



Wester India Regional Council of ICAI

Audit Planning & Certification Bank Branch Audit

1

CA Niranjan Joshi
23.03.2019
WIRC, BKC, Mumbai

Restriction on Disclosure and Use of Data

The data in this document contains trade secrets and confidential or proprietary information of my firm, the disclosure of which would provide a competitive advantage to others. As a result, this document shall not be disclosed, used or duplicated, in whole or in part, for any purpose. The data subject to this restriction are contained in the entire document.

Disclaimer

These are my personal views and can not be construed to be the views of the ICAI or my firm.

No representations or warranties are made by the WIRC with regard to this presentation.

These views do not and shall not be considered as a professional advice.

This presentation should not be reproduced in part or in whole, in any manner or form, without our written permission.

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





Audit Planning

6

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



7

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

8

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



9

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

10

“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



11

- ➔ **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

16

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.

Other Certificates

18

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**

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)

Other Certificates

IRAC / NPA Related Certificates

Interest Subvention

Restructured Advances

Foreign Currency Assets & Liabilities

Other Certificates

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.

Questions

22





**CA Niranjan Joshi,
B.Com., FCA, DISA (ICAI)
Email: nvjca1@gmail.com
Cell: 8369577210**