

#### Wester India Regional Council of ICAI

## Audit Planning & Certification Bank Branch Audit

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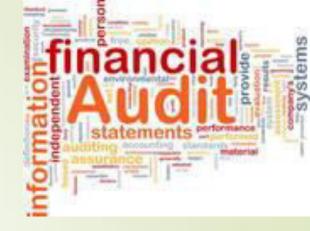
## Agenda

Audit Planning

Audit Documentation

Report Writing

Certification & MOC



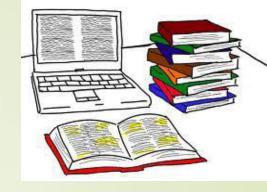
## Objective

#### **Compliance with:**

- RBI / ICAI Guidelines
- Terms of Appointment
- Accounting Standards
- Standards on Auditing
  Other Certification work
  Effective Reporting
  Completion of Work in Time



# Ground Work at Office Preliminary Work



**Evaluation of Internal Controls** 

**Prepare Audit Program** 

**Overall Time & Manpower Planning** 

**Laying Overall Audit Plan** 

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## **Audit Planning**



**Applicable Act for the Bank** 

**Appointment Letter / Acceptance Letter** 

**Closing Manual of Bank** 

**NOC** of Previous Auditor.

**Audit Engagement Letter.** 

**Basic Information from branch.** 

**Audit Program / Checklist** 

**Study RBI Circulars** 

**Attend Trainings / Workshops / Seminars** 

Have knowledge of current affairs

## Standards on Auditing

SA 200 - Basic Principles Governing Audit.

SA 230 - Audit Documentation

**SA 500 – Audit Evidence** 

**SA 400 - Risk Assessment and Internal Control** 

**SA 300 – Audit Planning** 

**SA 220 – Quality Control for Audit Work** 

**SA 299 – Joint Audit of Financial Statements** 

**SA 310 – Knowledge of Business** 

SA 600 - Using work of another auditor

**Knowledge about CAAT tools** 

### **Audit Planning**

#### Have knowledge of the:

- Economy
- Banking Industry
- **Government Policies**
- Rules & Regulations applicable to the Bank
- Products handled by Bank
- Complexities involved
- Applicability of Accounting Standards
- Applicability Auditing and Assurance Standards.
- FEDAI Guidelines



## **Audit Program**



Define broadly the scope of audit.

Include Certificates in main audit plan.

Identify the thrust areas.

Set materiality levels standards for each area.

Lay down over all time schedule.

Training to Audit staff and special skill if required.

Weak areas identified during the Audit - extra focus.

Physical verification of cash and other securities / Sensitive Accounts

Frauds / Sundry Assets / Suspense Account / Inter Branch reconciliation

**Contingent Liabilities** 

**Contingent Liabilities not acknowledged** 

#### Work at Branch



#### "First hand feel" of Branch:

- Previous Years Audited Return
- **Concurrent Audit Report.**
- **☞ Internal Inspection Report.**
- RBI Inspection Report.
- **Various Other Audit Reports**
- Review Compliance of these Reports.

#### **Audit Trail**



- Manual Registers / Records
- Core Banking Solution CBS
- Lack of Adequate Information
- Lack of Adequate Knowledge of system
- Lack of audit Trail

#### **Audit Execution**



SA 320 – Audit Materiality

**SA 520 – Analytical Procedures** 

SA 530 – Audit Sampling

**SA 220 – Quality Control For Audit Work** 

**Analyse and Evaluate the errors in samples selected** 

**Get the rectification / MOC Passed** 

Work as per Audit Program and schedule

Prepare reports according to requirement

**Qualify in Audit Report if necessary** 

## Reporting Statutory Audit Report

Format as per SA 700

Addressed to SCA/Bank

Compliance with Accounting Standards to be mentioned in main report.

Qualifications can be through Memorandum of Changes or Specific remarks in the last para.

Illustrative Format Bank Audit Guidance Note 2016/2017

### Memorandum of Changes – MOC

Memorandum of Changes (summary)			
	No.	Increase	Decrease
In respect of Income			
In respect of expenditure			
In respect of Assets			
In respect of Liabilities			
In respect of Gross NPAs			
In respect of Provision on NPAs			
In respect of Classification of Advances			
In respect of Risk Weighted Assets			
Other items (if any)			

## Long Form Audit Report Internal control evaluation questionnaire

Comprehensive in scope and coverage

Covers Balance Sheet & Profit & Loss A/c

Important check list for Audit Plan

## LFAR Audit Approach

**Read All questions in LFAR** 

Plan & Design Audit Program to cover all aspects of LFAR

Prepare separate checklists for each point to be reported.

Record the extent of checking / sample selected.

Proper documentation & collecting SAAE during the audit.

Write descriptive answers. Avoid Y/N/NA

Include facts, figures and examples to the extent possible in all answers to the questions.

## LFAR Audit Approach

Observations resulting in adjustments to account heads needs to be reported along with MOC

Discuss the contents of report with Branch Management

Obtain Management Representation from Branch Manager on various matters based on Audit.

LFAR is an independent report, hence do not give cross reference or qualifications or MOC in LFAR.

It's a very important report for readers such as SCA and Management of Bank.

Audit Report is a reasonable Assurance

**Audit Certificate is Absolute Assurance** 

#### **Types of Certificates**

- Branch Returns
- Audit Reports
- Memorandum of Changes
- LFAR
- Tax Audit Reports
- Jilani & Ghosh Certificate
- Other Certificates

Capital Adequacy - BASEL I, II, III
DICGC Claims

**PMRY Certification** 

**Service Tax** 

Cash Balance 12 odd days

**Investment on Behalf of Head Office** 

**Agricultural Debt Relief** 

**Maturity Pattern of Loans & Advances** 

**Fixed Assets & Depreciation** 

**Interest Subvention** 

(Exports/ Agriculture)

**IRAC / NPA Related Certificates** 

**Interest Subvention** 

**Restructured Advances** 

Foreign Currency Assets & Liabilities

Make use of Guidance Note on Reports or Certificates for Special Purpose (Revised 2016) issued by ICAI in September 2016.\*

Use Disclaimers in reports / certificate such as Ghosh and Jilani Certificates as suggested by Guidance note on Audit of Banks (Revised 2019) issued by ICAI.

