

Western India Regional Council of ICAI

Bank Branch Audit Seminar

**Audit Planning & Audit
Documentation**

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Agenda

Audit Planning

Audit Documentation



Objective



Compliance with:

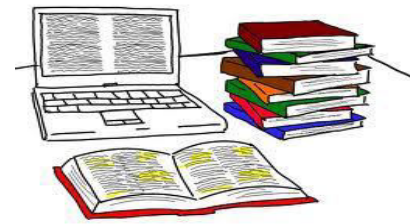
- **RBI / ICAI Guidelines**
- **Terms of Appointment**
- **Accounting Standards**
- **Standards on Auditing**

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



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

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 310 – Knowledge of Business

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.

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 be given extra focus.

Physical verification of cash and other securities / Sensitive Accounts

Frauds / Sundry Assets / Suspense Account / Inter Branch reconciliation

Contingent liabilities

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

Documentation

SA 230 – Audit Documentation

Nature & Purpose of Audit Documentation

Evidence of Auditors basis for a conclusion about the achievement of overall objectives of the auditor and

Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements

Audit Files

Permanent Audit File

Working Papers File

Form and Contents

To understand:

The nature, timing and extent of the audit procedures performed.

Results of audit procedures performed, audit evidence obtained.

Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgment made in reaching those conclusions.

Documentation

Audit Documentation depends on factors such as:

Size and complexity of entity

Nature of the audit procedures to be performed

Identified risks of material misstatements

Significance of the audit evidence obtained

Nature and extent of exceptions identified

Audit methodology and tools used

Documentation

**Examples of Audit Documentation:
(Paper / Electronic/Other media)**

Audit Programms

Analyses

Issues memoranda

Summary of Significant matters

**Letters of confirmations and
representations**

Checklists

**Correspondence regarding significant
matters.**

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

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.

Other Certificates

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

Questions





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