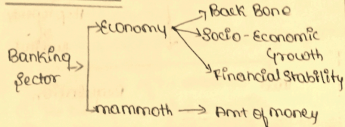
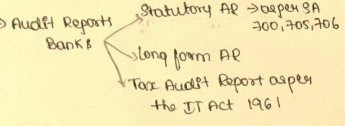
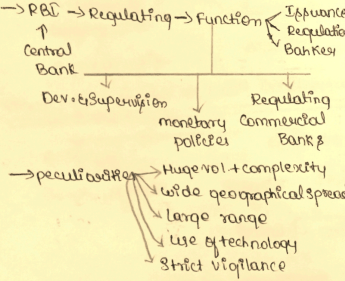
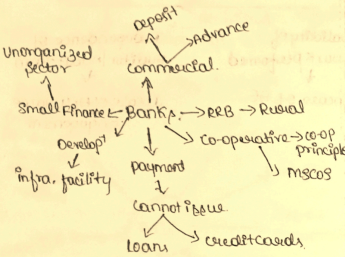


Introduction



Types of Bank



Bank Audit Approach

① Drawing Audit plan  
Based on nature level → operation  
nature → adverse feature  
level of compliance → py  
audit risk

② Control Env. → Questions/Steps  
Who → perform Control Knowledge + Authority  
What → Evidence  
When → Frequency → Enough!  
Where → A.E → Retained + Accessible  
Why → Controls  
Types of errors → P, D  
How → Controls → performed  
By posted  
Exceptions → Identified

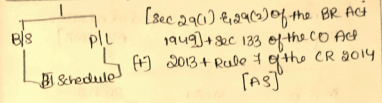
The following are certain common questions/step which have to be kept in mind while undertaking / performing control activities:

③ Engagement → ① Likely → errors  
Team Discussion ② P.Y → E  
personnel ③ methods → Fraud → enquiry → persuasive  
④ Responses → Risk → Specific  
⑤ Prof. Skepticism + Alert

→ Advantages.  
Susceptibility → Fraud  
Delegation → work  
Specialist → Needed

Income Recognition policy  
Should be effective (on recovery) → rather than subjective by the books  
Eg: NPA → Immateral Income → If recorded  
↳ when received → Not on Accrual Basis

Form & content of IS



Audit of Accounts

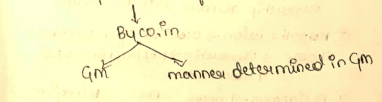
Audit of Banks [Sec 20(1)]  
By CA → Only qualified → to be appointed as Auditor of ACO.

Eligibility, Qualifications & Disqualification of Auditor

As per Sec 141 of the CO Act 2013  
Applicable as to a company Auditor

- ① Appointment of Auditor
- Banking CO → AGM
  - Nationalized Bank → BOB
  - SBI → CE/AG in consultation with CG
  - Subsidiaries of SBI → SBI
  - RRB → RRB → with approval of CG

② Remuneration of auditor: Banking CO → As per Sec 142 of the CO Act 2013



Nationalized Banks, SBI → RBI in consultation with CG

Audit Report

Nationalized Banks (SBI) → CG  
points to be included

- ① F.S → True & Fair  
→ Satisfactory → info + explanation

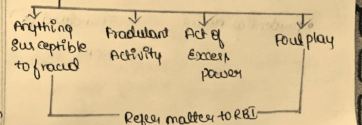
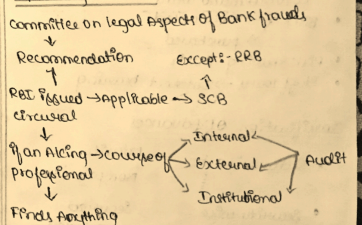
- ⑤ Transaction done by bank → issue within powers of bank  
⑥ Returns required from → officer → Branch → Adequate  
⑦ Any other matter → as per CG

Format of Report

Format of AR :- (Same as Ch 8) (3 parts)  
(+) Complies with SA un-audited - branches  
→ In Jo  
→ Quantification of Advances → Deposits  
→ Interest → Income → Exp  
Matters covered U/S 143 of the CO Act 2013  
CARO 2020 → not Applicable

Long form Audit Report :-  
To be submitted in addition to the above → before 30th June every year  
Matters to be include → specified by RBI  
↓  
Demonstration

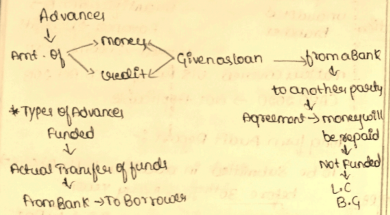
Reporting To RBI



Consider SA 250 - "Consideration of Law & Regulation in an Audit of F.S"

Confidentiality & oversight by Statute Law Courts  
 SA 240 "Auditor's Responsibility relating to fraud in an audit of F.S"  
 Inform RBI + chairman / MD / CEO of Bank

Advances



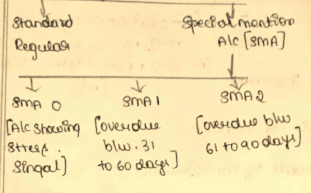
What do Advances comprise

- Term loans
- CC / OD demand loans
- B/L - Discounted / purchased
- Risk sharing B/Ls
- Staff loans - Interest bearing

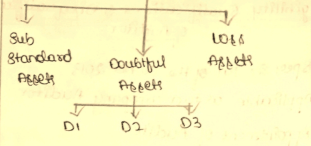
Classification of Advances

- Sector wise - Priority / Non priority
- Security wise - Secured / Unsecured
- Prudential norms - Standard ① / NPAs ②

Standard Assets -> ①



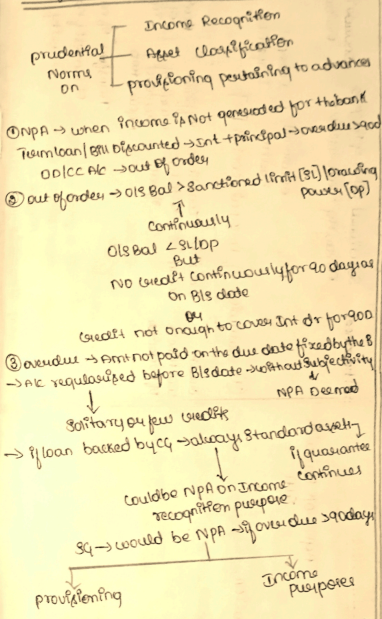
Non-performing assets -> ②



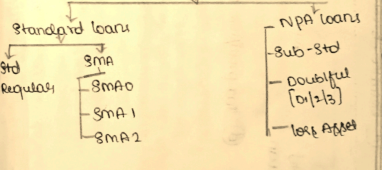
mode of creation of Security

- ① mortgage - registered -> By mortgage deed / equitable -> By mortgage delivery
- ② Pledge - Bailment by delivery of goods -> By borrower -> to lending bank / Bailment by delivery of goods -> ownership remains with the pledger
- ③ Hypothecation -> creation of an equitable charge -> ownership -> possession -> not transferred
- ④ Assignment -> Transfer of debt -> Belonging to a person in favor of another
- ⑤ Set-off -> debit balance of Dr's A/C -> Set off -> credit bal -> in the same name & right
- ⑥ Lien -> legal charge with consent of owner

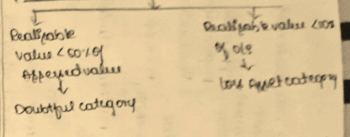
Prudential norms on Income Recognition, Asset Classification & provisioning pertaining to Advances



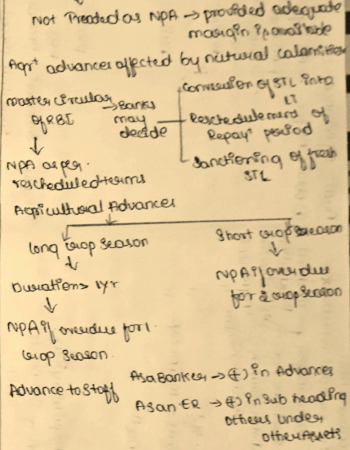
Classification of Advances as per RBI prudential norms



A/C whose transfer results in the value of Security Funds recorded by borrower



Advances against Term Deposits, TDS, KVP, JVPs, etc



Objective of Takeout Finance

- ① To expand sources of financial infrastructure project by facilitating participation of new entities
- ② To address sectoral / group / entity exposure issues & asset liability mismatch concerns of lenders
- ③ To boost the availability of long tenor debt finance for projects



# Audit of Revenue Items - Profit & Loss A/c

Incomes Expenditure

- ① RA
  - Transaction of Relevant period
  - NO unrecorded Income
  - Recorded in proper Amt
  - Allocated to proper period
- ② AS per RBI → Income to be recorded on accrual basis as per AS-9
  - ↓
  - Total Income as per Q1
  - NPBT if recorded as per net of cash basis
  - which exceeds 1% of
- ③ Items may be recorded on cash basis → if not material
- ④ Revenue certainty → Reasonable to expect
  - ↓
  - Ultimate collection
  - Accrual Basis
  - Cash Basis
  - provided adequate margin
- ⑤ Advances against Securities → Ent → on Due Date
  - Term Deposits (FD)
  - NSCs
  - DVPS
  - KVPs
  - Life policies
- ⑥ Bills purchased → O/S at the close of the yr.
  - ↳ Discount Received → Apportioned → Blwdyrs
  - ↳ unexpired Discount Rebate on B/D
- ⑦ Bills for collection → Examine procedure → Credit in the party
  - ↓
  - on whose behalf
  - Bill has been collected
- ⑧ Renegotiations → Recognized on Accrual Basis.

\* Reversal of Income  
 if Advance → becomes NPA + wrongly recognized  
 ↳ Income → should be reversed (Govt. Guarantee A/c also)

