

Concurrent Audit – From an RBI perspective and RBI Directives

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Concurrent Audit – Introduction

- Concurrent audit – reduced interval between a transaction and its independent examination
- Contemporaneous with the occurrence of transactions or carried out as near thereto as possible
- Integral to establishment of sound internal accounting functions and effective controls
- Sets tone for a vigilant internal audit to preclude incidence of serious errors and fraudulent manipulations
- Regarded as part of early warning system to ensure timely detection of serious errors and irregularities – helps in averting fraudulent transactions and preventive vigilance in banks
- Auditor may not sit in judgement of decisions taken by a branch manager or an authorised official.
- Must see whether transactions or decisions are within policy parameters laid down by HO, they do not violate instructions or policy prescriptions of RBI, and that they are within the delegated authority.
- In very large branches with different divisions dealing with specific activities, CA is a means to the in-charge to ensure on an ongoing basis that different divisions function within laid down parameters and procedures.

Tenure and Reporting System

- ACB shall decide maximum tenure of external concurrent auditors with the bank
 - Generally, tenure of external concurrent auditors shall not be more than five years on continuous basis.
 - Age limit for retired staff engaged as concurrent auditors may be capped at 70 years
 - No concurrent auditor shall be allowed to continue with a branch/business unit for a period > three years.
 - Statutory Auditors cannot be Concurrent Auditors of the same entity.
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- Banks' Internal Audit Department should develop a reporting system for CAs with approval of ACB
 - Findings of CA may be received in a structured format prescribed by the bank.
 - Minor irregularities pointed out by the concurrent auditors shall be rectified on the spot.
 - Major deficiencies/aberrations noticed during audit should be immediately brought to the notice of HO/Controlling Office of the concerned branch/business unit.

Coverage of Concurrent Audit – Commercial Banks

- Scope, coverage of business/branches, etc. left to the discretion HIA with the due prior approval of ACB
- Banks must ensure that risk sensitive areas identified by them as per their specific business models are covered under CA.
- Broad areas of coverage under CA shall be based on the identified risk of the unit
- Must include random transaction testing of sufficiently large sample of transactions wherever required.
- All Centralized Processing Centres (business origination and monitoring) must be covered
- Specialised branches – Large Corporate, Mid Corporate, exceptionally large/very large branches, SME
- Specialised activities – wealth management, portfolio management services, Card Products Division, etc.
- Scope should be wide enough/focused to cover certain fraud prone areas – handling of cash, deposits, advances, foreign exchange business, OBS items, credit-card business, internet banking, etc.
- Importance should be given to checking high-risk transactions having large financial implications as opposed to transactions involving small amounts.

Minimum Areas of Coverage – 1

- Cash transactions including physical verification of cash, etc.
- Surprise physical verification of cash at branch and ATM along with safekeeping and custody.
- Daily cash transactions, particularly any abnormal receipts & payments.
- Surprise verification of cash by an officer other than the joint custodian.
- Proper accounting of and availability of insurance cover for inward and outward cash remittances.
- Accounting of currency chest transactions and delays/omission in reporting to RBI.
- Reporting of Counterfeit Currency.
- All cash transactions of ₹10 lakh and above reported in CTR.
- That all cash transaction of ₹50,000 and above invariably indicate Pan No./Form 60.

Reporting of transactions / balances at Currency Chests

- Master Direction on Penal Provisions in reporting of transactions / balances at Currency Chests dated April 1, 2024
- Minimum amount of deposit into / withdrawal from CC shall be ₹1,00,000/- and thereafter, in multiples of ₹50,000/-.
- CCs shall invariably report all transactions through CyM-CC portal on the same day by 7 pm.
- If CyM CC portal is available on the day a specific CC is permitted to operate (i.e. on a local holiday), the CC shall report the transactions in CyM on the same day.
- If CyM-CC portal is not available on the said day, CC shall report denomination-wise consolidated deposit and/ or withdrawal amount and denomination-wise chest closing balance of the day by 7 pm to concerned Issue Office of RBI by e-mail and report day's transactions on CyM on the next working day.
- Relaxation in the reporting period on account of strike situation shall be considered on case-to-case basis.
- Penal interest @ Bank rate + 2% – delay in reporting; wrong reporting; bank has enjoyed 'ineligible' credit in its current account with Reserve Bank on account of wrong reporting / delayed reporting of transactions.

Reporting of transactions / balances at Currency Chests

- Only cash held in the custody of JCs and 'freely available' to them eligible for inclusion in chest balances
- Ineligible for inclusion in chest balances:
 - cash kept outside the vault / outside the coverage of CCTV cameras
 - cash kept for safe custody in sealed covers for whatever reasons / in trunks / under single lock / unlocked / in bins under the lock and key of any official/s other than the JCs or bearing a third lock put by any official in addition to the two locks of JCs
- Scenarios for penalty – shortages in chest balances / remittances, shortages due to pilferage / frauds, counterfeit banknotes detected in chest balances / remittances

Reporting of counterfeit currency

- [Master Direction on Counterfeit Notes, 2024 – Detection, Reporting and Monitoring dated April 1, 2024](#)
- Detection ≤ 4 pieces in a single transaction – consolidated report by Nodal Bank Officer to police authorities or Nodal Police Station, along with the suspect Counterfeit Notes, at the end of the month.
- Detection ≥ 5 pieces in a single transaction – Counterfeit Notes to be forwarded immediately by Nodal Bank Officer to local police authorities or Nodal Police Station for investigation by filing FIR
- Copy of monthly consolidated report / FIR shall be sent to the Forged Note Vigilance (FNV) Cell constituted at the HO of the bank.
- Data on Counterfeit Notes detected by all branches and currency chests of the bank compiled and reported monthly by FNV Cell of concerned bank to the Issue Office of RBI, by 7th of the following month
- If no counterfeit note has been detected during the month, “Nil” report shall be sent.
- Rule 8 (1) of PML (Maintenance of Records) Amendment Rules, 2013 – Principal Officers of banks shall report information on cash transactions where Counterfeit Notes have been detected to FIU-IND, by the 15th day of the succeeding month, by uploading the information on the FINnet Portal
- Data on Counterfeit Notes detection to be uploaded on web-enabled software of NCRB, New Delhi on their website.

Minimum Areas of Coverage – 2

- Loans & Advances including physical verification of securities, delegation of Powers for sanction, Security Charge Creation, end use verification of funds, monitoring of accounts with excess drawings, monitoring of projects, etc.
- Report Bills/cheques purchased, if in the nature of accommodation bills.
- Proper follow-up of overdue bills purchased/discounted/negotiated.
- Fresh loans and advances (including staff advances) have been sanctioned properly and in accordance with delegated authority.
- Reporting of instances of exceeding delegated powers to controlling/head office by the branch and have been confirmed or ratified by the competent authority.
- Securities and documents have been received as applicable to particular loan.
- Securities have been properly charged/ registered and valued by competent person. Whether the same has been entered in the bank's system.
- All conditions of sanction have been complied with.
- Reporting of credit information; grievance redressal

Minimum Areas of Coverage – 3

- Master data relating to limit, rate of interest, EMI, moratorium period details have been correctly entered and updated/modified in the system.
- Value dated entries passed in advances accounts.
- Post disbursement supervision and follow-up is proper, such as timely receipt of stock and book debt statements, QIS data, analysis of financial data submitted by borrower, verification of securities by third parties, renewal of limits, insurance, etc.
- Whether there is any misutilisation of the loans and whether there are instances indicative of diversion of funds.
- Compliance of prudential norms on income recognition, asset classification and provisioning pertaining to advances.
- Whether monthly updating of DP in the computer system on the basis of stock statements/book debt statement/ other financial data received from the borrowers.
- Recovery in compromise cases is in accordance with the terms and conditions of the compromise agreement.
- To check review and renewal of loans.

Minimum Areas of Coverage – 4

- Adherence to KYC / AML guidelines including monitoring of transactions in accounts, compliance with Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS), monitoring of transactions in new accounts/staff accounts, reporting of CTR/STR, etc.
- Adherence to KYC/AML guidelines in opening of fresh accounts and monitoring of transactions in such accounts.
- Large term deposits received and repaid including checking of repayment of term deposit in cash beyond permissible limit.
- Accounts opened and closed within a short span of time i.e., accounts with quick mortality.
- Activation and operations in inoperative accounts.
- Value dated transactions
- Settlement of claims of deceased customers and payment of TDRs against lost receipts and obtention of indemnities, etc. To check revival of dormant accounts and accounts with minimum activities.
- Examination of multiple credits to single accounts.
- Transactions in staff accounts

Minimum Areas of Coverage – 5

- Remittances/ Bills for Collection including SWIFT transactions, monitoring of overdue statements (bills purchased / discounted / negotiated, etc.).
- Remittance of funds by way of DDs/TTs/MTs/TC/NEFT/RTGS any other mode in cash exceeding the prescribed limit.
- Documents of title (lorry receipts, railway receipts, etc.) obtained in favour of the bank and the concerned transporters are on the IBA approved list.
- Outstanding balance in transit accounts pending payment beyond prescribed period.

Minimum Areas of Coverage – 6

- House Keeping including reconciliation of accounts, monitoring of General Ledger/Subsidiary General Ledger/Parking Accounts, opening of internal accounts, etc.
- Exceptional transaction reports are generated and verified by branch staff as prescribed.
- Review of all balance sheet heads and outstanding entries in accounts, e.g., suspense, sundry and inter-bank accounts. Review of follow up of entries pending for reversal.
- Scrutiny of daily vouchers with more emphasis on high value transaction including high value expenses and debit entries in Suspense account.
- Debits in accounts where signatures are pending for scanning.
- Whether records related to KYC/vouchers and other critical areas are sent to specific places like archival center, record room as per stipulated periodicity.

Minimum Areas of Coverage – 7

- Non fund based business.
 - LC/BG issued/amended as per the approved format/model guarantee prescribed and standard limitation clause incorporated. Whether counter indemnity obtained.
 - Any deviation from the terms of sanction in regard to margin, security, purpose, period, beneficiary, collection of charges, commission/fee, etc.
 - Whether payment is made to the debit of party's account on due date without creating overdraft/debiting suspense, in case of deferred payment guarantee.
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- Clearing transactions.
 - Reconciliation with bank's account at Clearing House and review of old outstanding entries for reconciliation.
 - Drawings allowed against uncleared instruments - sanction by the controlling authority.

Minimum Areas of Coverage – 7

- Treasury operations.
- If branch has acted within HO instructions for purchase and sale of securities.
- Periodic confirmation of Derivative contracts with counterparties.
- Adherence to regulatory guidelines with respect to Treasury deals/structured deals.
- Controls around deal modification/cancellation/deletion, wherever applicable.
- Cancellation of forward contracts and passing/recovery of exchange gain/loss.
- Gaps and OPL maintained in different currencies vis-à-vis prescribed limit for the same.
- Reconciliation of Nostro and Vostro accounts-balances in Nostro accounts in different foreign currencies are within the limits prescribed by the bank.
- Collection of underlying documents for Derivative & Forward contracts. Delays, if any.
- Instances of booking and cancellation of forward contracts with the same counterparty within a span of couple of days or a few days.

Minimum Areas of Coverage – 8

- Treasury operations (contd.)
- Sample check some of the deals and comment on the correctness of computation.
- Checking of application money, reconciliation of SGL account, compliance to RBI norms.
- Checking of custody of unused BR Forms & their utilization in terms of extant instructions
- Treasury operations have been conducted in accordance with the instructions issued by the RBI from time to time.
- Deal time on the broker note and the deal ticket is the same.
- Business done through brokers shall be audited by the same CAs who audit the treasury operations of the bank
- Internal Control Guidelines issued on February 3, 2011
- Master Direction - Risk Management and Inter-Bank Dealings dated June 5, 2016 (updated as on May 3, 2024)

Classification of Investments (1/2)

Category to be decided by the bank before or at the time of acquisition

Entire investment portfolio
(except investments in subsidiaries, JVs and associates)

Presentation to be as per Section 8 – Investments in Third Schedule to BR Act

Held to Maturity (HTM)

- Acquired with the intention and objective of holding to maturity
- Contractual terms give rise to cash flows that are solely payments of principal and interest in principal outstanding (SPPI criterion) on specified dates

Available for sale (AFS)

- Objective is achieved by both collecting cash flows and selling securities
- Contractual terms satisfy SPPI criterion
- Irrevocable election on initial recognition to classify an equity instrument not held with the objective of trading
- May include debt securities that meet SPPI held for ALM where bank's intention is flexible with respect to holding to maturity or selling to maturity

Fair Value through Profit and Loss (FVTPL)

- Securities that do not qualify for inclusion in HTM or AFS

Held for Trading (HFT)

Classification of Investments (2/2)

Securities that do not meet SPPI criterion regardless of intention of the bank:

- Instruments with compulsorily, optionally or contingent convertible features
- Instruments with contractual loss absorbency features (AT1, Tier 2)
- Instruments whose coupons are not in the nature of [interest](#)
- Preference shares and equity shares

Conditions for preference shares to be evaluated for SPPI:

- Redeemable, carries non-discretionary dividend
- YTM close to market rate of borrowing for issuer
- Provides for compensation for deferred dividend

Conditions for securitisation notes (except equity tranche) to be evaluated for SPPI:

- Contractual terms of tranche (without looking through to underlying) are SPPI cash flows
- Underlying pool satisfies SPPI criterion
- Credit risk of tranche \leq credit risk of combined underlying

Examples for FVTPL:

- Equity shares (except those of subsidiaries, associates or JVs and those where irrevocable AFS classification was opted)
- Mutual Funds, AIFs, ReITs, InvITs
- Equity tranche of securitisation
- Bonds, debentures etc. where payment is linked to movement in a particular index rather than interest rate benchmark
- Securities that do not meet SPPI criterion

All investments in subsidiaries, associates and JVs to be held *sui generis* (in a distinct category for such investments separate from the other investment categories – HTM, AFS, FVTPL)

Held for Trading (1/3)

- Securities with no legal impediments against selling or fully hedging.
- Fair value daily and valuation changes to be recognized in profit and loss account.

- Instruments held for one or more of the following purposes are designated HFT:
 - Short-term resale
 - Profiting from short-term price movements
 - Locking in arbitrage profits; or
 - Hedging risks that arise from instruments meeting the above uses

- Instruments in the [correlation trading portfolio](#)
- Instruments that would give rise to a [net short credit or equity position](#) in the banking book
- Instruments resulting from underwriting commitments – where the commitments refer only to securities underwriting, and relate only to securities that are expected to be actually purchased by the bank on the settlement date.

- Any instrument which is not held for the above purposes at inception nor seen as being held for these purposes according to the above permitted instruments, shall not be assigned to HFT.

Held for Trading (2/3)

Following instruments shall not be included in HFT:

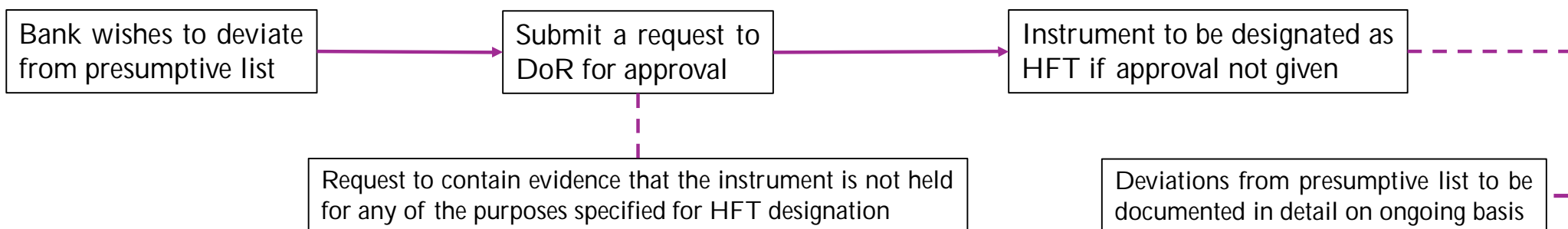
- Unlisted equities and equity investments in subsidiaries, associates and JVs
- Instruments designated for securitisation warehousing
- Direct holding of real estate and derivatives on direct holdings of real estate
- Equity investments in funds, unless at least one of the following conditions are satisfied:
 - Bank is able to look through the fund to its individual components and there is sufficient and frequent information, verified by an independent third party, provided to the bank regarding composition
 - Bank obtains daily price quotes for the fund and has access to information contained in the fund's mandate or in national regulations governing such funds.

- Derivative instruments and funds that have instrument types as above.
- Instruments held for the purpose of hedging a particular risk of a position in the above type of instruments.

Following instruments are presumed to be in HFT:

- Instruments resulting from market-making activities.
- Equity investments in a fund excluding those exempted from assignment to HFT
- Listed equities
 - Option to exclude certain listed equities subject to supervisory review
- Trading-related repo-style transaction, except:
 - Those entered for liquidity management
 - Valued at accrual for accounting purposes

Held for Trading (3/3)



Supervisory Powers

- RBI may require the banks to provide evidence that an instrument in HFT is held for at least one of the purposes mentioned specified for HFT designation
- In the absence of evidence / RBI believes that HFT classification cannot be done customarily, RBI may require banks to reclassify out of HFT.
- Similarly, RBI may require banks to classify instruments as HFT if evidence provided for classification outside HFT is not satisfactory / RBI believes that classification should be HFT customarily

Documentation of instrument designation

- Banks should have clearly defined policies, procedures and documented practices for HFT classification, commensurate with risk management capabilities / practices.
- Ongoing evaluation of classification in and out of HFT by the internal control functions of the bank
- Compliance with policies / procedures to be fully documented; subject to periodic (at least yearly) internal audit – results to be available for supervisory review.

Clarifications on Classification (1/2)

- Similar securities, even if acquired at the same point of time or in same lot, can be classified under different categories if acquired with different objectives.
- Classification criteria dependent only on objective of acquisition and SPPI criteria – SLR / non-SLR does not matter.
- Securities satisfying SPPI criteria included for LCR can be classified as HTM if the regulatory objective or periodic monetization is achieved through repos and AFS if met through periodic sales.
- SPPI criterion is consistent with 'basic lending arrangement' – time value of money and credit risk
- Contractual terms that introduce exposure to risk or volatility unrelated with basic lending arrangement are inconsistent with SPPI criterion
- Regulated interest rates are considered proxy for time value of money; consistent with SPPI criterion.
- Inflation indexed bonds linked to an unleveraged inflation index resets time value of money to current 'real' interest rates – consistent with SPPI criterion
- Securities with step-up / step-down rates are consistent with SPPI if the contingent event preserves the basic nature of SPPI
- Subordinated securities do not necessarily fail to meet the SPPI criteria

Clarifications on Classification (2/2)

- Securities that pay an inverse floating interest rates do not meet SPPI – interest amounts are not consideration for time value of money.
- If deferred interest does not accrue additional interest, SPPI criterion is not met.
- Investments in units of investments funds fail SPPI as cash flows include a fair value component – no look through approach permitted.
- Investments in SRs / PTCs / other securities issued by ARCs do not meet SPPI as the cash flows do not strictly meet the payment of principal and interest on principal.
- Instruments with embedded derivatives should be tested for SPPI in entirety without separating the embedded derivative from the instrument.
- If derivative is separate from an instrument, classification of the instrument is different from the derivative (eg: hedging using IRS)
- If assessment that the credit risk of a securitisation tranche is equal to or lower than the credit risk of the combined underlying pool cannot be easily done, SPPI criterion is not met.

Minimum Areas of Coverage – 9

- Foreign Exchange transactions.
- Recovery of charges as per HO Guidelines.
- Packing credit released, whether backed by LC or confirmed export order.
- Availability of ECGC cover and compliance with ECGC terms.
- Submission of statutory returns on export/ import transactions – Master Direction – Reporting under Foreign Exchange Management Act, 1999 (Updated as on September 16, 2024)
- Follow up of outstanding export bills and exchange control copy of bill of entry.
- Irregularities in opening of new accounts and operation in NRO, FCNR, NRE, EEFC, etc., and debits/credits entries permissible under the rules.
- Whether operations in FCRA accounts are as permitted by MHA and FCRA guidelines.
- Booking, utilization, extension and cancellation of forward contracts.

Minimum Areas of Coverage – 10

- Verification of Merchant Banking Business.
- Whether the instructions given by the controlling branch are properly followed where the branch acts as a collecting branch for issue business.
- Whether daily collection position is advised to the controlling branch.
- Whether recovery of the commission/fees and out of pocket expenses as agreed with the respective companies and whether the competent authority has duly authorized any waiver or reduction of such charges.
- Whether the prescribed preventive vigilance measures are observed by the branch.
- Where data entry or data processing work is entrusted to outside agencies, the competent authority duly approves these and the prescribed stamped indemnity has been obtained from such agencies.
- Whether dividend interest warrants/refund payment accounts of companies are funded prior to dispatch of the relative warrants by the companies and there is no misuse of the facility.
- Whether Claims for reimbursement of amounts of paid warrants received from paying branches are processed and debited to the concerned company's account promptly.
- Whether charge on security has been created, wherever debenture trustee activity is undertaken by bank.

Minimum Areas of Coverage – 11

- Verification of Credit Card / Debit card business.
- Application for the issue of credit card has been properly examined and record of issue of the same has been maintained.
- Whether overdraft/debits arising out of the use of credit cards are promptly recovered and informed to higher authorities.
- Whether undelivered credit cards are properly kept as security items and followed up with credit card department for further instructions.
- Physical verification of ATM cards, debit cards, credit cards, passwords and PINs, control over issue & delivery, safe keeping and custody at all the locations. Report loss of any such items.
- Master Direction – Credit Card and Debit Card – Issuance and Conduct Directions, 2022 (Updated as on March 07, 2024)
- Conduct of employees, mis-selling of products, etc.
- Compliance to RBI guidelines and internal Policy guidelines issued from time to time.

Other Areas of Coverage (Illustrative)

- Compliance of provisions relating to TDS, service tax, trade tax, other duties and taxes.
- Physical verification of inventory, control over issue of inventory, safe keeping and custody of security forms.
- Physical verification of other deliverable items, control over issue, safe keeping and custody.
- Physical verification of Gold coins, control over issue, safe keeping and custody. Checking of Gold sale transactions.
- Custody and movement of branch keys.
- Locker keys and locker operations-linking of FDR as security for locker/operation of locker/inoperative lockers/ nomination/other issues.
- Safe custody of branch documents like death claim cases, issuance of duplicate DD/PO/FDR, checking of indemnities, etc. and verification of documents executed during the period under audit.
- Reporting of frauds; classification as wilful defaulters
- Compliance with prohibition on opening of savings deposit account

Other instructions

- All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process and its acceptability of the outcome.
 - Each RE shall formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it.
 - Customer consent should be recorded in an auditable and alteration proof manner.
- Transfer of loan exposures – Concurrent audit of transferees should cover details obtained from the servicing facility provider, especially in case of pool of loans acquired
- If auditors come across instances where transactions in the account or the documents point to the possibility of fraudulent transactions in the account, auditors should immediately bring it to the notice of the senior management and if necessary, to ACB for appropriate action.

Concurrent Audit of UCBs – Coverage

- Departments/Divisions at HO dealing with treasury functions viz. investments, funds management including inter-bank borrowings, bill rediscount, in stock invest scheme, credit card system and foreign exchange business to be covered
- All branch offices undertaking such business, as also large branches and dealing rooms to be subjected to continuous audit.
- Problem branches, which are continuously getting poor or very poor rating in the bank's annual inspection/audit and where the house keeping is extremely poor may be covered.
- Banks may also include additional branches at their discretion on the basis of need; that is their professional judgement about the overall functioning of the branches.
- Main role of concurrent audit is to supplement efforts of the bank in carrying out simultaneous internal check of transactions and other verifications and compliance with the procedures laid down.
- It should be seen that the transactions are properly recorded/documentated and vouched.

Concurrent Audit of UCBs – Coverage

- Cash
 - Daily cash transactions with particular reference to any abnormal receipts and payments.
 - Proper accounting of inward and outward cash remittances.
 - Proper accounting of currency chest transactions (if any), its prompt reporting to RBI
 - Expenses incurred by cash payment involving sizeable amount.
- Investments
 - Ensure that in respect of purchase and sale of securities, the branch has acted within its delegated power having regard to its HO instructions.
 - Ensure that the securities held in the books of the branch are physically held by it.
 - Ensure that the branch is complying with the RBI/HO/Board guidelines regarding BRs, SGL forms, delivery of scrips, documentation and accounting
 - Ensure that the sale or purchase transactions are done at rates beneficial to the bank.

Concurrent Audit of UCBs – Coverage

- Treasury operations
 - Treasury functions viz. investments, funds management including inter-bank borrowings, bills rediscounting, etc. should be subjected to concurrent audit
 - Ensure that in respect of purchase and sale of securities, the concerned department has acted within its delegated powers.
 - Ensure that investments held by the bank, as on the last reporting Friday of each quarter and as reported to Reserve Bank, are actually owned/held by it in SGL/CSGL/Gilt account/demat account or in a physical form, where applicable.
 - Ensure that the sale or purchase transactions are done at rates beneficial to the bank.
 - Scrutinize conformity with broker limits and include excesses observed in their periodical reports.
 - Specific observations on the compliance with instructions on transaction in Government Securities, prudential limits on non-SLR securities and prudential limits on placement of deposits.
 - Ensure that the deal time on the broker note and the deal ticket is the same.

Concurrent Audit of UCBs – Coverage

- Deposits
 - Check the transactions about deposits received and repaid.
 - Percentage check of interest paid on deposits may be made, including calculation of interest on large deposits
 - Check new accounts opened. Operations in new Current/SB accounts may be verified in the initial period itself to see whether there are any unusual operations. Also examine whether the formalities connected with the opening of new accounts have been followed as per RBI instructions.
- Advances
 - Ensure that loans and advances have been sanctioned properly (i.e. after due scrutiny and at the appropriate level).
 - Verify whether the sanctions are in accordance with delegated authority.
 - Ensure that securities and documents have been received and properly charged/registered.
 - Ensure that post disbursement, supervision and follow-up is proper, such as receipt of stock statement, instalments, renewal of limits, etc.

Concurrent Audit of UCBs – Coverage

- Advances (contd.)
 - Verify whether there is any misutilisation of the loans and advances and whether there are instances indicative of diversion of funds.
 - Check whether the letters of credit issued by the branch are within the delegated power and ensure that they are for genuine trade transactions.
 - Check BGs issued, whether they have been properly worded and recorded in the register of the bank. Whether they have been promptly renewed on the due dates.
 - Ensure proper follow-up of overdue bills of exchange.
 - Verify whether the classification of advances has been done as per RBI guidelines.
 - Verify whether the submission of claims to ECGC is in time.
 - Verify that instances of exceeding delegated powers have been promptly reported to Controlling/HO/Board by the branch and have been got confirmed or ratified at the required level
 - Verify the frequency and genuineness of such exercise of authority beyond the delegated powers by the concerned officials.

Concurrent Audit of UCBs – Coverage

- Foreign Exchange transactions
 - Check foreign bills negotiated under letters of credit.
 - Check FCNR and other non-resident accounts, whether the debits and credits are permissible under the rules.
 - Check whether inward/outward remittance have been properly accounted for.
 - Examine extension and cancellation of forward contracts for purchase and sale of foreign currency. Ensure that they are duly authorised and necessary charges have been recovered.
 - Ensure that balances in Nostro accounts in different foreign currencies are within the limit as prescribed by the Bank.
 - Ensure that the overbought/oversold position maintained in different currencies is reasonable, taking into account the foreign exchange operations.
 - Ensure adherence to the guidelines issued by RBI/HO of the bank about dealing room operations
 - Ensure verification/reconciliation of Nostro and Vostro account transactions/ balances.

Concurrent Audit of UCBs – Coverage

- Housekeeping
 - Ensure that the maintenance and balancing of accounts, Ledgers and registers including clean cash and general ledger is proper.
 - Ensure prompt reconciliation of entries outstanding in the inter-branch and inter-bank accounts, Suspense Accounts, Sundry Deposits Account, Drafts Accounts, etc. Ensure early adjustment of large value entries.
 - Carryout a percentage check of calculations of interest, discount, commission and exchange.
 - Check whether debits in income account have been permitted by the competent authorities.
 - Check the transactions of staff accounts.
 - In case of difference in clearing, there is a tendency to book it in an intermediary suspense account instead of locating the difference. Examine the day book to verify as to how the differences in clearing have been adjusted. Such instances should be reported to Head Office/Board of Directors in case the difference persists.
 - Detection and prevention of revenue leakages through close examination of income and expenditure accounts/transactions.
 - Check cheques returned/bills returned register and look into reasons for return of those instruments.
 - Checking of inward and outward remittances (DDs, MTs and TTs).

Concurrent Audit of UCBs – Coverage

- Other items
 - Ensure that the branch gives proper compliance to the internal inspection/audit reports.
 - Ensure that customer complaints are dealt with promptly
 - Verification of statements, HO returns, statutory returns.
- Norms for audit of large branches having large volumes of transactions:
 - In certain areas, such as OBS items (LCs and BGs), investment portfolio, foreign exchange transactions, fraud prone/sensitive areas, advances having outstanding balances of more than ₹5 lakhs, if any unusual feature is observed – cent percent check.
 - Areas such as income and expenditure items, inter-bank and inter-branch accounting, interest paid and interest received, clearing transactions, and deposit accounts – check can be 10% to 25% of the number of transactions
 - Intensive checking of branches having poor performance in certain areas or requires close monitoring in housekeeping, loans and advances or investments
 - Concentrate on high value transactions having financial implication for the bank
 - If any adverse remark is required to be given, CAs should give reasons therefore.
 - CAs may themselves identify problem areas at branch level/bank and offer their suggestions to overcome them.



Thank you