

SCOPE OF AUDIT

A. Cash transactions –Verify

- i) Surprise physical verification of cash at branch and ATM along with safekeeping and custody.
- ii) Daily cash transactions, particularly any abnormal receipts & payments.
- iii) Surprise verification of cash by an officer other than the joint custodian.
- iv) Proper accounting of and availability of insurance cover for inward and outward cash remittances.
- v) Accounting of currency chest transactions and delays/omission in reporting to RBI.

Reporting of Counterfeit Currency.

- vi) All cash transactions of Rs. 10 lakh and above reported in CTR.
- vii) That all cash transaction of Rs. 50,000 and above invariably indicate Pan No./Form 60.

B. Clearing transactions –Verify

- i) Reconciliation with bank's account at Clearing House and review of old outstanding entries for reconciliation.
- ii) Drawings allowed against uncleared instruments - sanction by the controlling authority.

C. Remittances/Bills for Collection –Verify

- i) Remittance of funds by way of DDs/TTs/MTs/TC/NEFT/RTGS any other mode in cash exceeding the prescribed limit.
- ii) Documents of title (lorry receipts, railway receipts, etc.) obtained in favour of the bank and the concerned transporters are on the IBA approved list.
- iii) Outstanding balance in DP and other transit accounts pending payment beyond prescribed period.

D. Deposits –Verify

- i) Adherence to KYC/AML guidelines in opening of fresh accounts and monitoring of transactions in such accounts.
- ii) Large term deposits received and repaid including checking of repayment of term deposit in cash beyond permissible limit.
- iii) Accounts opened and closed within a short span of time i.e., accounts with quick mortality.
- iv) Activation and operations in inoperative accounts.
- v) Value dated transactions.

vi) Settlement of claims of deceased customers and payment of TDRs against lost receipts and obtention of indemnities, etc. To check revival of dormant accounts and accounts with minimum activities.

vii) Examination of multiple credits to single accounts.

E. Treasury operations –Verify

i) If branch has acted within HO instructions for purchase and sale of securities.

ii) Periodic confirmation of Derivative contracts with counterparties.

iii) Adherence to regulatory guidelines with respect to Treasury deals/structured deals.

iv) Controls around deal modification/cancellation/deletion, wherever applicable.

v) Cancellation of forward contracts and passing/recovery of exchange gain/loss.

vi) Gaps and OPL maintained in different currencies vis-à-vis prescribed limit for the same.

vii) Reconciliation of Nostro and Vostro accounts-balances in Nostro accounts in different foreign currencies are within the limits prescribed by the bank.

viii) Collection of underlying documents for Derivative & Forward contracts. Delays, if any.

ix) Instances of booking and cancellation of forward contracts with the same counterparty within a span of couple of days or a few days.

x) Sample check some of the deals and comment on the correctness of computation.

xi) Checking of application money, reconciliation of SGL account, compliance to RBI norms.

xii) Checking of custody of unused BR Forms & their utilization in terms of Master Circular on Prudential Norms on Classification, Valuation and Operations of Investment Portfolio by banks.

xiii) To ensure that the treasury operations of the bank have been conducted in accordance with the instructions issued by the RBI from time to time.

F. Loans & Advances-Verify

i) Report Bills/cheques purchased, if in the nature of accommodation bills.

ii) Proper follow-up of overdue bills purchased/discounted/negotiated.

iii) Fresh loans and advances (including staff advances) have been sanctioned properly and in accordance with delegated authority.

iv) Reporting of instances of exceeding delegated powers to controlling/head office by the branch and have been confirmed or ratified by the competent authority.

- v) Securities and documents have been received as applicable to particular loan.
- vi) Securities have been properly charged/ registered and valued by competent person. Whether the same has been entered in the bank's system.
- vii) All conditions of sanction have been complied with.
- viii) Master data relating to limit, rate of interest, EMI, moratorium period details have been correctly entered and updated/modified in the system.
- ix) Value dated entries passed in advances accounts.
- x) Post disbursement supervision and follow-up is proper, such as timely receipt of stock and book debt statements, QIS data, analysis of financial data submitted by borrower, verification of securities by third parties, renewal of limits, insurance, etc.
- xi) Whether there is any misutilization of the loans and whether there are instances indicative of diversion of funds.
- xii) Compliance of prudential norms on income recognition, asset classification and provisioning pertaining to advances.
- xiii) Whether monthly updating of drawing power in the computer system on the basis of stock statements/book debt statement/ other financial data received from the borrowers.
- xiv) Recovery in compromise cases is in accordance with the terms and conditions of the compromise agreement.
- xv) To check review and renewal of loans.

G. LC/BG –Verify

- i) LC/BG issued/amended as per the approved format/model guarantee prescribed and standard limitation clause incorporated. Whether counter indemnity obtained as prescribed.
- ii) Any deviation from the terms of sanction in regard to margin, security, purpose, period, beneficiary, collection of charges, commission/fee, etc.
- iii) Whether payment is made to the debit of party's account on due date without creating overdraft/debiting suspense, in case of deferred payment guarantee.

H. Foreign Exchange Transactions-Verify

- i) Recovery of charges as per HO Guidelines.
- ii) Packing credit released, whether backed by LC or confirmed export order.

- iii) Availability of ECGC cover and compliance with ECGC terms.
- iv) Submission of statutory returns on export/ import transactions, like BEF statements, XOS, write off of export bills, etc. Follow up of outstanding export bills and exchange control copy of bill of entry.
- v) Irregularities in opening of new accounts and operation in NRO, FCNR, NRE, EEFC, etc., and debits/credits entries permissible under the rules.
- vi) Whether operations in FCRA accounts are as permitted by MHA and FCRA guidelines.
- vii) Booking, utilization, extension and cancellation of forward contracts.

I. House Keeping –Verify

- i) Exceptional transaction reports are generated and verified by branch staff as prescribed.
- ii) Review of all balance sheet heads and outstanding entries in accounts, e.g., suspense, sundry and inter-bank accounts. Review of follow up of entries pending for reversal.
- iii) Scrutiny of daily vouchers with more emphasis on high value transaction including high value expenses and debit entries in Suspense account.
- iv) Debits in accounts where signatures are pending for scanning.
- v) Whether records related to KYC/vouchers and other critical areas are sent to specific places like archival center, record room as per stipulated periodicity.
- vi) Adherence to KYC/AML guidelines in opening fresh account and subsequent modifications of records and monitoring of transaction.

J. Verification of Merchant Banking Business-Verify

- i) Whether the instructions given by the controlling branch are properly followed where the branch acts as a collecting branch for issue business.
- ii) Whether daily collection position is advised to the controlling branch.
- iii) Whether recovery of the commission/fees and out of pocket expenses as agreed with the respective companies and whether the competent authority has duly authorized any waiver or reduction of such charges.
- iv) Whether the prescribed preventive vigilance measures are observed by the branch.

v) Where data entry or data processing work is entrusted to outside agencies, the competent authority duly approves these and the prescribed stamped indemnity has been obtained from such agencies.

vi) Whether dividend interest warrants/refund payment accounts of companies are funded prior to dispatch of the relative warrants by the companies and there is no misuse of the facility.

vii) Whether Claims for reimbursement of amounts of paid warrants received from paying branches / CPCs / special outfits are processed and debited to the concerned company's account promptly.

viii) Whether charge on security has been created, wherever debenture trustee activity is undertaken by bank.

K. SWIFT Transactions - Verify

i) Inward & Outward messages to be verified from CSIG / daily reports

ii) Whether the amounts of financial messages / transactions are debited/ credited in the respective customer accounts / contra accounts.

L. Transaction Verification

i) Verify the genuineness and authenticity of the vouchers uploaded

ii) Verify whether transactions are correctly reflected in the respective customer accounts in CBS.

M. Others –Verify

i) Compliance of provisions relating to Tax Deducted at Source, service tax, trade tax, other duties and taxes.

ii) Physical verification of inventory, control over issue of inventory, safe keeping and custody of security forms. Report any loss of such items.

iii) Physical verification of other deliverable items, control over issue, safe keeping and custody.

iv) Physical verification of Gold coins, control over issue, safe keeping and custody. Checking of Gold sale transactions.

v) Custody and movement of branch keys.

vi) Locker keys and locker operations-linking of FDR as security for locker/operation of locker/inoperative lockers/ nomination/other issues.

(vii) Safe custody of branch documents like death claim cases, issuance of duplicate DD/PO/FDR, checking of indemnities, etc. and verification of documents executed during the period under audit.

(viii) Reporting of frauds

(ix) Certification of documents / claims / Pre-disbursement check, compliance certificate etc

N. Currency Chest Verification Audit (CCV audit under Cluster Approach)

i) Concurrent Auditors have to verify the opening Balance, closing balance and transactions of Currency Chest, Transactions related Registers, Currency Chest BGL ac with that of e-Kuber of RBI and confirm that they are tallying.

ii) The verification at present is **to be done** at weekly intervals as on Friday, on next working day.

iii) **The Concurrent Auditor shall issue a** Yearly certificate of balance as on last working day of Feb and Last working day of March each year.

iv) Number of days of working will be 4-5 per month with a maximum 6 days in the months of Feb and March.

v) As RBI has not yet provided the access to e-Kuber, the Branch joint custodians shall provide the printout of the e-Kuber to the Concurrent Auditor along with a printout of BGL account transactions and other Currency Chest transaction registers. No enquiry rights in CBS **will be necessary nor provided** to the Concurrent Auditors.

vi) Access to WBCAS will be provided and separate screens for recording the data and generation of certificates is under progress. Relevant value statements have already been provided for recording observations.

P. Miscellaneous:

- i) Any other need-based work related to audit which may be entrusted by the bank from time to time.
- ii) Looking Beyond Value Statements