

CONCURRENT AUDIT



COVERAGE

- ✓ **Meaning – Concurrent Audit**
- ✓ **Need & Objective of Concurrent Audit & How to get empanelled for Concurrent Audit in Banks**
- ✓ **Frequency, Fee and Billing of Concurrent Audit**
- ✓ **Scope & Coverage of Concurrent Audit**
- ✓ **RBI Guidelines and other important points**
- ✓ **Common Irregularities observed**



MEANING OF CONCURRENT AUDIT

- Concurrent audit is not a ONE TIME activity
- It is a systematic and timely examination of financial transaction on a regular basis to ensure accuracy, authenticity, compliance with procedures and guidelines.
- To perform substantive checking of various areas of bank operations and to make adequate rectification of deficiencies in the earliest possible period
- Concurrent audit is a Continuous Process where in each aspects of Banking Operations are covered periodically as per Bank's Guidelines.
- It attempts to shorten the interval between a transaction and its examination by an independent person.

NEED & OBJECTIVE OF CONCURRENT AUDIT

- To report any **inefficiency** in any operational level.
- Concurrent audit at branches should **cover at least 50%** of the advances and 50% of deposits of a bank.
- Compliance of prudential norms on **income recognition**, asset classification and provisioning pertaining to advances.
- To ascertain whether **sanction for advances** and expenditures is taken from competent authority.
- To detect and arrest any **leakage of income**, if any.
- To scrutinize the **completeness of documents** submitted for availing advances and other facilities.
- **Scrutiny of Transaction** on daily basis to ensure that nothing goes against the norms of Banking Industry.
- To follow up with authorities to ensure **timely rectification** of irregularities reported which were not rectified on the spot.
- Ensure Handling of cash, deposits, advances, foreign exchange business, off-balance sheet items, credit-card business, internet banking, etc.

HOW TO PREPARE AND GET EMPANELLED FOR CONCURRENT AUDIT

- Appointment is generally made by the Inspection Department of the respective banks.
- Build your Firm profile focusing experience related to Concurrent Audit , Revenue ,Credit Audit , stock audit, bank statutory audit, central statutory audit, cost audit,etc
- No. of partners with their details, Specifying the details of Staff (qualified and non qualified), Service Tax Registration No, RBI Unique Code ,PAN , registered address, Branch address ,etc
- Appointment is generally for 1 year , which may be further extended up to 2 years

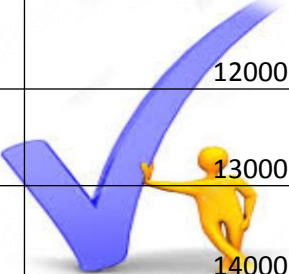
Eligibility

- Applicant should be Member of The Institute of Chartered Accountants of India
- Partnership firm with minimum two partners
- DISA/CISA qualified partners would be preferred
- Partners qualified with Certificate course on concurrent audit by The Institute of Chartered Accountants of India would be preferred
- The firm should not have statutory audit assignments for any branch of bank
- Firm should be located in the same city as that of the branch under concurrent audit
- The firm should not be debarred by ICAI/RBI
- No other assignment shall be provided by the bank except credit audit

FEES

Dena bank	
Outstanding Advances	Amount
Below 20 cr.	9000
20 cr. < 50 cr.	11000
50 cr. <100 cr.	13000
100 cr. <500 cr.	15000
Above 500 cr.	25000

Allahabad bank	
Outstanding Advances	Amount
upto 50 cr.	12000
50 cr. <100 cr.	13000
100 cr. < 150 cr.	14000
150 cr. < 200 cr.	16000
200cr.<500 cr.	18000
500 cr. <1000 cr.	20000
above 1000 cr.	25000



Billing and Report Mode

- Many Banks like Canara Bank , Central Bank of India ,Syndicate Bank, Bank of India, Andhra Bank etc have given power to the Branch to process the payment of concurrent audit fee
- Other banks like Indian Overseas bank ,IDBI, Punjab and Sind Bank, Allahabad Bank, etc process the payment of audit fee at Zonal/Regional Level
- In many banks report are made and submitted online through online audit portal like in Syndicate Bank, IDBI, Allahabad Bank, Dena Bank ,etc
- However in some banks reports are submitted physically to the Head office and Zonal Inspectorate of the Bank
- Generally due date of submission of report is 6th/10th of the succeeding month

SCOPE OF CONCURRENT AUDIT

Checking of Transactions as and when they occurred

➤ Cash & Security Forms

- Surprise Physical Verification of Cash at Branch & ATM
- Cash Deposit & Withdrawal above Rs. 10 Lacs
- Cash transaction of Rs. 50,000 and above invariably indicate Pan/Form 60.
- Clean Note Policy
- Cash Over Retention Limit



SCOPE OF CONCURRENT AUDIT

➤ KYC/AML Guidelines

- Branch is obtaining Opening Forms and complying with KYC Norms.
- Unusual Operations noticed in CA/SB Accounts & any large value transactions in newly opened Accounts
- Inoperative SB & CA
- Signatures of SB/CA opened during the month have been updated in system.
- Repayment of term deposit exceeding Rs.20,000/-

SCOPE OF CONCURRENT AUDIT

➤ Foreign Exchange Transactions

- *Maintenance of Proper records wrt Foreign Exchange*
- *Check whether tax is deducted as per norms (@ 30%)*
- *loans against NRE deposit granted strictly as per the stipulated procedure*

➤ Deposits

- Complete check of KYC documents and authentication
- Applicable rate of interest on deposits is correctly entered in the system.
- Verification of **Revenue Leakage**

SCOPE OF CONCURRENT AUDIT

➤ Housekeeping

- Maintenance of Various Registers/Subsidiary records.
- Securities Register and Insurance Register maintained by the Branch
- Ensure prompt reconciliation of entries outstanding in the Suspense Accounts, Sundry Deposits Account, Draft Accounts, etc.
- Check cheques returned/bills returned register and look into reasons for return of those instruments.
- Checking the daily Exceptional Transaction Reports for any serious irregularities.

SCOPE OF CONCURRENT AUDIT

➤ Advances

- *Advances (or credit facility) are of two types:*

*1) **Fund Based** : Term Loans, Cash Credit & Overdrafts*

*2) **Non- Fund Based**: Letter of Guarantee & Letter of credit and Co-Acceptance of Bills.*



SCOPE OF CONCURRENT AUDIT

➤ Verification of Fund Based Limit

- Ensure that loans and advances have been **sanctioned** properly.
- Verify whether the sanctions are in accordance with **delegated authorities**.
- There is no revenue leakage i.e. processing charges are recovered in full.
- That **securities and documents** as per sanction letter have been received and properly stamped, executed and charged/registered.
- **Insurance cover** taken as stipulated.
- Ensure that documentation has been vetted by concerned authorities and charges registered with CERSAI.
- Obtain Valuation Report of the collateral property once in 3 years

SCOPE OF CONCURRENT AUDIT

➤ Verification of Fund Based Limit

- Scrutiny of transactions in the account.
- Repayment on regular basis.
- Whether inspection of the primary and collateral security is conducted by the branch
- Receipt of stock/book debts statement and fixation of **Drawing Power**
- Obtain non encumbrance certificate from the Advocate
- Verify whether there are any misutilization of funds.
- Compare Interest Rate in system and as per the sanction letter.
- Obtain legal search report from the Advocate on panel of Bank

SCOPE OF CONCURRENT AUDIT

➤ *Verification of Non -Fund Based Limit*

- Bank Guarantee issued during the period
- Bank Guarantee invoked during the period
- Sufficient margin taken by the bank for issuance of Bank Guarantee
- Commission charged as per the latest processing charges circulars
- Letter of Credit bills accepted during the period
- Check whether the letters of credit issued by the branch are within the delegated power
- Register is maintained to ensure timely payment of Bills
- Commission charged as per the latest processing charges circular of the bank

DRAWING POWER FORMULA

PARTICULARS	AMOUNT (RS)
Stock (Excluding Obsolete and slow moving stock)	XXX
Less : Trade Creditors	(XXX)
Paid up Value of Stock	XXX
Less : Margin as per Sanction Letter (Generally 25%)	(XXX)
Net Paid up Value of Stock (A)	XXXX
Trade Debtors (Not more than 90/180 Days , as per Sanction Letter)	XXX
Net Debtors	XXX
Less : Margin as per Sanction Letter	(XXX)
Net Debtors available for DP (B)	XXX
Total Drawing Power (A+B)	XXX

RBI GUIDELINES & OTHER IMP. POINTS

➤ *Non Performing Assets (NPA)*

- NPA are the Accounts which do not generate any income to the bank
- Following may be causes to become NPA:
 - 1) Interest/EMI overdue for more than **90 days**.
 - 2) OD/CC Account is **Out of Order** for more than 90 days.
 - 3) Account is not renewed within 6 months from the due date
 - 4) Stock statement available for calculation of Drawing Power is older than 3 months
 - 5) If one account becomes NPA ,then all other accounts of same borrower would become NPA

RBI GUIDELINES & OTHER IMP. POINTS

➤ *Out of Order Accounts*

- Outstanding Balance remains in excess or less than the sanction limit/drawing power for a continuous period of time but there are no credits continuously for 90 days.
- Where the credits are not enough to cover the interest debited during the same period.
- Where the Balance remains overdue beyond 90 days.
- In case of NPAs, the Bank should
 - 1) make Provision for Bad debts
 - 2) should recognize income only on RECEIPT basis not on ACCRUAL basis.

SCOPE OF CONCURRENT AUDIT

➤ Other Key Areas

- TDS compliances, Service Tax Compliance
- Filing of 15G/15H with the Income Tax Department
- Deposits
- Whether Insurance Details are being entered in the system.
- Drawing Power are regularly updated in the system.
- Lockers verification.
- Daily collection position is advised to the controlling branch.
- Physical verification of Gold coins, control over issue, safe keeping and custody. Checking of Gold sale transactions.
- Reporting of frauds.

THANK YOU

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