

Bank Audit Through CBS

An Introduction

Bank Audit Through CBS

Disclaimer

- ★ These are our personal views and can not (rather shall not) be construed to be a Professional Advice, and be acted upon. You may retain any Benefit, accruing to you, out of the same.
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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.

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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

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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

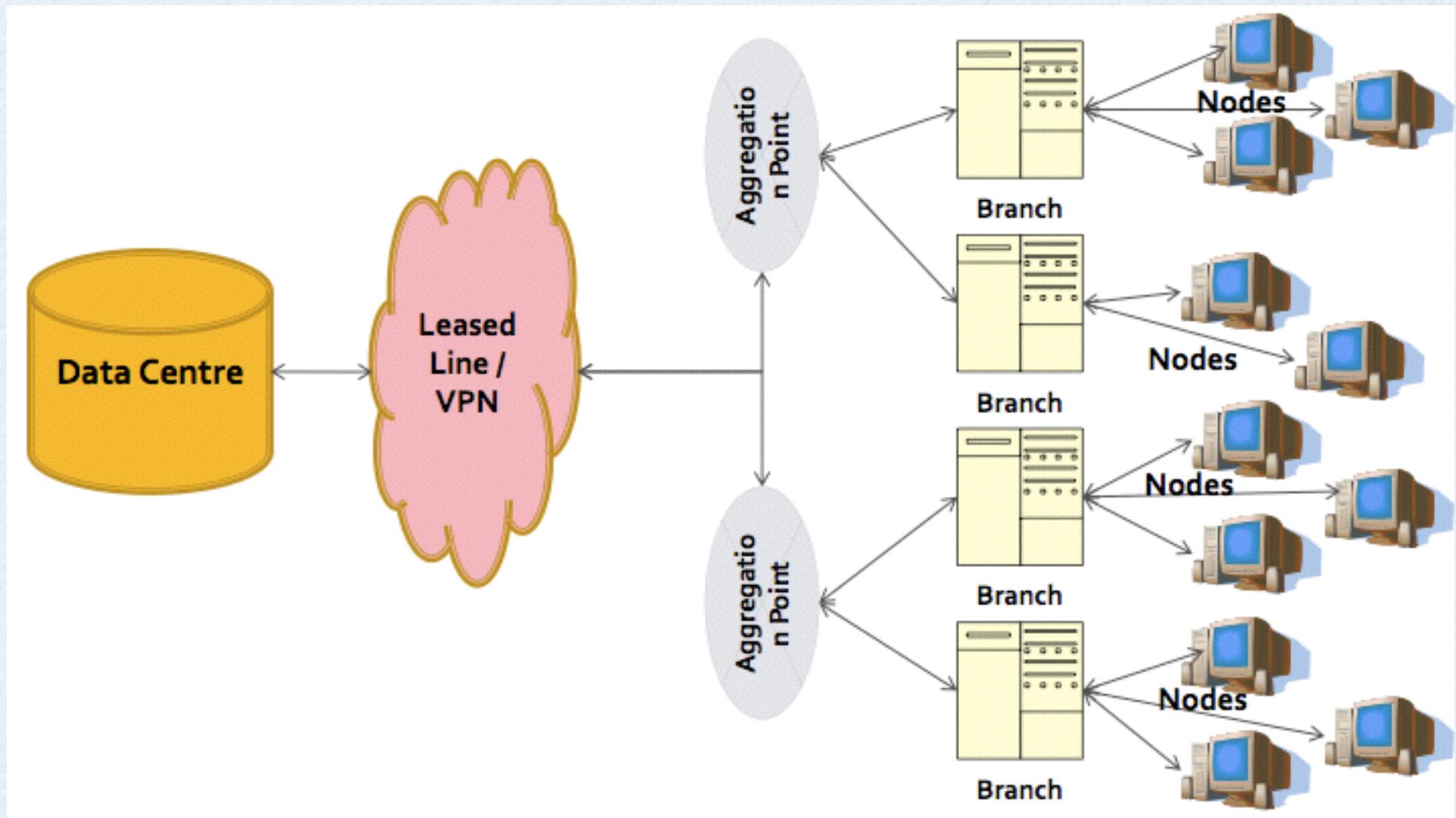
or the Line of Credit

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

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CBS IS DISTINGUISHED FROM LAN



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CBS IS DISTINGUISHED FROM
LAN, WHICH IS TOTAL BRANCH AUTOMATION

Parameter	CBS	LAN
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

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Finacle

The screenshot displays the 'Finacle User Menu' interface. At the top left, the user ID 'bole3031' is visible. The main title is 'Finacle User Menu' with the subtitle 'And Your Favorites!'. The interface is divided into several sections:

- MAIN MENU:** A tree view on the left containing categories like 'Cash Menu', 'Inventory Functions Menu', 'Back Office Functions Menu', 'Financial Transactions menu', 'Reports Menu', 'Inquiries Menu', 'Office Accounts Menu', 'Customer Accounts Menu', and 'Accounts Maintenance Menu'.
- SUB MENU:** A sub-tree under 'Accounts Maintenance Menu' listing options such as 'Security Register Maintenance', 'Open an Account [OAAC]', 'Office Account Replication [OACR]', 'Close an Account [CAAC]', 'Customer Accounts Maintenance [ACM]', 'Account Freeze Status Maintenance [AFSM]', 'Update Account Purge Flag [ACPF]', 'Account Facility Maintenance [FATM]', 'Change Customer Id of Account [CCA]', 'Customer Master Maintenance [CUMM]', and 'Change Account Manager of Customer [CAM]'. The 'Customer Master Maintenance [CUMM]' option is currently selected.
- Favorite's!:** A list of user-defined favorites on the right, including 'Issue Chequebooks [CHB]', 'Open an Account [OAAC]', 'Close an Account [CAAC]', and 'Customer Master Maintenance [CUMM]'.
- Progress Indicator:** A horizontal bar at the bottom of the main content area.
- Message Area:** A text area below the progress indicator.
- Action Bar:** A bar at the bottom containing navigation and control buttons: 'Menu Option', 'Transmit', 'Accept', 'Cancel', 'PrevRec', 'NextRec', 'Whole', 'Background', 'PrevBlk', 'NextBlk', 'List', 'Explore', and 'Back'.

Callouts with arrows point to these components: 'MAIN MENU' points to the left tree; 'SUB MENU' points to the 'Accounts Maintenance Menu' sub-tree; 'MENU OPTION' points to the 'Open an Account [OAAC]' item; 'User Defined Favourites' points to the 'Favorite's!' list; 'PROGRESS INDICATOR' points to the horizontal bar; 'MESSAGE AREA' points to the text area; 'ACTION BAR' points to the bottom navigation bar; and 'Specify menu option here' points to the 'Menu Option' input field.

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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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Customer / Ledger Inquiry

Finacle

<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>

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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

Finacle

<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

Finacle

<i>Menu</i>	<i>Function</i>
<i>LAOPI</i>	<i>Loan & 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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Finacle

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>

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Finacle

Misc. Reports

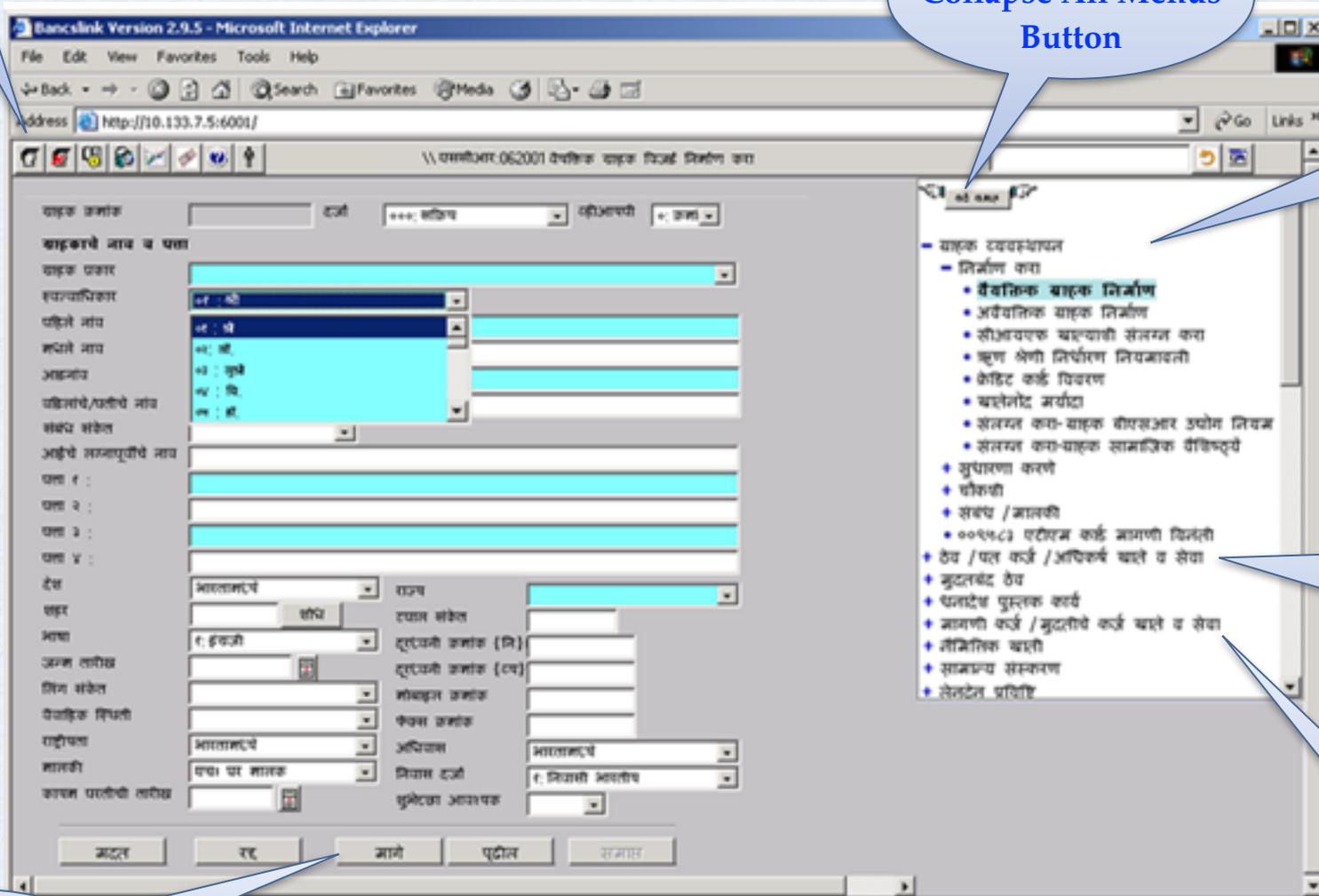
<i>Menu</i>	<i>Function</i>
<i>ISAR</i>	<i>Inter Sol Audit Report (Inter Branch)</i>
<i>ISTR</i>	<i>Inter Sol Transaction Report (Inter Branch)</i>
<i>IRM</i>	<i>Inward Remittance Maintenance</i>
<i>ORM</i>	<i>Outward Remittance Maintenance</i>
<i>LKRCM, LKTRM</i>	<i>Locker Rent Change Collection Maintenance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

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Shortcut
Menus (Icons)

Collapse All Menus
Button

Main
Menu



Deposit
/ CC / OD
Accounts

DL /
TL Accounts &
Services

Help,
Cancel, Previous,
Next Keys

TCS B@NCS Sample Screen

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TCS B@NCS

Customer Reports

<i>Customer Management—></i>	<i>Function</i>
<i>Enquiries—> Search by CIF No.</i>	<i>Search</i>
<i>Enquiries —> Search by ID No.</i>	<i>Search</i>
<i>Enquiries —> Search by Name</i>	<i>Search</i>
<i>Relationship / Ownership—> 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—></i>	<i>Function</i>
<i>Enquiries—> Deposit / CC / OD A/c</i>	<i>Verify A/c Details</i>
<i>Enquiries —> Short</i>	<i>Basic Enquiry</i>
<i>Enquiries —> Long</i>	<i>Detailed Enquiry</i>
<i>Enquiries —> Transaction</i>	<i>for Transaction Enquiry</i>
<i>Amend —> Pending Charges</i>	<i>Pending Charges Details</i>

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TCS B@NCS

Branch General Ledger & Transactions

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

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TCS B@NCS

Loan Module

<i>DL/TL Accounting & Services —></i>	<i>Function</i>
<i>Loan Tracking —> Operations</i>	<i>To Change Interest Rate</i>
<i>Loan Processing —> Generate Repayment Schedule —> Action - E</i>	<i>Print Repayment Schedule</i>
<i>Enquiries —> Short —> Option "Balance Breakup Enquiry"</i>	<i>To View Arrears & Breakup of Principal, Interest</i>
<i>Securities (Primary / Collateral) —> Customer —> Enquiry —> Enquire Security Summary</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 —> Enquiry of VPIS —> General Enquiry</i>	<i>Check Inventory</i>
<i>Collection and Cheque Purchase —> Enquiries —> Enquiries</i>	<i>Inquiry on Cheque purchased / sent for collection</i>

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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.

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The CBS Audit can be elaborated as

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

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Application Controls



DP / Limit Setting



Data Validation



Processing of Data



KYC Compliance



Computer & Internet



Parallel Systems



Maker & Checker

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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

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*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

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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.

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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

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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.

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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.

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Cases for Discussion



Lien marking on FD for OD / BG / LC.



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

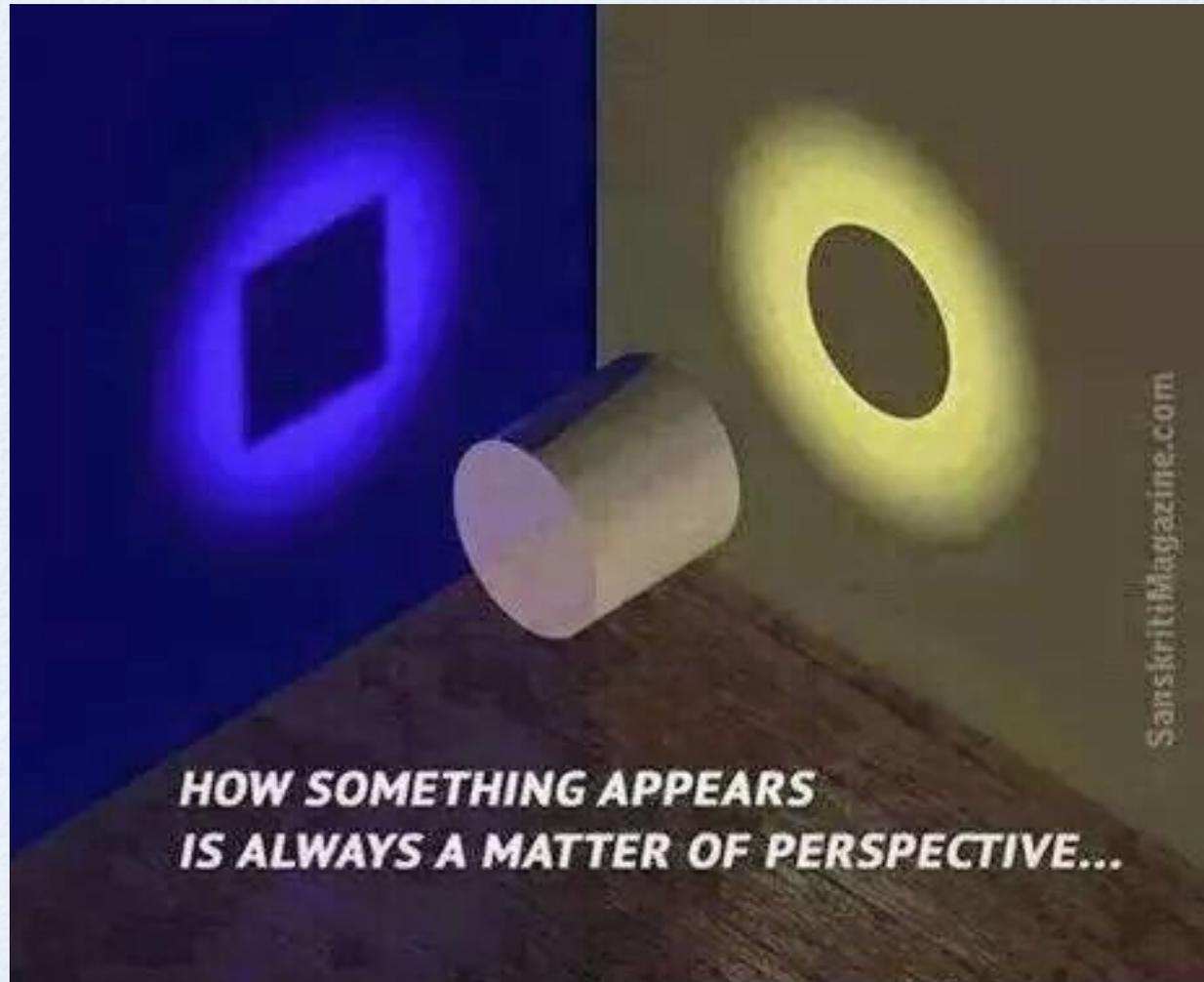


Loan Against LIC Policy, Policy given to Customer for Money Back Claim -
Check Assignment.



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

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

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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

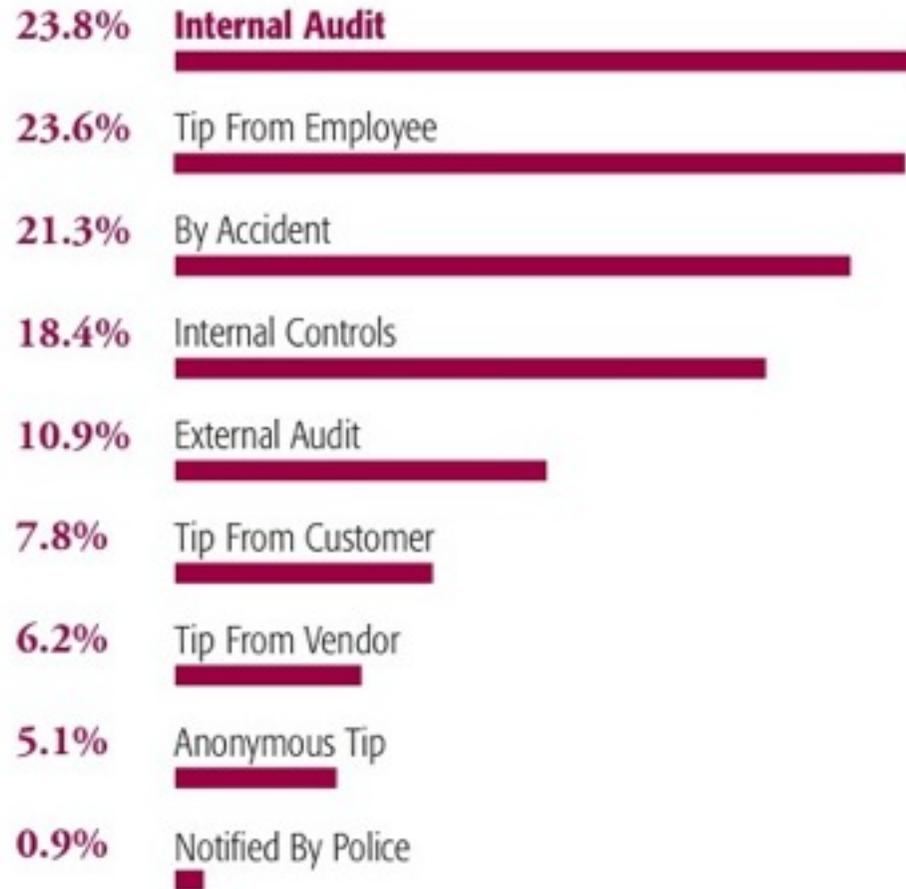
The Law for Audit, Fraud Enforcement

-  Indian Penal Code, 1861
-  Companies Act, 2013 (CARO)
-  The Banking Regulation Act, 1949
-  Exceptional Reports for RBI
-  Prevention of Corruption Act
-  Income Tax Act, 1961
-  Information Technology Act, 2000
-  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.

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Thank You !!

Charudutt Marathe

F.C.A., D.I.S.A.(ICA), F.I.C.A., C.F.E., LL.B., B.Com.

charuduttm@yahoo.co.in

093714 32369

0712 - 2532369