

PREFACE

Auditing plays a crucial role in organizational governance and risk management. Concurrent auditing - an examination contemporaneous to the transactions/events - acts as an early warning system detecting irregularities and lapses timely, and helps prevent frauds. RBI, pursuant to Ghosh committee recommendations on frauds and malpractices, introduced the system of concurrent auditing in banks in 1993. In July 2015, considering the current scenario at banks, RBI revised these guidelines and has chalked out a minimum concurrent audit programme for commercial banks, while detailed scope has been left to individual banks to decide in approval of their Audit Committees of Boards (ACBs).

Through experience of about twenty years in auditing especially in auditing of banks, I was feeling an acute need for a handbook which may not only suggest audit procedures for different branch operations, but may also help meet auditors' professional obligations in an effective manner. Moreover, today's technology-driven complex products and delivery channels coupled with close regulations have made the environment complex to understand and audit. This environment demands enhanced knowledge and skills from auditors. By the grace of Almighty, this book is an attempt to meet this need of auditors. The aim and the approach of writing this book has been to help auditors understand 'What to do' and 'How to do' in an efficient and effective manner. 'What to do' is chiefly based on RBI guidelines, while in 'How to do', ICAI Standards on Internal Audit and current CBS environment have been kept in mind.

About This Manual

This procedures manual is a handbook for concurrent auditors of commercial banks. Audit procedures for different branch operations

have been suggested keeping in mind RBI's relevant guidelines. Apart from the audit procedures suggested, salient features of this manual include:

- **Reference** of RBI guidelines/relevant laws has been included along with the suggested audit procedure to help understand the objectives of audit procedure.
- **Audit Hints** beneath the suggested audit procedure and reference, wherever considered necessary, have been provided to help auditors apply the audit procedures.
- **Audit Exceptions/Analytical Reports** generally available in current CBS environment have been indicated. As now controls are exception-based, these would help auditor's collection and evaluation of information in an effective manner.
- **Auditor's Obligations** under RBI's minimum concurrent audit programme and various laws/regulations (e.g. KYC/AML, IRACP, Ghosh committee, Mitra committee, ICAI standards) have been indicated wherever these have been specifically mandated.
- **Suggested Concurrent Audit Formats** include various 'Audit Checklists cum Draft Audit Memos' which would help auditors meet their reporting and documentation needs simultaneously.

Various audit procedures, though not specifically mandated in RBI's minimum concurrent audit programme, have been included to make concurrent auditing a value adding activity. Addresses of banks' HO Audit & Inspection departments for empanelment purpose have been included in Appendix.

How to Use This Manual

I intend to write this manual as auditor's handbook for conducting concurrent audit at branches of commercial banks. One chapter has been devoted for audit of each major area of branch operations. Audit procedure chapters, i.e. Chapter 3 to Chapter 20 have been divided into two main paragraphs, i.e. 'Chapter Introduction' and 'Audit Procedures'. In chapter introduction, RBI guidelines/brief background have been given, while in Audit Procedures paragraph, various audit procedures for different aspects of the operational area

have been suggested. To use this manual in an effective manner, I recommend the users to first go through the Chapter Introduction and then refer the Audit Procedures. In order to issue daily/periodic audit-memos to the branches, auditors can use checklists-cum-draft audit-memo formats. I believe these would help document the audit work simultaneously minimizing chances of lapses. This manual could also be used as a Checklist-cum-Audit Notebook. This manual could work as a reference material for ICAI's post-qualification 'certificate course in concurrent audit of banks'. This could also be used by the operational managers of the banks as reference in carrying out their operations per RBI guidelines.

Overall, manual would help meet auditors' professional needs accomplishing their audits in a purposeful manner.

In the end, though I have taken due care to keep the contents current, yet as this manual is a living document, users are requested to refer extant updates, if any, while auditing. Whatever piece of information with my little experience I thought appropriate to share, I have included. To err is human, so inadvertent errors and omissions are quite natural for me, but I am sure users are kind enough to ignore. As users are best judge and scope for improvement always remains, constructive comments and suggestions are welcome and will be gratefully acknowledged.

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