



The Institute of Chartered Accountants of India

(Set up by an Act of Parliament)

Thrissur Branch of SIRC of ICAI

Issue 2 : pages 1-16 E-news letter March 2020

Chairman's message



Esteemed professional colleagues,

When I write this message the entire country is in 21 days lockdown declared by our prime minister as a precaution against the spreading of Covid 19 Virus. It is an unprecedented event in independent India as the whole country is in standstill. There are lot of concern about the economic impact of this lockdown. The 21 days lock down is going to disrupt the economic activity of many businesses and also to adversely affect employment generation. The central/state governments also have to face a situation where in revenue declines and expenditure on social welfare increases. Many credit rating agencies has downgraded the country, predicting a slowdown in the economy. The Reserve Bank Of India is also expecting decline in the GDP growth rate. It has also come out with a package wherein

lot of measures have been announced including 3 month moratorium for bank loans. However we all are hopeful that the adverse impact will not last long and the economy of the country would bounce back thanks to its inherent strength.

In fact, the month of March began really well at the branch level. We completed one batch of advanced ITT during the month. We began one batch of GMCS and also one batch of ITT during the month. We celebrated women's day on 11.3.2020 with three programs. We honoured CA Varada KP who secured 2nd rank for CA final exam on all India basis, which as all of you know is a rare honour for Kerala. Also women's club under our branch was reconstituted with CA Swapna Manoj as President and CA Bindu Gireesh as secretary. Also we had a CPE study circle meeting on "Vivad se Viswas" scheme and the subject faculty was the immediate past chairperson CA Silpa Ramdas.

However due to the outbreak of Corona in Kerala, the state government issued directions to suspend all classes for students and also all public functions. Accordingly we cancelled all classes from 11.3.2020 onwards. The ongoing batches of GMCS and ITT were also cancelled on that day. We had

to cancel the full one day seminar on bank audit which was originally scheduled for 13.3.2020.

Our profession being a close associate of the business circle will also face a very tough challenge in the coming year. However as we know the utmost importance at the moment is to stay safe. We should strictly adhere to all directives given by our governments. Social distancing is the manthra at the moment. As responsible professionals we shall give utmost importance to the safety of ourselves and also to the safety of staff in our office including the article clerks. The ICAI has given various guidelines which include one with a direction to exclude the lock down period from the stipulated eligible leave for articles. Also I am very sure that you would all respect and honour the economic needs of our paid staff during this tough period.

I thank members for their support and generous contributions for the ICAI Kovid-19 Relief Fund. The ICAI president has appealed all the members, staffs and students to be part of this campaign and set an ambitious target of 5Cr fund mobilisation. I request all my respected professional colleagues to be part of this campaign by contributing to this noble cause

Last but not the least on behalf of all CA Parivar in Thrissur, let me say a big “Thank You” to all the doctors, nurses, hospital staff and other health workers in the country who are engaged in a war against the Virus. They should be regarded as soldiers protecting the country

risking their life. Their dedication is extra ordinary. Now it is our turn to play our part. We need to support these frontline soldiers by acting responsibly. We need to protect ourselves, our families, friends and the wider community. We need to be informed. Being part of a well respected profession, we can definitely be role models to the society.

**CA Anoop G
Chairman.**

Office Bearers

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CA Anoop G

Vice chairman

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Secretary

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SICASA chairman

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In charge of newsletter

CA Jeen Paul

Past chairperson & Academic coordinator

CA Silpa Ramdas

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Announcements of ICAI

Members; Guidelines for conduct of CPE @ covid lock down

(a) Central Committees of ICAI are allowed to organise up to 5 webcasts in a month and maximum of up to 3 CPE hours (unstructured).

It may also be mentioned here that, in view of advisory dated 12.03.2020 people are not allowed to gather at any of ICAI POU's for any CPE Programme and therefore for aforesaid webcast only unstructured CPE hours will be granted and also the aforesaid relaxations in organizing webcasts are granted till the current situation of outbreak of coronavirus normalizes and resuming of organization of CPE programs by CPE POU's of ICAI.

(b) The Directorate approved to extend time for holding Annual General meeting by the CPE/CMI & B Study Circles & CPE Study Chapters for convening elections for appointment of Convener & Deputy Convener from 31st

March, 2020 to 31st May, 2020. A Detailed mail has been sent to all concerned in this regard.

(c) The Directorate also decided to approve extending the time for compliance of CPE Advisory for mandatory organisation of Seminar on “Awareness on Code of Ethics” from 31st March, 2020 to 31st May, 2020.

(d) The Directorate allowed to Regional Councils, Branches, Foreign Chapters to do **unstructured webinars for their members only** and maximum of 3 CPE hours on case to case basis as per their request at cpedadmin@icai.in.

Students: Extended time period for commencement of Practical Training on or before 30th April 2020 to 31st May, 2020 for appearing in Final examination to be held in November, 2022

Editors Desk



Dear members,

God almighty always gives us great opportunity!

World came to standstill with the words “LOCK DOWN” & “QUARRANTINE”. World is witnessing and experiencing mindful distancing among the citizens. It is important to acknowledge that modernity has not necessarily prepared to face such an existential uncertainty especially European community. The concept of India is always connected to traditional practices. Now concept of global community is under threat at least for few months, the concept of family dominated. Year 2020 will

be marked as historical year. These are the moments when everyone is back to their natural self. Many takes this lock down as the opportunity to reclaim their original characteristic, hone their skills, learn more & new things, pioneering into inventions and many more.

As professionals we are also entered into a period of learning, interpreting, exploring in to subjects of study and practice, thanks to modern technologies. Journals are treated as fundamental learning tool in our professions, this month also Trichur Branch is coming out with subjects of contemporary interest. Finance minister Nirmala Sitharaman presented budget 2020 with dynamic changes to digitalize charitable institutions and trusts. CA. Joseph K A enlightens us with detailed study on the changes in the provisions effecting charitable institutions and Trusts.

March- April month of bank audits, CA. Rajmohan R discusses about the provisions and changes in bank audit with his article. A detailed study about COVID-19, to create awareness among our mem-

bers is also included in this issue.

Human race has a success history of surviving every threat posed to it. The Plague, a bacterial pandemic (1896 to 1939), caused 12 million deaths; Spanish Flu, caused by a virus, claimed 12 million lives in India over a period of just three months in 1918, WORLD WARS and we progressed.

In “ART of WAR” by Sun Tzu, collective wisdom of wars written by a lineage of military leaders in China about 2300 years ago states that *“not knowing the other and knowing oneself: one victory for one loss”*. Today at this historical moments of time we are forced to defend ourselves from an undeclared war with the unknown enemy. *“Knowing oneself”* is knowing ones own strengths and weaknesses, we utilizing the advantages of one global community and advancement in technologies to defend and reduce the causality to its minimum. Let us together wish a great victory of human race in the coming months.

CA Jeen Paul

“We are what we repeatedly do. Excellence, then, is not an act, but a habit.”

Aristotle



AMENDMENTS IN INCOME TAX ACT RELATED TO CHARITABLE INSTITUTIONS & TRUSTS

The Finance Act 2020, received assent of The President of India on 27th March, 2020. Finance Minister has brought in dynamic changes in sections dealing with charitable trusts and institutions along with introduction of unique Registration Number (URN). These include *Amendments in Sec 10(23C), 11, 12A, 12AA, 44AB, 80G and 139, and new sections 12AB and 243G are also inserted.*

Amendments in section 10(23C)

As per the amendments brought into sec 10(23C), approval to a fund or institution under sub clause (iv) of Sec 10(23C), approval to a trust or institution under

sub clause (v) of Sec 10(23C), or approval to any university or educational institution under sub clause (vi) of Sec 10(23C) or approval to a hospital under sub clause (via) of Sec 10(23C) will be available as shown in the table below:



CA. Joseph K. A.

1	Trusts or institutions having approval u/s 10(23C)(iv)(v)(vi) and (via) as on 1 st June 2020	Apply in prescribed form within 3 months from 01/06/2020	Approval to be given for a period of 5 years	Order to be issued within a period of 3 months from the end of the month in which application is received.
2	In case of expiry of approval	Apply 6 months prior to the expiry of approval	After satisfying genuineness of activities and compliance of such requirements of any other law – grant approval for a period of 5 years. If not satisfied reject the application	Order to be passed within a period of 6 months from the end of the month in which application is received.

3	If provisionally approved	Apply at least six months prior to expiry of provisional registration or within six months of commencement of activities, whichever is earlier	After satisfying genuineness of activities and compliance of such requirements of any other law – grant approval for a period of 5 years. If not satisfied reject the application	Order to be passed within a period of 6 months from the end of the month in which application is received.
4	In case of new application	Apply at least one month prior to the commencement of Previous Year (relevant to the Assessment Year) for which approval is sought.	Shall pass an order granting provisional approval for a period of 3 years.	Order shall be passed within one month from the end of the month in which application was received
5	In case of application pending before Commissioner on which no order has been passed before 1 st June 2020	Application already submitted shall be deemed to be application for new registration	Shall pass an order granting provisional approval for a period of 3 years.	Order shall be passed within a period of one month from 1 st June 2020

Commissioner shall call for such documents or information or make such enquiry as he thinks necessary to satisfy himself about the genuineness of activity and compliance of such requirements of any other law.

New Section 12AB

Similar amendments are brought in Sec 12A and in new section 12AB. Effect of these amendments are summarized in the table below:

In the case of existing approved trusts, approval under new provisions will be allowed automatically on filing the application.

When an institution or trust submit their application due to expiry of already received approval or due to expiry of provisional approval,

1	Trusts or institutions already registration u/s 12A or 12AA	Apply in prescribed form within 3 months from 01/06/2020	Shall pass an order u/s 12AB registering the trust for a period of 5 years.	Order to be issued within a period of 3 months from the end of the month in which application is received.
2	When registration u/s 12AB is due to expire	Apply in prescribed form at least 6 months prior to the expiry of approval	After satisfying genuineness of activities and compliance of such requirements of any other law – grant approval for a period of 5 years. If not satisfied reject the application	Order to be passed within six months from the end of month in which application was received
3	If provisionally registered u/s 12AB	Apply in prescribed form at least 6 months prior to expiry of provisional registration or within 6 months of commencement of activities which ever is earlier	After satisfying genuineness of activities and compliance of such requirements of any other law – grant approval for a period of 5 years. If not satisfied reject the application	Order to be passed within six months from the end of month in which application was received
4	When registration has become inoperative as per second provision to Sec 11 (7)	Apply in prescribed form at least six months prior to commencement of assessment year for which registration is sought to be made operative	After satisfying genuineness of activities and compliance of such requirements of any other law – grant approval for a period of 5 years. If not satisfied reject the application	Order to be passed within six months from the end of month in which application was received
5	When there is modification of objects which do not conform to the conditions of registration	Apply in prescribed form within 30 days from the date of such modification	After satisfying genuineness of activities and compliance of such requirements of any other law – grant approval for a period of 5 years. If not satisfied reject the application	Order to be passed within six months from the end of month in which application was received
6	Where approval of registration is pending as on 1 st June 2020	Application already submitted shall be deemed to be application for new registration	Shall pass an order granting provisionally approval for a period of 3 years	Within a period of one month from 1 st June 2020
7	In any other case(new application)	Apply at least one month prior to commencement of previous year (relevant to the assessment year) for which the said registration is sought	Shall pass an order granting provisionally approval for a period of 3 years	Within a period of one month from the end of month in which application was received.

New provision in section 11(7)

A new provision is added to Sec 11(7) by which a trust or institution cannot have both registration u/s 12AB and approval u/s 10(23C). **As per this amendment approval u/s 12AB will become in-operative from the date on which approval u/s 10(23C) is received or from the date on which this provision has come into force whichever is later.** They can submit application to get registration u/s 12AB operative on the condition that approval u/s 10(23C) will cease to have effect from the date on which registration u/s 12AB becomes operative.

Filing of Audit Report

So far trusts and institution having approval u/s 10(23C) or registration u/s 12AB were required to file audit report along with return of income. Now due to changes in Sec 12A(b) audit report is to be filed before specified date in Sec 44AB ie, before 30th September. Similarly by amending Sec 139, return filing date is changed to 31st October.

Cancellation of approval under section 12AB

In sec 12AB also Commissioner or Principal Commissioner is given power to cancel the registration already granted if the conditions stipulated in sub section (4) and sub section (5) are satisfied. These sub sections read as follows

“(4)Where registration of a trust or an institution has been granted under clause (a) or clause (b) of sub-

section (1) and subsequently, the Principal Commissioner or Commissioner is satisfied that the activities of such trust or institution are not genuine or are not being carried out in accordance with the objects of the trust or institution, as the case may be, he shall pass an order in writing cancelling the registration of such trust or institution after affording a reasonable opportunity of being heard.

(5) Without prejudice to the provisions of sub-section (4), where registration of a trust or an institution has been granted under clause (a) or clause (b) of sub-section (1) and subsequently, it is noticed that— (a) the activities of the trust or the institution are being carried out in a manner that the provisions of sections 11 and 12 do not apply to exclude either whole or any part of the income of such trust or institution due to operation of sub-section (1) of section 13; or (b) the trust or institution has not complied with the requirement of any other law, as referred to in item (B) of sub-clause (i) of clause (b) of sub-section (1), and the order, direction or decree, by whatever name called, holding that such non-compliance has occurred, has either not been disputed or has attained finality, then, the Principal Commissioner or the Commissioner may, by an order in writing, after affording a reasonable opportunity of being heard, cancel the registration of such trust or institution.”.

Amendments in section 80G

In line with amendments in Sec 10(23C), 12A and 12AB, changes are brought in Sec 80G also. Every trust or institution already approved u/s 80G has to apply separately within 3 months from 1st June, 2020. Approval will be granted only for a period of 5 years. In new cases provisional registration will be granted for a period of 3 years.

More importantly, two new sub clauses (viii) and (ix) are introduced in Sec 80G. It stipulates the fund or institution to furnish such statement and particulars as may be prescribed. Also, they have to furnish the donor a certificate specifying the amount of donation in such manner, containing such particulars as may be prescribed. **Assesseees (donors) can claim deduction only on the basis of information of donations furnished by the fund or institutions to the prescribed Income Tax authority.**

A new section 234G is also inserted. As per this Section, where the fund or institution fails to deliver the statement within the time prescribed under clause (viii) of Sec 80G or fails to furnish a certificate (to the donor) under clause (ix) of Sec 80G, it shall be liable to pay, by way of fine, a sum of two hundred rupees for every day during which failure continues.

The impact of these changes can be summarized as follows:

- 1) With regard to existing registered trusts or institutions
 - a) All trusts and institutions already registered u/s 12A/12AA, or approved u/s 10(23C) or 80G (5) has to submit fresh application within three months from 01/06/2020. Approval will be granted automatically.
 - b) This approval will be for 5 years.
 - c) After 5 years approved trusts or institutions will have to submit application for renewal of approval. Approval will be granted on satisfying genuineness of operations.
- 2) All new trusts or institutions are initially eligible for

provisional registration.

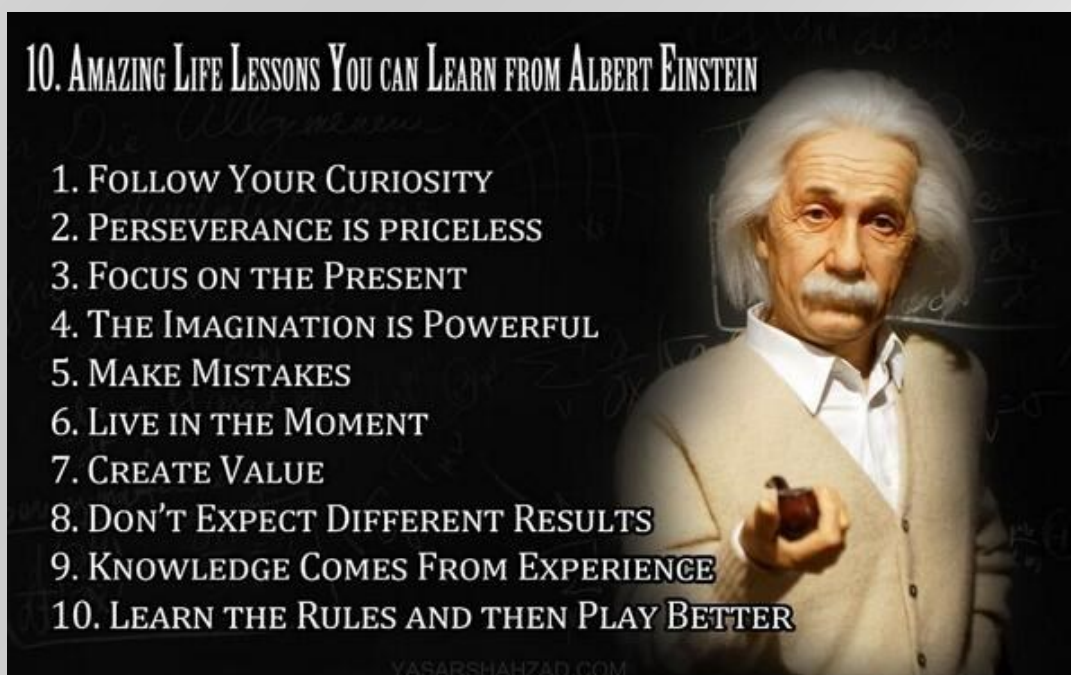
Thereafter or within that period they have to submit application for registration and registration if granted is valid for a period of 5 years.

- 3) All pending applications for registration or approval as on 01/06/2020 will be granted provisional registration.
- 4) A trust or institution cannot have both registration u/s 12AB and approval u/s 10(23C) at a time. They have to take a decision. Here it is very important to consider that Sec 115TD dealing with taxation (at MMR) of accreted income of trusts/institutions approved under section 12AA is not applicable to 10(23C) approved institutions. It is applicable only for 12AB registered trusts or institutions. Simi-

larly (in the opinion of the author) sec 13(1)(c) is also not applicable for trusts or institutions approved u/s 10(23C).

- 5) Now a trust has to file audit report before 30th September. Hence delay in filing audit report may be taken as a ground to deny exemption or cancel registration.
- 6) Now all donations received are to be uploaded in prescribed manner. Delay in filing of returns under 80G will attract a fee of Rs.200 per day. In case of institutions who receive small sums in large numbers, it may become a task. Further we have to furnish certificates to donors in prescribed format. Delay in the same shall also attract a fee of Rs.200 per day ■

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The author is a member of the Institute.





Bank Audit -A PRACTICAL APPROACH

TO STATUTORY BRANCH AUDIT (SBA) OF BANKS 2019-20



CA Rajmohan R

This article is prepared with an intension to benefit the members and articles assistance for the quick and

easy practical approach to the branch statutory audit of banks for FY 2019-20.

A brief area covered in this article includes:

Advances ,General banking, Forex , Fraud, Comments on the Latest RBI circulars on COVID -19 assistance.

Audit of advances and NPA related matters

- Closing Circular/ Closing guidelines: This will help the Statutory branch auditor (SBA) about the details of the process and policies followed by Bank during the annual closing
- SBA is advised to obtain the latest sanction order of the credit facilities for the sample selected before the commencement of audit.
- Retail advances: The bank has a credit policy which defines process to be followed for sanction and disbursement of retail loans. Retail advances generally includes home loans, loans against property, vehicle/ automobile loans, personal loans, credit cards, gold loans etc, hence SBA is advised to obtain the retail loan policy of respective banks before the commencement of branch audit.
- SBA is advised to look for the overflow EMI report in the CBS to ensure that the EMI are not wrongly classified/ entered in the Bank's system.
- Income Recognition and Asset classification (IRAC) report List preferably on 3 different dates for the sample selection. (Say 15th, 20th and 31st March 2020): This will help the SBA for appropriate sample selection and test checks should be carried out regarding classification of these advances.
- SMA Report: Special Mentioned account with SMA 2 status as on 29th Feb 2020 will most probably turn out to be NPA as on 31st march 2020, if sufficient credits are not made during the Month of March 2020, even though the latest RBI moratorium applies.
- INSPECTION Report: SBA is advised to go through the branch Internal/ concurrent audit report for the past 1 year.
- More stress should be given to the comments of the operation of the Loan accounts.
- UNIT visit reports of Branch officials: SBA is advised to go through the branch unit visit report/ register. This will provide the confidence of the branch on the operation of the loan account.
- Credit Audit reports: SBA is advised to go through the latest Credit Audit reports conducted by the bank's specialised team. These reports are applicable to large credit accounts based on the risk appetite of individual banks. Eg: *some banks insist for the performance of Credit Audit yearly or in two years interval or Above Rs 2.00 Crs or Above Rs 5.00 Crs etc.*
- Stock audit reports: SBA is advised to go through the latest Stock Audit reports conducted by the independent chartered accountant/cost accountants who are in practice and are empaneled by the bank. These reports are applicable to large credit accounts based on the individual banks credit policies. This will give an independent opinion on the stock and receivables position on that loan accounts. If there is a major variation in the stock and receivable mentioned in the stock statement submitted to the branch and Stock audit report,

SBA should comment in the LFAR and Main Audit report. More over if the last stock statement submitted is more than 6 months old, the account should be classified as NPA. SBA should also ensure that the creditors are excluded from stock statement for arriving DP.

- ROC compliance for the corporate accounts: [SBA is advised to go through MCA website and confirm the adequacy of compliance.](#) This includes:

⇒ ROC Charge creation,
 ⇒ Satisfaction of charge for the closed loans with current and previous lenders,
 ⇒ List of directors / authorized signatories, KMP etc

- System Driven reports from CBS (Core Banking Solutions) as on given dates :
 ⇒ NPA upgraded report
 ⇒ NPA Exclusion List
 ⇒ NPA recalled report

⇒ Fresh NPA report/list
 ⇒ Credit Sanction limit expired reports
 ⇒ OD/CC interest Debit unsatisfied report
 ⇒ A/c Continuously overdrawn report
 ⇒ LC/BG - devolvement/ invoked report
 ⇒ Stock statement defaulters report
 ⇒ Interest rate modified report
 ⇒ BP/FBP/FCP/DBD/UBD/UBP Overdue reports etc

- Interest Application on agricultural advances
 ⇒ Unlike normal loans, the interest on agricultural advances is not charged at monthly rests but is charged normally at half yearly or annual rests.
 ⇒ Compounding of Interest is generally not permitted in respect of an Agricultural advance, unless it turns out to be a non-performing advance.

⇒ The RBI *vide* its circular no. DBOD No. Dir. BC. 25/13.03.00/2002-03 dated September 19, 2002 had advised the banks that instructions regarding charging of interest on monthly rests shall not be applicable to agricultural advances and banks shall continue to follow the existing practice of compounding of interest on agricultural advances linked to crop seasons.

Examples of Interest application according to crop seasons and for other activities:

Crop Season	Kharif	Rabi	Horticulture
Disbursement Period	April 01 to Sept 30	Oct 01 to March 31	
Interest Application	Annual	Annual	Annual
Interest Application Date	31st March	30th June	31st March
Compounding	Annual	Annual	Annual
Due Date	31st March	30th June	One year after first disbursement every year.
Compounding from Date	After 31st March	After 30th June	After end of year (to be calculated from date of first disbursement every year)
Penal Interest	If overdue, after 31st March	If overdue, after 30th June	If overdue, from the due date

Interest Subvention

- ⇒ Scheduled Commercial Banks (in respect of loans given by the rural and semi urban branches) are eligible under the scheme.
 - ⇒ On a loan given at 9% interest, subvention of 2% p.a. is allowed on short term crop loans upto Rs.3.00 lakh per farmer. Short term credit, thus made available at 7% p.a. to farmers, is considered for interest subvention.
 - ⇒ This is calculated on the crop loan amount from the date of its disbursement/ drawal up to the date of actual repayment of the crop loan by the farmer or up to the due date of the loan fixed by the banks, whichever is earlier, subject to a maximum period of one year.
 - ⇒ From 2011-12, additional interest subvention of 3% to those farmers, who repay their short term crop loans promptly and on or before the due date, thus making total interest subvention @ 2%+3% i.e. 5%.
 - ⇒ Farmers, who promptly repay their crop loans as per the repayment schedule fixed by the banks, are offered loans at an effective interest rate of 9% - 5% i.e. 4% p.a.
 - ⇒ The RBI vide Circular No. RBI/2019-20/48 FIDD. CO. FSD. BC. No. 10/ 05.02.001/ 2019-20 dated 26th August 2019, has decided to extend interest subvention for KCC facility to Animal Husbandry farmers and Fisheries for two years 2019-20 and 2020-21 on specified stipulations.
 - ⇒ Auditors have to submit certificate of Interest Subvention along with annual accounts of the branch audited by them.
- about the scheme and its applicability.
- ⇒ For details of short term crop loans qualifying for subvention, obtain information / reports submitted by the Branch to HO or Bank to RBI.
 - ⇒ Obtain list of eligible borrowers with outstanding balance.
 - ⇒ Interest on the loan account has been properly charged. Ensure that the interest is first credited to the account and then a claim is made for reimbursement.
 - ⇒ The subvention is computed properly for the eligible year and credited in respective borrower account.
 - ⇒ Inquire about any rejection made in earlier year's claims and reasons thereof.
 - ⇒ As per RBI circular, the auditor needs to certify the correctness of the claim, so the substantive testing needs to be carried out for examinations

General banking compliances

Obtain the following reports as on 31st March 2020 or given dates

- * DEAF Reports (Depositor Education and Awareness Fund) and its Compliances.
- * KYC – High / Medium/Low risk reports and its Compliances.
- * STR/CTR/AML (Suspicious and Cash transaction) reports and its Compliances.
- * ECGC Claims made and received/ rejected status reports.
- * DICGC Claims made and received/ rejected status reports

Forex (FEMA Compliances)

Obtain the following reports as on 31st March 2020 or given dates

- BOE (Bill of Entry) reports: More than 180 days for normal imports and 3 years for Capital goods and its Compliances

ances by B and C category Branches.

• ODI – ODI made during the FY reports along with following Forms / declarations

- ♦ Liberal remittance scheme for individuals forms
- ♦ Automatic / approval for corporates/ Firms etc
- ♦ Form A2 and TT applications
- ♦ FEMA declarations
- ♦ Other forms as per the individual banks policies/ compliances

Note: SBA are advised to look for the purpose codes mentioned/used in the customer applications and the codes used by the branch for fund transfer are one and the same.

• MTT (Merchanting Trade Transactions) report: More than 9 months outstanding and its Compliances by B and C category Branches.

• FLA : Foreign Liabilities and Assets compliance

⇒ Annual return on Foreign Liabilities and Assets has been notified under FEMA 1999 and it is required to be submitted by all the India resident companies which have received FDI and/ or made overseas investment in any of the previous year(s), including current year by July 15 every year.

⇒ Non-filing of the return before due date will be treated as a violation of FEMA and penalty clause may be invoked for violation of FEMA.

• Others reports as per the banks internal policies

Audit Procedure

⇒ Obtain relevant circular / policy

FRAUD

Standard on Auditing 240 issued by ICAI defines Fraud – “An intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.

Few types of fraud found in Banking System

Account opening fraud: This involves an account being opened with either fake or original KYC documents with an intent to depositing and cashing of fraudulent cheques/ instruments

Cheque fraud: It is most common method where frauds are committed through stolen cheques and forged signatures

Counterfeit securities: In this type of fraud, forged, duplicated or tampered documents, securities, bonds and certificates are presented as security for availing loan.

Digital fraud: Under this type of fraud, fraudster resorts to hacking/tampering to gain unauthorised access to siphon off or misappropriate funds.

Loan fraud: This type of fraud is committed by lending funds to a non-borrowing customer or allowing a borrowing customer to exceed his credit limit, without adequate sanction / authority.

Money laundering fraud: This type of fraud is committed by concealing the existence, source or use of illegally obtained money, by converting the cash into untraceable transactions in banks.

Letters of Credit: This type of fraud is most common in international trade but has been observed in domestic trade also. In respect of international trade, these instruments used in cross borders transactions with underlying trade documents which are forged, altered, adjusted and take longer to identify ultimate destiny of merchandise.

In respect of domestic trade these instruments are used to convert non funded facility into cash in purported trade transactions. Cash generated through such transactions is diverted or misappropriated out of system.

Role and Responsibility of Branch Auditor

Branch Auditor's primary objective is to opine on true and fair view of branch financial statements. The audit process needs to confirm compliance with standards on auditing issued by the Institute of Chartered Accountants of India (ICAI).

Specific to the area concerning fraud, as laid down in SA-240, the auditor has responsibility to plan and perform the audit to obtain reasonable assurance about whether the financial statements taken as a whole are free of material misstatement, whether caused by error or fraud. SA 240 requires auditor to perform procedures with following objectives:

To identify and assess the risks of material

mis-statement in the financial statements due to fraud;

To obtain sufficient appropriate audit evidence about the assessed risks of material misstatement due to fraud, through designing and implementing appropriate responses; and

To respond appropriately to identified or suspected fraud

While reporting on fraud in LFAR, the Statutory Branch Auditor has to provide appropriate responses to identified or suspected fraud.

RBI's COVID-19 – Regulatory Package dated 27/03/2020

Term Loans

Moratorium and Rescheduling of Payments:

Term Loans: include agricultural term loans, retail and crop loans in the nature of EMI repayments

Lending institutions: All commercial banks, co-operative banks, all-India Financial Institutions, and NBFCs (including housing finance companies and micro-finance institutions)

Moratorium: Three months on payment of instalments in respect of all term loans outstanding as on March 1, 2020.

Instalments: includes principal and/or interest components

Rescheduling: Repayment schedule of TL will be extended by 3 months period or shifted across the board by three months

Working Capital

Moratorium of Interest Payments

Borrowers would not have to service the interest applied in respect of the Working Capital facilities during the deferment period between 1st March 2020 to 31st May 2020.

Lending Institutions will be permitted to defer recovery of interest applied during the moratorium period.

The accumulated interest for the period will be paid after the expiry of the deferment period.

Working Capital facilities will include Cash Credit/ Overdraft limits but silent about Non Funded limits such as LC / BG devolve-ment etc.

Easing of Working Capital Financing

In respect of working capital facilities sanctioned in the form of CC/OD to borrowers facing stress on account of the economic fallout of the pandemic, lending institutions have been permitted to recalculate the drawing power (DP) by reducing margins and/or by reassessing the working capital cycle for the borrowers

sessing the working capital cycle for the borrowers

lices for providing the abovementioned reliefs to all eligible borrowers

Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA)

The asset classification of TLs which are granted relief shall be determined on the basis of revised due dates and the revised repayment schedule.

WC facilities where relief is provided, the SMA and the out of order status shall be evaluated considering the application of accumulated interest immediately after the completion of the deferment period as well as the revised terms, as may be permitted

The rescheduling of payments will not qualify as a default for the purposes of supervisory reporting and reporting to credit information companies (CICs) by the lending institutions. CICs shall ensure that the actions taken by lending institutions pursuant to the above Circular do not adversely impact the Borrowers' credit history.

Lending institutions shall frame Board approved po-

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The Dalai Lama, when asked what surprised him most about humanity, answered "Man. Because he sacrifices his health in order to make money. Then he sacrifices money to recuperate his health. And then he is so anxious about the future that he does not enjoy the present; the result being that he does not live in the present or the future; he lives as if he is never going to die, and then dies having never really lived."



EMERGENCY

THE 2019 NOVEL CORONAVIRUS DISEASE (COVID-19) – PANDEMIC THAT SHOOK THE WORLD



Dr. Priyanka R

An acute respiratory disease, caused by a novel coronavirus; “The Corona-virus Disease

2019” (COVID-19), first emerged in December 2019 in Wuhan, the capital of Hubei Province in China. Since then, the disease has spread globally. On 30th January 2020, World Health Organization (WHO) officially declared the COVID-19 epidemic as a public health emergency of international concern and on 11th March 2020, the disease was declared a pandemic. As of 7th April 2020, more than 13,45,000 cases of COVID-19 have been reported in more than two hundred countries and territories, resulting in over 74,565 deaths. More than 276,515 people have recovered from the disease so far.

What is corona virus?

Corona viruses are a large family of viruses which may cause illness in animals or humans. In humans, several coronaviruses are known to cause respiratory infections ranging from the common cold to more severe diseases such as Severe Acute

Respiratory Syndrome (SARS, caused by SARS CoV) in 2002 and Middle East respiratory syndrome coronavirus (MERS-CoV) in 2012. The virus that causes COVID-19 is named severe acute respiratory syndrome coronavirus 2 (SARS-CoV-2). The emergence of SARS-CoV-2 marked the third introduction of a highly pathogenic and large-scale epidemic coronavirus into the human population in the twenty-first century.

Signs and symptoms of COVID 19

The time interval between the entry of virus and first appearance of signs and symptoms (incubation period) of this disease ranges from 2 – 14 days. The most common symptoms of COVID-19 are fever, tiredness, and dry cough. Some patients may have aches and pains, nasal congestion, runny nose, sore throat or diarrhoea. These symptoms are usually mild and begin gradually. Some people become infected but don't develop any symptoms and don't feel unwell. Most people (about 80%) recover from the disease without needing special treatment. The morbidity and mortality due to COVID 19 is generally low in healthy, immune-competent people. Around 1 out of every 6 people who gets COVID-19

may become seriously ill and develops difficulty in breathing. Older people, and those with underlying medical problems like high blood pressure, heart problems or diabetes, are more likely to develop serious illness.

Disease transmission

COVID-19 can spread from person to person through small droplets from the nose or mouth which are spread when a person with the disease coughs or exhales. These droplets land on objects and surfaces around the person and the virus found in these droplets may persist on surfaces for a few hours or up to several days. Other people get infected by touching these objects or surfaces, then touching their eyes, nose or mouth. People can also catch COVID-19 if they breathe in droplets from close contact with a person with COVID-19, who coughs out or exhales droplets. This is why it is important to stay more than 1 meter (3 feet) away from a person who is sick.

The disease is most contagious when people are symptomatic; while spread may be possible even before symptoms appear. Various studies conducted in Singapore and China has shown that the pre-symptomatic transmission was 42% and 62% respectively.

Every infected person has the potential to transfer infection to at least three people, which accounts for the exponential increase in the number of cases in the community. But this rate of transmission can be reduced considerably through administrative and community intervention. This is an extremely important fact, and is one of the basics of our country's present stand of social distancing and lockdown. By increasing the physical separation between individuals, we can reduce the rate of transmission.

Diagnosis and treatment

Samples commonly used for diagnosis are throat, nasal and nasopharyngeal swab. The standard method of testing is real-time reverse transcription polymerase chain reaction (RT-PCR). Currently there is no specific medicine available for cure of COVID 19. Patients are given symptomatic treatment and supportive care. However, there are several ongoing clinical trials for finding out medicines for curing this disease.

Prevention and control

Currently, there is no available vaccine for prevention of COVID 19, but various agencies are actively undertaking vaccine trials for developing a safe and effective vaccine. The chances of being infected or spreading COVID 19 can be reduced by taking some simple precautions:

Protect yourself

Regularly and thoroughly clean your hands with an alcohol based hand rub (with at 60-80% alcohol) or wash them with soap and water for at

least 20 seconds

Maintain at least 1 metre (3 feet) distance between yourself and anyone who is coughing or sneezing.

Avoid touching eyes, nose and mouth.

Follow no-touch greetings; prefer "Namaste"/hand waving over handshake

Protect your family

Make sure you, and the people around you, follow good respiratory hygiene. This means covering your mouth and nose with your bent elbow or tissue when you cough or sneeze. Then dispose of the used tissue immediately.

Stay home if you feel unwell.

If you have a fever, cough and difficulty in breathing, seek medical attention and call in advance.

Wear a mask if you are sick/taking care of someone with symptoms

Follow the directions of your local health authority.

Protect your community

If you feel unwell, stay indoors and seek medical attention.

All surfaces suspected to be contaminated must be cleaned using 1% sodium hypochlorite solution.

Keep up to date on the latest COVID-19 hotspots (cities or local areas where COVID-19 is spreading widely).

Social distancing strategies aim to reduce contact of infected persons with large groups by closing schools

and workplaces, restricting travel, and cancelling mass gatherings.

According to the WHO, the use of masks is recommended only if a person is coughing or sneezing or when one is taking care of someone with a suspected infection. However, some countries also recommend healthy individuals to wear face masks as it is a good way to prevent people from touching their mouths and noses, even if non-medical coverings would not protect against a direct sneeze or cough from an infected person.

India has taken a giant leap towards the control of the COVID 19 pandemic with three major public health actions namely; country wide lockdown, tracing of cases and their contacts and restrictions on air/rail travel, and we hope to flatten the epidemic curve of COVID 19 as early as possible. With the rising panic related to the disease, it is important to keep ourselves updated regarding the actual facts and stick to credible sources of information.

Together we can defeat the Corona Virus Disease 2019 – All needed to break this chain is careful preparedness and no panic. ■

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Photo Gallery

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