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**Approved By:**

Rev. No.	Date	Description of Change	Approved By

**Distribution List**

- Head of Audit Division
- Head of BRR
- Head of CIBG Audit
- Head of I.T. Audit
- Head of International Audit
- Head of Management Audit
- Head of RBG Audit
- Head of Treasury Audit
- Regional Audit Chiefs
- Internal Auditors

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## 1. INTRODUCTION

- 1.1 The purpose of the Quality Assurance Review program is to help ensure compliance with the Standards. The said quality assurance review will be performed once in two years.
- 1.2 This document is intended for use as a guide by the personnel conducting quality assurance review. The reviewer must exercise professional judgment when completing checklists provided in this chapter and reaching specific and overall conclusion on the quality of audit. The reviewer may supplement the checklist given in this chapter with additional material, if required. Further, proper judgment should be used in selecting the audit working paper sample to be reviewed.
- 1.3 First such review will be done covering audits completed in year 2003 and onwards.

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## **2. AUDIT FUNCTION**

### **2.1 General**

2.1.1 Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve Bank's operations. It helps the Bank to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management controls and governance process.

2.1.2 The Audit Group of Bank consists of seven regional audit offices and seven specialized units namely, BRR, CIBG Audit, I.T. Audit, International Audit, Management Audit, RBG Audit and Treasury Audit (And any other department, if established).

2.1.3 One of the main responsibilities of these Offices / Units is to prepare Annual Audit Plan. The plan is developed based on identification of risk areas in their respective audit universe and assessment of available resources. The Annual Audit Plan includes

- Coverage of branches and units
- Manpower analysis
- Time and resource allocation for individual audits
- Special projects and activities to be performed

2.1.4 The annual audit plan is approved by the Audit Committee of the Bank's Board of Directors. Once the plan has been approved, it becomes a guideline for conducting audits in the coming year. It is necessary to ensure that each audit is completed as scheduled and within the resources budgeted in the plan. If there are any deviations from the plan, the reason for the same should be documented.

2.1.5 For a typical audit, the team selection should be done keeping in mind the rotation and expertise required for conducting the said audit. Once the team has been finalized, it is essential that Team Leader should carry out following tasks before initiating the said assignment:

- Establish audit objectives and scope of work in light of Audit Guide
- Obtain background information of branch to be audited - The background information reviews should include, but not be limited to, review of prior year's audit file, external auditors' report, State Bank Inspection report and policies and procedures pertaining to Branch Operations.

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- Allocate duties among team members in accordance with their capabilities and areas of expertise
- Document the audit program

## **2.2 Due Professional Care**

- 2.2.1 In exercising due professional care, auditors should be alert to the possibility of wrong doings, errors and omissions, inefficiencies, waste, ineffectiveness, and conflicts of interest. They should also be alert to those conditions and activities where irregularities are most likely to occur.
- 2.2.2 The concept of due professional care is very important. It requires reasonable care, competence, an appropriate level of audit skill and judgment to be used. This means, among other things, being alert to the consequences of inefficient policies and systems and lack of controls.
- 2.2.3 The auditor should obtain the strongest evidence available to support the conclusions. (Example: physical examination of records - strongest, observation - weaker, interview - weakest). Findings and control weaknesses should be fully documented and recorded on the observation sheets that identify the five elements of a finding: Condition, Criteria, Effect, Cause and Conclusion/Recommendation.

## **2.3 Conducting the Fieldwork**

- 2.3.1 Gathering audit evidence is the purpose of fieldwork. Completed audit procedures result in evidence that form the basis of all audit observations and reflect the quality of audit work.
- 2.3.2 Adequate fieldwork constitutes collecting information on all matters related to the audit objectives and scope of work; obtaining sufficient, competent, relevant, and useful evidence to provide a sound basis for audit findings and recommendations; selecting audit procedures in advance, where practical, and expanding or altering them if circumstances warrant; recording work in the form of working papers. For each audit test, determine what level of risk is acceptable.
- 2.3.3 The fieldwork includes:
- Gaining an understanding of the activity, system, or process under review and the prescribed policies and procedures, supplementing and continuing to build upon the information already obtained in the planning stage.

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- Examining ledgers and other operational records.
- Analyzing data and information.
- Observing conditions or operations.
- Interviewing auditee.
- Reviewing systems of internal control and identifying weakness
- Evaluating and concluding on the adequacy (effectiveness and efficiency) of internal controls.
- Conducting compliance testing.
- Conducting substantive testing.
- Determining if appropriate action has been taken with regard to significant audit concerns and corrective actions reported in prior year's audit.

2.3.4 Audit sampling is one of many tools used by auditors to obtain sufficient, competent evidence. Audit sampling is used whenever there are large numbers of transactions in the audit population. For further information regarding sampling refer to the chapter "Audit Sampling" of the Audit Guide.

2.3.5 Throughout fieldwork, professional judgment should be used to:

- Determine whether evidence gathered is sufficient, relevant, competent and useful to conclude on the established objectives; and
- Based on the information available, reassess the audit objectives, scope, and procedures to ensure efficient use of audit resources (e.g., should the remaining audit steps be eliminated, should the objective or scope be modified, have more efficient procedures been identified, or should additional hours be allocated to achieve an expanded audit objective).

## **2.4 Attributes of a Well-Developed Audit Finding**

2.4.1 When there is a finding that results from audit work, care should be taken to adequately develop the finding. This development should be well documented in the work papers and later in the audit report. The five parts of a well-developed audit finding are:

- Statement of Condition (What is!)
- Criteria (What should be!)
- Effect (What are the Risks?)
- Cause (Why did it happen?)
- Recommendation (What should be done?)

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- 2.4.2 Statement of Condition - The condition identifies the nature and extent of the finding or unsatisfactory condition. It often answers the question: "What was wrong?" Normally, a clear and accurate statement of condition evolves from the auditor's comparison or results with appropriate evaluation criteria.
- 2.4.3 Criteria - This attribute establishes the legitimacy of the finding by identifying the evaluation criteria, and answers the question: "By what standards was it judged?" In financial audits, criteria could be accuracy, materiality, consistency, or compliance with Bank policies and legal or regulatory requirements.
- 2.4.4 Effect - This attribute identifies the real or potential impact of the condition and answers the question: "What risk does it expose? ". The significance of a condition is usually judged by its risk. If the real risk cannot be determined, potential or intangible risk can sometimes be useful in showing the significance of the condition.
- 2.4.5 Cause – The attribute identifies the underlying reasons for unsatisfactory conditions or findings, and answers the question: "Why did it happen?". Identification of the cause of an unsatisfactory condition or finding is a prerequisite to making meaningful recommendations for corrective action. The cause may be quite obvious or may be identified by deductive reasoning if the audit recommendation points out a specific and practical way to correct the condition.
- 2.4.6 Recommendation - This attribute identifies suggested remedial action and answers the question: "What should be done?". The relationship between the audit recommendation and the underlying cause of the condition should be clear and logical. If a relationship exists, the recommended action will most likely be feasible and appropriately directed. Recommendations in the audit report should state precisely what needs to be changed or rectified. How the change will be made is the auditee's responsibility. The cost of implementing and maintaining recommendations should always be compared to risk. Further, recommendations should be directed to the Incharge capable of taking action.

## 2.5 WORKING PAPERS

- 2.5.1 Working papers provide support for the auditor's opinion. Good working papers contribute to the effectiveness of various administrative tasks required for the proper management of an audit assignment.

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2.5.2 The purpose of working papers is to:

- Facilitate effective conduct and management of audit assignment
- Provide support for the auditor's report
- Provide background and control for corrective action tracking
- Facilitate third-party review
- Aid in professional development
- Provide a source of information

2.5.3 The most important principles relating to audit working papers are:

2.5.4 Economy - Work papers should be prepared with economy in mind: economical to prepare and review, to store and retrieve. Working papers should be a usable record of work done, spare but complete and not a repository for every scrap of information available to the auditor. The auditor should include only what is essential and should make each worksheet serve a purpose that fits into the audit objectives. Poor judgment in the extent of information retained will make paper preparation, review, storage and retrieval uneconomical.

2.5.5 Clarity - Working papers should be readily understandable and require no supplementary information. Reviewers of the papers should be able to determine what the auditors set out to do, what they found, what was concluded and what was not done.

2.5.6 Relevance - Work papers should relate to matters, which are pertinent and material. They should be directly related to the audit objectives. The likelihood of important information being overlooked or obscured is minimized when care is taken to include only that information relevant and sufficient to satisfy audit objectives.

2.5.7 Accuracy - Work papers should be prepared accurately, ensuring that observations and comments are specific, valid and objective. The working papers should provide reviewers with proper perspective of the processes being examined. Oral comments obtained during the course of the audit should be paraphrased by auditors and a summary interpretation of the meaning of the comments should be included within the working papers. To ensure that there is no misunderstanding and that audit documentation is accurate, the Incharge Department (Auditee) may be asked to confirm the auditor's interpretations by signing it.



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#### 2.5.8 Completeness - Working papers should record

- (a) For information obtained: all relevant and material facts and their source
- (b) For audit procedures: their nature, timing, extent, results and the name of the auditor who performed them
- (c) For audit conclusions: the conclusions and the basis for arriving at those conclusions

2.5.9 Simplicity - Working papers should be comprehensible to the reviewer. Jargon should be avoided or properly defined where necessary.

2.5.10 Balance - Working papers should reflect all findings. Balanced working papers reduce the likelihood of a distorted impression being left with reviewers as to the adequacy of the management control framework under review. In addition, balanced working papers provide the proper basis for an effective audit report.

2.5.11 For further details regarding working papers, please refer to the chapter “Audit Working Papers” of the Audit Guide.

## 2.6 AUDIT REPORT

2.6.1 The results of audit work should be communicated to Bank Management in form of Audit Report. A signed audit report should be issued after the fieldwork has been completed. The Audit Reports should be objective, clear, concise, constructive, and timely. Reports should present the Auditee Branch / Unit Name, Name of Manager, Region, Audit Period & Date, Audit Category, Financial Highlights, Scope, Management & Staff, Assessment Summary and Audit Observations categorized into Part – I and II resulting from the fieldwork.

2.6.2 Reports must only include information that is necessary for the reader to clearly understand the message being delivered. The report needs to be clear, concise and complete. A cluttered report with unnecessary information can bore the reader and result in the inherent message being lost. Conversely, an excessively concise report can mislead the reader and result in an incorrect decision by the Management.

2.6.3 It is important to structure the report to emphasize the most important findings. A reader, initially confronted with insignificant findings, is likely to dismiss the rest of the report as inconsequential. Therefore,

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when planning the composition of the report Team Leader should consider the following matters:

- Clearly explain the areas covered by the audit and, where applicable, those not covered.
- Assemble and classify information under appropriate headings and subheadings in priority order.
- Ensure audit recommendations follow the facts and implications.
- Write in a positive style emphasizing recommendations for improvement rather than criticism of past practices.
- Acknowledge any improvements introduced as a result of the audit.

2.6.4 For further information regarding the Audit Reports, please refer to the circular number SH/458 dated 29th September 1998.

## **2.7 FOLLOWUP**

2.7.1 The Head of Regional Audit Offices / Units should establish a corrective action tracking system to ensure that all unresolved issues are rectified on the resolution target date provided by the auditee. He should ensure that the compliance is received on the said date. If the matter has not been resolved by that date, it should be ensured that revised (reasonable) resolution target date alongwith adequate justification has been provided. After resolution of all audit observations, Head of Regional Audit Offices / Units should close the audit file through formal sign-off.

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### 3. QUALITY ASSURANCE OBJECTIVES

Quality Assurance Review is a continuing process. It focuses on individual audits. The assurance given should include not only that staff auditors conformed to the Bank's policy as outlined through Audit Guide but also that the work was completed in accordance with the Standards. The objectives of Quality Assurance Review of Regional Audit Offices / Units are to ensure that audits conducted by their field auditors:

- Comply with the applicable standards
- Meet the audit requirements
- Adherence to Bank's policy and procedures
- Efficiency of operations
- Development of auditors
- Sound judgment was used for deciding materiality level
- All audit observations are supported by evidence
- Working papers are complete
- Management Response obtained are commensurate with the audit observation and same have been provided by personnel of Branch with sufficient authority
- Ensure that all serious observation have been included in the Part –1 of Audit Report and the same are summarized effectively in the Assessment Summary
- Effectiveness of all the recommendation of observations of Part – I in rectifying the situation
- Accurate risk has been defined for all the observations of Part – I and same commensurate with the audit observations
- Audit Report was issued timely
- Effective system is in place for tracking of unresolved audit issues
- Follow-up on prior quality Assurance Review Findings
- Identify opportunities to improve performance of audit activities
- Are all unresolved significant issues reported in the quarterly statement "Unresolved issues of C & D rated Branches"

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#### 4. DOCUMENTATION CHECKLIST

Following is a list of documents to be obtained and checked by reviewers during the course of quality assurance review:

- Annual Audit Plan for the period under review
- List of branches / units audited, during the said period, along with their ratings
- Final Audit Reports
- Working Paper Files
- List of Auditors working at Regional Audit Offices / Units
- Up-to-date Branch / Unit wise List of unresolved Issues
- Quarterly Statement of significant Unresolved issues of C and D rated Branches
- Quarterly Statement of significant resolved issues of C and D rated Branches
- Monthly Performance Reports

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## 5. CRITICAL DISCREPANCIES

Reviewers are required to examine the operations of Regional Audit Offices / Units with specific objective of providing reasonable assurance that audits conforms to the Standards. It is a process to ensure that the procedures and policies are being followed. In order to facilitate the reviewers, an indicative list of discrepancies that may lead to risk is provided below:

- Audit rating not commensurate with findings
- Unclear scope and objective of audit
- Improper allocation of duties
- Ineffective planning by the team leader
- Lack of documentation of the planning process
- Lack of expertise to conduct the assigned audit
- Non-updation of planning document during the audit process
- 100% substantive testing not done for the areas required as per policy
- In-sufficient sample size
- Branch response don't commensurate with the audit observation and recommendation
- Recommendations given in audit reports are not effective enough to rectify the observations
- Non –completion of relevant audit checklist by the auditors
- Non-review of working papers by the team leader and Regional Audit Chief
- Working Paper not effectively organized and indexed
- Non reporting of significant issues in Part – I of the audit report
- Non reporting of all the significant issues in the assessment summary of the audit report
- Distortion of management repose in audit report
- Resolution target dates are unreasonably long
- Working papers and audit report not referenced

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- Delay in issuance of audit report
- In-effective tracking system of unresolved audit issues
- Non-reporting of significant audit observation in the Quarterly Statement “Significant Unresolved Issues of “C” and “D” rated Branches”

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## 6. QUALITY ASSURANCE CHECKLISTS

Review Period:	_____
Prepared By:	_____ Date: _____ (Name & Title)
Reviewed By:	_____ Date: _____ (Name & Title)

### A1. Planning and Scope of Audit

Audit Checklist	Yes	No	N/A	Remarks
1. Are audit scope and objectives clearly defined in light of the Audit Guide?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
2. Determine whether the scope of audit appeared appropriate based on overall audit objectives. Consider the fact that each audit may include one or more of the following objectives: <ul style="list-style-type: none"> <li>• Accuracy, Reliability and Integrity of financial information.</li> <li>• Compliance with Bank's Instruction Circulars.</li> <li>• Compliance with State Bank Circulars.</li> <li>• Internal controls associated with Branch's operations are adequately and sufficiently in place and are capable of safeguarding against any mishap.</li> <li>• Deficiencies as identified and reported in previous audit of the branch are rectified.</li> <li>• Safeguarding Bank's interest and assets.</li> <li>• Economic and efficient use of resources.</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. Does the staff (Balanced Team) assigned to the audit collectively possess the necessary knowledge, skills and disciplines to conduct the audit of the Branch properly?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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<b>Audit Checklist</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Remarks</b>
4. Were the duties assigned to auditors documented and their receipts acknowledged?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
5. Were duties allocated to auditors according to their expertise / area of specialization and equally distributed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
6. Was the duty list updated at the end of the audit, if any auditor had performed additional work other than the assigned duty or due to some change in audit programme?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
7. Has the audit team reviewed following background information for planning the audit programme: <ul style="list-style-type: none"> <li>• Previous year's audit report</li> <li>• Previous audit's working paper file</li> <li>• List of Unresolved Audit findings</li> <li>• External auditor's audit report (if conducted),</li> <li>• State Bank's Inspection Report (if conducted)</li> <li>• Bank's and SBP circulars</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
8. Was the number of working days sufficient enough to conduct a thorough audit of all risk areas of the Branch?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
9. Did the current audit include a review of the implementation/ rectification of the previous audit recommendations/observations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____



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## A2. Examining and Evaluating Audit Evidence

Audit Checklist	Yes	No	N/A	Remarks
1. Did the nature and extent of the work auditors performed adequately meets the stated scope and objectives of the audit?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
2. Were all the relevant audit checklists completed?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. Do checklists contain signature of auditor preparing the same and that of Team Leader?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
4. Are all relevant audit checklists present in the work-paper file?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
5. Have all the audit observations been constructed with the following elements: <ul style="list-style-type: none"> <li>• Condition – What is</li> <li>• Cause -Why did it happen</li> <li>• Criteria - What should be</li> <li>• Effect - What are the Risks</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
6. Were all the exceptions noted during the audit fieldwork documented as formal audit observations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
7. Are audit observations adequately supported by evidence, where practicable?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
8. Do the work papers document examples, which really prove the audit observation and highlight the risk?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
9. Is source of audit evidence clearly identified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
10. Are calculations, if any, done in work paper accurate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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Audit Checklist	Yes	No	N/A	Remarks
11. Was the appropriate level of information maintained in the work papers files (i.e. to ensure that work papers contain only relevant information and the same are not being overloaded with unnecessary documentation)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
12. Did the Team Leader use sound judgment in deciding the materiality level?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
13. If the sampling was used, do the work papers clearly document following <ul style="list-style-type: none"> <li>o Sampling Technique used</li> <li>o Population Size</li> <li>o Sample Size</li> <li>o Sample coverage</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
14. Was the sample size for testing adequate?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
15. Have areas/items, requiring 100% substantive testing, been fully checked/audited (example Account Opening Forms)? Is the evidence of the same present in the work paper file?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
16. Is Management Response commensurate with the audit observation? If the observation was rectified in presence of the auditor was the same verified by the auditor and do the proofs of the same exist.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
17. Did personnel of Branch with sufficient authority provide Management Response to the audit observation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
18. Ensure that status of action against staff involved in infringement have been obtained from next higher level of authority related to the unit audited and not from within the audited unit to preclude the possibility of any leniency and conflict of interest situation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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Audit Checklist	Yes	No	N/A	Remarks
19. In case, where the audit observation required time for rectification, was resolution target date reasonable enough for rectifying it?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
20. Did auditors exercise due professional care in performing their work (i.e., performed an appropriate level of testing given the materiality of matters and objectives of audit to evaluate adequacy and effectiveness of internal controls and to identify significant control weaknesses)?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
21. Were auditors alert to opportunities, such as control weaknesses, that could allow fraud? If significant control weaknesses were detected, did the audit team conduct the appropriate follow-up procedures?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
22. Were the working papers and audit report properly referenced?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
23. Does the work-paper file contain following statement: <ul style="list-style-type: none"> <li>○ List of Final Balances</li> <li>○ Statement of Assets and Liabilities</li> <li>○ Statement of Income and Expenditure</li> <li>○ All Proof Lists/ Statement of Accounts</li> <li>○ Stock Reports</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
24. Ensure that above mentioned reports have been signed by auditor verifying the legitimacy of balances appearing in the same.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
25. Were work-papers reviewed by the Team Leader and do appropriate evidence (review notes and signature) of supervision exist?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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<b>Audit Checklist</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Remarks</b>
26. Were all questions raised during review of the Team Leader answered /rectified?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
27. Are the work papers: <ul style="list-style-type: none"> <li>• Clear and concise</li> <li>• Neat and legible</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
28. Does each Objection Sheet contain following <ul style="list-style-type: none"> <li>• Name of “Habib Bank Ltd” in Header</li> <li>• Auditee Branch Name</li> <li>• Functions being Audited</li> <li>• Date and Period covered by Audit</li> <li>• Name and Signature of Auditor</li> <li>• Name of the Staff dealing the matter</li> <li>• Management Response</li> <li>• Name and Signature of Team Leader</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
29. Are all the objection sheets prepared by the auditors serially numbered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
30. Are all the working papers arranged as per the technique defined in Audit Work-paper Standards issued via letter number AH/SH/005 dated 8 <sup>th</sup> August 2002?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
31. Ensure that the work paper file includes following: <ul style="list-style-type: none"> <li>• Planning documents</li> <li>• Control checklists</li> <li>• Results of controls evaluations</li> <li>• Analysis and tests of transactions, processes and account balances</li> <li>• Results of analytical auditing procedure</li> <li>• Audit Report and Response</li> <li>• Audit Correspondence documenting conclusion reached</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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<b>Audit Checklist</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Remarks</b>
32. Whether the Regional Audit Chief / Unit Head or a person appointed by him has reviewed the audit file to ensure that it is complete in all aspect? Does the evidence of same exist.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
33. Are the files containing work papers stored properly at Regional Audit Offices / Units? Is there any system in place to safeguard the same?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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### A3. Audit Report

Audit Checklist	Yes	No	N/A	Remarks
1. Was an exit conference held with the Branch Manager / RGM to discuss audit observations and recommendations before the final report was issued?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
2. Is the exit conference documented to include the following <ul style="list-style-type: none"> <li>• Issues / observations discussed</li> <li>• Resolution of disputed issues or audit finding</li> <li>• If the Branch Manager refuses offer for exit conference such refusal is documented</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. Do the comments on “ <b>Management and Staff</b> ”, in Audit Report, state following <ul style="list-style-type: none"> <li>• Staff Position</li> <li>• Proper Utilization of Staff</li> <li>• Performance of work as per approved duty list</li> <li>• Proper Segregation of duties</li> <li>• Training and rotation</li> <li>• Auditor’s overall critical assessment</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
4. Is there a “ <b>Financial Highlights</b> ” section that provide general information such as <ul style="list-style-type: none"> <li>• Total Deposit</li> <li>• Total Finances</li> <li>• Total Classified Loan</li> <li>• Total Export</li> <li>• Total Import</li> <li>• Home Remittance</li> <li>• Profit /Loss</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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Audit Checklist	Yes	No	N/A	Remarks
5. Does the audit report contain a comment on last year's audit unresolved issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
6. Was the Final Audit Report issued in reasonable period of time to enable prompt and effective action?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
7. Have all Audit Observations of Part – I of the Audit Report been summarized in Assessment Summary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
8. Read the Assessment Summary of the Audit Report: <ul style="list-style-type: none"> <li>• Does the reading flow well?</li> <li>• Is there extraneous information that is not really needed</li> <li>• Does the same makes it clear to the reader as to what was examined and what the issues were?</li> <li>• Was a convincing case made</li> <li>• Is it too brief or too lengthy</li> <li>• Contains materiality</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
9. Is the grammar (for example nouns and verbs agree on tense, sentences are complete thoughts, punctuation etc.) of Assessment Summary correct?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
10. Has the most significant audit finding been made issue number 1 in the Part – 1 of the Report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
11. Is the audit rating, assigned to Branch, justified in the Assessment Summary?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
12. Whether auditor has highlighted accurate risk for all the observations / findings of Part –I?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
13. Are recommendations given for all the audit observations in Part- I of Audit Report effective enough to rectify the situation?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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<b>Audit Checklist</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Remarks</b>
14. Ensure that only significant/serious audit observations of high risk have been included in Part –I of the Audit Report and all the other findings regarding routine operational lapses have been included in Part – II?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
15. Have all the similar audit observations been clubbed together in the Final Audit Report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
16. Do the Management Response for all the observations of Audit Report commensurate with the response provided by the Branch on the objection sheets?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
17. Are all the audit observations in Part – I and Part – II of Audit Report serially numbered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
18. Has the Audit Report been organized with the most significant finding being made the issues number one and others, then in descending order?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
19. Are the audit observations referenced in the final Audit report? Determine that the same are accurate by tracing issues to supporting documentation contained in work paper file?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
20. Have the Audit Report been distributed to those Executives of the Bank, who are best able to ensure that audit results are given due consideration?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
21. Is the Audit report <ul style="list-style-type: none"> <li>• Accurate, balanced and factual</li> <li>• Clear and Concise</li> <li>• Constructive and unbiased</li> <li>• Signed by the Team Leader</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
22. Are the Audit Report pages numbered?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____



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<b>Audit Checklist</b>	<b>Yes</b>	<b>No</b>	<b>N/A</b>	<b>Remarks</b>
23. Were there spelling mistakes in the Audit Report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
24. Do the covering pages of the Audit Report contain <ul style="list-style-type: none"> <li>• Branch Name &amp; Region</li> <li>• Name of Branch Manager</li> <li>• Audit Period and Date</li> <li>• Audit Category</li> <li>• Name of Auditors</li> <li>• Financial Highlights</li> <li>• Scope</li> <li>• Management &amp; Staff</li> <li>• Assessment Summary</li> </ul>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
25. If the Final Audit Report contained significant error or omission, did the Regional Audit Chief communicate the corrected information to all the individuals who received the original Audit Report?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
26. While recommending the Audit Category, did Team leader give sound justification for the same? Is the same in line with our audit rating criteria?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
27. While awarding “C” or “D” category to the Branch, was a meeting with Branch Manager/RGM held to discuss the same. Was the said meeting documented?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
28. If the Branch was awarded a “A” or “B” audit category, do you feel that the controls as per audit findings are strong enough to justify the same?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
29. If the Branch operations were rated as “C” or “D”, were there significant weaknesses in internal controls and any fraud had occurred consequently during the period under review?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____

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#### A4. Follow-up

Audit Checklist	Yes	No	N/A	Remarks
1. Is there a system in place for tracking of all the unresolved audit observations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
2. On random basis, review the work paper files to check effectiveness of said system. Review the correspondence of RAO/Unit with the Auditee for resolution of all the unresolved issues.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
3. Whether RACs / Unit Head make periodic review of all outstanding audit observations?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
4. When all the outstanding unresolved audit observations are rectified, is the Audit File closed after sign-off from the RAC / Unit Head?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	
5. Was the compliance of unresolved issues received on agreed resolution target date? If not, was a reminder sent to branch in reasonable period of time?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
6. Further, if no response or unsatisfactory response was received, was the matter reported to Senior Management for rectification of unresolved issues?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
7. Have all the significant audit observations of C & D rated Branches reported in the statement "Significant Resolved/ Unresolved Issues of C and D rated Branches"	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	_____
8. Have the significant audit finding in statement "Significant Resolved/ Unresolved Issues of C and D rated Branches" been reported in such a manner that their significance is duly highlighted?	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	