

# Statutory Bank Branch Audit under CBS Environment

**Organized by Kannur Branch of SIRC of ICAI**

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**Presented by CA. Kuntal P. Shah, Ahmedabad**

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- **Basics of Core Banking System & Architecture**
- Controls in Core Banking System
- Audit activity through CBS (LFAR)
- Automated Asset Classification (RBI Guidelines)
- Important CBS Parameters for NPA Identification
- Case Studies

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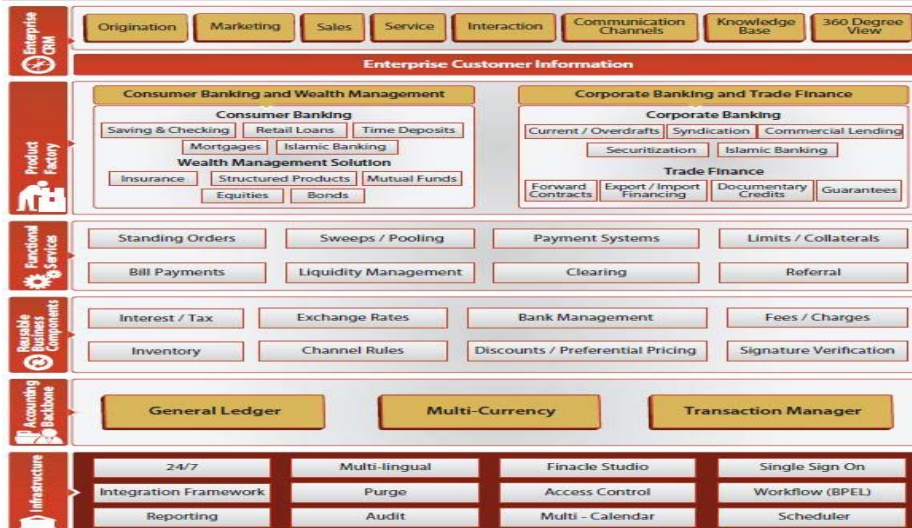
## Basics of Core Banking Systems

- Centralized Database
- Transactions take place at various locations
- Updation of Central Database on Real Time Basis
- Report Generation at Back-End
- Predefined Access Control

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# Core Banking System Architecture



Source: Edgeverve/ Infosys

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## Controls in Core Banking System

- Authorization of a transaction as per Delegation Authority
- Data Input (Validation) Controls
- Accessibility in Software Areas as per Employee Grade / Powers
- Product Level Controls
  - Prefixed Financial Parameters (Like Interest Rate, Penal Interest Rates)
  - Fixed Tenure (Pre-defined terms Fixed Deposits / Service Types (Principal and Interest Repayment Type and Periodicity))
  - Tax and Regulatory compliances
- Controlled Error Handling through Warning, Exception and Error

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## Concepts in Core Banking System

- Customer Masters and Account Masters
- SOL ID & Set ID, Branch Code
- Pointing Type / Self Reconciling Accounts
- Interest Table Master
- General Ledger (GL -> Subhead -> Scheme -> Accounts)

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## Concepts in Core Banking System

### • Limit Setup

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

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## Prominent CBS in India and world over

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

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## LFAR – Assets – Cash (1)

**1.(b). Have the cash balances at the branch / ATMs been checked at periodic intervals as per the procedure prescribed by the controlling authorities**

- **Suggested Audit checkpoints:**
  - Cash Balances as on the date of verification
  - Whether Balances as appearing in CBS agree with the balance as mentioned in the periodic review

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## LFAR – Assets – Cash (1)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLI</b> - Account Ledger Inquiry (Vault A/c and Teller Accounts)
Finacle (10)	<b>HACLI, HACLINQ</b>
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
Flexcube	<b>GLM02</b> - Chart of Accounts <b>GLM04</b> - GL Transactions and Movement Inquiry <b>EGDLINE</b> - GL Book Dated Balance Detailed <b>EGDGLVDB</b> - General Ledger Value Dated Balances

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## LFAR – Assets – Cash (2)

**1.(c)(i). Does the branch generally maintain / carry cash balances, which vary significantly from the limits fixed by the controlling authorities of the bank?**

- **Suggested Audit checkpoints:**

- Review of Cash Balances vis-à-vis limit fixed by the controlling authorities.

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## LFAR – Assets – Cash (2)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLI</b> - Account Ledger Inquiry (Vault A/c and Teller Accounts) <i>Refer reports generated (if any) by Bank for datewise balance of GL Accounts</i>
Finacle (10)	<b>HACLI, HAQLINQ</b>
Bancs	→ Reports → Cash Related → View Cash Summary (Click on Fetch) → Reports → Printing Reports → Cashier / Teller Cash Report
Flexcube	<b>GLM02</b> - Chart of Accounts <b>EGDLINE</b> - GL Book Dated Balance Detailed <b>EGDGLVDB</b> - General Ledger Value Dated Balances

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## LFAR – Assets – Cash (3)

**1.(c)(ii). Does the figure of the balance in the branch books in respect of cash with its ATM(s) tally with the amounts of balances with the respective ATMs, based on the year end scrolls generated by the ATMs? If there is any difference, same should be reported.**

- **Suggested Audit checkpoints:**

- Review the Cash Balance and ATM Balance as per GL on the date of verification.
- Whether Cash Shortage is parked in any office account and the entry is not reversed till the date of verification?

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## LFAR – Assets – Cash (3)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	ACLI - Account Ledger Inquiry (Vault A/c and Teller Accounts)
Finacle (10)	HACLI, HACLINQ
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
Flexcube	GLM02 - Chart of Accounts GLM04 - GL Transactions and Movement Inquiry EGDLINE - GL Book Dated Balance Detailed EGDGLVDB - General Ledger Value Dated Balances

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## LFAR – Assets – Balance with RBI / SBI etc (1)

**2(a). Were balance confirmation certificates obtained in respect of outstanding balances as at the year-end and whether the aforesaid balances have been reconciled? The nature and extent of differences should be reported.**

- **Suggested Audit checkpoints:**

- Review the Balance as per Balance Certificate and as per Mirror Account / GL.

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## LFAR – Assets – Balance with RBI / SBI etc (1)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLI</b> - Account Ledger Inquiry (Vault A/c and Teller Accounts)
Finacle (10)	<b>HACLI, HACLINQ</b>
Bancs	➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction
Flexcube	<b>GLM02</b> - Chart of Accounts <b>EGDLIN</b> - GL Book Dated Balance Detailed <b>EGDGLVDB</b> - General Ledger Value Dated Balances

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## LFAR – Assets – Advances (1)

**5(i) – General Instructions - Review of Large Advances (O/s amount is > 10% of O/s aggregate balance of Fund based and Non-fund based advances of the branch or Rs. 10 crores, whichever is less.)**

- **Suggested Audit checkpoints:**

- Obtain Report on all advances before commencement of audit.
- The explanation in LFAR contains reference to Fund Based as well as Non Fund Based limit. Hence, report (including NFB Limits) is required.
- Cross check the total advances as per Report obtained. Match it with Total Advance as per Balance Sheet.
- 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

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## LFAR – Assets – Advances (1)

- **System Support:**

CBS	Menu Code / Flow
Finacle	The data would be available in different report formats designed differently by each bank. The reports in certain cases are available within CBS wherein in certain cases the reports are accessible through Intranet.  Need to work based on the report generated by Branch / Bank.  <b>Important: Obtain Fund Based and Non Fund Based reports.</b>
Bancs	
Flexcube	

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## LFAR – Assets – Advances (2)

### 5.b.(i) – Credit Appraisal – Renewal of Limits and Enhancement of Limits

- **Suggested Audit checkpoints:**

- Whether Renewal is carried out within prescribed timelimit? Whether the date of Renewal is updated in CBS?
- Whether Enhancement of Limit is backed by documentation and sanction?
- Whether Enhancement of Limit as per CBS agree with documentation available

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## LFAR – Assets – Advances (2)

- **System Support (Renewal of Limit):**

CBS	Menu Code / Flow
Finacle (7)	<b>ACI / ACM</b> - Account Master
Finacle (10)	<b>HACM / HACI</b> - Account Master
Bancs	Deposit / CC / OD Accounts & Services DL/TL Account and Services Menu ( <b>Enquiry</b> )
Flexcube	<b>BA095</b> (Account level attributes Inquiry) <b>CHM07</b> (OD Limit Master Maintenance) – Limit Details

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## LFAR – Assets – Advances (2)

- **System Support (Changes in Limit – Limit History):**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLHM</b> (Account Limit History Maintenance)
Finacle (10)	<b>HACLHM</b> (Account Limit History Maintenance)
Bancs	Deposit / CC / OD Accounts & Services → Enquiries → Interest Rate History → Select 'Limit history' from drop down menu
Flexcube	<b>CH409</b> (OD Limit History Report) <b>CHM07</b> (OD Limit Master Maintenance) – Limit Details

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## LFAR – Assets – Advances (3)

### 5.b.(ii) – Quick Mortality (NPA within 12 months of sanction)

- **Suggested Audit checkpoints:**

- 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.

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## LFAR – Assets – Advances (3)

- **System Support :**

CBS	Menu Code / Flow
Finacle (7)	<b>ACI / ACM</b> - Account Master
Finacle (10)	<b>HACM / HACI</b> - Account Master
Bancs	Deposit / CC / OD Accounts & Services DL/TL Account and Services Menu ( <b>Enquiry</b> )
Flexcube	<b>BA095</b> (Account level attributes Inquiry) <b>CHM07</b> (OD Limit Master Maintenance) – Limit Details

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## LFAR – Assets – Advances (4)

### 5.b.(iii) – Correctness of Interest Rate fed into the system

- **Suggested Audit checkpoints:**

- Seek report containing Interest Rate Parameters information for each Advance Account. In case of unavailability, following alternative process.
- Obtain Report containing all Advances Accounts as on 31.03.20XX
- Use Interest Parameters and Interest change history information related menu codes in CBS.
- Review the same with Sanction Letter (including amendments if any)

Interest Parameters

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## LFAR – Assets – Advances (4)

- **System Support :**

CBS	Menu Code / Flow
Finacle (7)	<b>ACM / ACI</b> – Account Master – Current Rate <b>INTTM</b> – Interest Table Master Maintenance (Under Inquire Mode – Account Specific)
Finacle (10)	<b>HINTTM / HINTTI</b>
Bancs	Deposit / CC / OD Accounts & Services → Interest Rate History DL/TL Accounts & Services → Interest Rate History
Flexcube	<b>LN022</b> (Interest Calculation Inquiry) <b>LN608</b> (Interest Charges Report) <b>LN801</b> (Loan Interest Report)

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## 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]

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## LFAR – Assets – Advances (5)

### 5.b.(iv) – Periodical review of Interest Rate linked to MCLR / EBLR

- **Suggested Audit checkpoints:**
  - Compile datewise change in MCLR / EBLR during the year.
  - Review Interest Master details from CBS
  - Review Interest Rate Change History through CBS
  - Alternatively, Generate Interest Report for entire period and review the different rate of Interest applied in Account. (***Accountwise Review***)

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## LFAR – Assets – Advances (5)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>INTTM</b> – Interest Table Master Maintenance (Account Specific) <b>AINTRPT</b> – Account Interest Report
Finacle (10)	<b>HINTTM / HINTTI</b> and <b>HAINTRPT</b>
Bancs	Deposit / CC / OD Accounts & Services → Interest Rate History DL/TL Accounts & Services → Interest Rate History Product Sheets (For Detailed computation of Interest)
Flexcube	<b>LN022</b> (Interest Calculation Inquiry) <b>LN608</b> (Interest Charges Report) <b>LN801</b> (Loan Interest Report)

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## LFAR – Assets – Advances (6)

### 5.b.(v) – Frequent Renewal / Roll over of Short Term Loans

- **Suggested Audit checkpoints:**

- 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 SL/DP History.

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## LFAR – Assets – Advances (6)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLHM</b> - Account Limit History Maintenance for DP & SL <b>ACM / ACI</b> – Account Master <b>LTL</b> – Limit Tree Lookup (Tree view of all Limits)
Finacle (10)	<b>HACLHM</b> – Account Limit History <b>HLTL, HLMTREEI</b> – Limit Tree Lookup
Bancs	<b>DL/TL Accounts &amp; Services</b> → Enquiries → Account <b>Deposit / CC / OD Accounts &amp; Services</b> → Enquiries → Deposit / CC / OD Account ( <i>Short &amp; Long Inquiry</i> )
Flexcube	<b>CHM07</b> (OD Limit Master Maintenance) <b>CH409</b> (OD Limit History Report)

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## LFAR – Assets – Advances (7)

### 5.b.(vi) – Correctness of Credit Rating fed into the system

- **Suggested Audit checkpoints:**

- Understand the process of updation of credit rating information in CBS.
- Whether Credit Rating is updated in CBS or directly in external system
- Ascertain correctness of Credit Rating as per latest Credit Rating Report.
- Obtain list of Accounts wherein External Credit Rating is mandatory.
- Identify cases wherein Credit Score is poor and have been marked as Unrated
- Is there is any manual intervention i.e. updation of credit rating directly in Capital Adequacy computation software

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## LFAR – Assets – Advances (7)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	CUMM / CUMI – Customer Master Maintenance
Finacle (10)	CRM - Customer Master Module
Bancs	Customer Management Menu
Flexcube	CIM09 (Cust. Master Maint.), 7004 (Name & Add. Inquiry)

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## LFAR – Assets – Advances (8)

### 5.c.(iii) – Loan for Buyback of Shares by Companies

- **Suggested Audit checkpoints:**

- 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.

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## LFAR – Assets – Advances (8)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	There is no menu codes / details available in CBS for the said audit area.
Finacle (10)	
Bancs	External information as well as internal communication with borrower to be reviewed.
Flexcube	

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## LFAR – Assets – Advances (9)

**5.d.(iii) – Advances against lien of deposits have been granted without marking a lien on the bank's deposit receipts and the related accounts in accordance with the guidelines of the controlling authorities of the bank**

- **Suggested Audit checkpoints:**

- Review of Lien Master
- Review of available balance in Fixed Deposit Account (Post Lien marking)
- Changes in Lien

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## LFAR – Assets – Advances (9)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>ALM</b> (Account Lien Maintenance)
Finacle (10)	<b>HALM</b> (Account Lien Maintenance)
Bancs	DL/TL Accounts & Services → Security (Primary / Collateral) → Customer → Enquiry → Enquire Security Summary
Flexcube	<b>TDM24</b> (Lien Master)

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## LFAR – Assets – Advances (10)

### 5.e.(ii) – Stock and Book Debt Statements and DP Computation

- **Suggested Audit checkpoints:**

- Review 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
- Prepare a template in spreadsheet and re-compute the amount.
- In CBS the DP is computed / updated in multiple ways. In certain cases, the CBS derives the DP using Margin percentage fed in and Value of Security updated. In such case review the information from the Security related menu codes from CBS.

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## LFAR – Assets – Advances (10)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>SRM</b> (Security Register Maintenance) <b>CLL</b> (Collateral Maintenance) <b>HCLM</b> (Collateral Maintenance)
Finacle (10)	<b>HSCLM</b> (Collateral Maintenance)
Bancs	DL/TL Accounts & Services → Security (Primary / Collateral) → Customer → Enquiry → Enquire Security Summary
Flexcube	<b>CH066</b> (Limit Collateral Inquiry) <b>CHM06</b> (OD Collateral Maintenance) <b>BA433</b> (Collateral to Account) & <b>BA434</b> (Account to Collateral) <b>BAM46</b> (Collateral Propagation / updation in Security Value)

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## LFAR – Assets – Advances (11)

### 5.e.(vi) – Deterioration in value of Security

- **Suggested Audit checkpoints:**

- Review security valuation reports.
- Review correctness in updation of Security Value in CBS
- Review History of changes in Security Value from CBS
- Whether CBS is configured to identify and mark the account as NPA basis significant deterioration in Value of Security as per IRAC?

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## LFAR – Assets – Advances (11)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>SRM</b> (Security Register Maintenance) <b>CLL</b> (Collateral Maintenance) <b>HCLM</b> (Collateral Maintenance)
Finacle (10)	<b>HSCLM</b> (Collateral Maintenance)
Bancs	DL/TL Accounts & Services → Security (Primary / Collateral) → Customer → Enquiry → Enquire Security Summary
Flexcube	<b>CH066</b> (Limit Collateral Inquiry) <b>CHM06</b> (OD Collateral Maintenance) <b>BA433</b> (Collateral to Account) & <b>BA434</b> (Account to Collateral) <b>BAM46</b> (Collateral Propagation / updation in Security Value)

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## LFAR – Assets – Advances (12)

### 5.e.(vii) – Frequent / unauthorized Overdrawing

- **Suggested Audit checkpoints:**

- Utilization of limit beyond Sanctioned limit
  - Adhoc Limit,
  - Temporary Overdraft (TOD),
  - Erroneous entry,
  - Manipulation through Office Account
- Review of Number (Days) of TOD and Adhoc Limits instances
- Check for cases of multiple / overlapping in TOD & Adhoc limits

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## LFAR – Assets – Advances (12)

- **System Support:**

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

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## LFAR – Assets – Advances (13)

**5.f.(i)(a) Has the branch identified and classified advances into standard / substandard / doubtful / loss assets through the computer system, without manual intervention?**

**5.f.(ii)(b) Is this identification & classification in line with the norms prescribed by the Reserve Bank of India**

- **Suggested Audit checkpoints:**

- Most challenging part of the Audit Process – Ascertaining automation of IRAC guidelines
- Different set of processes followed by banks.
- Whether Manual Intervention is permissible at branch level? If so to what extent? Obtain confirmation through MR Letter

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## LFAR – Assets – Advances (13)

- Impact of Manual Intervention (Advances):**

Manual Entry	Probable impact
Interest Rate change	Revenue Leakage / Excess collection of Interest
Change in EMI	Revenue Leakage, NPA Identification
Processing of transactions against un- cleared outward clearing effect	Recovery from customer in case of 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

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## LFAR – Assets – Advances (13)

- Impact of Manual Intervention (Customer / Account Master):**

Manual Entry	Probable impact
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

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## LFAR – Assets – Advances (14)

5.f.(i)(c) - 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.

- **Suggested Audit checkpoints:**

- 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.
- Delay in submission of Stock Statements / other stipulated returns / financial statements / non renewal of limits based on Audited Fin. Statements (**Within + out of CBS**)

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## LFAR – Assets – Advances (14)

5.f.(i)(c) [Cont...]

- **Suggested Audit checkpoints:**

- Falling short of projections (**Out of CBS**)
- Return of 3 or more cheques on ground of Non availability of Funds / Limits (**CBS**)
- 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**)

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## LFAR – Assets – Advances (15)

### 5.f.(ii)(c) – Restructured / Rephased Accounts

- **Suggested Audit checkpoints:**

- There is no one size fit all menu / report code in CBS available for Restructured Accounts.
- However following changes should be looked into
  - Drawing Power / Sanctioned Limit
  - Interest Master
  - Flow Amount / EMI

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## LFAR – Assets – Advances (16)

### 5.f.(iii) – Upgradation of Non Performing Advances

- **Suggested Audit checkpoints:**

- 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.

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## LFAR – Assets – Advances (17)

### 5.f.(x) – Appropriation of Recovery in Principal & Interest

- **Suggested Audit checkpoints:**

- 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.

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## LFAR – Assets – Advances (17)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	ACLI – Account Ledger Inquiry (Review Transactions) HLAFI – Loan Flow Maintenance
Finacle (10)	HLAFI – Loan Flow Maintenance
Bancs	DL/TL Account and Services → Enquiries → Transaction [Addl. Options on Tran. Type available for selection]
Flexcube	LNM10 (Account Transactions Inquiry)

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## LFAR – Assets – Advances (18)

5.g.(i) – List of borrowers with details of LCs devolved or guarantees invoked during the year.

- **Suggested Audit checkpoints:**

- **Primary Source** - Data from Branch (MR Letter as well)
- Use of CBS (Trade Finance) Menu

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## LFAR – Assets – Advances (18)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>DCQRY</b> - Documentary Credit Query <b>GI</b> - Guarantee Inquiry <b>DCRPTS</b> – DC Reports and Advices
Finacle (10)	<b>HBKDCI</b> – Query on Documentary Credit <b>HDCSTMT</b> – Statement of Documentary Credit <b>HDCGPR</b> – General Purpose DC Report <b>HGI</b> – Guarantee Inquiry
Bancs	To be accessed through Trade Finance Menu
Flexcube	<b>SY001</b> - Guarantee Inquiry <b>LCROUSD</b> – Outstanding LC Customerwise Report

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## LFAR – Assets – Advances (19)

**5.g.(iii) – Interchangeability between fund based and non-fund-based facilities was allowed subsequent to devolvement of LC / invocation of BG.**

- **Suggested Audit checkpoints:**

- Limit changes (through interchangeability clause) to be reviewed in the cases wherein LC Devolvement and Invocation of BG.

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## LFAR – Other Assets – Suspense / Sundry A/cs (1)

**6.a.(i) - Expeditious clearance of Suspense Account entries. Outstanding entries, delayed reversal etc.**

**6.a.(ii) – Unusual items in Office Account**

- **Suggested Audit checkpoints:**

- Identification of Suspense / Sundry / Office Accounts from GL / BS
- Review of Transactions in Office Accounts
- Generation / Review of Report on Outstanding entries in Office Account

Important Points

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## LFAR – Other Assets – Suspense / Sundry A/cs (1)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLI</b> - Account Ledger Inquiry (Vault A/c and Teller Accounts) <b>IOT</b> – Inquire on Transaction <b>MSGOIRP</b> – Outstanding Items Report
Finacle (10)	<b>HACLI, HAQLINQ, HIOT</b>
Bancs	BGL → Enquire → Transaction “Outstanding BGL Transaction” Report
Flexcube	<b>GLM02</b> - Chart of Accounts <b>GLM04</b> - GL Transactions and Movement Inquiry <b>EGDLINE</b> - GL Book Dated Balance Detailed <b>EGDGLVDB</b> - General Ledger Value Dated Balances

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## 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
- Correctness in mapping of reversal transaction to originating transaction

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## Office Accounts Review

Back

- Value Dated Transactions
- Round Tripping
- Advance paid for Fixed Assets not capitalized
- Income realized not credited to Revenue Account
  
- LFAR: Point No. Assets.6.a., Liab.II.2.a.

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## LFAR – Liabilities – Deposits (1)

### II.1.(a) Dormant Account activation

- **Suggested Audit checkpoints:**
  - Review policy of the bank for Dormant Account activation
  - Obtain list of Report containing Dormant Account activated during the Audit Period.
  - Select the samples and review Internal Control

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## LFAR – Liabilities – Deposits (2)

### II.1.(b) Unusual Large Movement in Deposits

- **Suggested Audit checkpoints:**

- Review of year end GL vis a vis previous few days and next few days from year end.
- Comparison of aggregate total of GL is also helpful.

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## LFAR – Liabilities – Deposits (3)

### II.1.(c) Automatic Renewal of FCNR(B) Deposits

- **Suggested Audit checkpoints:**

- 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 01.04.20XX, 31.03.20XX and transactions during FY
- Review of documents obtained to confirm “NRI” Status before renewal of FD.

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## LFAR – Liabilities – Deposits (4)

### II.1.(d) Minimum Balance Requirements & Levy of Charges

- **Suggested Audit checkpoints:**
  - 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.

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## LFAR–Other Liabilities – Bills Payable/Sundry Deposits(1)

### II.2.(a) Old Outstanding Items

### II.2.(b) Unusual Items / Material Withdrawal or Debits

- **Suggested Audit checkpoints:**
  - Identification of Suspense / Sundry / Office Accounts from GL / BS
  - Review of Transactions in Office Accounts
  - Generation / Review of Report on Outstanding entries in Office Accounts

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## LFAR—Other Liabilities – Bills Payable/Sundry Deposits(1)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLI</b> - Account Ledger Inquiry (Vault A/c and Teller Accounts) <b>IOT</b> – Inquire on Transaction <b>MSGOIRP</b> – Outstanding Items Report
Finacle (10)	<b>HACLI, HAQLINQ, HIOT</b>
Bancs	BGL → Enquire → Transaction “Outstanding BGL Transaction” Report
Flexcube	<b>GLM02</b> - Chart of Accounts <b>GLM04</b> - GL Transactions and Movement Inquiry <b>EGDLINE</b> - GL Book Dated Balance Detailed <b>EGDGLVDB</b> - General Ledger Value Dated Balances

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## LFAR – Profit & Loss (1)

### III.(a) Test Checking of Interest / Discount / Commission / Fees

- **Suggested Audit checkpoints:**

- Review of Interest application
- Review of Bill Discounting computation
- Review of Fees, Commission and other charges enabling events and accounting thereof.

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## LFAR – Profit & Loss (1)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>AINTRPT</b> (Interest Report for Accounts)
Finacle (10)	<b>HAINTRPT</b> (Interest Report for Accounts) <b>HINTPRF</b> (Interest Proof Report)
Bancs	<ul style="list-style-type: none"><li>• Deposit / CC / OD Accounts &amp; Services → Enquiries → Interest Rate History</li><li>• Interest Product Sheet</li></ul>
Flexcube	<b>LN022</b> (Interest Calculation Inquiry) <b>LN608</b> (Interest Charges Report) <b>LN801</b> (Loan Interest Report)

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## LFAR – Profit & Loss (2)

### III.(b) Adherence to Income Recognition norms

- **Suggested Audit checkpoints:**

- Review accounting entries for Income recognition in NPA Accounts
- Review methodology deployed to ascertain **unrealized interest in case of CC Account** and **additional interest (on account of delayed payment of installment) in case of Term Loan Accounts**

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## LFAR – Profit & Loss (2)

- **System Support:**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLI</b> – Account Ledger Inquiry (Review Interest Transaction) <b>AINTRPT</b> (Interest Report for Accounts)
Finacle (10)	<b>HACLI / HACLINQ</b> - Account Ledger Inquiry <b>HAINTRPT</b> (Interest Report for Accounts) <b>HINTPRF</b> (Interest Proof Report)
Bancs	Deposit / CC / OD Accounts & Services → Enquiries → Transactions
Flexcube	<b>LN022</b> (Interest Calculation Inquiry) <b>LN608</b> (Interest Charges Report) <b>LN801</b> (Loan Interest Report)

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## LFAR – Profit & Loss (3)

### III.(d) Estimation and Accrual of Interest on Overdue / Matured / Unpaid / Unclaimed Deposits

- **Suggested Audit checkpoints:**

- Review GL for Matured / Overdue deposits
- Review the Interest accumulated in the said deposits and rate at which the interest is computed.
- Use the Interest Report functionality of CBS

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## LFAR – Profit & Loss (3)

- **System Support :**

CBS	Menu Code / Flow
Finacle (7)	<b>ACLI</b> – Account Ledger Inquiry (Review Interest Transaction) <b>AINTRPT</b> (Interest Report for Accounts)
Finacle (10)	<b>HACLI / HACLINQ</b> – (Review Interest Transaction) <b>HAINTRPT</b> (Interest Report for Accounts) <b>HINTPRF</b> (Interest Proof Report)
Bancs	Deposit / CC / OD Accounts & Services → Enquiry → Transactions
Flexcube	<b>1337</b> – Term Deposit Interest Payout Inquiry <b>TD023</b> – Term Deposit Rates History Inquiry <b>TD037</b> – Term Deposit Account Ledger Inquiry <b>TD050</b> – Term Deposit Interest Inquiry

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## LFAR – General – Security Items (1)

### IV.1.(c) Security Stationery

- **Suggested Audit checkpoints:**

- Review of Bank's process for maintenance of Security Stationery
- Generation of Security Stationery Balance Report from CBS
- Physical verification of security stationery items with Report generated from CBS

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## LFAR – General – Security Items (1)

- **System Support :**

CBS	Menu Code / Flow
Finacle (7)	<b>ISRA</b> – Inventory Status Report <b>IMI</b> – Inventory Movement Inquiry
Finacle (10)	<b>HISRA</b> – Inventory Status Report <b>HIMI</b> – Inventory Movement Inquiry
Bancs	➔ Valuable Paper Inventory System [VPIS] ➔ Enquiry of VPIS ➔ General Enquiry ➔ VPIS ➔ Enquiry of VPIS ➔ Teller Level Inquiry
Flexcube	<b>IV011</b> – Stock Inquiry <b>IV004</b> – Inventory Lost report Register maintenance <b>MCA80</b> – Inquiry of sold/issued inventory

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## LFAR – General – Books & Records (1)

### IV.2.(a) Integration of Softwares with CBS

- **Suggested Audit checkpoints:**

- Obtain list of softwares deployed / used at Branch (Preferably with MR Letter)
- Obtain deployment document containing linkage / interconnection details (Report appropriately in case of non availability of such details)

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## LFAR – General – Books & Records (2)

### IV.2.(b).(iv) Procedures for Manual Intervention to System Generated Data & availability of Audit Trails

- **Suggested Audit checkpoints:**

- Obtain internal policy prescribed for Manual Intervention (Preferably with MR Letter)
- How to review direct updation in Database through Backend? (Confirmation through MR Letter)
- Review the changes made at the time of processing of data generated by the system and generation of certificates / returns for certification by SBA.

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## LFAR – General – Books & Records (2)

### IV.2.(b).(v) Data Integrity (Correctness, back ended strategies)

- **Suggested Audit checkpoints:**

- Obtain Policy / Process document prescribing Data Integrity aspect in line with LFAR requirement. (Preferably with MR Letter)
- Report cases wherein manual updation is carried out which has impacted
  - Interest computation
  - Asset Classification
  - Certification

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## LFAR – Inter Branch Accounts (1)

### IV.3 Unresponded entries in Inter-Branch Accounts

- **Suggested Audit checkpoints:**
  - Obtain Inter-Branch Reconciliation / outstanding IB Report
  - Long Outstanding unresponded IBR to be reviewed in detail

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## LFAR – Inter Branch Accounts (1)

- **System Support :**

CBS	Menu Code / Flow
Finacle (7)	Outstanding IBR Report
Finacle (10)	
Bancs	Outstanding IBR Report“ / “IBR Summary report” (available under Offline Reports folder)
Flexcube	CORINTBR - Inter Branch Reconciliation Report

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## LFAR – KYC AML (1)

### IV.5 Implementation of KYC AML Guidelines

- **Suggested Audit checkpoints:**

- Obtain Customers where KYC is pending Report
- Obtain Report where KYC is pending for Locker Hirers
- Review of following type of Customer induced transactions for Customers where KYC is pending
  - Financial Transaction
  - Non Financial Transaction (viz. Address Change, Request of Internet Banking ID / Password, Cheque Book Request, Activation of Dormant Account)

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## LFAR – KYC AML (1)

- **System Support :**

CBS	Menu Code / Flow
Finacle (7)	<ul style="list-style-type: none"><li>• Report on Pending KYC (Review the date from which the KYC is pending)</li><li>• Account Ledger Inquiry</li><li>• Audit File Inquiry (For Customer Master Change)</li></ul>
Finacle (10)	
Bancs	
Flexcube	

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## LFAR – MIS (1)

**IV.6 MIS - Whether the branch has the proper systems and procedures to ensure data integrity relating to all data inputs which are to be used for MIS at corporate office level and for supervisory reporting purposes. Have you come across any instances where data integrity was compromised?**

- **Suggested Audit checkpoints:**
  - Check & Report any case of
    - Data manipulation (Transactions, Masters)
    - Incorrect data feed
    - Manual Intervention

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## LFAR – MIS (1)

- **Possible events:**

Data Type	Parameter
Master	• Discrepancies in setting up the EMI / Installments
Master	• Manipulation in Sanction Limit / Drawing Power
Master	• Incorrect Moratorium Period • Incorrect Installment / Interest Start Date
Master	• Rephasement without reporting it as Restructuring
Transaction	• Fictitious credit through Office Account / Inter-branch Account
Transaction	• Round Tripping through Internal Accounts
Transaction	• Unauthorized Temporary Overdraft / TOD as Fresh Loan for repayment of existing Facility

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## LFAR – MIS (1)

- **Possible Events:**

Data Type	Parameter
Transaction	<ul style="list-style-type: none"><li>• Devolved Bills parked in Office Account / Separate Account and not in Limit / Current Account (where limit account is not available)</li></ul>
Master	<ul style="list-style-type: none"><li>• Multiple Cust ID / UCIC</li><li>• Non / improper implementation of UCIC</li></ul>
Master	<ul style="list-style-type: none"><li>• Project Loans – Updation of DCCO Dates</li></ul>
Master	<ul style="list-style-type: none"><li>• Manual updation / Override System determined classification of NPA</li></ul>
Master	<ul style="list-style-type: none"><li>• NPA Holiday Setup (Exclusion of certain dates or accounts)</li></ul>

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## LFAR – Forex Branches

- 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

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## LFAR – Forex Branches

- **Bills / Cheques on Collection - Balancing and reconciliation with GL Balance (Contingent Liab.)**
  - Bill Balancing Reports
  - GL Balance - Respective Cont. Liab. Account
  - LFAR Reporting: Liab.3
- **Bills / Cheques purchased / Discounted – Balancing and reconciliation with GL**
  - Bill Balancing Reports
  - Aggregation of accounts under BD / BP Scheme Codes

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## LFAR – Forex Branches

- **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
  - 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

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## LFAR – Forex Branches

- **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.

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## Automated Asset Classification

- Circular Dt. 14<sup>th</sup> Sept. 2020 on “**Automation of Income Recognition, Asset Classification and Provisioning processes in banks**”
- “2.1 All borrowal accounts, including temporary overdrafts, irrespective of size, sector or types of limits, shall be covered in the automated IT based system (System) for asset classification, upgradation, and provisioning processes. Banks’ investments shall also be covered under the System.”
- 2.3 Calculation of provisioning requirement shall also be System based as per pre-set rules for various categories of assets, value of security as captured in the System and any other regulatory stipulations issued from time to time on provisioning requirements.

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## Automated Asset Classification

- 2.4 In addition, income recognition/derecognition in case of impaired assets (NPAs/NPIs) shall be system driven and amount required to be reversed from the income account should be obtained from the System without any manual intervention.
- 2.5 The System shall handle both down-grade and upgrade of accounts through Straight Through Process (STP) without manual intervention.

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## Automated Asset Classification

- **“System Generated NPAs**

*15. **All parameters required** for NPA/NPI identification shall **be captured in the CBS** or associated sub-system(s)/module(s) meant for NPA/NPI identification/classification of asset codes as per Income Recognition and Asset Classification (IRAC) norms and extant instructions. It should provide for separate MIS report capturing all parameters for NPA/NPI identification. Such parameters could either be configured in database or application itself as per the architecture of the solution/sub-system.”*

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## Automated Asset Classification

- IRACP Circular – Para No. 4.2.2
- **4.2.2 Appropriate internal systems for proper and timely identification of NPAs**
  - *Banks should establish appropriate internal systems (including technology enabled processes) for proper and timely identification of NPAs, including putting in place 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).*

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## Automated Asset Classification

- **LFAR requirements**
- 5.f.a) Has the branch identified and classified advances into standard / substandard / doubtful / loss assets through the computer system, without manual intervention?
- 5.f.b) Is this identification & classification in line with the norms prescribed by the Reserve Bank of India
- 5.f.c) Whether the branch is following the system of classifying the account into SMA-0, SMA-1, and SMA-2.
- IV.2.iv) Whether the bank has laid down procedures for manual intervention to system generated data and proper authentication of the related transactions arising there from along with proper audit trail of manual intervention has been obtained

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## Important CBS Parameters for NPA Identification

- **Term Loans (2.1.1.i. , 2.3. Clarification)**

- Computation of Overdue

- Moratorium, Installment Start Date
- EMI Setup
- Non updation of EMI / Loan Expiry on Interest Rate Change (Last Installment Ballooning / Bullet Repayment on last date)

- Handling of Overflow (Excess repayment)

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## Important CBS Parameters for NPA Identification

- **Installment Ballooning (Example)**

Sr. No.	Sanc. Limit	O/s Bls.	Last EMI Date	Normal Installment Amount	Last Installment Amount
1	39,60,000	10,86,413	31/01/2036	9,900	<b>91,000</b>
2	17,56,000	11,67,517	30/06/2023	18,000	<b>1,30,000</b>

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## Important CBS Parameters for NPA Identification

- **Term Loans (2.1.1.i. , 2.3. Clarification)**

- CBS review perspective:

- Account Master (Installment Start Date, Flow [EMI] amount, Loan Expiry etc.)
- Limit Master
- Installment / Amortization Schedule (Especially regular Installment and Last Installment)
- Apportionment of Repayment between Interest and Principal

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## Important CBS Parameters for NPA Identification

- **Housing and Other Staff Loans (4.2.12.2)**

- Correctness of Tagging (i.e. Staff / Special tag) of Loan
- Setting up of Account and impact on Overdue Computation
- NPA Condition in CBS?

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## Important CBS Parameters for NPA Identification

- **Housing and Other Staff Loans (4.2.12.2)**
  - CBS review perspective:
    - Customer Master (Staff tag)
    - Account Master (Loan Type, Flow [Principal] Start Date, Interest Start Date, Flow [say EMI] amount, Loan Expiry etc.)
    - Installment / Amortization Schedule (Regular as well as Last Installment)
    - Apportionment of Repayment between Interest and Principal

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## Important CBS Parameters for NPA Identification

- **Overdraft / Cash Credit (2.1.2.ii)**
  - Overdue computation
    - Balance continuously in excess of limit for 90 Days [***Change made in limits to circumvent this?***]
    - Balance within limit but No credits in last 90 Days [***Cases where Advance payment is made / collected at the start of the year***]
    - Credits not enough to cover Interest Debits in **previous 90 Days period**. [***Running day basis. 'Previous 90 days period' shall be inclusive of the day for which the day-end process is being run***]

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## Important CBS Parameters for NPA Identification

- **Overdraft / Cash Credit (2.1.2.ii)**
  - CBS review perspective:
    - Account Master
    - Limit Master
    - Ledger Account Review for Credits
    - Overdue computation [Running Day basis] (To compare with Manual computation)

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## Important CBS Parameters for NPA Identification

- **Loan products being offered as an overdraft facility, or facility which entails only Interest Repayments (2.2.2)**
  - Reducing Balance Loans, Home OD (*Where repayment is equal to Monthly Drawing Power reduction – Hybrid loan*)
  - Interesting Case: The borrower repaid the entire amount due for the year at the start of the year in these cases. **What will be the impact on NPA identification?**
  - Transfer entry from OD to SB to OD without any debit instructions.

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## Important CBS Parameters for NPA Identification

- **Stock and Book Debts Statements [4.2.4(a), 4.2.4(b)]**
  - Setting up of Drawing Power
    - **Fixed DP**
    - Derived DP
      - Derived based on Stock and Book Debts value
      - **Derived from Sanctioned Limit ??**
  - Computation of Drawing Power (Margin, Paid stock computation, Changes in Margins if any during the year)

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## Important CBS Parameters for NPA Identification

- **Stock and Book Debts Statements [4.2.4(a), 4.2.4(b)]**
  - CBS review perspective:
    - Account Master
    - Account Limit History Maintenance (For DP and SL Changes)
    - Security Register / Collateral setup
    - Stock Statement / Book Debts Statement updation

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## Important CBS Parameters for NPA Identification

- **Renewal of Facility [4.2.4(c)]**
  - Date of Expiry of Limit
  - Date of Review and Date of Renewal
  - **Multiple / Short Review:** Difference between Limit Expiry and Date of Renewal cannot exceed 180 Days. [Same for Adhoc limit sanctions]
  - System behavior on expiry of limit (*Whether limit is marked as Zero immediately on expiry of limit?*)

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## Important CBS Parameters for NPA Identification

- **Renewal of Facility [4.2.4(c)]**
  - CBS review perspective:
    - Account Master
    - Limit Master
    - Overdue Computation
    - Sanction of TODs / Adhoc limits
    - Account Transactions

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## Important CBS Parameters for NPA Identification

- **Regularization of Account near to Balance Sheet Date [4.2.6]**
  - Grant of New Facility / TOD to service overdue
  - Misuse of Cash Teller Account / Office Account for rotation
  - Fictitious credit & subsequent reversal through Mirror Accounts

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## Important CBS Parameters for NPA Identification

- **Regularization of Account near to Balance Sheet Date [4.2.6]**
  - CBS review perspective:
    - Account Transactions
    - TOD Report for few days nearing to year end / quarter end
    - Source of Funds (Detailed review – if needed – review of Source of Source)
    - Review of Teller Account (If source of deposit is cash which do not commensurate with Borrower's Business)

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## Important CBS Parameters for NPA Identification

- **Devolved LC, Invoked Guarantees [4.2.7.2]**
  - List of cases of Devolved LC and Invoked Guarantees during the review period
  - Crystalization Account / Debit Account details updated for Recovery / Debit on devolvement / invocation.
  - Changes in Limit (Interchangeability clause invoked post devolvement / invocation for overdue management?)

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## Important CBS Parameters for NPA Identification

- **Devolved LC, Invoked Guarantees [4.2.7.2]**
  - CBS review perspective:
    - LC (Documentary Credit) Maintenance
    - BG Maintenance
    - Limit History / Change in Limits
    - Operative Account Review on Devolvement / Invocation.
    - Review of Office Account (If used to keep the amount parked for longer period without debit to operative account).

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## Important CBS Parameters for NPA Identification

- **Other Advances [4.2.11]**
  - Loans against NSC / KVP / FD / LIC – Maintenance of adequate margin
  - Periodic updation of surrender / realizable value of security (Whether updation is done based on any document or through static formula)
  - Cases wherein adequate margin is not maintained whether account classified as NPA?

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## Important CBS Parameters for NPA Identification

- **Other Advances [4.2.11]**
  - CBS review perspective:
    - Account Master
    - Account Ledger Transactions
    - Security Register / Collaterals updation
    - History of changes in Security Value
    - Overdue report

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## Important CBS Parameters for NPA Identification

- **Project under Implementation [4.2.15]**
  - Updation of
    - DCCO,
    - Revised DCCO
    - Extended DCCO
  - Automatic Mechanism deployed by bank for NPA identification

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## Important CBS Parameters for NPA Identification

- **Project under Implementation [4.2.15]**
  - CBS review perspective:
    - Account Master
    - DCCO Date maintenance
    - History of Changes (with audit trail) for updation of dates

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## Important CBS Parameters for NPA Identification

- **SMA Identification [Part B1.8]**
  - Overdue computation (As per IRACP)
  - Classification of account (As per IRACP)
  - Whether SMA identification and classification is carried out by CBS or through other external system?

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## Important CBS Parameters for NPA Identification

- **SMA Identification [Part B1.8]**
  - CBS review perspective:
    - SMA Reports for sample dates
    - Overdue Report and analytical review of the same with SMA

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## Table of Contents

- Basics of Core Banking System & Architecture
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## 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
<b>22,70,00,000</b>	<b>1,44,50,000</b>	<b>26,10,000</b>	<b>21,51,60,000</b>
<b>Net Increase in exposure</b>			<b>1,44,50,000</b>

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

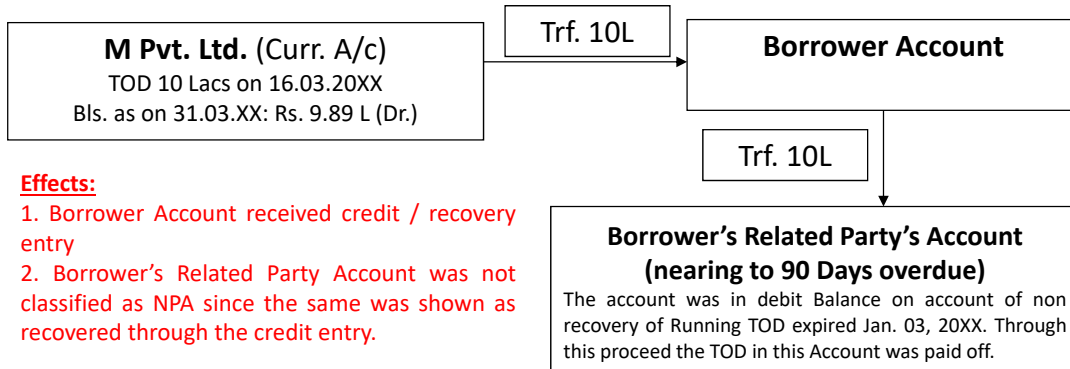
**There was no recovery in the account and the funds of the new Term Loan were used for payment of overdues in existing loan accounts**

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

- Current A/c 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.

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## Case Study - 3 Transaction without any visible economic benefit

### Transfer from Current Account to CC Account

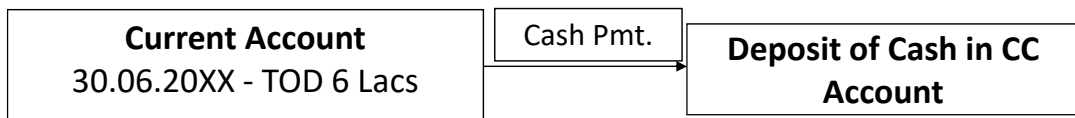
Account Ledger Inquiry						
Date	Inst No.	Partics	DrAmnt	CrAmnt	Float Bal	Balance
			INR	INR	INR	
31-03-			9,00,00,000.00	9,04,36,005.00Cr		
31-03-			9,00,00,000.00	4,36,005.00Cr		
31-03-			3,00,00,000.00	3,04,36,005.00Cr		
31-03-			3,00,00,000.00	4,36,005.00Cr		
31-03-			9,00,00,000.00	9,04,36,005.00Cr		
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						

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## 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			
Jun-XX	1,55,000	<b>6,00,000</b>	<b>30-Jun-XX</b>	<b>Cash</b>
<b>Total</b>	<b>7,45,000</b>	<b>7,45,090</b>		



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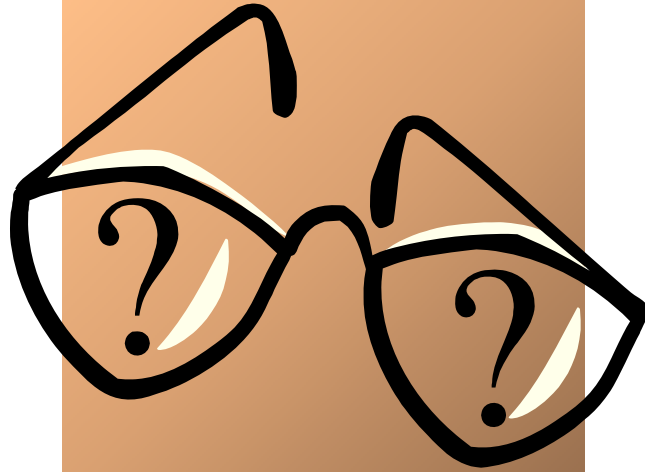
## Case Study - 5 Recovery through Cash Deposit

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		<b>25,84,273</b>	-		<b>Cash Counter closed &amp; Amount Trf. To Main Cash A/c</b>	<b>17:01</b>		
30-03-20XX	CASH RECEIPT	6,50,000		6,50,000	Deposited by	CC A/c - 1	17:14		
30-03-20XX	CASH RECEIPT	7,00,000		13,50,000	Deposited by	CC A/c - 1	17:15	13,50,000	
30-03-20XX	CASH RECEIPT	3,50,000		17,00,000	Deposited by	CC A/c - 2	17:16		
30-03-20XX	CASH RECEIPT	8,00,000		25,00,000	Deposited by	CC A/c - 2	17:17	16,50,000	
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		
30-03-20XX	CASH RECEIPT	7,00,000		42,00,000	Deposited by	CC A/c - 3	17:18	18,00,000	
30-03-20XX	CASH RECEIPT	6,00,000		48,00,000	Deposited by	CC A/c - 3	17:18		
								<b>48,00,000</b>	
30-03-20XX	CASH PAYMENT		(9,00,000)	39,00,000	Withdrawn by	CA A/c - 1	17:27		
30-03-20XX	CASH PAYMENT		(15,00,000)	24,00,000	Withdrawn by	CA A/c - 1	17:27	(24,00,000)	<b>TOD Granted 24 Lacs of 30.03.</b>
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)	<b>TOD 25 Lacs of 30.03.</b>
30-03-20XX	CASH PAYMENT		(9,00,000)	-	Withdrawn by	CA A/c - 2	17:28		
								<b>(48,00,000)</b>	

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## Q & A



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# Thank You

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