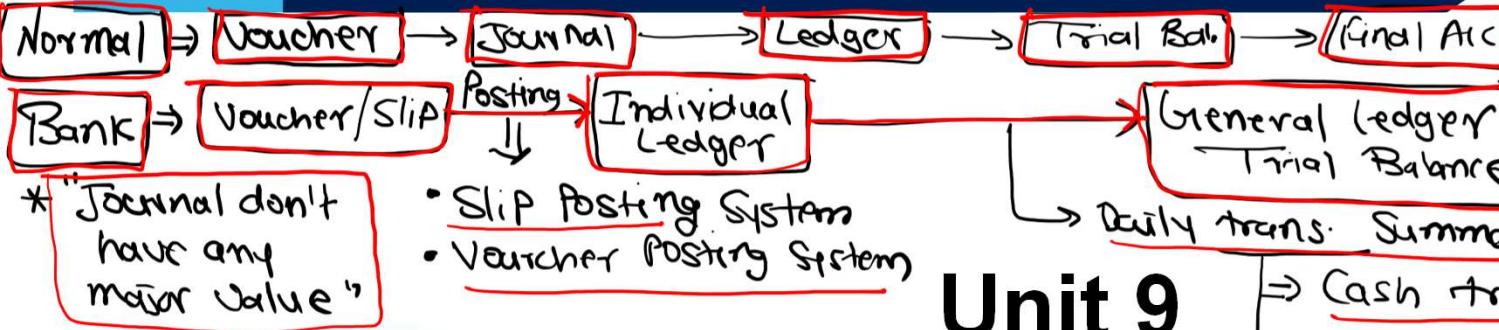


## TOPIC



## Unit 9

⇒ Cash trans.  
⇒ Non-Cash → "Transfer trans."

# Operational Aspects Of Accounting Entries

Voucher ⇒ "Branch stationary Printed"

DR.

DR.  
"money outflow from Customer Ac"

CR.

"money Inflow into Customer's Ac"

## TOPIC

### PECULIAR FEATURES OF ACCOUNTING SYSTEM IN BANKS

In the case of banks, relatively [lesser emphasis] is placed on [books of prime entry] such as [cash books or journals]  $\Leftarrow$  Journals

Banks follow the accounting procedure of "voucher posting" vouchers are straightaway posted to the [individual accounts in the subsidiary ledgers.]  $\Leftarrow$  the total thereof is posted to the respective control account in the general ledger. The general ledger trial balance is prepared every day  $\Leftarrow$

### Types of Transactions

Cash and non-cash.

In the latter case, also called "transfer transactions"  $\Leftarrow$

## TOPIC

### Vouchers

Debit vouchers are,  $\Rightarrow$  outflow ✓

1. Cheques issued by the customers.
2. Cheques/pay orders issued by the bank.
3. Withdrawal forms received from the savings bank account holders.
4. Drafts issued by other branches of the bank payable at the branch
5. Drafts issued by other banks on the branch,
6. Dividend/interest warrants issued by the bank's customers and payable by the branch in terms of an approved arrangement. 'If customer is a company'
7. Travellers' cheques issued by any branch of the bank which are presented to the branch for payment.

## TOPIC

8. Drafts/pay orders issued by the branch

9. Letters of authority signed by the customers, containing standing instructions.

10. Term deposit receipts presented for payment,

Credit vouchers which are also  $\Rightarrow$  Inflow

- Pay-in-slips filled by the customers
- Applications for issue of term deposits, demand drafts, RTGS/NEFT, banker's cheques, pay orders, gift cheques, travellers' cheques
- Challans for deposits into the accounts of Central/State Government,
- Credit vouchers prepared by the branch on its printed stationery
- On payment of collection instruments from other branches of the bank,

**TOPIC**



Live Sessions | Recorded Sessions | Mock Tests | Study Notes | E-Books & More

**Oliveboard**

## TOPIC

- ⇒ Accounting
- ⇒ E-Banking
- ⇒ KYC Compliance and documentation
- ⇒ Reconciliation
- ⇒ Foreign A/c records

# Unit 10 - Back Office Functions/ Handling

## Unreconciled Entries In Banks



## TOPIC

### FUNCTIONS PERFORMED BY THE BACK OFFICE

- Book keeping and accounting:
- General Ledger and other books of account, balancing of branch accounts, reconciliation of entries and sub-systems, preparation of financial statements
- Deposits:
- Loans:
- Regulatory Compliance: KYC gaps, customer grievance redressal system
- E-banking: handling transactions through internet, mobile banking or ATMs, card based payments, etc
- Other functions: clearing, collection, remittances, etc.

## TOPIC

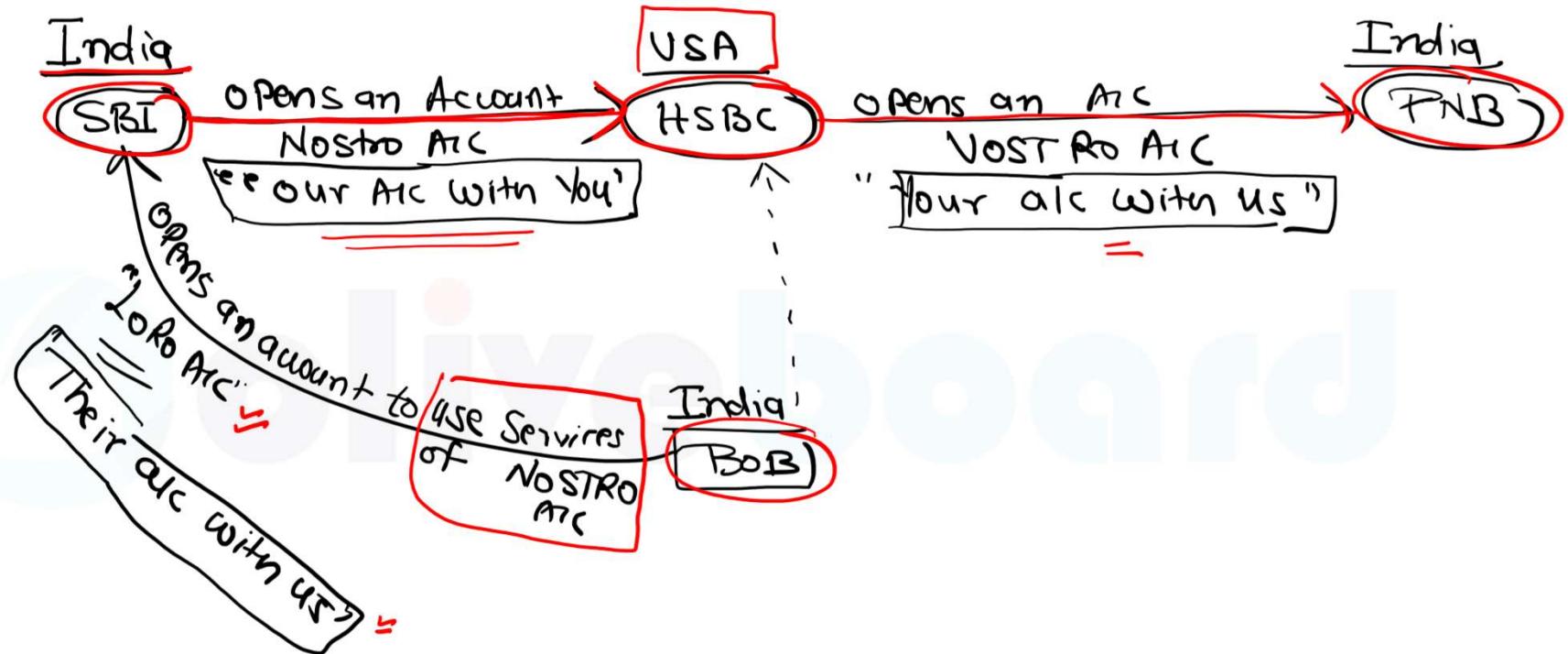
### RECONCILIATION FUNCTION IN BANKS

- Reconciliation of accounts for payments involving intermediary ✓
- Reconciliation of accounts with correspondent banks ✓
- Reconciliation of bank accounts with RBI and other banks and
- Reconciliation of intra branch entries and sub-systems  $\Rightarrow$  within Same Branch
- Reconciliation of inter branch/office entries  $\Rightarrow$  with another Branch

⇒ Foreign currency account, maintained by a bank at an overseas centre,  
is designated by it as 'Nostro Account' i.e. "Our account with you".

Vosto Account  
Loro Account

## TOPIC



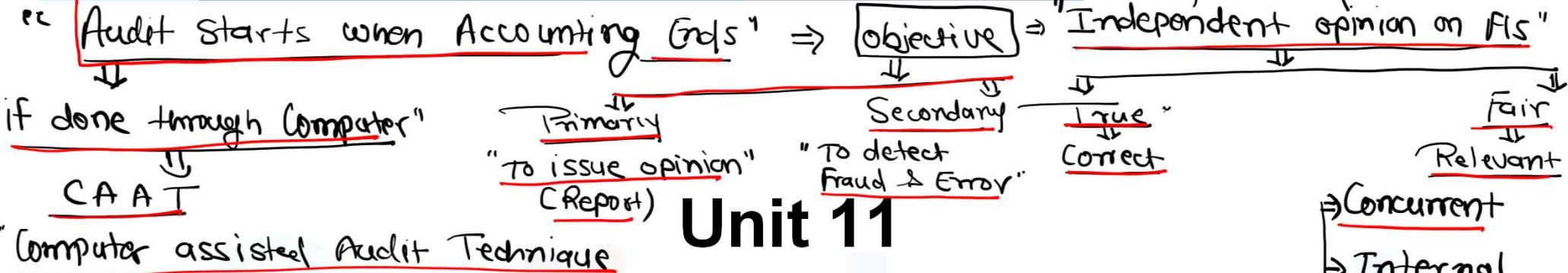
**TOPIC**



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## TOPIC



## Bank Audit & Inspection

Report  $\Rightarrow$  SA 700/705/706

Types  
 $\Rightarrow$  Internal  
 $\Rightarrow$  Statutory  
 $\Rightarrow$  Other

II  
Disclaimer of Opinion

Denial of Audit  
FIs not Prepared completely  
Not followed A-S / IFRs / GAAP Format

II  
Unclassified  
Clean Report  
Everything is T/F

II  
Qualified  
All Good except Small issue  
Small Value  
Not Pervasive

II  
Adverse  
All Bad  
Fraud / Error

## TOPIC

- ⇒ Sec. 138 to Sec. 148 of Co. Act → Related to Audit (Chapter X)
- ⇒ Qualification ⇒
  - ⇒ Statutory Auditor → Practicing CA
  - ⇒ Internal Auditor → Staff of Bank
  - ⇒ Concurrent Auditor → Anyone (Normally Staff)
- ⇒ Appointment ⇒
  - ⇒ Sec. 30 BR Act
  - ⇒ Public Sector ⇒ B o D
  - ⇒ Private Sector ⇒ Shareholders

Panel of CA by RBI
- ⇒ Internal Audit ⇒
  - ⇒ Control
  - ⇒ Risk

RBI Guideline 2021

Follow Std.

Follow like Basel Norms

I I A

International Institute of Internal Audit

Report Submit → Head of Internal Audit

Min. 3 year

Audit Committee

Fwd

Shareholders

Fwd

## TOPIC

Statutory Audit  $\Rightarrow$  Once in a year Audit

Sec. 29 B.R. Act. 1949 :- Bank have to Prepare FIs in Specific format = 18 Sch

Sec. 29 = Signature

Sec. 30  $\Rightarrow$  Get it Audited Annually

$$\begin{aligned} A &= \underline{\text{BIS}} = \boxed{11} \\ B &= \underline{\text{PIL}} = \boxed{12} \\ &\quad \boxed{13-17} \\ &\quad \boxed{18} \end{aligned}$$

Statutory Audit  $\Rightarrow$   $\begin{cases} \text{Not focus} = \text{Operational trans. (day to day function)} \\ \quad \hookrightarrow \text{concurrent / Internal} \end{cases}$

Report

Focus = PSL / KYC / NPA / Basel / Compliance Unit AS

$\Rightarrow$  Normal Company Aer. Reports = Unqualified / Qualified / Adverse / Disclaimer

$\Rightarrow$  Long form Audit Report = 30 June  $\Rightarrow$  AS Per RBI Guideline

$\Rightarrow$  Tax Audit Report = 30 Sep.

Ally 25-26  $\Rightarrow$  31<sup>st</sup> Oct.

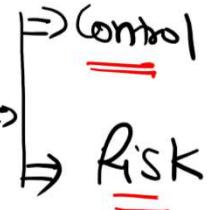
- **Book:** “An Introduction to Indian Government Accounts and Audit”
- **Issued by:** The Comptroller and Auditor General of India, CAG
- **Defines audit as:** “An instrument of financial control.”

**Computer Aided Audit Techniques (CAATs):** Audit through computer

### Types Of Bank Audits

- Concurrent Audit ✓
- Internal Audit/Information System Audit -
- Statutory Audit ✓

## Emergence Of Risk-Based Internal Audit (RBIA) and Its Significance



The internal audit system in banks, historically, concentrated on

- Transaction testing, => Authorised
- Testing of accuracy
- Reliability of accounting records and financial reports,
- Integrity, reliability and timeliness of control reports,
- Adherence to legal and regulatory requirements.

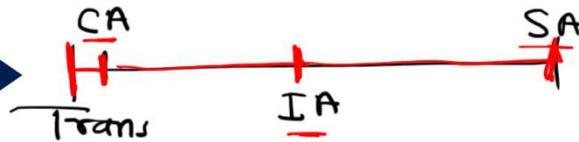
## TOPIC

Thus, RBI vide circular dated December 27, 2002, had introduced Risk-Based Internal Audit (RBIA) system in Scheduled Commercial Banks. (SCBs) as part of their internal control framework.

This was further supplemented vide circular dated January 07, 2021.

- Banks are encouraged to adopt the International Internal Audit standards, like those issued by the Basel Committee on Banking Supervision (BCBS) and the Institute of Internal Auditors (IIA).

## TOPIC



- Concurrent Auditors check daily maximum cash balance adherence, compliance, KYC norms compliance, proper documentation of new loan disbursements, whether new loans have been made as per rules and regulations, revenue leakages etc. among other things like putting any new RBI instructions to work. Any exceptions are reported in the Concurrent Audit Report.
  - ⇒ Cash Bal.
  - ⇒ KYC
  - ⇒ Documentation
  - ⇒ Rules (loan)
  - ⇒ Revenue leakage

## Statutory Audit

+ Company Act

Introduction As per the **Banking Regulation Act, 1949**, annual Financial Statements in the form of Profit and Loss Account and Balance Sheet are required to be audited in accordance with the requirements of applicable statutes.

- Statutory audit mainly looks at the loans and advances, Compliance with Priority Sector Lending (PSL) requirements, CRR, SLR, CRAR / AS / NPA / Format
- 
- = = = = = =

## TOPIC

### Salient Features

- It is conducted by a 'Statutory Auditor' - the word 'Statute' means - mandated or compulsorily required by any law or Act.
- In case of Banks, sub-section (1) of Section 30 of the Banking Regulation Act, 1949 requires that the Balance Sheet and Profit and Loss account of a banking company should be audited.
- Statutory audit does not look at the intricacies of the banking transactions (which are looked into by concurrent and Internal audits);

### Appointment of Statutory Auditors in Banks

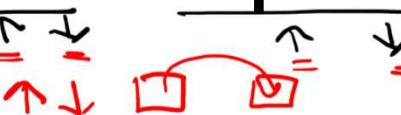
(section 30)

RBI prepares a panel of Chartered Accountants

## TOPIC

# Various Other Types Of Audits Undertaken By Banks

## Revenue Audit (known as Income & Expenditure audit)

Stock and Receivables ⇒ NPA Audit 

Forensic Audit Forensic Audit ⇒ "To collect evidence for Court" Investigation

Management Audit Management ⇒ "To evaluate efficiency of top management decision making"

## Tax Audit including Goods and Services Tax (GST)

"<sup>!!</sup> Tax Return filled timely and tax deposited"