

# Bank Audit Through CBS

An Introduction



# Bank Audit Through CBS

## Disclaimer

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# Bank Audit Through CBS

Are You Familiar with ? ...

Banking Systems - with ????? NPA's

Computer Network, Internet, - with Hackers Next Door

Mobile, Sorry, Smart Phone - CA Firm@Pune Duped by Rs. 79 Lacs.



# Bank Audit Through CBS

Today the Computer is taking Centre Stage of Banking,  
and leading all the Good (?) / Fast (✓ ) results.

✓ Goodies are ATMs / Cr. Cards / Debit Cards / Online Banking & many more...

Are we **prepared** to understand what this means?

A **slight** neglect may result in anything...



"THE PASSWORD IS CORRECT,  
BUT THE USERNAME IS WRONG!"



Error messages that confuse intruders



# Bank Audit Through CBS

## Banking and Advances



### Fund Based Advances



D CC - Demand Cash Credit



S OD - [Secured] Over Draft



Ad hoc Over Draft



EPC - Export Packing Credit  
(Purchase Order Defacing)



TL - [Open] Term Loan



### Non Fund Based Advances



BG - Bank Guarantee



Revolving BG



LC/LSC - Letter of [Small] Credit



Bill Discounting (Usanse /  
Collection / Sight)



Buyers Credit

or the Line of Credit

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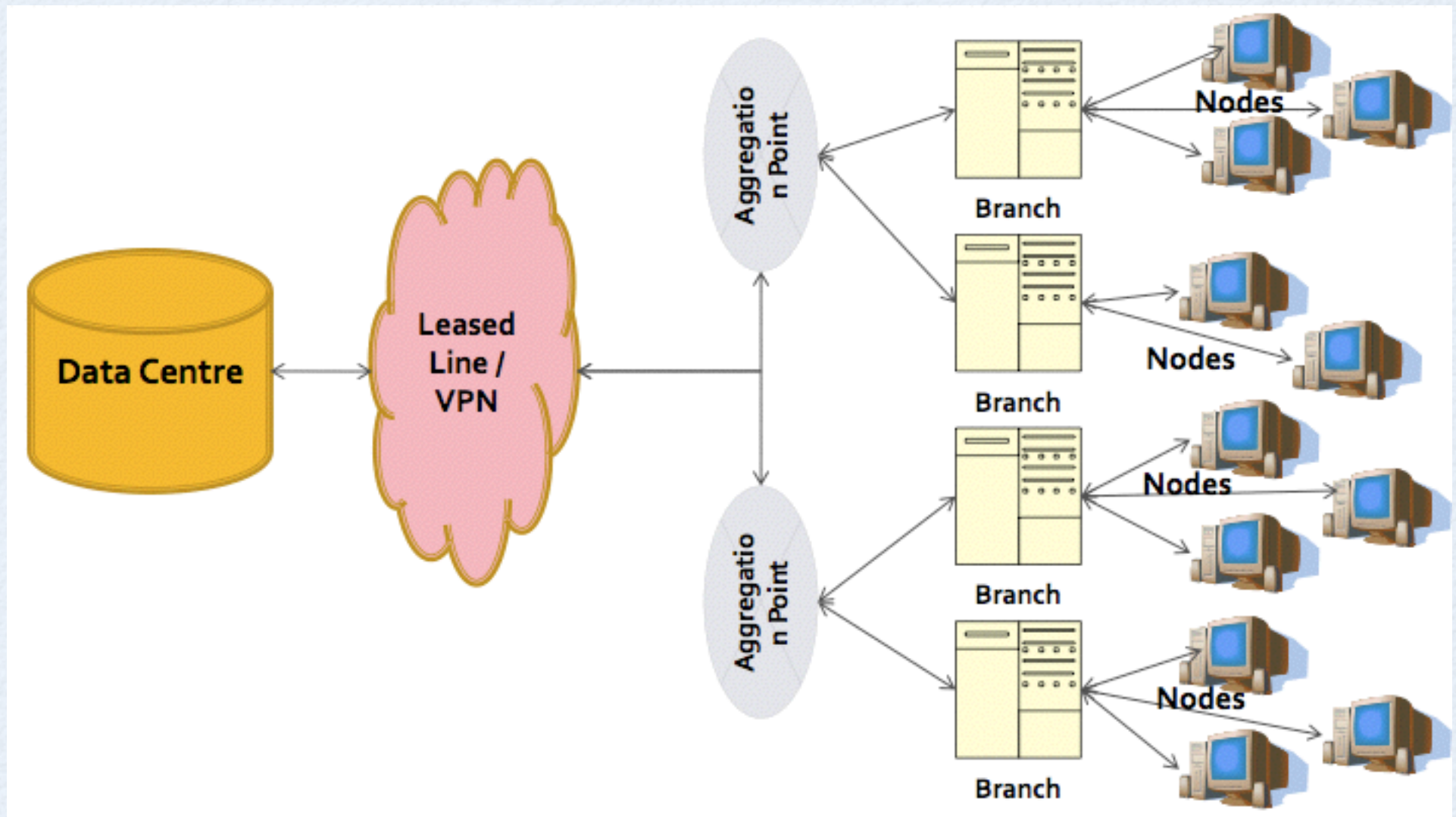


# Bank Audit Through CBS

- **Core Banking Solutions are**
  - **typically relational database** management packages with a GUI
  - **Programmes** are used to
    - Automate number crunching,
    - Validating,
    - Locking / authorising limits
    - Consolidating

# Bank Audit Through CBS

CBS IS DISTINGUISHED FROM LAN





# Bank Audit Through CBS

**CBS** IS DISTINGUISHED FROM  
**LAN**, WHICH IS TOTAL BRANCH AUTOMATION

Parameter	<b>CBS</b>	<b>LAN</b>
Data Storage	on Line	Local
Updation	on Line	Local
Controls	Web Based	App Controlled
Reports	Web Based / Stored	Live
Backup	Web Based / on Line	Local



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## The Prime CBS Vendors



Finacle from Infosys -



Bank of Baroda, Bank of India, Union Bank of India, IDBI Bank, ICICI Bank, Axis Bank, Vijaya Bank, Uco Bank, Punjab National Bank



B@ncs from TCS -



State Bank of India and Associates, Allahabad Bank, Bank of Maharashtra, Central Bank of India.



FlexCube from iFlex -



HDFC Bank



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## The Other CBS Vendors



Temenos - Temenos T24,



Polaris - Intellect Suite



Nucleus Software - FinnOne



Infrasoft Technologies - OmniEnterprise



Saraswat Infotech - SwiftCore,



Misys - BankFusion Universal Banking

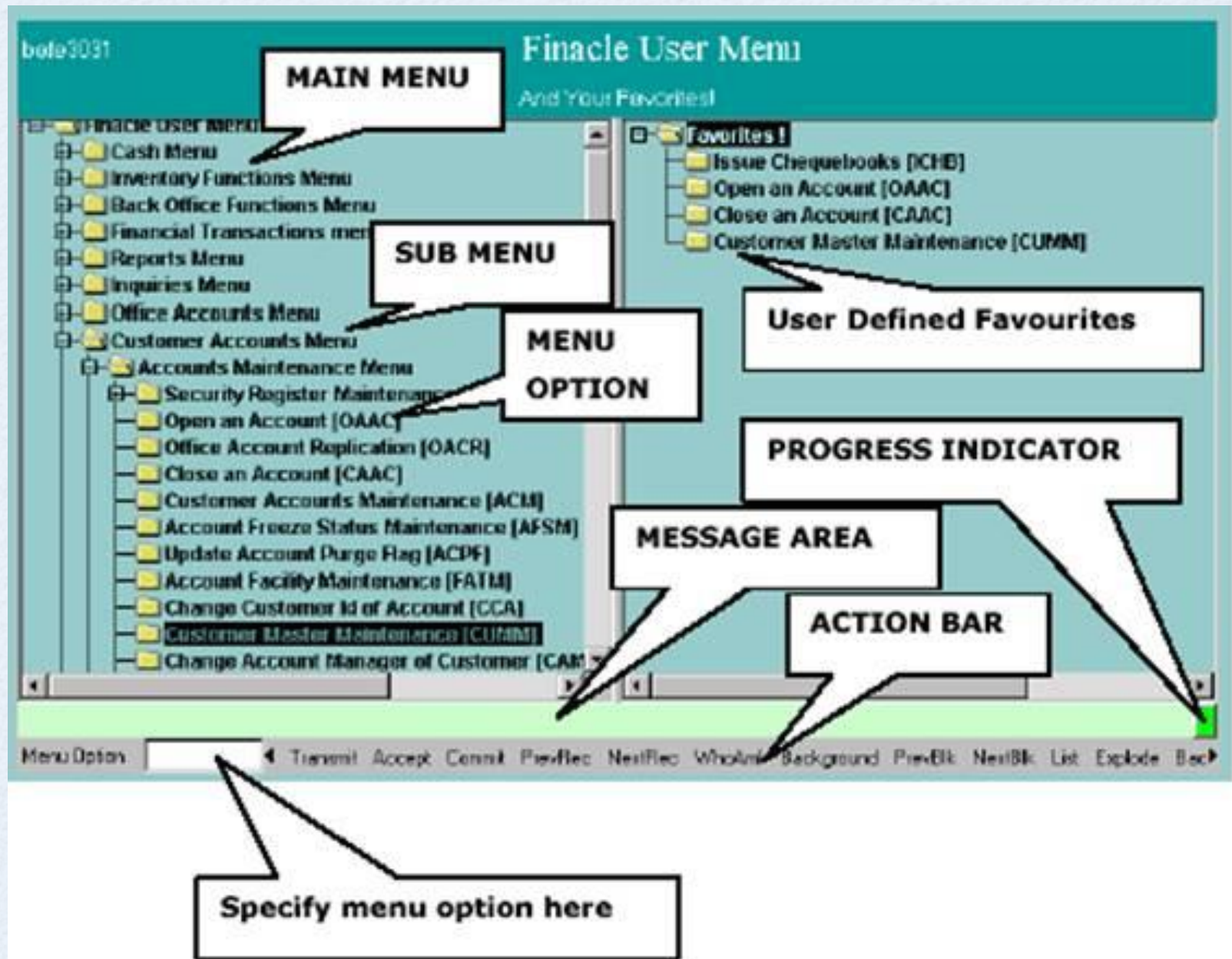


Fedility - FIS



# Bank Audit Through CBS

Finacle





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Finacle F Keys

<i>Key</i>	<i>Function</i>
<i>F1</i>	<i>Field Level Help</i>
<i>F2</i>	<i>List the Codes in a particular Field</i>
<i>F3 / Esc</i>	<i>Quit / Back / Escape</i>
<i>Shift + F3</i>	<i>Completely Quit / Bring Back to Main Menu</i>
<i>F4</i>	<i>ACCEPT and validate the Value and Move to next Field</i>
<i>F5</i>	<i>Send the Screen to Background (visit other Menu item)</i>
<i>F6</i>	<i>Next Block / Next Page</i>
<i>F8</i>	<i>Copy a Record</i>
<i>F9</i>	<i>View Signature</i>
<i>F10</i>	<i>Commit, Update Database Records</i>
<i>F11</i>	<i>Next Field</i>
<i>F12</i>	<i>Previous Block</i>



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Finacle Keys

<i>Key Sets</i>	<i>Function</i>
<i>Tab / Enter</i>	<i>Go to Next Valid Field</i>
<i>Shift + Tab</i>	<i>Go to Previous Valid Field</i>
<i>Control + ↓</i>	<i>Next Record</i>
<i>Control + ↑</i>	<i>Previous Record</i>
<i>Control + F9</i>	<i>MEMO Pad Look up</i>
<i>Control + U</i>	<i>Page Up in List</i>
<i>Control + D</i>	<i>Page Down in List</i>
<i>Control + E</i>	<i>Explode / Drill Down / Details</i>
<i>Control + F</i>	<i>Flush / Clean / Clear Field Contents</i>
<i>Control + X</i>	<i>Current Date (or BoD)</i>
<i>Shift + F4</i>	<i>Select From List</i>



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Finacle

## Customer / Ledger Inquiry

<i>Menu</i>	<i>Function</i>
<i>ACLI</i>	<i>Account Ledger Inquiry</i>
<i>ACI</i>	<i>ACLI, then Control+E</i>
	<i>(EMI, No of Instalments, Over-Due in A/c)</i>
<i>CUS</i>	<i>Customer Selection on Criterion</i>
	<i>(Y for TDS Exempted List)</i>
<i>CUMI / CUMM</i>	<i>Customer Master Inquiry / Maintenance</i>
<i>ACM</i>	<i>Account Master - for Basic Details</i>
<i>ACS</i>	<i>Account Selection - with Criterion</i>



# Bank Audit Through CBS

Finacle

## Interest Inquiry / Transaction Inquiry

<i>Menu</i>	<i>Function</i>
<i>INTTM</i>	<i>Interest Table Master (Deposit / Advances)</i>
<i>AINTRPT</i>	<i>Interest Report for Loan A/cs</i>
<i>ACINT</i>	<i>Verify running Interest Calculation</i>
<i>TM, TI</i>	<i>Transaction Maintenance / Transaction Inquiry</i>
	<i>(Transaction ID and Date used for Inquiry)</i>
<i>FTI</i>	<i>Financial Transaction Inquiry on Criterion</i>
<i>ACLPOA</i>	<i>Account Ledger Print Office Account for Printing</i>
<i>PSP</i>	<i>Pass Sheet Print - for Printing A/c Statement</i>
<i>IOT</i>	<i>Inquiry on Transaction - Reversals, Suspense A/c etc.</i>



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## Loan Inquiry / Security Inquiry

<i>Menu</i>	<i>Function</i>
<i>SRM</i>	<i>Security Register Maintenance</i>
	<i>for Drawing Power, Stock Statement Submission, Insurance Coverage, Last Valuation Date.</i>
<i>ALM</i>	<i>A/c Lien Maintenance</i>
	<i>for preventing inconsistant transactions</i>
<i>ACTODM</i>	<i>A/c TOD Maintenance</i>
	<i>System Generated or User Generated, Single Type, Running Type (Period Based) or Ad-hoc Type (Period based)</i>

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## Loan Overdue / Limit Inquiry

<i>Menu</i>	<i>Function</i>
<i>LAOPI</i>	<i>Loan &amp; Advance Overdue Position Inquiry</i>
	<i>Principal and Interest of a Loan A/c</i>
<i>LTL, LNDI</i>	<i>Limit Tree Lookup, Limit Node Inquiry</i>
<i>ACLHM</i>	<i>A/c Limit History Maintenance</i>
	<i>Verify History of Drawing Power and Sanctioned Limit</i>
<i>CHLMT</i>	<i>Change in Sanction Limit</i>
<i>ODFDREP</i>	<i>Report for Matured OD / FD Accounts</i>
<i>PCFCBAL</i>	<i>Packing Credit FC Balancing Report</i>



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## LFAR Schedules / Audit Inquiry

Finacle

<i>Menu</i>	<i>Function</i>
<i>INQLADC</i>	<i>Loan Document Expired Report</i>
<i>STKSTMT</i>	<i>Stock Statement not Received</i>
<i>PLIST</i>	<i>Pending Instalments List</i>
<i>ACTI, ATOR</i>	<i>A/c Turnover Inquiry / Report</i>
<i>INSEXP, INSTOEXP</i>	<i>Insurance Expired Report</i>
<i>LAROR</i>	<i>Loan A/c Not Reviewed</i>

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## Bills Inquiry

<i>Menu</i>	<i>Function</i>
<i>BM, BI</i>	<i>Bill Maintenance, Bill Inquiry</i>
	<i>Inland Bills, Cheque Purchased, Sent for Collection</i>
<i>FBM</i>	<i>Foreign Bill Maintenance</i>
<i>FBI</i>	<i>Foreign Bill Inquiry - on Various Criteria</i>
<i>FBP</i>	<i>Foreign Bill Inquiry - Printing</i>
<i>BRBPR</i>	<i>Balancing Report for Bills Purchased Inland, Status</i>
<i>BRCR</i>	<i>Balancing Report for Bills on Collection Inland, Status</i>
<i>FBBR</i>	<i>Balancing Report for Foreign Bills, Status</i>



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## Bank Guarantee / Letter of Credit

Finacle

<i>Menu</i>	<i>Function</i>
<i>GILR</i>	<i>Guarantee Issued Liability Register</i>
<i>BGMARGIN</i>	<i>BG Margin Printing</i>
<i>GENR</i>	<i>Guarantee Expired not Reversed</i>
<i>GIPNP</i>	<i>Guarantee Invoked not Paid</i>
<i>DCQRY, DCSTMT</i>	<i>Documentary Credit Issued Query</i>
<i>DCEXPLST, DCLIABRG</i>	<i>Documentary Credit Expired, Documentary Credit Liability Register</i>
<i>CHGIR</i>	<i>Charges Income Register</i>

# Bank Audit Through CBS

Finacle

## Misc. Reports

<i>Menu</i>	<i>Function</i>
<i>ISAR</i>	<i>Inter Sol Audit Report (Inter Branch)</i>
<i>ISTR</i>	<i>Inter Sol Transaction Report (Inter Branch)</i>
<i>IRM</i>	<i>Inward Remittance Maintenance</i>
<i>ORM</i>	<i>Outward Remittance Maintenance</i>
<i>LKRCM, LKTRM</i>	<i>Locker Rent Change Collection Maintenance</i>
<i>TDSIP</i>	<i>TDS Inquiry and Print</i>
<i>TDSREP</i>	<i>Customer wise TDS Report</i>



## Shortcut Menus (Icons)

**Main  
Menu**

DL /  
TL Accounts &  
Services

Help,  
Cancel, Previous,  
Next Keys

# Bank Audit Through CBS

TCS B@NCS

## Customer Reports

<i>Customer Management—&gt;</i>	<i>Function</i>
<i>Enquiries—&gt; Search by CIF No.</i>	<i>Search</i>
<i>Enquiries —&gt; Search by ID No.</i>	<i>Search</i>
<i>Enquiries —&gt; Search by Name</i>	<i>Search</i>
<i>Relationship / Ownership—&gt; Associated Accounts</i>	<i>Linked Accounts</i>



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TCS B@NCS Deposit / CC / OD A/c Master & Transactions

<i>Deposit / CC / OD A/c Master—&gt;</i>	<i>Function</i>
<i>Enquiries—&gt; Deposit / CC / OD A/c</i>	<i>Verify A/c Details</i>
<i>Enquiries —&gt; Short</i>	<i>Basic Enquiry</i>
<i>Enquiries —&gt; Long</i>	<i>Detailed Enquiry</i>
<i>Enquiries —&gt; Transaction</i>	<i>for Transaction Enquiry</i>
<i>Amend —&gt; Pending Charges</i>	<i>Pending Charges Details</i>

# Bank Audit Through CBS

TCS B@NCS

## Branch General Ledger & Transactions

<i>Branch Accounting—&gt;</i>	<i>Function</i>
<i>Enquiries—&gt; Account</i>	<i>Enquiry</i>
<i>Enquiries —&gt; Account No. Search</i>	<i>Search by No.</i>
<i>Enquiries —&gt; Transaction</i>	<i>for Transaction Enquiry</i>



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TCS B@NCS

## Loan Module

<i>DL/TL Accounting &amp; Services —&gt;</i>	<i>Function</i>
<i>Loan Tracking —&gt; Operations</i>	<i>To Change Interest Rate</i>
<i>Loan Processing —&gt; Generate Repayment Schedule —&gt; Action - E</i>	<i>Print Repayment Schedule</i>
<i>Enquiries —&gt; Short —&gt; Option "Balance Breakup Enquiry"</i>	<i>To View Arrears &amp; Breakup of Principal, Interest</i>
<i>Securities (Primary / Collateral) —&gt; Customer —&gt; Enquiry —&gt; Enquire Security Summery</i>	<i>Find Collateral Details</i>

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TCS B@NCS

## Misc Matters

<i>Menu</i>	<i>Function</i>
<i>Valuable Paper Inventory System —&gt; Enquiry of VPIS —&gt; General Enquiry</i>	<i>Check Inventory</i>
<i>Collection and Cheque Purchase —&gt; Enquiries —&gt; Enquiries</i>	<i>Inquiry on Cheque purchased / sent for collection</i>



# Bank Audit Through CBS

It may be noted that,



All Menu Codes, as discussed above, may not be operative in Finacle / B@ncs in all the banks.










Again, some of these Menu Codes may be customised by a particular Bank for its specific needs of CBS Environment.



# Bank Audit Through CBS

The CBS Audit can be elaborated as

-  Application Controls
-  Operating System Controls
-  Database Controls
-  Physical Checks
-  Logical Checks
-  Exception Reports
-  Red Flags



# Bank Audit Through CBS

## Application Controls



DP / Limit Setting



Data Validation



Processing of Data



KYC Compliance



Computer & Internet



Parallel Systems



Maker & Checker



# Bank Audit Through CBS

## Logical Controls / Access Controls

- Roll Setting
- Password Management
- Authorisation Matrix
- Computer Accessibility
- Rating / Interest Rate  
Classification Change authorisation
- Exception Reports of Login
- Login Matching with Leave



# Bank Audit Through CBS

Amendments,  
Data Mining

§ Filing of Followup Reports - FFR / QIS / Stock Statement in System

§ Major Transactions Report, Top 5 Dr, Top 5 Cr etc.

§ Cash Movements - from Bank to Chest, Account to Account etc.

§ Currency Chest vis-a-vis CBS Balance



# Bank Audit Through CBS

## Credit Facility

- Packing Cr released to CC - Charging of Interest
- Bank Guarantee properly created/renewed i.e. date etc.
- Term Loans instalments properly recorded in Master
- Changes due to Credit Rating / Financial Statements
- Management Change and RoC Filings etc.
- Consortium Bankers & Drawing Power Intimation / MoM
- Re-Valuation of Security at regular intervals, e.g 3 years.



# Bank Audit Through CBS

Good Governance

- Timely Stock Audit, Revenue Leakage Audit
- Cash and Bank Reconciliation, Joint Custody.
- NPA, Income Recognition Asset Classification in System
- Collection from Customers, which are Written Off
- Comments of Inspection Committee, Last Years Report.
- Pen Drive Policy. (Not to be used with CBS Terminal)
- Location of Main Power Switch and Power Backup



# Bank Audit Through CBS








## Check Points

- Stock Reconciliation of Stationary etc.  
(Stamps in name of Bank)
- Advantage of Weak Internal Control  
(Passwords communicated easily)
- Multiple Loans on Same Property / Same Guarantor.  
(Check Cersai / CIBIL Reports)
- Every Security Provider should be Guarantor to Facility.  
(Check all Ownerships and Guarantors)
- Stamp Duty Payment should be in Proper Online Code.



# Bank Audit Through CBS

## Check Points in Charge

-  Equitable Charge Creation Document.
-  Registered Charge Creation, if any.
-  Registration of Equitable Charge, with Sub Registrar.
-  Cersai Registration of Charge.
-  Registration of Charge with Registrar of Companies, if any.
-  Registration / Boja on Property Card / City Survey Record.
-  Updating Data with CIBIL in Time.



# Bank Audit Through CBS

## Cases for Discussion



Lien marking on FD for OD / BG / LC.



Window Dressing by Short Review, No Credits for Interest in CC/OD



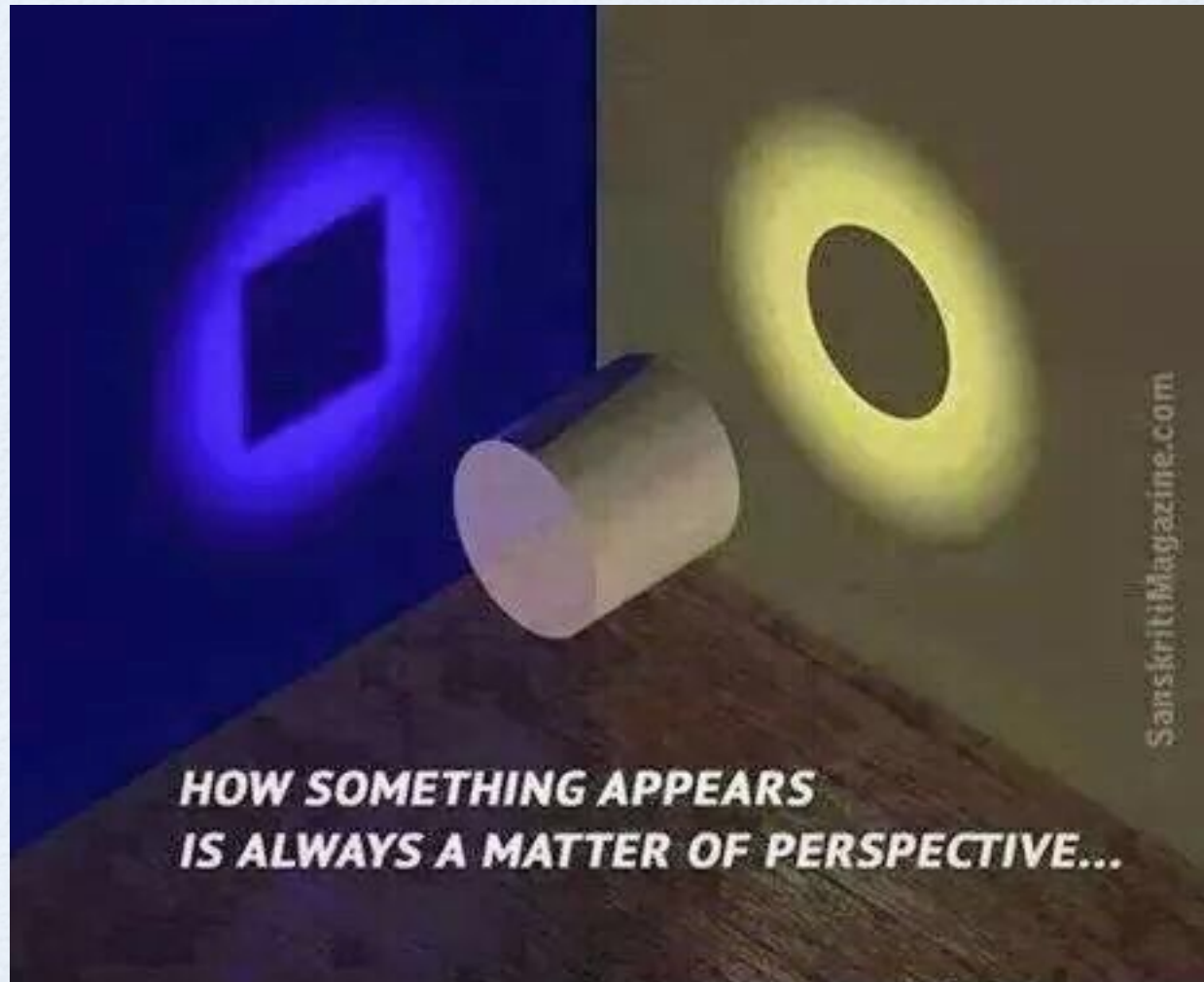
Loan Against LIC Policy, Policy given to Customer for Money Back Claim -  
Check Assignment.



Ad-hoc Limits - Finacle - effective even after given time period



# Bank Audit Through CBS



Everything we hear is an opinion, NOT a Fact  
Everything we see is a perspective, NOT the Truth.



# Bank Audit Through CBS

## The Red Flags

-  Giving Incomplete Information, Documents
-  Addiction, Expensive Lifestyle
-  Heavy Funds / **Cash** Movement
-  Business Loss of Borrower
-  Clues in Title / Charges in Search for Property
-  Parallel Systems / Classification
-  Facilities Sanctioned in March
-  No Staggered Disbursement
-  Old Quotations used
-  - ve Databases



# Bank Audit Through CBS

## The Law for Audit, Fraud Enforcement



Indian Penal Code, 1861



Prevention of Corruption Act



Companies Act, 2013 (CARO)



Income Tax Act, 1961



The Banking Regulation Act,  
1949



Information Technology Act,  
2000



Exceptional Reports for RBI



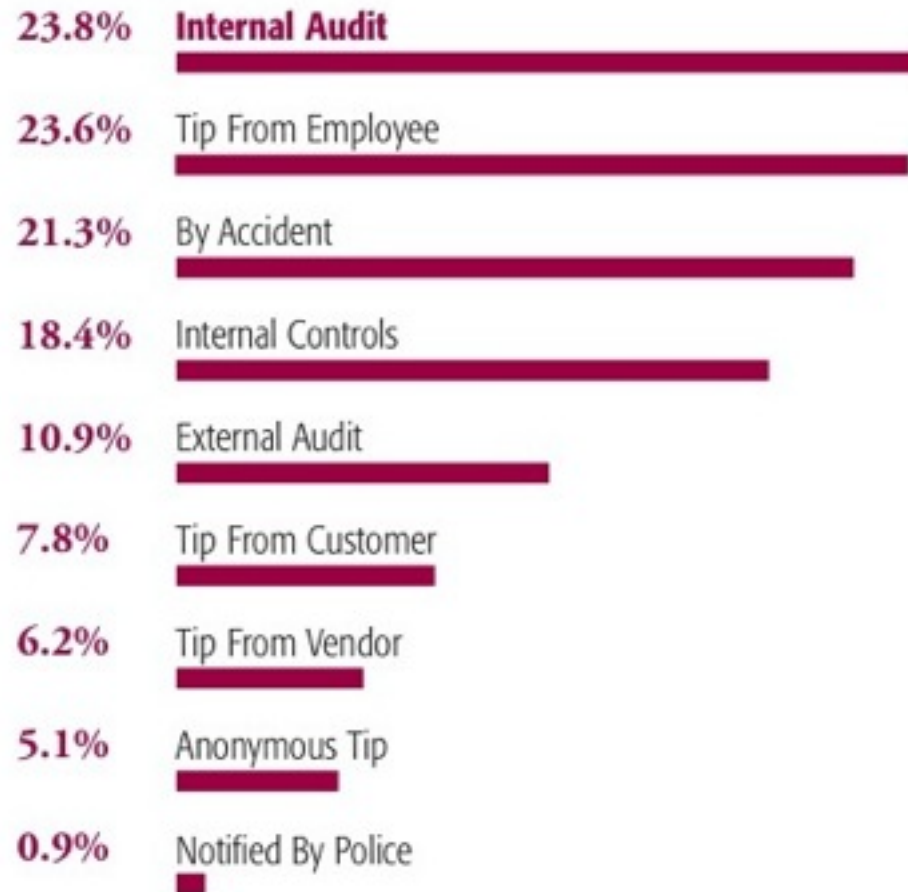
Securitisation Act, (Taking  
Possession of Property by Banks)



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Fraud Detection

## Most Common Methods of Fraud Detections\*



\*Data gathered from 508 participants in ACFE's 2004 *Report to the Nation*. Total exceeds 100 percent because some participants cited more than one method for initial discovery of fraud.



# Bank Audit Through CBS

*Thank You !!*

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