



Nagpur Branch of WIRC of ICAI

Seminar on Bank Branch Audit 2025

Planning & Documentation

CA Niranjn Joshi
25.03.2025

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Introduction

Audit Planning & Execution

Reporting Requirements

Documentation

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What to READ

Link for Standards on Auditing – AASB of
https://www.icaai.org/new_post.html?post_id=450

Link for AASB of ICAI Publications
<https://www.icaai.org/post/icaai-publications-auditing-assurance-standards-board>

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Engagement and Quality Control Standards - Complete Text

Standards on Quality Control (SQCs)

- SQC 1, "Quality Control for Firms that Perform Audit and Reviews of Historical Financial Information, and other Assurance and Related Services Engagements"
- Announcement on Amendment to SQC 1 - Retention Period for Engagement Documentation (Working Papers)

Audits and Reviews of Historical Financial Information

New/Revised Standards (Auditing, Review and Others) Issued under the Clarity Project

- 100-199 Introductory Matters
- 200-299 General Principles and Responsibilities
 - SA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing
 - SA 210, Agreeing the Terms of Audit Engagements
 - SA 220, Quality Control for an Audit of Financial Statements
 - SA 230, Audit Documentation
 - SA 240, The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements
 - SA 250, Consideration of Laws and Regulations in an Audit of Financial Statements
 - Revised SA 260, Communication with Those Charged with Governance
 - SA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management
 - Revised SA 299, Joint Audit of Financial Statements
- 300-400 Risk Assessment and Responses to Assessed Risk

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Guidance Note on Audit of Banks (2025 Edition) - (18-02-2025)

Auditing and Assurance Standards Board
The Institute of Chartered Accountants of India
18th February, 2025

Guidance Note on Audit of Banks (2025 Edition)

A. Scope and Purpose of this Note

B. Text of Guidance Note on Audit of Banks (2025 Edition)

C. Appendices of the Guidance Note on Audit of Banks (2025 Edition)

- Appendices of Section A - Statutory Central Audit of Guidance Note on Audit of Banks (2025 Edition)
- Appendices of Section B - Bank Branch Audit of Guidance Note on Audit of Banks (2025 Edition)

D. Text of Relevant Master Circulars Issued by the RBI

- List of Relevant Master Circulars Issued by the RBI
- Master Circulars

E. Text of Relevant Master Directions Issued by the RBI

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Fundamental Principles

Integrity - Straightforward and honest approach, Fair dealing and truthfulness, Do not associate with communication or information containing false or misleading information, Steps to disassociate with above information once known

Objectivity - Not to compromise professional or business judgment because of bias, conflict of interest or undue influence of others. Not to undertake a professional activity if it unduly influences the accountant's professional judgment.

Professional Competence and Due Care - Attain and maintain professional knowledge and skill, Act diligently and in accordance with applicable technical and professional standards, Ensure appropriate training and supervision of subordinates

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Fundamental Principles

Confidentiality - Maintain confidentiality of information acquired as a result of professional and employment relationships, Disclose information when required by law or authorised by the client, Consider relevant factors while deciding disclosure of confidential information, Maintain confidentiality even after the end of relationship with client

Professional Behaviour - Avoid activities that impair the reputation of the profession, Do not make exaggerated claims for services offered, and disparaging references or unsubstantiated comparisons with others, Do not advertise any professional/other facts which are in violation of Advertisement Guidelines of ICAI

Threats to Avoid

Self Interest Threat, Self Review Threat, Advocacy Threat, Familiarity Threat, Intimidation Threat.

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Audit Process

Audit Program

Audit Execution

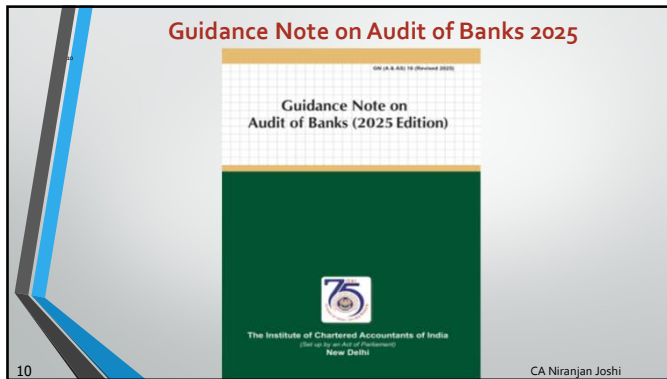
Effective Reporting

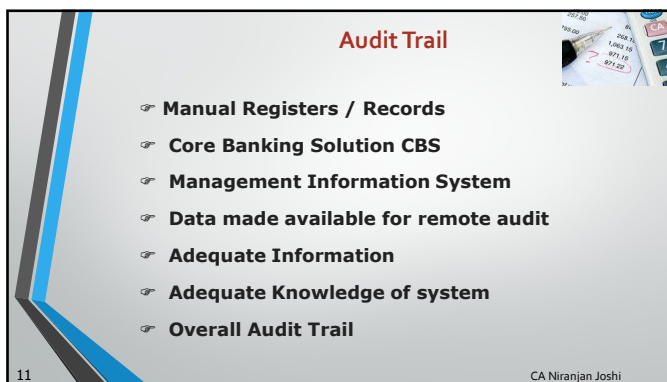
Working Papers

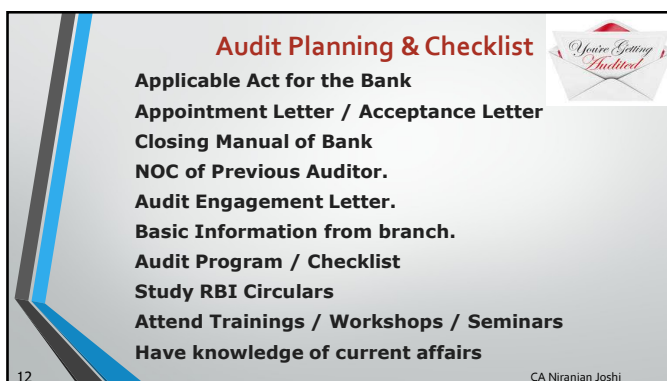


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Audit Program



Define broadly the scope of audit.
 Include Certificates in main audit plan.
 Identify the thrust areas.
 Set materiality levels standards for each area.
 Lay down over all time schedule.
 Training to Audit staff and special skill if required.
 Weak areas identified during the Audit – extra focus.
 Physical verification of cash and other securities /
 Sensitive Accounts
 Frauds / Sundry Assets / Suspense Account / Inter
 Branch reconciliation
 Contingent Liabilities
 Contingent Liabilities not acknowledged

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Audit Materiality



Refer to CAQ Utility *

 Define overall materiality based on total
 advances

 Use the worksheet to assess overall
 performance

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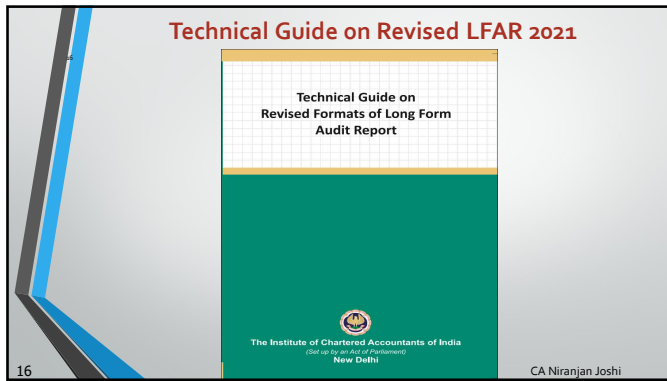
Introduction

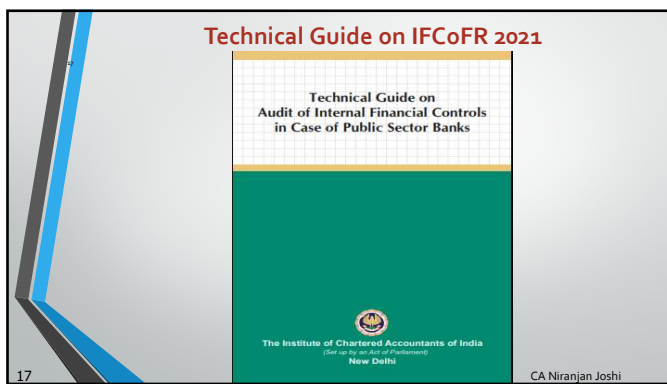
Audit Planning & Execution

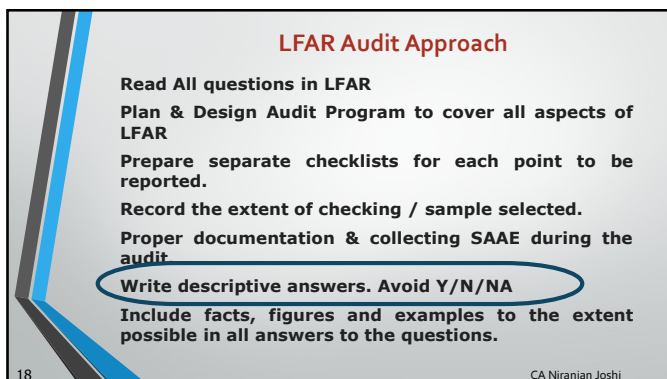
Reporting Requirements

Documentation

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LFAR Audit Approach

Observations resulting in adjustments to account heads needs to be reported along with MOC

Discuss the contents of report with Branch Management

Obtain Management Representation from Branch Manager on various matters based on Audit.

LFAR is an independent report, hence do not give cross reference or qualifications or MOC in LFAR.

It's a very important report for readers such as SCA and Management of Bank.

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You can please
some of the
people some of
the time...

But you can't
please all of the
people all of the
time.



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Revised LFAR – 05.09.2020

Long Form Audit Report for FY 2020 – 21 onwards

The format of LFAR, as mentioned below, have been revised:

Annex I for Statutory Central Auditors (SCA)

Annex II for Branch Auditors

An Appendix as part of Annex II for the specialized branches and

Annex III on Large / Irregular / Critical accounts for branch auditors.

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Revised LFAR – 05.09.2020

The overall objective of the branch audit should be to have transaction testing and provide inputs to the SCAs on adequacy of implementation of various policy and regulatory requirements, including efficacy of the system and assurance functions (risk management, compliance and internal audit) at branch level.

- The threshold fixed for different purposes for comments in the LFAR will decide that above the threshold, the transaction detailing needs to be seen and commented upon. However, below the threshold, the system and processes should be checked and commented upon.

Verification of data integrity and data related control systems and processes should be carried out and commented upon, with the special thrust on those data inputs which are to be used for MIS at corporate office level and for supervisory reporting purposes.

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Revised LFAR – 05.09.2020

- Where any of the comments made by the auditors in their LFAR is adverse, they should consider whether a qualification in their main report is necessary. It should not, however, be assumed that every adverse comment in the LFAR would necessarily result in a qualification in the main report. In deciding whether a qualification in the main report is necessary, the auditors should use their professional judgment in the facts and circumstances of each case.

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Overview of LFAR - Assets

General Instructions for Advances

The answers to the following questions may be based on the auditor's examination of all large advances.

For this purpose, large advances are those in respect of which the outstanding amount is in **excess of 10% of outstanding** aggregate balance of fund based and non-fund based advances of the branch or **Rs.10 crores**, whichever is less.

Care - For all accounts above the threshold, the transaction audit/account specific details to be seen and commented, whereas below the threshold, the process needs to be checked and commented upon. Comments of the branch auditor on advances with significant adverse features, which might need the attention of the management / Statutory Central Auditors, should be appended to the LFAR.

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Overview of LFAR - Assets

The critical comments based on the review of the above and other test check should be given in respective paragraphs as given in LFAR given below.

List of Advances Accounts examined for Audit

Account Number,
Account Name,
Balance as at Year end (Funded),
Balance as at Year end (Non Funded),
Total.
Specify % of examined by SBAs

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Reporting Requirements

Statutory Audit Report – Addressed to SCA/Bank

SA 700 – Forming an opinion & Reporting on Financial Statements

SA 701 – Communicating Key Audit Matters

SA 705 – Modifications to the opinion in the independent auditors report

SA 706 – Emphasis of Matter Paragraph or Other Matter Paragraph

SA 720 – Auditors Responsibility relating to Other Information

KAM / Modified Opinion / EOM / OM – all are different.

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Reporting Requirements

Compliance with Accounting Standards to be mentioned in main report.

Qualifications can be through Memorandum of Changes or Specific remarks in the last para.

Illustrative Format Bank Audit Guidance Note

Add annexures / supporting documents to the report wherever necessary

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Memorandum of Changes – MOC

Memorandum of Changes (summary)			
	No.	Increase	Decrease
In respect of Income			
In respect of expenditure			
In respect of Assets			
In respect of Liabilities			
In respect of Gross NPAs			
In respect of Provision on NPAs			
In respect of Classification of Advances			
In respect of Risk Weighted Assets			
Other items (if any)			

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Certification

Audit Report is a reasonable Assurance

Audit Certificate is Absolute Assurance

Bank Branch Audit Certificates
(Reasonable / Limited Assurance)

- Branch Returns
- Audit Reports
- Memorandum of Changes
- LFAR
- Tax Audit Reports
- Jilani & Ghosh Certificate
- Other Certificates

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Other Certificates

Returns to be verified. Closing balance to be reconciled with the GL Heads

Ensure the correctness of financial implication caused due to frauds

Ensure the correctness of financial / non-financial information given in certificates.

One UDIN will suffice for the Bank Audit Report including LFAR and certificates.

SBA's may also refer Illustrative format of covering report for Certificates as prescribed in Guidance Note on Audit of Banks

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Type of Assurance		
Particulars	Reasonable Assurance	Limited Assurance
Level of Assurance	High but not absolute	Lower than reasonable
Procedures	Wider Scope - Verify relevant documentation, inquiries, testing internal controls to assess compliance, analytical procedures	Narrower Scope - Review of Financials and other relevant documentation, inquiries, analytical procedures
Expression	Opinion	Conclusion
Example	In our opinion, the entity has complied , in all material respects, with XYZ law; or In our opinion, the Statement of XYZ is properly prepared, in all material respects , based on XYZ criteria	Based on the procedures performed and evidence obtained, nothing has come to our attention that causes us to believe that [the entity] has not complied , in all material respects, with XYZ law

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Introduction

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Standards on Auditing

SA 200 - Audit. Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing (01.04.2010)*

SA 210 - Agreeing the Terms of Audit Engagements*

SA 220 - **Quality Control for an Audit of Financial Statements***

SA 230 - Audit Documentation*

SA 240 - The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*

SA 250 - Consideration of Laws and Regulations in an Audit of Financial Statements*

SA 260 - Communication with Those Charged with Governance*

SA 265 - Communicating Deficiencies in Internal Control to Those Charged with Governance and Management*

SA 299 - Joint Audit of Financial Statements*

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Standards on Auditing

Risk Assessment and Response to Assessed Risks

SA 300 – Planning an Audit of Financial Statements*

SA 315 - Identifying and Assessing the Risks of Material Misstatement through Understanding the Entity and Its Environment*

SA 320 - Materiality in Planning and Performing an Audit*

SA 330 - The Auditor's Responses to Assessed Risks*

SA 402 – Audit Considerations Relating to an Entity Using a Service Organization*

SA 450 - Evaluation of Misstatements Identified during the Audit*

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Standards on Auditing

Audit Evidence

SA 500 – Audit Evidence*

SA 501 - Audit Evidence – Specific Considerations for Selected Items*

SA 505 - External Confirmations*

SA 510 - Initial Audit Engagements—Opening Balances*

SA 520 - Analytical Procedures*

SA 530 - Audit Sampling*

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Standards on Auditing

Audit Evidence

SA 540 - Auditing Accounting Estimates, Including Fair Value Accounting Estimates, and Related Disclosures*

SA 550 - Related Parties*

SA 560 - Subsequent Events*

SA 570 – Going Concern*

SA 580 – Written Representations*

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Standards on Auditing

Using work of others

SA 600 - Using the Work of Another Auditor*

SA 610 - Using the Work of Internal Auditors*

SA 620 - Using the Work of an Auditor's Expert*

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Standards on Auditing

Audit Conclusions and Reporting

SA 700 - Forming an Opinion and Reporting on Financial Statements*

SA 701 - Communicating Key Audit Matters in the Independent Auditor's Report*

SA 705 - Modifications to the Opinion in the Independent Auditor's Report*

SA 706 - Emphasis of Matter Paragraphs and Other Matter Paragraphs in the Independent Auditor's Report*

SA 710 - Comparative Information - Corresponding Figures and Comparative Financial Statements*

SA 720 - The Auditor's Responsibility in Relation to Other Information*

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Auditing Standards Compliance

Refer to CAQ Utility *

Define overall responsibility to team members at the time of planning regarding performance and documentation

Ensure that work is performed as per guidance given in professional standards wherever applicable



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SA 230 Audit Documentation

Nature & Purpose of Audit Documentation

Evidence of Auditors basis for a conclusion about the achievement of overall objectives of the auditor and

Evidence that the audit was planned and performed in accordance with SAs and applicable legal and regulatory requirements.

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SA 230 Audit Documentation

Hence, important to conduct audit as per SA & adequately document the same to serve as an audit trail to ensure NIL error or negligence in discharge of professional duties

Auditor is held guilty of professional misconduct if he/she fails to comply with the requirements of SA's

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SA 230 Audit Documentation

Documentation requirements under:

SA 220	SA 320
SA 240	SA 330
SA 250	SA 450
SA 260	SA 540
SA 265	SA 550
SA 299	SA 610
SA 300	SA 701
SA 315	



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Audit Documentation

Record of audit procedures performed, relevant audit evidence obtained & conclusions reached (working – work papers)

Assists planning, performing, accountability & responsibility fixation, audit supervision & review

Record retention for future audits, & conduct of quality controls (SQC 1).

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SA 230 – Audit Documentation

**Prepare
documentation
that provides**

**Sufficient &
Appropriate record
of basis of auditor's
report**

**Evidence that audit
was planned &
performed in
accordance with SAs**

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SA 230 – Audit Documentation

Provides

- I. evidence of auditor's basis to conclude on achieving overall audit objectives ; &
- II. evidence that audit was planned & performed as per SAs & applicable legal, regulatory requirements.

Timely, sufficient & appropriate audit documentation enhances audit quality,

facilitates effective review & evaluation of audit evidence obtained & conclusions reached before finalizing audit reports.

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SA 230 – What to Document

Discussions of significant matters & it's nature - when & with whom (management, TCWG & others) it took place.

prepare & retain a summary (Completion Memorandum) describing significant matters identified & addressed during audit

Review of audit work by review of audit documentation.

SQC 1 - Firms to establish policies & procedures for retention of engagement documentation > 7 years from date of audit report / group auditor's report.

ICAI - Implementation guide to SA 230 - FAQs, checklist, case studies & illustrative working paper formats

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SA 230 – Audit Files

Permanent Audit File

Working Papers File

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SA 230 – Form and Contents

To understand:

The nature, timing and extent of the audit procedures performed.

Results of audit procedures performed, audit evidence obtained.

Significant matters arising during the audit, the conclusions reached thereon, and significant professional judgment made in reaching those conclusions.

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SA 230 – Documentation

Audit Documentation depends on factors such as:

Size and complexity of entity
 Nature of the audit procedures to be performed
 Identified risks of material misstatements
 Significance of the audit evidence obtained
 Nature and extent of exceptions identified
 Audit methodology and tools used

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SA 230 – Documentation

Examples of Audit Documentation:

(Paper / Electronic/Other media)

Audit Programs

Analyses

Issues memoranda

Summary of Significant matters

Letters of confirmations and representations

Checklists

Correspondence regarding significant matters.

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Sample Checklist on SA

75th
 ASSOCIATION
 OF CHARTERED
 ACCOUNTANTS
 INDIA

QUALITY REVIEW BOARD
 (Established under the provisions of the Chartered Accountants Act, 1949)

लेखापरीक्षा गुणवत्ता
 पुर्नविलोकन रिपोर्ट
 Report on Audit Quality Review

2023-24

Read and Follow

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PEER REVIEW

Inspection mainly consists of examination of documentation (working papers) and other records maintained by the practice unit.

Practice unit should have written guidelines for maintaining working papers (form and content)

Working papers should contain all audit evidence, and are cross-referenced.

Updation of audit working papers including permanent records. (Continuous Audit)

The working papers should be properly filed in order to ensure that they are easily retrievable.

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Questions



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THANK YOU

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