

Bank Audit (5-8 marks)

Types of Banks

1. Commercial banks: Accept deposits & grant advances.
2. Regional Rural Banks (RRBs): set in rural areas. → cater to needs of rural communities.
eg. Punjab / Tripura / Allahabad Grameen Bank.
3. Coop. Banks: set up on basis of cooperative principles & regd. under Coop. Societies Act & cater to needs of agri. & rural sector.
eg. Gujarat State Coop. Bank, Chhattisgarh Rajya Sahakari Bank ^{cooperative} Naryadi ^{Limited}
4. Payment Bank: New type of Banks. Can accept restricted deposits.
But can't issue loans & cr. cards.
eg. Paytm / Airtel payment Bank.
5. Development Banks: Provide funds for infrastructure facilities.
eg. IFCI, IDBI, SIDBI
6. Small finance bank: Banking facilities for unsecured & unorganised sectors like farmers, small units.
eg. AU / Equitas small finance banks.

R.B.I : Responsibility

Development & supervision of constituents (Banks + NBFC) of Indian financial system.

Decision with C.G. Policies (monetary & credit)

Regulating activities of Banks

Eg Inflation ↑ [Car Demand ↑]

Repo Rate ↑

Banks lending rate ↑ (Car loans %)

Car loans ↓

Car Demand ↓

Inflation ↓

Imp. fn of RBI

4-5M

Currency

- Issue
- Regulate

Banking

- Banks
- Govts (Central + state)

Regulating Acts. of Banks

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Inflation

Bank Audit → "Peculiarities" in Bank operations (5M)

- 1) Huge volumes & complexity of trans^(trans)
 - 2) Large range of products & services offered.
 - 3) Extensive use of technology
 - 4) wider geographical spread of Banks (branches)
 - 5) Strict vigilance by Regulator. (RBI)
- online → 1, 2, 3
offline → 4, 5
- DNS: 4, 5

Concept (Rough)

Types of Risks (EPS)

• Engg Risks : Overall Audit Risk ⇒ High

computer operations
Regulatory scrutiny

• Systemic (F.S. as whole)

• Specific Risk

Eg recession

↑ in N.P.As

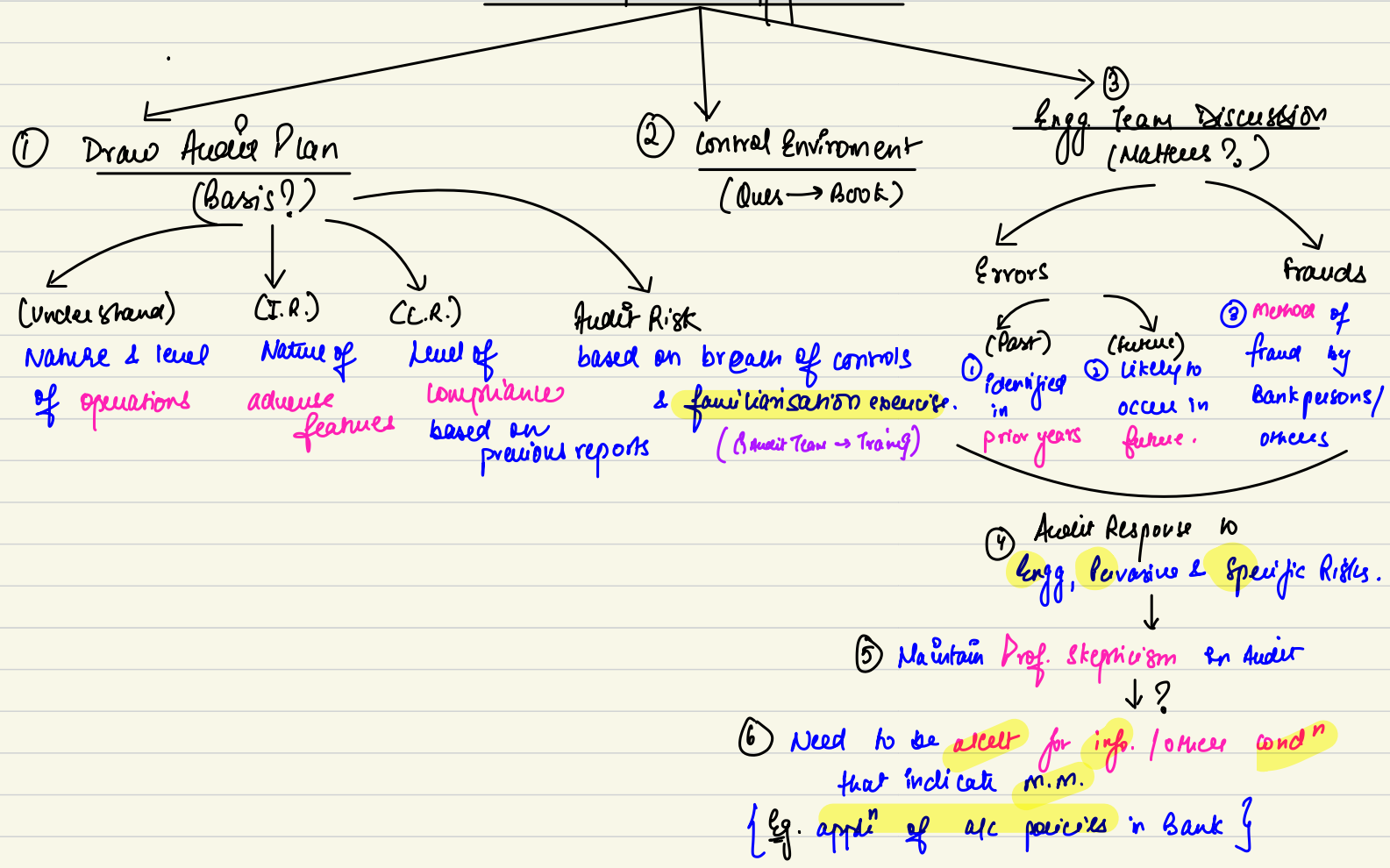
↓ Provision on Advances (Substantial a.s.)

→ Romm

Eg variation of derivatives

(forward / future contracts (Rate 15 ⇒ 580) forec)

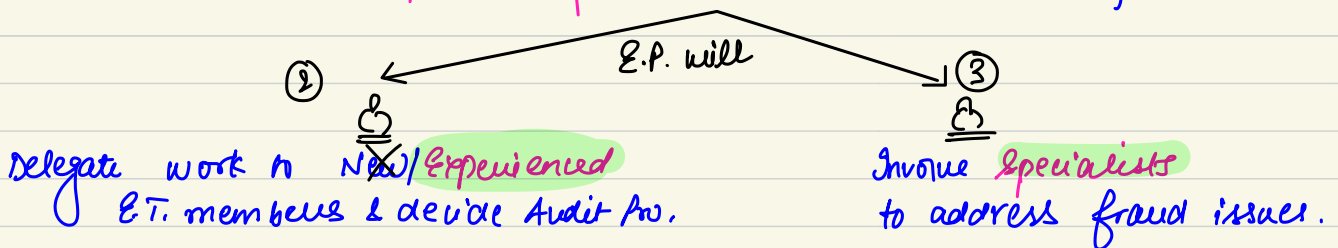
Bank Audit Approach



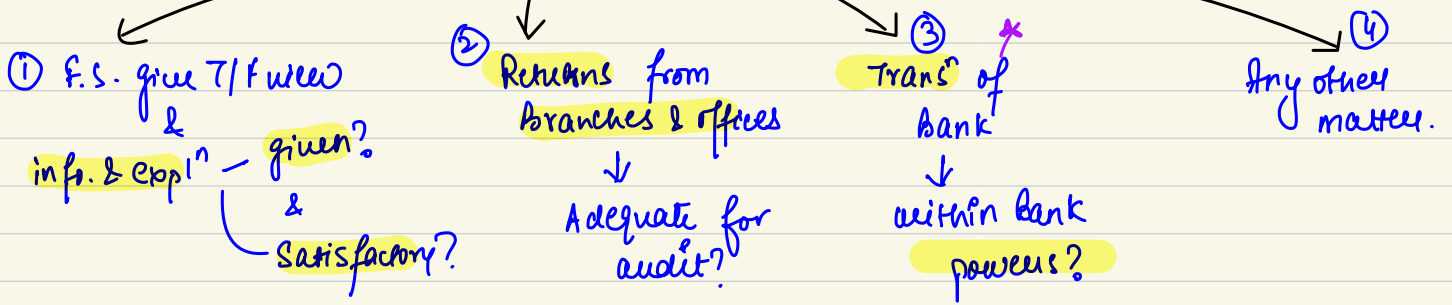
Advantages of ET's discussion

① Specific emphasis to F.S. M.M. due to **Fraud**,

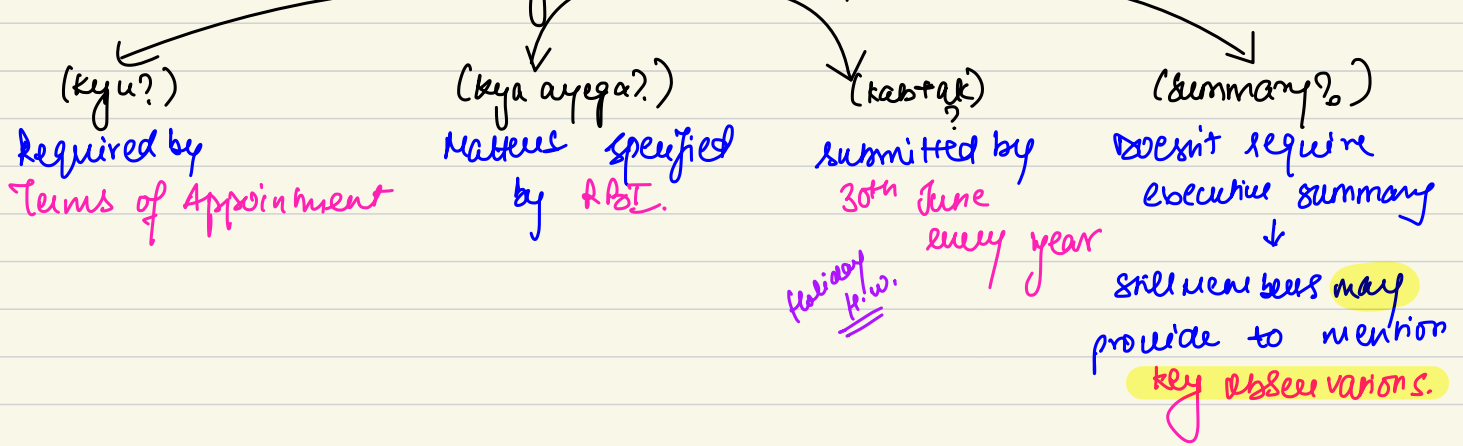
this allows **appt. response** to fraud risk including EPS risks.



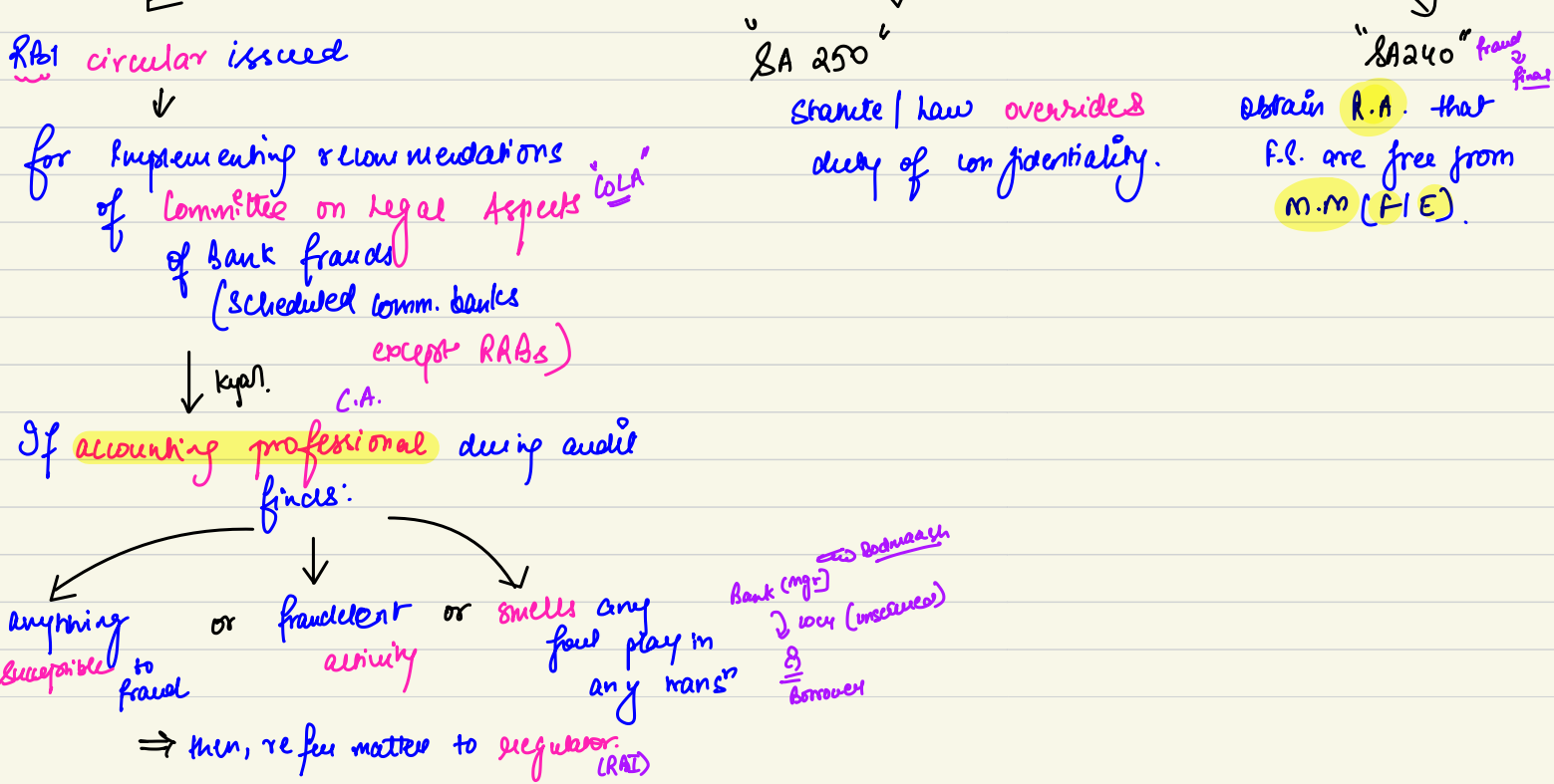
Audit Report (Nationalised Bank → C.G.)



Long form Audit Report



Reporting of fraud to RBI



↓ nahi harkata kon?

Any deliberate failure, shall render him liable for Action.

Conclusion: Report above matters to RBI.

