotation of entry from office account to operative account(s) without any justification/ source document. Review the transactions from the perspective of inflating credit turnover of account. | Finacle: <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account BaNCS: <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| Advance paid for Fixed Assets not capitalized | Entries for payment of advance against procurement of Fixed Assets not reversed. | Finacle: <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report |

Core Banking System

| Events | Audit actionable | Suggested system support |
|---|--|---|
| | | <u>BaNCS:</u> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report |
| Income realized not credited to Revenue Account | Loan Instalment received from Customer, not adjusted. Processing Fees received, not credited to Income Account Charges collected, not credit to Income Account | <u>Finacle:</u> <ul style="list-style-type: none"> • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report <u>BaNCS:</u> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report |

Manual Updation in CBS and its Verification Aspects

2.36 Under any CBS the transactions are processed as per pre-defined process. Majority of the processes in CBS are automated and based on masters. A manual intervention in automated process leads to error in transaction processing.

Following are few manual changes/ modification in system which affects the transaction processing. The concurrent auditor must review the manual updation in CBS on monthly basis:

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| Manual Entry | Probable impact |
|---|--|
| <u>Advances</u> | |
| Interest Rate change | Revenue Leakage, Excess collection of Interest |
| Change in EMI | Revenue Leakage, NPA Identification |
| Processing of transactions against un-cleared outward clearing effect | Recovery of amount from customer in case of cheque return |
| Backdated Renewal Date updation (Updating Date of Renewal on running date with past date) | NPA Identification |
| Change in Limit – From Non Fund Base to Fund Base | NPA Identification |
| <u>Account & Customer Master</u> | |
| Tax exemption updation | Non compliance with TDS provisions |
| Dormant to Active | Susceptible to fraud |
| Interest Table Code as “0” | Revenue Leakage |
| Interest Collection Flag “N” | Revenue Leakage |
| Reclassification of Agriculture Advance as per revised RBI norms dt. April 23, 2015 | Sectorial Classification |
| <u>Foreign Exchange Transactions</u> | |
| Erroneous Foreign Exchange Rate | Revenue Leakage, Accommodation to customer |
| Full BOE received flag marked as “Y” wherein BOE for entire transaction is not received | Reporting to RBI under BEF Return |
| FIRC Issuance (without updating flag printed “Y”) | Duplicate issuance of FIRC without “Duplicate FIRC” inscription. |

Core Banking System

| Manual Entry | Probable impact |
|---|---|
| Merchant Trade Transaction (Manual mapping) | Reporting to RBI |
| | |
| Transaction Processing & Housekeeping | |
| Changes / Modification in Auto Calculated charge amount at the time of posting of transaction | Revenue Leakage |
| Ineligible Credits to NRE and FCRA Accounts | Non-compliance of FEMA Guidelines |
| ATM Replenishment entries | Susceptible to Fraud |
| Payment for FD Closure proceeds in Cash through Office Accounts in excess of ₹ 20,000 | Non-compliance with Income Tax Guidelines |
| Revalidation of Old DDs | Susceptible to Fraud |
| Value Dating (Credit Transactions in CC / OD Account with Value Date without Value Dating at Debit Leg) | Revenue Leakage |
| Debit to Income Account (though Transaction Maintenance Menu) | Revenue Leakage |
| Manual Credit to Income Account (though Transaction Maintenance Menu) | Revenue Leakage (Computation of Income credited to be verified) |
| RTGS / NEFT in cash through office accounts > 49,999 | Non-compliance with AML guidelines |
| Delay in posting of clearing cheque return | Accommodation to customer |
| Manual Transfer of Security Stationery from Inventory location to External Location | Susceptible to Fraud (Avoid reporting of missing inventory) |

Generation and Verification of Specific Reports Based on Various Criteria

2.37 CBS allows generation of various reports through frontend as well as through backend. Few important reports for review by concurrent auditors are as follows:

(a) Exception Report

Reports for the month end and two days prior and after month end should be verified. Exceptions of following natures should be closely verified:

- (i) Balance exceeded Account Limit
- (ii) Manual debits to Income Account
- (iii) Value Dated Transactions
- (iv) Manual entry for SI Failure cases
- (v) Instrument passed against Clearing
- (vi) Backdated entries (normally restricted)

(b) Irregularity Report

Reports for the month end and two days prior and after month end should be verified. Report contains details of Accounts where Balance in Accounts are greater than the limits sanctioned. Check whether the same is due to:

- (i) Application of Interest
- (ii) Granting of Intra Day TOD
- (iii) Passing of Instruments against Clearing Effects

(c) Accounts where Interest Code is '0'

Interest will not be charged from Accounts where Interest Code is selected as '0'. Hence, a detailed checking is required. Possible reasons can be if it is a NPA account or an account with a moratorium.

(d) Interest Collection Flag as "No"

If Interest Collection Flag is selected as "No", Software will not consider the account for calculation and entry for Debit Interest.

(e) Debit Interest SI Failed Report

Failure of Standing Instruction for Debit Interest should be closely verified. If the SI is failed the Account will not be debited for Interest. SI Failure

can be for any reason like:

- (i) Non-availability of Balance in Account (In case of TOD in Operative Account)
- (ii) Non-availability of Limit in Account
- (iii) Technical Snag in execution

Whether Branch has manually passed the entry for all such cases should be verified.

(f) Loan Instalment SI Failed Report

Same as above.

(g) Report containing all Advance Accounts with Limits

Generally, CBS Softwares generate a Report wherein details of all Advance Accounts are listed. Excel can be used to verify cases of DP > SL, Margin Requirement, etc.

(h) TOD Report

Documents and sanction orders should be verified for all the cases of Manually granted TODs. In Finacle the report can be generated through Menu Code "TODRP".

(i) Account Turnover Report

To review the quantum of transactions in the borrower accounts turnover reports should be used. In Finacle, inquiry for Account Turnover can be carried out through "ACTI, CUTI" Menu codes and report can be generated through "ATOR" Menu.

(j) Loan Inquiry

In Finacle, criterion based search for Loan Accounts is available through Menu option "LAGI". The said menu can be used to verify:

- New sanction, Accounts closed
- Loans under various schemes
- Loans based on Account Classifications
- Accounts search based on Limit (Credit & Stock Audit)

(k) Loan Overdue Inquiry

In Finacle, criterion based search for Overdue & Overflow Loan Accounts is available through Menu option "LAOPI". In case of BaNCS the said

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details are available through offline daily report. The said menu can be used to verify:

- Principle & Interest Overdue and Overflow
- Overdue in “%” as well as Overdue in “No. of Days”

(I) Financial Transaction Inquiry

In Finacle, report based on different criteria for financial transactions can be generated through Menu Option “FTR”. The said menu can be used to verify:

- Loan disbursement in Cash (Sub GL code & Tran Type)
- Value Dated Transactions verification (Only value dated flag)
- Transactions in Loan / OD-CC Accounts (SubGL, Tran Type, Part Tran Type)
- Credits to NRE Accounts in a period (Sub GL, Part Tran Type)
- Credits to FCRA Accounts in a period (Sub GL, Part Tran Type)
- Cash Deposit Transactions above Rs. 50,000 to verify compliance with Income Tax Guidelines on PAN (Tran Type, Tran Sub Type)
- Cash Transactions above Rs. 10 Lacs to verify compliance with AML Guidelines (Tran Type)
- Debits to ESCROW Accounts to verify compliance with ESCROW Agreement (Sub GL, Part Tran Type)

Guide on Audit Activity through CBS for LFAR and Tax Audit Requirements

2.38 Each bank uses its own format for concurrent audits. A common report format used by all the banks is of Long Form Audit Report (issued by statutory auditor). Following are few checkpoints for concurrent auditors alongwith suggested system support.

Core Banking System

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|--|--|--|
| Cash | <ul style="list-style-type: none"> ➤ Physical verification of Cash Balance ➤ Cash Balance as on the date of Audit Period ➤ Cash Balances reported in Friday Statement | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ “ACLI” - Account Ledger Inquiry (Vault A/c and Teller Accounts) <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ ➔ Reports ➔ Cash Related ➔ View Cash Summary (Click on Fetch) ➤ ➔ Branch Reports ➔ Cash Officer's Jotting Book Report ➤ ➔ Reports ➔ Printing Reports ➔ Cashier / Teller Cash Report |
| Balances with RBI / SBI / Other Banks | <ul style="list-style-type: none"> ➤ Balance as on Date ➤ Transactions in Mirror Accounts ➤ Reconciliation Statement (Generally outside of CBS) | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ “ACLI” - Account Ledger Inquiry <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ ➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction |
| Advances | <ul style="list-style-type: none"> ➤ Sanction Limit / Drawing Power setup | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ “ACLHM” – Account Limit History Maintenance ➤ “ACM / ACI” – Account Master (Go to Limit details) ➤ “LTL” – Limit Tree Lookup (Tree view of all Limits) |

Manual on Concurrent Audit of Banks

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---------------------------------------|---|--|
| | | BaNCS: <ul style="list-style-type: none"> ➤ DL/TL Accounts & Services ➔ Enquiries ➔ Account ➤ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account |
| Advances | <ul style="list-style-type: none"> ➤ Account & Customer Master parameters setup viz., ➤ Interest Parameters (Regular & Penal Interest) ➤ Repayment Instructions ➤ Standing Instructions (SI) Parameters | Finacle: <ul style="list-style-type: none"> ➤ "ACLHM" – Account Limit History Maintenance for DP & SL – Account Specific ➤ "ACM / ACI" – Account Master ➤ "CUMM / CUMI" – Customer Master BaNCS: <ul style="list-style-type: none"> ➤ DL/TL Accounts & Services ➔ Enquiries ➔ Account ➤ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account <p>(Short & Long Inquiry options are available under both menu.)</p> |
| Advances | <ul style="list-style-type: none"> ➤ Transactions in Borrower's Account | Finacle: <ul style="list-style-type: none"> ➤ "ACLI" - Account Ledger Inquiry BaNCS: <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction ➤ DL/TL Accounts & Services ➔ Enquiries ➔ Transaction |

Core Banking System

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|--|--|--|
| Advances | <ul style="list-style-type: none"> ➤ Interest Rate History | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ “INTTM” – Interest Table Master Maintenance (Under Inquire Mode – Account Specific) <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services → Interest Rate History ➤ DL/TL Accounts & Services → Interest Rate History |
| Advances | <ul style="list-style-type: none"> ➤ Conduct of Account and Credit Turnover ➤ Turnover of CC Account based on Borrower's Business profile ➤ In case of Loan accounts <u>ACTUAL</u> recovery of Installments and Interest | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ “ATOR” – Account Turnover Report ➤ “ACTI” – Account Turnover Inquiry ➤ “CUTI” – Customer Level Turnover Inquiry <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ DL / TL Accounts & Services → Enquiries → Long ➤ Deposit/CC/OD Accounts & Services → Enquiries → Long |
| Advances | <ul style="list-style-type: none"> ➤ Non Performing Asset ➤ Search an Account based on Criteria | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ “ACS” – Account Selection (2nd Screen – IRAC Code – Main Asset Classification) |

Manual on Concurrent Audit of Banks

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---------------------------------------|---|--|
| | | <p>BaNCs:</p> <ul style="list-style-type: none"> ➤ DL / TL Accounts & Services ➔ Enquiries ➔ Short ➔ Select Option "1" – TL / DL [Long Inquiry for NPA Date] ➤ Deposit/CC/OD Accounts & Services ➔ Enquiries ➔ Short ➔ Select Option "2" – CC / OD [Long Inquiry for NPA Date] ➤ Common Processing ➔ Overdue / NPA ➔ NPA Enquiry (Risk Grade Inquiry / NPA Status Inquiry) |
| Advances | ➤ Interest Report | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ "AINTRPT" – Interest Report for Account <p>BaNCs:</p> <ul style="list-style-type: none"> ➤ Product Sheets – To be requested from Data Center (if not available through user login) |
| Advances | ➤ Primary & Collateral Security Maintenance | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ "SRM" – Security Register Maintenance <p>BaNCs:</p> <ul style="list-style-type: none"> ➤ DL/ TL Accounts & Services ➔ Security (Primary/ Collateral) ➔ Customer ➔ Amend / Enquiry ➔ Amend / Enquire Security |

Core Banking System

| Audit Activity / Process / Audit Area | Auditors' Checks | Primary | Suggested System Support |
|--|------------------------------------|----------------|---|
| Advances | ➤ Lien Marking | | <p><u>Finacle:</u></p> <p>➤ “ALM” – Account Lien Maintenance</p> <p><u>BaNCS:</u></p> <p>➤ DL/ TL Accounts & Services ➔ Security (Primary/ Collateral) ➔ Customer ➔ Amend / Enquiry ➔ Amend / Enquire Security</p> <p><i>(Under BaNCS – Collateral ID is required to be created before setting up limits)</i></p> |
| Advances | ➤ Account Printing | Ledger | <p><u>Finacle:</u></p> <p>➤ “PSP” – Pass Sheet Print</p> <p>➤ “ACLPCA” – Customer Ledger Account Print</p> <p><u>BaNCS:</u></p> <p>➤ Print Menu available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services</p> |
| Advances | ➤ Non Fund based Facility (LC, BG) | | <p><u>Finacle:</u></p> <p>➤ “GI” – Guarantee Inquiry</p> <p>➤ “DCQRY” – Documentary Credit Query</p> <p><u>BaNCS:</u></p> <p>➤ Report generated from Trade module</p> |

Manual on Concurrent Audit of Banks

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|--|--|---|
| Stationery | <ul style="list-style-type: none"> ➤ Physical Verification of Stationery and confirmation of Balance as per CBS | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "ISRA" – Inventory Status Report (Location wise viz., Dual Lock, Individual, Cancelled etc.) <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Through Valuable Paper Inventory System [VPIS] module |
| Office Accounts (Suspense, Sundry etc.) | <ul style="list-style-type: none"> ➤ Outstanding entries for reporting ➤ Entries outstanding – Whether any provisioning is required? | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "IOT" – Inquire on Transaction (As on date Inquiry) ➤ "MSGOIRP" – Outstanding Items Report <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Through offline reports viz. "Audit BGL accounts age wise break up" and "GL-Outstanding-Accounts" report. |
| Office Accounts (Suspense, Sundry etc.) | <ul style="list-style-type: none"> ➤ Printing of Office Accounts | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "ACLPOA" – Account Ledger printing Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ BGL Accounting Menu |
| Inter Branch Account | <ul style="list-style-type: none"> ➤ Un-reconciled transactions | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ Through Outstanding IBR Report. |

Core Banking System

| Audit Activity / Process / Audit Area | Auditors' Checks | Primary | Suggested System Support |
|---------------------------------------|---|---------|--|
| | | | BaNCS: <ul style="list-style-type: none"> ➤ Through offline "Outstanding IBR Report"/ "IBR Summary report" |
| TDS Related | <ul style="list-style-type: none"> ➤ TDS Information and Reports | | Finacle: <ul style="list-style-type: none"> ➤ "TDSIP" – TDS Inquiry & Reports ➤ Month-end report on account wise / transaction wise Tax deduction. ➤ Bank specific customized Menu / report BaNCS: <ul style="list-style-type: none"> ➤ Through offline monthly report on account wise / transaction wise Tax deduction. |

List of Important Menu Commands

2.39 Following is the list of various important menu commands for concurrent auditors based on area of operations in the bank:

(i) Accounts, Customer Master and Inquiry

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|-------------------------|---------------------------------------|------------------------------|
| Finacle 7 | CUMM / CUMI | Customer Master Maintenance / Inquiry | Inquiry |
| Finacle 7 | ACM / ACI | Account Master Maintenance / Inquiry | Inquiry |

Manual on Concurrent Audit of Banks

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--|--|-------------------------------------|
| Finacle 7 | ACLI | Account Ledger Inquiry | Inquiry |
| Finacle 7 | ACCBAL | Component of Account Balance Inquiry | Inquiry |
| Finacle 7 | ACS | Account Criterion Search | Inquiry (Search / Criterion based) |
| Finacle 7 | CUS | Customer Selection / Inquiry | Inquiry (Search / Criterion based) |
| Finacle 7 | ACINT | Interest Run for Accounts | Inquiry / Report |
| Finacle 7 | INTTM | Interest Table Master Maintenance | Inquiry |
| Finacle 7 | AFI | Audit File Inquiry | Inquiry |
| Finacle 10 | CRM Module | Customer Master maintenance | Inquiry & Modifications |
| Finacle 10 | HACLI, HACLINQ | Account Ledger Inquiry | Inquiry |
| Finacle 10 | HACM, HACMTD | Account Master, Account Master Term Deposits | Inquiry |
| Finacle 10 | HINTTM | Interest Table Master Maintenance | Inquiry |
| Finacle 10 | HAFI | Audit File Inquiry | Inquiry |
| BaNCS | Customer Management → Enquiries → Search by CIF Number | To verify all accounts of one Customer | Inquiry |
| BaNCS | Customer Management → Enquiries → Search by ID Number | Search using available information (ID Number) | Inquiry |

Core Banking System

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|---|--|-------------------------------------|
| BaNCS | Customer Management → Enquiries → Search by Name | Search using available information (Name) | Inquiry |
| BaNCS | Customer Management → Relationship / Ownership → Associated Accounts | Inquiry on Linked Accounts, Owned Accounts etc. | Inquiry |
| Flex Cube | CH021 | Account Master Maintenance | Inquiry |
| Flex Cube | CH701 | Customer account balances-Other than loans-For standard accounts but including CC limit accounts | Inquiry |
| Flex Cube | CH703 | RD account balances-Customer wise | Inquiry |
| Flex Cube | 2000 | CTI Customer Search | Inquiry |
| Flex Cube | 7004 | Customer Name and Address Inquiry | Inquiry |
| Flex Cube | 7100 | All Balance Inquiry | Inquiry |
| Flex Cube | 7105 | Display Customer Image | Inquiry |
| Flex Cube | BA095 | Account Level Attributes Inquiry | Inquiry |
| Flex Cube | 7002 | Balance Inquiry | Inquiry |
| Flex Cube | CH031 | Statement Inquiry | Inquiry |

Manual on Concurrent Audit of Banks

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|--------------------------------------|-------------------------------------|
| Flex Cube | BAM24 | Account Status Audit Trail Inquiry | Inquiry |
| Flex Cube | 1337 | Term Deposit Interest Payout Inquiry | Inquiry |
| Flex Cube | 7020 | TERM DEPOSIT Balance Inquiry | Inquiry |
| Flex Cube | TD023 | TERM DEPOSIT Rates History Inquiry | Inquiry |
| Flex Cube | TD031 | TERM DEPOSIT Audit Trail Inquiry | Inquiry |
| Flex Cube | TD037 | TERM DEPOSIT Account Ledger Inquiry | Inquiry |
| Flex Cube | TD050 | TERM DEPOSIT Interest Inquiry | Inquiry |
| Flex Cube | TD11 | TDS Inquiry | Inquiry |

(ii) Transactions

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|--------------------------------------|-------------------------------------|
| Finacle 7 | TM / TI | Transaction Maintenance / Inquiry | Inquiry |
| Finacle 7 | FTI | Financial Transaction Inquiry | Inquiry (Search / Criterion based) |
| Finacle 7 | FTR | Financial Transaction Inquiry Report | Report |

Core Banking System

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--|---|-------------------------------------|
| Finacle 10 | HTI | Transaction Maintenance / Inquiry | Inquiry |
| Finacle 10 | HFTI | Financial Transaction Inquiry | Inquiry (Search / Criterion based) |
| BaNCS | Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction | Transaction Enquiry (Additional options available: Transaction Types: 99 – All Financial, 98 – Cash Transaction, 25 – Repayment Details, 33 – Message Details) | Inquiry |
| BaNCS | ➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction | BGL Transaction Enquiry | Inquiry |
| Flex Cube | TD044 | TD Transactions Inquiry | Inquiry |
| Flex Cube | LN058 | Loan Interest Adjustment Transaction | Inquiry |
| Flex Cube | PM025 | Payment Transaction Inquiry | Inquiry |
| Flex Cube | GLM04 | GL Transactions and Movements Inquiry | Inquiry |
| Flex Cube | AT002 | Audit Trail Financial Transactions Inquiry | Inquiry |
| Flex Cube | BA777 | Audit Trail Inquiry for Non-Financial Txns | Inquiry |

Manual on Concurrent Audit of Banks

(iii) Clearing Transactions

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|---|---|------------------------------|
| Finacle 7 | MCLZOH | Maintain Clearing Zone | Inquiry |
| Finacle 7 | OCTM | Outward Clearing Transaction Maintenance | Inquiry |
| Finacle 7 | ICTM | Inward Clearing Transaction Maintenance | Inquiry |
| Finacle 10 | HOCTM | Maintain Clearing Zone | Inquiry |
| Finacle 10 | HICTM | Outward Clearing Transaction Maintenance | Inquiry |
| Finacle 10 | HMCLZOH | Inward Clearing Transaction Maintenance | Inquiry |
| BaNCS | Collection and Cheque Purchase → Enquiries → Enquiries | Inquiry for Cheque Purchase / on Collection | Inquiry |
| Flex Cube | ST023 | Outward Clearing | Inquiry |
| Flex Cube | ST033 | Inward Clearing | Inquiry |
| Flex Cube | BA990 | Clearing Inquiry | Inquiry |
| Flex Cube | ST002 | Value Date Clearing Inquiry | Inquiry |

(iv) Office Accounts Maintenance

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|-------------------------|-------------------------------------|------------------------------|
| Finacle 7 | ACLPOA | Account Ledger Print Office Account | Report |
| Finacle 7 | IOT | Inquire on Transaction | Inquiry & Report |

Core Banking System

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--|--------------------------------------|-------------------------------------|
| Finacle 7 | MSGOIRP | Outstanding Items Report | Report |
| Finacle 10 | HIOT | Inquire on Transaction | Inquiry & Report |
| Finacle 10 | HACLPOA | Account Ledger Print Office Account | Report |
| BaNCS | → Branch Accounting (BGL) → Enquire → Account | Enquiry on BGL Account | Inquiry |
| BaNCS | → Branch Accounting (BGL) → Enquire → Account Number Search | Search an Account Number by BGL Name | Inquiry |
| BaNCS | → Branch Accounting (BGL) → Enquire → Transaction | BGL Transaction Enquiry | Inquiry |
| Flex Cube | GLM01 | GL Voucher Entry | Inquiry |
| Flex Cube | GLM02 | Chart of Accounts | Inquiry |
| Flex Cube | GLM04 | GL Transactions and Movement Inquiry | Inquiry |
| Flex Cube | 1005 | Miscellaneous GL Transfer (Dr/Cr) | Inquiry |

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(v) Loans & Advances

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|-----------------------------------|-------------------------------------|
| Finacle 7 | SRM | Security Register Maintenance | Inquiry |
| Finacle 7 | HCLM / CLL | Collateral Maintenance | Inquiry |
| Finacle 7 | ACHLM | Account History Limit Maintenance | Inquiry |
| Finacle 7 | ALM | Account Lien Maintenance | Inquiry |
| Finacle 7 | ACTODM | Account TOD Maintenance | Inquiry |
| Finacle 7 | TODRP | TOD Register Printing | Inquiry |
| Finacle 7 | PSP | Pass Sheet Print | Report |
| Finacle 7 | ACLPCA | Account Ledger Printing | Report |
| Finacle 7 | LAGI | Loan General Inquiry | Inquiry (Criterion based search) |
| Finacle 7 | LAOPI | Loan Overdue Position Inquiry | Inquiry (Criterion based search) |
| Finacle 7 | LTL | Limit Tree Lookup | Inquiry |
| Finacle 7 | LNDI | Limit Node Inquiry | Inquiry |
| Finacle 7 | AINTRPT | Interest Report for Accounts | Report |
| Finacle 10 | HSCLM | Security Register Maintenance | Inquiry |
| Finacle 10 | HALM | Account Lien Maintenance | Inquiry |
| Finacle 10 | HACTODM | Account TOD Maintenance | Inquiry |
| Finacle 10 | HPSP | Pass Sheet Print | Report |
| Finacle 10 | HACLHM | Account Limit History Maintenance | Inquiry |

Core Banking System

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|---|---|-------------------------------------|
| Finacle 10 | HAINTRPT | Interest Report for Accounts | Report |
| Finacle 10 | HINTPRF | Interest Proof Report | Report |
| BaNCS | Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account | To verify the Account Master Details | Inquiry |
| BaNCS | Deposit / CC / OD Accounts & Services → Enquiries → Statement Print | Printing Statement of Account for a Deposit or CC / OD | Report |
| BaNCS | Deposit / CC / OD Accounts & Services → Enquiries → Short | Basic details on Enquiry on Screen on Deposit Accounts | Inquiry |
| BaNCS | Deposit / CC / OD Accounts & Services → Enquiries → Long | Additional Details on Enquiry Screen for Deposit Accounts | Inquiry |
| BaNCS | Deposit / CC / OD Accounts & Services → Interest Rate History | Details of changes in Interest Rate for an account | Inquiry |
| BaNCS | → DL/TL Accounts & Services → Loan Tracking → Operations | Loan account operations | Inquiry |

Manual on Concurrent Audit of Banks

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|---|---|-------------------------------------|
| BaNCS | → DL/TL Accounts & Services → Loan Processing → Generate Repayment Schedules → Action – “E” | To print Repayment schedule for a DL / TL Account | Report |
| BaNCS | → DL/TL Accounts & Services → Enquiries → Short → Option “Balance Breakup Enquiry” | To view amount of Arrears & Breakup of Principal, Interest Realized, Charges & Arrear of Interest | Inquiry |
| BaNCS | → DL/TL Accounts & Services → Security (Primary / Collateral) → Customer → Enquiry → Enquire Security Summary | Enquire on linked collateral | Inquiry |
| Flex Cube | CH066 | Limit Collateral Inquiry | Inquiry |
| Flex Cube | CHM06 | OD Collateral Maintenance | Inquiry |
| Flex Cube | CHM07 | OD Limit Master Maintenance | Inquiry |
| Flex Cube | ST070 | Cheque Purchase | Inquiry |
| Flex Cube | CH033 | Average Quarterly / Monthly Balance Inquiry | Inquiry |
| Flex Cube | TDM24 | Lien Master | Inquiry |
| Flex Cube | 1413 | Loan Disbursement Inquiry | Inquiry |

Core Banking System

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|--------------------------------|-------------------------------------|
| Flex Cube | LN522 | Account Schedule Inquiry | Inquiry |
| Flex Cube | LN10 | Account Transactions Inquiry | Inquiry |
| Flex Cube | BA433 | Collateral To Accounts Inquiry | Inquiry |
| Flex Cube | BA434 | Account To Collateral Inquiry | Inquiry |

(vi) DD / PO, Cheque Book maintenance, Stop Payments and Security Stationery maintenance

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|-----------------------------|-------------------------------------|
| Finacle 7 | DDSM | DD Status Maintenance | Inquiry |
| Finacle 7 | DDIP | Inquiry on Specific DD Paid | Inquiry |
| Finacle 7 | ISRA | Inventory Status Report | Report |
| Finacle 7 | IMI | Inventory Movement Inquiry | Inquiry |
| Finacle 7 | ICHB | Issue Cheque Book | Inquiry |
| Finacle 7 | CHBM | Cheque Book Maintenance | Inquiry |
| Finacle 7 | SPP | Stop Payment of Cheque | Inquiry |
| Finacle 7 | SPRG | Stop Payment Register | Report |
| Finacle 10 | HDDSM | DD Status Maintenance | Inquiry |
| Finacle 10 | HDDIP | Inquiry on Specific DD Paid | Inquiry |
| Finacle 10 | HISRA | Inventory Status Report | Report |
| Finacle 10 | HIMI | Inventory Movement Inquiry | Inquiry |
| Finacle 10 | HICHB | Issue Cheque Book | Inquiry |
| Finacle 10 | HCHBM | Cheque Book Maintenance | Inquiry |

Manual on Concurrent Audit of Banks

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--|---|-------------------------------------|
| Finacle 10 | HSPP | Stop Payment of Cheque | Inquiry |
| Finacle 10 | HSPRG | Stop Payment Register | Inquiry |
| BaNCS | ➔ Valuable Paper Inventory System [VPIS] ➔ Enquiry of VPIS ➔ General Enquiry | To check inventory status | Inquiry |
| BaNCS | ➔ VPIS ➔ Lost / Damaged / Cancelled Inventories | Location for Lost / Damaged / Cancelled Inventories | Inquiry |
| BaNCS | ➔ VPIS ➔ Enquiry of VPIS ➔ Teller Level Inquiry | Details of Inventory available at Teller level | Inquiry |
| Flex Cube | CH078 | Cheque Status Maintenance | Inquiry |
| Flex Cube | CHM35 | Stop Cheque Instructions | Inquiry |
| Flex Cube | CHM37 | Cheque Book Issue Maintenance | Inquiry |
| Flex Cube | IV011 | Stock Inquiry | Inquiry |
| Flex Cube | IV004 | Inventory Lost report Register maintenance | Inquiry |
| Flex Cube | MCA80 | Inquiry of sold/issued inventory | Inquiry |

(vii) Compliances

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|---------------------------------------|-------------------------------------|
| Finacle 7 | TDSIP | TDS Inquiry / Print | Inquiry and Report |
| Finacle 7 | AFSM | Account Freeze Maintenance | Inquiry |
| Finacle 10 | HTDSIP | TDS Inquiry / Print | Inquiry and Report |
| Finacle 10 | HAFSM | Account Freeze Maintenance | Inquiry |
| Flex Cube | TDS06 | Tax Parameters Maintenance | Inquiry |
| Flex Cube | TDS04 | Tax waiver criteria Maintenance | Inquiry |
| Flex Cube | TDS05 | Customer special Tax code maintenance | Inquiry |
| Flex Cube | TDS11 | Tax Inquiry | Inquiry |

(viii) Trade Finance and Foreign Exchange Transactions

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|-----------------------------------|-------------------------------------|
| Finacle 7 | INBOEM | Bill of Entry Maintenance | Inquiry |
| Finacle 7 | BI | Bills Inquiry (Inland) | Inquiry (Criterion based search) |
| Finacle 7 | BP | Bills Inquiry (Inland) – Printing | Report |
| Finacle 7 | BM | Bill Maintenance (Inland) | Inquiry |
| Finacle 7 | FBI | Foreign Bill Inquiry | Inquiry (Criterion based search) |
| Finacle 7 | FBM | Foreign Bill Maintenance | Inquiry |

Manual on Concurrent Audit of Banks

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|---|-------------------------------------|
| Finacle 7 | FBP | Foreign Bill Inquiry – Printing | Report |
| Finacle 7 | BRBPR | Balancing Report for Bills Purchased (Inland) | Report |
| Finacle 7 | BRCR | Balancing Report for Bills on Collection (Inland) | Report |
| Finacle 7 | FBBR | Balancing Report for Foreign Bills | Report |
| Finacle 7 | DCQRY | Documentary Credit Query | Inquiry (Criterion based search) |
| Finacle 7 | GI | Guarantee Inquiry | Inquiry |
| Finacle 7 | IRM | Inward Remittance Maintenance | Inquiry |
| Finacle 7 | ORM | Outward Remittance Maintenance | Inquiry |
| Finacle 10 | HINBOEM | Bill of Entry Maintenance | Inquiry |
| Finacle 10 | MIIB | Maintain Import & Inward Bills | Inquiry |
| Finacle 10 | MEOB | Maintain Export & Outward Bills | Inquiry |
| Finacle 10 | IBL | Bill Inquiry | Inquiry (Criterion based search) |
| Finacle 10 | HBRBPR | Balancing Report for Bills Purchased (Inland) | Inquiry |
| Finacle 10 | HBRCR | Balancing Report for Bills on Collection (Inland) | Inquiry |
| Finacle 10 | HFBBR | Balancing Report for Foreign Bills | Inquiry |
| Finacle 10 | HGI | Guarantee Inquiry | Inquiry |
| Finacle 10 | HIRM | Inward Remittance Maintenance | Inquiry |
| Finacle 10 | HORM | Outward Remittance Maintenance | Inquiry |

Core Banking System

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|------------------------------|-------------------------------------|
| Flex Cube | SY001 | Guarantee Inquiry | Inquiry |
| Flex Cube | BIM04 | Bill Parameters Maintenance | Inquiry |
| Flex Cube | BIM05 | Bills Processing Maintenance | Inquiry |
| Flex Cube | BI001 | Bills Data Entry | Inquiry |

Note:

The discussion of Menu codes / commands in this chapter is only for guidance of members. The purpose of inclusion of the same here is to understand functioning of banking software. Moreover, with the continuous changes and customization requests by banks, all the menu codes may not be available / accessible in all the banks.

The Finacle menu codes discussed in this chapter is for version 7 (except expressly mentioned). Finacle has introduced new version namely Finacle 10.X. Few banks have already migrated to newer version and few more are in process of migration. Under Finacle 10.X there are changes in Menu Codes apart from other navigational changes.

Disclaimer:

Images, Logo, Screen Shots, Menu Codes, Software Name, etc., are the property of respective Software developer/ Trademark owners.

Concurrent Auditing Techniques

2.40 Concurrent Auditing Techniques are as follows:

- Integrated Test Facility (ITF)
- Snapshots
- Extended Record Technique
- System Control Audit Review File (SCARF)
- Continuous and Intermittent Simulation (CIS)

Integrated Test Facility (ITF)

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2.41 An integrated test facility (ITF) creates a fictitious entity in a database to process test transactions simultaneously with live input. It can be used to incorporate test transactions into a normal production run of a system. It is a test using simulated transactions and dummy master records within a client's master file so that test data are processed simultaneously with actual input. The objective is to substantiate control reliability.

Problem with using ITF is that it affects the output of the application system. Therefore, it is important that effects of ITF transactions should be removed by the application software prior to producing output. One can follow either of the under mentioned:

- Modify application program to ignore their effects while preparing outputs
- Submit additional inputs for removing their effects.
- Submit trivial entries as test data so that their effect on the output is minimal.

Snapshots

2.42 In computer systems, a snapshot is the state of a system at a particular point in time. The term was coined as an analogy to that in photography. It can refer to an actual copy of the state of a system or to a capability provided by certain systems. An embedded audit module can be used to take pictures of a transaction. The snapshots can either be printed immediately or saved to a file for later printing.

Auditors need to determine:

- Where to take snapshots
- Which transactions will be subject to snapshot
- How and when the snapshot data will be presented for evaluation

Extended Record Technique is a modification of the Snapshot technique. Where a Snapshot technique involves writing a record for each snapshot point and Snapshots are usually stored where it is taken, extended record technique appends data for each snapshot point to a single record. Thus, all data relating to a transaction is kept in one place.

System Control Audit Review File (SCARF)

2.43 SCARF is the most complex of all the techniques as it involves embedding audit modules in an application system to provide continuous monitoring of a system's transactions.

Embedded audit modules are placed at pre-determined points to gather information about transactions or events that auditors deem to be material. Data collected via these routines includes errors and irregularities, policy and procedural variances, system exceptions, statistical samples, snapshots, etc.

- Information collected is written to a special SCARF file.
- Auditor's then examine the information contained on this file.

Continuous and Intermittent Simulation (CIS)

2.44 This is a variation of SCARF continuous audit technique. It is used to trap exceptions whenever the application system uses a DBMS. During application system processing, CIS executes in the following way:

- (i) DBMS reads a transaction. It is passed to CIS. CIS then determines whether it wants to examine the transaction further. If yes, the next steps are performed, otherwise it waits to receive further data from DBMS.
- (ii) CIS replicates the application system's processing.
- (iii) Result of application system processing and CIS processing are compared.
- (iv) Data about discrepancies are written to a special audit file.
- (v) If discrepancies are material, CIS can instruct DBMS to reject updates.

Advantage

2.45 CIS does not require modification to the application system (DBMS needs to be modified to trap CIS transactions).

Disadvantage

2.46 It cannot collect evidence at processing points other than DBMS.