

Background Material

Technology as an Audit tool in bank Audit

- Sections:
- 1) Handout of Presentation delivered**
 - 2) Audit in CBS Environment - Detailed discussion of each aspects of CBS**
 - 3) E Book Published by SIRC of ICAI on Audit under CBS Environment**
 - 4) A brief note on "Exploring basics of Microsoft Excel for Bank Branch Audit"**

Authored & Presented by CA. Kuntal P. Shah, Ahmedabad

Section - 1

**Handout of Presentation
delivered**



Statutory Bank Branch Audit, Loans & Advances and How to use CBS Commands

Hosted by **Pusa Road CPE Study Circle of NIRC
of ICAI**

March 13, 2022

Presented by CA. Kuntal P. Shah, Ahmedabad



Disclaimers

- * These are my personal views and can not be construed to be the views of the ICAI, Regional Councils and Branches / Study Circle of ICAI or Pradip R. Shah & Co., Chartered Accountants
- * These views do not and shall not be considered as professional advice.
- * Images, Screen Shots, Menu Codes, Software Name etc are the property of respective Software developer / Trademark owners.
- * The information contained in the presentation is not for commercial purpose. It is merely for guidance.
- * This presentation should not be reproduced in part or in whole, in any manner or form, without our written permission.



Flow of Presentation

- * Part – 1 : Use of CBS for Bank Branch Audit
- * Part – 2 : Use of Excel in Bank Branch Audit
- * Part – 3 : Use of CAAT Tools



Part - 1

Use of CBS for Bank Branch Audit



Few CBS used in India and world over

| Package | Provider |
|----------------------------|---|
| Finacle | Infosys |
| FLEXCUBE | Oracle Financial Services Software, (By iflex) |
| TCS BaNCS | Tata Consultancy Services (TCS) |
| Alnova Financial Solutions | Accenture / Alnova |
| SAP Banking Services | SAP AG |



Important Update

- * Master Circular on IRAC Dt. 01.10.2021
- * Clarification Dt. 12.11.2021
- * Further Clarification Dt. 15.02.2022



Important Update

* Identification of NPA Account (Non payment of Interest)

▣ Para 2.1.3 (IRAC Dt. 01.10.2021)

- In case of interest payments, banks should, classify an account as NPA only if the interest due and charged **during any quarter** is not serviced fully within 90 days from the end of the quarter.

▣ Para D.8 (Clarification Dt. 12.11.2021)

- In case of interest payments in respect of term loans, an account will be classified as NPA if the interest **applied at specified rests remains overdue for more than 90 days.**



Important Update

* Definition of "Out of Order"

▣ Para 2.2 (IRAC Dt. 01.10.2021) [Relevant Text]

- In cases where the outstanding balance in the principal operating account is less than the sanctioned limit/drawing power, but there are no credits continuously for **90 days as on the date of Balance Sheet** or

▣ Para C.6 (Clarification Dt. 12.11.2021)

- the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited **during the previous 90 days period.** [i.e. Rolling Day basis]

▣ Para 2.(i) (Clarification Dt. 15.02.2022)

- Applicable to all loan products being offered as an overdraft facility
- The 'previous 90 days period' for determination of 'out of order' status of a CC/OD account shall be **inclusive of the day for which the day-end process is being run.**



Important Update

* Appropriate internal systems for proper and timely identification of NPAs

▣ Para 4.2.2 (IRAC Dt. 01.10.2021) [Relevant Text]

- Banks should establish appropriate internal systems (including technology enabled processes) for proper and timely identification of NPAs, including putting in the necessary infrastructure to comply with the requirements of the circular DoS.CO.PPG./SEC.03/11.01.005/2020-21 dated September 14, 2020 on Automation of Income Recognition, Asset Classification and Provisioning processes in banks (as updated).
 - Asset classification to be included in **Day End Process**
 - Rule based classification
 - Computation of Provision also based on System Based Rules
 - Recognition / De-recognition of Income to be System Driven
 - Upgrade and Downgrade to be handled by the System through STP
 - Manual Intervention only in exceptional cases after following due process.

CA. Kuntal Shah, Ahmedabad

9



Important Update

* Upgradation of loan accounts classified as NPAs

▣ Para 4.2.5 (IRAC Dt. 01.10.2021) [Relevant Text]

- If **arrears** of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account should no longer be treated as nonperforming and may be classified as 'standard' accounts. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of DCCO, etc., the instructions as specified for such cases shall be applicable.

▣ Para E.10 (Clarification Dt. 12.11.2021) [Relevant Text]

- it is clarified that loan accounts classified as NPAs may be upgraded as 'standard' asset **only if entire arrears of interest and principal are paid by the borrower**. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., the instructions as specified for such cases shall continue to be applicable.

CA. Kuntal Shah, Ahmedabad

10



Table of Contents

* Parameters affecting NPA identification

- * Practical aspects for conducting bank branch audit & Case Studies
- * Identification of Revenue Leakage
- * Foreign Exchange Transactions
- * Office Accounts
- * Audit activity through CBS – LFAR & Tax Audit Requirements
- * Audit Requirements in terms of revised LFAR



Parameters affecting NPA identification

- * In terms of directives issued by Ministry of Finance and Reserve Bank of India, it is mandatory for banks to identify the bad loans through CBS / Systems instead of conventional methods.
- * CBS like other software work on GIGO principle.
- * Master Data play an important role in correct identification of Bad Loans.



Parameters affecting NPA identification

* 1. Discrepancies in setting up the EMI / Installments:

▣ Auditors' primary checks:

- Whether EMI / installment is correctly setup.
- Whether EMI / installment amount is matching with the Sanctioned Terms.
- Whether periodicity of Installment is correctly classified as per Sanctioned Terms?

▣ System support:

- **Finacle:**
 - ACI -> Option "E" Repayment details [**Fin.10.x- HACM**]
- **BaNCS:**
 - DL/TL Accounts & Services → Enquiries → Account
(**Short & Long Inquiry options are available under the menu.**)



Parameters affecting NPA identification

* 2. Multiple sets of EMI / Installments:

▣ Auditors' primary checks:

- For case of Multiple sets of EMI e.g. For 1-5 years EMI of Rs. 7,000 and after 5 years Rs. 7,500
- Whether sets of EMI are properly entered?
- Is there any substantial difference between 1st set of EMI and 2nd or other sets (e.g. 1st set Rs. 5,000 and 2nd Rs. 1,00,000) which cast doubt on debt serviceability?

▣ System support:

- **Finacle:**
 - ACI -> Option "E" Repayment details [**Fin.10.x- HACM**]
- **BaNCS:**
 - DL/TL Accounts & Services → Enquiries → Account
(**Short & Long Inquiry options are available under the menu.**)



Parameters affecting NPA identification

* 3. Manipulation in SL / DP:

▣ Auditors' primary checks:

- Changes in SL / DP should be cross checked with Sanctioned Letter.
- Whether any change in Limit is supported by necessary documentation?

▣ System support:

➤ **Finacle:**

- ACLHM – Account Limit History Maintenance

[Fin.10.x– HACLHM]

➤ **BaNCS:**

- Deposit / CC / OD Accounts & Services → Interest Rate History
- Report on Changes in Account Limits

CA. Kuntal Shah, Ahmedabad

15



Parameters affecting NPA identification

* 4. Incorrect moratorium period:

▣ Auditors' primary checks:

- Based on moratorium period CBS will identify the Loan Installment and will track repayment.
- In case the moratorium period / installment start date is erroneously updated system will not show correct result.

▣ System support:

➤ **Finacle:**

- ACI – Option “E” – Repayment Details **[Fin.10.x– HACM]**

➤ **BaNCS:**

- Account Master details (Long Inquiry)

CA. Kuntal Shah, Ahmedabad

16



Parameters affecting NPA identification

* 5. Rephasement without reporting it as reschedule:

▣ Auditors' primary checks:

- At times it is observed that the Loan Account Installments are rephased / recalibrated without reporting the same as Re-Schedule.
- Verify whether any change in Repayment instruction is made through System. Compare the said accounts with list of Restructured Accounts.

▣ System support:

- **Finacle:**
 - ACI – Option “E” – Repayment Details [*Fin.10.x– HACM*]
- **BaNCS:**
 - Account Master details (Long Inquiry)
- Report containing details of all the cases wherein EMI / Installment is changed should be sought

CA. Kuntal Shah, Ahmedabad

17



Parameters affecting NPA identification

* 6. Installment Start Date is Future Date:

▣ Auditors' primary checks:

- Check whether Installment Start Date entered as per sanctioned term.
- In case of future date system will not identify installment and any repayment received will be shown as “Overflow”.

▣ System support:

- **Finacle:**
 - ACI – Option “E” – Repayment Details [*Fin.10.x– HACM*]
- **BaNCS:**
 - Account Master details (Long Inquiry)

CA. Kuntal Shah, Ahmedabad

18



Parameters affecting NPA identification

* 7. Interest Demand date (Future Date):

▣ Auditors' primary checks:

- Check whether Interest Start Date entered is as per Sanctioned Term.
- In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as "Overflow".

▣ System support:

- **Finacle:**
 - ACI – Option "E" – Repayment Details **[Fin.10.x– HACM]**
- **BaNCS:**
 - Account Master details (Long Inquiry)

CA. Kuntal Shah, Ahmedabad

19



Parameters affecting NPA identification

* 8. Fictitious credit through Office Account / Inter-branch Account:

▣ Auditors' primary checks:

- Are there any quarter / year end credits cited in the account?
- Check the source of Credit Entries.
- Review transactions in Office Accounts / Inter Branch Accounts.

▣ System support:

- **Finacle:**
 - ACLI – (Use CTRL + E to Explore the Tran) **[Fin.10.x– HACLI & HAQLINQ]**
 - Review of Office Account Ledgers
- **BaNCS:**
 - Deposit / CC / OD Accounts & Services → Enquiries → Transaction
 - DL/TL Accounts & Services → Enquiries → Transaction

CA. Kuntal Shah, Ahmedabad

20



Parameters affecting NPA identification

★ 9. Round tripping from internal accounts:

▣ Auditors' primary checks:

- Close scrutiny of transaction and review of chain / series of transaction for accounts with deficiency is required.
- It is used to generate / misguide the system on Credit Turnover aspect.

▣ System support:

➤ **Finacle:**

- ACLI – (Use CTRL + E to Explore the Tran) **[Fin.10.x–HACLI & HACLINQ]**
- Do not rely wholly on “ATOR” / “CUTI” / “ACTI” results

➤ **BaNCs:**

- Deposit / CC / OD Accounts & Services → Enquiries → Transaction
- DL/TL Accounts & Services → Enquiries → Transaction

CA. Kuntal Shah, Ahmedabad

21



Parameters affecting NPA identification

★ 10. Temporary Overdrafts:

▣ Auditors' primary checks:

- At times it is observed that in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned.
- It is not permitted as per IRAC guidelines.

▣ System support:

➤ **Finacle:**

- ACI – Option “O” **[Fin.10.x–HACLI & HACLINQ]**
- ACTODM – TOD Maintenance **[Fin. 10.x – HACTODM]**
- TODRP – TOD Register Printing

CA. Kuntal Shah, Ahmedabad

22



Parameters affecting NPA identification

★ 11. Devolved bills parked in Office Accounts and not in limit account:

▣ Auditors' primary checks:

- Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement)
- At times it is observed that the amount of devolvement of LC backed bills are parked in Office Accounts to suppress total exposure on borrower.

▣ System support:

➤ **Finacle:**

- BI & FBI – With Bill Status as “K” using Status Date Filter

– **[Fin.10.x – IBL]**

CA. Kuntal Shah, Ahmedabad

23



Parameters affecting NPA identification

★ 12. Multiple CUST ID to save the other account from becoming NPA:

▣ Auditors' primary checks:

- Commonly it is observed that before marking of Account as NPA other accounts of the same borrower is transferred to new CUST ID. It will prevent marking of the said accounts as NPA in terms of guidelines of Asset Classification to be Borrowerwise and not Accountwise.
- Take NPA Report and search all the case by few characters of Name.

▣ System support:

➤ **Finacle:**

- ACS – Account Selection (Search based on Name)
- LAGI – Loan Account General Inquiry (Inquiry based on other parameters)

➤ **BaNCs:**

- Customer Management → Enquiries → Search by Name

CA. Kuntal Shah, Ahmedabad

24



Parameters affecting NPA identification

- * 13. **Project Loans – Updation / Recording of DCCO Dates:**
 - ☐ Capturing of Projected DCCO, Actual DCCO, Extended DCCO Dates in System
 - ☐ Classification of Advance under Infra / Non Infra Loans.
 - ☐ Moreover, Classification of account as NPA and correctness of Date of NPA in case of failed restructuring.



Table of Contents

- * Parameters affecting NPA identification
- * **Practical aspects for conducting bank branch audit & Case Studies**
- * Identification of Revenue Leakage
- * Foreign Exchange Transactions
- * Office Accounts
- * Audit activity through CBS – LFAR & Tax Audit Requirements
- * Audit Requirements in terms of revised LFAR



Practical aspects for conducting Bank Audit



Practical aspects for conducting bank branch audit

* **Genuineness of Credits**

- Review of Book Debt Statement and other lenders (if any and if disclosure is available in Financial Statement)
- Whether the credits in the operative account originates from the debtors or through other related entities. In case of credits through related entities additional audit processes should be carried out to ascertain credits originating against sales turnover.

* **Diversion of Funds (Account Debit)**

- Review of List of Creditors
- Whether the payments are made to creditors or to the related entities?
- Ascertain Related Parties for the borrower.



Practical aspects for conducting bank branch audit

* Related Party Transactions

- ☐ Financial Statement – MGT 9, AOC-1, AOC-2, Shareholders (disclosure in Balance Sheet), Related Party Transactions as per AS-18, Form 3CD (Payment to related parties)
- ☐ Use of third party portals viz. tofler.in, zubacorp etc. for graphical and structured report on potentially related enterprises (identifiers – Directors in multiple companies, companies at same address)

* Review of Account Statements

- ☐ In-depth review in case of accounts with low turnover, few credits / debits, Accounts showing some stress.



Practical aspects for conducting bank branch audit

* Frequent TODs

- ☐ Assessment of Fund requirement - Is there any issue in assessing working capital?
- ☐ If so, whether the borrower is having sufficient resources for increased limit?
- ☐ If no, chances of borrower under stress.

- * **Import & Export Data Processing and Monitoring System (IDMPS) and (EDMPS):** Online Import and Export document systems connected with Ports, Banks and RBI – Access restricted to limited users



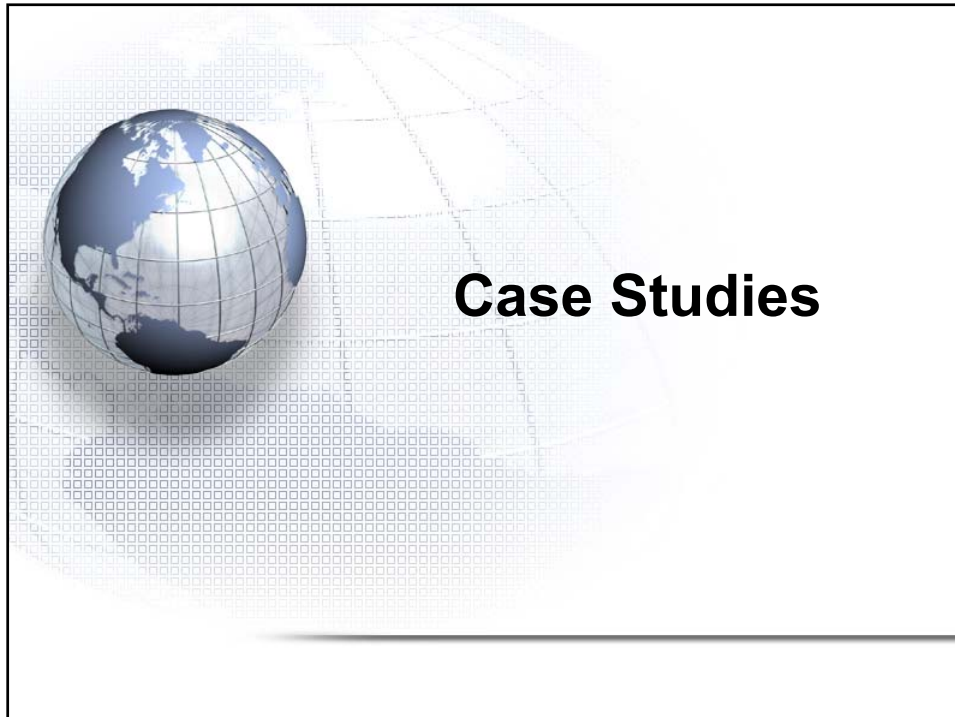
Use of External Systems

- ☐ **ICEGATE Portal** – Open access of Bill of Entry and Shipping Bills
- ☐ **VAHAN System** – Frauds in vehicle loans are on rise. Use <http://vahan.nic.in> to search type of vehicle and compare the same with vehicle financed. SMS Based service - Type VAHAN <Registration No.> and send to 77382 99899.
- ☐ **FCRA Online Services**
- ☐ **MCA, GST, Income Tax**



Redesigning & Recalibration of Audit Processes

- ☐ **Willful Defaulters & Suit Filed cases** - <https://suit.cibil.com/> also refer the bank's website
- ☐ **CRILC (Central Repository of Information on Large Credits) Data** – Details of Borrower having consortium limits / multiple banking in excess of Rs. 5 Cr.
- ☐ Credit Rating Reports
- ☐ CIBIL and other reports
- ☐ GST Data (Peridot Mobile App by Iris GST in partnership with FICCI)



Case Study - 1 Credit originating from another Loan granted to borrower

| Before Disbursal Balance as on 31.12.20XX | Disbursal of New Loan | Interest Charged as on 31.12.20XX | Balance as on 01.01.20XX |
|---|-----------------------|-----------------------------------|--------------------------|
| A | B | C | D = A – B + C |
| 2,00,00,000 | 10,00,000 | 2,50,000 | 1,92,50,000 |
| 11,00,00,000 | 1,00,00,000 | 13,00,000 | 10,13,00,000 |
| 9,00,00,000 | 32,00,000 | 10,50,000 | 8,78,50,000 |
| 70,00,000 | 2,50,000 | 10,000 | 67,60,000 |
| 22,70,00,000 | 1,44,50,000 | 26,10,000 | 21,51,60,000 |

Net Increase in exposure **1,44,50,000**

Balance before Interest application as on 31.12.20XX (A-B) 21,25,50,000
 Difference in Exposure before and after disbursal of new TL 1,44,50,000

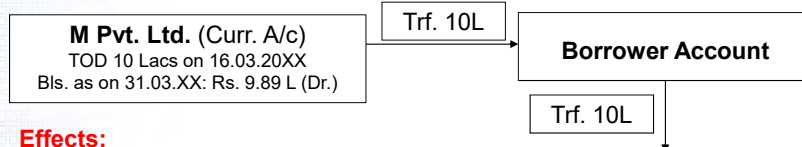
There was no recovery in the account and the funds of the new Term Loan were used for payment of overdues in existing loan accounts

CA. Kuntal Shah, Ahmedabad 34



Case Study - 2 Credit originating from another Loan granted to other customer

- * **M Pvt. Ltd. – Current Account**
- * Closing Balance as on 31.03.20XX Rs. 9,98,754 (Dr.)
- * Background of the case: Running TOD of Rs. 10 Lacs was granted for period March 16, 20XX till March 22, 20XX not regularized till date.



Effects:

1. Borrower Account received credit / recovery entry
2. Borrower's Related Party Account was not classified as NPA since the same was shown as recovered through the credit entry.

Borrower's Related Party's Account (nearing to 90 Days overdue)
 The account was in debit Balance on account of non recovery of Running TOD expired Jan. 03, 20XX. Through this proceed the TOD in this Account was paid off.



Case Study - 3 Transaction without any visible economic benefit

Transfer from Current Account to CC Account

| Account Ledger Inquiry | | | | | | |
|------------------------|----------|---------|---------------------|------------------|-----------------|----------------|
| A/c No | Inst No. | Partics | DrAmt | CrAmt | Balance | |
| A/C No | | | INR | | Opn. Bal | 4,36,005.00 Cr |
| Type | | | CUSTOMER GL Subhead | | Cls. Bal | 4,36,005.00 Cr |
| A/C Open Date | | | -2010 Close Date | | Avl. Amt | 4,36,005.00 Cr |
| Currency | | | INR INDIAN RUPEES | | Eff. Avl. Amt | 4,36,005.00 Cr |
| A/c Status | | | A ACTIVE | | A/c Status Date | |
| Funds in clg | | | 0.00 | | Float Bal | 0.00 |
| Date | Inst No. | Partics | DrAmt | CrAmt | Balance | |
| | | | INR | | INR | INR |
| 31-03- | | | 9,00,00,000.00 | 9,04,36,005.00Cr | | |
| 31-03- | | | 9,00,00,000.00 | 4,36,005.00Cr | | |
| 31-03- | | | 3,00,00,000.00 | 3,04,36,005.00Cr | | |
| 31-03- | | | 3,00,00,000.00 | 4,36,005.00Cr | | |
| 31-03- | | | 9,00,00,000.00 | 9,04,36,005.00Cr | | |
| 31-03- | | | 9,00,00,000.00 | 4,36,005.00Cr | | |
| 31-03- | | | 9,00,00,000.00 | 9,04,36,005.00Cr | | |
| 31-03- | | | 9,00,00,000.00 | 4,36,005.00Cr | | |
| 31-03- | | | 9,00,00,000.00 | 9,04,36,005.00Cr | | |
| 31-03- | | | 9,00,00,000.00 | 4,36,005.00Cr | | |
| At the last record | | | | | | |



Case Study - 4 Recovery through Cash Deposit originated from TOD

| Month | Interest Amount | Recovery | Date | Mode |
|--------------|-----------------|-----------------|------------------|------------------|
| Feb-XX | 1,25,000 | 45,000 | 22-Apr-XX | Cash |
| Mar-XX | 1,50,000 | 1,00,000 | 29-Apr-XX | Cash |
| Apr-XX | 1,55,000 | 90 | 30-Jun-XX | Charges Reversal |
| May-XX | 1,60,000 | 6,00,000 | 30-Jun-XX | Cash |
| Jun-XX | 1,55,000 | | | |
| Total | 7,45,000 | 7,45,090 | | |

Current Account
30.06.20XX - TOD 6 Lacs

Cash Pmt.

Deposit of Cash in
CC Account

CA. Kuntal Shah, Ahmedabad

37



Case Study - 5 Recovery through Cash Deposit

| Tran Date | Particulars | Debit | Credit | Balance | Event | Transaction details | Post Time | Customerwise Total | Linked event |
|------------|--------------|----------|-------------|-----------|--------------|--|-----------|--------------------|-------------------------------|
| 30-03-20XX | CASH RECEIPT | 5,000 | | 25,84,273 | | | | | |
| 30-03-20XX | COH | | 25,84,273 | - | | Cash Counter closed & Amount Trf. To Main Cash A/c | 17:01 | | |
| 30-03-20XX | CASH RECEIPT | 6,50,000 | | 6,50,000 | Deposited by | CC A/c - 1 | 17:14 | 13,50,000 | |
| 30-03-20XX | CASH RECEIPT | 7,00,000 | | 13,50,000 | Deposited by | CC A/c - 1 | 17:15 | | |
| 30-03-20XX | CASH RECEIPT | 3,50,000 | | 17,00,000 | Deposited by | CC A/c - 2 | 17:16 | 16,50,000 | |
| 30-03-20XX | CASH RECEIPT | 8,00,000 | | 25,00,000 | Deposited by | CC A/c - 2 | 17:17 | | |
| 30-03-20XX | CASH RECEIPT | 5,00,000 | | 30,00,000 | Deposited by | CC A/c - 2 | 17:17 | | |
| 30-03-20XX | CASH RECEIPT | 5,00,000 | | 35,00,000 | Deposited by | CC A/c - 3 | 17:18 | 18,00,000 | |
| 30-03-20XX | CASH RECEIPT | 7,00,000 | | 42,00,000 | Deposited by | CC A/c - 3 | 17:18 | | |
| 30-03-20XX | CASH RECEIPT | 6,00,000 | | 48,00,000 | Deposited by | CC A/c - 3 | 17:18 | 48,00,000 | |
| 30-03-20XX | CASH PAYMENT | | (9,00,000) | 39,00,000 | Withdrawn by | CA A/c - 1 | 17:27 | (24,00,000) | TOD Granted 24 Lacs of 30.03. |
| 30-03-20XX | CASH PAYMENT | | (15,00,000) | 24,00,000 | Withdrawn by | CA A/c - 1 | 17:27 | | |
| 30-03-20XX | CASH PAYMENT | | (7,00,000) | 17,00,000 | Withdrawn by | CA A/c - 2 | 17:27 | | |
| 30-03-20XX | CASH PAYMENT | | (8,00,000) | 9,00,000 | Withdrawn by | CA A/c - 2 | 17:28 | (24,00,000) | TOD 25 Lacs of 30.03. |
| 30-03-20XX | CASH PAYMENT | | (9,00,000) | - | Withdrawn by | CA A/c - 2 | 17:28 | | |
| | | | | | | | | (48,00,000) | |

CA. Kuntal Shah, Ahmedabad

38



Case Study - 6

- * Sanction of loan under Agriculture Loan and utilization of funds for Immovable Property Business and purchase of High End cars.
 - ☐ Lower Interest Rate
 - ☐ Longer time period for NPA identification
 - ☐ Benefit of Political scheme - ?? Loan waivers ??



Case Study - 7

- * Updation of Total Security value for loan under consortium instead of security attributable to share of member bank.
 - ☐ Facility will be considered as Fully secured. Since, limit will be based on Total Security.



Table of Contents

- * Parameters affecting NPA identification
- * Practical aspects for conducting bank branch audit & Case Studies
- * **Identification of Revenue Leakage**
- * Foreign Exchange Transactions
- * Office Accounts
- * Audit activity through CBS – LFAR & Tax Audit Requirements
- * Audit Requirements in terms of revised LFAR

CA. Kuntal Shah, Ahmedabad

41



Identification of Revenue Leakage

- * Primary revenue for Banks is Interest on Loans and Advances.
- * Charging of Interest is completely automated. However, the processing is based on certain important parameters.
- * System parameters / fields which affect the Interest Computation should be thoroughly verified.
- * Let us discuss few event / scenario wherein there is possibility of non application / incorrect application of Interest.

CA. Kuntal Shah, Ahmedabad

42



Identification of Revenue Leakage

* Various Interest Parameters

- ☐ Interest Table
 - Debit Interest Rate & Credit Interest Rate
 - Interest Version
 - Currency
 - Limit Level Interest
 - Penal Interest
- ☐ Interest Rate (Static & Based on Ref. Rate)
- ☐ Customer Preferential (Dr. Interest) [(+)ve / (-) ve rate]
- ☐ Customer Preferential (Cr. Interest) [(+)ve / (-) ve rate]
- ☐ Important Commands –
 - Finacle: INTCI, AINTRPT, INTPRF, INTTM
 - TCS Bancs: i) OD/CC Accounts -> Interest Rate History
ii) DL / TL -> Interest Rate History

CA. Kuntal Shah, Ahmedabad

43



Identification of Revenue Leakage

* Few reasons for Non Application / wrong application of Interest by CBS:

- ☐ Interest pegging in Advance Accounts set as “Y”. (If “Y” is selected, system will charge interest at the rate prevailing at the time of Account Opening. *For the cases of Fixed Rate Loans Pegging Flag will be “Y”*)
- ☐ Future Date is updated in Interest Demand Date
- ☐ Interest on Principal / Payment of Interest Flag is set as “N”
- ☐ Effective Rate of Interest is updated as “0”
- ☐ Account Open and Installment Start Dates, Interest Demand Dates are identical.

CA. Kuntal Shah, Ahmedabad

44



Identification of Revenue Leakage

[Cont ...]

- ☐ Interest Table Code “Zero” is selected
- ☐ Interest Demand Frequency is Blank.



Table of Contents

- * Parameters affecting NPA identification
- * Practical aspects for conducting bank branch audit & Case Studies
- * Identification of Revenue Leakage
- * **Foreign Exchange Transactions**
- * Office Accounts
- * Audit activity through CBS – LFAR & Tax Audit Requirements
- * Audit Requirements in terms of revised LFAR



Audit of Foreign Exchange Transactions

- * Liberalization – Opening of New areas for Inbound and Outbound Investment
- * Ease of Doing Business – Relaxation in certain Forex Transaction procedure / mode of compliance
- * Enhanced vigilance required for
 - ☐ Money Laundering in garb of genuine Foreign Exchange Transaction
 - ☐ Misuse of Advances secured against Export Bills
 - ☐ Genuineness of Export Documents
 - ☐ PNB – Fraud due to non integration of SWIFT System

CA. Kuntal Shah, Ahmedabad

47



Audit of Foreign Exchange Transactions

LFAR: Liabilities -> Deposits

- * Whether the scheme of automatic renewal of deposits applies to FCNR(B) deposits? Where such deposits have been renewed, report whether the branch has satisfied itself as to the 'non-resident status' of the depositor and whether the renewal is made as per the applicable regulatory guidelines and the original receipts / soft copy have been dispatched.
- * **Audit Process:**
 - ☐ Review GL for FCNR (B) Deposits
 - ☐ List of FCNR (B) Deposits Accounts from Detailed GL
 - ☐ Review the date of Deposit and Date of Maturity.
 - ☐ In case of high volume of FCNR Deposits, a specific report should be requested containing outstanding FCNR Deposits as on 01.04.2021, 31.03.2022 and transactions during FY 21-22

CA. Kuntal Shah, Ahmedabad

48



Audit of Foreign Exchange Transactions

LFAR: For Branches dealing in Foreign Exchange Transactions

- ☐ Material adverse points pointed out in the Audit Reports which continue to persist in relation to NRE/ NRO/ NRNR/ FCNR-B/ EEFC/ RFC ?
- ☐ Whether the Branch has followed the instructions and guidelines of the controlling authorities of the bank with regard to the following in relation to the foreign exchange. If not, state the irregularities: Deposits, Advances, Export Bills, Bills for collection, Dealing Room operations, Any other area
- ☐ Nostro Account Management

CA. Kuntal Shah, Ahmedabad

49



Audit of Foreign Exchange Transactions

- ★ **Bills / Cheques on Collection - Balancing and reconciliation with GL Balance (Contingent Liab.)**
 - ☐ Bill Balancing Report (*Finacle: BR, BR CR, FBBR*)
 - ☐ GL Balance - Respective Cont. Liab. Account
 - ☐ LFAR Reporting: Liab.3
- ★ **Bills / Cheques purchased / Discounted – Balancing and reconciliation with GL**
 - ☐ Bill Balancing Report (*Finacle: BRBPR, FBBR*)
 - ☐ Aggregation of accounts under BD / BP Scheme Codes

CA. Kuntal Shah, Ahmedabad

50



Audit of Foreign Exchange Transactions

* Packing Credit (Pre & Post Shipment – In INR or FCY)

- Adjustment through Export Bills / EEFC Balance
- Review of Transactions for adjustment of balance through other than above mode
- Max Tenor (Pre Shipment): 360 Days
- Max Tenor (Post Shipment): 365 from Shipment Date
- Rate of Interest if not adjusted within 360 days – Clean OD Rate with Penal Interest from ***ab initio***
- Monitoring of End use of Fund
- Running Account Facility and Monitoring of adjustment within 360 Days

CA. Kuntal Shah, Ahmedabad

51



Audit of Foreign Exchange Transactions

* Devolvement of Import Bills under LC

- Check the Reg. Type and Sub Type of Import Bills under LC
- Use Menu Option FBI (in Finacle) to search Bills under Import LC Delinked (Status Code “K” with Status Date Filter)
- Separate Account opened (if any) for Devolved Bills
- Bill devolved but not crystallized in CBS
- Crystallization of Devolved Bill through Office Account.

CA. Kuntal Shah, Ahmedabad

52

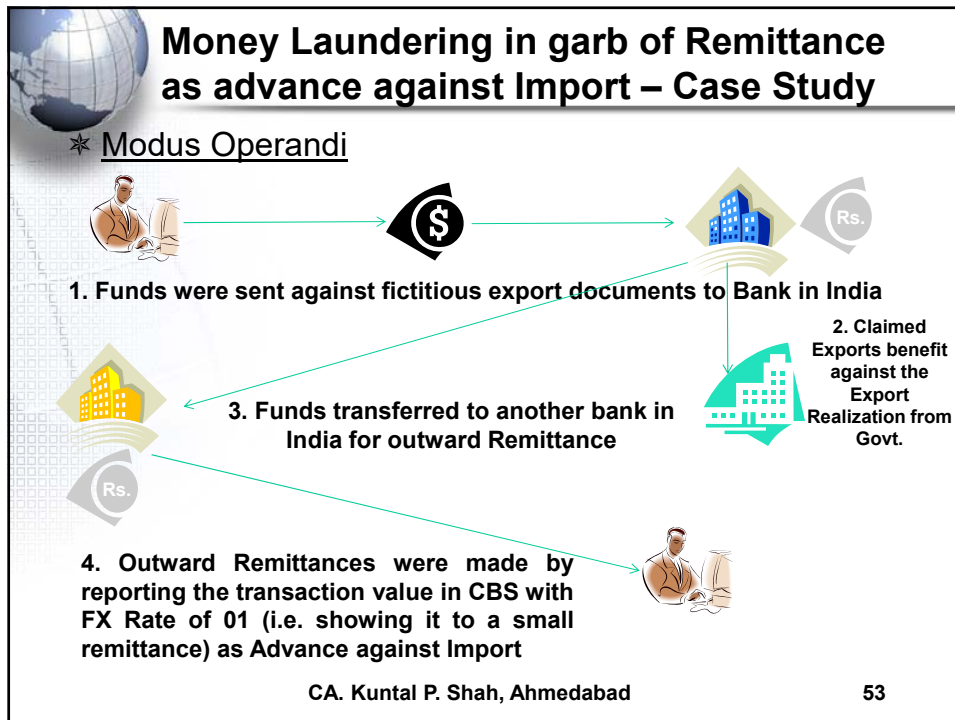


Table of Contents

- * Parameters affecting NPA identification
- * Practical aspects for conducting bank branch audit & Case Studies
- * Identification of Revenue Leakage
- * Foreign Exchange Transactions
- * **Office Accounts**
- * Audit activity through CBS – LFAR & Tax Audit Requirements
- * Audit Requirements in terms of revised LFAR

CA. Kuntal Shah, Ahmedabad 54



Office Accounts

- * Type of Office Accounts
 - ▣ **Functionality**
 - Pointing Type / Self Reconciling Accounts
 - Non Pointing Type Accounts
 - ▣ **Entry**
 - Sundry Accounts, Suspense Accounts
 - EOD/BOD Check Accounts
 - Inter branch Account
 - Mirror Accounts
 - Pool Accounts



Important Points in Office Accounts Review

- * Cash Payment from Office Accounts
- * TOD through Office Accounts
- * Parking of Cash Difference in Office Accounts
- * Clearing / Remittance differences through Office Accounts
- * Rotation of entries in Office Accounts



Important Points in Office Accounts Review

- * Correctness in mapping of reversal transaction to originating transaction
- * Value Dated Transactions
- * Round Tripping
- * Advance paid for Fixed Assets not capitalized
- * Income realized not credited to Revenue Account
- * LFAR: Point No. Assets.6.b., Liab.2.a.



Table of Contents

- * Parameters affecting NPA identification
- * Practical aspects for conducting bank branch audit & Case Studies
- * Identification of Revenue Leakage
- * Foreign Exchange Transactions
- * Office Accounts
- * **Audit activity through CBS – LFAR & Tax Audit Requirements**
- * Audit Requirements in terms of revised LFAR



Audit Activity through CBS

* Cash

▣ What to verify?

- Cash Balance as on 31st March
- Cash Balance as on the date of verification
- Cash Balances reported in Friday Statement

▣ Source from where to verify?

➤ In Finacle:

- "ACLI" - Account Ledger Inquiry (Vault A/c and Teller Accounts) [*Fin. 10.x – HACLI, HACLINQ*]

➤ In Bancs:

- → Reports → Cash Related → View Cash Summary (Click on Fetch)
- → Branch Reports → Cash Officer's Jotting Book Report
- → Reports → Printing Reports → Cashier / Teller Cash Report

➤ In Flexcube:

- GLM02 - Chart of Accounts
- GLM04 - GL Transactions and Movement Inquiry

CA. Kuntal Shah, Ahmedabad

59



Audit Activity through CBS

* Balances with RBI / SBI / Other Banks

▣ What to verify?

- Balance as on Date
- Transactions in Mirror Accounts
- Reconciliation Statement (Generally outside of CBS)

▣ Source from where to verify?

➤ In Finacle:

- "ACLI" - Account Ledger Inquiry [*Fin. 10.x – HACLI, HACLINQ*]

➤ In Bancs:

- → Branch Accounting (BGL) → Enquire → Transaction

➤ Flexcube:

- GLM02 - Chart of Accounts
- GLM04 - GL Transactions and Movement Inquiry

CA. Kuntal Shah, Ahmedabad

60



Audit Activity through CBS

* Advances - 1

- ▣ What to verify?
 - Sanction Limit / Drawing Power setup
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - "ACLHM" – Account Limit History Maintenance
(Fin.10.x – HACLHM)
 - "ACM / ACI" – Account Master (Go to Limit details)
 - "LTL" – Limit Tree Lookup (Tree view of all Limits)
(Fin. 10.x – HLTL, HLMTREEI)
 - **In Bancs:**
 - DL/TL Accounts & Services → Enquiries → Account
 - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account
 - **In Flexcube:**
 - CHM07 (OD Limit Master Maintenance)
 - CH409 (OD Limit History Report)

CA. Kuntal Shah, Ahmedabad

61



Audit Activity through CBS

* Advances - 2

- ▣ What to verify?
 - Account & Customer Master parameters setup viz.
 - Interest Parameters (Regular & Penal Interest)
 - Repayment Instructions
 - Standing Instructions (SI) Parameters
 - ▣ **Source** from where to verify?
 - **In Finacle:**
 - "ACLHM" – Account Limit History Maintenance for DP & SL – Account Specific *(Fin.10.x – HACLHM)*
 - "ACM / ACI" – Account Master
 - "CUMM / CUMI " – Customer Master *(Fin.10.x – Separate Module for Customer Master)*
 - **In Bancs:**
 - DL/TL Accounts & Services → Enquiries → Account
 - Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account
- (Short & Long Inquiry options are available under both menu.)*

(Cont..)

CA. Kuntal Shah, Ahmedabad

62



Audit Activity through CBS

* Advances – 2 (Cont...)

▣ What to verify?

- Account & Customer Master parameters setup viz.
 - Interest Parameters (Regular & Penal Interest)
 - Repayment Instructions
 - Standing Instructions (SI) Parameters

▣ **Source** from where to verify?

➤ In Flexcube

- **BAM12** (Interest Index Maint.)
- **BAM13** (Interest Index Rates)
- **LN060** (Loan Product Rates Plan)
- **LNM41** (Interest Rules)
- **LNM42** (Product Interest Attributes Maintenance)
- **LNM81** (Rate Change)

CA. Kuntal Shah, Ahmedabad

63



Audit Activity through CBS

* Advances - 3

▣ What to verify?

- Transactions in Borrower's Account

▣ **Source** from where to verify?

➤ In Finacle:

- “**ACLI**” - Account Ledger Inquiry (**Fin.10.x – HA CLI, HA CLINQ**)

➤ In Bancs:

- Deposit / CC / OD Accounts & Services → Enquiries → Transaction
- DL/TL Accounts & Services → Enquiries → Transaction

➤ In Flexcube:

- **CH031** (Statement Inquiry)

CA. Kuntal Shah, Ahmedabad

64



Audit Activity through CBS

* Advances - 4

▣ What to verify?

- Interest Rate History

▣ **Source** from where to verify?

➤ In Finacle:

- "INTTM" – Interest Table Master Maintenance (Under Inquire Mode – Account Specific) (**Fin.10.x – HINTTM / HINTTI**)

➤ In Bancs:

- Deposit / CC / OD Accounts & Services → Interest Rate History
- DL/TL Accounts & Services → Interest Rate History

➤ In Flexcube:

- LN022 (Interest Calculation Inquiry)
- LN608 (Interest Charges Report)
- LN801 (Loan Interest Report)

CA. Kuntal Shah, Ahmedabad

65



Audit Activity through CBS

* Advances - 5

▣ What to verify?

- Conduct of Account and Credit Turnover
 - Turnover of CC Account based on Borrower's Business profile
 - In case of Loan accounts **ACTUAL** recovery of Installments and Interest

▣ **Source** from where to verify?

➤ In Finacle:

- "ATOR" – Account Turnover Report
- "ACTI" – Account Turnover Inquiry
- "CUTI" – Customer Level Turnover Inquiry

➤ In Bancs:

- DL / TL Accounts & Services → Enquiries → Long
- Deposit/CC/OD Accounts & Services → Enquiries → Long

CA. Kuntal Shah, Ahmedabad

66



Audit Activity through CBS

* Advances - 6

- ▣ What to verify?
 - Temporary Overdrafts
 - Multiple requests of TOD
 - Non realization of TOD
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - **ACTODM / ACTODI** - Account TOD Maintenance (*Finacle 10x – HACTODI*)
 - **ACLHM** - Account Limit History Maintenance
 - **TODRP** - TOD Register Printing (*Finacle 10x – HACTODRP*)
 - **In Bancs:**
 - DL / TL Accounts & Services → Enquiries → Long
 - Deposit/CC/OD Accounts & Services → Enquiries → Long
 - **In Flexcube:**
 - **CHM07** (OD Limit Master Maintenance)
 - **CH226** (Adhoc List of Overdue CASA Accounts)

CA. Kuntal Shah, Ahmedabad

67



Audit Activity through CBS

* Advances - 7

- ▣ What to verify?
 - Non Performing Asset
 - Search an Account based on Criteria
- ▣ **Source** from where to verify?
 - **In Finacle:**
 - **“ACS”** – Account Selection (2nd Screen – IRAC Code – Main Asset Classification)
 - **LAOPI** – Loan Overdue Position Inquiry (*Finacle 10X – HLAOPI*)
 - **In Bancs:**
 - DL / TL Accounts & Services → Enquiries → Short → Select Option “1” – TL / DL [**Long Inquiry for NPA Date**]
 - Deposit/CC/OD Accounts & Services → Enquiries → Short → Select Option “2” – CC / OD [**Long Inquiry for NPA Date**]
 - Common Processing → Overdue / NPA → NPA Enquiry (Risk Grade Inquiry / NPA Status Inquiry)

CA. Kuntal Shah, Ahmedabad

(Cont..) 68



Audit Activity through CBS

* Advances – 7 (Cont...)

- ▣ What to verify?
 - Non Performing Asset
 - Search an Account based on Criteria
- ▣ **Source** from where to verify?
 - In Flexcube:
 - **AC02** - CRR (Credit Risk Rating) Inquiry
 - **LN156** - Non Performing Loan Details Report
 - **LN191** - Accounts in NPA Status



Audit Activity through CBS

* Advances - 8

- ▣ What to verify?
 - Interest Report
- ▣ **Source** from where to verify?
 - In Finacle:
 - “**AINTRPT**” – Interest Report for Account (**Finacle 10x – HAINTRPT, HINTPRF**)
 - In Bancs:
 - Product Sheets – To be requested from Data Center (if not available through user login)
 - In Flexcube:
 - **LN022** - Interest Calculation Inquiry
 - **LN608** - Interest Charges Report
 - **LN801** - Loan Interest Report



Audit Activity through CBS

* Advances - 9

- ▣ What to verify?
 - Primary & Collateral Security Maintenance
- ▣ **Source** from where to verify?
 - In Finacle:
 - “SRM” – Security Register Maintenance [*Fin. 10x – HCLM, HSCLM*]
 - In Bancs:
 - DL/ TL Accounts & Services → Security (Primary/ Collateral) → Customer → Amend / Enquiry → Amend / Enquire Security
 - In Flexcube:
 - CH066 Limit Collateral Inquiry
 - CHM06 OD Collateral Maintenance

CA. Kuntal Shah, Ahmedabad

71



Audit Activity through CBS

* Advances - 10

- ▣ What to verify?
 - Lien Marking
- ▣ **Source** from where to verify?
 - In Finacle:
 - “ALM” – Account Lien Maintenance
 - In Bancs:
 - DL/ TL Accounts & Services → Security (Primary/ Collateral) → Customer → Amend / Enquiry → Amend / Enquire Security
 - (*Under Bancs – Collateral ID is required to be created before setting up limits*)
 - In Flexcube:
 - TDM24 Lien Master

CA. Kuntal Shah, Ahmedabad

72



Audit Activity through CBS

* Advances - 11

▣ What to verify?

- Account Ledger Printing

▣ **Source** from where to verify?

➤ In Finacle:

- “PSP” – Pass Sheet Print [*Fin.10.x – HPSP*]
- “ACLPCA” – Customer Ledger Account Print

➤ In Bancs:

- **Print Menu** available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services

➤ In Flexcube:

- **CH031** Statement Inquiry
- **7010** Passbook update
- **LN10** Account Transactions Inquiry
- **LN421** Statement of Account NPA

CA. Kuntal Shah, Ahmedabad

73



Audit Activity through CBS

* Advances - 12

▣ What to verify?

- Non Fund based Facility (LC, BG)

▣ **Source** from where to verify?

➤ In Finacle:

- “GI” – Guarantee Inquiry [*Fin.10x – HGI*]
- “DCQRY” – Documentary Credit Query

➤ In Bancs:

- Through Exim Software / Offline Report (if generated by banks)

CA. Kuntal Shah, Ahmedabad

74



Audit Activity through CBS

* Advances - 13

▣ What to verify?

- Devolved Bills under LC & Devolved Export Discounted / Purchased Bills

▣ Source from where to verify?

➤ In Finacle:

- “BI” – Bill Inquiry and “FBI” – Foreign Bill Inquiry
(with Bill Status Code as “K” with Status Date filter)
[Fin.10.x – MEOB, MIIB, IBL]

➤ In Bancs:

- Through Exim Software / Offline Report (if generated by banks)

CA. Kuntal Shah, Ahmedabad

75



Audit Activity through CBS

* Stationery

▣ What to verify?

- Physical Verification of Stationery and confirmation of Balance as per CBS

▣ Source from where to verify?

➤ In Finacle:

- “ISRA” – Inventory Status Report (*Locationwise viz., Dual Lock, Individual, Cancelled etc.*) *[Fin.10.x HISRA]*

➤ In Bancs:

- Through Valuable Paper Inventory System [VPIS] module

➤ In Flexcube:

- IV011 – Stock Inquiries
- IV001 – Stock Transactions
- IV002 – Stock Adjustment

CA. Kuntal Shah, Ahmedabad

76



Audit Activity through CBS

* Suspense / Sundry Assets Accounts, Bills payable, Sundry Deposits etc. - 1

- ☐ What to verify?
 - Outstanding entries for reporting
 - Entries outstanding – Whether any provisioning is required?
- ☐ **Source** from where to verify?
 - **In Finacle:**
 - “IOT” – Inquire on Transaction (As on date Inquiry)
 - “MSGOIRP” – Outstanding Items Report
 - **In Bancs:**
 - Through offline reports viz. “Audit BGL accounts age wise break up” and “GL-Outstanding-Accnts” report.
 - **In Flexcube:**
 - GLM02 - Chart of Accounts
 - GLM04 - GL Transactions and Movement Inquiry

CA. Kuntal Shah, Ahmedabad

77



Audit Activity through CBS

* Suspense / Sundry Assets Accounts, Bills payable, Sundry Deposits etc. - 2

- ☐ What to verify?
 - Printing of Office Accounts
- ☐ **Source** from where to verify?
 - **In Finacle:**
 - “ACLPOA” – Account Ledger printing Office Account
 - **In Bancs:**
 - Facility of printing of BGL (Branch General Ledgers) is not available under user login. It needs to be requested from Data Center.

CA. Kuntal Shah, Ahmedabad

78



Audit Activity through CBS

* Inter Branch Accounts

- ▣ What to verify?
 - Un-reconciled transactions

- ▣ **Source** from where to verify?
 - **In Finacle:**
 - Through Outstanding IBR Report.
 - **In Bancs:**
 - Through offline “Outstanding IBR Report”/ “IBR Summary report”



Audit Activity through CBS

* TDS Related

- ▣ What to verify?
 - TDS Information and Reports

- ▣ **Source** from where to verify?
 - **In Finacle:**
 - “TDSIP” – TDS Inquiry & Reports *[Fin.10x HTDSIP]*
 - Month-end report on accountwise / transactionwise Tax deduction.
 - Bank specific customized Menu / report
 - **In Bancs:**
 - Through offline monthly report on accountwise / transactionwise Tax deduction.
 - **In Flexcube:**
 - TDS11 TDS Inquiry
 - TDS15 Inquiry on Projected Tax



Audit Activity through CBS

* Few Important Reports

▣ **Exception Report:**

- Reports for the month end and two days prior and after month end should be verified.
- Exceptions of following natures should be closely verified.
 - Balance exceeded Account Limit
 - Manual debits to Income Account
 - Value Dated Transactions
 - Manual entry for SI Failure cases
 - Instrument passed against Clearing

CA. Kuntal Shah, Ahmedabad

81



Audit Activity through CBS

▣ **Irregularity Report:**

- Reports for the month end and two days prior and after month end should be verified.
- Report contains details of Accounts where Balance in Accounts are greater than the Limits Sanctioned. Check whether the same is due to,
 - Application of Interest
 - Granting of Intra Day TOD
 - Passing of Instruments against Clearing Effects

CA. Kuntal Shah, Ahmedabad

82



Audit Activity through CBS

▣ Accounts where Interest Code is '0':

- Interest will not be charged from Accounts where Interest Code is selected as '0'. Hence, a detailed checking is required. Possible reasons can be,
 - Whether NPA Account
 - Accounts with Moratorium?

▣ Interest Collection Flag as "No":

- If Interest Collection Flag is selected as "No", Software will not consider the account for calculation and entry for Debit Interest.



Audit Activity through CBS

▣ Report containing all Advance Accounts with Limits:

- Generally, CBS Software generate a Report wherein details of all Advance Accounts are listed.
- Excel can be used to verify cases of DP > SL, Margin Requirement etc.



Audit Activity through CBS

▣ Report on Probable NPA / Health Code Accounts / Special Mention Accounts:

- Obtain reports containing list of Accounts with various deficiencies.
- System identifies such accounts and a report on Probable NPA Account. Banks classify the accounts as Health Code Type 1, Health Code Type 2, SMA – 1, SMA - 2 etc.



Audit Activity through CBS

▣ Report on NPA Accounts:

- Report will contain list of all NPA Accounts.
- Such accounts should be closely monitored.
- Verify whether account is correctly classified as per IRAC Norms?



Table of Contents

- * Parameters affecting NPA identification
- * Practical aspects for conducting bank branch audit & Case Studies
- * Identification of Revenue Leakage
- * Foreign Exchange Transactions
- * Office Accounts
- * Audit activity through CBS – LFAR & Tax Audit Requirements
- * **Audit Requirements in terms of revised LFAR**

CA. Kuntal Shah, Ahmedabad

87



Audit Requirements in terms of revised LFAR

- * LFAR Amended on September 05, 2020
- * Applicability from FY 2020-21 onwards
- * Guiding Principles
 - ▣ Transaction testing
 - ▣ Providing input to SCA on
 - Adequacy of Implementation of various policy and regulatory requirements
 - Efficacy of the system and
 - Assurance functions (risk management, compliance and internal audit)

CA. Kuntal Shah, Ahmedabad

88



Audit Requirements in terms of revised LFAR

- ▣ Review of transactions
 - beyond threshold limit
 - Transaction Detailing
 - Below threshold limit
 - System and Processes to be checked and commented upon

- ▣ Verification of Data Integrity and data related control systems with special thrust on data input used in MIS at Corporate Level.



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|---|
| | <p>For this purpose, large advances are those in respect of which the outstanding amount is in excess of 10% of outstanding aggregate balance of fund based and non-fund based advances of the branch or Rs. 10 crores, whichever is less.</p> <p>Care- For all accounts above the threshold, the transaction audit/account specific details to be seen and commented, whereas below the threshold, the process needs to be checked and commented upon.</p> | <ul style="list-style-type: none"> • Report on all advances (including NFB Limits) – If not readily available, seek the report wherein NFB limits are also included. • Ascertain the total advances (FB + NFB) as per GL / Balance Sheet as on Balance Sheet Date • Select the Customers qualifying for the limit of 10% / 10 Cr. Based on the above report / computation |



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|--|
| | Comments of the branch auditor on advances with significant adverse features, which might need the attention of the management / Statutory Central Auditors, should be appended to the LFAR. | <ul style="list-style-type: none"> In LFAR it is prescribed that Account No. is to be mentioned. However, alongwith Account No., Auditor should also mention CUST ID. |

| Account No. / CUST ID | Account Name | Balance at the end – Funded | Balance at the end – Non Funded | Total |
|--|--------------|-----------------------------|---------------------------------|-------------|
| | | A | B | C = A + B |
| Total Outstanding of the branch | | X | Y | Z = X + Y |
| Percentage examined | | A as % of X | B as % of Y | C as % of Z |

CA. Kuntal Shah, Ahmedabad

91



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|---|---|
| | <p>Have you come across cases of quick mortality in accounts, where the facility became non-performing within a period of 12 months from the date of first sanction? Details of such accounts may be provided in following manner:-</p> <ul style="list-style-type: none"> Account No. Account Name Balance as at year end | <ul style="list-style-type: none"> Obtain List of NPA Accounts. Obtain report containing List of all Advances Accounts with Date of Sanction and Disbursement. Review Accounts identified as NPA in year under review. Use CBS functionality of Account Master verification for Sanction and Disbursement Date Alternatively, Account Statement for transactions can also be reviewed. |

CA. Kuntal Shah, Ahmedabad

92



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|---|---|
| | Whether in borrowal accounts the applicable interest rate is correctly fed into the system? | <ul style="list-style-type: none"> • Auditor should seek report containing Interest Rate Parameters information for each Advance Account. In case of unavailability of the said report auditor can carry out following alternative process. • Obtain Report containing all Advances Accounts as on 31.03.XX • Use Interest Parameters and Interest change history information related menu codes in CBS. • Review the same with Sanction Letter (including amendments if any) |

CA. Kuntal Shah, Ahmedabad

93



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|---|--|
| | Whether the interest rate is reviewed periodically as per the guidelines applicable to floating rate loans linked to MCLR / EBLR (External Benchmark Lending Rate)? | <p>In continuation of previous slide, auditor should review following additional reports / information.</p> <ul style="list-style-type: none"> • Changes in MCLR / EBLR during the year. Datewise change (upward / downward) is required to be compiled in Spreadsheet. • Review Interest Master details from CBS • Review Interest Rate Change History through CBS • Alternatively, the auditor can also generate Interest Report for entire period and can review the different rate of Interest applied in Account. |

CA. Kuntal Shah, Ahmedabad

94



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|---|
| | <p>Have you come across cases of frequent renewal / rollover of short-term loans? If yes, give the details of such accounts.</p> | <ul style="list-style-type: none"> • Each bank has different set of processes to review / renew loans and updation thereof in CBS. • Understand the process followed in CBS by Bank. • Obtain reports of Review / Renewals during the year. • Alternatively the report of all advances at the beginning of year and end of year will also be useful in identifying changes in Limit Expiry. • In case of operative accounts, the renewal would also have entry in Drawing Power Limits under DP History. |

CA. Kuntal Shah, Ahmedabad

95



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|---|---|
| | <p>Whether correct and valid credit rating, if available, of the credit facilities of bank's borrowers from RBI accredited Credit Rating Agencies has been fed into the system?</p> | <ul style="list-style-type: none"> • Understand the process of updation of credit rating information in CBS. • At times it has been observed that the same has been updated directly in external system • Correctness of Credit Rating should be ensured as per latest Credit Rating Report. • Obtain list of Accounts wherein External Credit Rating is mandatory. • Check whether cases wherein Credit Score is poor have been marked as Unrated? • If there is any manual intervention (i.e. updation of credit rating directly in Cap. Adequacy computation software) report the appropriate observation under MIS / System related issues. |

CA. Kuntal Shah, Ahmedabad

96



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|---|
| | Did the bank provide loans to companies for buy-back of shares/securities? | <ul style="list-style-type: none">• Carve out the Corporate Borrowers out of total advances report.• Review Financial Statements of the Corporate Borrowers.• Review the Search Report obtained from CS.• Review Company Master data from MCA Website for any change post to Fin. Statement on record.• Review communication file with Bank seeking permission for change in capital structure.• In case of buyback transaction, review account statement for utilization of CC / OD Limit, Term Loan proceeds for the same. |

CA. Kuntal Shah, Ahmedabad

97



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|------------------------------|--|
| | Is the DP properly computed? | <ul style="list-style-type: none">• Review the details of stock statements, book debts statements, creditors information and other financial information provided by borrower.• Review the policy of bank to compute DP w.r.t. How the paid stock is arrived at. Whether Creditors amount is reduced from Stock or reduced only to the extent of value in excess of creditors ascertained at the time of Credit assessment• It is advisable for auditor to prepare a template in spreadsheet and compute the amount.• In CBS the DP is computed / updated in multiple ways. In certain cases, the CBS derives the DP using Margin % and Value of Security updated. In such case review the information from the Security related menu codes from CBS. |

CA. Kuntal Shah, Ahmedabad

98



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|--|
| | Comment on adverse features considered significant in top 5 standard large advances and which need management's attention. | <ul style="list-style-type: none"> • Report containing details of All Advances Accounts should be obtained. • Apply Filter for Standard Accounts. • Apply Top 5 Filter on Standard Accounts for review. |



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|--|
| | Has the branch identified and classified advances into standard / substandard / doubtful / loss assets through the computer system, <u>without manual intervention?</u> | <ul style="list-style-type: none"> • The most challenging part in the process of audit is to ascertain the classification and marking of NPA Accounts in CBS. • Each bank has different set of processes followed for identifying and marking of NPA. • Whether any feature of manual intervention is available at branch end or at HO Level (directly in backend database) should be ascertained. MR Letter can also be obtained on the same. • From Branch level (Front End) the manual intervention may not be available. However, as discussed earlier in the Presentation certain events may hamper the Asset Classification. |



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|---|
| | <p>Whether the branch is following the system of classifying the account into SMA-0, SMA-1, and SMA-2. Whether the auditor disagrees with the branch classification of advances into standard (Including SMA-0, SMA- 1, SMA-2) / sub-standard / doubtful / loss assets, the details of such advances with reasons should be given.</p> <p>SMA-0 - Principal or interest payment overdue between 1-30 days</p> <p>SMA-1 - Principal or interest payment overdue between 31-60 days</p> <p>SMA-2 - Principal or interest payment overdue between 61-90 days</p> | <ul style="list-style-type: none"> • Obtain list of all Advance Accounts as at the end of the year and refer the overdue amount. • Review from NPA related menu codes in CBS for classification of account correctly as per IRAC guidelines. • Some signs of stress <ul style="list-style-type: none"> • Delay in submission of Stock Statements / other stipulated returns / financial statements / non renewal of limits based on Audited Fin. Statements (Within + out of CBS) • Falling short of projections (Out of CBS) • Return of 3 or more cheques on ground of Non availability of Funds / Limits (CBS) |

CA. Kuntal Shah, Ahmedabad

101



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|---|--|
| | <p>(Cont...)</p> <p>Revolving Credit Facility (O/s Bls. > Lower of SL/DP)</p> <p>SMA-1 - overdue between 31-60 days</p> <p>SMA-2 - overdue between 61-90 days</p> | <ul style="list-style-type: none"> • Devolvement of LC / Invocation of BG and non payment within 30 days (CBS) • Third request for extension of time for creation of security (Out of CBS) • Increased frequency of overdrafts in Current Accounts (CBS) • Borrower reporting stress in the business and financials (Out of CBS) • Promoters pledging shares in the borrower company due to financial stress. (Out of CBS) |

CA. Kuntal Shah, Ahmedabad

102



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|---|
| | Whether the upgradations in non-performing advances is in line with the norms of Reserve Bank of India | <ul style="list-style-type: none">• Obtain list of NPA Accounts upgraded during the year.• Report as at the end of Previous Year and as at the end of Current Year to be compared• Quarterly reporting on NPA should also be reviewed.• Whether at the time of upgradation entire overdue (across all facilities) have been recovered• Information can be accessed through Menu codes in CBS for Account Ledger Inquiry, Outstanding EMI etc. |

CA. Kuntal Shah, Ahmedabad

103



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|--|---|
| | In respect of non-performing assets, has the branch obtained valuation reports from approved valuers for the immovables charged to the bank, once in three years, unless the circumstances warrant a shorter duration? | <ul style="list-style-type: none">• Review the valuation date from NPA report as at the end of each financial year.• Review the physical valuation report for correctness of information updated in CBS. |

CA. Kuntal Shah, Ahmedabad

104



Audit Requirements in terms of revised LFAR

| 5. | Advances | Requirements & Audit Process |
|----|---|--|
| | Whether in the cases concluded the recoveries have been properly appropriated against the principal / interest as per the policy of the bank? | <ul style="list-style-type: none">• Obtain Accounting Policy followed by bank for appropriation of recovery in NPA Accounts.• Review in CBS through EMI Recovery menu options and reversal of Memorandum Interest Transactions from Account Statement menu option for recovery sequence followed. |

CA. Kuntal Shah, Ahmedabad

105



Audit Requirements in terms of revised LFAR

| II. | LIABILITIES - Deposits | Requirements & Audit Process |
|-----|---|--|
| | Whether the scheme of automatic renewal of deposits applies to FCNR(B) deposits? Where such deposits have been renewed, report whether the branch has satisfied itself as to the 'non-resident status' of the depositor and whether the renewal is made as per the applicable regulatory guidelines and the original receipts / soft copy have been dispatched. | <ul style="list-style-type: none">• Review GL for FCNR (B) Deposits• List of FCNR (B) Deposits Accounts from Detailed GL• Review the date of Deposit and Date of Maturity.• In case of high volume of FCNR Deposits, a specific report should be requested containing outstanding FCNR Deposits as on 01.04.2021, 31.03.20XX and transactions during FY |

CA. Kuntal Shah, Ahmedabad

106



Audit Requirements in terms of revised LFAR

| II. | LIABILITIES - Deposits | Requirements & Audit Process |
|-----|--|--|
| | Is the branch complying with the regulations on minimum balance requirement and levy of charges on non- maintenance of minimum balance in individual savings accounts? | <ul style="list-style-type: none">• Obtain Minimum Balance requirement in different types of savings accounts prescribed by the bank.• Select sample from different types of Savings Accounts.• Extract Account Statement for the year and ascertain average monthly balance. (If the charges are prescribed on Average Monthly Balance).• Review the transactions from Account Statement for Charges levied. |

CA. Kuntal Shah, Ahmedabad

107



Part - 2

Use of MS Excel for Bank Branch Audit

108



Use of MS Excel for Bank Branch Audit

- ✧ MS Excel is commonly used Spreadsheet software
- ✧ Effective tool for audit of small dataset.
- ✧ The User Interface and wide spread use makes it a first choice amongst the spreadsheet users.
- ✧ Refer a detailed note circulated as Background Material on Basics of MS Excel for use in Bank Branch Audit.

CA. Kuntal Shah, Ahmedabad

109



Part - 3

Use of CAAT Tools for Bank Branch Audit

110



Preference of CAAT Tools over Spreadsheet Programs

* Limitations of Spreadsheet Programs

- ☐ Data Limitation (Maximum Rows & Column)
- ☐ Increased processors requirement for computation & re-computation
- ☐ Re-work on case scenario each time. Storing and using template difficult.
- ☐ Data generation logic – Manually to be recorded (For future reference)

CA. Kuntal Shah, Ahmedabad

111



Functionalities in CAAT Tools

* Various functionalities are available in CAAT Tools. Following are few of the functionalities available in one of the prominent software i.e. CaseWare IDEA.

* Data Import

- ☐ Any type of files can be imported viz.
 - TXT
 - XLS
 - MDB
 - XML
 - PDF
 - ODBC
 - SAP etc.

CA. Kuntal Shah, Ahmedabad

112



Functionality of CAAT Tools

* **Categorization**

- Summation
- Stratification
- Charting
- Aging
- Pivot

* **Data Relations**

- Joining (Including Visual Joining)
- Append
- Comparison

CA. Kuntal Shah, Ahmedabad

113



Functionality of CAAT Tools

* **Data Extraction**

- Direct Extraction
- Top Records extraction
- Indexed Extraction
- Key Value Extraction

* **Data Fields**

- Append
- Modification
- Deletion
- Find

CA. Kuntal Shah, Ahmedabad

114



Functionality of CAAT Tools

* Exploring Data

- Gap Detection
- Duplicate Key
- Statistics

* These are some of the functionalities discussed here.



Use of functions of CAAT Tools in Bank Audit

- * **Append** functionality can be used to join multiple reports generated on different timescale or differentiated on other fields. (For instance monthly Interest payment and Tax Deduction Report)
- * **Aging** functionality is useful to identify the customers who have not submitted Stock Statements, Book Debt statements with delay in number of days.



Use of functions of CAAT Tools in Bank Audit

- * **Stratification** functionality can be used to stratify and bucket various types of accounts from complete Loan/Advance Report.
- * **Join** functionality works similar to Vlookup facility available in MS Excel
- * **Compare** functionality is very useful in Quarter on Quarter comparison of NPA Position on different scales.

CA. Kuntal Shah, Ahmedabad

117



Use of functions of CAAT Tools in Bank Audit

- * **Extraction** functionality can be used to extract different sets of data.
 - ☐ For instance, based on constitution of borrower, details can be extracted from entire Customer Master Data.
 - ☐ Same functionality can be used on transaction reports as well.
 - ☐ Moreover, **Extract** functionality can be used with **Top Cases** functionality on Advance Report For instance, *Top 10 accounts out of Newly Sanctioned cases.*

CA. Kuntal Shah, Ahmedabad

118



Use of functions of CAAT Tools in Bank Audit

- * **Append** functionality can be used to review multiple set of data side by side or compared with expected value based on the formula.
 - ☐ For instance, the same can be used to project expected turnover of customer based on the Limit sanctioned.
 - ☐ If the Bank has a monitoring system, data of turnover can be compared with the same and exceptional cases can be extracted therefrom.



Use of functions of CAAT Tools in Bank Audit

- * **Gap Detection** functionality can be used when review of Account Statement of Customer is carried out.
 - ☐ For instance, to know the utilization and activity of borrower through the transactions in accounts, this functionality can be used to check for how many days the customer has carried out transactions through the account.
 - ☐ If the customer is transacting on rare occasion in CC / OD Account – the same can be further looked into how the customer is managing banking transactions or health of the borrower.



Use of functions of CAAT Tools in Bank Audit

- * **Duplicate Key** functionality can be used to identify possible related parties / accounts of customers. It only gives an indication which can further be explored
 - ▣ For instance, a Duplicate Key functionality applied on Customer Master Dataset with fields i) Duplicate Last Name + ii) Mobile Number + iii) Email Address + iv) Mother's Maiden Name + v) Pin Code likewise.



Conclusion

- * CAAT Software does not have any magic wand, that simply by having all the issues will be solved.
- * CAAT Softwares are like smart phones. It depends on how user uses it, to extract best out of it.
- * If such tools are utilized with Structured Audit Plan, it gives excellent results in less amount of time.

Questions ???



123

Thank You

CA. Kuntal P. Shah
Ahmedabad
e-mail: kuntal@pradiprshah.com

Section - 2

**Audit in CBS Environment
- Detailed discussion of
each aspects of CBS**

Audit in CBS Environment

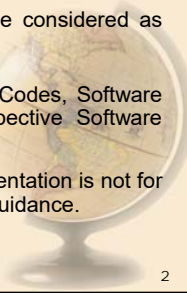
Certificate Course on Concurrent Audit of Banks organized by Internal Audit Standards Board, ICAI

Session By: CA. Kuntal Shah, Ahmedabad



Disclaimers

- These are my personal views and can not be construed to be the views of the ICAI, IASB of ICAI, Regional Councils of ICAI or Pradip R. Shah & Co., Chartered Accountants
- These views do not and shall not be considered as professional advice
- Images, Logo, Screen Shots, Menu Codes, Software Name etc are the property of respective Software developer / Trademark owners.
- The information contained in the presentation is not for commercial purpose. It is merely for guidance.



CA. Kuntal P. Shah, Ahmedabad

2

Session Details

- **Part – 1**
 - ✦ Software Usage in Banks – Prev. PPT
- **Part – 2**
 - ✦ Case Studies on data extraction from FINACLE
 - ✦ Reports available in BaNCS
 - ✦ Reports available in FlexCube



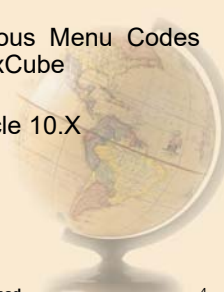
CA. Kuntal P. Shah, Ahmedabad

3

Overview

• General Concepts of CBS

- Overview of various CBS
- Detailed discussion on various Menu Codes under Finacle, BaNCS & FlexCube
- Upgrades / Changes in Finacle 10.X



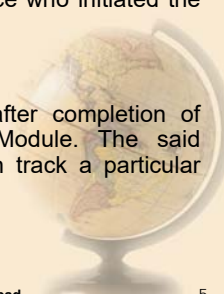
General Concepts

• SOL ID and Set ID

- ✦ SOL: Service OutLet ID i.e. Branch, Back Office etc.
- ✦ SET ID: Branch / Back Office who initiated the transaction

• Tran ID & Date

- ✦ A unique No. generated after completion of Transaction through TM Module. The said number alongwith Date can track a particular transaction from Database.



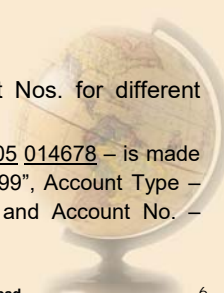
General Concepts

• Transaction Type & Subtype

- ✦ Tran Type: E.g. Cash: "C", Transfer: "T"
- ✦ Sub Tran Type: E.g. CR – Cash Receipt, CP: Cash Payment

• Account No. Formation

- ✦ Separate series of Account Nos. for different Types of Accounts
 - E.g. An Account No. 0099 05 014678 – is made up of Branch Code i.e. "0099", Account Type – "05" say Current Account and Account No. – "014678"



General Concepts

- **Master Level Configurations (CUST ID, CIF, UCIC)**
- **Account Level Configurations**
- **Pointing Type Accounts / Self Reconciling Accounts**
- **Interest Table Master Maintenance**
- **Interest Flags (Payment and Collection)**
- **Register Type & Subtype (Trade Transactions)**

CA. Kuntal P. Shah, Ahmedabad

7

General Concepts

- **Withholding Tax Flags (TDS)**
 - † TDS Customer Type
 - † Exemption Benefit and Limits
- **Freeze Flags (Debit, Credit and Total)**
- **General Ledger Concepts**
 - † GL → GL Subhead → **Scheme** → Account
- **Functions available at Entry / Modification Stage**
 - † A = Add , I = Inquire, M = Modify, D = Delete, V=Verify, X = Cancel

CA. Kuntal P. Shah, Ahmedabad

8

General Concepts

- **Transactions Events by user Category**
 - † Entered by
 - † Posted by
 - † Verified by
 - † Deleted by
 - † Modified by
- **Exception Types**
 - † **Warning** – Warns user for possible errors based on prefixed criteria
 - † **Exception** – Allows user to override. However, the transaction will be recorded in Exception Report for the day
 - † **Error** – Does not allow user to proceed further, unless the correct values are filled in.

CA. Kuntal P. Shah, Ahmedabad

9

General Concepts

• Maker & Checker Matrix for Valid Transaction

✦ There has to be two persons for valid transaction processing. Also known as Maker and Checker.

| Maker can | Checker Can |
|----------------|-------------|
| Enter | Post |
| Enter & Post * | Verify |

* Posting activity depends upon Rights assigned to each user ID

General Concepts

• Inventory Locations [Location / Sub Location]

✦ Joint Custody

✦ Employee Custody

✦ External Location

✦ Cancelled / Misprinted Inventory Location

General Concepts

• Limit and Limit Node Concept

✦ Credit Limits can be set at Account Level as well as at Node Level for deriving the Drawing Power for a customer. In case the limits are set at Node Level then the following are the advantages:

- Managing two or more accounts with drawing power deriving from the same security.
- Interchangeability of limits among different accounts.
- Monitoring the overall exposure to a single client / group of clients.
- Exposure to a select commodity / security. *Limit Node Maintenance* help to build these requirements in the limit management

Cont ...

General Concepts

- Limit Node Concept:

✦ Limit nodes are used to group accounts under one node to enable easy monitoring and organization. A limit node can be linked to a security for deriving drawing power. Distribution of overall group (group may be a group of clients or a group of accounts) limits to individual members (members may be accounts or clients) is possible through creation of Parent Node and Child Nodes. It would be interesting to note that limits of every child node can further be distributed to group of accounts or clients. This is diagrammatically explained below.

Cont ...

General Concepts

- The table represents the limits sanctioned to a client with the following conditions

| Facility Type | Particulars | Limit (Rs.Lakhs) | Remarks |
|-----------------------------|---------------|------------------|---|
| Funded | Term Loan | 225 | Funded Limit Cap is 500 Lakhs <i>Upper Limits fixed in each type of Facility</i> |
| | WC DL | 75 | |
| | CC | 200 | |
| | BP / FBP / BD | 50 | |
| Total Funded Facilities | | 500 | |
| Non-Funded | LC | 300 | Non Funded capping is at Rs. 500 Lakhs |
| | BG | 300 | |
| Total Non-Funded Facilities | | 500 | |
| Total Company Exposure | | 1000 | Total Exposure to Company should not exceed 1,000 Lacks |

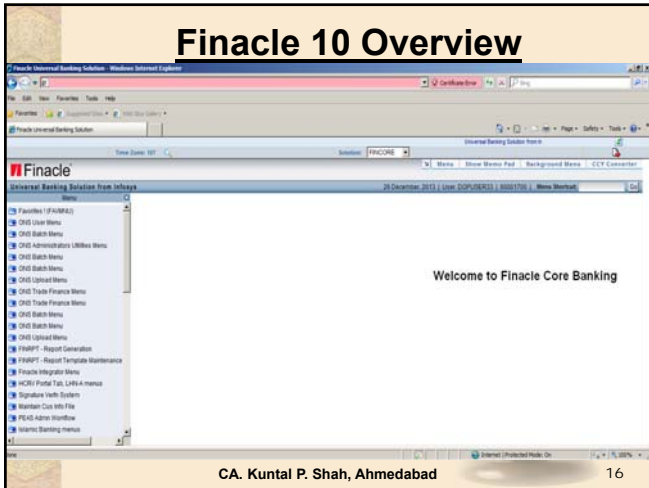
Overview

- General Concepts of CBS

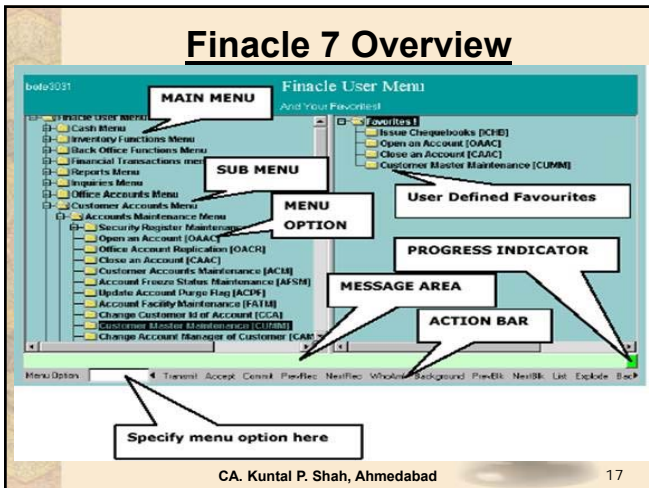
- **Overview of various CBS**

- Detailed discussion on various Menu Codes under Finacle, BaNCS & FlexCube
- Upgrades / Changes in Finacle 10.X

Finacle 10 Overview



Finacle 7 Overview



Finacle Overview

- **Menu Block:** The block houses all the menu and sub-menu options available in Finacle.
- **Menu Option Block:** Menu Code to be entered to gain access to the respective menu.
- **Action Bar:** User can execute the process of Finacle Operations by clicking on various options on this bar. The Hot-Keys are also assigned for all options, which appear on the bar.
- **Message Bar:** The message Bar displays warnings, exceptions, errors or Lists under a specific field code.
- **Favorites:** Menu items which are required and used on Regular basis can be put in favorites by copying from Menu Block. As a one time process Specific Menu Item which is required to be copied to Favorites should be located in Menu Block and with the use of Drag and Drop the function can be stored under Favorites menu.
- **Progress Indicator:** It shows the progress of the action initiated through the use of Colours (i.e. Green indicates that the System is "Ready" for processing and Red indicates that the "System is busy in Processing Activity).

Finacle General Key Map

| Physical Key | What does it do? |
|--------------|---|
| F1 | Field level help. Like in several word processors and spreadsheet packages, F1 displays context sensitive help messages and field level help messages. |
| F2 | List. This key lists the codes that may be used in a particular field. |
| F3 / Esc | Quit/ Back. Quits and takes the user back to where he started when in action. It can be used when the input is incorrect and the user wants to abandon what he has been doing. It can also be used to go back to the previous menu. |
| F4 | Accept. After the user has completed the input, this key can be used to accept the data. |
| F5 | Background Menu |
| F6 | Next Block |
| F8 | Copy Record |
| F9 | Display Signature |

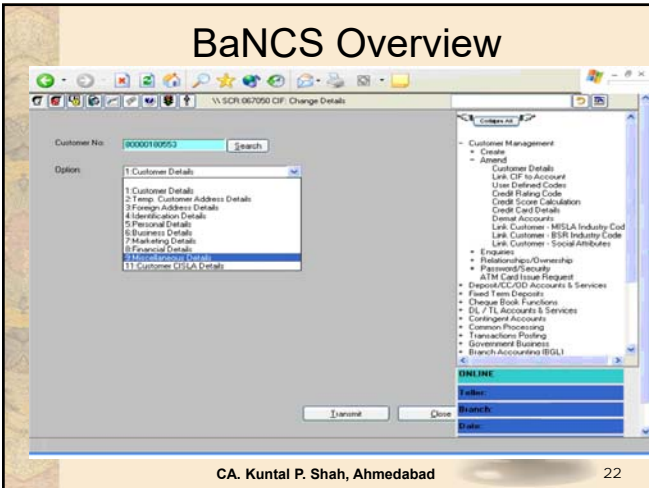
Finacle General Key Map

| Physical Key | What does it do? |
|--------------|---|
| F10 | Commit/ Save. This is very important key and this concludes the transactions. This is the commit and transactions get into the General Ledger (database) when this key is used. |
| F11 | Next field |
| F12 | Previous Block |
| TAB | Go to next valid field |
| ENTER | Go to the next field |
| CTRL+F1 | Help maintenance |
| CTRL+F3 | Show key map |
| CTRL+F4 | Display error |
| CTRL+F8 | Terminal lock |
| CTRL+F9 | Memo pad look up |
| CTRL+F11 | Context level help |

Finacle General Key Map

| Physical Key | What does it do? |
|--------------|--|
| CTRL+D | Page down on a list |
| CTRL+E | Explode. This key is particularly useful for the further inquiry . |
| CTRL+F | Clear field. This key combination can be used when the user wants to clear the field. |
| CTRL+T | Display LGI. The user ID, Terminal ID, SOL, BOD Date and language details are displayed. |
| CTRL+U | Page up on a list |
| CTRL+X | Put BOD date. This key combination populates the default BOD date in the field. |
| SHIFT+F4 | Select the current item from the list. This key combination can be used to select a value from the list of valid values listed for a particular field. |
| SHIFT+F11 | Transmit |
| SHIFT+TAB | Go to the previous field |

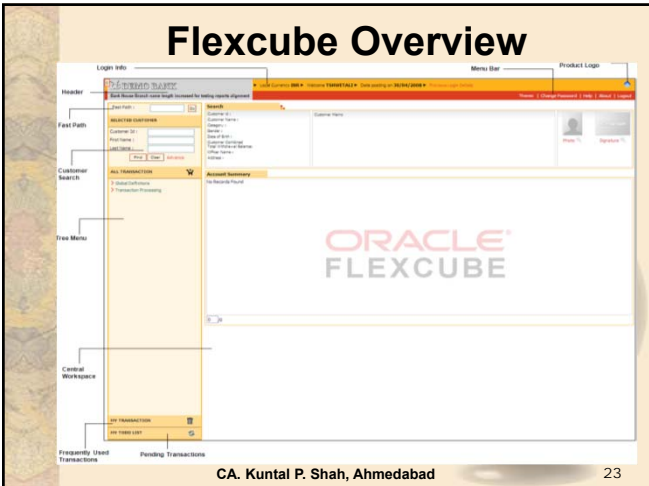
BaNCS Overview



CA. Kuntal P. Shah, Ahmedabad

22

Flexcube Overview



CA. Kuntal P. Shah, Ahmedabad

23

Flexcube Hot Keys

| Hot Key | Description |
|---------|------------------------------------|
| Alt + B | Balance Inquiry |
| Alt + C | Customer Name and Address Inquiry |
| Alt + A | Account Details |
| Alt + S | Amount based Account Image Display |
| Alt + P | Printing |
| F8 | Return to the same screen |
| F1 | Help |

CA. Kuntal P. Shah, Ahmedabad

24

Overview

- General Concepts of CBS
- Overview of various CBS
- **Detailed discussion on various Menu Codes under Finacle, BaNCS & FlexCube**
- Upgrades / Changes in Finacle 10.X

Various Menu Commands

- Command List Categories
 - ✦ Accounts and Customer Master
 - ✦ Transactions
 - ✦ Clearing Transactions
 - ✦ Office Account Maintenance
 - ✦ Advances
 - ✦ DD / PO Inquiry
 - ✦ Security Stationery Movement and Maintenance
 - ✦ Cheque Book Issuance & Stop Payment Instructions
 - ✦ Compliances
 - ✦ Trade Finance
 - ✦ Audit

Customer Master Maintenance

- Basic details about customer viz. Name, Address, DOB / DOI, TDS Category etc.
- Concept
 - ✦ CUST ID / CIF / Cust IC / UCIC
- Use
 - ✦ To verify the Master details updated for the customer. Few Parameters have direct impact on Accounts opened under CUST ID.
- Issues
 - ✦ Issues if multiple CUST IDs have been opened for Customer.

| CBS | Menu Code |
|------------|---|
| Finacle 7 | CUMM |
| Finacle 10 | CRM Module |
| BaNCS | Customer Management Menu |
| Flexcube | CIM09 (Cust. Master Maint.), 7004 (Name & Add. Inquiry) |

Account Master Maintenance

- Use

✦ It is used to verify the Account Level configurations and details.

✦ It provides basic details like Cust ID, GL Subhead Code, Account Type, Interest Rate etc.

| CBS | Menu Code |
|------------|---|
| Finacle 7 | ACM / ACI |
| Finacle 10 | HACM / HACI, HACMTD (For TD) |
| BaNCS | Deposit / CC / OD Accounts & Services DL/TL Account and Services Menu (Enquiry) |
| Flexcube | BA095 (Account level attributes Inquiry) |

Account Ledger Inquiry

ACLI (Only Inquiry Option) [Fin.10.x- HACLI & HAQLINQ]

- Use

✦ It is used to verify the list of Transactions (both Credit and Debit) for a Account for the given period.

✦ Under Finacle it also provides linkage to detailed transaction inquiry. Data can further be explored and drives through the Transaction Origination Point.

| CBS | Menu Code |
|------------|---|
| Finacle 7 | ACLI |
| Finacle 10 | HACLI, HAQLINQ |
| BaNCS | Deposit / CC / OD Accounts & Services DL/TL Account and Services |
| Flexcube | CH031 (Statement Inquiry) |

Cont ...

Account Ledger Inquiry

ACLI

- Tip for Finacle-7:

✦ To go to Account Master Level configuration page mention account no. After opening ACLI Menu. Press "Explode" Key to directly go into ACM. In Finacle-7 menus are inter-linked at various places. Due to which it gives flexibility of tracing the details / verification of complete Audit Trail

Interest Table Master

- Use

✦ It is used to modify / verify interest Rate for Deposits and Advances Account

| CBS | Menu Code |
|------------|--|
| Finacle 7 | INTTM / INTTI |
| Finacle 10 | HINTTM / HINTTI |
| BaNCS | Deposit / CC / OD Accounts & Services DL/TL Account and Services (Interest Rate History) |
| Flexcube | BAM12 (Interest Index Maint.) BAM13 (Interest Index Rates) LN060 (Loan Product Rates Plan) LNM41 (Interest Rules) LNM42 (Product Interest Attributes Maintenance) LNM81 (Rate Change) |

CA. Kuntal P. Shah, Ahmedabad

31

Customer & Account Search

- Use:

✦ It is used to find Customer and Account based on Criteria. Viz. Name, Number etc.

| CBS | Menu Code |
|------------|---|
| Finacle 7 | CUS (Customer Search) ACS (Account Search) |
| Finacle 10 | CRM Module HACSP |
| BaNCS | Cust. Mgmt. → Enquiries → Search by ID Number Cust. Mgmt. → Enquiries → Search by CIF Number Cust. Mgmt. → Enquiries → Search by Name |
| Flexcube | 7004 – Customer Name and Address Inquiry 2000 – CTI Customer Search |

CA. Kuntal P. Shah, Ahmedabad

32

Transactions

- Use:

✦ To view detailed information about transaction

| CBS | Menu Code |
|------------|--|
| Finacle 7 | TI / TM |
| Finacle 10 | HTI / HTM |
| BaNCS | Deposit / CC / OD Accounts & Services → Enquiries → Transaction [Addl. Options on Tran. Type available for selection] Branch Accounting (BGL) → Enquire → Transaction |
| Flexcube | LNM10 (Account Transactions Inquiry) GLM04 (GL Transactions and Movement Inquiry) |

CA. Kuntal P. Shah, Ahmedabad

33

Transactions Query / Search

FTI [Fin.10.x- HFTI, HFTR (Report)]

- Acronym for: Financial Transaction Inquiry
- Use:
 - ✦ It is used to find a Transaction based on various search criteria.
 - ✦ The Menu option houses various search parameters based on which the transaction can be located.
 - ✦ The menu option is having exceptional capacity to locate any transaction from entire database. It only requires user to put certain criteria.
- Tip:
 - ✦ It is important for the Auditors to know each Search parameters and its mapping at the time of Transaction Processing. Without the knowledge of parameters used in Transaction processing, FTI will be a toothless weapon.
 - ✦ The option should be used sensibly (i.e. with as much parameters as possible) since, it affects the retrieval speed and also increases pressure on Central Database.

CA. Kuntal P. Shah, Ahmedabad

34

Clearing Transactions

- **Opening & Maintenance of Zone / Batch, Processing of Inward and Outward Clearing Instruments**

| CBS | Menu Code |
|------------|---|
| Finacle 7 | ICTM (Inward Clearing Transactions Maintenance) OCTM (Outward Clearing Transactions Maintenance) MCLZOH (Maintain Clearing Zone) |
| Finacle 10 | HICTM (Inward Clearing Transactions Maintenance) HOCTM (Outward Clearing Transactions Maintenance) HMCLZOH (Maintain Clearing Zone) |
| BaNCS | Collection and Cheque Purchase → Enquiries → Enquiries |
| Flexcube | ST023 (Outward Clearing) ST033 (Inward Clearing) BA990 (Clearing Inquiry) |

CA. Kuntal P. Shah, Ahmedabad

35

Office Accounts Maintenance

ACLPOA [Fin.10.x- HACLPOA]

- Acronym for: Account Ledger Print Office Account
- Use:
 - ✦ It is useful in Printing Account Ledger for an office Account.
 - ✦ Printing of all the accounts other than office account is done through PSP / ACLPCA Mode.

| CBS | Menu Code |
|-------|-----------------------------|
| BaNCS | Branch General Ledger (BGL) |

CA. Kuntal P. Shah, Ahmedabad

36

Office Accounts Maintenance

IOT [Fin.10.x- HIOT]

- Acronym for: Inquire on Transactions
- Concepts:
 - † Pointing Type, Reversal Type, Reversal Method
- Use:
 - † It is used to inquire on Office Account Transactions viz. Suspense / Office Accounts
 - † As discussed during Concepts stage the office Accounts are opened with Pointing Type Account capability, wherein each originating transaction is required to be settled by corresponding Reversal Transaction.
 - † The Menu option is used to track and search transactions based on its status (i.e. Reversed, Part Reversed, Not Reversed etc.)
- Issues:
 - † Reversal Discipline, Fraught with Fraud Risk, Reversal issues

CA. Kuntal P. Shah, Ahmedabad

37

Office Accounts Maintenance

| CBS | Menu Code |
|------------|---|
| Finacle 7 | IOT (Inquire on Transactions) MSGOIRP (Outstanding Items Report) MSOIRP (Minor Subsidiaries Outstanding Items Report) |
| Finacle 10 | HIOT (Inquire on Transactions) |
| BaNCS | Branch Accounting (BGL) → Enquire → Transaction |
| FlexCube | GLM02 - Chart of Accounts GLM04 - GL Transactions and Movement Inquiry |

CA. Kuntal P. Shah, Ahmedabad

38

Advances - Security

Security / Collateral Maintenance

- Concepts:
 - † For Setting up of Drawing Power in any Account wherein Facility is sanctioned based on Security, this menu option is used.
 - † The Concept of Maintenance of Security Register is not new. In earlier times the same use to take place in Physical Register. However, updation of manual register takes lot of time and energy. Moreover, it does not give Real Time updation about Security, Insurance Coverage, Margin Requirements, Nature of Security, Last Valuation Date, Default in submission of Debtors and Stock Statement, Penal Interest for Default in submission of Statements etc.

CA. Kuntal P. Shah, Ahmedabad

39

Advances - Security

SRM (in Finacle)

- Use:
 - ✦ SRM is used for maintenance of security and drawing power allocation in respect of all advance accounts where drawing power is derived from securities.
 - ✦ The option, if used diligently and correctly, gives excellent result when compared to manual register.
- Issues:
 - ✦ It is generally observed that the Bank Officials do not update stock / debtors statement receipt details in SRM
 - ✦ Moreover, Insurance dates are also not filled in / updated properly.
 - ✦ Date of Valuation of Assets under Hypothecation is not filled up. On account of the same, when Account becomes NPA old papers are required to be searched through. Moreover, if the details are not filled in it can not be tracked what is the Age of Security Valuation.

Advances - Security

| CBS | Menu Code |
|------------|---|
| Finacle 7 | SRM (Security Register Maintenance) CLL (Collateral Maintenance) HCLM (Collateral Maintenance) |
| Finacle 10 | HSCLM (Collateral Maintenance) |
| BaNCS | DL/TL Accounts & Services → Security (Primary / Collateral) → Customer → Enquiry → Enquire Security Summary |
| Flexcube | CH066 (Limit Collateral Inquiry) CHM06 (OD Collateral Maintenance) |

Advances – Lien Maintenance

- Use:
 - ✦ It is used to mark / lift Lien from Account. If the lien is marked on the Account system does not permit user to carry out transactions which are not consistent with lien particulars.
 - ✦ Lien is marked on Fixed Deposits wherein a credit facility is sanctioned against the same. If the lien is marked the system will prevent withdrawal of deposit.
 - ✦ For carrying out of Transaction in such account, Lien is required to be lifted in order to process the Transaction.

Advances – Lien Maintenance

| CBS | Menu Code |
|------------|---|
| Finacle 7 | ALM (Account Lien Maintenance) |
| Finacle 10 | HALM (Account Lien Maintenance) |
| BaNCS | DL/TL Accounts & Services → Security (Primary / Collateral) → Customer → Enquiry → Enquire Security Summary |
| Flexcube | TDM24 (Lien Master) |

CA. Kuntal P. Shah, Ahmedabad

43

Advances – Temporary Overdraft

ACTODM [Fin.10.x- HACTODM]

- Acronym for: Account TOD Maintenance
- Use:

- ✦ The option is used to allow overdrawal then the prescribed limit. It is a Credit Decision taken by the official / authorizer. On setting up of TOD the system allows user to process the transaction beyond the regular limit setup at Account Level.
- ✦ TOD can be System Generated or can be User Generated. The only difference between the two is System at the time of processing any transaction at the backend viz. Interest Application finds the limit insufficient for debit grants TOD to process the transaction. Whereas, User Generated TOD is allowed manually by user as per available Credit Powers for case to case basis.
- ✦ TOD can be of Single Type, Running Type or of Ad-hoc Type. Single Type TOD is applicable for Specific Purpose / Transactions and used only once. Running Type and Ad-hoc Type TODs allow client to operate within the prescribed limit for the defined period.

CA. Kuntal P. Shah, Ahmedabad

44

Advances – Temporary Overdraft

| CBS | Menu Code |
|------------|---|
| Finacle 7 | ACTODM / ACTODI (Account TOD Maintenance) ACLHM (Account Limit History Maintenance) TODRP (TOD Register Printing) |
| Finacle 10 | HACTODI (Account TOD Inquiry) HTODRP (TOD Register Printing) |
| BaNCS | Deposit / CC / OD Accounts & Services → Enquiries → Interest Rate History → Select 'Limit history' from drop down menu |
| Flexcube | CHM07 (OD Limit Master Maintenance) CH226 (Adhoc List of Overdue CASA Accounts) |

CA. Kuntal P. Shah, Ahmedabad

45

Advances – Account Ledger Printing

- Use:

- ✦ It is used to print Ledger Account / Account Statement / Passbook for Client.

| CBS | Menu Code |
|------------|---|
| Finacle 7 | PSP (Pass Sheet Print) ACLPCA (Customer Ledger Account Print) |
| Finacle 10 | HPSP (Pass Sheet Print) |
| BaNCS | DL / TL Accounts & Services - Print Option Deposit / CC / OD Accounts & Services - Print Option |
| Flexcube | CH031 (Statement Inquiry) 7010 (Passbook update) LNM10 (Account Transactions Inquiry) LN421 (Statement of Account NPA) |

CA. Kuntal P. Shah, Ahmedabad

46

Advances – Loan General Inquiry

- Use:

- ✦ It is used to inquire Loan Account details. Query Command

| CBS | Menu Code |
|------------|--------------------------------------|
| Finacle 7 | LAGI (Loan Account General Inquiry) |
| Finacle 10 | HLAGI (Loan Account General Inquiry) |

CA. Kuntal P. Shah, Ahmedabad

47

Advances – Loan Overdue Inquiry

- Use:

- ✦ It is used to inquire Overdue / Overflow position for a Loan.

- ✦ Principal as well as Interest Overdue position can be verified for a given account

| CBS | Menu Code |
|------------|---|
| Finacle 7 | LAOPI (Loan Overdue Position Inquiry) |
| Finacle 10 | HALOPI (Loan Overdue Position Inquiry) |

CA. Kuntal P. Shah, Ahmedabad

48

Advances – Limit Setup & Maintenance

• Use:

- ✦ It is used to monitor clients' limit utilization and available limit for further credit facility.
- ✦ The system is configured in such a way that credit facilities are not extended if the Limits have not been or are insufficient.

| CBS | Menu Code |
|------------|--|
| Finacle 7 | LTL (Limit Tree Lookup) LNDI (Limit Node Inquiry) |
| Finacle 10 | HLMTREEI (Customer Limit Tree Details) |
| BaNCS | Customer Management → Customer Limit |
| Flexcube | BAM73 (Bank Customer Limit Maintenance) LMS01 (Limit Inquiry) LRM01 (Credit Concentration and Exposure Limit Maint.) |

Advances – Limit History

• Use:

- ✦ It is used to verify history of Drawing Power and Sanctioned limit for an account.
- ✦ It gives periodwise details for DP and SL.

| CBS | Menu Code |
|------------|--|
| Finacle 7 | ACLHM (Account Limit History Maintenance) |
| Finacle 10 | HACLHM (Account Limit History Maintenance) |
| BaNCS | Deposit / CC / OD Accounts & Services → Enquiries → Interest Rate History → Select 'Limit history' from drop down menu |
| Flexcube | CHM07 (OD Limit Master Maintenance) CH409 (OD Limit History Report) |

Advances – Interest Computation

• Use:

- ✦ It is used to generate report on details for Interest for an account.

| CBS | Menu Code |
|------------|---|
| Finacle 7 | AINTRPT (Interest Report for Accounts) |
| Finacle 10 | HAINTRPT (Interest Report for Accounts) HINTPRF (Interest Proof Report) |
| BaNCS | Deposit / CC / OD Accounts & Services → Enquiries → Interest Rate History Interest Product Sheet |
| Flexcube | LN022 (Interest Calculation Inquiry) LN608 (Interest Charges Report) LN801 (Loan Interest Report) |

Advances – NPA Parameters

- **Use**

✦ Inquiry on NPA Status and other related aspects

| CBS | Menu Code |
|------------|---|
| Finacle 7 | ACI – Option Y (Asset Classification Inquiry) |
| Finacle 10 | HACM |
| BaNCS | <ul style="list-style-type: none"> • DL / TL Account & Services – Short Enquiry (NPA Status) and Long Enquiry (NPA Date) • CC / OD Accounts & Services - Short Enquiry (NPA Status and Date) • NPA Enquiry Menu (Risk Grade Inquiry and NPA Status Inquiry) <i>System Setup is with Risk Grades and Arrear Conditions.</i> |
| Flexcube | AC02 (CRR (Credit Risk Rating) Inquiry) LN156 (Non Performing Loan Details Report) LN191 (Accounts in NPA Status) |

CA. Kuntal P. Shah, Ahmedabad

52

DD / PO Inquiry

DDSM [Fin.10.x– HDDSM]

- **Acronym for:** DD Status Maintenance

- **Use:**

✦ It is used to verify the Status of DD / PO Issued.

DDIP [Fin.10.x– HDDIP]

- **Acronym for:** Inquiry on Specific DD Paid

- **Use:**

✦ It is used to verify the Payment Status of specific DD / PO Issued.

✦ It should be checked for the cases where requests for reissue of DD / PO are received due to Lost of Original DD / PO.

CA. Kuntal P. Shah, Ahmedabad

53

Remittances (DD / PO Inquiry)

- **Use**

✦ To verify details viz. Issuance, Payment status of Remittance Instruments.

| CBS | Menu Code |
|------------|--|
| Finacle 7 | DDSM (DD Status Maintenance) DDIP (Inquiry on Specific DD Paid) |
| Finacle 10 | HDDII (Specific DD Issued Inquiry) HDDIP (Specific DD Paid Inquiry) |
| BaNCS | Inland Rupee Remittances → Enquiries → Other Remittances |
| Flexcube | 8310 (DD Liquidation Inquiry) 8314 (BC Status Inquiry) 8315 (DD Status Inquiry) |

CA. Kuntal P. Shah, Ahmedabad

54

Security Stationery Movement and Maintenance

- Use:
 - ✦ The report gives details of Security Stationery available under each location.
 - ✦ The Security Stationery physically available with all the bank employees should be verified based on this report.
 - ✦ Security stationery viz. Demand Draft, Non personalized cheque books, Fixed Deposit Receipts are recorded in system.

Security Stationery Movement and Maintenance

| CBS | Menu Code |
|------------|--|
| Finacle 7 | ISRA (Inventory Status Report) |
| | IMI (Inventory Movement Inquiry) |
| Finacle 10 | HISRA (Inventory Status Report) |
| | HIIA (Inventory Inquiry All) |
| BaNCS | Valuable Paper Inventory System (VPIS) |
| Flexcube | IV011 – Stock Inquiries |
| | IV001 – Stock Transactions |
| | IV002 – Stock Adjustment |

Cheque Book Issuance, Status & Stop Payment Instructions

- Use:
 - ✦ Cheque Books: The assignment of cheque number to account is for Security Reasons. It prevents debit for cheques other than those issued to client.
 - ✦ Stop Payment: Hotlisting of Cheque to prevent passing.

| CBS | Menu Code |
|------------|--|
| Finacle 7 | ICHB (Issue Cheque Books) |
| | CHBM (Cheque Book Status Maintenance) |
| | SPP (Stop Payment) |
| | SPRG (Stop Payment Register Printing) |
| Finacle 10 | HICHB (Issue Cheque Books) |
| | HSPP (Stop Payment) |
| | HSPRG (Stop Payment Register Printing) |

Cheque Book Issuance, Status & Stop Payment Instructions

| CBS | Menu Code |
|----------|--|
| BaNCS | Valuable Paper Inventory System [VPIS] → Enquiry of VPIS → General Enquiry |
| Flexcube | CHM43 (Cheque Book Issue Upload) CH078 (Cheque Status Maintenance) CHM37 (Cheque Book Issue Maintenance) CHM35 (Stop Cheque Instructions) |

CA. Kuntal P. Shah, Ahmedabad

58

Compliances - TDS

- Use:
 - ✦ The menu option is used to verify and inquire TDS details.

| CBS | Menu Code |
|------------|---|
| Finacle 7 | TDSIP (TDS Inquiry / Print) |
| Finacle 10 | HTDSIP (TDS Inquiry / Print) |
| BaNCS | Tax Deduction at Source (TDS) Menu |
| Flexcube | TDS11 (TDS Inquiry) TDS15 (Inquiry on Projected Tax) |

CA. Kuntal P. Shah, Ahmedabad

59

Compliances – Freeze / Stop Marking

- Use:
 - ✦ It is used to mark / lift Freeze at Account Level. Freeze / Stop marking can be for any reasons viz. on receipt of Tax Recovery Notice, on receipt of Notices as per various statutes to suspend the operation.
 - ✦ Freeze / Stop can be of Debit, Credit or Total.
 - ✦ The system does not permit any transactions based on the Freeze / Stop Code. To carry out the Transaction Freeze / Stop Code is required to be lifted.

| CBS | Menu Code |
|------------|---|
| Finacle 7 | AFSM (Account Freeze Status Maintenance) |
| Finacle 10 | HAFSM (Account Freeze Maintenance) |
| BaNCS | Deposit/CC/OD Accounts & Services → Stops / Holds (Lien) / Messages → Set Stop On Account |

CA. Kuntal P. Shah, Ahmedabad

60

Trade Finance

i) Bills Related

a. INBOEM (Finacle 7) [Fin.10.x- HINBOEM]

It is used to verify the Bill of Entry received details updated. Details of BOEs are updated against Import Bill Ref. Nos.

b. BM & BI (Finacle 7) [Fin.10.x- For Import & Inward Bill – “MIIB” and For Export & Outward Bill “MEOB”]

• Acronym for: Bills Maintenance and Bill Inquiry (Inland)

• Use:

- ✦ The menu is used for maintenance of Inland Bills and Cheques purchased or sent for collection.
- ✦ The menu option is also used to mark realization / delinking against the said bills.
- ✦ BI Option is used for Inquiry mode only. BM Option can also be used with “I” mode to verify the details in Inquire Mode.

Trade Finance

c. FBM (Finacle 7)

✦ Acronym for: Foreign Bill Maintenance

✦ Use:

- The menu is used for maintenance of Foreign Bills (Import and Exports), Foreign Currency Cheques, Travellers Cheques, Outward and Inward Remittances etc.
- The menu option is also used to mark realization / delinking against the said bills.

| CBS | Menu Code |
|----------|---|
| Flexcube | BIM04 (Bill Parameters Maintenance) BIM05 (Bills Processing Maintenance) BI001 (Bills Data Entry) |

Trade Finance

d. FBI [Fin.10.x – IBL]

✦ Acronym for: Foreign Bill Inquiry

✦ Use:

- Same as FTI Option, FBI menu provides user to locate a transaction or series of Transactions based on various criteria.
- The transactions are recorded as per Register Type. Hence, knowledge and information for each register type is must for using this option.

✦ Tip:

- To know the register types and its description press “F2 or List Command” at “Reg. Type” field in FBI. The action will display all register type. Notings for the screen details can be made for future reference.

Trade Finance

e. FBP *[Fin.10.x – IBL]*

✦ Acronym for: Foreign Bill Inquiry Printing

✦ Use:

- The option is used for printing of results derived from FBI Option.
- The option will take user to FBI Option only. However, if this option is used the user will have option to take print of the records searched.
- Printing will be for each event for each transaction (e.g. Lodgment {L}, Realization {R}, Part Realization {P}, Closure {Z}, Delinking {K} etc.)

Trade Finance

e. BRBPR *[Fin.10.x – HBRBPR]*

✦ Acronym for: Balancing Report for Bills Purchased (Inland)

✦ Use:

- The report is generated to verify the Status of Bills Purchased.
- Long pending / overdue bills can be verified from the said report.

Trade Finance

e. BRCR *[Fin.10.x – HBRCR]*

✦ Acronym for: Balancing Report for Bills on Collection (Inland)

✦ Use:

- The report is generated to verify the Status of Bills on Collection.
- Long pending / overdue bills can be verified from the said report.

Trade Finance

- e. **FBBR** *[Fin.10.x – HFBBR]*
- ✦ Acronym for: Balancing Report for Foreign Bills
- ✦ Use:
 - The report is generated to verify the Status of Foreign Import and Export Bills.
 - Long pending / overdue bills can be verified from the said report.



CA. Kuntal P. Shah, Ahmedabad

67

Trade Finance

- ii) **Letter of Credits**
- a. **DCQRY**
- ✦ Acronym for: Documentary Credit Query
- ✦ Use:
 - The menu is used to verify the documentary credit details and list as per parameters.

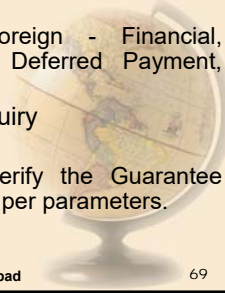


CA. Kuntal P. Shah, Ahmedabad

68

Trade Finance

- iii) **Bank Guarantees**
- **GI** *[Fin.10.x – HGI]*
- ✦ (Driven by Register Types - List of Register Type for Each category should be obtained from branch)
- ✦ (For both Inland & Foreign - Financial, Performance, Bid Bond, Deferred Payment, Advance Payment)
- Acronym for: Guarantee Inquiry
- Use:
 - ✦ The menu is used to verify the Guarantee Issuance details and list as per parameters.



CA. Kuntal P. Shah, Ahmedabad

69

Trade Finance

iv) Remittances

- **IRM** [*Fin.10.x – HIRM*]
 - ✦ Acronym for: Inward Remittance Maintenance
- Use:
 - ✦ The menu is used to verify details of Inward Remittance Transaction
- **ORM** [*Fin.10.x – HORM*]
 - ✦ Acronym for: Outward Remittance Maintenance
- Use:
 - ✦ The menu is used to verify details of Outward Remittance Transaction

CA. Kuntal P. Shah, Ahmedabad

70

Audit

- **AFI** [*Fin.10.x – HAFI*]
 - ✦ Acronym for: Audit File Inquiry
- Use:
 - ✦ The menu contains Audit Trail of Non Financial Transactions like change in Account Master, Change in Account Status (e.g. Dormant to Active) etc.

CA. Kuntal P. Shah, Ahmedabad

71

Overview

- General Concepts of CBS
- Overview of various CBS
- Detailed discussion on various Menu Codes under Finacle, BaNCS & FlexCube
- **Upgrades / Changes in Finacle 10.X**

CA. Kuntal P. Shah, Ahmedabad

72

Upgrades / Changes in Finacle 10.X

- Entire new module “CRM” in place of CUMM command
- CRM Module contains
 - ✦ General Details,
 - ✦ Demographic,
 - General
 - Caste | Nationality | Marital Status | Mailing Preference | Tax Exemption Form Ref. | Tax Exemption Start and End date | TRC Validity
 - Qualification
 - Employment
 - Income & Exp. Details



CA. Kuntal P. Shah, Ahmedabad

73

Upgrades / Changes in Finacle 10.X

- ✦ Psychographic info.
 - Profile
 - General details
 - Segmentation
 - Preferential Discount
 - Relationship Details
 - Introducer | Guarantor | Reference | Ben. Owner
 - Asset
 - Assets purchased with Finance details
 - Credit Bureau Preferences
 - External Rating details
- ✦ Trade Finance
- ✦ BASEL Profiling



CA. Kuntal P. Shah, Ahmedabad

74

Upgrades / Changes in Finacle 10.X

- Trade Finance and Forex Menu
 - ✦ Single Reg. Type code instead of two codes
 - ✦ Flag in Inward Remittance module for Advance against Exports cases
- New UI (User Interface)
- Changed Menu Codes
- Account Setup (Different for Operative Account and Term Deposits)



CA. Kuntal P. Shah, Ahmedabad

75

Upgrades / Changes in Finacle 10.X

- Signature verification system separated from Main Application. New module "SVS". Though linking is available besides account no. for seamless movement.
- Apart from enhancements and above points there are various Navigational Changes and Process Changes in Finacle 10X.



CA. Kuntal P. Shah, Ahmedabad

76

Session Details

• **Part – 1**

✦ Software Usage in Banks

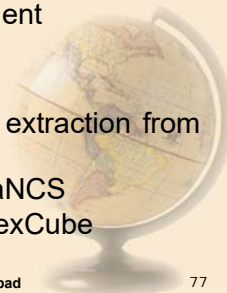
✦ Audit in CBS Environment

• **Part – 2**

✦ Case Studies on data extraction from FINACLE

✦ Reports available in BaNCS

✦ Reports available in FlexCube



CA. Kuntal P. Shah, Ahmedabad

77

Part – 2

Data Extraction Techniques in FINACLE



Data Extraction Techniques in FINACLE

- **Through PR (Print Report) Menu / Print Queue in Background Menu**

- ✦ Print to Printer | On Screen | Export to File

- **Common Process**

- For Printing / Export / On Screen view from Report Menu, the user need to press "Transmit" key after generation of Search Parameters / Execution of Report.
- On pressing "Transmit" Key the system will ask for Printing Configuration viz. Background Printing or Foreground Printing. In "Printing Required" field "N" should be updated.
- The action will generate report in Background Menu or can be accessed through PR Menu.
- From PR Menu the report can be printed / exported / viewed.
- Generally, Read Only Login in FINACLE do not allow user to generate / print any report. For the said purpose execution of such option should be carried out by the person having sufficient work class (Authorisation)

Data Extraction Techniques in FINACLE

- **Through TextDump Option in Finacle**

- ✦ "TextDump" button is available in Action Bar. The user can use this option at the time when the On Screen Criterion Based Report is populated.

- ✦ The system will extract the text and will provide in a Dialogue Box.

- ✦ However, there is a limitation in using this option. Finacle will provide all the information in Single Column and hence, the information received in dialogue box need to be formatted manually in Excel.

Case Study - 1 on Few Report Menus of Finacle

- **FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):**

- ✦ To verify any transaction based on various parameters FTI Menu is used.

- **Case Study:**

- Credits to NRE Accounts in a period
- Credits to FCRA Accounts in a period
- Cash Deposit above Rs. 50,000 to verify compliance with Income Tax Guidelines on PAN
- Cash Transactions above Rs. 10 Lacs to verify compliance with AML Guidelines
- Debits to ESCROW Accounts to verify compliance with ESCROW Agreement
- Purchase of Gold through Cash Deposit
- Value Dated Transactions verification
- Transactions in Dormant & Inactive Accounts

Case Study - 1 on Few Report Menus of Finacle

| Financial Transactions Inquiry | | | |
|--------------------------------|--|----------------------|--|
| Selection Criteria | | | |
| Set ID | | Tran. ID | |
| A/c. SOL ID | | Tran. Type | |
| Today's Tran. only | | Tran. Sub Type | |
| A/c. ID | | Part Tran. Type | |
| CCY | | Only Value Dated | |
| Instr. ID | | Reference No. | |
| Instr. Type | | GL SbHead Code | |
| Tran. Amt Low | | Addnl Crit Ind | |
| Tran. Amt High | | Inter SOL Tran. only | |
| Start Date | | Tran. Status | |
| End Date | | Show Cash Part Tran. | |
| Report Code | | Show Trading PTran. | |
| Entered User ID | | A/c. Status | |
| Posted User ID | | A/c. Label | |
| Delivery Channel | | Past Due? | |
| Reversal Tran. Flg. | | | |

FOR FASTER RESULTS ENTER ACCOUNT NUMBER, START DATE AND END DATE

Case Study - 1 on Few Report Menus of Finacle

- FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):
 - ✦ **Important Fields / Parameters Information**
 - Set ID – SOL ID of Branch who has initiated the Transaction
 - A/c SOL ID – SOL ID of Branch where Account is Opened
 - Today's Tran Only: By default it is selected as "Y". If the details are populated for past period the field should be kept blank.
 - Tran Amt Low: For Amount based search, lower limit should be mentioned in this field.
 - Tran Amt High: For Amount based search, Higher limit should be mentioned in this field.

Cont ...

CA. Kuntal P. Shah, Ahmedabad

83

Case Study - 1 on Few Report Menus of Finacle

- FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):
 - ✦ **Important Fields / Parameters Information (Cont..)**
 - Start Date & End Date: For Period Search enter the dates in these fields.
 - Tran Type – As discussed in Concept Stage
 - Tran Sub Type – As discussed in Concept Stage
 - Part Tran Type – Debit or Credit?
 - Only Value Dated – To be mentioned as "Y" If only value dated transactions to be searched.
 - GL Subhead Code – If search is to be carried out through particular GL Subhead, code should be mentioned in this field.
 - Acct Status – If the search is to be carried out for the accounts based on Account Status (Viz. A for Active, D for Dormant and I for Inactive Accounts)

CA. Kuntal P. Shah, Ahmedabad

84

Case Study - 1 on Few Report Menus of Finacle

- FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):
 - ✦ If the output generated through FTI is required in Printed Form / Exported as File, Menu Command FTR should be used.
 - ✦ FTR Command will provide the same parameters as that of FTI. Once all the parameters are filled in and transactions have been populated, "Transmit" Key should be pressed.
 - ✦ Follow the Common Process described earlier.

Case Study - 2 on Few Report Menus of Finacle

- FBI, FBP, BI, BP (Trade Finance Menu)
 - ✦ To verify any Trade Finance related transaction based on various parameters BI, BP (For Inland) and FBI, FBP (Foreign) commands are used.
 - Case Study:
 - Import & Export Bills (Under LC, Collection, Advance Import, Direct Import, Export Bill Negotiated / Purchased / Discounted / Under LC / Advance against Exports) lodged or Accepted or Realised during the period. Same way for Inland Bills
 - Inward Remittance and Outward Remittance Transactions (Foreign Currency / TC / Purchased / Sold, I/w & O/w Remittance through DD / TT, Travel Card Sold / Refund of Excess Funds etc.)
 - Generation of Information of Bills realised during the period to verify Form A2

Case Study - 2 on Few Report Menus of Finacle

| Bills Inquiry | | | | | |
|----------------|---------------------|-------------|--------|--|--|
| Cust Oper A/c | INR | DC Ref No | | | |
| BP A/c | INR | Lodger Ref | | | |
| Reg Type | | Mass ID | | | |
| Reg Sub Type | | Drwe Cent | | | |
| Bill Date | From _____ To _____ | Inw/Outw? | | | |
| Status Dt | From _____ To _____ | Bill Status | G | | |
| Due Date | From _____ To _____ | Ver Stat | | | |
| Lodge Dt | From _____ To _____ | Func Code | | | |
| Bill ID | From _____ To _____ | LiabExist | | | |
| Bill Amt | From _____ To _____ | Purchase? | | | |
| Customer ID | | Summary ? | Y | | |
| Lodge/Coll Br | | Bill Cmt? | Y | | |
| Bill Grp Code | | Accepted? | | | |
| Drawee | / | TBR ? | | | |
| LC/DPG/Co-Acpt | | Closed ? | N | | |
| Bank/Branch | | Deleted ? | N | | |
| Lodge Date | Reg Type | Cust A/c | Drawee | | |

Case Study - 2 on Few Report Menus of Finacle

- FBI, FBP, BI, BP (Trade Finance Menu)
 - ✦ **Important Fields / Parameters Information**
 - Reg. Type: Type of Transaction as discussed in Concept Stage
 - Reg. Sub Type: Sub type of Transaction as discussed in Concept Stage
 - Lodgment Date: If Query is based on Lodgment Date, Dates should be filled in here.
 - Status Date: If Query is based on Date when the Status of bill was changed, dates should be filled in here. Status of Bill means G=Lodgment, R=Realised, A=Accepted, K=De-linked, P=Part Realised etc. This parameter should be used with Bill Status Parameter. Report will be generated for one parameter at a time.
 - Due Date: If Query is based on Date when the bill is due, dates should be filled in here. To verify overdue bills this search parameter should be used.
 - Closed and Deleted Flag: If Closed bills are also required the field should be blank or "Y". Same way if Deleted Transactions are also required the field should be blank or "Y".

Case Study - 3 on Few Report Menus of Finacle

- GI (Guarantee Inquiry)
 - ✦ To verify Details of Guarantees issued GI Command should be used.
 - ✦ Guarantee Registers and Type of Guarantee – As discussed at Concept Stage alongwith Register Type and Sub-Type concept
 - ✦ Date of Issuance Filter, Date of Expiry are various filters available.
 - ✦ Related Menu Options
 - GILR – Guarantee Issued cum Liability Report
 - GPI – Guarantee Parameters Inquiry

Case Study - 4 on Few Report Menus of Finacle

- DCQRY (Documentary Credit Query)
 - ✦ To verify Details of Letter of Credits issued DCQRY Command should be used.
 - ✦ DC Reg. Type (e.g. Inland / Foreign) and LC Type (e.g. Inward / Outward) are important fields for generation of report.
 - ✦ Date of Issuance Filter, Date of Expiry are various filters available.
 - ✦ Related Menu Options
 - DCREG – Documentary Credits Register Printing
 - DCRPTS – DC Reports and Advises
 - DCSTMT – Statement of Documentary Credits

List of Important Report Menu Commands in FINACLE

- **ACSP** – Account Selection & Print
- **AINTRPT** – Interest Report for Accounts
- **BR** – Bill Balancing Report
- **BRCR** – Bills on Collection Balancing Report (Inland)
- **BRBPR** - Bills Purchased Balancing Report (Inland)
- **FBBR** – Foreign Bills Balancing Report
- **FTR** – Financial Transaction Inquiry and Report
- **PSP** – Pass-Sheet Print
- **SIRP** – Standing Instructions Register Printing
- **SPRG** – Stop Payment Register
- **LLIR** – Limit Liability Inquiry / Report
- **TODRP** – TOD Register Printing

List of Important Report Menu Commands in FINACLE

- **ISRA** – Inventory Status Report
- **TDSREP** – Cust-wise TDS Report
- **FBIR** – Impor Register Report
- **ACLPOA** – Office Account Ledgers Print
- **MSQIRP** – Minor Subs outstanding Items Report
- Report Menu (Adhoc Report) designed and configured for each Bank houses hundreds of reports. Auditor need to inquire with Bank Official for Menu code.

Part – 2

List of Important Report Menu Commands in BaNCS

List of Important Report Menu Commands in BaNCS

- Reports under BaNCS system are generated on daily basis and are stored on a pre-designated location on Intranet.
- The type of reports generated include
 - ✦ Exception Report
 - ✦ Transaction Report
 - ✦ Letter / Reminders
 - ✦ MIS Reports
 - ✦ Other Reports
 - ✦ Concurrent Auditor Reports
 - ✦ Ad-hoc Audit Reports
 - ✦ Reports on Request



List of Important Report Menu Commands in BaNCS

- Adhoc Reports through System
 - ✦ For Adhoc Report generated specific menu is available under BaNCS system
 - ✦ Menu Option is "Reports"
 - Printing Balance Reports
 - Audit Adhoc Reports



Part – 2

List of Important Report Menu Commands in Flexcube



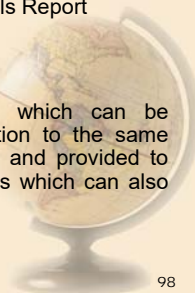
List of Important Report Menu Commands in FlexCube

- To request a report use Fast Code 7775
- Select the report to be generated
 - ✦ **Broad Types:**
 - Agri
 - Branch Reports
 - Customer Information
 - General Ledger
 - Loans
 - NEFT
 - Others
 - Savings
 - Security Management
 - Settlement
 - Term Deposit
- To view the report use Fast Code 7778



List of Important Report Menu Commands in FlexCube

- **LN904** - Loan Restructure Reschedule – Adhoc
- **LN608** - Interest Charges Report
- **LN156** - Non Performing Loans Details Report
- **CH225** - Expired Overdraft Report
- There are various adhoc reports which can be generated through system. In addition to the same there are various reports generated and provided to branches / auditors on monthly basis which can also be used.



Questions?



Thank You

CA. Kuntal P. Shah

e-mail: kuntal@pradiprshah.com



Section - 3

**E-Book Published by SIRC
of ICAI on Audit under
CBS Environment**

E-Book

Bank Audit under CBS Environment



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Southern India Regional Council

Chennai

E-Books

Bank Audit under CBS Environment

This e-book has been authored by
CA. Kuntal Shah



The Institute of Chartered Accountants of India
(Set up by an Act of Parliament)
Southern India Regional Council
Chennai

Copyright © with SIRC of ICAI

All rights served. No part of this publication may be reproduced, stored in a retrieval system, or transmitted, in any form, or means, electronic, mechanical, photocopying, recording or otherwise without prior permission in writing, from the publisher.

DISCLAIMER:

The views expressed in this e-book are of the author(s). The Institute of Chartered Accountants of India (ICAI) and/or Southern India Regional Council of ICAI may not necessarily subscribe to the views expressed by the author(s).

The information cited in this e-book has been drawn primarily by the contributor. While every effort has been made to keep the information cited in this e-book error free, the Institute or any office of the same does not take the responsibility for any typographical or clerical error which may have crept in while compiling the information provided in this e-book.

First Edition : December 2021

E-mail : sirc@icai.in

Published by : Southern India Regional Council
The Institute of Chartered Accountants of India
ICAI Bhawan
122, Mahatma Gandhi Road
Post Box No. 3314, Nungambakkam, Chennai - 600 034

THE INSTITUTE OF CHARTERED ACCOUNTANTS OF INDIA
(Set up by an Act of Parliament)
Southern India Regional Council



FOREWORD

Over the years, the banking operations have been automated to a large extent and wide range of banking software's have been developed for accounting of transactions and core banking operations.

Bank software is becoming more sophisticated all the time. As new accounting methods develop and more people bank online, private banking software is being developed to streamline the processes.

I am feeling elated to share my happiness amongst the members in bringing out an informative e-book on **Audit in CBS Environment**.

This e-book provides a detailed knowledge base for professionals who would like to understand how Audit in Core Banking Software/Solution (CBS) has evolved over the years. It also covers the basic concepts of Core Banking Software/Solution for better understanding of the environment and an overview of the various Core Banking Software/Solution available in the market.

This e-book includes detailed write ups on the important menu commands of Core Banking Software/Solution, Illustrative checklists on different audit activities through Core Banking Software/Solution and Illustrative list of Special purpose/Exception Reports for better understanding of Core Banking Software/Solution and to let our professionals take advantage of the same by using it effectively.

This e-book, one in a series of member centric publications planned by SIRC, aims to serve as a Handbook and Guide for the professionals who intend to understand the basics of Core Banking Software/Solution and how to perform an audit effectively within the Core Banking Software/Solution environment.

On behalf of SIRC, I wish to place our sincere gratitude and appreciation to CA. Kuntal P Shah, for sharing his rich experience and expertise on the Audit in CBS Environment amongst our members through this e-book. I also take the privilege of thanking CA. Gangesh K Shrinivas for reviewing the basic draft of e-book and adding value to the substance of the e-book.

Comments and suggestions on the e-book are welcome at sirc@icai.in

CA.K.JALAPATHI
Chairman, SIRC of ICAI

CONTENT

| Sl. no | PARTICULARS |
|---------------|--|
| 1 | Banking Industry & Banking Software |
| 2 | Audit of Banks & Banking Software's |
| 3 | Core Banking Solution (CBS) |
| 4 | Centralized Banking Solution / Core Banking Solution |
| 5 | Overview of Various CBS and Basic Concepts |
| 6 | List of Important Menu Commands of CBS |
| 7 | Illustrative Checklist on Audit activity through CBS |
| 8 | Illustrative list of Special purpose / Exception Reports |

Banking Industry & Banking Software:

Current Scenario

The face of Banking Industry is changing continuously. What Banking is today is quite different from what it was in the years gone by. Some of the present trends in banking industry include

- Focus on Customer Relationship (Service Oriented Architecture[SOA])
- Introduction of Value Added Services
- Connectivity of branches
- Multiplicity of Delivery Channels (ATM, Cash Deposit Machines, Cheque Deposit Machine, Point of Sale Units, Credit Card, Mobile Banking, Internet Banking)
- Focus on MIS & Risk Management
- Focus on Reduction of Transaction Cost

Future Scenario

One can visualize future scenario in the industry on current trends. Going by the current happenings one can expect the future of Banking Industry.

- Increase in the expectations of Customers
- Increase in Healthy Competition due to issue of New Banking Licenses
- A greater variety of Products and Delivery Channels in the market
- Centralised Customer Management (Service Centric Approach)
- Information Technology to act as an integrator and enabler between demands on the industry and services rendered

Challenges

The biggest challenge before the Banking Industry today is posed by its customers' expectations. The customer today is more informed and aware than before. Customers demand more and more services and delivery channels.

Customers' Expectations

- Anywhere, Anytime banking
- Diverse products and facilities

There are challenges posed by Market Forces due to stiff competition wherein the differentiator or selection of bank by the customers is based on quality of Services. However, the Service up-gradation comes with a cost for the Bank. Hence, a Tradeoff between cost of Transaction and Quality Service to Customer is the key. Moreover, due to diversified products and services, upto date information for Customer and Banker is very important.

On the other front the Regulatory requirements are rapidly increasing. Apart from handling Transactions, Customer and competition it is very important to pay equal attention to adherence to regulatory guidelines.

A composite system / software which handles Transactions, Customer Relations, Regulatory compliances, MIS / Reports request is the need of an Hour. Core Banking Systems provide the solution for the same. There are various Core Banking Softwares available in the market. More prominent and used in India are,

| Software Package | Provider |
|-------------------------|--|
| Finacle | Infosys |
| FLEXCUBE | Oracle Financial Services Software, (By iflex) |
| TCS BaNCS | Tata Consultancy Services (TCS) |

Audit of Banks & Banking Softwares

Ever since the human being started documenting transactions, audit methodology and techniques have evolved over the period of time keeping pace with the style of business. With the growth in business volume and technological advances there has been paradigm shift in various aspects of business. Conducting audit of financial transactions can not be an exception to the same. Traditional audit techniques and methodology were outcome of the volume and complexities of the business of its time. A classic example of the same is audit techniques applied for conducting audit of a bank operating under Core Banking System (CBS).

As we have witnessed, during the last decade there has been large scale growth in banking services, covering more and more geographical area and large number of population. This has necessitated applying modern technology, particularly in the field of data capturing, recording and processing. CBS is outcome of the same.

For obvious reasons audit methodology can not remain static, it has also to change. Therefore, with the spread of CBS in large number of cases, changing audit methodology also became inevitable. If the auditee's dependence on technology hinges heavily, there is no reason why auditor should not apply the same technology.

Core Banking Solution (CBS)

What is CBS?

The core banking system is the set of basic software components that manage the services provided by a bank to its customers through its branches (branch network). The bank's customers can make their transactions from any branch, ATM, Service Outlets, Internet, Phone at their disposal.

The CBS is based on Service Oriented Architecture (SOA). It helps banks to reduce risk that can result from manual data entry and out-of date information. It also helps banks to improve Service Delivery quality and time to its customer.

The software is accessed from different branches of bank via communication lines like telephones, satellite, internet etc.

Core Banking System [CBS] works on a concept of Centralized Database and Processing. Transactions take place at various geographical locations which get recorded and processed at a Centralized Server. Updation of Database is on Real Time Basis. Due to the Centralization of

Transaction Processing, issue of Out of Date Information is eliminated. All the users connected to CBS will be able to get upto date information. CBS also enhances quality of Reporting and strengthens Access Control.

Centralized Banking Solution / Core Banking Solution

Under CBS data is stored in centralized servers at Data Centre. This effectively means that all operations at the connected branches, back offices are carried out through servers at Data Centre including transactions through other delivery channels like ATMs, Internet Banking, Phone Banking.

Under CBS, the branches, back offices are defined as SOL (i.e. Service Outlets) where each SOL functions as a service window. The CBS is capable of processing any transaction from any branch location connected to CBS. It can be equated with single window operations at airline counters or railway reservation counters wherein all the services can be obtained at one place. Hence, under CBS customer is now a customer of the bank and not merely a customer of a branch of the Bank. This has facilitated Any-where, Anytime Banking convenience for the customer.

From Bank's perspective, control over the application and processes has been entrusted at Data Center Level. In addition to it CBS also makes available effective MIS on real-time basis. It enables generation of all periodical returns centrally.

As mentioned above there are various CBS developed by various software companies are available in the market however, out of the all, highly acclaimed and widely used Core Banking Softwares are a) FINACLE by Infosys, b) BaNCS by TCS and c) FlexCube by Oracle

This writeup is segregated into following parts.

1. Part - A Overview of Various CBS and Basic Concepts
2. Part - B List of Important Menu Commands of CBS
3. Part - C Illustrative Checklists on different Audit activities through CBS
4. Part - D Illustrative list of Special purpose / Exception Reports

Part - A

Overview of Various CBS and Basic Concepts

Introduction to FINACLE

A Financial Package, for Banking Solution developed by Infosys on a platform of Oracle, is thus named as FINACLE. Presently, many Indian Public Sector Banks, Private Sector Banks and Foreign Banks operating in India are using this software as banking solution due to high flexibility and scalability. Finacle is an integrated, on-line, enterprise banking system designed to provide the "e-platform".

Prior to 1995 it was known as BANC 2000, a Total Branch Automation package with a distributed network. After 1995 Infosys developed the same as FINACLE, a Core Banking Solution.

Functionalities

- Finacle facilitates anywhere banking
- It is menu driven software with easy navigation.
- It is functionality rich and addresses the retail and corporate banking requirements.
- Customization and parameterization are two special features of Finacle.
- Finacle provides multi-lingual support
- Finacle provides multi-level security i.e. operation, database and application level security
- It supports workflow based Transaction Processing.
- It has High level of security control and audit capabilities
- It has a common transaction interface for all type of transactions.
- It provides a browser based GUI interface to Finacle
- SQL & PL SQL is used for generation of MIS, Reports, Queries at Centralized Level.
- Designed for optimum Usage Of Network Bandwidth
- There are two Functional Modules -
 - a. *Retail and Corporate Module* - Encompassing Saving Accounts, Current Accounts, Term Deposits, Cash Credit Accounts, Overdraft Accounts, Term Loans, Demand Loans.
 - b. *Trade Finance Module* - Encompassing Inland & Foreign Bills, Forward Contracts, Inland & Foreign Documentary Credits, Inland & Foreign Bank Guarantees, Inland & Foreign Remittances and Preshipment Credits.

Finacle (Ver. 7) Overview

| Finacle User Menu | | | | | | | | |
|--|-----|-------|------------------------|-------|-------|-------|-------|-------|
| Menu Block | | | Favorites ! | | | | | |
| Main Menu -> Sub Menu -> Menu Description [Menu Code] | | | User Defined Favorites | | | | | |
| MESSAGE AREA | | | | | | | | (A) |
| Menu Option | (B) | Btn.1 | Btn.2 | Btn.3 | Btn.4 | Btn.5 | Btn.6 | Btn.7 |
| Action Bar | | | | | | | | |

A = Progress Indicator

B = Field to Specify Menu Option

- *Menu Block*: The block houses all the menu and sub-menu options available in Finacle.
- *Menu Option Block*: Menu Code to be entered to gain access to the respective menu.

- *Action Bar*: User can execute the process of Finacle Operations by clicking on various options on this bar. The Hot-Keys are also assigned for all options, which appear on the bar.
- *Action Buttons*: Every action button has a specific purpose. E.g. On clicking WhoAml button, system will display user_id of the user who is currently logged in & other information viz. date, name of SOL in a message box.
- *Message Bar*: The message bar displays warnings, exceptions, errors or Lists under a specific field code.
- *Favorites*: Menu items which are required and used on Regular basis can be put in favorites by copying from Menu Block. As a one time process Specific Menu Item which is required to be copied to Favorites should be located in Menu Block and with the use of Drag and Drop the function can be stored under Favorites menu.
- *Progress Indicator*: It shows the progress of the action initiated through the use of Colours (i.e. **Green** indicates that the System is “Ready” for processing, **Red** indicates that the “System is busy in Processing Activity and **Yellow** indicates that browser is performing internal processing like assembling / painting screen as per requirement. User should not operate the system)

General Key Map

Default Physical Keys in Finacle are as follows. However, default key map differs in individual bank.

| Physical Key | What does it do? |
|----------------------------------|---|
| F1 | Field level help. Like in several word processors and spreadsheet packages, F1 displays context sensitive help messages and field level help messages. |
| F2 | List. This key lists the codes that may be used in a particular field. |
| F3 / ESC | Quit/ Back. Quits and takes the user back to where he started when in action. It can be used when the input is incorrect and the user wants to abandon what he has been doing. It can also be used to go back to the previous menu. |
| F4 | Accept. After the user has completed the input, this key can be used to accept the data. |
| F5 | Background Menu |
| F6 | Next Block |
| F8 | Copy Record |
| F9 | Display Signature |
| F10 | Commit/ Save. This is very important key and this concludes the transactions. This is the commit and transactions get into the General Ledger (database) when this key is used. |
| F11 | Next field |
| F12 | Previous Block |
| TAB | Go to next valid field |
| ENTER | Go to the next field |
| DOWN Arrow ↓ (NextRec button) | Next Record (In a list or result of a query) |
| UP Arrow ↑ (PrecRec button) | Previous Record (In a list or result of a query) |
| CTRL+F1 | Help maintenance |
| CTRL+F3 | Show key map |
| CTRL+F4 | Display error |
| CTRL+F8 | Terminal lock |
| CTRL+F9 | Memo pad look up |
| CTRL+F11 | Context level help |
| CTRL+D | Page down on a list |

| Physical Key | What does it do? |
|--------------|--|
| CTRL+E | Explode. This key is particularly useful for the further inquiry. |
| CTRL+F | Clear field. This key combination can be used when the user wants to clear the field. |
| CTRL+T | Display LGL. The user ID, Terminal ID, SOL, BOD Date and language details are displayed. |
| CTRL+U | Page up on a list |
| CTRL+X | Put BOD date. This key combination populates the default BOD date in the field. |
| SHIFT+F4 | Select the current item from the list. This key combination can be used to select a value from the list of valid values listed for a particular field. |
| SHIFT+F11 | Transmit |
| SHIFT+TAB | Go to the previous field |

At present there are two versions of Finacle in operations i.e. Version 7 and Version 10 ("Finacle 10X"). Few of the important changes in Finacle 10 are as follows.

- Entire new module "CRM" in place of CUMM command
- CRM Module under Finacle 10 contains various fields for capturing of information. Viz.
 - ✦ General Details,
 - ✦ Demographic,
 - General
 - Caste | Nationality | Marital Status | Mailing Preference | Tax Exemption Form Ref. | Tax Exemption Start and End date | TRC Validity
 - Qualification
 - Employment
 - Income & Exp. Details
 - ✦ Psychographic info.
 - Profile
 - General details
 - Segmentation
 - Preferential Discount
 - Relationship Details
 - Introducer | Guarantor | Reference | Ben. Owner
 - Asset
 - Assets purchased with Finance details
 - Credit Bureau Preferences
 - External Rating details
 - ✦ Trade Finance
 - ✦ BASEL Profiling
- Trade Finance and Foreign Exchange Menus have also undergone changes. For instance
 - ✦ Single Reg. Type code is prescribed instead of two codes as was applicable in Ver. 7.
 - ✦ Flag in Inward Remittance module for Advance against Exports cases
- There is completely New UI (User Interface) in Finacle 10.
- Menu codes have also undergone changes as compared to Version 7.

- Account Setup is now different for Operative Account and Term Deposits Accounts.
- Signature verification system separated from Main Application. New module “SVS”. Though linking is available besides account no. for seamless movement.
- Apart from enhancements and above points there are various Navigational Changes and Process Changes in Finacle 10X.

Introduction to TCS BaNCS

A Financial Package, for Banking Solution offered by Tata Consulting Services. The Core Banking solution TCS BaNCS is an integrated solution that automates all aspects of core banking operations across entities, languages and currencies. BaNCS is built on open architecture, component-based product suite to leverage service-oriented and event-driven architectures.

Functionalities

- Entire range of banking products including savings, checking, overdraft and deposit accounts
- Entire range of lending products
- Complement of transactional services including remittance, foreign exchange, cards and trade finance
- Accessibility through multiple channels, including mobile banking and web
- Full integration of front-, middle-, and back-office processes
- Accurate, timely and actionable information about customer relations
- Single view between bank and customer
- “Anytime anywhere” banking

Introduction to Oracle FlexCube

FlexCube provides a comprehensive, integrated, interoperable, and modular solution that enables banks to manage evolving customer expectations.

Functionalities

- 24/7 processing of large transaction volumes, with high availability
- Multiple delivery channel support
- Security management covering application and role-based access
- Service-oriented architecture supports agile business process management
- Componentized architecture helps build scalable and reusable solutions

Quick access screens through Hot Keys in Flexcube

| Hot Keys | Screen Name | Description |
|----------|-----------------------------------|---|
| Alt + B | Balance Inquiry | This screen displays the account details of the savings and checking account balances such as the available balance, nucleated balance, current book balance, passbook balance, net balance, etc. |
| Alt + C | Customer Name And Address Inquiry | This screen displays the details such as the name, address, city, country, SSN/TIN number, etc of the selected customer |
| Alt + A | Account Details | This screen displays the account details of the customer such as account number, account branch, account currency, customer name, etc. |

| Hot Keys | Screen Name | Description |
|----------|------------------------------------|--|
| Alt + S | Amount based Account Image Display | This screen displays the images on the basis of the details maintained in the Amount Based Operating Instruction Maintenance (Fast Path: 7116) option |
| Alt + P | | This will enable the user to print the receipt of the transaction. |
| F8 | | This will enable the user to return to the same screen. |

General Concepts of CBS and of Finacle:

- **SOL ID & Set ID (Init. Br. ID)**

SOL ID: Under Core Banking System, each Branch, Back Office, Administrative / Controlling Office are assigned a code i.e. Service Outlet ID [SOL ID]. It helps in identifying the Branch / Office under which the Account is maintained. Hence, if a branch at Delhi is assigned a SOL ID of "0089", the accounts opened under Delhi Branch will display "0089" as SOL ID in CBS.

As discussed above under CBS any branch can initiate transaction for any of the account maintained with the bank. Hence, a distinction is required between the branch which maintains the account and the branch who initiate the transaction.

Set ID (Init. Br. ID): Set ID or Initiating Branch ID is a SOL ID of the Branch who initiated the transaction.

E.g.: Transaction of a Cash withdrawal by a customer of Mumbai Branch (SOL ID "0044") from Delhi Branch (SOL ID "0089"). In the instant case "0089" is Init. Br. ID and "0044" is Account SOL ID. In order to search transactions based on the branch who initiated transactions in Finacle, SET ID (Init. Br. ID) parameter is required to be used under Menu Code "FTI".

- **Tran ID, Journal No. & Date**

Each transaction in Finacle will be assigned a unique Transaction ID. The Transaction ID remains unique only for the day, since, on the next day the Transaction IDs are reset.

Combination of Transaction ID and transaction date make it unique across the system. In Finacle, once the transaction is "Entered", a Tran ID is generated. To locate any transaction from the database the user need to use Tran ID and Date at TI/TM Menu command.

Under BaNCS the transaction number is known as Journal Number.

- **Transaction Type & Subtype**

Transactions in Finacle are entered with the Transaction Type and Transaction Subtype. It easier to trace set of transactions with Transaction Type & Sub Type.

Codes for Transaction Type and Sub Types are prescribed differently by each bank.

E.g.: Transaction Type codes for Cash and Transfer may be of following types.

- ✦ Tran Type: Cash: "C", Transfer: "T"
- ✦ Sub Tran Type: CR - Cash Receipt, CP: Cash Payment

The auditor must acquaint himself with the Transaction Types used by each bank. It helps auditors to design query (search parameters) for inquiry of financial transactions.

- **Customer Master Level Configurations**

Under CBS, the customer is identified by a number generally called CUST ID / CIF No. Following are the advantages of separate configuration for Customer and Accounts of Customer.

- ✦ Identification of unique customers.
- ✦ Data redundancy can be reduced by eliminating the process of updating repetitive details about customer at each time of opening of Account.
- ✦ It is easier to comply with Customer centric Regulations. E.g. TDS provisions under Income Tax Act (where payment to customer is important than payment for an account), IRAC Guidelines (where classification of account is Borrower-wise and not Account-wise)
- ✦ Multiple accounts of the customer can be mapped to a customer for better identification.

Under the Customer Master Level configuration basic details about the customer are updated. Details include Name, Date of Birth, PA Number etc.

Once the CUST ID / CIF is opened, various accounts can be opened under the said CUST ID / CIF. Relationship between CUST ID/CIF No. and Account is that of Parent and Child wherein the Account Master inherits the information and parameter values from Customer Master.

In Finacle menu command **CUMM / CUMI** is used for inquiry on CUST ID / CIF No. Under BaNCS the customer master details can be reviewed through “Customer Master Details” module.

Important Points for Auditors:

1. Issues with multiple CUST-ID:

In terms of guidelines issued by RBI on UCIC, each customer in bank is required to be assigned a unique ID. However, it has been observed in many banks that multiple CUST IDs have been opened for a customer. It has also been observed that at the time of migration had migrated old customer information to one CUST ID and have opened new CUST IDs for opening of new accounts post migration.

Due to multiple CUST ID the very purpose of having configuration of CUST ID is defeated. The auditors should verify such discrepancies at the time of account opening verification. Moreover, the auditors should also seek help of bank’s IT Dept. for generation of report based on combination of information viz. Name, PAN, date of birth, employee code etc. to identify existing cases of multiple CUST ID in the system.

2. Difference in customer’s name at CUST ID and at Account Level:

At the time of opening of Account, Finacle automatically displays the name of Account Holder based on CUST ID details. However, Finacle also allows user to amend the name. Generally the said change is configured as an exception which requires sufficient powers / work class in the system to override.

The Auditor at the time of Account Opening verification should verify the details as per CUST ID and in Account. Difference in names at both the places increases unwarranted confusion. Moreover, auditor should seek help of bank’s IT Dept. for generation of report based on difference in name as per CUST ID and as per Accounts opened (if any).

- **Account Level Master Configurations**

Configurations / parameters for are setup at the time of Account Opening. Modification afterwards is also permitted.

Account Level master contains the parameters and details specifically with respect to account. For instance, Interest Rate, Interest payment periodicity, Freeze, Lien etc.

It is important to note here that under CBS majority of functions and transactions are master driven and hence, any minor error at Master Level (whether Customer Master or Account Master) can have magnanimous effect on transaction processing. E.g. if Interest Collection Flag is selected as "N" at Account Master Level, the system will not collect any interest. Hence, accuracy of master is a vital audit area.

- **Pointing Type Accounts / Self Reconciling Accounts**

Apart from maintaining Customer Accounts, the bank's general ledger also contains various Suspense / Sundry Accounts. Such accounts can be with Debit or Credit balance.

The said accounts are used for limited purpose and for parking of entries for limited time frame. Transactions wherein either Debit / Credit leg is not confirmed / identifiable at the time of Transactions are parked in such accounts. E.g. An amount of Rs. 1,000 is given to an employee in advance for purchase of Stationery item for branch. The said transaction will be kept under such Suspense / Sundry account till the date the employee submits the bill / returns the advance.

The transactions processed in such accounts are not routine hence it calls for continuous monitoring and earliest reversal. Moreover, numerous transactions in an office account make it difficult for reconciliation. In earlier times, the activity of reconciling the office account was manual.

However, under CBS such accounts are opened under Pointing Type Office Account / Self Reconciling Accounts Scheme Code which facilitates automatic reconciliation and real-time information on outstanding / non-reversed transactions.

Transactions in such type of accounts are in two parts. i) Originating Transaction ii) Reversal Transaction. For each reversal entry, the system will prompt the user to point it to an originating transaction. There can be multiple reversals against single originating transaction. Such type of Account will also ensure that in case of a Debit Type Office Account, Credit entry as Originating entry will not be permitted.

On the users side, at the time of reversal of Transaction the system will ask the user to "Point" the Originating Transaction against which the transaction is being reversed. On selection, the system will reduce the balance under the said Originating Transaction. Under this type of Pointing Type Account, at any given point of time aggregate of outstanding transaction-wise balance will be equal to the Office Account Ledger Balance.

Under Finacle, verification of outstanding / non-reversed entries can be verified from menu command **IOT (Inquire on Transaction)**. Moreover, a report on outstanding office account transaction can be generated through Menu **MSGOIRP**. Various customized reports for the said purpose are also available under each banks "Report" menu in Finacle.

Under BaNCS, the outstanding entries are available through offline reports viz. "Audit BGL accounts age wise break up" and "GL-Outstanding-Accnts" report.

- **Interest Table Maintenance**

Interest collection as well as payment in CBS can be through Interest Tables or can be by way of absolute rate. In case a loan account wherein Interest Rate is based on a reference rate (say Base

Rate), the Interest Rate field is updated with the Reference Rate Table to ensure automatic updation of Interest on subsequent change.

In case of Interest Table master, the primary rate is sourced from a Master Table. For instance, in case of Loan sanctioned as Base Rate + 3 % whereas Base Rate at the time of Sanction was 10%, the Interest Rate field will be updated either with BR+3 Table code or with BR Table with 3% updated in Account Preferential Debit Interest with +3%. Method of updation of interest may differ from bank to bank.

In case of few specialized products (e.g. subsidy linked accounts) limit level interest rate is required to be applied. In such case the parameters are setup at Interest Table Master Level and the said table code is updated under Interest Table field at Account Master Level.

In case of a fixed rate loan, the interest rate is updated as absolute figure in Interest Rate field instead of Table. However, few banks follow the practice of updating "ZERO Interest Rate Table" with necessary interest rate at Account Preferential Debit Interest.

- **Interest Flags**

Values at Interest Flags determine the payment & collection of Interest. Applicable flags (i.e. Interest payment, Interest collection) are required to be updated at Account Master Level. Hence, if the Interest Collection Flag is updated as "N", there will not be charging of interest by system, although proper Interest Table Master is selected.

- **Withholding Tax Flags**

Interest payment to the customer is aggregated at Customer Master Level (i.e. for all the accounts opened under a CUST ID / CIF No.). The threshold limit for TDS is computed based on the amount aggregated at CUST ID Level. Once the payment of Interest exceeds minimum threshold level prescribed under Income Tax provisions, the system initiates deduction of taxes from Interest. However, for cases wherein customer has submitted Form 15H/ 15G / tax exemption certificate, necessary flags are required to be updated to prevent deduction of taxes upto the enhanced limit (as applicable).

Withholding Tax flags are available at both CUST ID and Account Master Level. With the recent change in the Income Tax guidelines w.r.t. online submission of details of Form 15G/15H, the exemption is required to be flagged at CUST ID level for the amount of Interest Income declared by the customer.

In Finacle, withholding (TDS) flags are driven by Tax Slab. For each type of customer different tax slabs have been defined at Master Level e.g. TDS for individuals, TDS for corporate, TDS for exempt entities. It is important for auditor to verify correctness of Tax Slab vis a vis constitution of customer.

- **Freeze Flags (Debit, Credit and Total)**

In case of court order, dispute between the joint account holders, recovery notice from revenue authority the transactions in accounts are required to be suspended. Depending upon the requirement the transactions are suspended (viz. Debit, Credit or all) through Freeze Flags.

The freeze can be applied at CUST ID Level (i.e. all the accounts of the customer) or specific account of the customer. The source documents are required to be verified for marking of freeze

and unfreeze event. The inquiry of accounts with Freeze Flag can be made in Finacle through ACS Menu Command with Freeze Flag as "T"=Total Freeze, "D"=Debit Freeze, "C"=Credit Freeze.

- **Schemes & Scheme Codes**

Different types of account products are offered to customer with different characteristics. For instance, various types of Savings Accounts are offered. The aggregation of account balance for such cases will take place at Sub GL & GL Level. However, for account operations and account master setup different schemes are setup in CBS. Scheme Code acts as a placeholder. Inquiry for different types of accounts can be made in Finacle through ACS Menu Command with "Scheme Code".

- **Exception Types**

The transaction errors are handled in CBS through following modes.

- *Warning* - Warns user for possible errors based on prefixed criteria
- *Exception* - Allows user (with sufficient power) to override. However, the transaction will be recorded in Exception Report for the day
- *Error* - Does not allow user to proceed further, unless the correct values are filled in.

- **Maker & Checker Matrix for valid transaction**

Under CBS the transactions are processed by atleast two officials of the bank under Maker and Checker mode. The same is tracked through the transaction events (viz. entry, posting and verification). Posting is the event which updates the GL Balance. Posting activity depends on the rights assigned to each user ID.

- **Inventory Locations**

The inventory concept under CBS refers to handling of security stationeries viz. Non-personalized cheque books, Demand Drafts, Term Deposit Receipts. Each bank, as per the requirement, creates different inventory location and inventory sub location codes in CBS.

Predominantly, locations are created for Joint Custody (Dual Custody), Employee Custody, External Locations. Barring, external location, balancing of security stationery is available for all the locations.

In Finacle the report on outstanding inventory items can be generated through Menu command ISRA. Whereas under BaNCS the same set of reports can be generated through VPIS (Valuable Paper Inventory System) module.

- **Zones in Clearing Modules**

For easy identification of Type of cheque and proper reconciliation various zones are opened on daily basis (as per clearing cycle) in CBS.

Various zones are opened for Non CTS Cheques, Interbank Cheque, KYC Cheques, MICR Cheques, Non-MICR Cheques, Warrants, CMSCheques etc.

Opening of Zone is the primary event before lodging any Inward Clearing instrument or Outward Clearing Instrument.

- **Limit and Limit Node**

Under Finacle the Limit Management is done through Limit Node Maintenance. Wherein, the limits are specified at each node level with capping.

- Credit Limits can be set at Account Level as well as at Node Level for deriving the Drawing Power for a customer. Setting up of Limit at Node level has following advantages.
 - i. Managing two or more accounts with drawing power deriving from the same security.
 - ii. Interchangeability of limits among different accounts.
 - iii. Monitoring the overall exposure to a single client / group of clients.
 - iv. Exposure to a select commodity / security. *Limit Node Maintenance* helps to build these requirements in the limit management
- Limit Node:
 - i. Limit nodes are used to group accounts under one node to enable easy monitoring and organization.
 - ii. A limit node can be linked to a security for deriving drawing power.
 - iii. Distribution of overall group (group may be a group of clients or a group of accounts) limits to individual members (members may be accounts or clients) is possible through creation of Parent Node and Child Nodes.
 - iv. Every child node can further be distributed to group of accounts or clients.
 - v. This is diagrammatically explained through below example.

| Facility Type | Particulars | Limit (Rs. Lacs) | Remarks |
|------------------------------------|---------------|------------------|--|
| Funded | Term Loan | 225 | Funded Limit Cap is 500 Lacs <i>Upper Limits fixed in each type of Facility</i> |
| | WCDL | 75 | |
| | CC | 200 | |
| | BP / FBP / BD | 50 | |
| Total Funded Facilities | | 500 | |
| Non-Funded | LC | 300 | Non Funded capping is at Rs. 500 Lacs |
| | BG | 300 | |
| Total Non-Funded Facilities | | 500 | |
| Total Company Exposure | | 1000 | Total Exposure to Company should not exceed 1,000 Lacs |

- **Temporary Overdraft (TOD) Setup:**

Granting of TOD to a customer is a credit decision from Bank's perspective. Auditor has to review the source documents and delegated powers to ascertain whether the sanction was inline with the guidelines prescribed by the bank.

Setup of TOD is done in Finacle as follows. TOD is granted to an account under various circumstances. For instance,

| Type | Event | Mode |
|---------------|-------------------------|--------------------------|
| TODIC | Interest Calculation | Single |
| TODDL | Drop in Limit | Single |
| TODMN / TODUG | Manual / User Generated | Single / Running / Adhoc |

Explanation of various TOD modes is as follows.

| Mode | Narrative |
|------------|--|
| Single (S) | It refers to TOD for specific Purpose / transaction. It can be used only for the specific transaction during which the same was granted. |

| Mode | Narrative |
|-------------|--|
| Running (R) | It refers to setting up of a parallel limit at account level for a defined period over and above credit limits (if any). |
| Adhoc (A) | Adhoc allows customer with OD / CC Accounts to operate within TOD Limits for defined period. |

From above narrative it appears that running and adhoc TODs serve the same purpose. However, from CBS perspective, both the events are different. In case of single and running TOD, CBS computes the number of TOD sanctioned in the account. In case the cumulative number exceeds the prescribed limit for an account, an exception gets triggered for all subsequent transactions. Whereas in case of Adhoc TOD the said TOD is not counted under number of TODs thereby circumventing the exception controls embedded in the system.

It is important for auditors to verify cases wherein Adhoc Limits have not been delinked on expiry in system.

Register Type & Subtype (Trade Transactions)

The concept of Register Type and Sub Type is same as Transaction Type and sub types as discussed above. The types are used to aggregate transactions of same nature in system. It helps in identifying and tracking of transaction in a better manner. In Finacle, Register Type and Sub Types have been used in Inland Trade Transaction and Foreign Trade Transactions modules.

List of few Register Types and Subtypes for an Import Transactions is as follows.

| Reg. Type | Sub Type |
|-----------------------------------|---|
| Import Bill on Collection | Sight |
| Import Bill on Collection | Usance |
| Import Bill under LC | Sight |
| Import Bill under LC | Usance |
| Direct Import Bill | TT (Telegraphic Transfer) / DD (Foreign Demand Draft) |
| Advance Remittance against Import | TT (Telegraphic Transfer) / DD (Foreign Demand Draft) |

Part - B

List of Important Menu Commands of CBS

Following is the list of various important menu commands across multiple CBS based on area of operations in the bank.

i. Accounts, Customer Master and Inquiry

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|--|--|------------------------------------|
| Finacle 7 | CUMM / CUMI | Customer Master Maintenance / Inquiry | Inquiry |
| Finacle 7 | ACM / ACI | Account Master Maintenance / Inquiry | Inquiry |
| Finacle 7 | ACLI | Account Ledger Inquiry | Inquiry |
| Finacle 7 | ACCBAL | Component of Account Balance Inquiry | Inquiry |
| Finacle 7 | ACS | Account Criterion Search | Inquiry (Search / Criterion based) |
| Finacle 7 | CUS | Customer Selection / Inquiry | Inquiry (Search / Criterion based) |
| Finacle 7 | ACINT | Interest Run for Accounts | Inquiry / Report |
| Finacle 7 | INTTM | Interest Table Master Maintenance | Inquiry |
| Finacle 7 | AFI | Audit File Inquiry | Inquiry |
| Finacle 10 | CRM Module | Customer Master maintenance | Inquiry & Modifications |
| Finacle 10 | HACLI, HACLINQ | Account Ledger Inquiry | Inquiry |
| Finacle 10 | HACM, HACMTD | Account Master, Account Master Term Deposits | Inquiry |
| Finacle 10 | HINTTM | Interest Table Master Maintenance | Inquiry |
| Finacle 10 | HAFI | Audit File Inquiry | Inquiry |
| BaNCS | Customer Management -> Enquiries -> Search by CIF Number | To verify all accounts of one Customer | Inquiry |
| BaNCS | Customer Management -> Enquiries -> Search by ID Number | Search using available information (ID Number) | Inquiry |
| BaNCS | Customer Management -> Enquiries -> Search by Name | Search using available information (Name) | Inquiry |
| BaNCS | Customer Management -> Relationship / Ownership -> Associated Accounts | Inquiry on Linked Accounts, Owned Accounts etc. | Inquiry |
| FlexCube | CH021 | Account Master Maintenance | Inquiry |
| FlexCube | CH701 | Customer account balances-Other than loans-For standard accounts but including CC limit accounts | Inquiry |
| FlexCube | CH703 | RD account balances- Customer wise | Inquiry |
| FlexCube | 2000 | CTI Customer Search | Inquiry |

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|-------------------------|--------------------------------------|------------------------------|
| FlexCube | 7004 | Customer Name and Address Inquiry | Inquiry |
| FlexCube | 7100 | All Balance Inquiry | Inquiry |
| FlexCube | 7105 | Display Customer Image | Inquiry |
| FlexCube | BA095 | Account Level Attributes Inquiry | Inquiry |
| FlexCube | 7002 | Balance Inquiry | Inquiry |
| FlexCube | CH031 | Statement Inquiry | Inquiry |
| FlexCube | BAM24 | Account Status Audit Trail Inquiry | Inquiry |
| FlexCube | 1337 | Term Deposit Interest Payout Inquiry | Inquiry |
| FlexCube | 7020 | TERM DEPOSIT Balance Inquiry | Inquiry |
| FlexCube | TD023 | TERM DEPOSIT Rates History Inquiry | Inquiry |
| FlexCube | TD031 | TERM DEPOSIT Audit Trail Inquiry | Inquiry |
| FlexCube | TD037 | TERM DEPOSIT Account Ledger Inquiry | Inquiry |
| FlexCube | TD050 | TERM DEPOSIT Interest Inquiry | Inquiry |
| FlexCube | TD11 | TDS Inquiry | Inquiry |

ii. Transactions

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|---|--|------------------------------------|
| Finacle 7 | TM / TI | Transaction Maintenance / Inquiry | Inquiry |
| Finacle 7 | FTI | Financial Transaction Inquiry | Inquiry (Search / Criterion based) |
| Finacle 7 | FTR | Financial Transaction Inquiry Report | Report |
| Finacle 10 | HTI | Transaction Maintenance / Inquiry | Inquiry |
| Finacle 10 | HFTI | Financial Transaction Inquiry | Inquiry (Search / Criterion based) |
| BaNCS | Deposit / CC / OD Accounts & Services -> Enquiries -> Transaction | Transaction Enquiry (Additional options available: Transaction Types: 99 - All Financial, 98 - Cash Transaction, 25 - Repayment Details, 33 - Message Details) | Inquiry |
| BaNCS | -> Branch Accounting (BGL) -> Enquire -> Transaction | BGL Transaction Enquiry | Inquiry |
| FlexCube | TD044 | TD Transactions Inquiry | Inquiry |
| FlexCube | LN058 | Loan Interest Adjustment Transaction | Inquiry |
| FlexCube | PM025 | Payment Transaction Inquiry | Inquiry |
| FlexCube | GLM04 | GL Transactions and Movements Inquiry | Inquiry |
| FlexCube | AT002 | Audit Trail Financial Transactions Inquiry | Inquiry |
| FlexCube | BA777 | Audit Trail Inquiry for Non-Financial | Inquiry |

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|-------------------------|-----------|------------------------------|
| | | Txns | |

iii. Clearing Transactions

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|--|---|------------------------------|
| Finacle 7 | MCLZOH | Maintain Clearing Zone | Inquiry |
| Finacle 7 | OCTM | Outward Clearing Transaction Maintenance | Inquiry |
| Finacle 7 | ICTM | Inward Clearing Transaction Maintenance | Inquiry |
| Finacle 10 | HOCTM | Maintain Clearing Zone | Inquiry |
| Finacle 10 | HICTM | Outward Clearing Transaction Maintenance | Inquiry |
| Finacle 10 | HMCLZOH | Inward Clearing Transaction Maintenance | Inquiry |
| BaNCS | Collection and Cheque Purchase -> Enquiries -> Enquiries | Inquiry for Cheque Purchase / on Collection | Inquiry |
| FlexCube | ST023 | Outward Clearing | Inquiry |
| FlexCube | ST033 | Inward Clearing | Inquiry |
| FlexCube | BA990 | Clearing Inquiry | Inquiry |
| FlexCube | ST002 | Value Date Clearing Inquiry | Inquiry |

iv. Office Accounts Maintenance

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|--|--------------------------------------|------------------------------|
| Finacle 7 | ACLPOA | Account Ledger Print Office Account | Report |
| Finacle 7 | IOT | Inquire on Transaction | Inquiry & Report |
| Finacle 7 | MSGOIRP | Outstanding Items Report | Report |
| Finacle 10 | HIOT | Inquire on Transaction | Inquiry & Report |
| Finacle 10 | HACLPOA | Account Ledger Print Office Account | Report |
| BaNCS | -> Branch Accounting (BGL) -> Enquire -> Account | Enquiry on BGL Account | Inquiry |
| BaNCS | -> Branch Accounting (BGL) -> Enquire -> Account Number Search | Search an Account Number by BGL Name | Inquiry |
| BaNCS | -> Branch Accounting (BGL) -> Enquire -> Transaction | BGL Transaction Enquiry | Inquiry |
| Flexcube | GLM01 | GL Voucher Entry | Inquiry |
| Flexcube | GLM02 | Chart of Accounts | Inquiry |
| Flexcube | GLM04 | GL Transactions and Movement Inquiry | Inquiry |
| Flexcube | 1005 | Miscellaneous GL Transfer (Dr/Cr) | Inquiry |

v. Loans & Advances

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|---|---|-------------------------------------|
| Finacle 7 | SRM | Security Register Maintenance | Inquiry |
| Finacle 7 | HCLM / CLL | Collateral Maintenance | Inquiry |
| Finacle 7 | ACHLM | Account History Limit Maintenance | Inquiry |
| Finacle 7 | ALM | Account Lien Maintenance | Inquiry |
| Finacle 7 | ACTODM | Account TOD Maintenance | Inquiry |
| Finacle 7 | TODRP | TOD Register Printing | Inquiry |
| Finacle 7 | PSP | Pass Sheet Print | Report |
| Finacle 7 | ACLPCA | Account Ledger Printing | Report |
| Finacle 7 | LAGI | Loan General Inquiry | Inquiry (Criterion based search) |
| Finacle 7 | LAOPI | Loan Overdue Position Inquiry | Inquiry (Criterion based search) |
| Finacle 7 | LTL | Limit Tree Lookup | Inquiry |
| Finacle 7 | LNDI | Limit Node Inquiry | Inquiry |
| Finacle 7 | AINTRPT | Interest Report for Accounts | Report |
| Finacle 10 | HSCLM | Security Register Maintenance | Inquiry |
| Finacle 10 | HALM | Account Lien Maintenance | Inquiry |
| Finacle 10 | HACTODM | Account TOD Maintenance | Inquiry |
| Finacle 10 | HPSP | Pass Sheet Print | Report |
| Finacle 10 | HACLHM | Account Limit History Maintenance | Inquiry |
| Finacle 10 | HAINTRPT | Interest Report for Accounts | Report |
| Finacle 10 | HINTPRF | Interest Proof Report | Report |
| BaNCS | Deposit / CC / OD Accounts & Services -> Enquiries -> Deposit / CC / OD Account | To verify the Account Master Details | Inquiry |
| BaNCS | Deposit / CC / OD Accounts & Services -> Enquiries -> Statement Print | Printing Statement of Account for a Deposit or CC / OD | Report |
| BaNCS | Deposit / CC / OD Accounts & Services -> Enquiries -> Short | Basic details on Enquiry on Screen on Deposit Accounts | Inquiry |
| BaNCS | Deposit / CC / OD Accounts & Services -> Enquiries -> Long | Additional Details on Enquiry Screen for Deposit Accounts | Inquiry |
| BaNCS | Deposit / CC / OD Accounts & Services -> Interest Rate History | Details of changes in Interest Rate for an account | Inquiry |
| BaNCS | -> DL/TL Accounts & Services -> Loan Tracking -> Operations | Loan account operations | Inquiry |
| BaNCS | -> DL/TL Accounts & Services -> Loan Processing -> Generate Repayment Schedules - | To print Repayment schedule for a DL / TL Account | Report |

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|--|---|------------------------------|
| | >Action - "E" | | |
| BaNCS | -> DL/TL Accounts & Services -> Enquiries -> Short -> Option "Balance Breakup Enquiry" | To view amount of Arrears & Breakup of Principal, Interest Realized, Charges & Arrear of Interest | Inquiry |
| BaNCS | -> DL/TL Accounts & Services -> Security (Primary / Collateral) -> Customer -> Enquiry -> Enquire Security Summary | Enquire on linked collateral | Inquiry |
| FlexCube | CH066 | Limit Collateral Inquiry | Inquiry |
| FlexCube | CHM06 | OD Collateral Maintenance | Inquiry |
| FlexCube | CHM07 | OD Limit Master Maintenance | Inquiry |
| FlexCube | ST070 | Cheque Purchase | Inquiry |
| FlexCube | CH033 | Average Quarterly / Monthly Balance Inquiry | Inquiry |
| FlexCube | TDM24 | Lien Master | Inquiry |
| FlexCube | 1413 | Loan Disbursement Inquiry | Inquiry |
| FlexCube | LN522 | Account Schedule Inquiry | Inquiry |
| FlexCube | LN10 | Account Transactions Inquiry | Inquiry |
| FlexCube | BA433 | Collateral To Accounts Inquiry | Inquiry |
| FlexCube | BA434 | Account To Collateral Inquiry | Inquiry |

vi. DD / PO, Cheque Book maintenance, Stop Payments and Security Stationery maintenance

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|---|-----------------------------|------------------------------|
| Finacle 7 | DDSM | DD Status Maintenance | Inquiry |
| Finacle 7 | DDIP | Inquiry on Specific DD Paid | Inquiry |
| Finacle 7 | ISRA | Inventory Status Report | Report |
| Finacle 7 | IMI | Inventory Movement Inquiry | Inquiry |
| Finacle 7 | ICHB | Issue Cheque Book | Inquiry |
| Finacle 7 | CHBM | Cheque Book Maintenance | Inquiry |
| Finacle 7 | SPP | Stop Payment of Cheque | Inquiry |
| Finacle 7 | SPRG | Stop Payment Register | Report |
| Finacle 10 | HDDSM | DD Status Maintenance | Inquiry |
| Finacle 10 | HDDIP | Inquiry on Specific DD Paid | Inquiry |
| Finacle 10 | HISRA | Inventory Status Report | Report |
| Finacle 10 | HIMI | Inventory Movement Inquiry | Inquiry |
| Finacle 10 | HICHB | Issue Cheque Book | Inquiry |
| Finacle 10 | HCHBM | Cheque Book Maintenance | Inquiry |
| Finacle 10 | HSPP | Stop Payment of Cheque | Inquiry |
| Finacle 10 | HSPRG | Stop Payment Register | Inquiry |
| BaNCS | -> Valuable Paper Inventory System [VPIS] -> Enquiry of VPIS -> | To check inventory status | Inquiry |

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|---|---|------------------------------|
| | General Enquiry | | |
| BaNCS | -> VPIS -> Lost / Damaged / Cancelled Inventories | Location for Lost / Damaged / Cancelled Inventories | Inquiry |
| BaNCS | -> VPIS -> Enquiry of VPIS ->Teller Level Inquiry | Details of Inventory available at Teller level | Inquiry |
| FlexCube | CH078 | Cheque Status Maintenance | Inquiry |
| FlexCube | CHM35 | Stop Cheque Instructions | Inquiry |
| FlexCube | CHM37 | Cheque Book Issue Maintenance | Inquiry |
| FlexCube | IV011 | Stock Inquiry | Inquiry |
| FlexCube | IV004 | Inventory Lost report Register maintenance | Inquiry |
| FlexCube | MCA80 | Inquiry of sold/issued inventory | Inquiry |

vii. Compliances

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|-------------------------|---------------------------------------|------------------------------|
| Finacle 7 | TDSIP | TDS Inquiry / Print | Inquiry and Report |
| Finacle 7 | AFSM | Account Freeze Maintenance | Inquiry |
| Finacle 10 | HTDSIP | TDS Inquiry / Print | Inquiry and Report |
| Finacle 10 | HAFSM | Account Freeze Maintenance | Inquiry |
| FlexCube | TDS06 | Tax Parameters Maintenance | Inquiry |
| FlexCube | TDS04 | Tax waiver criteria Maintenance | Inquiry |
| FlexCube | TDS05 | Customer special Tax code maintenance | Inquiry |
| FlexCube | TDS11 | Tax Inquiry | Inquiry |

viii. Trade Finance and Foreign Exchange Transactions

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|-------------|-------------------------|---|----------------------------------|
| Finacle 7 | INBOEM | Bill of Entry Maintenance | Inquiry |
| Finacle 7 | BI | Bills Inquiry (Inland) | Inquiry (Criterion based search) |
| Finacle 7 | BP | Bills Inquiry (Inland) - Printing | Report |
| Finacle 7 | BM | Bill Maintenance (Inland) | Inquiry |
| Finacle 7 | FBI | Foreign Bill Inquiry | Inquiry (Criterion based search) |
| Finacle 7 | FBM | Foreign Bill Maintenance | Inquiry |
| Finacle 7 | FBP | Foreign Bill Inquiry - Printing | Report |
| Finacle 7 | BRBPR | Balancing Report for Bills Purchased (Inland) | Report |
| Finacle 7 | BRCR | Balancing Report for Bills on Collection (Inland) | Report |
| Finacle 7 | FBBR | Balancing Report for Foreign Bills | Report |
| Finacle 7 | DCQRY | Documentary Credit Query | Inquiry (Criterion based search) |

| CBS Package | Menu Code / Access path | Menu Name | Menu Type (Inquiry / Report) |
|--------------------|--------------------------------|---|-------------------------------------|
| Finacle 7 | GI | Guarantee Inquiry | Inquiry |
| Finacle 7 | IRM | Inward Remittance Maintenance | Inquiry |
| Finacle 7 | ORM | Outward Remittance Maintenance | Inquiry |
| Finacle 10 | HINBOEM | Bill of Entry Maintenance | Inquiry |
| Finacle 10 | MIIB | Maintain Import & Inward Bills | Inquiry |
| Finacle 10 | MEOB | Maintain Export & Outward Bills | Inquiry |
| Finacle 10 | IBL | Bill Inquiry | Inquiry (Criterion based search) |
| Finacle 10 | HBRBPR | Balancing Report for Bills Purchased (Inland) | Inquiry |
| Finacle 10 | HBRCR | Balancing Report for Bills on Collection (Inland) | Inquiry |
| Finacle 10 | HFBBR | Balancing Report for Foreign Bills | Inquiry |
| Finacle 10 | HGI | Guarantee Inquiry | Inquiry |
| Finacle 10 | HIRM | Inward Remittance Maintenance | Inquiry |
| Finacle 10 | HORM | Outward Remittance Maintenance | Inquiry |
| FlexCube | SY001 | Guarantee Inquiry | Inquiry |
| FlexCube | BIM04 | Bill Parameters Maintenance | Inquiry |
| FlexCube | BIM05 | Bills Processing Maintenance | Inquiry |
| FlexCube | BI001 | Bills Data Entry | Inquiry |

Note:

The discussion of Menu codes / commands in this chapter is only for guidance of members. The purpose of inclusion of the same here is to understand functioning of banking software. Moreover, with the continuous changes and customization requests by banks, all the menu codes may not be available / accessible in all the banks.

The Finacle menu codes discussed in this chapter is for version 7 (except expressly mentioned).

Disclaimer:

Images, Logo, Screen Shots, Menu Codes, Software Name etc are the property of respective Software developer / Trademark owners.

Part - C

Illustrative Checklist on Audit activity through CBS

1. Parameters affecting automatic identification of NPAs and re-designing of audit processes

In terms of directives issued by Ministry of Finance and Reserve Bank of India, it is mandatory for banks to identify the bad loans through CBS / Systems instead of conventional methods. CBS like other software work on GIGO principle. Master Data play an important role in correct identification of Bad Loans.

Following are few scenarios wherein incorrect updation in Master Data, manipulation through transactions etc. may impact correct identification of bad loans through CBS.

| Parameters | Auditors' Primary Checks | Suggested System Support |
|---|---|---|
| Discrepancies in setting up the EMI / Installments | <ul style="list-style-type: none"> ➤ Whether EMI / installment is correctly setup. ➤ Whether EMI / installment amount is matching with the Sanctioned Terms. ➤ Whether periodicity of Installment is correctly classified as per Sanctioned Terms? | <p>Finacle:</p> <ul style="list-style-type: none"> – ACI -> Option "E" Repayment details <p>BaNCS:</p> <ul style="list-style-type: none"> – DL/TL Accounts & Services -> Enquiries -> Account – Deposit / CC / OD Accounts & Services -> Enquiries -> Deposit / CC / OD Account <p>(Short & Long Inquiry options are available under both menu.)</p> |
| Multiple sets of EMI / Installments | <ul style="list-style-type: none"> ➤ For case of Multiple sets of EMI e.g. For 1-5 years EMI of Rs. 7,000 and after 5 years Rs. 7,500 ➤ Whether sets of EMI are properly entered? ➤ Is there any substantial difference between 1st set of EMI and 2nd or other sets (e.g. 1st set Rs. 5,000 and 2ndRs. 1,00,000) which cast doubt on debt serviceability? | <p>Finacle:</p> <ul style="list-style-type: none"> – ACI -> Option "E" Repayment details <p>BaNCS:</p> <ul style="list-style-type: none"> – DL/TL Accounts & Services -> Enquiries -> Account – Deposit / CC / OD Accounts & Services -> Enquiries -> Deposit / CC / OD Account <p>(Short & Long Inquiry options are available under both menu.)</p> |
| System determined Asset Classification vis a vis User defined Asset Classification | <ul style="list-style-type: none"> ➤ CBS contain two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types. ➤ In few CBS it has been observed that user is generally given the option to differ and select / amend the classification. In such cases detailed scrutiny of NPA system is required to be | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACM / ACI Option - 'Y' Asset Classification Inquiry ➤ A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for. Accounts listed in the said report should be thoroughly verified. |

| Parameters | Auditors' Primary Checks | Suggested System Support |
|--|--|--|
| | <p>carried out.</p> <ul style="list-style-type: none"> ➤ Due to errors in certain Master Data, there can be erroneous identification of account as NPA. However, such accounts require detailed scrutiny. | |
| Manipulation in SL / DP | <ul style="list-style-type: none"> ➤ Changes in SL / DP should be cross checked with Sanctioned Letter. ➤ Whether any change in Limit is supported by necessary documentation? | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACLHM - Account Limit History Maintenance <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Tailormade report on Changes in Account Limits |
| Incorrect moratorium period | <ul style="list-style-type: none"> ➤ Based on moratorium period CBS will identify the Loan Installment and will track repayment. ➤ In case the moratorium period / installment start date is erroneously updated system will not show correct result. | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACI - Option "E" - Repayment Details <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) |
| Re-phasement without reporting it as reschedule | <ul style="list-style-type: none"> ➤ Loan Account Installments are rephased / recalibrated without reporting the same as Re-schedule. ➤ Verify whether any change in Repayment instruction is made through System. Compare the said accounts with list of Restructured Accounts. | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACI - Option "E" - Repayment Details <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) ➤ Report containing details of all the cases wherein EMI / Installment is changed should be sought |
| Installment Start Date is Future Date | <ul style="list-style-type: none"> ➤ Check whether Installment Start Date entered as per sanctioned term? ➤ In case of future date system will not identify installment and any repayment received will be shown as "Overflow". | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACI - Option "E" - Repayment Details <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) |
| Interest Demand date (Future Date) | <ul style="list-style-type: none"> ➤ Check whether Interest Start Date entered is as per Sanctioned Term? ➤ In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as "Overflow". | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACI - Option "E" - Repayment Details <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Account Master details (Long Inquiry) |
| Fictitious credit through Office Account / Inter- | <ul style="list-style-type: none"> ➤ Are there any quarter / year end credits cited in the account? | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACLI - (Use CTRL + E to Explore the Tran) |

| Parameters | Auditors' Primary Checks | Suggested System Support |
|---|---|---|
| branch Account | <ul style="list-style-type: none"> ➤ Check the source of Credit Entries. ➤ Review transactions in Office Accounts / Inter Branch Accounts. | <ul style="list-style-type: none"> ➤ Review of Office Account Ledgers <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services -> Enquiries -> Transaction ➤ DL/TL Accounts & Services -> Enquiries -> Transaction |
| Round tripping from internal accounts | <ul style="list-style-type: none"> ➤ Close scrutiny of transaction and review of chain / series of transaction for accounts with deficiency is required. ➤ Such transactions will inflate the Credit Turnover in the account. | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACLI - (Use CTRL + E to Explore the Tran) ➤ Using only Account Turnover Information generated through "ATOR" / "CUTI" / "ACTI" menu may lead to incorrect inference, since the credits are not solitary credits in account. <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services -> Enquiries -> Transaction ➤ DL/TL Accounts & Services -> Enquiries -> Transaction |
| Temporary Overdrafts | <ul style="list-style-type: none"> ➤ Check whether the TOD is sanctioned in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned. | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACLI - Option "O" ➤ TODRP - TOD Register Printing <p>BaNCS: TOD Report</p> |
| Devolved bills parked in Office Accounts and not in limit account | <ul style="list-style-type: none"> ➤ Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement) ➤ Check whether the amount of devolvement of LC backed bills are parked in Office Accounts or any separate account? | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ BI & FBI - with Bill Status as "K" using status date filter <p>BaNCS: Report on Devolved bills under Import LC</p> |
| Multiple CUST ID to prevent the other account from becoming NPA | <ul style="list-style-type: none"> ➤ Check whether multiple CUST IDs have been opened for the borrower with different accounts? ➤ NPA Report and search all the case by few characters of Name. | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ ACS - Account Selection (Search based on Name) ➤ LAGI - Loan Account General Inquiry (Inquiry based on other parameters) <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Customer Management -> Enquiries -> Search by Name |

2. Parameters affecting collection of Interest / Revenue

Primary revenue for banks is Interest on Loans and Advances. Charging of Interest is completely automated barring few products. However, the processing is based on certain important parameters. System parameters / fields which affect the Interest Computation should be thoroughly verified.

Important Interest Parameters

- Interest Table
 - Debit Interest Rate & Credit Interest Rate
 - Interest Version
 - Currency
 - Limit Level Interest
 - Penal Interest
- Interest Rate (Static / Absolute & Based on Ref. Rate)
- Interest Preferential Customer Level: Interest Rate preference will be applied to all the accounts of the customer based on type of Interest.
 - Debit Interest Preferential
 - Positive preference value
 - Negative preference value
 - Credit Interest Preferential
 - Positive preference value
 - Negative preference value
- Interest Preferential Account Level: Interest Rate preference will be applied to the specific account wherein the preference is updated.
 - Debit Interest Preferential
 - Positive preference value
 - Negative preference value
 - Credit Interest Preferential
 - Positive preference value
 - Negative preference value
- System Support / Important Menu Codes:
 - Finacle: INTCL, AINTRPT, INTPRF, INTTM
 - TCS Bancs: i) OD/CC Accounts -> Interest Rate History ii) DL / TL -> Interest Rate History

Following are few events / scenarios wherein there is a possibility of non application / incorrect application of Interest.

| Sr. No. | Event / Scenario |
|---------|--|
| 1 | Interest pegging in Advance Accounts set as "Y". (If "Y" is selected, system will charge interest at the rate prevailing at the time of Account Opening. For the cases of Fixed Rate Loans Pegging Flag will be "Y") |
| 2 | Future Date is updated in Interest Demand Date |
| 3 | Interest on Principal / Payment of Interest Flag is set as "N" |
| 4 | Effective Rate of Interest is updated as "0" |
| 5 | Account Open and Installment Start Dates are identical. |
| 6 | Account Open and Interest Demand Dates are identical. |
| 7 | Interest Table Code "Zero" is selected |
| 8 | Interest Demand Date is Past Date |
| 9 | Interest Demand Frequency is Blank. |

3. Audit of Foreign Exchange Transactions with the use of CBS

The liberalization of economy is paving way for opening of new areas for Inbound and outbound investment. Moreover, with the increase in the global trade the foreign exchange and cross border transactions are increasing at a rapid speed. However, it also poses challenge of preventing misuse of regulations and money laundering activities.

Following are few activities that the auditor must carry out for audit of Foreign Exchange Transactions.

| Audit Activity | Important Menu Codes of Finacle |
|--|--|
| Review of Letter of Credits issued, Expired, Search on Outstanding LCs | For Inquiry - DCQRY For Report - DCREG, DCRPTS, DCSTMT |
| Review of Bank Guarantee issued, invoked, closed, outstanding, Search on expired BGs | For Inquiry - GI For Report - GILR, GPI |
| Audit of Inland Bills (under collection, under LC, discounted) | For search: BI Search result printing: BP For specific bill: BM |
| Audit of outstanding Inland Bills | Report - BRRCR (Collection Bills), BRBPR (Purchased Bills) |
| Audit of Foreign Bills (under collection, under LC, discounted) | For search: FBI Search result printing: FBP For specific bill: FBM |
| Audit of outstanding Foreign Bills | Report - FBBR |
| Audit of Inward and Outward Remittances (Other than Import and Export Transactions) | For Inward Remittance: IRM For Outward Remittance: ORM |
| Tracking of Packing Credit granted and tracking of order in case of Running Packing Credit | Account wise Packing Credit: ACLI Running Packing Credit: RPCTM |

4. Audit of Office Account Transactions through CBS

Office accounts are opened for the purpose of parking entries till the time the final effect is not determined. However, at various occasions it has been observed that the entries remain in the said parking accounts for a long period. Moreover, in case of weak monitoring of the said accounts, the Office Accounts are susceptible to fraud and misappropriation.

There are various types of office accounts.

1. Based on Functionality
 - a. Pointing Type / Self Reconciling Accounts
 - b. Non Pointing Type Accounts
2. Based on Type of Entry
 - a. Sundry Accounts, Suspense Accounts
 - b. EOD/BOD Check Accounts
 - c. Inter branch Account
 - d. Mirror Accounts
 - e. Pool Accounts

Following are few audit actionables for auditor carrying out audit of Office Account Transactions.

| Events | Audit actionable | Suggested system support |
|-----------------------------------|---|--|
| Cash Payment from Office Accounts | Authorization of Transaction as per Delegated Authority | Finacle: <ul style="list-style-type: none"> • ACLI - For Transaction • FTI - For Search BaNCS: |

| Events | Audit actionable | Suggested system support |
|--|---|---|
| | | <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| TOD through Office Accounts | <p>Through ineligible credit originating from a office account, customer can be accommodated. It also circumvent the number of TODs granted to Customer. Moreover, interest will not be applied in the said case.</p> | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI - For Transaction in Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| Parking of Cash Difference in Office Accounts, Clearing / Remittance differences through Office Accounts | <p>Difference in Reconciliation, Cash Shortage debited to Office Account and not reversed. Review ledger account in detailed.</p> | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI - For Transaction in Office Account • IOT - For inquiry on outstanding transaction • MSGOIRP - For Printing of outstanding office account transaction report <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report |
| Rotation of entries in Office Accounts | <p>To prevent entry being reported as long outstanding entry, a new transaction with debit and credit leg in the same account is posted. Thus, the system considers the new transaction date for reporting as outstanding entries. Review transactions with same Debit and Credit amount through Ledger Scrutiny.</p> | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI - For Transaction in Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| Correctness in mapping of reversal transaction to originating transaction | <p>If the transactions have not been reversed against the related originating entries the report generated by CBS will show incorrect outstanding items.</p> | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI - For Reversal Transaction in Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> Transaction |
| Value Dated (Back Dated) Transactions | <p>Transaction credited in the Advance type accounts, Operative accounts with a value date (Back date) wherein the clear funds were not available in the office accounts. Review the transactions from</p> | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> • ACLI - For Transaction in Office Account • FTI - For Value Dated Transaction <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> • BGL -> Enquire -> |

| Events | Audit actionable | Suggested system support |
|---|---|---|
| | Revenue Leakage perspective. | Transaction |
| Round Tripping | Rotation of entry from office account to operative account(s) without any justification / source document. Review the transactions from the perspective of inflating credit turnover of account. | Finacle: <ul style="list-style-type: none"> ACLI - For Transaction in Office Account BaNCS: <ul style="list-style-type: none"> BGL -> Enquire -> Transaction |
| Advance paid for Fixed Assets not capitalized | Entries for payment of advance against procurement of Fixed Assets not reversed. | Finacle: <ul style="list-style-type: none"> ACLI - For Transaction in Office Account IOT - For inquiry on outstanding transaction MSGOIRP - For Printing of outstanding office account transaction report BaNCS: <ul style="list-style-type: none"> BGL -> Enquire -> Transaction "Outstanding BGL Transaction" Report |
| Income realized not credited to Revenue Account | Loan Installment received from Customer, not adjusted. Processing Fees received, not credited to Income Account Charges collected, not credit to Income Account | Finacle: <ul style="list-style-type: none"> ACLI - For Transaction in Office Account IOT - For inquiry on outstanding transaction MSGOIRP - For Printing of outstanding office account transaction report BaNCS: <ul style="list-style-type: none"> BGL -> Enquire -> Transaction "Outstanding BGL Transaction" Report |

5. Manual updation in CBS and its verification aspects

Under any CBS the transactions are processed as per predefined process. Majority of the processes in CBS are automated and based on masters. A manual intervention in automated process leads to error in transaction processing.

Following are few manual changes / modification in system which affects the transaction processing. The auditor must review the manual updation in CBS.

| Manual Entry | Probable impact |
|------------------------------------|--|
| Advances | |
| Interest Rate change | Revenue Leakage, Excess collection of Interest |
| Change in EMI | Revenue Leakage, NPA Identification |
| Processing of transactions against | Recovery of amount from customer in case of |

| Manual Entry | Probable impact |
|---|--|
| uncleared outward clearing effect | cheque return |
| Backdated Renewal Date updation (Updating Date of Renewal on running date with past date) | NPA Identification |
| Change in Limit - From Non Fund Base to Fund Base | NPA Identification |
| <u>Account & Customer Master</u> | |
| Tax exemption updation | Non compliance with TDS provisions |
| Dormant to Active | Susceptible to fraud |
| Interest Table Code as "0" | Revenue Leakage |
| Interest Collection Flag "N" | Revenue Leakage |
| Reclassification of Agriculture Advance as per revised RBI norms dt. April 23, 2015 | Sectorial Classification |
| <u>Foreign Exchange Transactions</u> | |
| Erroneous Foreign Exchange Rate | Revenue Leakage, Accommodation to customer |
| Full BOE received flag marked as "Y" wherein BOE for entire transaction is not received | Reporting to RBI under BEF Return |
| FIRC Issuance (without updating flag printed "Y") | Duplicate issuance of FIRC without "Duplicate FIRC" inscription. |
| Merchant Trade Transaction (Manual mapping) | Reporting to RBI |
| <u>Transaction Processing & Housekeeping</u> | |
| Changes / Modification in Auto Calculated charge amount at the time of posting of transaction | Revenue Leakage |
| Ineligible Credits to NRE and FCRA Accounts | Non compliance of FEMA Guidelines |
| ATM Replenishment entries | Susceptible to Fraud |
| Payment for FD Closure proceeds in Cash through Office Accounts in excess of Rs. 20,000 | Non compliance with Income Tax Guidelines |
| Revalidation of Old DDs | Susceptible to Fraud |
| Value Dating (Credit Transactions in CC / OD Account with Value Date without Value Dating at Debit Leg) | Revenue Leakage |
| Debit to Income Account (though Transaction Maintenance Menu) | Revenue Leakage |
| Manual Credit to Income Account (though Transaction Maintenance Menu) | Revenue Leakage (Computation of Income credited to be verified) |
| RTGS / NEFT in cash through office accounts > 49,999 | Non compliance with AML guidelines |
| Delay in posting of clearing cheque return | Accommodation to customer |
| Manual Transfer of Security Stationery from Inventory location to External Location | Susceptible to Fraud (Avoid reporting of missing inventory) |

6. Generation & verification of specific reports based on various criteria:

CBS allows generation of various reports through Frontend as well as through Backend. Few important reports for review by auditors are as follows.

(a) Exception Report

Reports for the month end and two days prior and after month end should be verified. Exceptions of following natures should be closely verified.

- (i) Balance exceeded Account Limit
- (ii) Manual debits to Income Account
- (iii) Value Dated Transactions
- (iv) Manual entry for SI Failure cases
- (v) Instrument passed against Clearing
- (vi) Backdated entries (normally restricted)

(b) Irregularity Report

Reports for the month end and two days prior and after month end should be verified. Report contains details of Accounts where Balance in Accounts are greater than the Limits Sanctioned. Check whether the same is due to,

- (i) Application of Interest
- (ii) Granting of Intra Day TOD
- (iii) Passing of Instruments against Clearing Effects

(c) Accounts where Interest Code is '0'

Interest will not be charged from Accounts where Interest Code is selected as '0'. Hence, a detailed checking is required. Possible reasons can be if it is a NPA account or an account with a moratorium.

(d) Interest Collection Flag as "No"

If Interest Collection Flag is selected as "No", Software will not consider the account for calculation and entry for Debit Interest.

(e) Debit Interest SI Failed Report

Failure of Standing Instruction for Debit Interest should be closely verified. If the SI is failed the Account will not be debited for Interest. SI Failure can be for any reason like

- (i) Non availability of Balance in Account (In case of TOD in Operative Account)
- (ii) Non availability of Limit in Account
- (iii) Technical Snag in execution

Whether Branch has manually passed the entry for all such cases should be verified.

(f) Loan Installment SI Failed Report

Same as above

(g) Report containing all Advance Accounts with Limits

Generally, CBS Softwares generate a Report wherein details of all Advance Accounts are listed. Excel can be used to verify cases of DP > SL, Margin Requirement, etc.

(h) TOD Report

Documents and sanction orders should be verified for all the cases of Manually granted TODs. In Finacle the report can be generated through Menu Code "TODRP".

(i) Account Turnover Report

To review the quantum of transactions in the borrower accounts turnover reports should be used. In Finacle, inquiry for Account Turnover can be carried out through “ACTI, CUTI” Menu codes and report can be generated through “ATOR” Menu.

(j) Loan Inquiry

In Finacle, criterion based search for Loan Accounts is available through Menu option “LAGI”. The said menu can be used to verify,

- New sanction, Accounts closed
- Loans under various schemes
- Loans based on Account Classifications
- Accounts search based on Limit (Credit & Stock Audit)

(k) Loan Overdue Inquiry

In Finacle, criterion based search for Overdue & Overflow Loan Accounts is available through Menu option “LAOPI”. In case of BaNCS the said details are available through offline daily report. The said menu can be used to verify,

- Principle & Interest Overdue & Overflow
- Overdue in “%” as well as Overdue in “No. of Days”

(l) Financial Transaction Inquiry

In Finacle, report based on different criteria for financial transactions can be generated through Menu Option “FTR”. The said menu can be used to verify,

- Loan disbursement in Cash (SubGL code & Tran Type)
- Value Dated Transactions verification (Only value dated flag)
- Transactions in Loan / OD-CC Accounts (SubGL, Tran Type, Part Tran Type)
- Credits to NRE Accounts in a period (SubGL, Part Tran Type)
- Credits to FCRA Accounts in a period (SubGL, Part Tran Type)
- Cash Deposit Transactions above Rs. 50,000 to verify compliance with Income Tax Guidelines on PAN (Tran Type, Tran Sub Type)
- Cash Transactions above Rs. 10 Lacs to verify compliance with AML Guidelines (Tran Type)
- Debits to ESCROW Accounts to verify compliance with ESCROW Agreement (SubGL, Part Tran Type)

7. Guide on Audit Activity through CBS for LFAR and Tax Audit Requirements

Following are few checkpoints for auditors for reporting under Long Form Audit Report alongwith suggested system support.

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---------------------------------------|--|---|
| Cash | <ul style="list-style-type: none"> ➤ Physical verification of Cash Balance ➤ Cash Balance as on the date of Audit Period | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ “ACLI” - Account Ledger Inquiry (Vault A/c and Teller Accounts) <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HACL I, HACL INQ <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ -> Reports -> Cash Related -> View Cash Summary (Click on Fetch) ➤ -> Branch Reports -> Cash Officer's Jotting Book Report |

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---------------------------------------|--|--|
| | | <ul style="list-style-type: none"> ➤ -> Reports -> Printing Reports -> Cashier / Teller Cash Report <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ GLM02 - Chart of Accounts ➤ GLM04 - GL Transactions and Movement Inquiry |
| Balances with RBI / SBI / Other Banks | <ul style="list-style-type: none"> ➤ Balance as on Date ➤ Transactions in Mirror Accounts ➤ Reconciliation Statement (Generally outside of CBS) | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "ACLI" - Account Ledger Inquiry (Vault A/c and Teller Accounts) <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HACLI, HACLINQ <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ -> Branch Accounting (BGL) -> Enquire -> Transaction <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ GLM02 - Chart of Accounts ➤ GLM04 - GL Transactions and Movement Inquiry |
| Advances | <ul style="list-style-type: none"> ➤ Sanction Limit / Drawing Power setup | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "ACLHM" - Account Limit History Maintenance ➤ "ACM / ACI" - Account Master (Go to Limit details) ➤ "LTL" - Limit Tree Lookup (Tree view of all Limits) <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HACLHM - Account Limit History Maintenance ➤ HACM / HACI, HACMTD (For TD) ➤ HLMTREEI Customer Limit Tree Details <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ DL/TL Accounts & Services -> Enquiries -> Account ➤ Deposit / CC / OD Accounts & Services -> Enquiries -> Deposit / CC / OD Account <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ CHM07 (OD Limit Master Maintenance) |

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---------------------------------------|--|--|
| Advances | <ul style="list-style-type: none"> ➤ Account & Customer Master parameters setup viz. <ul style="list-style-type: none"> ➤ Interest Parameters (Regular & Penal Interest) ➤ Repayment Instructions ➤ Standing Instructions (SI) Parameters ➤ Linking of Interest Rates with Benchmark Rates | <p>➤ CH409 (OD Limit History Report)</p> <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "ACLHM" - Account Limit History Maintenance for DP & SL - Account Specific ➤ "ACM / ACI" - Account Master ➤ "CUMM / CUMI" - Customer Master <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HACLHM - Account Limit History Maintenance ➤ HACM / HACI, HACMTD (For TD) ➤ CRM Module <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ DL/TL Accounts & Services -> Enquiries -> Account ➤ Deposit / CC / OD Accounts & Services -> Enquiries -> Deposit / CC / OD Account <p><i>(Short & Long Inquiry options are available under both menu.)</i></p> <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ BAM12 (Interest Index Maint.) ➤ BAM13 (Interest Index Rates) ➤ LN060 (Loan Product Rates Plan) ➤ LNM41 (Interest Rules) ➤ LNM42 (Product Interest Attributes Maintenance) ➤ LNM81 (Rate Change) |
| Advances | <ul style="list-style-type: none"> ➤ Transactions in Borrower's Account | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ "ACLI" - Account Ledger Inquiry <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HACLI, HACLINQ <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services -> Enquiries -> Transaction ➤ DL/TL Accounts & Services -> Enquiries -> Transaction <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ CH031 (Statement Inquiry) |
| Advances | <ul style="list-style-type: none"> ➤ Interest Rate History | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "INTTM" - Interest Table Master |

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---------------------------------------|---|---|
| | | <p>Maintenance (Under Inquire Mode - Account Specific)</p> <p>Finacle-10:</p> <ul style="list-style-type: none"> ➤ HINTTM <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services -> Interest Rate History ➤ DL/TL Accounts & Services -> Interest Rate History <p>Flexcube:</p> <ul style="list-style-type: none"> ➤ LN022 (Interest Calculation Inquiry) ➤ LN608 (Interest Charges Report) ➤ LN801 (Loan Interest Report) |
| Advances | <ul style="list-style-type: none"> ➤ Conduct of Account and Credit Turnover ➤ Turnover of CC Account based on Borrower's Business profile ➤ In case of Loan accounts ACTUAL recovery of Installments and Interest | <p>Finacle:</p> <ul style="list-style-type: none"> ➤ "ATOR" - Account Turnover Report ➤ "ACTI" - Account Turnover Inquiry ➤ "CUTI" - Customer Level Turnover Inquiry <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ DL / TL Accounts & Services ->Enquiries ->Long ➤ Deposit/CC/OD Accounts & Services ->Enquiries ->Long |
| Advances | <ul style="list-style-type: none"> ➤ Temporary Overdraft | <p>Finacle – 7 :</p> <ul style="list-style-type: none"> ➤ ACTODM / ACTODI - Account TOD Maintenance ➤ ACLHM - Account Limit History Maintenance ➤ TODRP - TOD Register Printing <p>Finacle – 10:</p> <ul style="list-style-type: none"> ➤ HACTODI - Account TOD Inquiry ➤ HTODRP - TOD Register Printing <p>BaNCS:</p> <ul style="list-style-type: none"> ➤ Deposit / CC / OD Accounts & Services -> Enquiries -> Interest Rate History -> Select 'Limit history' from drop down menu <p>Flexcube:</p> <ul style="list-style-type: none"> ➤ CHM07 (OD Limit Master Maintenance) |

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---------------------------------------|---|---|
| Advances | <ul style="list-style-type: none"> ➤ Non Performing Asset <ul style="list-style-type: none"> ➤ Search an Account based on Criteria | <ul style="list-style-type: none"> ➤ CH226 (Adhoc List of Overdue CASA Accounts) <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ “ACS” - Account Selection (2nd Screen - IRAC Code - Main Asset Classification) <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HACSP <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ DL / TL Accounts & Services ->Enquiries ->Short -> Select Option “1” - TL / DL [Long Inquiry for NPA Date] ➤ Deposit/CC/OD Accounts & Services ->Enquiries ->Short -> Select Option “2” - CC / OD [Long Inquiry for NPA Date] ➤ Common Processing ->Overdue / NPA ->NPA Enquiry (Risk Grade Inquiry / NPA Status Inquiry) <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ AC02 - CRR (Credit Risk Rating) Inquiry ➤ LN156 - Non Performing Loan Details Report ➤ LN191 - Accounts in NPA Status |
| Advances | <ul style="list-style-type: none"> ➤ Interest Report | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ “AINTRPT” - Interest Report for Account <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HAINTRPT Interest Report for Accounts ➤ HINTPRF Interest Proof Report <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Product Sheets - To be requested from Data Center (if not available through user login) <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ LN022 (Interest Calculation Inquiry) ➤ LN608 (Interest Charges Report) ➤ LN801 (Loan Interest Report) |

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---------------------------------------|---|---|
| Advances | ➤ Primary & Collateral Security Maintenance | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "SRM" - Security Register Maintenance ➤ CLL Collateral Maintenance ➤ HCLM Collateral Maintenance <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HSCLM Collateral Maintenance <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ DL/ TL Accounts & Services -> Security (Primary/ Collateral) ->Customer -> Amend / Enquiry ->Amend / Enquire Security <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ CH066 Limit Collateral Inquiry ➤ CHM06 OD Collateral Maintenance |
| Advances | ➤ Lien Marking | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "ALM" - Account Lien Maintenance <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HALM - Account Lien Maintenance <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ DL/ TL Accounts & Services -> Security (Primary/ Collateral) ->Customer -> Amend / Enquiry ->Amend / Enquire Security <i>(Under BaNCS – Collateral ID is required to be created before setting up limits)</i> <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ TDM24 Lien Master |
| Advances | ➤ Account Ledger Printing | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "PSP" - Pass Sheet Print ➤ "ACLPCA" - Customer Ledger Account Print <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ "HPSP" - Pass Sheet Print <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Print Menu available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services |

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---|--|--|
| | | <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ CH031 Statement Inquiry ➤ 7010 Passbook update ➤ LNM10 Account Transactions Inquiry ➤ LN421 Statement of Account NPA |
| Advances | <ul style="list-style-type: none"> ➤ Non Fund based Facility (LC, BG) | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "GI" - Guarantee Inquiry ➤ "DCQRY" - Documentary Credit Query <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HGI - Guarantee Inquiry <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Report generated from Trade module |
| Stationery | <ul style="list-style-type: none"> ➤ Physical Verification of Stationery and confirmation of Balance as per CBS | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "ISRA" - Inventory Status Report (<i>Locationwise viz., Dual Lock, Individual, Cancelled etc.</i>) <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ HISRA Inventory Status Report ➤ HIIA Inventory Inquiry All <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Through Valuable Paper Inventory System [VPIS] module <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ IV011 - Stock Inquiries ➤ IV001 - Stock Transactions ➤ IV002 - Stock Adjustment |
| Office Accounts (Suspense, Sundry etc.) | <ul style="list-style-type: none"> ➤ Outstanding entries for reporting ➤ Entries outstanding - Whether any provisioning is required? | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ "IOT" - Inquire on Transaction (As on date Inquiry) ➤ "MSGOIRP" - Outstanding Items Report ➤ MSOIRP Minor Subsidiaries Outstanding Items Report <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ "HIOT" - Inquire on Transaction (As on date Inquiry) <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Through offline reports viz. "Audit |

| Audit Activity / Process / Audit Area | Auditors' Primary Checks | Suggested System Support |
|---|-------------------------------|---|
| | | <p>BGL accounts age wise break up“ and “GL-Outstanding-Accnts” report.</p> <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ GLM02 - Chart of Accounts ➤ GLM04 - GL Transactions and Movement Inquiry |
| Office Accounts (Suspense, Sundry etc.) | ➤ Printing of Office Accounts | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ “ACLPOA” - Account Ledger printing Office Account <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ “HACLPOA” - Account Ledger printing Office Account <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ BGL Accounting Menu |
| Inter Branch Account | ➤ Un-reconciled transactions | <p><u>Finacle:</u></p> <ul style="list-style-type: none"> ➤ Through Outstanding IBR Report. <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Through offline “Outstanding IBR Report”/ “IBR Summary report” |
| TDS Related | ➤ TDS Information and Reports | <p><u>Finacle-7:</u></p> <ul style="list-style-type: none"> ➤ “TDSIP” - TDS Inquiry & Reports ➤ Month-end report on accountwise / transactionwise Tax deduction. ➤ Bank specific customized Menu / report <p><u>Finacle-10:</u></p> <ul style="list-style-type: none"> ➤ “HTDSIP” - TDS Inquiry & Reports <p><u>BaNCS:</u></p> <ul style="list-style-type: none"> ➤ Through offline monthly report on accountwise / transactionwise Tax deduction. <p><u>Flexcube:</u></p> <ul style="list-style-type: none"> ➤ TDS11 TDS Inquiry ➤ TDS15 Inquiry on Projected Tax |

Part – D

Illustrative list of Special purpose / Exception Reports

An indicative list of reports (if generated through MIS System) will benefit SCAs and SBAs (if shared in advance) while undertaking the audit in fully computerised environment. Generally these reports are generated through Structured Query Language (SQL) by MIS Team at Bank. Each report require framing of detailed query as per the parameterization in bank. The role of Auditor is to guide MIS Team on Trigger / Exception Logic for generation of such reports. It requires detailed understanding of CBS, parameterization, master data etc.

Advances

| Sr. No. | Report |
|---------|--|
| 1. | Advances Snapshot covering all important parameters |
| 2. | Accounts with overdue in excess of 90 Days and are classified as Standard Assets |
| 3. | List of LCs devolved during the period / year and current status of account |
| 4. | List of BGs invoked during the period / year and current status of account |
| 5. | Standalone Non Fund Based Limits granted to customers |
| 6. | List of SMA / Watchlist / Probable NPA accounts as on the last date of Audit period |
| 7. | Backdated updation of stock and book debt statements (Difference between Date of updation in CBS and Date of Stock Statement updated) |
| 8. | List of Accounts wherein the facility is not renewed / reviewed |
| 9. | List of Accounts slipped to NPA during the current period |
| 10. | List of Accounts wherein there is an amendment in Date of NPA |
| 11. | List of Accounts written off during the period / year |
| 12. | List of Accounts upgraded (alongwith date of upgrade and the overdues on the date of upgrade) |
| 13. | Quick Mortality (NPA within 1 year of Advance) |
| 14. | List of NPA Accounts with Security Valuation not carried out within the prescribed period |
| 15. | List of accounts wherein rephasing (Change in EMI, Tenor, Moratorium period) is carried out in CBS (excluding rephasing due to change in the reference rate) |
| 16. | Loan / OD against FD with no linkage to FD (i.e. Security) |
| 17. | Loan to Minor (Excluding Non individual accounts and excluding Education, Loan/OD against Deposit cases) |
| 18. | Loans below the benchmark rate (as applicable in each bank) |
| 19. | Loans above the maximum lending rate (as applicable in each bank) |
| 20. | Loans where disbursement is made in Cash (Threshold limit may be prescribed) |
| 21. | Credit transactions in CC / OD / Loan Accounts with Value Date (Back Date) without Value Date (Back Date) at Debit Leg. |
| 22. | Advance accounts where effective interest rate is Zero. |
| 23. | CC Accounts with primary security is "Nil" |
| 24. | Multiple TODs / Adhoc Sanctions for a customer. |
| 25. | Non delinking of Adhoc facility sanctioned on expiry |

Profit & Loss

| Sr. No. | Report |
|----------------|---|
| 1. | Manual debit to Interest Income and Other Income Account |
| 2. | Manual credits to Interest Income and Other Income Account |
| 3. | Manual debit to Interest Expense Account |
| 4. | Interest Pegging marked as "Y" for loans sanctioned at variable rate i.e. w.r.t. benchmark rates (Pegging may freeze the interest rate at the respective time.) |

Foreign Exchange, Internal Controls and Systems

| Sr. No. | Report |
|----------------|--|
| 1. | Bills under LC devolved and not crystallized. / Bills under LC devolved wherein the crystallization account is office account / not of customer. |
| 2. | Export Bills discounted / purchased and outstanding beyond due dates. |
| 3. | Packing Credits Accounts outstanding beyond due dates / Running Packing Credit accounts with age of un-utilized orders is more than 365 days. |
| 4. | Resident Customers having Non Resident Account (under same or multiple customer master) |
| 5. | NRE Account Holder having Resident Savings Account (under same or multiple customer master) |
| 6. | FDs / RDs with aggregate balance at customer master level in excess of Rs. 20,000 and closed one / all FDs / RDs in cash |
| 7. | Cash Payments from Office Accounts in excess of Rs. 10,000 |
| 8. | Non Senior Citizen customers (based on DOB) with Senior Citizen Interest Table code |
| 9. | Preferential Interest Rate applicable to Staff applied in non staff deposit (Refer the policy of bank w.r.t. extending facility to ex-staff and relatives of staff / ex-staff) |
| 10. | List of Outstanding Office Accounts entries (Pointing type accounts) |
| 11. | Accounts with invalid PAN (No. of digits, structure, constitution code mapping with 4 th Digit) |
| 12. | List of Foreign Exchange transactions with Exchange Rates beyond the card rate / Maximum-Minimum Rate during the period |

Capital Adequacy

| Sr. No. | Report |
|----------------|---|
| 1. | Accounts above threshold limit wherein External Credit Rating is not obtained / updated |
| 2. | Bank Guarantees and LC Expired and not reversed. |
| 3. | Accounts with mismatch in Constitution code and BASEL Mapping |

The above list of reports is indicative only. There are various other reports that can be generated. However, as mentioned earlier, the generation of reports requires in-depth review of bank's systems, processes and gaps. The reports can be made more effective through continuation review and update mechanism.



Section - 4

**A brief note on “Exploring
basics of Microsoft Excel
for Bank Branch Audit”**

Exploring basics of Microsoft Excel for Bank Branch Audit

By CA. Kuntal Shah

e-mail: kuntal@pradiprshah.com

Use of Excel vis a vis various Audit Processes:

The dictionary meaning of "Audit" is "An inspection of the accounting procedures and records by a trained accountant" and "A methodical examination or review of a condition or situation".

Auditing starts with right from collection of data and ends with final reporting to the stakeholders. The whole process of Audit can be categorised as follows.

1. Collection of Raw Data
2. Processing of Data
3. Reporting of Information in a structured form

Data Collection:

MS-Excel can be used for audit purposes only after obtaining Data from an authenticated database containing financial and other related transactions. The data for audit purposes can be in a pre-defined structured form or can be in a delimited (raw) form. Excel has capability to convert all such types of data extracted from database to a logical format.

It generally happens that the clients provide data from their Mainframe Data Server where the data is stored in predefined format. However, after extraction process the system gives data in Text Format. It becomes very difficult to process data obtained through text file as all the contents are stored in a **SINGLE CELL** only. For any data processing activity it is the pre-requisite that the data must be stored in proper pre-defined format.

We have talked lot about word "Text" in above paragraph. Let's have some information about the word "Text" in the context of MS - Excel.

"When user enter data into a cell, Excel immediately goes to work and determines whether user is entering a formula, a number (including a date or time), or anything else. Anything else is considered text."

A term called "string" is also used interchangeably. Sometimes, they even appear together, as in text string."

Take an example to understand how Excel can convert Data in a logical form in both the situations i.e. 1) Data fields with Fixed Width and 2) Data in a delimited form.

We all are aware about widely used accounting software called “Tally”. Tally 5.4 versions and above has capability to generate a SDF file, ASCII File, HTML File and XML File for each and every Report displayed on Screen.

The SDF (Fixed Width) and ASCII File (Comma delimited) created by Tally can be opened in Excel for further processing. After opening the file in excel following dialogue box will appear.

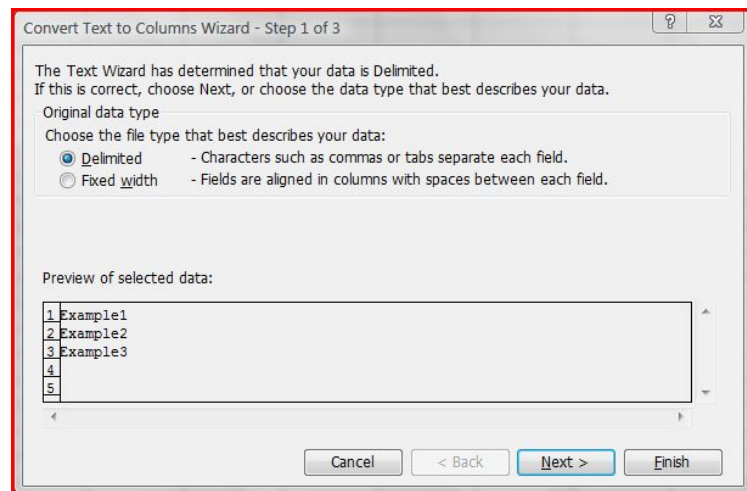


Figure: Text to column Wizard – Step -1

Step – 1: The user will be prompted to select the data type (i.e. Delimited or Fixed width). Till now, one may find the words “Delimited” or “Fixed Width” annoying as I have used the same in above paragraphs at least twice without mentioning the meaning of the same. Let us now know the meaning of both the phrases and then will see further steps.

Delimited: A plain dictionary meaning of Delimit (verb) is “*Set, mark, or draw the boundaries of something*”. In the context of MS-Excel it means that the data fields separated by some identification marks i.e. Comma (,) Semicolon (;), Tab, Space, Pipe Symbol (|) or any other mark used throughout the database.

The identification mark will guide Excel in breaking the data entry into logical format (i.e. various columns).

Fixed Width: Fixed Width in context of a Database means the data field with a standard character size irrespective of the length of content punched in. E.g. A “Name” Field in a database has character size of 50 will leave space equivalent to 50 characters in each entry. Therefore if the characters in a name are 10 only then space equivalent to 40 characters will be shown as blank space.

Step - 2:

For fixed width database user can select just by clicking the place from where new column is to be created. (Refer the following figure)

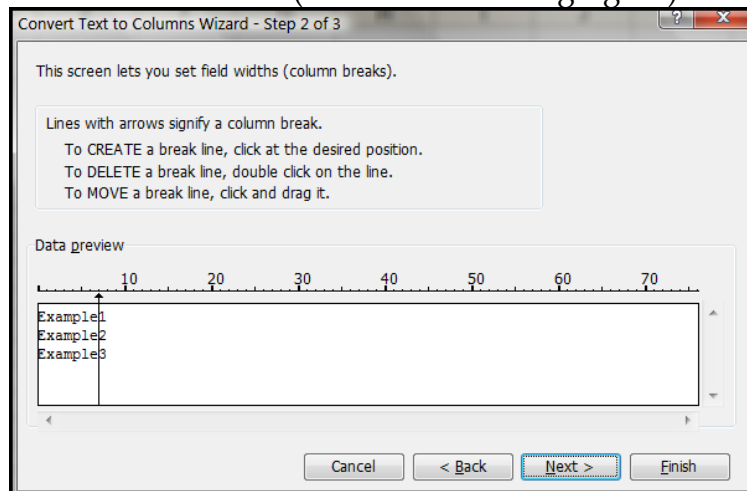


Figure: Text to column Wizard – Step - 2

However, for file having fields separated by delimiters will need to select the Delimitation Mark to create column. (Refer the following figure)

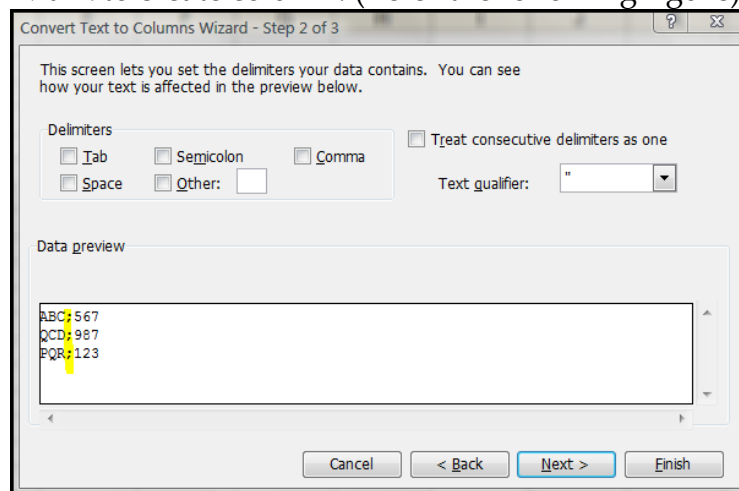


Figure: Text to Column Wizard Step – 2 (Before selecting Delimiter)

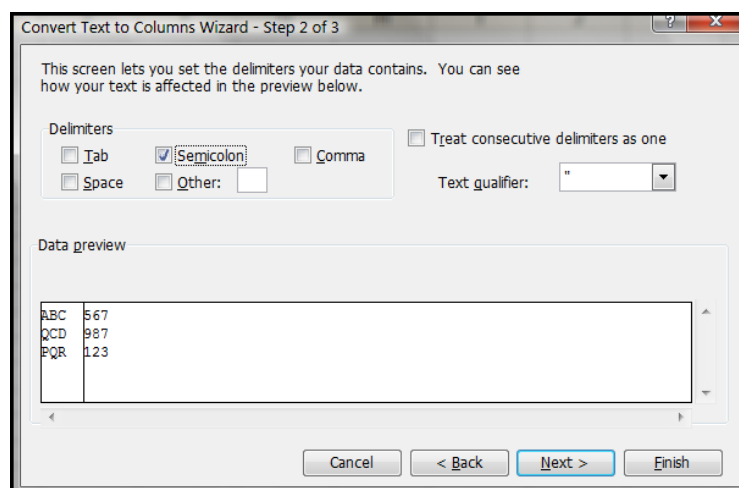


Figure: Text to Column Wizard Step – 2 (After selecting Delimiter i.e. Semicolon)

Step - 3:

User is required to select the type of data stored in a column. Depending upon the data the user is required to select Column Data Format.

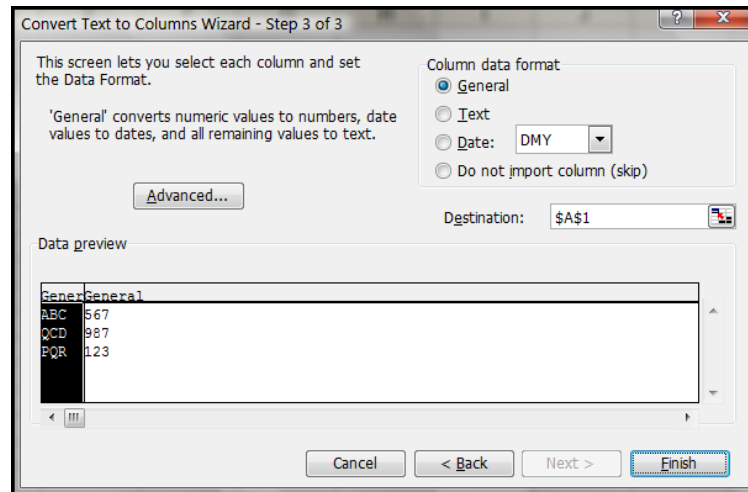


Figure: Text to Column Wizard Step - 3

Data Processing:

Next step after collecting and converting data, is processing of Data. Processing of data consist of many techniques like sorting, filtering, reviewing formula and its logic, Tracing Cell's Relationships etc.

Sorting of Data:

The basic function to do with data is Sorting. Data Sorting means arranging the data into a predefined form.

To use sort command first select the range of data to be sort and then go to Data Menu and Select Sort. Excel allows sorting in both Ascending and Descending Forms with maximum Three Fields.

You might be thinking that which cell will come first in Ascending Sort and which cell will come last? What is the Sorting Rules in Excel? Here is the answer to all your queries.

The cell in excel may contain number, text, logical value or even a blank space. There are specific Rules for each type. The effect with following type is with respect to Ascending Order Sorting.

1. Numbers: Numbers are sorted **from smallest negative to largest positive**. Dates and times are treated as values. In all cases, the sorting is done by using the actual values (not their formatted appearance).

2. Text: In alphabetical order, as follows:

0 1 2 3 4 5 6 7 8 9 (space) ! " # \$ % & ' () * + , - . / : ; < = > ? @ [\] ^ _ ` { } ~ A B C D E F G H I J K L M N O P Q R S T U V W X Y Z.

3. Logical values: False comes before True.

4. Blank cells: Blank cells always appear last.

Sorting in descending order reverses the above sequence - except that **blank cells are still sorted last**.

Tip:

Often, the user **wants to keep the records in their original order** but perform a temporary sort just to see how it looks. Let us have a live example for the same to see how the same can be done.

A user might face a problem where the sorting is to be done with a predetermined list order. As in simple sorting function user is allowed to use only two Functions "Ascending" and "Descending" Sorting. Excel performs the task according to cell contents (as mentioned above). However, the same methodology doesn't work where sorting is to be done in a predefined order. Let us understand the same with the use of an example.

e.g. Reliance Fresh has decided to have a list of stores in Ahmedabad to be sorted for reporting in following pattern only.

S. G. Road

Bopal

Mithakhali

Navrangpura

Naranpura

Ambawadi

Bodakdev

Jodhpur

The above list does not fit into our criteria for Simple Sorting. In such a case the "Custom List" option can be used. [*Path: Tools Menu -> Options -> Custom List*]

A user can define the list under "Custom Lists" tab. The same can be used in any workbook afterwards.

Filtering of Data:

A dictionary meaning of Filter (Verb) is “*Remove by passing through a filter*”. The dictionary meaning is sufficient to understand what the Filtering Command in Excel will do.

Filtering is one of the best tools available in Excel. The power of Filter option in Excel is beyond imagination of any user. However, due to time constraint it is not to explore all the features.

MS-Excel 2003 and later versions have feature of sorting data from Filtering option itself.

Lookup and References:

Auditing process requires look-up and reference of specific value for cross check purposes. For Lookup purpose the Excel has two good functions called VLOOKUP and HLOOKUP. VLOOKUP stands for Vertical Look Up whereas HLOOKUP stands for Horizontal Look Up.

One may have some questions in mind that what is the need to know a new function called VLOOKUP or HLOOKUP. The following are some reasons describing the need of these functions.

- It allows one to **automatically lookup a particular cell** of data **from a larger data range**. This is especially useful when,
 - A large data section that contains information for multiple records somewhere on the spreadsheet (e.g., a small database)
 - A calculation area somewhere else, and user needs to refer to some specific data elements for specific records
- VLOOKUP and HLOOKUP allows finding of a specific cell of data in a larger data range
 - Use VLOOKUP when each row contains a separate record and the associated columns contain data for that one record
 - Use HLOOKUP when each column contains a separate record

First of all, let us understand syntax for VLOOKUP and HLOOKUP Function to have a better clarity.

Syntax - VLOOKUP:

VLOOKUP (SearchValue, Range, ColumnNumber, Error)

Meaning:

Look for a value **in the row specified** by SearchValue and the column specified by ColumnNumber

Syntax – HLOOKUP:

HLOOKUP (SearchValue, Range, RowNumber, Error)

Meaning:

Look for a value **in the column specified** by SearchValue and the row specified by RowNumber.

Description of Parameters:

- **SearchValue** indicates the “match key” (i.e., find the row that contains the SearchValue in the first column)
- **Range** specifies the cells containing the data
- **ColumnNumber** specifies the column that contains the required data element
- **Error** determines what happens when Excel does not find the exact SearchValue specified. FALSE leads Excel to display a #N/A when an exact match cannot be found. TRUE leads Excel to display the next smaller value than SearchValue

NOTE: The 1st column of data must be sorted in ascending order when using VLOOKUP, and the 1st row of data must be sorted if using HLOOKUP

Auditing Feature in Excel:

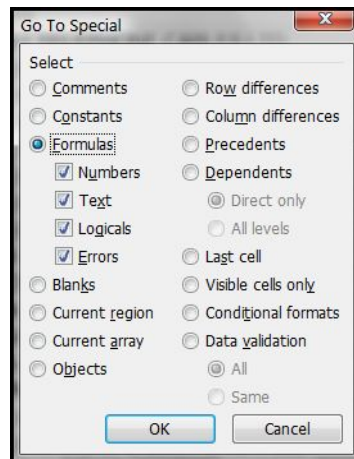
Excel has number of tools to trace formula errors. However, apart from using functions the auditor must have knowledge about the Type of Error and Interpretation of Error Code. A list showing common Error Type with its Interpretation is as follows.

1. **Error Handling:**

| Error Type | Interpretation |
|------------|---|
| #DIV/0! | The formula is trying to divide by zero. This also occurs when the formula attempts to divide by a cell that is empty. |
| #NAME? | The formula uses a name that Excel doesn't recognize. This can happen if user delete a name that's used in the formula or if user have unmatched quotes when using text. |
| #N/A | The formula is referring (directly or indirectly) to a cell that uses the NA function to signal that data is not available. Some functions (for example, VLOOKUP) can also return #N/A. |
| #NULL! | The formula uses an intersection of two ranges that don't intersect. |
| #NUM! | A problem with a value exists; for example, user has specified a negative number where a positive number is expected. |
| #REF! | The formula refers to a cell that isn't valid. This can happen if the cell has been deleted from the worksheet. |
| #VALUE! | The formula includes an argument or operand of the wrong type. An <i>operand</i> is a value or cell reference that a formula uses to calculate a result. |

2. **Identifying Cell of a Particular Type:**

One of the tools to trace the error is “Identification of Cell of a Particular Type”. The “Go To - Special dialog box” (refer the following figure) enables auditor to specify the type of cells that one want Excel to select.



3. **Auditing of Formula:**

The other tool is related to auditing in Excel is “Auditing of Formula”. By using buttons CTRL + ` (grave accent) displays formulas in active window.

Tip:

One should create a new window for the workbook before issuing this command. This way, one can see the formulas in one window and the results of the formula in the other window. *Use the Window - > New Window command to open a new window.*

4. **Trace Cell Relationships:**

Tracing Cell Relationships is like verifying Audit Trail in manual accounts. The relationship of a cell will be useful in determining the correctness and validity of a defined formula.

To understand how to trace cell relationships, one needs to familiarize himself with the following two concepts:

- **Cell Precedents:** Applicable only to cells that contain a formula, a formula cell’s precedents are all the cells that contribute to the formula’s result. A direct precedent is a cell that is used directly in the formula. An indirect precedent is a cell that isn’t used directly in the formula but is used by a cell that referred to in the formula.
- **Cell Dependents:** These are formula cells that depend on a particular cell. A cell’s dependents consist of all formula cells that use the cell. Again, the formula cell can be a direct dependent or an indirect dependent.

E.g.:

Consider the simple formula entered into cell A3: =SUM(A1:A2)

Cell A3 has two precedent cells (A1 and A2). These are all direct precedents. Cells A1 and A2 each have a dependent cell (cell A3), and they are all direct dependents.

5. Comparison of Two Files:

In some cases, auditor may want to compare data in two workbooks or worksheets. In such cases use of Excel's **Compare Side by Side** feature will be the best possible option. The function can be accessed only when two or more windows are open. The function can be accessed by using Window -> **Compare Side by Side With**.

However, it may be noted here that the above feature is available in MS-Excel 2003 or above versions only.

Reporting of Information in a structured Format:

There are various features available in Excel like Subtotal, Pivot Tables, Charts, Group and Outline etc. to present data in a structured Format.

Subtotal:

Excel's ability to create automatic subtotals is a handy feature to save valuable time. However, to use this feature, the list must be sorted, because the **subtotals are inserted whenever the value in a specified field changes**. When user insert automatic subtotals, Excel outlines the list so that user can display and hide the detail rows for each subtotal.

| | A | B | C |
|----|-------------------|---------------------|--------------|
| 1 | Region | Sport | Sales |
| 2 | East | Golf | \$5,000 |
| 3 | East | Golf | \$2,000 |
| 4 | | Golf Total | \$7,000 |
| 5 | East | Tennis | \$1,500 |
| 6 | East | Tennis | \$500 |
| 7 | | Tennis Total | \$2,000 |
| 8 | East Total | | \$9,000 |
| 9 | West | Golf | \$3,500 |
| 10 | West | Golf | \$2,500 |
| 11 | | Golf Total | \$6,000 |
| 12 | | Tennis Total | \$9,200 |
| 13 | West Total | | \$13,000 |

1 Outer subtotals
2 Nested subtotals

Figure: Understanding Subtotal

By using Subtotal feature one can prepare **summary report** and **chart for summary data**.

Pivot Tables:

A PivotTable report is an interactive table that quickly combines and compares large amounts of data. Its rows and columns can be rotated to see different summaries of the source data, and the details for areas of interest can be displayed.

A pivot table is essentially a dynamic summary report generated from a database. The database can reside in a worksheet or in an external data file. A pivot table can help transform endless rows and columns of numbers into a meaningful presentation of the data.

Let's understand Pivot Table by following example.

Example:

1. Following is the table showing Raw (Source) Data for which Pivot Table is to be constructed.

| | A | B | C | D |
|----|--------------|----------------|---------------|-------------------|
| 1 | Sport | Quarter | Region | Sales Fig. |
| 2 | Cricket | Qtr1 | North | 100 |
| 3 | Tennis | Qtr2 | South | 200 |
| 4 | Soccer | Qtr1 | West | 250 |
| 5 | Tennis | Qtr2 | South | 150 |
| 6 | Tennis | Qtr4 | North | 900 |
| 7 | Cricket | Qtr3 | West | 500 |
| 8 | Soccer | Qtr1 | East | 650 |
| 9 | Tennis | Qtr2 | West | 350 |
| 10 | Soccer | Qtr1 | East | 750 |
| 11 | Cricket | Qtr3 | North | 450 |

Figure: Source Data

2. PivotTable Report is used when one want to **analyze related totals**, especially when one have a long list of figures to sum and wanted to compare several facts about each figure. In the report illustrated below, one can easily see how the First-Quarter Soccer Sales in cell C5 stack up against sales for another sport or quarter, or the total sales. Because a PivotTable report is interactive, one can change the view of the data to see more details or calculate different summaries, such as counts or averages.

| | A | B | C | D | E |
|---|-------------------|---------|--------|--------|-------------|
| 1 | Region | (All) ▾ | | | |
| 2 | | | | | |
| 3 | Sum of Sales Fig. | Sport ▾ | | | |
| 4 | Quarter ▾ | Cricket | Soccer | Tennis | Grand Total |
| 5 | Qtr1 | 100 | 1650 | | 1750 |
| 6 | Qtr2 | | | 700 | 700 |
| 7 | Qtr3 | 950 | | | 950 |
| 8 | Qtr4 | | | 900 | 900 |
| 9 | Grand Total | 1050 | 1650 | 1600 | 4300 |

Figure: Pivot Report

Creating Pivot Table Report:

To create a PivotTable report, run the PivotTable and PivotChart Wizard from Data Menu. In the wizard, select the source data from worksheet list or external database. The wizard then provides with a worksheet area for the report and a list of the available fields. By dragging the fields from the list window to the

outlined areas, Microsoft Excel summarizes and calculates the report automatically.

After creating a PivotTable report, it can be customized to focus on the information one want i.e. changing the layout, changing the format, or drill down to display more detailed data.

Group and Outline:

We have already seen this feature while understanding Subtotal Feature of MS-Excel. However, there are various different uses of both the features.

Answer to my following question will provide reasons as to why this feature should be used.

“How often would you like to hide or unhide parts of a complex spreadsheet?”

If your answer is “**very often**”, you will like to group/ungroup function instead of the hide/unhide command, since you will be able to toggle between hidden or displayed columns or rows.

A next question may come up in your mind that how to use this feature. Following are the steps to use “Group - Outline Feature”.

- Mark the row or column that you would like to “fold”, i.e. hide for the moment.
- Click on *Data: Group and Outline: Group*
- To “fold” click now on the “minus” sign outside of your column or row
- You may also group or ungroup hierarchically

Certain useful Functions / Features for Auditing:

1. SubTotal Function:

The function can be used in P&L and B/s where subtotal is used for disclosures. The Function **ignores the subtotal presentation** and it only take care of **actual values**.

Syntax and Parameters:

= SubTotal (function_num, ref1, ref2, ...)

Function_num: Refer following Table.

| Function_num (includes hidden values) | Function_num (ignores hidden values) | Function |
|--|---|----------|
| 1 | 101 | AVERAGE |
| 2 | 102 | COUNT |
| 3 | 103 | COUNTA |
| 4 | 104 | MAX |
| 5 | 105 | MIN |
| 6 | 106 | PRODUCT |
| 7 | 107 | STDEV |
| 8 | 108 | STDEVP |
| 9 | 109 | SUM |
| 10 | 110 | VAR |
| 11 | 111 | VARP |

Ref1, Ref2 ... : Refers to Range

Example:

In following table SUBTOTAL Function is used. To have better understanding let us see the formula used to derive the results.

| | A | B | C |
|----|--|----------------|-------------|
| 1 | Example of Group and Outline with Subtotal Function | | |
| 2 | | | |
| 3 | | | |
| 4 | | Purchase (Rs.) | Sales (Rs.) |
| 5 | | | |
| 6 | Delivery Based | 3780 | 6450 |
| 7 | Pharma | 450 | 600 |
| 8 | Ranbaxy | 100 | 500 |
| 9 | Torrent Pharma | 350 | 100 |
| 10 | IT | 1200 | 3000 |
| 11 | Infy | 100 | 700 |
| 12 | Wipro | 500 | 800 |
| 13 | TCS | 600 | 1500 |
| 14 | Energy | 1000 | 850 |
| 15 | Torrent Power | 350 | 250 |
| 16 | BSES | 650 | 600 |
| 17 | Auto | 1130 | 2000 |
| 18 | Maruti | 250 | 450 |
| 19 | Bajaj | 540 | 900 |
| 20 | TVS | 340 | 650 |

Figure: Table where Subtotal Function is used

Following figure displays the Formula Part of SubTotal Function. The formula in Cell B6 and C6 works in a way that it **ignores the subtotal presentation** and it only take care of **actual values**.

| | A | B | C |
|----|--|------------------------|------------------------|
| 1 | Example of Group and Outline with Subtotal Function | | |
| 2 | | | |
| 3 | | | |
| 4 | | Purchase (Rs.) | Sales (Rs.) |
| 5 | | | |
| 6 | Delivery Based | =SUBTOTAL(109,B7:B20) | =SUBTOTAL(109,C7:C20) |
| 7 | Pharma | =SUBTOTAL(109,B8:B9) | =SUBTOTAL(109,C8:C9) |
| 8 | Ranbaxy | 100 | 500 |
| 9 | Torrent Pharma | 350 | 100 |
| 10 | IT | =SUBTOTAL(109,B11:B13) | =SUBTOTAL(109,C11:C13) |
| 11 | Infy | 100 | 700 |
| 12 | Wipro | 500 | 800 |
| 13 | TCS | 600 | 1500 |
| 14 | Energy | =SUBTOTAL(109,B15:B16) | =SUBTOTAL(109,C15:C17) |
| 15 | Torrent Power | 350 | 250 |
| 16 | BSES | 650 | 600 |
| 17 | Auto | =SUBTOTAL(109,B18:B20) | =SUBTOTAL(109,C18:C20) |
| 18 | Maruti | 250 | 450 |
| 19 | Bajaj | 540 | 900 |
| 20 | TVS | 340 | 650 |

Figure: Display of SUBTOTAL Function (Formula Display)

2. SUMPRODUCT:

The function Multiplies corresponding components in the given arrays, and returns the sum of those products. Let us understand the same by way of example.

Syntax:

=SUMPRODUCT (Array1, Array2, ...)

Example:

Many a times we calculate Total of Multiplication of an array of values as below. Instead of using conventional method, we can directly get the figure by using SUMPRODUCT Function (Refer following Figure).

| | A | B | C | D | E | F |
|----|---|----------------------------|-----|---|---------------|---|
| 1 | Conventional Method | | | | | |
| 2 | 100 | x | 50 | = | 5000 | |
| 3 | 200 | x | 60 | = | 12000 | |
| 4 | 300 | x | 70 | = | 21000 | |
| 5 | 400 | x | 80 | = | 32000 | |
| 6 | 500 | x | 90 | = | 45000 | |
| 7 | 600 | x | 100 | = | 60000 | |
| 8 | 700 | x | 40 | = | 28000 | |
| 9 | 800 | x | 30 | = | 24000 | |
| 10 | 900 | x | 20 | = | 18000 | |
| 11 | 1000 | x | 10 | = | 10000 | |
| 12 | Total | | | | 255000 | |
| 13 | | | | | | |
| 14 | Using SUMPRODUCT Function | | | | | |
| 15 | | | | | | |
| 16 | Same total by using SUMPRODUCT Function | | | | | |
| 17 | Function | =SUMPRODUCT(A1:A10,C1:C10) | | | | |
| 18 | Result | 255000 | | | | |

3. Calculating difference of Days, Months and Years between Two Dates:

While preparing Interest Element in Tax Computation Statement we require difference of months between two dates. Date Difference in Days or in Months or in Year can be obtained by using DATEDIF function.

Note:

The function is not available in Paste Function Dialogue Box. The one reason can be that the function DATEDIF was originated with Lotus 1-2-3 (a spreadsheet program like MS-Excel). MS-Excel has provided the function for compatibility purpose only. However, the function is still working in all the versions of Excel. As no help about the function is available it is important to note down syntax of the function properly.

Syntax:

=DATEDIF (start_date, end_date, unit_code)

Description of Parameters:

start_date: Date from which the difference is to be calculated.

end_date: Date to which the difference is to be calculated.

unit_code: Unit Code refers to the time unit of interest (refer following table)

| Unit Code | Returns |
|-----------|--|
| "y" | The number of complete years in the period. |
| "m" | The number of complete months in the period. |
| "d" | The number of days in the period. |
| "md" | The difference between the days in start_date and end_date. The months and years of the dates are ignored. |
| "ym" | The difference between the months in start_date and end_date. The days and years of the dates are ignored. |
| "yd" | The difference between the days of start_date and end_date. The years of the dates are ignored. |

Note:

The function does not calculate full period. Hence, the difference of 1 day will be shown as 1 year. E.g. Date Difference between 31/12/2007 and 01/01/2008 is only of 1 day. However, formula will return the same as 1 year.

4. Count and Countif Function:

Count and Countif Function proves very handy during audit. Description of Function Count and Countif is mentioned herebelow for ready reference.

Count Formula Description

- COUNT(Range1,Range2,Value1,...) ==> count the number of cells containing numbers
- COUNTA(Range1,Range2,Value1,...) ==> count the number of non-empty cells

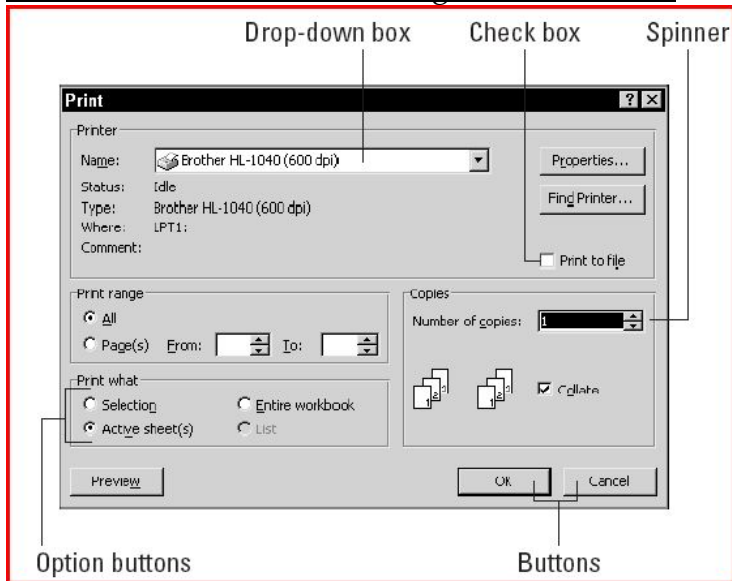
- COUNTBLANK(Range) ==> count the number of empty cells in the range

Countif Formula Description

| | |
|---|--|
| =COUNTIF(Data,12) | Returns the number of cells containing the value 12 |
| =COUNTIF(Data,"<0") | Returns the number of cells containing a negative value |
| =COUNTIF(Data,"<>0") | Returns the number of cells not equal to 0 |
| =COUNTIF(Data,">5") | Returns the number of cells greater than 5 |
| =COUNTIF(Data,A1) | Returns the number of cells equal to the contents of cell A1 |
| =COUNTIF(Data,">"&A1) | Returns the number of cells greater than the value in cell A1 |
| =COUNTIF(Data,"*") | Returns the number of cells containing text |
| =COUNTIF(Data,"???") | Returns the number of text cells containing exactly three characters |
| =COUNTIF(Data,"budget") | Returns the number of cells containing the single word budget (not case sensitive) |
| =COUNTIF(Data,"*budget*") | Returns the number of cells containing the text budget anywhere within the text |
| =COUNTIF(Data,"A*") | Returns the number of cells containing text that begins with the letter A (not case sensitive) |
| =COUNTIF(Data,TODAY()) | Returns the number of cells containing the current date |
| =COUNTIF(Data,">"& AVERAGE(Data)) | Returns the number of cells with a value greater than the average |
| =COUNTIF(Data,">"& AVERAGE(Data)+STDEV(Data)*3) | Returns the number of values exceeding three standard deviations above the mean |
| =COUNTIF(Data,3)+COUNTIF(Data,-3) | Returns the number of cells containing the value 3 or - 3 |
| =COUNTIF(Data,TRUE) | Returns the number of cells containing logical TRUE |
| =COUNTIF(Data,TRUE)+COUNTIF(Data,FALSE) | Returns the number of cells containing a logical value (TRUE or FALSE) |
| =COUNTIF(Data,"#N/A") | Returns the number of cells containing the #N/A error value |

Tips and Tricks in Excel:

1. Understand some of the Dialogue Box Controls

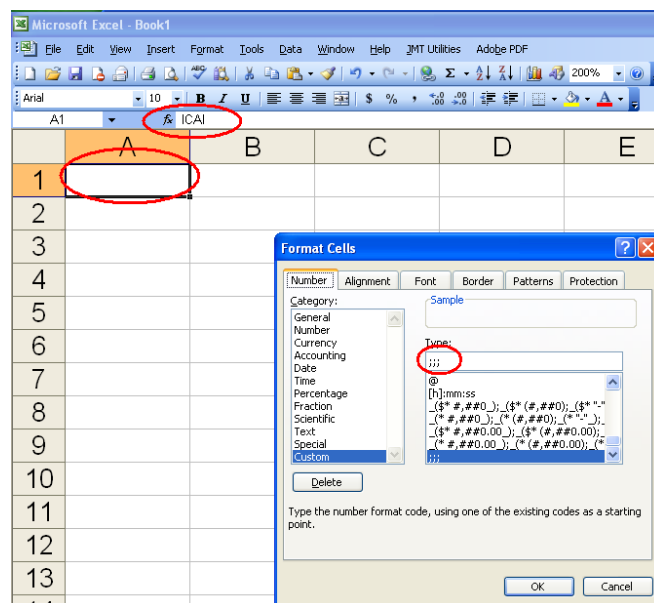


2. Explore the feature "Paste Special":

- a. Saves you lots of time
 - i. Retyping formulas
 - ii. Converts formulas into values
 - iii. Reformatting cells
 - iv. Transposing cells (i.e., convert row-entered data blocks into column-entered ones)

3. Wanted to Hide Cell Contents without removing the same?

Select the cell for which the contents need to be hidden on screen. Go to Format -> Cells -> Number (Tab) -> Select Custom -> Type ;;;



4. Scrolling in Large Excel Worksheet?

You can scroll through the worksheet without changing the active cell by turning on Scroll Lock. This can be useful if you need to view another area of your worksheet and then quickly return to your original location.

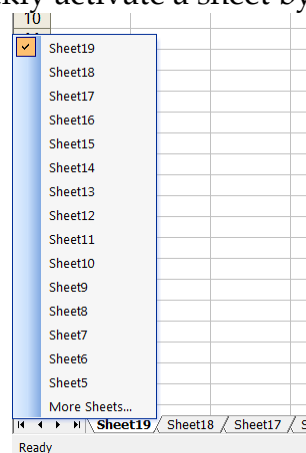
Just press Scroll Lock and use the direction keys to scroll through the worksheet. When you want to return to the original position (the active cell), press Ctrl+Backspace. Then, press Scroll Lock again to turn it off.

When Scroll Lock is turned on, Excel displays SCRL in the status bar at the bottom of the window.

5. Display Single Workbook in more than One window:

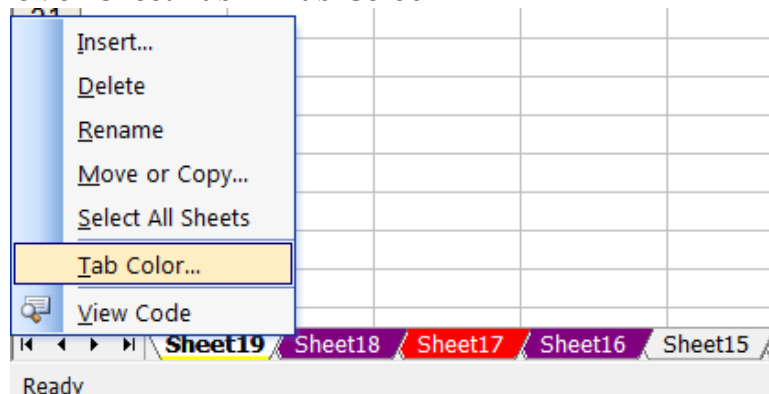
Go to Window Menu -> New window

6. Jump to the Worksheet Directly: When you right-click any of the tab-scrolling buttons to the left of the worksheet tabs, Excel displays a list of all sheets in the workbook. You can quickly activate a sheet by selecting it from the list.



7. Format On Screen Worksheet Arrangement:

Right Click on sheet Tab -> Tab Colour



8. Closely Watch the activity in Particular Cell:

The function can be useful at the time of preparing Tax Computation Sheet.

Go to Tools -> Formula Auditing -> Show Watch Window -> Add Watch -> Specify the cells to keep under close watch.

9. Use of Office Clipboard:

Copy what ever you want and then paste them all together or thorough selection. Clipboard Basket can hold upto 24 items.

10. Problem in writing Firm's Name in Header and Footer?

E.g. If you want to write ABC & Co. in header / footer in Excel write the same in this way. "ABC && Co." Because Excel uses an ampersand to signal a code.

11. Increase the Limit of Undo Stake:

By default the user can undo 16 prior actions. Excel will replace the action at 1st Level at the time of 17th action. Many a time the limit of 16 actions under Undo command is not enough. To increase the limit certain changes are required to be made. Let us see live how the same can be done!

12. Use Names to work with Cell Ranges:

Dealing with cells and range addresses are often confusing since the user is required to refer the cells and ranges by combination of Column and Row Indexes (e.g. B2). Fortunately MS Excel allows users to assign meaningful (descriptive) names to the cells and/or ranges. Such name can be used in entire workbook. There are various advantages like easier to remember, formulation of formula becomes easier, makes formula understandable etc.