Chapter – 2 – Core Banking System

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Background

2.1   Over the years, the banking operations have been atomized to a large extent and wide range of banking software's have been developed for accounting of transactions and core banking operations. Bank software's are becoming more sophisticated all the time. As new accounting methods develop and more people bank online, private banking software is being developed to streamline the processes.

Banking Industry and Banking Software

Current Scenario

2.2   The face of banking industry is changing continuously. What Banking is today is quite different from what it was in the years gone by. Some of the present trends in banking industry include following:

- Focus on Customer Relationship (Service Oriented Architecture[SOA]);

- Introduction of Value Added Services;

- Connectivity of branches;

- Multiplicity of Delivery Channels (ATM, Cash Deposit Machines, Cheque Deposit Machine, Point of Sale Units, Credit Card, Mobile Banking, Internet Banking);

- Focus on MIS and Risk Management;

- Focus on Reduction of Transaction Cost.

Future Scenario

2.3   One can visualize future scenario in the industry on current trends. Going by the current happenings one can expect the future of banking industry. Some of the important factors are as follows:

- Increase in the expectations of customers;

- Increase in healthy competition due to issue of new banking licenses;

- A greater variety of products and delivery channels in the market;

- Centralised customer management (Service centric approach);

- Information technology to act as an integrator and enabler between demands on the industry and services rendered.

Challenges

2.4   The biggest challenge before the banking industry today is posed by its customers' expectations. The customer today is more informed and aware than before. Customers demand more and more services and delivery

channels. Customer's expectations are increasing with respect to anywhere, anytime banking and also for diverse products and facilities.

There are challenges posed by market forces due to stiff competition wherein the differentiator or selection of bank by the customers is based on quality of services. However, the service up-gradation comes with a cost for the bank. Hence, a trade-off between cost of transaction and quality service to customer is the key. Moreover, due to diversified products and services, upto date information for customer and banker is very important.

On the other front the regulatory requirements are rapidly increasing. Apart from handling transactions, customer and competition it is very important to pay equal attention to adherence to regulatory guidelines.

A composite system / software which handles transactions, customer relations, regulatory compliances, MIS/ reports request is the need of the hour. Core Banking Systems (CBS) provide the solution for the same. There are various Core Banking Software's available in the market. More prominent and used in India are Finacle, FLEXCUBE, TCS BaNCS.

Audit of Banks and Banking Softwares

2.5   Ever since the human being started documenting transactions, audit methodology and techniques have evolved over the period of time keeping pace with the style of business. With the growth in business volume and technological advances there has been paradigm shift in various aspects of business. Conducting audit of financial transactions cannot be an exception to the same. Traditional audit techniques and methodology were outcome of the volume and complexities of the business of its time. A classic example of the same is audit techniques applied for conducting audit of a bank operating under Core Banking System (CBS).

As we have witnessed, during the last decade there has been large scale growth in banking services, covering more and more geographical area and large number of population. This has necessitated applying modern technology, particularly in the field of data capturing, recording and processing. CBS is outcome of the same.

For obvious reasons audit methodology cannot remain static, it has also to change. Therefore, with the spread of CBS in large number of cases, changing audit methodology also became inevitable. If the auditor's dependence on technology hinges heavily, there is no reason why auditor should not apply the same technology.

Core Banking Solution (CBS)
What is CBS?

2.6   The core banking system is the set of basic software components that manage the services provided by a bank to its customers through its branches (branch network). The bank's customers can make their transactions from any branch, ATM, service outlets, internet, phone at their disposal.

The CBS is based on Service Oriented Architecture (SOA). It helps banks to reduce risk that can result from manual data entry and out of date information. It also helps banks to improve service delivery quality and time to its customer. The software is accessed from different branches of bank via communication lines like, telephones, satellite, internet, etc.

Core Banking System (CBS) works on a concept of Centralized Database and Processing. Transactions take place at various geographical locations which get recorded and processed at a Centralized Server. Updation of database is on Real Time Basis. Due to the centralization of transaction processing, issue of out of date information is eliminated.

All the users connected to CBS will be able to get upto date information. CBS also enhances quality of reporting and strengthens access control.

Centralized Banking Solution/ Core Banking Solution

2.7   Under CBS data is stored in centralized servers at data centre. This effectively means that all operations at the connected branches, back offices are carried out through servers at data centre including transactions through other delivery channels like, ATMs, internet banking, phone banking, etc.

Under CBS, the branches, back offices are defined as SOL (i.e., Service Outlets) where each SOL functions as a service window. The CBS is capable of processing any transaction from any branch location connected to CBS. It can be equated with single window operations at airline counters or railway reservation counters wherein all the services can be obtained at one place. Hence, under CBS customer is now a customer of the bank and not merely a customer of a branch of the bank. This has facilitated anywhere, anytime banking convenience for the customer.

From bank's perspective, control over the application and processes has been entrusted at data center level. In addition to it, CBS also makes available effective MIS on real-time basis. It enables generation of all periodical returns centrally. As mentioned above, there are various CBS developed by various software companies available in the market and most commonly used are FINACLE, TCS BaNCS and Flex Cube.

Introduction to FINACLE

2.8   A Financial Package, for banking solution developed by Infosys on a platform of Oracle, is thus named as FINACLE. Presently, many Indian Public Sector Banks, Private Sector Banks and Foreign Banks operating in India are using this software as banking solution due to high flexibility and scalability. Finacle is an integrated, on-line, enterprise banking system designed to provide the "e-platform".

Prior to 1995 it was known as BANC 2000, a Total Branch Automation package with a distributed network. After 1995 Infosys developed the same as FINACLE, a Core Banking Solution. Functionalities of Finacle are as follows:

- Finacle facilitates anywhere banking.

- It is menu driven software with easy navigation.

- It is functionality rich and addresses the retail and corporate banking requirements.

- Customization and parameterization are two special features of Finacle.

- Finacle provides multi-lingual support.

- Finacle provides multi-level security, i.e., operation, database and application level security

- It supports workflow based transaction processing.

- It has high level of security control and audit capabilities.

- It has a common transaction interface for all type of transactions.

- It provides a browser based GUI interface to Finacle.

- SQL and PL SQL is used for generation of MIS, reports, queries at centralized level.

- Designed for optimum usage of network bandwidth.

- There are two functional modules:

- *Retail and Corporate Module*- Encompassing Saving Accounts, Current Accounts, Term Deposits, Cash Credit Accounts, Overdraft Accounts, Term Loans, Demand Loans.

- *Trade Finance Module* - Encompassing Inland & Foreign Bills, Forward Contracts, Inland & Foreign Documentary Credits, Inland & Foreign Bank Guarantees, Inland & Foreign Remittances and Pre-shipment Credits.

Security in Finacle

2.9   FINACLE is having multiple levels of security. Various security levels embedded in it are as follows:

- OS Level

  - No access to OS

  - OS and application level profile

  - Direct login to application menu

- Database level

  - Protection from external updating

- Application level

  - Menu level

  - User level

  - Product level

  - Account level

  - Transaction level

- Dual control for all transactions

  - Maker-Checker Concept

- Controlled error handling through exceptions

  - (1) Warning (2) Exception (3) Error

Finacle Overview

2.10   Following is an overview of Finacle for understanding of the users:

Finacle User Menu								
Menu Block			Favorites !					
Main Menu -> Sub Menu -> Menu Description [Menu Code]			User Defined Favorites					
MESSAGE AREA								(A)
Menu Option	(B)	Btn.1	Btn.2	Btn.3	Btn.4	Btn.5	Btn.6	Btn.7
		Action Bar						

A = Progress Indicator

B = Field to Specify Menu Option

- *Menu Block*: The block houses all the menu and sub-menu options available in Finacle.

- *Menu Option Block*: Menu Code to be entered to gain access to the respective menu.

- *Action Bar* : User can execute the process of Finacle operations by clicking on various options on this bar. The hot keys are also assigned for all options, which appear on the bar.

- *Action Buttons*: Every action button has a specific purpose. For e.g., on clicking Who AmI button, system will display use rid of the user who is currently logged in and other information, viz., date and name of SOL in a message box.

- *Message Bar:* The message bar displays warnings, exceptions, errors or lists under a specific field code.

- *Favorites*: Menu items which are required and used on regular basis can be put in favorites by copying from Menu Block. As onetime process, specific menu item which is required to be copied to Favorites should be located in menu block and with the use of drag and drop the function can be stored under favorites menu.

- *Progress Indicator:* It shows the progress of the action initiated through the use of colours (i.e., **Green** indicates that the System is "Ready" for processing, **Red** indicates that the "System is busy in Processing Activity" and **Yellow** indicates that browser is performing internal processing like, assembling/ painting screen as per requirement. User should not operate the system)

General Key Map

2.11   Default Physical Keys in Finacle have been given in the table below. However, default key map differs in individual bank.

Physical Key	What does it do?
F1	Field level help. Like in several word processors and spreadsheet packages, F1 displays context sensitive help messages and field level help messages.
F2	List. This key lists the codes that may be used in a particular field.
F3 / ESC	Quit/ Back. Quits and takes the user back to where he started when in action. It can be used when the input is incorrect and the user wants to abandon what he has been doing. It can also be used to go back to the previous menu.
F4	Accept. After the user has completed the input, this key can be used to accept the data.
F5	Background Menu
F6	Next Block
F8	Copy Record
F9	Display Signature
F10	Commit/ Save. This is very important key and this concludes the transactions. This is the commit and transactions get into the General Ledger (database) when this key is used.
F11	Next field

Physical Key	What does it do?
F12	Previous Block
TAB	Go to next valid field
ENTER	Go to the next field
DOWN Arrow ↓ (Next Rec button)	Next Record (In a list or result of a query)
UP Arrow ↑ (PrecRec button)	Previous Record (In a list or result of a query)
CTRL+F1	Help maintenance
CTRL+F3	Show key map
CTRL+F4	Display error
CTRL+F8	Terminal lock
CTRL+F9	Memo pad look up
CTRL+F11	Context level help
CTRL+D	Page down on a list
CTRL+E	Explode. This key is particularly useful for the further inquiry.
CTRL+F	Clear field. This key combination can be used when the user wants to clear the field.
CTRL+T	Display LGI. The user ID, Terminal ID, SOL, BOD Date and language details are displayed.
CTRL+U	Page up on a list
CTRL+X	Put BOD date. This key combination populates the default BOD date in the field.
SHIFT+F4	Select the current item from the list. This key combination can be used to select a value from the list of valid values listed for a particular field.
SHIFT+F11	Transmit
SHIFT+TAB	Go to the previous field

Introduction to TCS BaNCS

2.12   A Financial Package, for Banking Solution offered by Tata Consulting Services. The Core Banking solution TCS BaNCS is an integrated solution that automates all aspects of core banking operations across entities, languages and currencies. BaNCS is built on open architecture, component-based product suite to leverage service-oriented and event-driven architectures. It's functionalities are as follows:

- Entire range of banking products including savings, checking, overdraft and deposit accounts.

- Entire range of lending products.
- Complement of transactional services including remittance, foreign exchange, cards and trade finance.
- Accessibility through multiple channels, including mobile banking and web.
- Full integration of front, middle, and back office processes.
- Accurate, timely and actionable information about customer relations.
- Single view between bank and customer.
- "Anytime anywhere" banking.

Introduction to Oracle Flex Cube

2.13   Flex Cube provides a comprehensive, integrated, interoperable, and modular solution that enables banks to manage evolving customer expectations. Major functionalities are as follows:

- 24/7 processing of large transaction volumes, with high availability.
- Multiple delivery channel support.
- Security management covering application and role-based access.
- Service-oriented architecture supports agile business process management.
- Componentized architecture helps build scalable and reusable solutions.

Quick Access Screens through Hot Keys in FlexCube

Hot Keys	Screen Name	Description
Alt + B	Balance Inquiry	This screen displays the account details of the savings and checking account balances such as the available balance, nucleated balance, current book balance, passbook balance, net balance, etc.
Alt + C	Customer Name And Address Inquiry	This screen displays the details such as, the name, address, city, country, SSN/TIN number, etc., of the selected customer.
Alt + A	Account Details	This screen displays the account details of the customer such as account number, account branch, account currency, customer name, etc.
Alt + S	Amount based Account Image Display	This screen displays the images on the basis of the details maintained in the Amount Based Operating Instruction Maintenance (Fast Path: 7116) option.
Alt + P		This will enable the user to print the receipt of the transaction.
F8		This will enable the user to return to the same screen.

General Concepts of CBS and Finacle

SOL ID and Set ID (Init. Br. ID)

2.14   **SOL ID -**Under Core Banking System, each Branch, Back Office, Administrative/ Controlling Office are assigned a code, i.e., Service Outlet ID [SOL ID]. It helps in identifying the Branch / Office under which the Account is maintained. Hence, if a branch at Delhi is assigned a SOL ID of "0089", the accounts opened under Delhi Branch will display "0089" as SOL ID in CBS.

As discussed above under CBS any branch can initiate transaction for any of the account maintained with the bank. Hence, a distinction is required between the branch which maintains the account and the branch who initiate the transaction.

Set ID (Init. Br. ID): Set ID or Initiating Branch ID is a SOL ID of the Branch who initiated the transaction. For e.g., transaction of a cash withdrawal by a customer of Mumbai Branch (SOL ID "0044") from Delhi Branch (SOL ID "0089"). In the instant case "0089" is Init. Br. ID and "0044" is Account SOL ID.

In order to search transactions based on the branch who initiated transactions in Finacle, SET ID (Init. Br. ID) parameter is required to be used under Menu Code "FTI".

Tran ID, Journal No. and Date

2.15   Each transaction in Finacle will be assigned a unique Transaction ID. The Transaction ID remains unique only for the day, since, on the next day the Transaction IDs are reset.

Combination of Transaction ID and transaction date make it unique across the system. In Finacle, once the transaction is "Entered", a Tran ID is generated. To locate any transaction from the database the user need to use Tran ID and Date at TI/TM Menu command. Under BaNCS the transaction number is known as Journal Number.

(i)   Transaction Type and Sub Type

Transactions in Finacle are entered with the Transaction Type and Transaction Sub Type. It is easier to trace set of transactions with Transaction Type and Sub Type.

Codes for Transaction Type and Sub Types are prescribed differently by each bank. For e.g.,

Transaction Type codes for Cash and Transfer may be of following types.

–   Tran Type: Cash: "C", Transfer: "T"

–   Sub Tran Type: CR – Cash Receipt, CP: Cash Payment

The auditor must acquaint himself with the Transaction Types used by each bank. It helps auditors to design query (search parameters) for inquiry of financial transactions.

Customer Master Level Configurations

2.16   Under CBS, the customer is identified by a number, generally, called CUST ID/ CIF No. Following are the advantages of separate configuration for customer and accounts of customer:

(a)   Identification of unique customers.

(b) Data redundancy can be reduced by eliminating the process of updating repetitive details about customer at each time of opening of account.

(c) It is easier to comply with customer centric regulations. For, e.g., TDS provisions under Income Tax Act (where payment to customer is important than payment for an account), IRAC Guidelines (where classification of account is borrower-wise and not account-wise).

(d) Multiple accounts of the customer can be mapped to a customer for better identification.

Under the Customer Master Level configuration basic details about the customer are updated. Details include name, date of birth, PAN number, etc.

2.17 Once the CUST ID/ CIF is opened, various accounts can be opened under the said CUST ID/ CIF. Relationship between CUST ID/CIF No. and account is that of parent and child wherein the Account Master inherits the information and parameter values from Customer Master.

In Finacle menu command **CUMM/ CUMI** is used for inquiry on CUST ID/ CIF No. Under BaNCS the customer master details can be reviewed through "Customer Master Details" module.

2.18. Some important points for auditors are as follows:

(i) **Issues with multiple CUST-ID**

In terms of guidelines issued by the RBI on UCIC, each customer in bank is required to be assigned a unique ID. However, it has been observed in many banks that multiple CUST IDs have been opened for a customer. It has also been observed that at the time of migration, it had migrated old customer information to one CUST ID and have opened new CUST IDs for opening of new accounts post migration.

Due to multiple CUST ID the very purpose of having configuration of CUST ID is defeated. The auditors should verify such discrepancies at the time of account opening verification. Moreover, the auditors should also seek help of bank's IT Dept. for generation of report based on combination of information, *viz.*, name, PAN, date of birth, employee code, etc., to identify existing cases of multiple CUST ID in the system.

At the time of opening of account, Finacle automatically displays the name of account holder based on CUST ID details. However, Finacle also allows user to amend the name. Generally, the said change is configured as an exception which requires sufficient powers/ work class in the system to override.

The auditor at the time of Account Opening verification should verify the details as per CUST ID and in account. Difference in names at both the places increases unwarranted confusion. Moreover, auditor should seek help of bank's IT Dept. for generation of report based on difference in name as per CUST ID and as per accounts opened (if any).

(ii) **Account Level Configurations**

Configurations/ parameters for are setup at the time of Account Opening. Modification afterwards is also permitted. Account Level master contains the parameters and details specifically with respect to account. For instance, Interest Rate, Interest payment periodicity, Freeze, Lien, etc.

It is important to note here that under CBS majority of functions and transactions are master driven and hence, any minor error at Master Level (whether Customer Master or Account Master) can have magnanimous effect on transaction processing. For e.g., if Interest Collection Flag is selected as "N" at Account Master Level, the system will not collect any interest. Hence, accuracy of master is a vital audit area.

(iii)   Pointing Type Accounts/ Self Reconciling Accounts

Apart from maintaining customer accounts, the bank's general ledger also contains various Suspense/ Sundry Accounts. Such accounts can be with debit or credit balance. The said accounts are used for limited purpose and for parking of entries for limited time frame. Transactions wherein either debit/ credit leg is not confirmed/ identifiable at the time of transactions are parked in such accounts. For e.g., an amount of ` 1,000 is given to an employee in advance for purchase of stationery item for branch. The said transaction will be kept under such Suspense/ Sundry account till the date the employee submits the bill/ returns the advance. The transactions processed in such accounts are not routine hence it calls for continuous monitoring and earliest reversal. Moreover, numerous transactions in an office account make it difficult for reconciliation. In earlier times, the activity of reconciling the office account was manual.

However, under CBS such accounts are opened under Pointing Type Office Account/ Self Reconciling Accounts Scheme Code which facilitates automatic reconciliation and real-time information on outstanding/ non-reversed transactions. Transactions in such type of accounts are in two parts - Originating Transaction and Reversal Transaction. For each reversal entry, the system will prompt the user to point it to an originating transaction. There can be multiple reversals against single originating transaction. Such type of account will also ensure that in case of a debit type office account, credit entry as originating entry will not be permitted.

On the users side, at the time of reversal of Transaction the system will ask the user to "Point" the Originating Transaction against which the transaction is being reversed. On selection, the system will reduce the balance under the said Originating Transaction. Under this type of Pointing Type Account, at any given point of time aggregate of outstanding transaction-wise balance will be equal to the Office Account Ledger Balance. Under Finacle, verification of outstanding/ non-reversed entries can be verified from menu command **IOT (Inquire on Transaction)**. Moreover, a report on outstanding office account transaction can be generated through Menu **MSGOIRP**. Various customized reports for the said purpose are also available under each banks "Report" menu in Finacle.

Under BaNCS, the outstanding entries are available through offline reports viz. "Audit BGL accounts age wise break up"and "GL-Outstanding-Accounts" report.

(iv)   Interest Table Maintenance

Interest collection as well as payment in CBS can be through Interest Tables or can be by way of absolute rate. In case a loan account wherein Interest Rate is based on a reference rate (say Base Rate), the Interest Rate field is updated with the Reference Rate Table to ensure automatic updation of Interest on subsequent change.

In case of Interest Table master, the primary rate is sourced from a Master Table. For instance, in case of Loan sanctioned as Base Rate + 3 % whereas Base Rate at the time of Sanction was 10%, the Interest Rate

field will be updated either with BR+3 Table code or with BR Table with 3% updated in Account Preferential Debit Interest with +3%. Method of updation of interest may differ from bank to bank.

In case of few specialized products (e.g., subsidy linked accounts) limit level interest rate is required to be applied. In such case the parameters are setup at Interest Table Master Level and the said table code is updated under Interest Table field at Account Master Level.In case of a fixed rate loan, the interest rate is updated as absolute figure in Interest Rate field instead of Table. However, few banks follow the practice of updating "ZERO Interest Rate Table" with necessary interest rate at Account Preferential Debit Interest.

(v)   Interest Flags

Values at Interest Flags determine the payment and collection of Interest. Applicable flags (i.e., Interest payment, Interest collection) are required to be updated at Account Master Level. Hence, if the Interest Collection Flag is updated as "N", there will not be charging of interest by system, although proper Interest Table Master is selected.

(vi)   Withholding Tax Flags

Interest payment to the customer is aggregated at Customer Master Level (i.e., for all the accounts opened under a CUST ID / CIF No.). The threshold limit for TDS is computed based on the amount aggregated at CUST ID Level. Once the payment of Interest exceeds minimum threshold level prescribed under Income Tax provisions, the system initiates deduction of taxes from Interest. However, for cases wherein customer has submitted Form 15H/ 15G/ tax exemption certificate, necessary flags are required to be updated to prevent deduction of taxes upto the enhanced limit (as applicable).

Withholding Tax flags are available at both CUST ID and Account Master Level. With the recent change in the Income Tax guidelines w.r.t. online submission of details of Form 15G/15H, the exemption is required to be flagged at CUST ID level for the amount of Interest Income declared by the customer.

In Finacle, withholding (TDS) flags are driven by Tax Slab. For each type of customer different tax slabs have been defined at Master Level e.g., TDS for individuals, TDS for corporate, TDS for exempt entities. It is important for auditor to verify correctness of Tax Slab vis a vis constitution of customer.

(vii)   Freeze Flags(Debit, Credit and Total)

In case of court order, dispute between the joint account holders, recovery notice from revenue authority the transactions in accounts are required to be suspended. Depending upon the requirement the transactions are suspended (viz. Debit, Credit or all) through Freeze Flags.

The freeze can be applied at CUST ID Level (i.e., all the accounts of the customer) or specific account of the customer. The source documents are required to be verified for marking of freeze and unfreeze event. The inquiry of accounts with Freeze Flag can be made in Finacle through ACS Menu Command with Freeze Flag as "T"=Total Freeze, "D"=Debit Freeze, "C"=Credit Freeze.

(viii) Schemes and Scheme Codes

Different types of account products are offered to customer with different characteristics. For instance, various types of Savings Accounts are offered. The aggregation of account balance for such cases will take place at Sub GL & GL Level. However, for account operations and account master setup different schemes are setup in CBS. Scheme Code acts as a placeholder. Inquiry for different types of accounts can be made in Finacle through ACS Menu Command with "Scheme Code".

Exception Types

2.19   The transaction errors are handled in CBS through following modes:

- Warning – Warns user for possible errors based on prefixed criteria

- Exception – Allows user (with sufficient power) to override. However, the transaction will be recorded in Exception Report for the day

- Error – Does not allow user to proceed further, unless the correct values are filled in.

Maker and Checker Matrix for Valid Transaction

2.20   Under CBS the transactions are processed by atleast two officials of the bank under Maker and Checker mode. The same is tracked through the transaction events (viz. entry, posting and verification). Posting is the event which updates the GL Balance. Posting activity depends on the rights assigned to each user ID.

Inventory Locations

2.21   The inventory concept under CBS refers to handling of security stationeries, viz., Non-personalized cheque books, Demand Drafts, Term Deposit Receipts. Each bank, as per the requirement, creates different inventory location and inventory sub location codes in CBS.

Predominantly, locations are created for joint custody (dual custody), employee custody, external locations. Barring, external location, balancing of security stationery is available for all the locations.

In Finacle the report on outstanding inventory items can be generated through Menu command ISRA. Whereas under BaNCS the same set of reports can be generated through VPIS (Valuable Paper Inventory System) module.

Zones in Clearing Modules

2.22   For easy identification of type of cheque and proper reconciliation various zones are opened on daily basis (as per clearing cycle) in CBS. Various zones are opened for Non CTS Cheques, Inter-bank Cheque, KYC Cheques, MICR Cheques, Non-MICR Cheques, Warrants, CMS Cheques, etc. Opening of Zone is the primary event before lodging any Inward Clearing instrument or Outward Clearing Instrument.

Limit and Limit Node

2.23   Under Finacle the Limit Management is done through Limit Node Maintenance. Wherein, the limits are specified at each node level with capping. Credit Limits can be set at Account Level as well as at Node Level for deriving the Drawing Power for a customer. Setting up of Limit at Node level has following advantages:

- Managing two or more accounts with drawing power deriving from the same security.

- Interchangeability of limits among different accounts.

- Monitoring the overall exposure to a single client/ group of clients.

- Exposure to a select commodity/ security. *Limit Node Maintenance* helps to build these requirements in the limit management

Limit Node

2.24   Limit nodes are used to group accounts under one node to enable easy monitoring and organization. A limit node can be linked to a security for deriving drawing power. Distribution of overall group (group may be a group of clients or a group of accounts) limits to individual members (members may be accounts or clients) is possible through creation of Parent Node and Child Nodes. Every child node can further be distributed to group of accounts or clients. This is diagrammatically explained through below example.

Facility Type	Particulars	Limit (Rs. Lacs)	Remarks
Funded	Term Loan	225	Funded Limit Cap is 500 Lacs *Upper Limits fixed in each type of Facility*
	WCDL	75	
	CC	200	
	BP / FBP / BD	50	
Total Funded Facilities		**500**	
Non-Funded	LC	300	Non Funded capping is at Rs. 500 Lacs
	BG	300	
Total Non-Funded Facilities		**500**	
Total Company Exposure		**1000**	Total Exposure to Company should not exceed 1,000 Lacs

Temporary Overdraft (TOD) Setup

2.25   Granting of TOD to a customer is a credit decision from bank's perspective. Concurrent auditor has to review the source documents and delegated powers to ascertain whether the sanction was inline with the guidelines

prescribed by the bank. Setup of TOD is done in Finacle as follows. TOD is granted to an account under various circumstances. For instance:

Type	Event	Mode
TODIC	Interest Calculation	Single
TODDL	Drop in Limit	Single
TODMN / TODUG	Manual / User Generated	Single/ Running/ Adhoc

Explanation of various TOD modes is as follows.

Mode	Narrative
Single (S)	It refers to TOD for specific purpose/ transaction. It can be used only for the specific transaction during which the same was granted.
Running (R)	It refers to setting up of a parallel limit at account level for a defined period over and above credit limits (if any).
Adhoc (A)	Adhoc allows customer with OD / CC Accounts to operate within TOD Limits for defined period.

2.26   From above narrative it appears that running and adhoc TODs serve the same purpose. However, from CBS perspective, both the events are different. In case of single and running TOD, CBS computes the number of TOD sanctioned in the account. In case the cumulative number exceeds the prescribed limit for an account, an exception gets triggered for all subsequent transactions. Whereas in case of adhoc TOD the said TOD is not counted under number of TODs thereby circumventing the exception controls embedded in the system.

It is important for auditors to verify cases wherein adhoc Limits have not been delinked on expiry in system.

Register Type and Subtype (Trade Transactions)

2.27   The concept of Register Type and Sub Type is same as Transaction Type and sub types as discussed above. The types are used to aggregate transactions of same nature in system. It helps in identifying and tracking of transaction in a better manner. In Finacle, Register Type and Sub Types have been used in Inland Trade Transaction and Foreign Trade Transactions modules.

List of few Register Types and Subtypes for an Import Transactions is as follows:

Reg. Type	Sub Type
Import Bill on Collection	Sight
Import Bill on Collection	Usance
Import Bill under LC	Sight
Import Bill under LC	Usance
Direct Import Bill	TT (Telegraphic Transfer) / DD (Foreign Demand Draft)
Advance Remittance against Import	TT (Telegraphic Transfer) / DD (Foreign Demand Draft)

Auditing through CBS

2.28   Generally, the following set of steps is recommended at the start of the audit to understand the operations at the branch level and familiarize oneself with the branch and its team:

- Document list of software's, applications and interface details associated with CBS.

- Review Usage Manual or Document Software navigation options and Menu Codes.

- Document list of Reports available in CBS and its menu codes.

- Review Exception Reports/ MIS Reports generated by Data Center.

- Review access rights, limited access and free access.

Parameters affecting automatic identification of NPAs and Re-designing of Audit Processes

2.29   In terms of directives issued by Ministry of Finance and Reserve Bank of India, it is mandatory for banks to identify the bad loans through CBS/ Systems instead of conventional methods. CBS like other software work on GIGO principle. Master Data play an important role in correct identification of Bad Loans.

Following are few scenarios wherein incorrect updation in Master Data, manipulation through transactions etc. may impact correct identification of bad loans through CBS.

Parameters	Auditors' Primary Checks	Suggested System Support
Discrepancies in setting up the EMI / Instalments	➤ Whether EMI/ instalment is correctly setup. ➤ Whether EMI/ instalment amount is matching with the Sanctioned Terms. ➤ Whether periodicity of Instalment is correctly classified as per Sanctioned Terms?	<u>Finacle:</u> – ACI -> Option "E" Repayment details <u>BaNCS:</u> – DL/TL Accounts & Services ➤ Enquiries ➤ Account – Deposit / CC / OD Accounts & Services ➤ Enquiries ➤ Deposit / CC / OD Account *(Short & Long Inquiry options are available under both menu.)*
Multiple sets of EMI / Instalments	➤ For case of Multiple sets of EMI e.g. For 1-5 years EMI of ` 7,000 and after 5 years ` 7,500 ➤ Whether sets of EMI are properly entered? ➤ Is there any substantial difference between 1st set of EMI and 2nd or other	<u>Finacle:</u> – ACI -> Option "E" Repayment details <u>BaNCS:</u> – DL/TL Accounts & Services ➤ Enquiries ➤ Account – Deposit / CC / OD Accounts & Services ➤ Enquiries ➤ Deposit / CC / OD Account

Parameters	Auditors' Primary Checks	Suggested System Support
	sets (e.g. 1st set ` 5,000 and 2nd`1,00,000) which cast doubt on debt serviceability?	*(Short & Long Inquiry options are available under both menu.)*
System determined Asset Classification vis a vis User defined Asset Classification	➤ CBS contains two sets of parameters. At first instance CBS identify the account based on set parameters under Asset Classification types. ➤ In few CBS it has been observed that user is generally given the option to differ and select/ amend the classification. In such cases detailed scrutiny of NPA system is required to be carried out. ➤ Due to errors in certain Master Data, there can be erroneous identification of account as NPA. However, such accounts require detailed scrutiny.	<u>Finacle:</u> ➤ ACM/ ACI Option – 'Y' Asset Classification Inquiry ➤ A report containing accounts wherein there is difference between Asset Classification by System and by user should be requested for. Accounts listed in the said report should be thoroughly verified.
Manipulation in SL / DP	➤ Changes in SL / DP should be cross checked with Sanctioned Letter. ➤ Whether any change in Limit is supported by necessary documentation?	<u>Finacle:</u> ➤ ACLHM – Account Limit History Maintenance <u>BaNCS:</u> ➤ Tailor-made report on Changes in Account Limits
Incorrect moratorium period	➤ Based on moratorium period CBS will identify the Loan Instalment and will track repayment. ➤ In case the moratorium period / instalment start date is erroneously updated system will not show correct result.	<u>Finacle:</u> ➤ ACI – Option "E" – Repayment Details <u>BaNCS:</u> ➤ Account Master details (Long Inquiry)
Re-phasement without reporting it as reschedule	➤ Loan Account Instalments are rephased / recalibrated without reporting the same as Re-schedule. ➤ Verify whether any change in Repayment instruction is made through	<u>Finacle:</u> ➤ ACI – Option "E" – Repayment Details <u>BaNCS:</u> ➤ Account Master details (Long Inquiry)

Parameters	Auditors' Primary Checks	Suggested System Support
	System. Compare the said accounts with list of Restructured Accounts.	➤ Report containing details of all the cases wherein EMI / Instalment is changed should be sought
Instalment Start Date is Future Date	➤ Check whether Instalment Start Date entered as per sanctioned term? ➤ In case of future date system will not identify instalment and any repayment received will be shown as "Overflow".	**Finacle:** ➤ ACI – Option "E" – Repayment Details **BaNCS:** ➤ Account Master details (Long Inquiry)
Interest Demand date (Future Date)	➤ Check whether Interest Start Date entered is as per Sanctioned Term? ➤ In case of future date as Interest Demand Date system will not accrue interest and any repayment received will be shown as "Overflow".	**Finacle:** ➤ ACI – Option "E" – Repayment Details **BaNCS:** ➤ Account Master details (Long Inquiry)
Fictitious credit through Office Account / Inter-branch Account	➤ Are there any quarter/ year end credits cited in the account? ➤ Check the source of Credit Entries. ➤ Review transactions in Office Accounts/ Inter Branch Accounts.	**Finacle:** ➤ ACLI – (Use CTRL + E to Explore the Tran) ➤ Review of Office Account Ledgers **BaNCS:** ➤ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction ➤ DL/TL Accounts & Services ➔ Enquiries ➔ Transaction
Round tripping from internal accounts	➤ Close scrutiny of transaction and review of chain/ series of transaction for accounts with deficiency is required. ➤ Such transactions will inflate the Credit Turnover in the account.	**Finacle:** ➤ ACLI – (Use CTRL + E to Explore the Tran) ➤ Using only Account Turnover Information generated through "ATOR" / "CUTI" / "ACTI" menu may lead to incorrect inference, since the credits are not solitary credits in account. **BaNCS:** ➤ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction ➤ DL/TL Accounts & Services ➔ Enquiries ➔ Transaction
Temporary Overdrafts	➤ Check whether the TOD is sanctioned in order to bring the overdrawn limit to base level additional facility through TOD is sanctioned.	**Finacle:** ➤ ACLI – Option "O" ➤ TODRP – TOD Register Printing **BaNCS:**

Parameters	Auditors' Primary Checks	Suggested System Support
		TOD Report
Devolved bills parked in Office Accounts and not in limit account	➢ Devolved Bills under LCs are required to be debited to the Limit Accounts only. Assessment of Asset Classification will be based on composite overdrawn portion Limit + LC Devolved amount (if any on devolvement) ➢ Check whether the amount of devolvement of LC backed bills are parked in Office Accounts or any separate account?	<u>Finacle:</u> ➢ BI & FBI – with Bill Status as "K" using status date filter <u>BaNCS:</u> Report on Devolved bills under Import LC
Multiple CUST ID to prevent the other account from becoming NPA	➢ Check whether multiple CUST IDs have been opened for the borrower with different accounts? ➢ NPA Report and search all the case by few characters ofName.	<u>Finacle:</u> ➢ ACS – Account Selection (Search based on Name) ➢ LAGI – Loan Account General Inquiry (Inquiry based on other parameters) <u>BaNCS:</u> ➢ Customer Management ➔ Enquiries ➔ Search by Name

Parameters Affecting Collection of Interest/ Revenue

2.30   Primary revenue for banks is interest on loans and advances. Charging of interest is completely automated barring few products. However, the processing is based on certain important parameters. System parameters / fields which affect the interest computation should be thoroughly verified. Some important interest parameters are as follows:

(i)   Interest Table
    ➢   Debit Interest Rate and Credit Interest Rate
        –   Interest Version
        –   Currency
        –   Limit Level Interest
    ➢   Penal Interest
(ii)   Interest Rate (Static/Absolute and Based on Ref. Rate)
(iii)   Interest Preferential Customer Level - Interest rate preference will be applied to all the accounts of the customer based on type of Interest.
    ➢   Debit Interest Preferential
        –   Positive preference value
        –   Negative preference value

> ➢ Credit Interest Preferential
>> – Positive preference value
>> – Negative preference value

(iv) Interest Preferential Account Level - Interest rate preference will be applied to the specific account wherein the preference is updated.

> ➢ Debit Interest Preferential
>> – Positive preference value
>> – Negative preference value

> ➢ Credit Interest Preferential
>> – Positive preference value
>> – Negative preference value

(v) System Support / Important Menu Codes:

> ➢ <u>Finacle:</u> INTCI, AINTRPT, INTPRF, INTTM
> ➢ <u>TCS Bancs:</u> i) OD/CC Accounts -> Interest Rate History ii) DL / TL -> Interest Rate History

2.31 Following are few events/ scenarios wherein there is a possibility of non-application/ incorrect application of Interest:

Sr. No.	Event / Scenario
1	Interest pegging in Advance Accounts set as "Y". (If "Y" is selected, system will charge interest at the rate prevailing at the time of Account Opening. For the cases of Fixed Rate Loans Pegging Flag will be "Y")
2	Future Date is updated in Interest Demand Date
3	Interest on Principal / Payment of Interest Flag is set as "N"
4	Effective Rate of Interest is updated as "0"
5	Account Open and Instalment Start Dates are identical
6	Account Open and Interest Demand Dates are identical
7	Interest Table Code "Zero" is selected
8	Interest Demand Date is Past Date
9	Interest Demand Frequency is Blank

Audit of Foreign Exchange Transactions with the Use of CBS

2.32 The liberalization of economy is paving way for opening of new areas for inbound and outbound investment. Moreover, with the increase in the global trade the foreign exchange and cross border transactions are increasing at a rapid speed. However, it also poses challenge of preventing misuse of regulations and money laundering activities.

2.33 Following are few activities that the auditor must carry out for concurrent audit of Foreign Exchange Transactions:

Audit Activity	Important Menu Codes of Finacle
Review of Letter of Credits issued, Expired, Search on Outstanding LCs	For Inquiry – DCQRY
	For Report – DCREG, DCRPTS, DCSTMT
Review of Bank Guarantee issued, invoked, closed, outstanding, Search on expired BGs	For Inquiry – GI
	For Report – GILR, GPI
Audit of Inland Bills (under collection, under LC, discounted)	For search: BI
	Search result printing: BP
	For specific bill: BM
Audit of outstanding Inland Bills	Report – BRCR (Collection Bills), BRBPR (Purchased Bills)
Audit of Foreign Bills (under collection, under LC, discounted)	For search: FBI
	Search result printing: FBP
	For specific bill: FBM
Audit of outstanding Foreign Bills	Report – FBBR
Audit of Inward and Outward Remittances (Other than Import and Export Transactions)	For Inward Remittance: IRM
	For Outward Remittance: ORM
Tracking of Packing Credit granted and tracking of order in case of Running Packing Credit	Account wise Packing Credit: ACLI
	Running Packing Credit: RPCTM

Audit of Office Account Transactions through CBS

2.34   Office accounts are opened for the purpose of parking entries till the time the final effect is not determined. However, at various occasions it has been observed that the entries remain in the said parking accounts for a long period. Moreover, in case of weak monitoring of the said accounts, the Office Accounts are susceptible to fraud and misappropriation. There are various types of office accounts:

(i)   Based on Functionality

- Pointing Type/ Self Reconciling Accounts
- Non Pointing Type Accounts

(ii)   Based on Type of Entry

- Sundry Accounts, Suspense Accounts
- EOD/BOD Check Accounts
- Inter branch Account
- Mirror Accounts
- Pool Accounts

2.35   Following are few audit actionables for concurrent auditor carrying out audit of Office Account Transactions:

Events	Audit actionable	Suggested system support
Cash Payment from Office Accounts	Authorization of Transaction as per Delegated Authority	**Finacle:** • ACLI – For Transaction • FTI – For Search **BaNCS:** • BGL -> Enquire -> Transaction
TOD through Office Accounts	Through ineligible credit originating from a office account, customer can be accommodated. It also circumvent the number of TODs granted to customer. Moreover, interest will not be applied in the said case.	**Finacle:** • ACLI – For Transaction in Office Account **BaNCS:** • BGL -> Enquire -> Transaction
Parking of Cash Difference in Office Accounts, Clearing/ Remittance differences through Office Accounts	Difference in Reconciliation, Cash Shortage debited to Office Account and not reversed. Review ledger account in detailed on monthly basis.	**Finacle:** • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report **BaNCS:** • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report
Rotation of entries in Office Accounts	To prevent entry being reported as long outstanding entry, a new transaction with debit and credit leg in the same account is posted. Thus, the system considers the new transaction date for reporting as outstanding entries. Review transactions with same Debit and Credit amount through Ledger Scrutiny	**Finacle:** • ACLI – For Transaction in Office Account **BaNCS:** • BGL -> Enquire -> Transaction
Correctness in mapping of reversal transaction to originating transaction	If the transactions have not been reversed against the related originating entries the report generated by CBS will show incorrect outstanding items.	**Finacle:** • ACLI – For Reversal Transaction in Office Account **BaNCS:**

Events	Audit actionable	Suggested system support
		• BGL -> Enquire -> Transaction
Value Dated (Back Dated) Transactions	Transaction credited in the advance type accounts, Operative accounts with a value date (Back date) wherein the clear funds were not available in the office accounts. Review the transactions from Revenue Leakage perspective.	**Finacle:** • ACLI – For Transaction in Office Account • FTI – For Value Dated Transaction **BaNCS:** • BGL -> Enquire -> Transaction
Round Tripping	Rotation of entry from office account to operative account(s) without any justification/ source document. Review the transactions from the perspective of inflating credit turnover of account.	**Finacle:** • ACLI – For Transaction in Office Account **BaNCS:** • BGL -> Enquire -> Transaction
Advance paid for Fixed Assets not capitalized	Entries for payment of advance against procurement of Fixed Assets not reversed.	**Finacle:** • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report **BaNCS:** • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report
Income realized not credited to Revenue Account	Loan Instalment received from Customer, not adjusted. Processing Fees received, not credited to Income Account Charges collected, not credit to Income Account	**Finacle:** • ACLI – For Transaction in Office Account • IOT – For inquiry on outstanding transaction • MSGOIRP – For Printing of outstanding office account transaction report **BaNCS:** • BGL -> Enquire -> Transaction • "Outstanding BGL Transaction" Report

Manual Updation in CBS and its Verification Aspects

2.36   Under any CBS the transactions are processed as per pre-defined process. Majority of the processes in CBS are automated and based on masters. A manual intervention in automated process leads to error in transaction processing.

Following are few manual changes/ modification in system which affects the transaction processing. The concurrent auditor must review the manual updation in CBS on monthly basis:

Manual Entry	Probable impact
<u>Advances</u>	
Interest Rate change	Revenue Leakage, Excess collection of Interest
Change in EMI	Revenue Leakage, NPA Identification
Processing of transactions against un- cleared outward clearing effect	Recovery of amount from customer in case of cheque return
Backdated Renewal Date updation (Updating Date of Renewal on running date with past date)	NPA Identification
Change in Limit – From Non Fund Base to Fund Base	NPA Identification
<u>Account & Customer Master</u>	
Tax exemption updation	Non compliance with TDS provisions
Dormant to Active	Susceptible to fraud
Interest Table Code as "0"	Revenue Leakage
Interest Collection Flag "N"	Revenue Leakage
Reclassification of Agriculture Advance as per revised RBI norms dt. April 23, 2015	Sectorial Classification
<u>Foreign Exchange Transactions</u>	
Erroneous Foreign Exchange Rate	Revenue Leakage, Accommodation to customer
Full BOE received flag marked as "Y" wherein BOE for entire transaction is not received	Reporting to RBI under BEF Return
FIRC Issuance (without updating flag printed "Y")	Duplicate issuance of FIRC without "Duplicate FIRC" inscription.
Merchant Trade Transaction (Manual mapping)	Reporting to RBI
<u>Transaction Processing & Housekeeping</u>	
Changes / Modification in Auto Calculated charge amount at the time of posting of transaction	Revenue Leakage
Ineligible Credits to NRE and FCRA Accounts	Non-compliance of FEMA Guidelines
ATM Replenishment entries	Susceptible to Fraud
Payment for FD Closure proceeds in Cash through Office Accounts in	Non-compliance with Income Tax Guidelines

Manual Entry	Probable impact
excess of ` 20,000	
Revalidation of Old DDs	Susceptible to Fraud
Value Dating (Credit Transactions in CC / OD Account with Value Date without Value Dating at Debit Leg)	Revenue Leakage
Debit to Income Account (though Transaction Maintenance Menu)	Revenue Leakage
Manual Credit to Income Account (though Transaction Maintenance Menu)	Revenue Leakage (Computation of Income credited to be verified)
RTGS / NEFT in cash through office accounts > 49,999	Non-compliance with AML guidelines
Delay in posting of clearing cheque return	Accommodation to customer
Manual Transfer of Security Stationery from Inventory location to External Location	Susceptible to Fraud (Avoid reporting of missing inventory)

Generation and Verification of Specific Reports Based on Various Criteria

2.37   CBS allows generation of various reports through frontend as well as through backend. Few important reports for review by concurrent auditors are as follows:

(a)   **Exception Report**

Reports for the month end and two days prior and after month end should be verified. Exceptions of following natures should be closely verified:

(i)   Balance exceeded Account Limit

(ii)   Manual debits to Income Account

(iii)   Value Dated Transactions

(iv)   Manual entry for SI Failure cases

(v)   Instrument passed against Clearing

(vi)   Backdated entries (normally restricted)

(b)   **Irregularity Report**

Reports for the month end and two days prior and after month end should be verified. Report contains details of Accounts where Balance in Accounts are greater than the limits sanctioned. Check whether the same is due to:

(i)   Application of Interest

(ii)   Granting of Intra Day TOD

(iii)   Passing of Instruments against Clearing Effects

(c)   **Accounts where Interest Code is '0'**

Interest will not be charged from Accounts where Interest Code is selected as '0'. Hence, a detailed checking is required. Possible reasons can be if it is a NPA account or an account with a moratorium.

(d)   **Interest Collection Flag as "No"**

If Interest Collection Flag is selected as "No", Software will not consider the account for calculation and entry for Debit Interest.

(e)   **Debit Interest SI Failed Report**

Failure of Standing Instruction for Debit Interest should be closely verified. If the SI is failed the Account will not be debited for Interest. SI Failure can be for any reason like:

(i)   Non-availability of Balance in Account (In case of TOD in Operative Account)

(ii)   Non-availability of Limit in Account

(iii)   Technical Snag in execution

Whether Branch has manually passed the entry for all such cases should be verified.

(f)   **Loan Instalment SI Failed Report**

Same as above.

(g)   **Report containing all Advance Accounts with Limits**

Generally, CBS Softwares generate a Report wherein details of all Advance Accounts are listed. Excel can be used to verify cases of DP > SL, Margin Requirement, etc.

(h)   **TOD Report**

Documents and sanction orders should be verified for all the cases of Manually granted TODs. In Finacle the report can be generated through Menu Code "TODRP".

(i)   **Account Turnover Report**

To review the quantum of transactions in the borrower accounts turnover reports should be used. In Finacle, inquiry for Account Turnover can be carried out through "ACTI, CUTI" Menu codes and report can be generated through "ATOR" Menu.

(j)   **Loan Inquiry**

In Finacle, criterion based search for Loan Accounts is available through Menu option "LAGI". The said menu can be used to verify:

➢   New sanction, Accounts closed

➢   Loans under various schemes

➢   Loans based on Account Classifications

➢   Accounts search based on Limit (Credit & Stock Audit)

(k)   Loan Overdue Inquiry

In Finacle, criterion based search for Overdue & Overflow Loan Accounts is available through Menu option "LAOPI". In case of BaNCS the said details are available through offline daily report. The said menu can be used to verify:

➢   Principle & Interest Overdue and Overflow

➢   Overdue in "%" as well as Overdue in "No. of Days"

(l)   Financial Transaction Inquiry

In Finacle, report based on different criteria for financial transactions can be generated through Menu Option "FTR". The said menu can be used to verify:

➢   Loan disbursement in Cash (Sub GL code & Tran Type)

➢   Value Dated Transactions verification (Only value dated flag)

➢   Transactions in Loan / OD-CC Accounts (SubGL, Tran Type, Part Tran Type)

➢   Credits to NRE Accounts in a period (Sub GL, Part Tran Type)

➢   Credits to FCRA Accounts in a period (Sub GL, Part Tran Type)

➢   Cash Deposit Transactions above Rs. 50,000 to verify compliance with Income Tax Guidelines on PAN (Tran Type, Tran Sub Type)

➢   Cash Transactions above Rs. 10 Lacs to verify compliance with AML Guidelines (Tran Type)

➢   Debits to ESCROW Accounts to verify compliance with ESCROW Agreement (Sub GL, Part Tran Type)

Guide on Audit Activity through CBS for LFAR and Tax Audit Requirements

2.38   Each bank uses its own format for concurrent audits. A common report format used by all the banks is of Long Form Audit Report (issued by statutory auditor). Following are few checkpoints for concurrent auditors alongwith suggested system support.

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
Cash	➢ Physical verification of Cash Balance ➢ Cash Balance as on the date of Audit Period ➢ Cash Balances reported in Friday Statement	**Finacle:** ➢ "**ACLI**" - Account Ledger Inquiry (Vault A/c and Teller Accounts) **BaNCS:** ➢ ➔ Reports ➔ Cash Related ➔ View Cash Summary (Click on Fetch) ➢ ➔ Branch Reports ➔ Cash Officer's Jotting Book Report ➢ ➔ Reports ➔ Printing Reports ➔ Cashier / Teller Cash Report

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
Balances with RBI / SBI / Other Banks	➢ Balance as on Date ➢ Transactions in Mirror Accounts ➢ Reconciliation Statement (Generally outside of CBS)	<u>Finacle:</u> ➢ "ACLI" - Account Ledger Inquiry <u>BaNCS:</u> ➢ ➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction
Advances	➢ Sanction Limit / Drawing Power setup	<u>Finacle:</u> ➢ "ACLHM" – Account Limit History Maintenance ➢ "ACM / ACI" – Account Master (Go to Limit details) ➢ "LTL" – Limit Tree Lookup (Tree view of all Limits) <u>BaNCS:</u> ➢ DL/TL Accounts & Services ➔ Enquiries ➔ Account ➢ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account
Advances	➢ Account & Customer Master parameters setup viz., ➢ Interest Parameters (Regular & Penal Interest) ➢ Repayment Instructions ➢ Standing Instructions (SI) Parameters	<u>Finacle:</u> ➢ "ACLHM" – Account Limit History Maintenance for DP & SL – Account Specific ➢ "ACM / ACI" – Account Master ➢ "CUMM / CUMI " – Customer Master <u>BaNCS:</u> ➢ DL/TL Accounts & Services ➔ Enquiries ➔ Account ➢ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account *(Short & Long Inquiry options are available under both menu.)*
Advances	➢ Transactions in Borrower's Account	<u>Finacle:</u> ➢ "ACLI" - Account Ledger Inquiry <u>BaNCS:</u> ➢ Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction ➢ DL/TL Accounts & Services ➔ Enquiries ➔ Transaction
Advances	➢ Interest Rate History	<u>Finacle:</u> ➢ "INTTM" – Interest Table Master Maintenance (Under Inquire Mode – Account Specific) <u>BaNCS:</u> ➢ Deposit / CC / OD Accounts & Services ➔ Interest

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
		Rate History
		➢ DL/TL Accounts & Services ➔ Interest Rate History
Advances	➢ Conduct of Account and Credit Turnover ➢ Turnover of CC Account based on Borrower's Business profile ➢ In case of Loan accounts **ACTUAL** recovery of Installments and Interest	<u>Finacle:</u> ➢ "**ATOR**" – Account Turnover Report ➢ "**ACTI**" – Account Turnover Inquiry ➢ "**CUTI**" – Customer Level Turnover Inquiry <u>BaNCS:</u> ➢ DL / TL Accounts & Services ➔Enquiries ➔Long ➢ Deposit/CC/OD Accounts & Services ➔Enquiries ➔Long
Advances	➢ Non Performing Asset ➢ Search an Account based on Criteria	<u>Finacle:</u> ➢ "**ACS**" – Account Selection (2nd Screen – IRAC Code – Main Asset Classification) <u>BaNCS:</u> ➢ DL / TL Accounts & Services ➔Enquiries ➔Short ➔ Select Option "1" – TL / DL *[Long Inquiry for NPA Date]* ➢ Deposit/CC/OD Accounts & Services ➔Enquiries ➔Short ➔ Select Option "2" – CC / OD *[Long Inquiry for NPA Date]* ➢ Common Processing ➔Overdue / NPA ➔NPA Enquiry (Risk Grade Inquiry / NPA Status Inquiry)
Advances	➢ Interest Report	<u>Finacle:</u> ➢ "**AINTRPT**" – Interest Report for Account <u>BaNCS:</u> ➢ Product Sheets – To be requested from Data Center (if not available through user login)
Advances	➢ Primary & Collateral Security Maintenance	<u>Finacle:</u> ➢ "**SRM**" – Security Register Maintenance <u>BaNCS:</u> ➢ DL/ TL Accounts & Services ➔ Security (Primary/ Collateral) ➔Customer ➔ Amend / Enquiry ➔Amend / Enquire Security
Advances	➢ Lien Marking	<u>Finacle:</u>

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
		➤ "**ALM**" – Account Lien Maintenance **BaNCS:** ➤ DL/ TL Accounts & Services ➔ Security (Primary/ Collateral) ➔Customer ➔ Amend / Enquiry ➔Amend / Enquire Security *(Under BaNCS – Collateral ID is required to be created before setting up limits)*
Advances	➤ Account Ledger Printing	**Finacle:** ➤ "**PSP**" – Pass Sheet Print ➤ "**ACLPCA**" – Customer Ledger Account Print **BaNCS:** ➤ **Print Menu** available under DL / TL Accounts & Services and Deposit / CC / OD Accounts & Services
Advances	➤ Non Fund based Facility (LC, BG)	**Finacle:** ➤ "**GI**" – Guarantee Inquiry ➤ "**DCQRY**" – Documentary Credit Query **BaNCS:** ➤ Report generated from Trade module
Stationery	➤ Physical Verification of Stationery and confirmation of Balance as per CBS	**Finacle:** ➤ "**ISRA**" – Inventory Status Report *(Location wise viz., Dual Lock, Individual, Cancelled etc.)* **BaNCS:** ➤ Through Valuable Paper Inventory System [VPIS] module
Office Accounts (Suspense, Sundry etc.)	➤ Outstanding entries for reporting ➤ Entries outstanding – Whether any provisioning is required?	**Finacle:** ➤ "**IOT**" – Inquire on Transaction (As on date Inquiry) ➤ "**MSGOIRP**" – Outstanding Items Report **BaNCS:** ➤ Through offline reports viz. "Audit BGL accounts age wise break up" and "GL-Outstanding-Accounts" report.
Office Accounts (Suspense,	➤ Printing of Office Accounts	**Finacle:** ➤ "**ACLPOA**" – Account Ledger printing Office Account

Audit Activity / Process / Audit Area	Auditors' Primary Checks	Suggested System Support
Sundry etc.)		BaNCS: ➤ BGL Accounting Menu
Inter Branch Account	➤ Un-reconciled transactions	Finacle: ➤ Through Outstanding IBR Report. BaNCS: ➤ Through offline "Outstanding IBR Report"/ "IBR Summary report"
TDS Related	➤ TDS Information and Reports	Finacle: ➤ "TDSIP" – TDS Inquiry & Reports ➤ Month-end report on account wise / transaction wise Tax deduction. ➤ Bank specific customized Menu / report BaNCS: ➤ Through offline monthly report on account wise / transaction wise Tax deduction.

List of Important Menu Commands

2.39   Following is the list of various important menu commands for concurrent auditors based on area of operations in the bank:

(i)   Accounts, Customer Master and Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	CUMM / CUMI	Customer Master Maintenance / Inquiry	Inquiry
Finacle 7	ACM / ACI	Account Master Maintenance / Inquiry	Inquiry
Finacle 7	ACLI	Account Ledger Inquiry	Inquiry
Finacle 7	ACCBAL	Component of Account Balance Inquiry	Inquiry
Finacle 7	ACS	Account Criterion Search	Inquiry (Search / Criterion based)
Finacle 7	CUS	Customer Selection / Inquiry	Inquiry (Search / Criterion based)
Finacle 7	ACINT	Interest Run for Accounts	Inquiry / Report
Finacle 7	INTTM	Interest Table Master Maintenance	Inquiry
Finacle 7	AFI	Audit File Inquiry	Inquiry
Finacle 10	CRM Module	Customer Master maintenance	Inquiry & Modifications

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 10	HACLI, HACLINQ	Account Ledger Inquiry	Inquiry
Finacle 10	HACM, HACMTD	Account Master, Account Master Term Deposits	Inquiry
Finacle 10	HINTTM	Interest Table Master Maintenance	Inquiry
Finacle 10	HAFI	Audit File Inquiry	Inquiry
BaNCS	Customer Management ➔ Enquiries ➔ Search by CIF Number	To verify all accounts of one Customer	Inquiry
BaNCS	Customer Management ➔ Enquiries ➔ Search by ID Number	Search using available information (ID Number)	Inquiry
BaNCS	Customer Management ➔ Enquiries ➔ Search by Name	Search using available information (Name)	Inquiry
BaNCS	Customer Management ➔ Relationship / Ownership ➔ Associated Accounts	Inquiry on Linked Accounts, Owned Accounts etc.	Inquiry
Flex Cube	CH021	Account Master Maintenance	Inqiry
Flex Cube	CH701	Customer account balances-Other than loans-For standard accounts but including CC limit accounts	Inquiry
Flex Cube	CH703	RD account balances- Customer wise	Inquiry
Flex Cube	2000	CTI Customer Search	Inquiry
Flex Cube	7004	Customer Name and Address Inquiry	Inquiry
Flex Cube	7100	All Balance Inquiry	Inquiry
Flex Cube	7105	Display Customer Image	Inquiry
Flex Cube	BA095	Account Level Attributes Inquiry	Inquiry
Flex Cube	7002	Balance Inquiry	Inquiry
Flex Cube	CH031	Statement Inquiry	Inquiry
Flex Cube	BAM24	Account Status Audit Trail Inquiry	Inquiry
Flex Cube	1337	Term Deposit Interest Payout Inquiry	Inquiry
Flex Cube	7020	TERM DEPOSIT Balance Inquiry	Inquiry
Flex Cube	TD023	TERM DEPOSIT Rates History Inquiry	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Flex Cube	TD031	TERM DEPOSIT Audit Trail Inquiry	Inquiry
Flex Cube	TD037	TERM DEPOSIT Account Ledger Inquiry	Inquiry
Flex Cube	TD050	TERM DEPOSIT Interest Inquiry	Inquiry
Flex Cube	TD11	TDS Inquiry	Inquiry

(ii)   Transactions

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	TM / TI	Transaction Maintenance / Inquiry	Inquiry
Finacle 7	FTI	Financial Transaction Inquiry	Inquiry (Search / Criterion based)
Finacle 7	FTR	Financial Transaction Inquiry Report	Report
Finacle 10	HTI	Transaction Maintenance / Inquiry	Inquiry
Finacle 10	HFTI	Financial Transaction Inquiry	Inquiry (Search / Criterion based)
BaNCS	Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Transaction	Transaction Enquiry (Additional options available: Transaction Types: 99 – All Financial, 98 – Cash Transaction, 25 – Repayment Details, 33 – Message Details	Inquiry
BaNCS	➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction	BGL Transaction Enquiry	Inquiry
Flex Cube	TD044	TD Transactions Inquiry	Inquiry
Flex Cube	LN058	Loan Interest Adjustment Transaction	Inquiry
Flex Cube	PM025	Payment Transaction Inquiry	Inquiry
Flex Cube	GLM04	GL Transactions and Movements Inquiry	Inquiry
Flex Cube	AT002	Audit Trail Financial Transactions Inquiry	Inquiry
Flex Cube	BA777	Audit Trail Inquiry for Non-Financial Txns	Inquiry

(iii)   Clearing Transactions

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	MCLZOH	Maintain Clearing Zone	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	OCTM	Outward Clearing Transaction Maintenance	Inquiry
Finacle 7	ICTM	Inward Clearing Transaction Maintenance	Inquiry
Finacle 10	HOCTM	Maintain Clearing Zone	Inquiry
Finacle 10	HICTM	Outward Clearing Transaction Maintenance	Inquiry
Finacle 10	HMCLZOH	Inward Clearing Transaction Maintenance	Inquiry
BaNCS	**Collection and Cheque Purchase ➔ Enquiries ➔ Enquiries**	Inquiry for Cheque Purchase / on Collection	Inquiry
Flex Cube	ST023	Outward Clearing	Inquiry
Flex Cube	ST033	Inward Clearing	Inquiry
Flex Cube	BA990	Clearing Inquiry	Inquiry
Flex Cube	ST002	Value Date Clearing Inquiry	Inquiry

(iv)   Office Accounts Maintenance

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	ACLPOA	Account Ledger Print Office Account	Report
Finacle 7	IOT	Inquire on Transaction	Inquiry & Report
Finacle 7	MSGOIRP	Outstanding Items Report	Report
Finacle 10	HIOT	Inquire on Transaction	Inquiry & Report
Finacle 10	HACLPOA	Account Ledger Print Office Account	Report
BaNCS	➔ Branch Accounting (BGL) ➔ Enquire ➔ Account	Enquiry on BGL Account	Inquiry
BaNCS	➔ Branch Accounting (BGL) ➔ Enquire ➔ Account Number Search	Search an Account Number by BGL Name	Inquiry
BaNCS	➔ Branch Accounting (BGL) ➔ Enquire ➔ Transaction	BGL Transaction Enquiry	Inquiry
Flex Cube	GLM01	GL Voucher Entry	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Flex Cube	GLM02	Chart of Accounts	Inquiry
Flex Cube	GLM04	GL Transactions and Movement Inquiry	Inquiry
Flex Cube	1005	Miscellaneous GL Transfer (Dr/Cr)	Inquiry

(v)   Loans & Advances

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	SRM	Security Register Maintenance	Inquiry
Finacle 7	HCLM / CLL	Collateral Maintenance	Inquiry
Finacle 7	ACHLM	Account History Limit Maintenance	Inquiry
Finacle 7	ALM	Account Lien Maintenance	Inquiry
Finacle 7	ACTODM	Account TOD Maintenance	Inquiry
Finacle 7	TODRP	TOD Register Printing	Inquiry
Finacle 7	PSP	Pass Sheet Print	Report
Finacle 7	ACLPCA	Account Ledger Printing	Report
Finacle 7	LAGI	Loan General Inquiry	Inquiry (Criterion based search)
Finacle 7	LAOPI	Loan Overdue Position Inquiry	Inquiry (Criterion based search)
Finacle 7	LTL	Limit Tree Lookup	Inquiry
Finacle 7	LNDI	Limit Node Inquiry	Inquiry
Finacle 7	AINTRPT	Interest Report for Accounts	Report
Finacle 10	HSCLM	Security Register Maintenance	Inquiry
Finacle 10	HALM	Account Lien Maintenance	Inquiry
Finacle 10	HACTODM	Account TOD Maintenance	Inquiry
Finacle 10	HPSP	Pass Sheet Print	Report
Finacle 10	HACLHM	Account Limit History Maintenance	Inquiry
Finacle 10	HAINTRPT	Interest Report for Accounts	Report
Finacle 10	HINTPRF	Interest Proof Report	Report
BaNCS	Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Deposit / CC / OD Account	To verify the Account Master Details	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services ➔	Printing Statement of Account for a Deposit or CC / OD	Report

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
	Enquiries ➔ Statement Print		
BaNCS	Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Short	Basic details on Enquiry on Screen on Deposit Accounts	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services ➔ Enquiries ➔ Long	Additional Details on Enquiry Screen for Deposit Accounts	Inquiry
BaNCS	Deposit / CC / OD Accounts & Services ➔Interest Rate History	Details of changes in Interest Rate for an account	Inquiry
BaNCS	➔ DL/TL Accounts & Services ➔ Loan Tracking ➔ Operations	Loan account operations	Inquiry
BaNCS	➔ DL/TL Accounts & Services ➔ Loan Processing ➔ Generate Repayment Schedules ➔ Action – "E"	To print Repayment schedule for a DL / TL Account	Report
BaNCS	➔ DL/TL Accounts & Services ➔ Enquiries ➔ Short ➔ Option "Balance Breakup Enquiry"	To view amount of Arrears & Breakup of Principal, Interest Realized, Charges & Arrear of Interest	Inquiry
BaNCS	➔ DL/TL Accounts & Services ➔ Security (Primary / Collateral) ➔ Customer ➔ Enquiry ➔ Enquire Security Summary	Enquire on linked collateral	Inquiry
Flex Cube	CH066	Limit Collateral Inquiry	Inquiry
Flex Cube	CHM06	OD Collateral Maintenance	Inquiry
Flex Cube	CHM07	OD Limit Master Maintenance	Inquiry
Flex Cube	ST070	Cheque Purchase	Inquiry
Flex Cube	CH033	Average Quarterly / Monthly Balance Inquiry	Inquiry
Flex Cube	TDM24	Lien Master	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Flex Cube	1413	Loan Disbursement Inquiry	Inquiry
Flex Cube	LN522	Account Schedule Inquiry	Inquiry
Flex Cube	LNM10	Account Transactions Inquiry	Inquiry
Flex Cube	BA433	Collateral To Accounts Inquiry	Inquiry
Flex Cube	BA434	Account To Collateral Inquiry	Inquiry

(vi)   DD / PO, Cheque Book maintenance, Stop Payments and Security Stationery maintenance

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	DDSM	DD Status Maintenance	Inquiry
Finacle 7	DDIP	Inquiry on Specific DD Paid	Inquiry
Finacle 7	ISRA	Inventory Status Report	Report
Finacle 7	IMI	Inventory Movement Inquiry	Inquiry
Finacle 7	ICHB	Issue Cheque Book	Inquiry
Finacle 7	CHBM	Cheque Book Maintenance	Inquiry
Finacle 7	SPP	Stop Payment of Cheque	Inquiry
Finacle 7	SPRG	Stop Payment Register	Report
Finacle 10	HDDSM	DD Status Maintenance	Inquiry
Finacle 10	HDDIP	Inquiry on Specific DD Paid	Inquiry
Finacle 10	HISRA	Inventory Status Report	Report
Finacle 10	HIMI	Inventory Movement Inquiry	Inquiry
Finacle 10	HICHB	Issue Cheque Book	Inquiry
Finacle 10	HCHBM	Cheque Book Maintenance	Inquiry
Finacle 10	HSPP	Stop Payment of Cheque	Inquiry
Finacle 10	HSPRG	Stop Payment Register	Inquiry
BaNCS	➔ Valuable Paper Inventory System [VPIS] ➔ Enquiry of VPIS ➔ General Enquiry	To check inventory status	Inquiry
BaNCS	➔ VPIS ➔ Lost / Damaged / Cancelled Inventories	Location for Lost / Damaged / Cancelled Inventories	Inquiry

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
BaNCS	➔ VPIS ➔ Enquiry of VPIS ➔Teller Level Inquiry	Details of Inventory available at Teller level	Inquiry
Flex Cube	CH078	Cheque Status Maintenance	Inquiry
Flex Cube	CHM35	Stop Cheque Instructions	Inquiry
Flex Cube	CHM37	Cheque Book Issue Maintenance	Inquiry
Flex Cube	IV011	Stock Inquiry	Inquiry
Flex Cube	IV004	Inventory Lost report Register maintenance	Inquiry
Flex Cube	MCA80	Inquiry of sold/issued inventory	Inquiry

(vii)　Compliances

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	TDSIP	TDS Inquiry / Print	Inquiry and Report
Finacle 7	AFSM	Account Freeze Maintenance	Inquiry
Finacle 10	HTDSIP	TDS Inquiry / Print	Inquiry and Report
Finacle 10	HAFSM	Account Freeze Maintenance	Inquiry
Flex Cube	TDS06	Tax Parameters Maintenance	Inquiry
Flex Cube	TDS04	Tax waiver criteria Maintenance	Inquiry
Flex Cube	TDS05	Customer special Tax code maintenance	Inquiry
Flex Cube	TDS11	Tax Inquiry	Inquiry

(viii)　Trade Finance and Foreign Exchange Transactions

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	INBOEM	Bill of Entry Maintenance	Inquiry
Finacle 7	BI	Bills Inquiry (Inland)	Inquiry (Criterion based search)
Finacle 7	BP	Bills Inquiry (Inland) – Printing	Report
Finacle 7	BM	Bill Maintenance (Inland)	Inquiry
Finacle 7	FBI	Foreign Bill Inquiry	Inquiry (Criterion based search)
Finacle 7	FBM	Foreign Bill Maintenance	Inquiry
Finacle 7	FBP	Foreign Bill Inquiry – Printing	Report

CBS Package	Menu Code / Access path	Menu Name	Menu Type (Inquiry / Report)
Finacle 7	BRBPR	Balancing Report for Bills Purchased (Inland)	Report
Finacle 7	BRCR	Balancing Report for Bills on Collection (Inland)	Report
Finacle 7	FBBR	Balancing Report for Foreign Bills	Report
Finacle 7	DCQRY	Documentary Credit Query	Inquiry (Criterion based search)
Finacle 7	GI	Guarantee Inquiry	Inquiry
Finacle 7	IRM	Inward Remittance Maintenance	Inquiry
Finacle 7	ORM	Outward Remittance Maintenance	Inquiry
Finacle 10	HINBOEM	Bill of Entry Maintenance	Inquiry
Finacle 10	MIIB	Maintain Import & Inward Bills	Inquiry
Finacle 10	MEOB	Maintain Export & Outward Bills	Inquiry
Finacle 10	IBL	Bill Inquiry	Inquiry (Criterion based search)
Finacle 10	HBRBPR	Balancing Report for Bills Purchased (Inland)	Inquiry
Finacle 10	HBRCR	Balancing Report for Bills on Collection (Inland)	Inquiry
Finacle 10	HFBBR	Balancing Report for Foreign Bills	Inquiry
Finacle 10	HGI	Guarantee Inquiry	Inquiry
Finacle 10	HIRM	Inward Remittance Maintenance	Inquiry
Finacle 10	HORM	Outward Remittance Maintenance	Inquiry
Flex Cube	SY001	Guarantee Inquiry	Inquiry
Flex Cube	BIM04	Bill Parameters Maintenance	Inquiry
Flex Cube	BIM05	Bills Processing Maintenance	Inquiry
Flex Cube	BI001	Bills Data Entry	Inquiry

Note:

The discussion of Menu codes / commands in this chapter is only for guidance of members. The purpose of inclusion of the same here is to understand functioning of banking software. Moreover, with the continuous changes and customization requests by banks, all the menu codes may not be available / accessible in all the banks.

The Finacle menu codes discussed in this chapter is for version 7 (except expressly mentioned). Finacle has introduced new version namely Finacle 10.X. Few banks have already migrated to newer version and few more are in process of migration. Under Finacle 10.X there are changes in Menu Codes apart from other navigational changes.

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