



PRACTICAL APPROACH TO CONCURRENT AUDIT OF BANKS

Presented by CA Rathish P.K
Jacob and Isack Associates

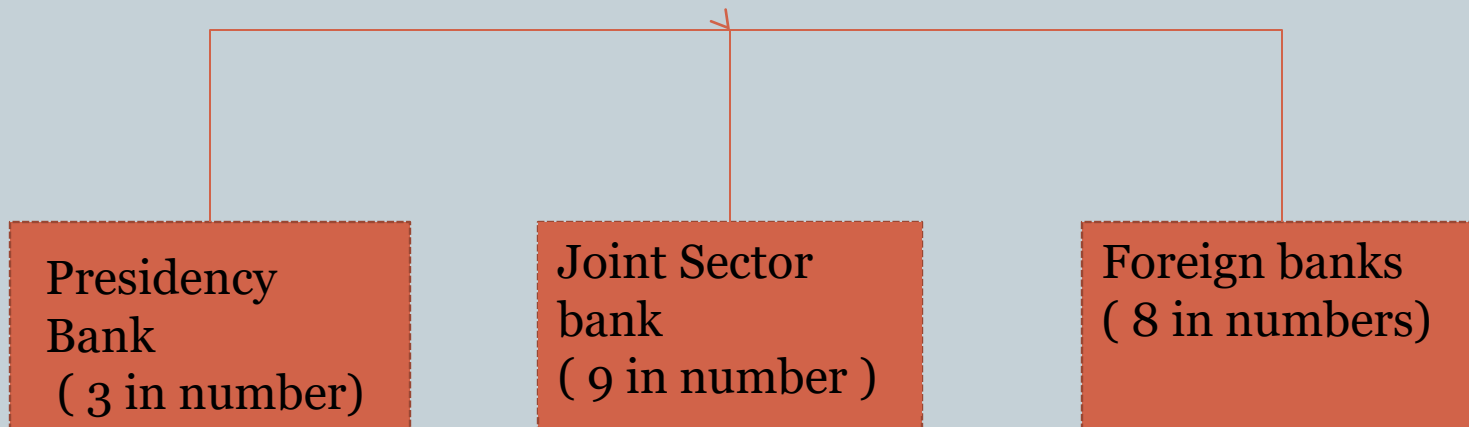
Email: rathishca@gmail.com,
jir.knr@gmail.com |

Ph: 9446370969

HISTORY OF INDIAN BANKING



- Ist Bank in India – 1786 – General Bank of India
- In 1900 three classes of Bank came



TYPES OF BANKS IN INDIA



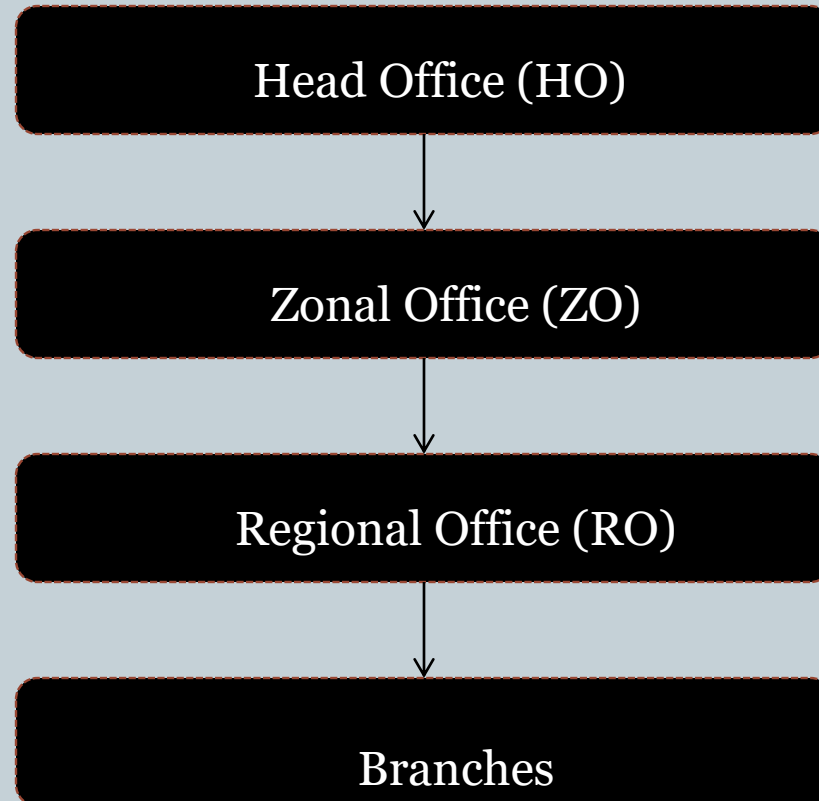
- Commercial Banks
- Regional Rural banks
- Co-operative Banks
- Foreign banks
- Payment Banks – 6 nos (2014)
- Small Finance Banks 2014

BANKING PRODUCTS



- Deposits
- Advances
- Remittances
- Collections
- LC/BG
- Merchant Banking
- Credit cards
- Receipt of foreign contributions
- Technology based services (Net banking, phone banking)
- Safe keeping services

BANKING STRUCTURE



Legal Framework for Banks



- Banking Regulations Act 1949
- Section 22 – License by RBI mandatory
- Section 35A - Temporary place for one month exempted RBI Inspection
- Section 15 – Dividend only after intangible asset write-off
- Section 23 - RBI permission required for new branches/relocation
- Under section 24, 25, 26, 27 various returns to be submitted to RBI by Banks.

CONCURRENT AUDIT – AN OVERVIEW



- Ongoing internal audit process
- Conducted in high-risk/specialized/treasury branches
- Done by external auditors or bank staff
- Tenure: 1–3 years

HOW TO APPLY



- Via **CA SANSAAR**
- Bank Call (April–Sept)
- Online portals of individual banks

TEAM



- A good Team with a retired bank official.
- Consistent team
- Knowledge of banking sector
- Technical knowledge

INCOME & CHALLENGES



Income: Monthly (varies by bank)

Challenges:

- Continuous workload
- Less cooperation
- Biometric attendance (e.g., UBI)
- Meeting, whatsapp messages are hectic and drudgery

NATURE OF WORK



- 100% spot verification
- Real-time checks & immediate reporting
- Coordination with branch managers
- Use of bank software:
 - I. WebCAS – State Bank of India
 - II. ETHIC – Union Bank of India, Indian Overseas Bank
 - III. DARPAN – Canara Bank
 - IV. PENTANA – Federal Bank

SCOPE OF WORK



- Physical cash verification
- Surprise cash verification by authorized representative
- Daily Verification by authorized representative
- Soiled Notes (exchange Rs. 5000 or 20 notes maximum)
- Scroll book
- Key movement register
- Chest transfer
- Daily limit of cash
- Rotation of cashier
- After business hours - no cash transaction

KYC



1. RBI master direction – December 2016
No: RBI/DBR/2015-16/18
2. Regulated entities (R E)
 - a) All Scheduled Banks
 - b) Regional Rural Banks
 - c) Local Area Banks
 - d) All primary Urban Co-operative Banks
 - e) Entity licensed u/s 22
 - f) All NBFC, MNBFC, money transfer service personnel.

KYC (Customer)



- For those whose account is maintained at the bank
- Beneficial owners
- Beneficiaries of transactions conducted by stock brokers, CAs
- Any person connected with a significant/risky financial transaction

ELEMENTS OF KYC



- Customer acceptance policy
- Risk management
- Customer identification process
- Monitoring process

UPDATION OF KYC



Risk	Once in years
High	2
Medium	8
Low	10

- KYC document attested by customer
- True copy verified by Branch Manager and sealed/signed
- Details in application
- KYC documents

DEPOSITS – SB/FD/RD/CC



- A/c opening – KYC
- Changing of SOL id for separate applications
- Approved by external person
- Specimen signature/ letter of thanks
- Dormant Accounts
- Nominee
- Photo of customer office (in case of CC)

ADVANCES

Advances

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graph TD; Advances --> SecuredLoans[Secured Loans]; Advances --> UnsecuredLoans[Unsecured Loans];
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Secured Loans

Secured Loan	Security
Housing Loan	Land and Building
Loan Against Deposit	Deposits (FD)
Loan Against Financial Securities	NSC, LC
MSME Loan	Stock , Debts, Plant & Machinery
Vehicle Loan	Vehicle
Mortgage Loan	Land & Building

Unsecured Loans

Sanctioned against yearly income

No securities

CUT-BACK NORMS



- Margin required – 70:30, 60:40
- Gold Loan 85% of market value
- Loans for profession are done on no. of man days worked, expenses incurred, surplus
- Loan for private purpose income proof required

END USE OF LOANS

- Verify end use of loans
- Personal loan no end use

Housing loan documentation

- Title deeds
- Legal vetting
- Valuation Certificate
- Insurance 110% of security offered value

Loan against NSC/LIC, Govt. guarantees

- No NPA

Mortgage Loan documentation

- Income proof
- Rest same as housing loan

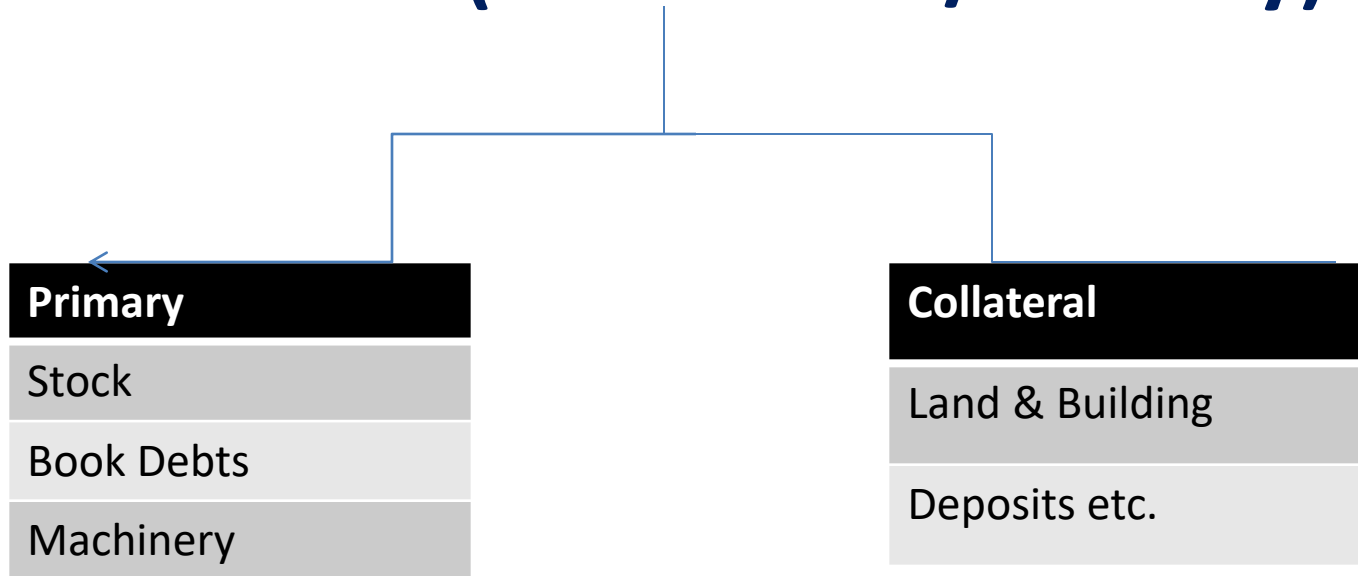
Vehicle Loan Documentation

- Income proof (private vehicle)

Education Loan

- Apply through Vidya Laxmi portal
- Upto 7.5 Lacs no security required

MSME Loan (Documents/security)



- MSME Loan collateral mandatory
- MSME Loan – No personal guarantee accepted
- MSME loan covered under CGTMS scheme
- CIBIL score mandatory (all loan)
- No overdue loan exists before sanction

REGISTRATION



- **CERSAI** (Central Registry of Securitisation Asset. Reconstruction and Security Interest of India)
- **SARFAESI** (The Securitisation and Reconstruction Of Financial Assets and Enforcement Of Security Interest) Act, 2002
- Used for recovery without filing suit

OTHER MATTER



- DP Calculation
- Stock report
- Insurance
- Godown / Security inspection
- Financial statement
- Renewal
- TOD
- Pre Sanction
- Post Sanction
- Authorised officer sanction

STATUTORY COMPLIANCES



- TDS filing
- Rotation of staff
- Daily report
- Staff Account
- Transferred staff
- Suspense Account
- Account with other banks

TREASURY FUNCTIONS



- H.O. Level
- Classification of Investments



FOREIGN EXCHANGE



- NRE account to be closed after return
- Current Account and Capital account transactions

REVENUE LOSS



- Locker rent
- Processing Charges
- Interest
- Penal Interest
- Cheque bouncing charges
- Inspection charges
- Printing charges
- Commitment charges
- Folio charges
- Cheque Book charges
- ATM charge

EARLY WARNING SIGNS



- Statutory Dues
- Cheque Bouncing
- Additional loans
- Invocation of BGS/ devolvment of ISS
- Non routing of sale through account.
- Issues in Stock Audit Report
- Changes in Current Assets
- Increase in Fixed Asset without increase in long term sources
- Claim not acknowledged
- Discrepancies in annual report
- Resignation of Key Personel

CONCLUSION



- Critical tool for risk mitigation
- Requires diligence, real-time action, and communication
- Stay updated with regulations (RBI/IND-AS /FEMA)

THANK YOU



Presented by CA Rathish P.K
Jacob and Isack Associates
Email: rathishca@gmail.com,
jir.knr@gmail.com |
Ph: 9446370969