

Concurrent Audit in Public Financial Management: Objectives, Scope, and Governance Framework

Concurrent Audit is a proactive mechanism for continuous financial oversight, emphasizing real-time examination of transactions to ensure transparency, accuracy, and adherence to established financial protocols. This article outlines the framework for Concurrent Audits in public health systems, with a specific focus on objectives, scope, frequency, coverage, and the institutional architecture that supports audit implementation at both state and district levels. Also, this article attempts to provide guidance or necessary care that Company Secretaries are required to undertake while conducting Concurrent Audit.



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INTRODUCTION

Concurrent Audit is a systematic, real-time evaluation of financial transactions designed to verify their accuracy, authenticity, and compliance with applicable guidelines and procedures. Unlike traditional audit practices that rely on retrospective sampling, Concurrent Audits prioritize substantive checks conducted parallel to transaction execution.

This mechanism plays a vital role in strengthening financial discipline and operational efficiency. It functions as part of an early warning system within institutions, particularly public sector organizations, helping to prevent irregularities and potential fraud.

OBJECTIVES

The key objectives of the Concurrent Audit are as follows:

- To monitor compliance with established financial policies, procedures, and internal control frameworks.
- To ensure timely preparation and validation of periodic financial statements.
- To ensure evidence-based disbursements that promote transparency and accountability.
- To improve the accuracy and timeliness of bookkeeping and financial record maintenance.

- To provide a control mechanism for regular follow-up and settlement of advances.
- To assess the robustness of internal controls and recommend improvements where necessary.

SCOPE OF AUDIT

Concurrent Audits are mandated at both the State and District levels to ensure comprehensive oversight. The responsibilities of auditors encompass an evaluation of internal control adequacy, transaction propriety, asset management, and compliance with financial norms and operational protocols.

STEPS TAKEN BY COMPANY SECRETARIES WHILE CONDUCTING CONCURRENT AUDIT

The Company Secretary (CS) plays a crucial role in the Concurrent Audit process. They are responsible for ensuring that the company maintains proper records, complies with all applicable laws and regulations, and has effective internal controls. While working at a banking or financial institution, CS should extend their full cooperation to the Concurrent Auditors and provide them with the necessary information and documents.

CONCURRENT AUDIT OF DEPOSITORY PARTICIPANTS

A Practicing CS can be a Concurrent Auditor, particularly in the context of depository operations, as per regulations and circulars issued by the National Securities Depository Limited (NSDL) from time to time. Practicing CSs are also authorized to conduct internal audits and provide various certification and audit services.

SEBI authorised the Practising CS, amongst other professionals, to carry out audit of Investment Advisers on yearly basis. Regulation 19(3) of the SEBI (Investments Advisers) Regulations, 2013 requires yearly audit on compliance of Investments Advisers under SEBI (Investment Advisers) Regulations, 2013 by a member of the Institute of Company Secretaries of India.

A Practicing CS, can focus on below key areas to check in a Concurrent Audit:

a) **Compliance with Company Law**

- Verify the maintenance of statutory registers like the register of members, debenture holders, and charges.
- Ensure compliance with the Companies Act, 2013 and relevant rules.
- Check for proper conduct of board and committee meetings, including the recording of minutes.
- Review filings with the RoC, including annual returns, financial statements, and other required documents.

b) **Financial Transactions**

- Ask for the RBI Checklist (SOP) from the Branch Manager and monitor the compliances done against each of the checklist points.
- Examine loans and advances to ensure they are properly documented, sanctioned, and disbursed.
- Verify the acceptance of deposits, including compliance with deposit rules and regulations.
- Scrutinize investment activities, including the purchase and sale of securities, to ensure they are authorized and properly recorded.
- Review cash management procedures and ensure proper accounting for cash receipts and payments.

c) **Accuracy and Timeliness of Financial Reporting**

- Ensure that books of accounts are maintained accurately and up-to-date.
- Verify the preparation and accuracy of financial statements, including the trial balance, income and expenditure account, and balance sheet.
- Ensure that financial reports are prepared and submitted on time.

d) **Internal Controls**

- Assess the effectiveness of internal control systems in the company.
- Identify any weaknesses in internal controls and recommend improvements.
- Ensure that company assets are properly safeguarded and accounted for.

e) **Other Relevant Areas:**

- Review the company's compliance with other applicable laws and regulations, such as those

related to securities, foreign exchange, and intellectual property.

- Check for any instances of income leakage, such as undercharging of fees or incorrect interest calculations.
- Ensure that the company has appropriate risk management policies and procedures in place.

FREQUENCY OF AUDIT

Concurrent Audits are to be conducted on a **monthly basis**, ensuring real-time financial oversight and timely identification of discrepancies.

GOVERNANCE FRAMEWORK: CONCURRENT AUDIT COMMITTEES IN BANKS AND FINANCIAL INSTITUTIONS

In the governance architecture of banks and financial institutions, the **Concurrent Audit Committee (CAC)** serves as a cornerstone of internal control, operational transparency, and risk mitigation. The committee plays a critical role in ensuring the effectiveness of Concurrent Audits—an ongoing, real-time audit mechanism designed to prevent irregularities and enforce regulatory compliance across operational and financial processes.

a) **Purpose and Relevance of the Concurrent Audit Committee**

Concurrent Audit, by nature, is a preventive rather than a detective tool. In banks and financial institutions, where high transaction volumes and digital interfaces increase operational risk, the Concurrent Audit Committee ensures that:

- Key business areas are continuously monitored,
- Material discrepancies are escalated without delay,
- Corrective actions are implemented in a time-bound manner, and
- Regulatory and internal compliance is maintained rigorously.

The committee thus acts as an interface between audit execution and strategic decision-making, helping institutions proactively manage reputational and financial risks.

b) **Composition of the Concurrent Audit Committee**

The Concurrent Audit Committee is typically constituted at the **Head Office level** of a bank or large financial institution. The composition is designed to bring together expertise from audit, risk, finance, compliance, and operations.

Table 1: Composition

Designation	Role in Committee
General Manager / Chief General Manager (Audit/Inspection)	Chairperson
Chief Financial Officer (CFO)	Member
Chief Risk Officer (CRO)	Member
Head – Internal Audit	Member Secretary
Chief Compliance Officer (CCO)	Member or Invitee (as appropriate)
Head of IT or Digital Operations	Member (in tech-heavy institutions)

Depending on the scale of operations, sub-committees or zonal audit committees may also exist to support the central CAC.

c) **Key Responsibilities of the Concurrent Audit Committee**

- Oversight of Audit Planning and Coverage
- Appointment and Evaluation of Auditors
- Monitoring Audit Execution and Follow-Up
- Reporting and Escalation
- Promoting Best Practices and Capacity Building

d) **Frequency and Governance**

- The Concurrent Audit Committee typically meets **quarterly** (or more frequently if required) to review branch audit findings, systemic issues, and performance metrics.
- Minutes of the committee are recorded, reviewed, and presented to the Audit Committee of the Board, ensuring clear documentation and oversight trail.

A Practicing CS can be a Concurrent Auditor, particularly in the context of depository operations, as per regulations and circulars issued by the National Securities Depository Limited (NSDL) from time to time.

REMUNERATION OF CONCURRENT AUDITORS IN BANKS AND FINANCIAL INSTITUTIONS

The remuneration structure for Concurrent Auditors plays a vital role in maintaining the quality, integrity, and independence of the audit function in banks and financial institutions. A fair and performance-linked compensation framework ensures that auditors are incentivized to carry out their duties diligently, while also aligning their efforts with the institution's risk management and compliance objectives.

a) **Indicative Fee Ranges**

While actual fees vary by institution and scope, indicative Concurrent Audit fees in Indian public sector banks range as follows:

Table 2: Indicative Fee Ranges

Branch Category	Monthly Fee (INR)
Large corporate / treasury branch	₹30,000 – ₹50,000
Mid-size branch (urban/semi-urban)	₹15,000 – ₹25,000
Small/rural branch	₹10,000 – ₹15,000

Note: These are indicative figures and subject to change based on inflation, workload, and bank policies.

THE INCREASING SIGNIFICANCE OF CONCURRENT AUDIT IN MODERN BANKING

In today's fast-paced and increasingly complex banking environment, Concurrent Audit has become an indispensable component of financial governance. The dynamic nature of banking operations, evolving regulatory frameworks, and heightened risk exposures necessitate a continuous and proactive approach to financial oversight. Concurrent Audit, which involves the systematic examination of financial transactions as they occur, plays a critical role in ensuring the accuracy, integrity, and compliance of banking activities.

A. **Why it Is Critical Today?**

i) **Escalating Cyber and Operational Risks**

With the growing reliance on digital banking channels, mobile platforms, and third-party fintech integrations, the surface area for operational risk has expanded. Concurrent Audit helps:

- Identify system control lapses in real time,
- Detect unauthorized transactions early, and
- Ensure that cybersecurity and IT governance protocols are adhered to.

ii) **Rising Incidence of Fraud**

As per RBI's financial stability reports, banking frauds—particularly those related to loans, digital payments, and forged documents—have increased both in complexity and scale. Concurrent Audits enable:

- Early detection of anomalies, diversion of funds, or dummy accounts,
- Scrutiny of loan sanctioning and disbursement processes,
- Monitoring of compliance with Know Your Customer (KYC) and Anti-Money Laundering (AML) norms.

iii) **Increasing Regulatory Scrutiny**

The Reserve Bank of India (RBI) has sharpened its focus on compliance, accountability, and governance. Under its risk-based supervision (RBS) framework, institutions are expected to demonstrate robust internal controls — with Concurrent Audit playing a frontline role in:

- Verifying adherence to regulatory instructions,
- Ensuring real-time monitoring of sensitive transactions,
- Providing ongoing assurance to top management and the Audit Committee of the Board (ACB).

iv) **Complex Product Portfolios and High Transaction Volumes**

Modern banking now involves treasury operations, derivatives, cross-border transactions, structured loans, and high-frequency trading — all of which require real-time oversight. Concurrent Auditors ensure:

- Proper documentation and risk assessment,
- Compliance with internal limits and RBI prudential norms,
- Monitoring of end-use of funds in real time.

B. **Concurrent Audit: How does it help**

i **Early Detection and Prevention of Irregularities**

Banks process a vast number of transactions daily, making them vulnerable to errors and fraudulent activities. Concurrent Audit facilitates real-time monitoring, allowing for the early identification and prompt resolution of irregularities before they can escalate into significant financial losses or reputational damage.

ii **Ensuring Regulatory Compliance**

With regulatory authorities imposing stringent requirements on risk management, transparency, and internal controls, Concurrent Audit helps banks maintain adherence to applicable laws and guidelines. This ongoing compliance mitigates the risk of legal penalties and reinforces the institution's credibility.

iii **Enhancing Risk Management Frameworks**

The spectrum of risks faced by banks—including credit risk, operational risk, market risk, and cybersecurity threats—requires continuous assessment. Concurrent Audit provides timely insights into these risks, enabling management to implement corrective measures proactively and strengthen internal control mechanisms.

iv **Improving Financial Reporting Accuracy**

Accurate and timely financial reporting is vital for sound decision-making by bank management and stakeholders. By verifying transactions contemporaneously, Concurrent Audit ensures that financial records reflect the true financial position of the institution, thereby enhancing transparency and accountability.

v **Supporting Technological Integration**

As banks increasingly adopt digital platforms and automated processes, the complexity of operations intensifies. Concurrent Audit adapts to these technological advancements, ensuring that financial and operational controls keep pace with innovation, thereby safeguarding assets and customer interests.

vi **Building Stakeholders' Confidence**

Regular and rigorous audit processes reassure customers, investors, and regulators that the bank operates with high standards of integrity and prudence. This trust is fundamental to the sustainable growth and stability of financial institutions.

SAMPLE CONCURRENT AUDIT REPORT

(For a Bank Branch – Illustrative Format)

Table 3: Sample Concurrent Audit Report

Part I: General Information

Particulars	Details
Name of the Bank	XYZ National Bank
Branch Name & Code	Connaught Place Branch (Branch Code: 0444)
Date of Audit Visit	1 st June 2025 – 30 th June 2025
Period Covered	Transactions from 1 st June – 30 th June 2025
Name of Concurrent Auditor	M/s XYZ & Co., Chartered Accountants
Name of Lead Auditor	CA _____
Reporting to	General Manager – Internal Audit Division

Part II: Executive Summary of Observations

Area	Key Observations	Risk Rating (High/Medium/Low)
Cash Management	Cash retention exceeded prescribed limit on 3 occasions during the month.	Medium
Loans & Advances	One account (A/c No: 1234567890) disbursed without updated KYC.	High
KYC/AML	2 savings accounts opened without PAN/ Form 60.	Medium
Housekeeping	BRS not signed by Branch Manager in 2 of 4 weekly statements.	Low
Suspense Accounts	Credit entries older than 90 days not reversed (₹1.25 lakh total).	High
Income Leakage	Incorrect application of processing fee on term loans (₹5,000 short collected).	Medium
TDS Compliance	TDS not deducted on interest paid on fixed deposits exceeding ₹40,000.	Medium
Reporting	Delay in submission of ATM reconciliation reports to HO.	Low

Part III: Detailed Audit Findings**1. Cash Management**

- **Observation:** On 7th, 14th, and 28th June, cash retention exceeded RBI's prescribed limit of ₹10 lakh; highest was ₹13.75 lakh.
- **Recommendation:** Strengthen cash forecasting and remittance planning. Monitor end-of-day cash positions more rigorously.

2. Loans & Advances

- **Observation:** One MSME term loan sanctioned on 18th June did not have updated KYC for the proprietor.
- **Recommendation:** Reinforce checklist-based loan processing. No disbursement should occur without full documentation.

3. KYC & AML Compliance

- **Observation:** Two new accounts lacked PAN/Form 60; high-value cash deposit in one.
- **Recommendation:** Implement real-time system validation for PAN. Strengthen internal alerting mechanism for KYC breaches.

4. Income Leakage

- **Observation:** Loan processing fee was not fully charged in three cases, totaling ₹5,000.
- **Recommendation:** Automate fee calculation and validation through core banking system.

Part IV: Compliance Status from Previous Report

Observation (Previous Month)	Status	Remarks
Delay in TDS returns filing.	Resolved	TDS returns filed within due date.
Outstanding entries in Suspense Account >90 days.	Partially Resolved	₹50,000 cleared, ₹1.25 lakh pending.
Non-reconciliation of ATM cash balances.	Resolved	All reconciliations updated till June.

Part V: Annexures

- Annexure I – Filled-in Concurrent Audit Checklist
- Annexure II – Details of Key Exceptions.
- Annexure III – Summary of Advances Audited.
- Annexure IV – Compliance Certificate from Branch Head.
- Annexure V – Photocopies of Supporting Documents (KYC/Loan Files etc).

Part VI: Auditor's Declaration

We certify that the audit was conducted in accordance with the scope and guidelines issued by the bank. All observations are factual and based on the review of records, system logs, and staff interviews.

Place: _____

Date: _____

For M/s ABC & Co. Chartered Accountants

(Signature)

CA _____

Partner

Membership No: XXXXX

Part VII: Branch Manager's Comments

Observation	Comments / Corrective Action Taken
Cash Retention Breach	Issue due to delayed remittance; corrective steps taken
Incomplete KYC in Loan File	KYC updated on 1 st July; flagged for system review
PAN Missing in Savings Account	Customer provided PAN on 30 th June; updated in system

(Signature)

Mr/Ms. _____

Branch Manager

XYZ National Bank – Connaught Place Branch

Date: _____

Notes:

- This is a **sample report** and the actual format may vary based on the bank's internal Concurrent Audit manual.
- Certain institutions may require reports to be uploaded digitally through an audit portal of a specific bank.

CONCLUSION

In the **post-pandemic, digitally enabled, and regulation-heavy banking environment**, Concurrent Audit has transcended its traditional role. It is now a **critical pillar of risk intelligence and governance**, equipping institutions to remain compliant, fraud-resilient, and operationally sound. For students and young professionals entering the field of banking, finance, or audit, understanding the **importance and application of Concurrent Audit** is vital — not just as a regulatory obligation, but as a **strategic function** that underpins the integrity and sustainability of the financial system.

REFERENCES:

- Sample Bank of India Concurrent Audit Report*
- RBI Guidelines*
- ICSI Guidelines*