Background Material

Seminar organized by Ernakulam Branch of SIRC of ICAI

Bank Audit under CBS environment (Focus areas: Issues in NPA identification, Revenue Leakage, Forex Transactions & Office Accounts)

Presentation by: **CA. Kuntal P. Shah, Ahmedabad**

Background Material Sections

Section – 1

Software Usage in Banks – CBS Demonstration

Software Usage in Banks – CBS Demonstration

Presentation By: CA. Kuntal Shah, Ahmedabad

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Session Details

- **Part – 1**
  - ✦Software Usage in Banks
  - ✦Usage of Finacle & BANCS
- **Part – 2**
  - ✦Data Extraction from FINACLE

Session -1 Overview

- General Concepts of CBS and of Finacle
- Security in Finacle
- Overview of Finacle
- Various Menu Commands / Options of Finacle in detail
- Various Menu Commands / Options of BANCS in detail
- Upgrades / Changes in Finacle 10.X

General Concepts in Finacle

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

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

General Concepts in Finacle

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

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

General Concepts in Finacle

- **Master Level Configurations**
- **Account Level Configurations**
- **Pointing Type Accounts**
- **Interest Table Maintenance**
- **Interest Flags**
- **Register Type & Subtype (Trade Transactions)**

General Concepts in Finacle

- **Withholding Tax Flags**
- **Freeze Flags (Debit, Credit and Both)**
- **General Ledger Concepts**
  - GL –> GL Subhead -> Account
- **Functions available at Entry / Modification Stage**
  - A = Add , I = Inquire, M = Modify, D = Delete, V=Verify, X = Cancel

General Concepts in Finacle

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

General Concepts in Finacle

- **Maker & Checker Matrix for Valid Transaction**
  - ✦ There has to be two persons for valid transaction processing. Also known as Maker and Checker.

Maker can	Checker Can
Enter	Post
Enter & Post *	Verify

Posting activity depends upon Rights assigned to each user ID

General Concepts in Finacle

- **Inventory Locations**
  - ZZ/EXT, DL, FL, EM
- **Limit and Limit Node Concept**
  - Credit Limits can be set at Account Level as well as at Node Level for deriving the Drawing Power for a customer. In case the limits are set at Node Level then the following are the advantages:
  - Managing two or more accounts with drawing power deriving from the same security.
  - Interchangeability of limits among different accounts.
  - Monitoring the overall exposure to a single client / group of clients.
  - Exposure to a select commodity / security. *Limit Node Maintenance* helps you to build these requirements in the limit management

Cont …

General Concepts in Finacle

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

Cont …

General Concepts in Finacle

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

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

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Security in Finacle

- Multiple levels of security
- OS Level
  - ✦ No access to OS
  - ✦ OS and application level profile
  - ✦ Direct login to application menu
- Database level
  - ✦ Protection from external updating
- Application level
  - ✦ Menu level
  - ✦ User level
  - ✦ Product level
  - ✦ Account level
  - ✦ Transaction level
- Dual control for all transactions
  - ✦ Maker-Checker Concept
- Controlled error handling through exceptions
  - ✦ (1) Warning (2) Exception (3) Error

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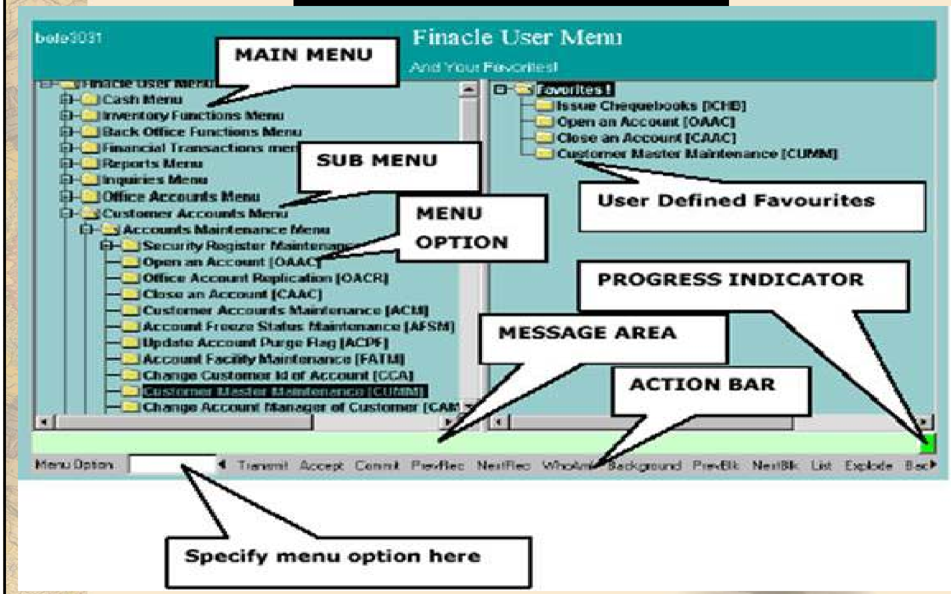
Finacle Overview



Finacle Overview

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

Finacle General Key Map

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

Finacle General Key Map

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

Finacle General Key Map

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

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Various Menu Commands / Options in Finacle in detail

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

Accounts and Customer Master

CUMM (Entry as well as Inquiry Option) ***[Fin.10x-CRM Module]***

- Acronym for: Customer Master
- It houses basic details about customer viz. Name, Address, DOB / DOI, TDS Category, Financial Details, ID Proof / Introducer Details etc.
- Concept
  - ✦ CUST ID Concept and Accounts of Customer under CUST ID. Unique No. generated by the system. The number is not Branch Specific.
- Use
  - ✦ To verify the Master details updated for the customer. Few Parameters have direct impact on Accounts opened under CUST ID. E.g. TDS Exemption Flags at Customer Master Level
- Issues
  - ✦ Issues if multiple CUST IDs have been opened for Customer.

Accounts and Customer Master

ACLI (Only Inquiry Option) ***[Fin.10.x– HACLI & HACLINQ]***

- Acronym for: Account Ledger Inquiry
- Concept
  - ✦ Balance Type (Opening Balance, Closing Balance, Available Balance, Effective Available Balance and Shadow Balance)
- Use
  - ✦ It is used to verify the list of Transactions (both Credit and Debit) for a Account for the given period.
  - ✦ It contains Dynamic Data. Data can further be explored and drives through the Transaction Origination Point.
  - ✦ It also provide certain basic details with respect to Account as Header like Account Name and Description, Op. & Cl. Balance, Available Balance and Effective available balance, Currency, GL Subhead Code, Account Type, Account Open Date, Account Closed Date, Account Status and Date from which the said status is in effect, Funds in Clearing etc.

Cont …

Accounts and Customer Master

ACLI (Only Inquiry Option) (Cont…)

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

Accounts and Customer Master

ACM *[Fin.10.x– HACM, HACMTD]*

- Acronym for: Account Master
- Use
  - ✦It is used to verify the Account Level configurations and details.
  - ✦It provides basic details like Cust ID, GL Subhead Code, Account Type, Interest Rate etc.

Accounts and Customer Master

INTTM *[Fin.10.x– HINTTM]*

- Acronym for: Interest Table Master
- Use
  - ✦It is used to modify interest Rate for Deposits and Advances Account

Accounts and Customer Master

ACINT

- Use
  - ✦It is used to verify running Interest Calculations

ACS

- Acronym for: Account Criterion Selection
- Use:
  - ✦It is used to find Account based on Criteria. E.g. Account with Negative Balance or Account containing name "ABC" etc.

Transactions

TM & TI ***[Fin.10.x– HTM, HTI]***

- Acronym for: Transaction Maintenance and Transaction Inquiry
- Use:
  - ✦ The menu is used to carry out Transactions in Finacle.
  - ✦ With the use of Tran ID and Date the transaction can be located from TI / TM Menu.
  - ✦ It contains Tran Type, Part Tran Type, Sub Tran No., User Details, Foreign Exchange Rates Details, and Information on Originating Transaction for an Office Account Reversal Entry.
- Tip:
  - ✦ When "Explode" key is pressed during ACLI Option, the Finacle takes the user to "Transaction Inquiry Menu".

Transactions

FTI *[Fin.10.x– HFTI, HFTR (Report)]*

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

Clearing Transactions

OCTM *[Fin.10.x– HOCTM]*

- Acronym for: Outward Clearing Transaction Maintenance
- Use:
  - ✦ The menu option is used for lodgment of Outward Clearing instruments under a zone.
  - ✦ Clearing Zone must have been opened in the first step to make use of OCTM Option.

Clearing Transactions

ICTM *[Fin.10.x– HICTMO]*

- Acronym for: Inward Clearing Transaction Maintenance
- Use:
  - ✦The menu option is used for lodgment of Inward Clearing instruments under a zone.
  - ✦Clearing Zone must have been opened in the first step to make use of ICTM Option.

Clearing Transactions

MCLZOH *[Fin.10.x– HMCLZOH]*

- Acronym for: Maintain Clearing Zone
- Use:
  - ✦The menu option is used to open, to close and to release the Clearing Zones.
  - ✦Opening of Zone is the primary step before lodgement of cheques for Inward or Outward Instruments.
  - ✦Zone facilitates in combining instruments of same type / category. It also helps in Cross Checking and Error Detection.

Office Accounts Maintenance

ACLPOA *[Fin.10.x– HACLPOA]*

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

Office Accounts Maintenance

IOT *[Fin.10.x– HIOT]*

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

Advances

SRM ***[Fin.10.x– HSCLM]***

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

Advances

SRM

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

Advances

ALM ***[Fin.10.x– HALM]***

- Acronym for: Account Lien Maintenance

- Use:
  - ✦It is used to mark / lift Lien from Account. If the lien is marked on the Account system does not permit user to carry out transactions which are not consistent with lien particulars.
  - ✦For carrying out of Transaction in such account, Lien is required to be lifted in order to process the Transaction.

Advances

ACTODM ***[Fin.10.x– HACTODM]***

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

Advances

PSP ***[Fin.10.x– HPSP]***

- Acronym for: Pass Sheet Print
- Use:
  - ✦It is used to print Ledger Account / Account Statement for Client.

Advances

LAGI

- Acronym for: Loan General Inquiry
- Use:
  - ✦It is used to inquire Loan Account details.

Advances

LAOPI

- Acronym for: Loan Overdue Position Inquiry
- Use:
  - ✦It is used to inquire Overdue / Overflow position for a Loan.
  - ✦Principal as well as Interest Overdue position can be verified for a given account

Advances

LTL

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

Advances

LNDI

- Acronym for: Limit Node Inquiry
- Use:
  - ✦It is used to inquire position of Limit Node.

Advances

ACLHM ***[Fin.10.x– HACLHM]***

- Acronym for: Account Limit History Maintenance
- Use:
  - ✦It is used to verify history of Drawing Power and Sanctioned limit for an account.
  - ✦It gives periodwise details for DP and SL.

Advances

AINTRPT ***[Fin.10.x– HAINTRPT]***

- Acronym for: Interest Report for Accounts
- Use:
  - ✦It is used to generate report on details for Interest for an account.

Advances

INTPRF ***[Fin.10.x– HINTPRF]***

- Acronym for: Interest Proof Report
- Use:
  - ✦To check the detailed computation of already completed Interest Run.
  - ✦Important Field: Interest Run Date
  - ✦Source: Interest Transaction – Narration Field

Advances

OAAC

- Acronym for: Open an Account
- Use:
  - ✦ As the word suggest the option is used to open an account of customer.
  - ✦ Details punched in can be verified through ACM mode once the account is opened in System.

DD / PO Inquiry

DDSM ***[Fin.10.x– HDDSM]***

- Acronym for: DD Status Maintenance
- Use:
  - ✦ It is used to verify the Status of DD / PO Issued.

DDIP ***[Fin.10.x– HDDIP]***

- Acronym for: Inquiry on Specific DD Paid
- Use:
  - ✦ It is used to verify the Payment Status of specific DD / PO Issued.
  - ✦ It should be checked for the cases where requests for reissue of DD / PO are received due to Lost of Original DD / PO.

Security Stationery Movement and Maintenance

ISRA *[Fin.10.x– HISRA]*

- Acronym for: Inventory Status Report
- Use:
  - ✦The report gives details of Security Stationery available under each location in a SOL ID.
  - ✦The Security Stationery physically available with all the bank employees should be verified based on this report.

Security Stationery Movement and Maintenance

IMI *[Fin.10.x– HIMI]*

- Acronym for: Inventory Movement Inquiry
- Use:
  - ✦The menu option is used to verify the entries for movement of inventory from one location to another.

Cheque Book Issuance & Stop Payment Instructions

ICHB *[Fin.10.x– HICHB]*

- Acronym for: Issue Cheque Books
- Use:
  - ✦ The menu option is used to issue cheque books to account holder. On issuance the system assigns cheque series to the account.
  - ✦ The assignment of cheque number to account is for Security Reasons. It prevents debit for cheques other than those issued to client.
  - ✦ In CBS Environment where the client's cheque can be presented anywhere importance of timely updation of Cheque Book is an important Activity. In case the cheque book is issued from Branch and the same has not been updated in System, the system will not be able to incorporate the series. During the meantime if the cheque from the said series is presented for payment, the system will throw an error.

Cheque Book Issuance & Stop Payment Instructions

CHBM *[Fin.10.x– HCHBM]*

- Acronym for: Cheque Book Maintenance
- Use:
  - ✦ It is used to verify and maintain cheque book series issued to an account.
  - ✦ It shows position of cheques in following manner.
    - P = Passed
    - U = Unused
    - S = Stopped
    - C = Cautioned
    - D = Destroyed
    - R = Returned unpaid

Cheque Book Issuance & Stop Payment Instructions

SPP ***[Fin.10.x– HSPP]***

- Acronym for: Stop Payment of Cheque
- Use:
  - ✦It is used to mark stop payment to a cheque or cheque series.
  - ✦The function can be used in Inquire mode to verify timely updation of Stop Payment Requests and collection of prescribed charges for processing of application.
- Tip:
  - ✦Use SPRG ***[Fin.10.x– HSPRG]*** menu to generate and print a report on all Stop Payment Transactions during the prescribed period.

Compliances

TDSIP ***[Fin.10.x– HTDSIP]***

- Acronym for: TDS Inquiry / Print
- Use:
  - ✦The menu option is used to verify and inquire TDS details.

Compliances

AFSM *[Fin.10.x– HAFSM]*

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

Trade Finance

i) **Bills Related**

a. **INBOEM** *[Fin.10.x– HINBOEM]*

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

b. **BM & BI** *[Fin.10.x– For Import & Inward Bill – "MIIB" and For Export & Outward Bill "MEOB"]*

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

Trade Finance

c. FBM

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

Trade Finance

d. FBI *[Fin.10.x – IBL]*

- Acronym for: Foreign Bill Inquiry
- Use:
  - Same as FTI Option, FBI menu provides user to locate a transaction or series of Transactions based on various criteria.
  - The transactions are recorded as per Register Type. Hence, knowledge and information for each register type is must for using this option.
- Tip:
  - To know the register types and its description press “F2 or List Command” at “Reg. Type” field in FBI. The action will display all register type. Notings for the screen details can be made for future reference.

Trade Finance

e. FBP ***[Fin.10.x – IBL]***

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

Trade Finance

e. BRBPR ***[Fin.10.x – HBRBPR]***

- Acronym for: Balancing Report for Bills Purchased (Inland)
- Use:
  - The report is generated to verify the Status of Bills Purchased.
  - Long pending / overdue bills can be verified from the said report.

Trade Finance

e. BRCR ***[Fin.10.x – HBRCR]***

- Acronym for: Balancing Report for Bills on Collection (Inland)
- Use:
  - The report is generated to verify the Status of Bills on Collection.
  - Long pending / overdue bills can be verified from the said report.

Trade Finance

e. FBBR ***[Fin.10.x – HFBBR]***

- Acronym for: Balancing Report for Foreign Bills
- Use:
  - The report is generated to verify the Status of Foreign Import and Export Bills.
  - Long pending / overdue bills can be verified from the said report.

Trade Finance

ii) Letter of Credits

a. DCQRY

- ✦ Acronym for: Documentary Credit Query
- ✦ Use:
  - The menu is used to verify the documentary credit details and list as per parameters.

Trade Finance

iii) Bank Guarantees

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

Trade Finance

iv) Remittances

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

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

Audit

AFI ***[Fin.10.x – HAFI]***

- Acronym for: Audit File Inquiry

- Use:
  - ✦ The menu contains Audit Trail of Non Financial Transactions like change in Account Master, Change in Account Status (e.g. Dormant to Active) etc.

Session -1 Overview

- General Concepts of CBS and of Finacle
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Customer Details

- **Customer Master Details**

Customer Management ➔	
➔ Enquiries ➔ Search by CIF Number	To verify all accounts of one Customer
➔ Enquiries ➔ Search by ID Number	Search using available information
➔ Enquiries ➔ Search by Name	Search using available information
➔ Relationship / Ownership ➔ Associated Accounts	Options available – Linked Accounts, Owned Accounts etc.

Account Configuration & Transactions

- **Deposit / CC / OD Accounts Master & Transactions**

Deposit / CC / OD Accounts & Services ➔	
➔ Enquiries ➔ Deposit / CC / OD Account	To verify the Account Master Details
➔ Cheque Book Functions ➔ Enquiries ➔ Cheque Books by Cheque Book-Numbers	Cheque Book Inquiry
➔ Enquiries ➔ Statement Print	Printing Statement of Account for a Deposit or CC / OD
➔ Enquiries ➔ Short	Basic details on Enquiry on Screen on Deposit Accounts
➔ Enquiries ➔ Long	Additional Details on Enquiry Screen for Deposit Accounts

Account Configuration & Transactions

- **Deposit Accounts Master & Transactions (Cont…)**

Deposit / CC / OD Accounts & Services ➔	
➔ Enquiries ➔ Transaction	For Transaction Enquiry (Txn. Types: 99 – All Financial, 98 – Cash Transaction, 25 – Repayment Details, 33 – Message Details
➔ Amend ➔ Pending Charge	Pending Charges details
➔ Enquiries ➔ Term Deposit Advice	Information and details on Term Deposit Advice

Cash Transactions

- **Cash**

➔ Reports ➔ Cash Related ➔ View Cash Summary (Click on Fetch)	To view position of cash drawers of all the users by the Cash Officer
➔ Branch Reports ➔ Cash Officer's Jotting Book Report	It generates the reports viz. Jotting Book, Vault Transactions, Hand Balance and Check Total Report
➔ Reports ➔ Printing Reports ➔ Cashier / Teller Cash Report	Report of Cash Transactions – Tellerwise

Security Stationery Maintenance

- **Valuable Paper Inventory System (VPIS)**

➔ VPIS ➔ Inventory Maintenance	Used to release of Security Forms
➔ VPIS ➔ Enquiry of VPIS ➔ General Enquiry	Used to check inventory status
➔ VPIS ➔ Lost / Damaged / Cancelled Inventories	Location for Lost / Damaged / Cancelled Inventories
➔ VPIS ➔ Enquiry ➔General Enquiry	Used to enquire status of Inventory
➔ VPIS ➔ Enquiry of VPIS ➔Teller Level Inquiry	Details of Inventory available at Teller level

Branch General Ledger (BGL)

- **General Ledger Enquiry**

➔ Branch Accounting (BGL) ➔ Enquire ➔ Account	Enquiry on BGL Account
➔ Branch Accounting (BGL) ➔ Enquire ➔ Account Number Search	Search an Account Number by BGL Name
➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction	BGL Transaction Enquiry

User Maintenance / Administration

➔ User / System Administration ➔ Enquiry ➔ User Enquiry	Used to view the list of users logged on in Branch ID
➔ User / System Administration ➔ Changes ➔ Change User Status	Used to change the Login Credentials on account of Leave to prevent misuse of login
➔ User / System Administration ➔ Changes ➔ Change User Type Permanently	Used to change the Login Credentials on account of Transfer / Deputation

Miscellaneous

➔ Collection and Cheque Purchase ➔ Enquiries ➔ Enquiries	Inquiry for Cheque Purchase / on Collection
➔ Image Maintenance ➔ Access Images	To access Sign. images uploaded in CBS
➔ General Enquiries ➔ Branch Enquiry	The menu helps the user to find out branch details by using various filters.

Loan Module

➔ DL/TL Accounts & Services ➔ Loan Tracking ➔ Operations	To Change Interest Rate at Account Level in TL / DL Account
➔ Transaction Posting ➔ Loan Accounts (DL/TL) ➔ Loan Closure	To close a DL/TL account
➔ DL/TL Accounts & Services ➔ Loan Processing ➔ Generate Repayment Schedules ➔ Action – "E"	To print Repayment schedule for a DL / TL Account
➔ DL/TL Accounts & Services ➔ Enquiries ➔ Short ➔ Option "Balance Breakup Enquiry"	To view amount of Arrears & Breakup of Principal, Interest Realized, Charges & Arrear of Interest
➔ DL/TL Accounts & Services ➔ Security (Primary / Collateral) ➔ Customer ➔ Enquiry ➔ Enquire Security Summary	To find Collateral Number

Note

- The menu codes discussed here is only for guidance and all the menu codes may not be applicable / available in Finacle / BANCS Software in all the banks.

Session -1 Overview

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Upgrades / Changes in Finacle 10.X

- Entire new module “CRM” in place of CUMM command

- CRM Module contains
  - ✦General Details,
  - ✦Demographic,
    - General
      - Caste | Nationality | Marital Status | Mailing Preference | Tax Exemption Form Ref. | Tax Exemption Start and End date | TRC Validity
    - Qualification
    - Employment
    - Income & Exp. Details

Upgrades / Changes in Finacle 10.X

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

Upgrades / Changes in Finacle 10.X

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

Upgrades / Changes in Finacle 10.X

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

Session – 2

Data Extraction Techniques in FINACLE

Data Extraction Techniques in FINACLE

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

Data Extraction Techniques in FINACLE

- Through TextDump Option in Finacle
  - ✦"TextDump" button is available in Action Bar. The user can use this option at the time when the On Screen Criterion Based Report is populated.
  - ✦The system will extract the text and will provide in a Dialogue Box.
  - ✦However, there is a limitation in using this option. Finacle will provide all the information in Single Column and hence, the information received in dialogue box need to be formatted manually in Excel.

Case Study - 1 on Few Report Menus of Finacle

- FTI (Financial Transaction Inquiry) / FTR (Financial Transaction Report):
  - ✦To verify any transaction based on various parameters FTI Menu is used.
    - Case Study:
      - Credits to NRE Accounts in a period
      - Credits to FCRA Accounts in a period
      - Cash Deposit above Rs. 50,000 to verify compliance with Income Tax Guidelines on PAN
      - Cash Transactions above Rs. 10 Lacs to verify compliance with AML Guidelines
      - Debits to ESCROW Accounts to verify compliance with ESCROW Agreement
      - Purchase of Gold through Cash Deposit
      - Value Dated Transactions verification
      - Transactions in Dormant & Inactive Accounts

Case Study - 1 on Few Report Menus of Finacle

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

Case Study - 1 on Few Report Menus of Finacle

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

Cont …

Case Study - 1 on Few Report Menus of Finacle

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

Case Study - 1 on Few Report Menus of Finacle

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

Case Study - 2 on Few Report Menus of Finacle

- FBI, FBP, BI, BP (Trade Finance Menu)
  - ✦ To verify any Trade Finance related transaction based on various parameters BI, BP (For Inland) and FBI, FBP (Foreign) commands are used.
    - Case Study:
      - – Import & Export Bills (Under LC, Collection, Advance Import, Direct Import, Export Bill Negotiated / Purchased / Discounted / Under LC / Advance against Exports) lodged or Accepted or Realised during the period. Same way for Inland Bills
      - – Inward Remittance and Outward Remittance Transactions (Foreign Currency / TC / Purchased / Sold, I/w & O/w Remittance through DD / TT, Travel Card Sold / Refund of Excess Funds etc.)
      - – Generation of Information of Bills realised during the period to verify Form A1 and Form A2

Case Study - 2 on Few Report Menus of Finacle

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

Case Study - 2 on Few Report Menus of Finacle

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

Case Study - 3 on Few Report Menus of Finacle

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

  - ✦ Related Menu Options
    - GILR – Guarantee Issued cum Liability Report
    - GPI – Guarantee Parameters Inquiry

Case Study - 4 on Few Report Menus of Finacle

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

List of Important Report Menu Commands in FINACLE

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

List of Important Report Menu Commands in FINACLE

- **ISRA** – Inventory Status Report
- **TDSREP** – Cust-wise TDS Report
- **FBIR** – Import Register Report
- **ACLPOA** – Office Account Ledgers Print
- **MSOIRP** – Minor Subs outstanding Items Report
- Report Menu designed and configured for each Bank houses hundreds of reports. Auditor need to inquire with Bank Official Menu code. E.g. In BoB the menu code may be BOBRPT.

Questions?

Thank You

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Section – 2

Bank Audit under CBS environment

(Focus areas: Issues in NPA identification, Revenue Leakage, Forex Transactions & Office Accounts)

Bank Audit under CBS Environment

(Focus areas: Issues in NPA identification, Revenue Leakage, Forex Transactions & Office Accounts)

Hosted by **Ernakulam Branch of SIRC of ICAI**

March 23, 2019

Presented by CA. Kuntal P. Shah, Ahmedabad

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Few CBS used in India and world over

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

Table of Contents

Parameters affecting NPA identification

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

Parameters affecting NPA identification

* 1. **Discrepancies in setting up the EMI / Installments:**
  * Auditors' primary checks:
    * Whether EMI / installment is correctly setup.
    * Whether EMI / installment amount is matching with the Sanctioned Terms.
    * Whether periodicity of Installment is correctly classified as per Sanctioned Terms?
  * System support:
    * **Finacle:**
      – ACI -> Option "E" Repayment details ***[Fin.10.x– HACM]***
    * BaNCS:
      – DL/TL Accounts & Services ➔ Enquiries ➔ Account
      (Short & Long Inquiry options are available under both menu.)

Parameters affecting NPA identification

- 2. **Multiple sets of EMI / Installments:**
  - Auditors' primary checks:
    - For case of Multiple sets of EMI e.g. For 1-5 years EMI of Rs. 7,000 and after 5 years Rs. 7,500
    - Whether sets of EMI are properly entered?
    - Is there any substantial difference between 1st set of EMI and 2nd or other sets (e.g. 1st set Rs. 5,000 and 2nd Rs. 1,00,000) which cast doubt on debt serviceability?
  - System support:
    - **Finacle:**
      - ACI -> Option "E" Repayment details ***[Fin.10.x– HACM]***
    - **BaNCS:**
      - DL/TL Accounts & Services → Enquiries → Account

        (Short & Long Inquiry options are available under both menu.)

Parameters affecting NPA identification

- 3. **System determined Asset Classification vis a vis User defined Asset Classification:**
  - Auditors' primary checks:
    - CBS contain two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types.
    - User is generally given the option to differ and select / amend the classification
    - This feature gives rise to numerous question on functioning of CBS.
    - At times it is possible that the classification by CBS may be incorrect due to errors in certain Master Data. However, such accounts require detailed scrutiny.
  - System support:
    - **Finacle:**
      - ACM / ACI Option - Y Asset Classification Inquiry
      - ***[Fin.10.X – HSASCL – System Asset Classification Inquiry]***
    - A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for. Accounts listed in the said report should be thoroughly verified.

Parameters affecting NPA identification

- 4. **Manipulation in SL / DP:**
  - Auditors' primary checks:
    - Changes in SL / DP should be cross checked with Sanctioned Letter.
    - Whether any change in Limit is supported by necessary documentation?
  - System support:
    - **Finacle:**
      - ACLHM – Account Limit History Maintenance

        [Fin.10.x– HACLHM]
    - **BaNCS:**
      - Tailormade report on Changes in Account Limits

Parameters affecting NPA identification

✳ 5. **Incorrect moratorium period:**

- Auditors' primary checks:
  - Based on moratorium period CBS will identify the Loan Installment and will track repayment.
  - In case the moratorium period / installment start date is erroneously updated system will not show correct result.
- System support:
  - **Finacle:**
    - ACI – Option "E" – Repayment Details ***[Fin.10.x– HACM]***
  - **BaNCS:**
    - Account Master details (Long Inquiry)

Parameters affecting NPA identification

✳ 6. **Rephasement without reporting it as reschedule:**

- Auditors' primary checks:
  - At times it is observed that the Loan Account Installments are rephased / recalibrated without reporting the same as Re-Schedule.
  - Verify whether any change in Repayment instruction is made through System. Compare the said accounts with list of Restructured Accounts.
- System support:
  - **Finacle:**
    - ACI – Option "E" – Repayment Details ***[Fin.10.x– HACM]***
  - **BaNCS:**
    - Account Master details (Long Inquiry)
  - Report containing details of all the cases wherein EMI / Installment is changed should be sought

Parameters affecting NPA identification

✳ 7. **Installment Start Date is Future Date:**

- Auditors' primary checks:
  - Check whether Installment Start Date entered as per sanctioned term.
  - In case of future date system will not identify installment and any repayment received will be shown as "Overflow".
- System support:
  - **Finacle:**
    - ACI – Option "E" – Repayment Details ***[Fin.10.x– HACM]***
  - **BaNCS:**
    - Account Master details (Long Inquiry)

Parameters affecting NPA identification

- 8. **Interest Demand date (Future Date):**
  - Auditors' primary checks:
    - Check whether Interest Start Date entered is as per Sanctioned Term.
    - In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as "Overflow".
  - System support:
    - **Finacle:**
      - ACI – Option "E" – Repayment Details ***[Fin.10.x– HACM]***
    - **BaNCS:**
      - Account Master details (Long Inquiry)

Parameters affecting NPA identification

- 9. **Fictitious credit through Office Account / Inter-branch Account:**
  - Auditors' primary checks:
    - Are there any quarter / year end credits cited in the account?
    - Check the source of Credit Entries.
    - Review transactions in Office Accounts / Inter Branch Accounts.
  - System support:
    - **Finacle:**
      - ACLI – (Use CTRL + E to Explore the Tran) ***[Fin.10.x– HACLI & HACLINQ]***
      - Review of Office Account Ledgers
    - **BaNCS:**
      - Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction
      - DL/TL Accounts & Services ➔ Enquiries ➔ Transaction

Parameters affecting NPA identification

- 10. **Round tripping from internal accounts:**
  - Auditors' primary checks:
    - Close scrutiny of transaction and review of chain / series of transaction for accounts with deficiency is required.
    - It is used to generate / misguide the system on Credit Turnover aspect.
  - System support:
    - **Finacle:**
      - ACLI – (Use CTRL + E to Explore the Tran) ***[Fin.10.x– HACLI & HACLINQ]***
      - *Do not rely wholly on "ATOR" / "CUTI" / "ACTI" results*
    - **BaNCS:**
      - Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction
      - DL/TL Accounts & Services ➔ Enquiries ➔ Transaction

Parameters affecting NPA identification

- 11. **Temporary Overdrafts:**
  - Auditors' primary checks:
    - At times it is observed that in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned.
    - It is not permitted as per IRAC guidelines.
  - System support:
    - **Finacle:**
      - ACLI – Option "O" ***[Fin.10.x– HACLI & HACLINQ]***
      - ACTODM – TOD Maintenance ***[Fin. 10.x – HACTODM]***
      - TODRP – TOD Register Printing

Parameters affecting NPA identification

- 12. **Devolved bills parked in Office Accounts and not in limit account:**
  - Auditors' primary checks:
    - Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement)
    - At times it is observed that the amount of devolvement of LC backed bills are parked in Office Accounts to suppress total exposure on borrower.
  - System support:
    - **Finacle:**
      - BI & FBI – With Bill Status as "K" using Status Date Filter
      - ***[Fin.10.x – IBL]***

Parameters affecting NPA identification

- 13. **Multiple CUST ID to save the other account from becoming NPA:**
  - Auditors' primary checks:
    - Commonly it is observed that before marking of Account as NPA other accounts of the same borrower is transferred to new CUST ID. It will prevent marking of the said accounts as NPA in terms of guidelines of Asset Classification to be Borrowerwise and not Accountwise.
    - Take NPA Report and search all the case by few characters of Name.
  - System support:
    - **Finacle:**
      - ACS – Account Selection (Search based on Name)
      - LAGI – Loan Account General Inquiry (Inquiry based on other parameters)
    - **BaNCS:**
      - Customer Management ➔ Enquiries ➔ Search by Name

Parameters affecting NPA identification

- 14. **Encouraging formalization of MSME Sector:**
  - Circular Dt. June 6, 2018 (In continuation of Cir. Dt. 07.02.2018)
    - Eligibility:
      - Borrower is classified as MSME under MSMED Act, 2006
      - GST Registered as well not registered MSME
      - Aggregate exposure (FB/NFB) upto Rs. 25 crores as on 31.05.2018 (Including NBFC exposure)
      - Account is standard as on 31.Aug.2017
    - Important Points:
      - 'Overdues' as on 01.Sep.17 and upto 31.Dec.2018 to be paid not later than 180 days (GST Registered AND not registered MSME)
      - Dues of **GST Registered** MSMEs from 01.01.2019, 180 Days criterion ~~to be aligned~~ as per Annexure to Circular
      - For MSMEs which are not registered under GST, dues payable from 01.01.2019 shall have 90 Days criterion.
      - 5% Additional provision on Exposure not classified as NPA
      - Income Recognition **as per 90 Days Norms only**.

Parameters affecting NPA identification

- Auditors' primary checks (w.r.t. review through CBS):
  - GST Registration Details (whether updated in CBS)
  - Aggregate Exposure in CBS (if parameterized) as on 31.05.2018
  - Account Classification as on 31.08.2017
  - Overdue amount as on 01.09.2017 to 31.12.2018 (All MSMEs)
  - Due amount from 01.01.2019 (Un-registered MSMEs – 90 Days)
  - Due amount from 01.01.2019 (Registered MSMEs – As per table in Circular)

Parameters affecting NPA identification

- System support:
  - **Finacle:**
    - ACI – Option "E" – Repayment Details
    - ACI – Option "Y" – Account Status
    - Monthly MIS Reports

      (To review backdated position in Finacle is a tedious task. However, amount can be worked out by backward working on amount due and repayments.)
  - **BaNCS:**
    - Account Master details (Long Inquiry)
    - Monthly MIS Reports

Parameters affecting NPA identification

- 15. **Natural Calamity Relief:**
  - Master Direction – Reserve Bank of India (Relief Measures by Banks in Areas affected by Natural Calamities) Directions 2018
  - Issued on 17th October, 2018
    - Relief:
      - Restructuring of Existing Loans
      - Sanction of Fresh Loans
    - Important aspects
      - Adherence to Restructuring Norms and system configuration
      - NPA Identification Manual or Automated in affected accounts?

Parameters affecting NPA identification

- 16. **MSME – One Time Restructuring of Advance:**
  - Circular Dt. Jan. 01, 2019
    - Eligibility:
      - Borrower is classified as MSME under MSMED Act, 2006
      - Aggregate exposure (FB/NFB) upto Rs. 25 crores as on 01.01.2019 (Including NBFC exposure)
      - Borrower Account is in Default but is a Standard Asset as on 01.01.2019 and continues to be classified as a 'Standard Asset' till the date of implementation of the restructuring.
      - Borrower is registered under GST (Except the cases wherein the borrower is exempt from GST Registration)
      - Restructuring is implemented on or before 31.03.2020. Conditions
        - » Execution of all documents / agreements
        - » New Capital structure is reflecting in the books of accounts

Parameters affecting NPA identification

- Important Points & Auditors Checks:
  - Post restructuring NPA classification shall be as per IRAC.
  - Board Approved policy is required.
  - Adherence to all the eligibility conditions.
  - NPA Accounts can also be restructured however, extant guidelines of IRAC on restructuring of NPA Account will be applicable.
  - Barring the cases wherein one time restructuring is being carried out, all other cases will follow principle of downgrading on restructuring. Upgradation of such account subject to satisfactory performance during the specified period.

Parameters affecting NPA identification

- System support:
  - **Finacle:**
    - – ACI – Option "E" – Repayment Details
    - – ACI – Option "Y" – Account Status
    - – Monthly MIS Reports

    (To review backdated position in Finacle is a tedious task. However, amount can be worked out by backward working on amount due and repayments.)
  - **BaNCS:**
    - – Account Master details (Long Inquiry)
    - – Monthly MIS Reports

Parameters affecting NPA identification

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

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Identification of Revenue Leakage

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

Identification of Revenue Leakage

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

Identification of Revenue Leakage

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

Identification of Revenue Leakage

[Cont …]

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

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Audit of Foreign Exchange Transactions

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

Audit of Foreign Exchange Transactions

LFAR: For Branches dealing in Foreign Exchange Transactions

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

Audit of Foreign Exchange Transactions

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

Audit of Foreign Exchange Transactions

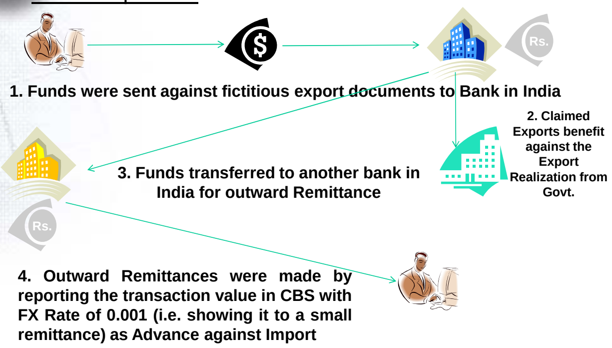
- **Packing Credit (Pre & Post Shipment – In INR or FCY)**
  - Adjustment through Export Bills / EEFC Balance
  - Review of Transactions for adjustment of balance through other than above mode
  - Max Tenor (Pre Shipment): 360 Days
  - Max Tenor (Post Shipment): 365 from Shipment Date
  - Rate of Interest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

Audit of Foreign Exchange Transactions

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

Money Laundering in garb of Remittance as advance against Import – Case Study

- Modus Operandi



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Office Accounts

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

Important Points in Office Accounts Review

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

Important Points in Office Accounts Review

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

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Audit Activity through CBS

- **Cash**
  - What to verify?
    - Cash Balance as on 31st March
    - Cash Balance as on the date of verification
    - Cash Balances reported in Friday Statement
  - **Source** from where to verify?
    - **In Finacle:**
      - "**ACLI**" - Account Ledger Inquiry (Vault A/c and Teller Accounts) ***[Fin. 10.x – HACLI, HACLINQ]***
    - **In Bancs:**
      - ➔ Reports ➔ Cash Related ➔ View Cash Summary (Click on Fetch)
      - ➔ Branch Reports ➔ Cash Officer's Jotting Book Report
      - ➔ Reports ➔ Printing Reports ➔ Cashier / Teller Cash Report

Audit Activity through CBS

- **Balances with RBI / SBI / Other Banks**
  - What to verify?
    - Balance as on Date
    - Transactions in Mirror Accounts
    - Reconciliation Statement (Generally outside of CBS)
  - **Source** from where to verify?
    - **In Finacle:**
      - "**ACLI**" - Account Ledger Inquiry ***[Fin. 10.x – HACLI, HACLINQ]***
    - **In Bancs:**
      - ➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction

Audit Activity through CBS

- **Advances - 1**
  - What to verify?
    - Sanction Limit / Drawing Power setup
  - **Source** from where to verify?
    - **In Finacle:**
      - "**ACLHM**" – Account Limit History Maintenance ***(Fin.10.x – HACLHM)***
      - "**ACM / ACI**" – Account Master (Go to Limit details)
      - "**LTL**" – Limit Tree Lookup (Tree view of all Limits) ***(Fin. 10.x – HLTL)***
    - **In Bancs:**
      - DL/TL Accounts & Services ➔ Enquiries ➔ Account
      - Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account

Audit Activity through CBS

- **Advances - 2**
  - What to verify?
    - Account & Customer Master parameters setup viz.
      - Interest Parameters (Regular & Penal Interest)
      - Repayment Instructions
      - Standing Instructions (SI) Parameters
  - **Source** from where to verify?
    - **In Finacle:**
      - "**ACLHM**" – Account Limit History Maintenance for DP & SL – Account Specific ***(Fin.10.x – HACLHM)***
      - "**ACM / ACI**" – Account Master
      - "**CUMM / CUMI** " – Customer Master ***(Fin.10.x – Separate Module for Customer Master)***
    - **In Bancs:**
      - DL/TL Accounts & Services ➔ Enquiries ➔ Account
      - Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account

      (Short & Long Inquiry options are available under both menu.)

Audit Activity through CBS

- **Advances - 3**
  - What to verify?
    - Transactions in Borrower's Account
  - **Source** from where to verify?
    - **In Finacle:**
      - "**ACLI**" - Account Ledger Inquiry ***(Fin.10.x – HACLI, HACLINQ)***
    - **In Bancs:**
      - Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction
      - DL/TL Accounts & Services ➔ Enquiries ➔ Transaction

Audit Activity through CBS

Advances - 4

- What to verify?
  - Interest Rate History
- **Source** from where to verify?
  - **In Finacle:**
    - "**INTTM**" – Interest Table Master Maintenance (Under Inquire Mode – Account Specific) ***(Fin.10.x – HINTTM / HINTTI)***
  - **In Bancs:**
    - Deposit / CC / OD Accounts & Services ➔ Interest Rate History
    - DL/TL Accounts & Services ➔ Interest Rate History

Audit Activity through CBS

Advances - 5

- What to verify?
  - Conduct of Account and Credit Turnover
    - Turnover of CC Account based on Borrower's Business profile
    - In case of Loan accounts **ACTUAL** recovery of Installments and Interest
- **Source** from where to verify?
  - **In Finacle:**
    - "**ATOR**" – Account Turnover Report
    - "**ACTI**" – Account Turnover Inquiry
    - "**CUTI**" – Customer Level Turnover Inquiry
  - **In Bancs:**
    - DL / TL Accounts & Services ➔Enquiries ➔Long
    - Deposit/CC/OD Accounts & Services ➔Enquiries ➔Long

Audit Activity through CBS

Advances - 6

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

Audit Activity through CBS

- **Advances - 7**
  - What to verify?
    - Interest Report
  - **Source** from where to verify?
    - **In Finacle:**
      - "**AINTRPT**" – Interest Report for Account
    - **In Bancs:**
      - Product Sheets – To be requested from Data Center (if not available through user login)

Audit Activity through CBS

- **Advances - 8**
  - What to verify?
    - Primary & Collateral Security Maintenance
  - **Source** from where to verify?
    - **In Finacle:**
      - "**SRM**" – Security Register Maintenance ***[Fin.10x – HCLM,HSCLM]***
    - **In Bancs:**
      - DL/ TL Accounts & Services ➔ Security (Primary/ Collateral) ➔Customer ➔ Amend / Enquiry ➔Amend / Enquire Security

Audit Activity through CBS

- **Advances - 9**
  - What to verify?
    - Lien Marking
  - **Source** from where to verify?
    - **In Finacle:**
      - "**ALM**" – Account Lien Maintenance
    - **In Bancs:**
      - DL/ TL Accounts & Services ➔ Security (Primary/ Collateral) ➔Customer ➔ Amend / Enquiry ➔Amend / Enquire Security
      - ***(Under Bancs – Colleteral ID is required to be created before setting up limits)***

Audit Activity through CBS

- **Advances - 10**
  - What to verify?
    - Account Ledger Printing
  - **Source** from where to verify?
    - **In Finacle:**
      - "**PSP**" – Pass Sheet Print ***[Fin.10.x – HPSP]***
      - "**ACLPCA**" – Customer Ledger Account Print
    - **In Bancs:**
      - **Print Menu** available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services

Audit Activity through CBS

- **Advances - 11**
  - What to verify?
    - Non Fund based Facility (LC, BG)
  - **Source** from where to verify?
    - **In Finacle:**
      - "**GI**" – Guarantee Inquiry ***[Fin.10x – HGI]***
      - "**DCQRY**" – Documentary Credit Query
    - **In Bancs:**
      - Through Exim Software / Offline Report (if generated by banks)

Audit Activity through CBS

- **Advances - 12**
  - What to verify?
    - Devolved Bills under LC & Devolved Export Discounted / Purchased Bills
  - **Source** from where to verify?
    - **In Finacle:**
      - "**BI**" – Bill Inquiry and "**FBI**" – Foreign Bill Inquiry ***(with Bill Status Code as "K" with Status Date filter)*** ***[Fin.10.x – MEOB, MIIB, IBL]***
    - **In Bancs:**
      - Through Exim Software / Offline Report (if generated by banks)

Audit Activity through CBS

- **Stationery**
  - What to verify?
    - Physical Verification of Stationery and confirmation of Balance as per CBS
  - **Source** from where to verify?
    - **In Finacle:**
      - "**ISRA**" – Inventory Status Report ***(Locationwise viz., Dual Lock, Individual, Cancelled etc.)*** ***[Fin.10.x HISRA]***
    - **In Bancs:**
      - Through Valuable Paper Inventory System [VPIS] module

Audit Activity through CBS

- **Suspense / Sundry Assets Accounts, Bills payable, Sundry Deposits etc. - 1**
  - What to verify?
    - Outstanding entries for reporting
    - Entries outstanding – Whether any provisioning is required?
  - **Source** from where to verify?
    - **In Finacle:**
      - "**IOT**" – Inquire on Transaction (As on date Inquiry)
      - "**MSGOIRP**" – Outstanding Items Report
    - **In Bancs:**
      - Through offline reports viz. "Audit BGL accounts age wise break up" and "GL-Outstanding-Accnts" report.

Audit Activity through CBS

- **Suspense / Sundry Assets Accounts, Bills payable, Sundry Deposits etc. - 2**
  - What to verify?
    - Printing of Office Accounts
  - **Source** from where to verify?
    - **In Finacle:**
      - "**ACLPOA**" – Account Ledger printing Office Account
    - **In Bancs:**
      - Facility of printing of BGL (Branch General Ledgers) is not available under user login. It needs to be requested from Data Center.

Audit Activity through CBS

- **Inter Branch Accounts**
  - What to verify?
    - Un-reconciled transactions
  - **Source** from where to verify?
    - **In Finacle:**
      - Through Outstanding IBR Report.
    - **In Bancs:**
      - Through offline "Outstanding IBR Report"/ "IBR Summary report"

Audit Activity through CBS

- **TDS Related**
  - What to verify?
    - TDS Information and Reports
  - **Source** from where to verify?
    - **In Finacle:**
      - "TDSIP" – TDS Inquiry & Reports ***[Fin.10x HTDSIP]***
      - Month-end report on accountwise / transactionwise Tax deduction.
      - Bank specific customized Menu / report
    - **In Bancs:**
      - Through offline monthly report on accountwise / transactionwise Tax deduction.

Audit Activity through CBS

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

Audit Activity through CBS

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

Audit Activity through CBS

- **Accounts where Interest Code is '0':**
  - Interest will not be charged from Accounts where Interest Code is selected as '0'. Hence, a detailed checking is required. Possible reasons can be,
    - Whether NPA Account
    - Accounts with Moratorium?
- **Interest Collection Flag as "No":**
  - If Interest Collection Flag is selected as "No", Software will not consider the account for calculation and entry for Debit Interest.

Audit Activity through CBS

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

Audit Activity through CBS

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

Audit Activity through CBS

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

Questions ???

Thank You

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Section – 3

Extract of chapter on CBS from Manual on Concurrent Audit of Banks published by IASB of ICAI

Authored by CA. Kuntal Shah

Chapter – 2 – Core Banking System

Authored by: CA. Kuntal Shah

Background

2.1 Over the years, the banking operations have been atomized to a large extent and wide range of banking software's have been developed for accounting of transactions and core banking operations. Bank software's are becoming more sophisticated all the time. As new accounting methods develop and more people bank online, private banking software is being developed to streamline the processes.

Banking Industry and Banking Software

Current Scenario

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

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

Future Scenario

2.3 One can visualize future scenario in the industry on current trends. Going by the current happenings one can expect the future of banking industry. Some of the important factors are as follows:

- Increase in the expectations of customers;
- Increase in healthy competition due to issue of new banking licenses;
- A greater variety of products and delivery channels in the market;
- Centralised customer management (Service centric approach);
- Information technology to act as an integrator and enabler between demands on the industry and services rendered.

Challenges

2.4 The biggest challenge before the banking industry today is posed by its customers' expectations. The customer today is more informed and aware than before. Customers demand more and more services and delivery channels. Customer's expectations are increasing with respect to anywhere, anytime banking and also for diverse products and facilities.

There are challenges posed by market forces due to stiff competition wherein the differentiator or selection of bank by the customers is based on quality of services. However, the service up-gradation comes with a cost for the bank. Hence, a trade-off between cost of transaction and quality service to customer is the key. Moreover, due to diversified products and services, upto date information for customer and banker is very important.

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

A composite system / software which handles transactions, customer relations, regulatory compliances, MIS/ reports request is the need of the hour. Core Banking Systems (CBS) provide the solution for the same. There are various Core Banking Software's available in the market. More prominent and used in India are Finacle, FLEXCUBE, TCS BaNCS.

Audit of Banks and Banking Softwares

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

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

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

Core Banking Solution (CBS)

What is CBS?

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

The CBS is based on Service Oriented Architecture (SOA). It helps banks to reduce risk that can result from manual data entry and out of date information. It also helps banks to improve service delivery quality and time to its customer. The software is accessed from different branches of bank via communication lines like, telephones, satellite, internet, etc.

Core Banking System (CBS) works on a concept of Centralized Database and Processing. Transactions take place at various geographical locations which get recorded and processed at a Centralized Server. Updation of database is on Real Time Basis. Due to the centralization of transaction processing, issue of out of date information is eliminated.

All the users connected to CBS will be able to get upto date information. CBS also enhances quality of reporting and strengthens access control.

Centralized Banking Solution/ Core Banking Solution

2.7 Under CBS data is stored in centralized servers at data centre. This effectively means that all operations at the connected branches, back offices are carried out through servers at data centre including transactions through other delivery channels like, ATMs, internet banking, phone banking, etc.

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

From bank's perspective, control over the application and processes has been entrusted at data center level. In addition to it, CBS also makes available effective MIS on real-time basis. It enables generation of all periodical returns centrally. As mentioned above, there are various CBS developed by various software companies available in the market and most commonly used are FINACLE, TCS BaNCS and Flex Cube.

Introduction to FINACLE

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

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

- Finacle facilitates anywhere banking.
- It is menu driven software with easy navigation.
- It is functionality rich and addresses the retail and corporate banking requirements.
- Customization and parameterization are two special features of Finacle.
- Finacle provides multi-lingual support.
- Finacle provides multi-level security, i.e., operation, database and application level security
- It supports workflow based transaction processing.
- It has high level of security control and audit capabilities.
- It has a common transaction interface for all type of transactions.
- It provides a browser based GUI interface to Finacle.
- SQL and PL SQL is used for generation of MIS, reports, queries at centralized level.
- Designed for optimum usage of network bandwidth.
- There are two functional modules:

– *Retail and Corporate Module*- Encompassing Saving Accounts, Current Accounts, Term Deposits, Cash Credit Accounts, Overdraft Accounts, Term Loans, Demand Loans.

– *Trade Finance Module* - Encompassing Inland & Foreign Bills, Forward Contracts, Inland & Foreign Documentary Credits, Inland & Foreign Bank Guarantees, Inland & Foreign Remittances and Pre-shipment Credits.

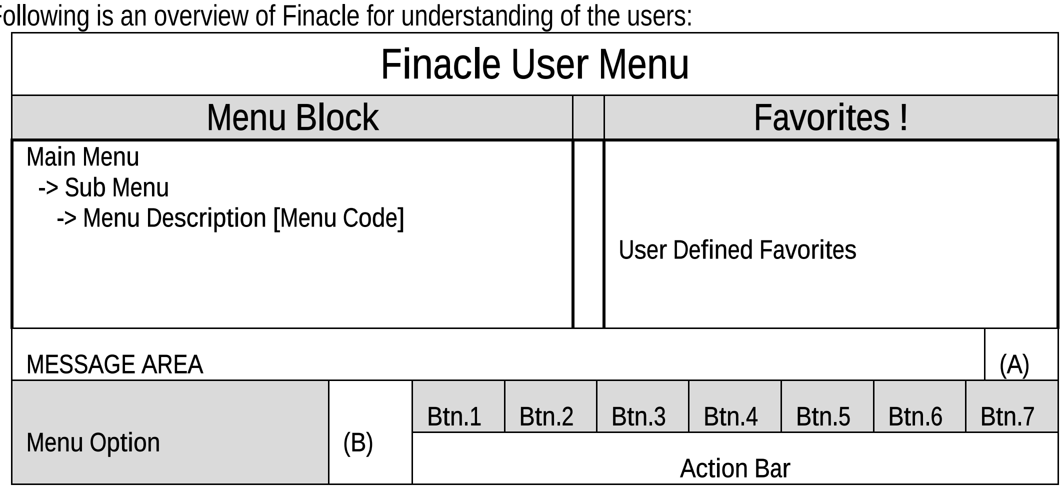
Security in Finacle

2.9 FINACLE is having multiple levels of security. Various security levels embedded in it are as follows:

- OS Level
  - No access to OS
  - OS and application level profile
  - Direct login to application menu
- Database level
  - Protection from external updating
- Application level
  - Menu level
  - User level
  - Product level
  - Account level
  - Transaction level
- Dual control for all transactions
  - Maker-Checker Concept
- Controlled error handling through exceptions
  - (1) Warning (2) Exception (3) Error

Finacle Overview

2.10 Following is an overview of Finacle for understanding of the users:



A = Progress Indicator

B = Field to Specify Menu Option

- *Menu Block*: The block houses all the menu and sub-menu options available in Finacle.
- *Menu Option Block*: Menu Code to be entered to gain access to the respective menu.
- *Action Bar* : User can execute the process of Finacle operations by clicking on various options on this bar. The hot keys are also assigned for all options, which appear on the bar.
- *Action Buttons*: Every action button has a specific purpose. For e.g., on clicking Who AmI button, system will display use rid of the user who is currently logged in and other information, viz., date and name of SOL in a message box.
- *Message Bar:* The message bar displays warnings, exceptions, errors or lists under a specific field code.
- *Favorites*: Menu items which are required and used on regular basis can be put in favorites by copying from Menu Block. As onetime process, specific menu item which is required to be copied to Favorites should be located in menu block and with the use of drag and drop the function can be stored under favorites menu.
- *Progress Indicator:* It shows the progress of the action initiated through the use of colours (i.e., Green indicates that the System is "Ready" for processing, Red indicates that the "System is busy in Processing Activity" and Yellow indicates that browser is performing internal processing like, assembling/ painting screen as per requirement. User should not operate the system)

General Key Map

2.11 Default Physical Keys in Finacle have been given in the table below. However, default key map differs in individual bank.

Physical Key	What does it do?
F1	Field level help. Like in several word processors and spreadsheet packages, F1 displays context sensitive help messages and field level help messages.
F2	List. This key lists the codes that may be used in a particular field.
F3 / ESC	Quit/ Back. Quits and takes the user back to where he started when in action. It can be used when the input is incorrect and the user wants to abandon what he has been doing. It can also be used to go back to the previous menu.
F4	Accept. After the user has completed the input, this key can be used to accept the data.
F5	Background Menu
F6	Next Block
F8	Copy Record
F9	Display Signature
F10	Commit/ Save. This is very important key and this concludes the transactions. This is the commit and transactions get into the General Ledger (database) when this key is used.
F11	Next field

Physical Key	What does it do?
F12	Previous Block
TAB	Go to next valid field
ENTER	Go to the next field
DOWN Arrow ↓ (Next Rec button)	Next Record (In a list or result of a query)
UP Arrow ↑ (PrecRec button)	Previous Record (In a list or result of a query)
CTRL+F1	Help maintenance
CTRL+F3	Show key map
CTRL+F4	Display error
CTRL+F8	Terminal lock
CTRL+F9	Memo pad look up
CTRL+F11	Context level help
CTRL+D	Page down on a list
CTRL+E	Explode. This key is particularly useful for the further inquiry.
CTRL+F	Clear field. This key combination can be used when the user wants to clear the field.
CTRL+T	Display LGI. The user ID, Terminal ID, SOL, BOD Date and language details are displayed.
CTRL+U	Page up on a list
CTRL+X	Put BOD date. This key combination populates the default BOD date in the field.
SHIFT+F4	Select the current item from the list. This key combination can be used to select a value from the list of valid values listed for a particular field.
SHIFT+F11	Transmit
SHIFT+TAB	Go to the previous field

Introduction to TCS BaNCS

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

- Entire range of banking products including savings, checking, overdraft and deposit accounts.

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

Introduction to Oracle Flex Cube

2.13 Flex Cube provides a comprehensive, integrated, interoperable, and modular solution that enables banks to manage evolving customer expectations. Major functionalities are as follows:

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

Quick Access Screens through Hot Keys in FlexCube

Hot Keys	Screen Name	Description
Alt + B	Balance Inquiry	This screen displays the account details of the savings and checking account balances such as the available balance, nucleated balance, current book balance, passbook balance, net balance, etc.
Alt + C	Customer Name And Address Inquiry	This screen displays the details such as, the name, address, city, country, SSN/TIN number, etc., of the selected customer.
Alt + A	Account Details	This screen displays the account details of the customer such as account number, account branch, account currency, customer name, etc.
Alt + S	Amount based Account Image Display	This screen displays the images on the basis of the details maintained in the Amount Based Operating Instruction Maintenance (Fast Path: 7116) option.
Alt + P		This will enable the user to print the receipt of the transaction.
F8		This will enable the user to return to the same screen.

General Concepts of CBS and Finacle

SOL ID and Set ID (Init. Br. ID)

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

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

Set ID (Init. Br. ID):Set ID or Initiating Branch ID is a SOL ID of the Branch who initiated the transaction. For e.g., transaction of a cash withdrawal by a customer of Mumbai Branch (SOL ID "0044") from Delhi Branch (SOL ID "0089"). In the instant case "0089" is Init. Br. ID and "0044" is Account SOL ID.

In order to search transactions based on the branch who initiated transactions in Finacle, SET ID (Init. Br. ID) parameter is required to be used under Menu Code "FTI".

Tran ID, Journal No. and Date

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

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

(i) Transaction Type and Sub Type

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

Codes for Transaction Type and Sub Types are prescribed differently by each bank. For e.g.,

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

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

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

Customer Master Level Configurations

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

(a) Identification of unique customers.

(b) Data redundancy can be reduced by eliminating the process of updating repetitive details about customer at each time of opening of account.

(c) It is easier to comply with customer centric regulations. For, e.g., TDS provisions under Income Tax Act (where payment to customer is important than payment for an account), IRAC Guidelines (where classification of account is borrower-wise and not account-wise).

(d) Multiple accounts of the customer can be mapped to a customer for better identification.

Under the Customer Master Level configuration basic details about the customer are updated. Details include name, date of birth, PAN number, etc.

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

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

2.18. Some important points for auditors are as follows:

(i) Issues with multiple CUST-ID

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

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

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

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

(ii) Account Level Configurations

Configurations/ parameters for are setup at the time of Account Opening. Modification afterwards is also permitted. Account Level master contains the parameters and details specifically with respect to account. For instance, Interest Rate, Interest payment periodicity, Freeze, Lien, etc.

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

(iii) Pointing Type Accounts/ Self Reconciling Accounts

Apart from maintaining customer accounts, the bank’s general ledger also contains various Suspense/ Sundry Accounts. Such accounts can be with debit or credit balance. The said accounts are used for limited purpose and for parking of entries for limited time frame. Transactions wherein either debit/ credit leg is not confirmed/ identifiable at the time of transactions are parked in such accounts. For e.g., an amount of ` 1,000 is given to an employee in advance for purchase of stationery item for branch. The said transaction will be kept under such Suspense/ Sundry account till the date the employee submits the bill/ returns the advance.The transactions processed in such accounts are not routine hence it calls for continuous monitoring and earliest reversal. Moreover, numerous transactions in an office account make it difficult for reconciliation. In earlier times, the activity of reconciling the office account was manual.

However, under CBS such accounts are opened under Pointing Type Office Account/ Self Reconciling Accounts Scheme Code which facilitates automatic reconciliation and real-time information on outstanding/ non-reversed transactions. Transactions in such type of accounts are in two parts - Originating Transaction and Reversal Transaction. For each reversal entry, the system will prompt the user to point it to an originating transaction. There can be multiple reversals against single originating transaction. Such type of account will also ensure that in case of a debit type office account, credit entry as originating entry will not be permitted.

On the users side, at the time of reversal of Transaction the system will ask the user to “Point” the Originating Transaction against which the transaction is being reversed. On selection, the system will reduce the balance under the said Originating Transaction. Under this type of Pointing Type Account, at any given point of time aggregate of outstanding transaction-wise balance will be equal to the Office Account Ledger Balance. Under Finacle, verification of outstanding/ non-reversed entries can be verified from menu command IOT (Inquire on Transaction). Moreover, a report on outstanding office account transaction can be generated through Menu MSGOIRP. Various customized reports for the said purpose are also available under each banks “Report” menu in Finacle.

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

(iv) Interest Table Maintenance

Interest collection as well as payment in CBS can be through Interest Tables or can be by way of absolute rate. In case a loan account wherein Interest Rate is based on a reference rate (say Base Rate), the Interest Rate field is updated with the Reference Rate Table to ensure automatic updation of Interest on subsequent change.

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

In case of few specialized products (e.g., subsidy linked accounts) limit level interest rate is required to be applied. In such case the parameters are setup at Interest Table Master Level and the said table code is updated under Interest Table field at Account Master Level.In case of a fixed rate loan, the interest rate is updated as absolute figure in Interest Rate field instead of Table. However, few banks follow the practice of updating “ZERO Interest Rate Table” with necessary interest rate at Account Preferential Debit Interest.

(v) Interest Flags

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

(vi) Withholding Tax Flags

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

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

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

(vii) Freeze Flags(Debit, Credit and Total)

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

The freeze can be applied at CUST ID Level (i.e., all the accounts of the customer) or specific account of the customer. The source documents are required to be verified for marking of freeze and unfreeze event. The inquiry of accounts with Freeze Flag can be made in Finacle through ACS Menu Command with Freeze Flag as “T”=Total Freeze, “D”=Debit Freeze, “C”=Credit Freeze.

(viii) Schemes and Scheme Codes

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

Exception Types

2.19 The transaction errors are handled in CBS through following modes:

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

Maker and Checker Matrix for Valid Transaction

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

Inventory Locations

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

Predominantly, locations are created for joint custody (dual custody), employee custody, external locations. Barring, external location, balancing of security stationery is available for all the locations.

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

Zones in Clearing Modules

2.22 For easy identification of type of cheque and proper reconciliation various zones are opened on daily basis (as per clearing cycle) in CBS. Various zones are opened for Non CTS Cheques, Inter-bank Cheque, KYC Cheques, MICR Cheques, Non-MICR Cheques, Warrants, CMS Cheques, etc. Opening of Zone is the primary event before lodging any Inward Clearing instrument or Outward Clearing Instrument.

Limit and Limit Node

2.23 Under Finacle the Limit Management is done through Limit Node Maintenance. Wherein, the limits are specified at each node level with capping. Credit Limits can be set at Account Level as well as at Node Level for deriving the Drawing Power for a customer. Setting up of Limit at Node level has following advantages:

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

Limit Node

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

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

Temporary Overdraft (TOD) Setup

2.25 Granting of TOD to a customer is a credit decision from bank's perspective. Concurrent auditor has to review the source documents and delegated powers to ascertain whether the sanction was inline with the guidelines prescribed by the bank. Setup of TOD is done in Finacle as follows. TOD is granted to an account under various circumstances. For instance:

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

Explanation of various TOD modes is as follows.

Mode	Narrative
Single (S)	It refers to TOD for specific purpose/ transaction. It can be used only for the specific transaction during which the same was granted.
Running (R)	It refers to setting up of a parallel limit at account level for a defined period over and above credit limits (if any).
Adhoc (A)	Adhoc allows customer with OD / CC Accounts to operate within TOD Limits for defined period.

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

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

Register Type and Subtype (Trade Transactions)

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

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

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

Auditing through CBS

2.28 Generally, the following set of steps is recommended at the start of the audit to understand the operations at the branch level and familiarize oneself with the branch and its team:

- Document list of software's, applications and interface details associated with CBS.
- Review Usage Manual or Document Software navigation options and Menu Codes.
- Document list of Reports available in CBS and its menu codes.
- Review Exception Reports/ MIS Reports generated by Data Center.
- Review access rights, limited access and free access.

Parameters affecting automatic identification of NPAs and Re-designing of Audit Processes

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

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

Parameters	Auditors' Primary Checks	Suggested System Support
Discrepancies in setting up the EMI / Instalments	➢ Whether EMI/ instalment is correctly setup. ➢ Whether EMI/ instalment amount is matching with the Sanctioned Terms. ➢ Whether periodicity of Instalment is correctly classified as per Sanctioned Terms?	<u>Finacle:</u> – ACI -> Option "E" Repayment details <u>BaNCS:</u> – DL/TL Accounts & Services ➔ Enquiries ➔ Account – Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account *(Short & Long Inquiry options are available under both menu.)*
Multiple sets of EMI / Instalments	➢ For case of Multiple sets of EMI e.g. For 1-5 years EMI of ` 7,000 and after 5 years ` 7,500 ➢ Whether sets of EMI are properly entered? ➢ Is there any substantial difference between 1st set of EMI and 2nd or other	<u>Finacle:</u> – ACI -> Option "E" Repayment details <u>BaNCS:</u> – DL/TL Accounts & Services ➔ Enquiries ➔ Account – Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account

Parameters	Auditors' Primary Checks	Suggested System Support
	sets (e.g. 1st set ` 5,000 and 2nd`1,00,000) which cast doubt on debt serviceability?	*(Short & Long Inquiry options are available under both menu.)*
System determined Asset Classification vis a vis User defined Asset Classification	➢ CBS contains two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types. ➢ In few CBS it has been observed that user is generally given the option to differ and select/ amend the classification. In such cases detailed scrutiny of NPA system is required to be carried out. ➢ Due to errors in certain Master Data, there can be erroneous identification of account as NPA. However, such accounts require detailed scrutiny.	<u>Finacle:</u> ➢ ACM/ ACI Option – 'Y' Asset Classification Inquiry ➢ A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for. Accounts listed in the said report should be thoroughly verified.
Manipulation in SL / DP	➢ Changes in SL / DP should be cross checked with Sanctioned Letter. ➢ Whether any change in Limit is supported by necessary documentation?	<u>Finacle:</u> ➢ ACLHM – Account Limit History Maintenance <u>BaNCS:</u> ➢ Tailor-made report on Changes in Account Limits
Incorrect moratorium period	➢ Based on moratorium period CBS will identify the Loan Instalment and will track repayment. ➢ In case the moratorium period / instalment start date is erroneously updated system will not show correct result.	<u>Finacle:</u> ➢ ACI – Option "E" – Repayment Details <u>BaNCS:</u> ➢ Account Master details (Long Inquiry)
Re-phasement without reporting it as reschedule	➢ Loan Account Instalments are rephased / recalibrated without reporting the same as Re-schedule. ➢ Verify whether any change in Repayment instruction is made through	<u>Finacle:</u> ➢ ACI – Option "E" – Repayment Details <u>BaNCS:</u> ➢ Account Master details (Long Inquiry)

Parameters	Auditors' Primary Checks	Suggested System Support
	System. Compare the said accounts with list of Restructured Accounts.	➢ Report containing details of all the cases wherein EMI / Instalment is changed should be sought
Instalment Start Date is Future Date	➢ Check whether Instalment Start Date entered as per sanctioned term? ➢ In case of future date system will not identify instalment and any repayment received will be shown as "Overflow".	<u>Finacle:</u> ➢ ACI – Option "E" – Repayment Details <u>BaNCS:</u> ➢ Account Master details (Long Inquiry)
Interest Demand date (Future Date)	➢ Check whether Interest Start Date entered is as per Sanctioned Term? ➢ In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as "Overflow".	<u>Finacle:</u> ➢ ACI – Option "E" – Repayment Details <u>BaNCS:</u> ➢ Account Master details (Long Inquiry)
Fictitious credit through Office Account / Inter-branch Account	➢ Are there any quarter/ year end credits cited in the account? ➢ Check the source of Credit Entries. ➢ Review transactions in Office Accounts/ Inter Branch Accounts.	<u>Finacle:</u> ➢ ACLI – (Use CTRL + E to Explore the Tran) ➢ Review of Office Account Ledgers <u>BaNCS:</u> ➢ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction ➢ DL/TL Accounts & Services ➔ Enquiries ➔ Transaction
Round tripping from internal accounts	➢ Close scrutiny of transaction and review of chain/ series of transaction for accounts with deficiency is required. ➢ Such transactions will inflate the Credit Turnover in the account.	<u>Finacle:</u> ➢ ACLI – (Use CTRL + E to Explore the Tran) ➢ Using only Account Turnover Information generated through "ATOR" / "CUTI" / "ACTI" menu may lead to incorrect inference, since the credits are not solitary credits in account. <u>BaNCS:</u> ➢ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction ➢ DL/TL Accounts & Services ➔ Enquiries ➔ Transaction
Temporary Overdrafts	➢ Check whether the TOD is sanctioned in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned.	<u>Finacle:</u> ➢ ACLI – Option "O" ➢ TODRP – TOD Register Printing <u>BaNCS:</u>

Parameters	Auditors' Primary Checks	Suggested System Support
		TOD Report
Devolved bills parked in Office Accounts and not in limit account	➢ Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement) ➢ Check whether the amount of devolvement of LC backed bills are parked in Office Accounts or any separate account?	Finacle: ➢ BI & FBI – with Bill Status as "K" using status date filter BaNCS: Report on Devolved bills under Import LC
Multiple CUST ID to prevent the other account from becoming NPA	➢ Check whether multiple CUST IDs have been opened for the borrower with different accounts? ➢ NPA Report and search all the case by few characters ofName.	Finacle: ➢ ACS – Account Selection (Search based on Name) ➢ LAGI – Loan Account General Inquiry (Inquiry based on other parameters) BaNCS: ➢ Customer Management ➔ Enquiries ➔ Search by Name

Parameters Affecting Collection of Interest/ Revenue

2.30 Primary revenue for banks is interest on loans and advances. Charging of interest is completely automated barring few products. However, the processing is based on certain important parameters. System parameters / fields which affect the interest computation should be thoroughly verified. Some important interest parameters are as follows:

(i) Interest Table
- ➢ Debit Interest Rate and Credit Interest Rate
  - – Interest Version
  - – Currency
  - – Limit Level Interest
- ➢ Penal Interest

(ii) Interest Rate (Static/Absolute and Based on Ref. Rate)

(iii) Interest Preferential Customer Level - Interest rate preference will be applied to all the accounts of the customer based on type of Interest.
- ➢ Debit Interest Preferential
  - – Positive preference value
  - – Negative preference value

- Credit Interest Preferential
  - Positive preference value
  - Negative preference value

(iv) Interest Preferential Account Level - Interest rate preference will be applied to the specific account wherein the preference is updated.

- Debit Interest Preferential
  - Positive preference value
  - Negative preference value
- Credit Interest Preferential
  - Positive preference value
  - Negative preference value

(v) System Support / Important Menu Codes:

- Finacle: INTCI, AINTRPT, INTPRF, INTTM
- TCS Bancs: i) OD/CC Accounts -> Interest Rate History ii) DL / TL -> Interest Rate History

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

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

Audit of Foreign Exchange Transactions with the Use of CBS

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

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

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

Audit of Office Account Transactions through CBS

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

(i) Based on Functionality

- Pointing Type/ Self Reconciling Accounts
- Non Pointing Type Accounts

(ii) Based on Type of Entry

- Sundry Accounts, Suspense Accounts
- EOD/BOD Check Accounts
- Inter branch Account
- Mirror Accounts
- Pool Accounts

2.35 Following are few audit actionables for concurrent auditor carrying out audit of Office Account Transactions:

Events	Audit actionable	Suggested system support
Cash Payment from Office Accounts	Authorization of Transaction as per Delegated Authority	Finacle: • ACLI – For Transaction • FTI – For Search BaNCS: • BGL -> Enquire -> Transaction
TOD through Office Accounts	Through ineligible credit originating from a office account, customer can be accommodated. It also circumvent the number of TODs granted to customer. Moreover, interest will not be applied in the said case.	Finacle: • ACLI – For Transaction in Office Account BaNCS: • BGL -> Enquire -> Transaction
Parking of Cash Difference in Office Accounts, Clearing/ Remittance differences through Office Accounts	Difference in Reconciliation, Cash Shortage debited to Office Account and not reversed. Review ledger account in detailed on monthly basis.	Finacle: • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report BaNCS: • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report
Rotation of entries in Office Accounts	To prevent entry being reported as long outstanding entry, a new transaction with debit and credit leg in the same account is posted. Thus, the system considers the new transaction date for reporting as outstanding entries. Review transactions with same Debit and Credit amount through Ledger Scrutiny	Finacle: • ACLI – For Transaction in Office Account BaNCS: • BGL -> Enquire -> Transaction
Correctness in mapping of reversal transaction to originating transaction	If the transactions have not been reversed against the related originating entries the report generated by CBS will show incorrect outstanding items.	Finacle: • ACLI – For Reversal Transaction in Office Account BaNCS:

Events	Audit actionable	Suggested system support
		• BGL -> Enquire -> Transaction
Value Dated (Back Dated) Transactions	Transaction credited in the advance type accounts, Operative accounts with a value date (Back date) wherein the clear funds were not available in the office accounts. Review the transactions from Revenue Leakage perspective.	Finacle: • ACLI – For Transaction in Office Account • FTI – For Value Dated Transaction BaNCS: • BGL -> Enquire -> Transaction
Round Tripping	Rotation of entry from office account to operative account(s) without any justification/ source document. Review the transactions from the perspective of inflating credit turnover of account.	Finacle: • ACLI – For Transaction in Office Account BaNCS: • BGL -> Enquire -> Transaction
Advance paid for Fixed Assets not capitalized	Entries for payment of advance against procurement of Fixed Assets not reversed.	Finacle: • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report BaNCS: • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report
Income realized not credited to Revenue Account	Loan Instalment received from Customer, not adjusted. Processing Fees received, not credited to Income Account Charges collected, not credit to Income Account	Finacle: • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report BaNCS: • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report

Manual Updation in CBS and its Verification Aspects

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

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

Manual Entry	Probable impact
Advances	
Interest Rate change	Revenue Leakage, Excess collection of Interest
Change in EMI	Revenue Leakage, NPA Identification
Processing of transactions against un- cleared outward clearing effect	Recovery of amount 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
Account & Customer Master	
Tax exemption updation	Non compliance with TDS provisions
Dormant to Active	Susceptible to fraud
Interest Table Code as “0”	Revenue Leakage
Interest Collection Flag “N”	Revenue Leakage
Reclassification of Agriculture Advance as per revised RBI norms dt. April 23, 2015	Sectorial Classification
Foreign Exchange Transactions	
Erroneous Foreign Exchange Rate	Revenue Leakage, Accommodation to customer
Full BOE received flag marked as “Y” wherein BOE for entire transaction is not received	Reporting to RBI under BEF Return
FIRC Issuance (without updating flag printed “Y”)	Duplicate issuance of FIRC without “Duplicate FIRC” inscription.
Merchant Trade Transaction (Manual mapping)	Reporting to RBI
Transaction Processing & Housekeeping	
Changes / Modification in Auto Calculated charge amount at the time of posting of transaction	Revenue Leakage
Ineligible Credits to NRE and FCRA Accounts	Non-compliance of FEMA Guidelines
ATM Replenishment entries	Susceptible to Fraud
Payment for FD Closure proceeds in Cash through Office Accounts in	Non-compliance with Income Tax Guidelines

Manual Entry	Probable impact
excess of ` 20,000	
Revalidation of Old DDs	Susceptible to Fraud
Value Dating (Credit Transactions in CC / OD Account with Value Date without Value Dating at Debit Leg)	Revenue Leakage
Debit to Income Account (though Transaction Maintenance Menu)	Revenue Leakage
Manual Credit to Income Account (though Transaction Maintenance Menu)	Revenue Leakage (Computation of Income credited to be verified)
RTGS / NEFT in cash through office accounts > 49,999	Non-compliance with AML guidelines
Delay in posting of clearing cheque return	Accommodation to customer
Manual Transfer of Security Stationery from Inventory location to External Location	Susceptible to Fraud (Avoid reporting of missing inventory)

Generation and Verification of Specific Reports Based on Various Criteria

2.37 CBS allows generation of various reports through frontend as well as through backend. Few important reports for review by concurrent auditors are as follows:

(a) Exception Report

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

(i) Balance exceeded Account Limit

(ii) Manual debits to Income Account

(iii) Value Dated Transactions

(iv) Manual entry for SI Failure cases

(v) Instrument passed against Clearing

(vi) Backdated entries (normally restricted)

(b) Irregularity Report

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

(i) Application of Interest

(ii) Granting of Intra Day TOD

(iii) Passing of Instruments against Clearing Effects

(c) Accounts where Interest Code is ‘0’

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

(d) Interest Collection Flag as "No"

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

(e) Debit Interest SI Failed Report

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

(i) Non-availability of Balance in Account (In case of TOD in Operative Account)

(ii) Non-availability of Limit in Account

(iii) Technical Snag in execution

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

(f) Loan Instalment SI Failed Report

Same as above.

(g) Report containing all Advance Accounts with Limits

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

(h) TOD Report

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

(i) Account Turnover Report

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

(j) Loan Inquiry

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

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

(k) Loan Overdue Inquiry

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

- Principle & Interest Overdue and Overflow
- Overdue in "%" as well as Overdue in "No. of Days"

(l) Financial Transaction Inquiry

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

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

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

2.38 Each bank uses its own format for concurrent audits. A common report format used by all the banks is of Long Form Audit Report (issued by statutory auditor). Following are few checkpoints for concurrent auditors alongwith suggested system support.

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
Cash	➢ Physical verification of Cash Balance ➢ Cash Balance as on the date of Audit Period ➢ Cash Balances reported in Friday Statement	<u>Finacle:</u> ➢ "ACLI" - Account Ledger Inquiry (Vault A/c and Teller Accounts) <u>BaNCS:</u> ➢ ➔ Reports ➔ Cash Related ➔ View Cash Summary (Click on Fetch) ➢ ➔ Branch Reports ➔ Cash Officer's Jotting Book Report ➢ ➔ Reports ➔ Printing Reports ➔ Cashier / Teller Cash Report

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
Balances with RBI / SBI / Other Banks	➢ Balance as on Date ➢ Transactions in Mirror Accounts ➢ Reconciliation Statement (Generally outside of CBS)	<u>Finacle:</u> ➢ "ACLI" - Account Ledger Inquiry <u>BaNCS:</u> ➢ → Branch Accounting (BGL) → Enquire → Transaction
Advances	➢ Sanction Limit / Drawing Power setup	<u>Finacle:</u> ➢ "ACLHM" – Account Limit History Maintenance ➢ "ACM / ACI" – Account Master (Go to Limit details) ➢ "LTL" – Limit Tree Lookup (Tree view of all Limits) <u>BaNCS:</u> ➢ DL/TL Accounts & Services → Enquiries → Account ➢ Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account
Advances	➢ Account & Customer Master parameters setup viz., ➢ Interest Parameters (Regular & Penal Interest) ➢ Repayment Instructions ➢ Standing Instructions (SI) Parameters	<u>Finacle:</u> ➢ "ACLHM" – Account Limit History Maintenance for DP & SL – Account Specific ➢ "ACM / ACI" – Account Master ➢ "CUMM / CUMI " – Customer Master <u>BaNCS:</u> ➢ DL/TL Accounts & Services → Enquiries → Account ➢ Deposit / CC / OD Accounts & Services → Enquiries → Deposit / CC / OD Account *(Short & Long Inquiry options are available under both menu.)*
Advances	➢ Transactions in Borrower's Account	<u>Finacle:</u> ➢ "ACLI" - Account Ledger Inquiry <u>BaNCS:</u> ➢ Deposit / CC / OD Accounts & Services → Enquiries → Transaction ➢ DL/TL Accounts & Services → Enquiries → Transaction
Advances	➢ Interest Rate History	<u>Finacle:</u> ➢ "INTTM" – Interest Table Master Maintenance (Under Inquire Mode – Account Specific) <u>BaNCS:</u> ➢ Deposit / CC / OD Accounts & Services → Interest

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
		Rate History ➢ DL/TL Accounts & Services → Interest Rate History
Advances	➢ Conduct of Account and Credit Turnover ➢ Turnover of CC Account based on Borrower's Business profile ➢ In case of Loan accounts ACTUAL recovery of Installments and Interest	Finacle: ➢ "ATOR" – Account Turnover Report ➢ "ACTI" – Account Turnover Inquiry ➢ "CUTI" – Customer Level Turnover Inquiry BaNCS: ➢ DL / TL Accounts & Services →Enquiries →Long ➢ Deposit/CC/OD Accounts & Services →Enquiries →Long
Advances	➢ Non Performing Asset ➢ Search an Account based on Criteria	Finacle: ➢ "ACS" – Account Selection (2nd Screen – IRAC Code – Main Asset Classification) BaNCS: ➢ DL / TL Accounts & Services →Enquiries →Short → Select Option "1" – TL / DL *[Long Inquiry for NPA Date]* ➢ Deposit/CC/OD Accounts & Services →Enquiries →Short → Select Option "2" – CC / OD *[Long Inquiry for NPA Date]* ➢ Common Processing →Overdue / NPA →NPA Enquiry (Risk Grade Inquiry / NPA Status Inquiry)
Advances	➢ Interest Report	Finacle: ➢ "AINTRPT" – Interest Report for Account BaNCS: ➢ Product Sheets – To be requested from Data Center (if not available through user login)
Advances	➢ Primary & Collateral Security Maintenance	Finacle: ➢ "SRM" – Security Register Maintenance BaNCS: ➢ DL/ TL Accounts & Services → Security (Primary/ Collateral) →Customer → Amend / Enquiry →Amend / Enquire Security
Advances	➢ Lien Marking	Finacle:

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
		➢ "ALM" – Account Lien Maintenance BaNCS: ➢ DL/ TL Accounts & Services ➔ Security (Primary/ Collateral) ➔Customer ➔ Amend / Enquiry ➔Amend / Enquire Security *(Under BaNCS – Collateral ID is required to be created before setting up limits)*
Advances	➢ Account Ledger Printing	Finacle: ➢ "PSP" – Pass Sheet Print ➢ "ACLPCA" – Customer Ledger Account Print BaNCS: ➢ Print Menu available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services
Advances	➢ Non Fund based Facility (LC, BG)	Finacle: ➢ "GI" – Guarantee Inquiry ➢ "DCQRY" – Documentary Credit Query BaNCS: ➢ Report generated from Trade module
Stationery	➢ Physical Verification of Stationery and confirmation of Balance as per CBS	Finacle: ➢ "ISRA" – Inventory Status Report *(Location wise viz., Dual Lock, Individual, Cancelled etc.)* BaNCS: ➢ Through Valuable Paper Inventory System [VPIS] module
Office Accounts (Suspense, Sundry etc.)	➢ Outstanding entries for reporting ➢ Entries outstanding – Whether any provisioning is required?	Finacle: ➢ "IOT" – Inquire on Transaction (As on date Inquiry) ➢ "MSGOIRP" – Outstanding Items Report BaNCS: ➢ Through offline reports viz. "Audit BGL accounts age wise break up" and "GL-Outstanding-Accounts" report.
Office Accounts (Suspense,	➢ Printing of Office Accounts	Finacle: ➢ "ACLPOA" – Account Ledger printing Office Account

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
Sundry etc.)		<u>BaNCS:</u> ➢ BGL Accounting Menu
Inter Branch Account	➢ Un-reconciled transactions	<u>Finacle:</u> ➢ Through Outstanding IBR Report. <u>BaNCS:</u> ➢ Through offline "Outstanding IBR Report"/ "IBR Summary report"
TDS Related	➢ TDS Information and Reports	<u>Finacle:</u> ➢ "TDSIP" – TDS Inquiry & Reports ➢ Month-end report on account wise / transaction wise Tax deduction. ➢ Bank specific customized Menu / report <u>BaNCS:</u> ➢ Through offline monthly report on account wise / transaction wise Tax deduction.

List of Important Menu Commands

2.39 Following is the list of various important menu commands for concurrent auditors based on area of operations in the bank:

(i) Accounts, Customer Master and Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	CUMM / CUMI	Customer Master Maintenance / Inquiry	Inquiry
Finacle 7	ACM / ACI	Account Master Maintenance / Inquiry	Inquiry
Finacle 7	ACLI	Account Ledger Inquiry	Inquiry
Finacle 7	ACCBAL	Component of Account Balance Inquiry	Inquiry
Finacle 7	ACS	Account Criterion Search	Inquiry (Search / Criterion based)
Finacle 7	CUS	Customer Selection / Inquiry	Inquiry (Search / Criterion based)
Finacle 7	ACINT	Interest Run for Accounts	Inquiry / Report
Finacle 7	INTTM	Interest Table Master Maintenance	Inquiry
Finacle 7	AFI	Audit File Inquiry	Inquiry
Finacle 10	CRM Module	Customer Master maintenance	Inquiry & Modifications

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 10	HACLI, HACLINQ	Account Ledger Inquiry	Inquiry
Finacle 10	HACM, HACMTD	Account Master, Account Master Term Deposits	Inquiry
Finacle 10	HINTTM	Interest Table Master Maintenance	Inquiry
Finacle 10	HAFI	Audit File Inquiry	Inquiry
BaNCS	Customer Management ➔ Enquiries ➔ Search by CIF Number	To verify all accounts of one Customer	Inquiry
BaNCS	Customer Management ➔ Enquiries ➔ Search by ID Number	Search using available information (ID Number)	Inquiry
BaNCS	Customer Management ➔ Enquiries ➔ Search by Name	Search using available information (Name)	Inquiry
BaNCS	Customer Management ➔ Relationship / Ownership ➔ Associated Accounts	Inquiry on Linked Accounts, Owned Accounts etc.	Inquiry
Flex Cube	CH021	Account Master Maintenance	Inqiry
Flex Cube	CH701	Customer account balances-Other than loans-For standard accounts but including CC limit accounts	Inquiry
Flex Cube	CH703	RD account balances- Customer wise	Inquiry
Flex Cube	2000	CTI Customer Search	Inquiry
Flex Cube	7004	Customer Name and Address Inquiry	Inquiry
Flex Cube	7100	All Balance Inquiry	Inquiry
Flex Cube	7105	Display Customer Image	Inquiry
Flex Cube	BA095	Account Level Attributes Inquiry	Inquiry
Flex Cube	7002	Balance Inquiry	Inquiry
Flex Cube	CH031	Statement Inquiry	Inquiry
Flex Cube	BAM24	Account Status Audit Trail Inquiry	Inquiry
Flex Cube	1337	Term Deposit Interest Payout Inquiry	Inquiry
Flex Cube	7020	TERM DEPOSIT Balance Inquiry	Inquiry
Flex Cube	TD023	TERM DEPOSIT Rates History Inquiry	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Flex Cube	TD031	TERM DEPOSIT Audit Trail Inquiry	Inquiry
Flex Cube	TD037	TERM DEPOSIT Account Ledger Inquiry	Inquiry
Flex Cube	TD050	TERM DEPOSIT Interest Inquiry	Inquiry
Flex Cube	TD11	TDS Inquiry	Inquiry

(ii) Transactions

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

(iii) Clearing Transactions

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	MCLZOH	Maintain Clearing Zone	Inquiry

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

(iv) Office Accounts Maintenance

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	ACLPOA	Account Ledger Print Office Account	Report
Finacle 7	IOT	Inquire on Transaction	Inquiry & Report
Finacle 7	MSGOIRP	Outstanding Items Report	Report
Finacle 10	HIOT	Inquire on Transaction	Inquiry & Report
Finacle 10	HACLPOA	Account Ledger Print Office Account	Report
BaNCS	➔ Branch Accounting (BGL) ➔ Enquire ➔ Account	Enquiry on BGL Account	Inquiry
BaNCS	➔ Branch Accounting (BGL) ➔ Enquire ➔ Account Number Search	Search an Account Number by BGL Name	Inquiry
BaNCS	➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction	BGL Transaction Enquiry	Inquiry
Flex Cube	GLM01	GL Voucher Entry	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Flex Cube	GLM02	Chart of Accounts	Inquiry
Flex Cube	GLM04	GL Transactions and Movement Inquiry	Inquiry
Flex Cube	1005	Miscellaneous GL Transfer (Dr/Cr)	Inquiry

(v) Loans & Advances

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	SRM	Security Register Maintenance	Inquiry
Finacle 7	HCLM / CLL	Collateral Maintenance	Inquiry
Finacle 7	ACHLM	Account History Limit Maintenance	Inquiry
Finacle 7	ALM	Account Lien Maintenance	Inquiry
Finacle 7	ACTODM	Account TOD Maintenance	Inquiry
Finacle 7	TODRP	TOD Register Printing	Inquiry
Finacle 7	PSP	Pass Sheet Print	Report
Finacle 7	ACLPCA	Account Ledger Printing	Report
Finacle 7	LAGI	Loan General Inquiry	Inquiry (Criterion based search)
Finacle 7	LAOPI	Loan Overdue Position Inquiry	Inquiry (Criterion based search)
Finacle 7	LTL	Limit Tree Lookup	Inquiry
Finacle 7	LNDI	Limit Node Inquiry	Inquiry
Finacle 7	AINTRPT	Interest Report for Accounts	Report
Finacle 10	HSCLM	Security Register Maintenance	Inquiry
Finacle 10	HALM	Account Lien Maintenance	Inquiry
Finacle 10	HACTODM	Account TOD Maintenance	Inquiry
Finacle 10	HPSP	Pass Sheet Print	Report
Finacle 10	HACLHM	Account Limit History Maintenance	Inquiry
Finacle 10	HAINTRPT	Interest Report for Accounts	Report
Finacle 10	HINTPRF	Interest Proof Report	Report
BaNCS	Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account	To verify the Account Master Details	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services ➔	Printing Statement of Account for a Deposit or CC / OD	Report

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
	Enquiries ➔ Statement Print		
BaNCS	Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Short	Basic details on Enquiry on Screen on Deposit Accounts	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Long	Additional Details on Enquiry Screen for Deposit Accounts	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services ➔Interest Rate History	Details of changes in Interest Rate for an account	Inquiry
BaNCS	➔ DL/TL Accounts & Services ➔ Loan Tracking ➔ Operations	Loan account operations	Inquiry
BaNCS	➔ DL/TL Accounts & Services ➔ Loan Processing ➔ Generate Repayment Schedules ➔ Action – "E"	To print Repayment schedule for a DL / TL Account	Report
BaNCS	➔ DL/TL Accounts & Services ➔ Enquiries ➔ Short ➔ Option "Balance Breakup Enquiry"	To view amount of Arrears & Breakup of Principal, Interest Realized, Charges & Arrear of Interest	Inquiry
BaNCS	➔ DL/TL Accounts & Services ➔ Security (Primary / Collateral) ➔ Customer ➔ Enquiry ➔ Enquire Security Summary	Enquire on linked collateral	Inquiry
Flex Cube	CH066	Limit Collateral Inquiry	Inquiry
Flex Cube	CHM06	OD Collateral Maintenance	Inquiry
Flex Cube	CHM07	OD Limit Master Maintenance	Inquiry
Flex Cube	ST070	Cheque Purchase	Inquiry
Flex Cube	CH033	Average Quarterly / Monthly Balance Inquiry	Inquiry
Flex Cube	TDM24	Lien Master	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Flex Cube	1413	Loan Disbursement Inquiry	Inquiry
Flex Cube	LN522	Account Schedule Inquiry	Inquiry
Flex Cube	LNM10	Account Transactions Inquiry	Inquiry
Flex Cube	BA433	Collateral To Accounts Inquiry	Inquiry
Flex Cube	BA434	Account To Collateral Inquiry	Inquiry

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

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

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
BaNCS	➔ VPIS ➔ Enquiry of VPIS ➔Teller Level Inquiry	Details of Inventory available at Teller level	Inquiry
Flex Cube	CH078	Cheque Status Maintenance	Inquiry
Flex Cube	CHM35	Stop Cheque Instructions	Inquiry
Flex Cube	CHM37	Cheque Book Issue Maintenance	Inquiry
Flex Cube	IV011	Stock Inquiry	Inquiry
Flex Cube	IV004	Inventory Lost report Register maintenance	Inquiry
Flex Cube	MCA80	Inquiry of sold/issued inventory	Inquiry

(vii) Compliances

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

(viii) Trade Finance and Foreign Exchange Transactions

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	INBOEM	Bill of Entry Maintenance	Inquiry
Finacle 7	BI	Bills Inquiry (Inland)	Inquiry (Criterion based search)
Finacle 7	BP	Bills Inquiry (Inland) – Printing	Report
Finacle 7	BM	Bill Maintenance (Inland)	Inquiry
Finacle 7	FBI	Foreign Bill Inquiry	Inquiry (Criterion based search)
Finacle 7	FBM	Foreign Bill Maintenance	Inquiry
Finacle 7	FBP	Foreign Bill Inquiry – Printing	Report

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

Note:

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

The Finacle menu codes discussed in this chapter is for version 7 (except expressly mentioned). Finacle has introduced new version namely Finacle 10.X. Few banks have already migrated to newer version and few more are in process of migration. Under Finacle 10.X there are changes in Menu Codes apart from other navigational changes.