

Usage of CBS System for Concurrent Audit

Seminar on Concurrent Audit

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Session Objective

- Discussion on how to utilize the CBS information systems to their fullest to conduct Concurrent audit of banks' branches; effectively

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Contents



- ❧ Basic Introduction of CBS including Modules Features, Assumptions
- ❧ General Audit Procedures in Computerized Environments
- ❧ Detailed Audit Procedure
- ❧ Case Studies
- ❧ Screen Review

EVOLUTION



MANUAL BANKING

BRANCH COMPUTERISATION
CBS - BRANCH BANKING, INTERNET BANKING ETC

CBS - Features



- ❑ Unique customer id
- ❑ All retail function combined
- ❑ Customization as per requirement
- ❑ Multi location access
- ❑ Centralized database

Advantages - CBS



- ❑ Anywhere / anytime banking
- ❑ Enhance security features
- ❑ Back office functions centralized
- ❑ Effective MIS
- ❑ Data duplication is avoided

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ASSUMPTIONS/MYTHS



- ❧ Computerized system is full proof
- ❧ Audit in computerized environment required more technical knowledge
- ❧ No need for control review as control are in built
- ❧ Staff / operators have full knowledge of operations
- ❧ NPA are System generated

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MODULES



- Employee /user module
- Customer master module
- Account master module
- Transaction module
- Stationary module
- Remittance module
- Trade finance and foreign exchange
- Non customer account - PL/GL/Sundry /Suspense
- BCP AND DRP / Call Centre and help desk

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CBS Commands



Ledger Verification

Finacle "ACLI" - Account Ledger Inquiry
"ACLPCA" - Customer Ledger Account Print
"PSP" - Pass Sheet Print

BaNCS DL / TL Accounts & Services - Print Option
Deposit / CC / OD Accounts & Services - Print Option

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Audit Approach



- ☞ Identify Audit Areas as per Bank Format
- ☞ Identify Date Entry Points / Documentation / Physical Check
- ☞ Check Source of data - CBS / Manual / Both
- ☞ Check available report/ reports if any
- ☞ Analysis of the correctness of the report generated from CBS
- ☞ Reportable observations

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KYB



- ☞ As per Report - So many areas / 100% coverage
What to do ??
- ☞ Business Mix - Deposit Base / Advances
Concentration
- ☞ Function handled - extent of services - ARMB - KYC
- LCB - Service Branch
- ☞ Advances - Retail - other
- ☞ Advance - Concentration
- ☞ Deposit - Structure
- ☞ Latest Trend - Recent Fraud / Frauds

CBS - Commands



Transactions in Accounts -

Finacle "FTI" - Financial Transaction Inquiry

"ACLI" - Account Ledger Inquiry

BaNCS DL / TL Accounts & Services - Enquiries - Transaction

Deposit / CC / OD Accounts & Services - Enquiries -
Deposit / CC / OD Transaction

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CBS - Commands



Sanctioned Limit/Drawing Power -

Finacle "ACLHM" - Account Limit History Maintenance

BaNCS DL / TL Accounts & Services - Enquiries - Account

Deposit / CC / OD Accounts & Services - Enquiries -
Deposit / CC / OD Account

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CBS - Commands



Repayment Terms, Interest Parameters including Penal Interest -

Finacle "ACM" - Account Master
"CUMM / CUMI" - Customer Master Maintenance /
Customer Master Inquiry
"LARSH" - Loans Repayment Schedule Report

BaNCS DL / TL Accounts & Services - Enquiries - Account

Deposit / CC / OD Accounts & Services - Enquiries -
Deposit / CC / OD Account

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CBS - Continued



Interest Rate History -

Finacle	"INTM" - Interest Table Master Maintenance
BaNCS	DL / TL Accounts & Services - Interest Rate History Deposit / CC / OD Accounts & Services - Interest Rate History

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CBS continued



Turnover in an account or Debit & Credit Summation -

Finacle	"ATOR" - Account Turnover Report "ACTI" - Account Turnover Inquiry
BaNCS	DL / TL Accounts & Services - Enquiries - Long Deposit / CC / OD Accounts & Services - Enquiries - Long

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CBS continues



Account Classification -

Finacle	"ACS" - Account Selection or "ACSP" - Account Selection Print
BaNCS	DL / TL Accounts & Services - Enquiries - Short - Select Option 1 - DL / TL {Date of NPA is available under Long Inquiry} Deposit / CC / OD Accounts & Services - Enquiries - Short - Select Option 2 - CC / OD {Date of NPA is available under Long Inquiry}

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CBS continues



Account Classification -

Finacle "NPARPT" (NPA Report)

BaNCS CC OD Balance File,
Loans Balance File

CBS - continues



Interest Report -

Finacle "AINTRPT" - Interest Report for Account

BaNCS Product Sheets

CBS - continues



Security Maintenance -

Finacle "SRM" - Security Register Maintenance

BaNCS DL / TL Accounts & Services - Security (Primary / Collateral) - Customer - Amend / Enquiry - Amend / Enquire Security

CBS



Lien Marking -

Finacle "ALM" - Account Lien Maintenance

BaNCS DL / TL Accounts & Services - Security (Primary / Collateral) - Customer - Amend / Enquiry - Amend / Enquire Security

CBS.....



Non-Fund Based Facilities -

Finacle "DCQRY" - Documentary Credit Query

"GI" - Guarantee Inquiry

BaNCS Available in Offline Reports or through EXIM Software

CBS.....



Bills Purchased & Discounted -

Finacle "BI" - Bill Inquiry

"FBI" - Foreign Bill Inquiry

BRBPR - Balancing report for Bills purchased

BRCR - Balancing report for collection Bills

FBBR- Foreign Bill balancing report

BaNCS Available in Offline Reports or through EXIM Software

CBS.....



Security Stationery -

Finacle "ISRA" - Inventory Status Report

BaNCs Available in the module of "Valuable Paper Inventory System (VPIS)"

CBS.....



Deduction of Tax at Source -

Finacle "TDSIP" - TDS Inquiry / Print

"ACSP" - Account Selection for accounts having balance more than a threshold

BaNCs Available in Offline Reports on account wise / transaction wise Tax Deduction

CBS.....



Due Date Diaries in Finacle -

INSTOEXP Insurance Expiry List

INQLAC Loan Document Expiry Date

LADRPT LAD Report

STKSTMT Stock Statement not submitted

CBS.....



Other relevant Menu options in Finacle -

ODFDREP	Report for Matured OD/FD Accounts
POVDPC	Party-wise Overdue Packing Credit
PLIST	Pending Instalments List
CULI	Customer Unutilised Limit Inquiry
EXCPRPT	Exceptional Report

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Some issues / Limitation



- ☞ Checking on sample basis or 100% ?
- ☞ Checking of DP and updation in the system
- ☞ Integration of data in CBS and other software
- ☞ Verification of interest on advances - Computation sheet
- ☞ Reversal of interest on NPA
- ☞ Delay in review / renewal in CC
- ☞ Interest subvention and accounting
- ☞ Items in transit and suspense
- ☞ Intersol / HO accounts reconciliation
- ☞ GST accounting and Input Tax Credit
- ☞ Pool Account purchase and entries thereof

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Issues/ Limitation



- ☞ Balancing of Books
- ☞ Master data check specially repayment schedule
- ☞ Security value updation - correctness of data
- ☞ Consortium advances and DP working
- ☞ Transaction on behalf of other branches
- ☞ Review of Trial balances / GL
- ☞ Data migration and updation of data
- ☞ Changes in repayment schedule due to error in entering the data

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Issues / Limitation



☞ Updating of data like dates of last inspection, review, documents etc. is not done. Also installment amount, date of first installment etc. are not fed. Thus, CBS may not be used to its fullest.

☞ CBS does not generate most of the closing returns.

☞ CBS has made our work difficult to the extent that now anybody e.g. central statutory auditor may review branch's data and thereby our work sitting in Z.O. / H.O. of the bank.

Revenue Leakages



☞ Focus on areas where charges are not automatically applied by the software or where a particular module is not computerised

☞ Omission in charging penal rate of interest e.g. for non-submission of Financial Statements, Stock Book-debts Statements, Ext. Credit Rating etc.

☞ Rate of interest not correctly interpreted and charged especially in case of large advances

☞ Commitment Charges

Revenue Leakages



☞ Rate of interest in case of irregular advance related accounts

☞ Documentation Charges

☞ Processing Charges

☞ Inspection Charges

☞ Lead Bank (Consortium) Charges

☞ Cash Handling Charges

☞ Charges for use of Locker exceeding the permissible limit etc.

Revenue Leakages



- ☞ See "Interest Failure Reports" for CC/OD and Loans to detect leakage of revenue. 'Interest Rate History' may also be referred.
- ☞ Ledger accounts of CC accounts on month ends or quarter ends may be analysed.
- ☞ Sanction letter of Top 10 or 20 accounts (Especially accounts where a 'Minimum Rate of Interest' is being stipulated and Account Master to be checked.

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Shortcuts



- ☞ F1 - HELP
- ☞ F2 - LIST OF ITEMS FOR SELECTION
- ☞ SHIFT + F4 - SELECTING THE ITEM FROM LIST
- ☞ F10 - COMMIT
- ☞ CTRL + D - PAGE DOWN
- ☞ CTRL + U - PAGE UP
- ☞ CTRL + E - EXPLODE DETAILS

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