



Seminar on Statutory Audit of Bank Branches

WIRC Mumbai

**Session 1
Audit Planning & Documentation**

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Agenda

Objective

Planning Work in Office

Execution of Work

Documentation



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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

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Laying Overall Audit Plan

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Audit Planning



Audit under Banking Companies (Acquisition & Transfer of Undertakings) Act, 1970.

Appointment Letter / Acceptance Letter
Intimation to the Previous Auditor for no objection.

Issue Audit Engagement Letter.

Obtaining Basic Information from branch.

Preparation of Audit Program / Checklist

Send Draft representation letter in Advance

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

Basic Documentation for Peer Review and Quality Review

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

Overall Audit Program



- ❖ Time & Manpower Planning.
- ❖ Checklist / Audit Program
Cover all areas of Liabilities, Assets, Income, Expenditure and Off Balance Sheet items.
However special focus on advances, income recognition and provisions to be made.
- ❖ Review

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

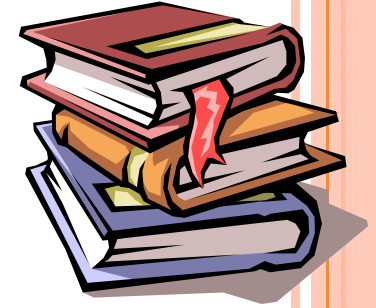
Work at Branch

“First hand feel” of Branch:

- Bank Branch Audit Report.
- LFAR Report.
- Concurrent Audit Report.
- Inspection Report.
- RBI Inspection Report.



Execution



- Charge Handover Report.
- Special Audit Report
- System Audit Report.
- Stock Audit Reports of large advances.
- Report from vigilance Department.
- Revenue Audit Report.
- Review Compliance of these Reports.

Review Year end Closing Instructions
Review RBI /HO Circulars

Audit Trail



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

Evaluation of Internal Control



- ❖ Evaluate the strength, effectiveness and weakness of the control system.
- ❖ Areas where deficiencies have been noticed in earlier audit reports, actual transactions may be tested.

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 reports / MOC Passed

Work as per Audit Program and schedule

Prepare reports according to requirement

Qualify wherever 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

Purpose of Documentation

Assisting the engagement team to plan and perform the audit

Assisting team responsible for supervision to direct and supervise audit work, review responsibility.

Enabling engagement team to become accountable for its work

Retaining records of matters of continuing significance to future audits

Conduct of Quality Review/Peer Review

Objective of Documentation

To prepare documentation that provides:

A sufficient and appropriate record of the basis for the auditors report 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.

Points to Remember

- 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.

Questions





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