

VOLUME 1 • ISSUE 1 • OCTOBER 2026

PROFESSIONAL WISDOM REVIEW

Banking • Insolvency • Law • Taxation • Professional Practice

A Monthly E-Journal of Practical Knowledge and Professional Insights

INAUGURAL SAMPLE ISSUE — THEME

From Banking Experience to Professional Wisdom: IBC, NPA Management and Banking Audit

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- NPA Management** — What Everyone Should Know About Non-Performing Assets
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FOUNDER EDITOR

Ashok Kakkar

Advocate | Insolvency Professional | Former Chief Manager, Punjab National Bank

Published digitally through <https://legalwisdomhub.in>

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M A S T H E A D

Publication	Professional Wisdom Review — Monthly E-Journal (Inaugural Sample Issue)
Issue	Volume 1, Issue 1 — October 2026
Founder Editor	Ashok Kakkar, Advocate, Insolvency Professional, Former Chief Manager, Punjab National Bank
Format	Website edition and complete PDF edition
Website	https://legalwisdomhub.in
Contact	kakkarwisdomhub@gmail.com +91 9996909992 Chandigarh, India

PREFACE

Sharing Professional Knowledge and Experience

Message from the Editor

Professional experience acquires greater value when it is shared with others. During a professional career, we learn not only from books, statutes and regulations, but also from practical situations, difficult decisions, and professional challenges that deepen our understanding of a subject.

Banking, insolvency, law, taxation, audit and regulatory compliance are interconnected areas. A banker dealing with a credit account must understand appraisal, monitoring and recovery. An insolvency professional must understand claims, security interests, documentation and the practical difficulties of the resolution process. An auditor must examine not only records, but also the systems, controls and procedures behind them.

With this perspective, I am pleased to present the inaugural sample issue of Professional Wisdom Review, a monthly e-journal that I hope will grow into a useful forum for practical professional learning.

Why this journal?

Over the years I have written articles for several professional platforms and for my own website, LegalWisdomHub.in. Readers frequently asked for the material to be brought together in an organised, regular and easily shareable form. A monthly journal, with a fixed structure and a clear editorial standard, is the natural answer.

The journal will focus initially on **banking, the Insolvency and Bankruptcy Code (IBC), non-performing assets (NPAs) and banking audit**. In later issues, the coverage may extend to taxation, GST, corporate law, compliance and other related professional subjects.

What readers can expect

- ◆ Clear explanations of technical subjects in plain language.
- ◆ Practical checklists, procedures and ready-reference tables.
- ◆ Statutory and regulatory references, with a caution to verify current provisions.
- ◆ Experience-based observations, kept separate from the settled position of law.

The purpose is not merely to reproduce legal provisions or news, but to explain what they mean in everyday professional practice.

This first issue is an independent editorial initiative. I hope that, over time, other professionals will contribute articles,

case studies and practical observations from their own fields. I welcome every suggestion and constructive criticism; it is the readers who will decide what this publication becomes.

Ashok Kakkar

Founder Editor, Professional Wisdom Review

ABOUT THE JOURNAL

About Professional Wisdom Review

Purpose, scope and editorial approach

Professional Wisdom Review is a monthly digital journal intended to promote practical knowledge and professional learning in banking, insolvency, law, taxation, audit, compliance and related fields. It is being initiated with a simple objective: to make professional knowledge understandable, accessible and useful.

Subjects covered

- ◆ Banking operations, credit management and monitoring
- ◆ NPA recognition, recovery and resolution
- ◆ The Insolvency and Bankruptcy Code, claims verification, CIRP and liquidation
- ◆ Banking audit: concurrent, internal, statutory, credit and revenue audit
- ◆ Legal and regulatory developments of practical importance
- ◆ Later issues: taxation, GST, corporate law and compliance

Our editorial approach

1. Explain complex subjects in clear language.
2. Emphasise practical application over information alone.
3. Cite statutory provisions, regulations and judicial decisions wherever appropriate.
4. Distinguish established legal requirements from professional observations and recommendations.
5. Encourage original writing and responsible knowledge-sharing.

Standard layout of each issue

- ◆ Cover, contents and masthead
- ◆ Preface or editor's message
- ◆ Feature articles in two-column format
- ◆ Practical checklists and ready-reference tables
- ◆ Regulatory and case-law notes (from later issues)
- ◆ Contributors' profiles
- ◆ Invitation for the next issue; publication notice

The journal is freely accessible through [LegalWisdomHub.in](https://legalwisdomhub.in), with a complete PDF edition for convenient reading and circulation.

ABOUT THE PLATFORM

About LegalWisdomHub.in

The website behind the journal

LegalWisdomHub.in is the website through which the Founder Editor shares educational articles on banking, finance, insolvency and legal matters. Its articles combine practical banking experience with legal and insolvency perspectives, with the aim of making banking and finance easier to understand for professionals, entrepreneurs and students.

The website carries explanatory articles on credit, banking practice, NPA management, the Insolvency and Bankruptcy Code and related subjects, written in simple language and organised so that readers can follow a subject step by step.

For Professional Wisdom Review, the website will serve as the primary publication platform:

- ◆ an announcement and editorial introduction for every issue;
- ◆ the contents page, with links to individual articles;
- ◆ a downloadable, searchable PDF of the complete issue; and
- ◆ an archive of earlier issues, organised by month and year.

The journal will retain its own identity, editorial standards and issue numbering, distinct from the website's broader educational content.

Visit and connect

Website: <https://legalwisdomhub.in>

Email: kakkarwisdomhub@gmail.com

Telephone: +91 9996909992

ABOUT THE EDITOR

Profile of the Founder Editor

Ashok Kakkar

Founder Editor / Editor-in-Chief

Advocate | Insolvency Professional | Former Chief Manager, Punjab National Bank

M.Com., LL.B., LL.M., CAIIB



Ashok Kakkar is a former Chief Manager of Punjab National Bank with over four decades of professional experience in banking operations, credit administration, NPA management, recovery and audit, and in the allied fields of finance, insolvency and commercial laws.

He holds the qualifications of M.Com., LL.B., LL.M. and CAIIB, and is an Advocate and a registered Insolvency Professional.

His professional interests include banking law, the Insolvency and Bankruptcy Code, corporate insolvency resolution, liquidation, claims verification, security enforcement, recovery proceedings, audit and regulatory compliance.

He regularly contributes articles and professional insights to legal, banking and financial knowledge platforms, including CAclubindia, TaxGuru and IBCLaw, and publishes educational content through LegalWisdomHub.in, on LinkedIn and on other platforms.

His writing is guided by one aim: to make complex banking, legal and insolvency issues understandable and practically useful to professionals, businesses and students.

Contact

Location: Chandigarh, India

Website: <https://legalwisdomhub.in>

Email: kakkarwisdomhub@gmail.com

Telephone: +91 9996909992

Areas of expertise

- ◆ Banking operations and credit administration
- ◆ NPA management and recovery
- ◆ IBC, CIRP, liquidation and claims verification
- ◆ Banking audit and compliance
- ◆ Security enforcement and banking law

ARTICLE 1 | INSOLVENCY AND BANKRUPTCY CODE

IBC @ 10

A Decade of Insolvency Resolution and Lessons for the Future

By Ashok Kakkar

The Insolvency and Bankruptcy Code, 2016 (IBC) received Presidential assent in May 2016. As it completes ten years in 2026, it has travelled from a bold experiment to an established part of India's credit and commercial architecture. It is an appropriate moment to reflect on what it set out to do, what experience has taught, and where the framework is heading.

The IBC should not be viewed merely as a mechanism for recovering bank dues. Its central purpose in corporate insolvency is to **resolve insolvency in a time-bound manner, preserve the value of the business and balance the interests of all stakeholders**, with liquidation available where resolution is not achieved.

1. Why the Code was needed

Before the IBC, insolvency and debt-recovery matters were handled through several laws and forums: the Sick Industrial Companies Act, winding-up proceedings under company law, the recovery tribunals under the Recovery of Debts Act, and enforcement of security under the SARFAESI Act. The multiplicity of routes could make the resolution of distressed businesses slow, and value often eroded while proceedings continued.

The Code created a consolidated framework for dealing with insolvency. In the ordinary corporate insolvency resolution process (CIRP), management of the corporate debtor's affairs is generally vested in the interim resolution professional and then the resolution professional, subject to the Code and applicable orders. Other processes introduced by later amendments may have different management and creditor-participation arrangements. The objective is a collective, value-preserving process rather than a race between individual recovery actions.

2. The institutional architecture

- ◆ **National Company Law Tribunal (NCLT):** adjudicating authority for corporate persons; appeals lie to the NCLAT and thereafter to the Supreme Court.
- ◆ **Insolvency and Bankruptcy Board of India (IBBI):** regulator of insolvency professionals, agencies and information utilities.
- ◆ **Insolvency Professionals (IPs):** conduct the process as interim and resolution professionals and liquidators.
- ◆ **Committee of Creditors (CoC):** the financial creditors who take the key commercial decisions.

- ◆ **Information Utilities:** repositories of financial information to help establish default.

CIRP at a glance

- ◆ **Trigger:** default of at least ₹1 crore; application by a financial creditor (Section 7), an operational creditor (Section 9) or the corporate debtor (Section 10).
- ◆ **Admission:** NCLT admits the application; moratorium under Section 14; an interim resolution professional takes over the management.
- ◆ **Claims:** public announcement; creditors file claims; the IP verifies and collates them.
- ◆ **CoC and plan:** CoC constituted; resolution plans invited; ineligible applicants barred by Section 29A.
- ◆ **Approval:** CoC vote of not less than 66% of voting share (Section 30), then NCLT approval (Section 31).
- ◆ **Failure:** if no plan is approved, liquidation follows, with distribution under the waterfall in Section 53.
- ◆ **Timeline:** originally 180 days, extendable by 90, with an outer limit of 330 days. The 2026 Amendment has revisited timelines; verify the current provisions.

3. What ten years have taught us

Judicial clarity has been essential. Early decisions such as *Innovative Industries v. ICICI Bank* (2017) confirmed that the Code is concerned with the existence of default. *Swiss Ribbon v. Union of India* (2019) upheld the constitutional validity of the Code, and *Essar Steel v. Satish Kumar Gupta* (2019) reinforced the primacy of the creditors' commercial wisdom while insisting on equitable treatment of creditors.

Documentation decides outcomes. The quality of the original loan documents, security records, account statements and correspondence directly affects verification of claims and the strength of a creditor's position.

Claims verification is not a clerical task. It requires examination of the claim form, supporting documents, statements of account, contractual records and security particulars, and reconciliation of the amount claimed with the evidence.

Challenges persist. Delays in admission and adjudication, extensive litigation, uneven recoveries and capacity constraints in tribunals have remained recurring concerns, and they have shaped successive reforms.

4. The 2026 Amendment: a new chapter

The Insolvency and Bankruptcy Code (Amendment) Act, 2026 (Act No. 6 of 2026) received Presidential assent on 6 April 2026. The commencement date and operational effect must, however, be checked provision by provision against the relevant Gazette notifications, rules and IBBI regulations. The amendment addresses, among other matters:

- ◆ a Creditor-Initiated Insolvency Resolution Process (CIIRP), subject to the provisions and commencement applicable to that process;
- ◆ provisions concerning group insolvency and cross-border insolvency, whose operation depends on the applicable statutory framework and notifications;
- ◆ changes concerning admission of applications and withdrawal under Section 12A;
- ◆ changes concerning liquidation, moratorium and avoidance transactions; and
- ◆ changes to selected offence and penalty provisions. Readers should not treat this list as a statement that every provision is operational; the Act and commencement notifications must be read together.

EDITOR'S CAUTION AND KEY REFERENCES

The above is a general overview, not a substitute for the legislation. Consult the Insolvency and Bankruptcy Code, 2016, as amended; the Insolvency and Bankruptcy Code (Amendment) Act, 2026 (Act No. 6 of 2026); relevant Gazette commencement notifications; and applicable IBBI regulations and circulars. Official Act listing: <https://ibbi.gov.in/legal-framework/act>. Verify which amended provisions are in force on the date of use and the process-specific rules for CIRP or CIIRP.

applicable commencement notifications and IBBI regulations; Innoventive Industries v. ICICI Bank (2017); Swiss Ribbons v. Union of India (2019); Committee of Creditors of Essar Steel India Ltd. v. Satish Kumar Gupta (2019). Check current primary sources before relying on any legal proposition.

Ashok Kakkar

5. Practical lessons for bankers

1. Begin documentation before distress arises; keep security records complete.
2. Identify stress early; timely monitoring offers more options than action after deterioration.
3. File claims on evidence, with a clear audit trail and reconciled figures.
4. Participate actively in the CoC and record the reasons for decisions.
5. Track amendments; the framework continues to evolve.

Conclusion

Ten years of experience shows that the effectiveness of an insolvency framework depends not only on legislation but also on the quality of its implementation by lenders, professionals, tribunals and other stakeholders. The continuing challenge is to strengthen the practical working of the system while preserving its central objective: a fair, orderly and effective process for dealing with insolvency.

Key sources for verification: Insolvency and Bankruptcy Code, 2016, as amended; Insolvency and Bankruptcy Code (Amendment) Act, 2026;

ARTICLE 2 | BANKING AND CREDIT MANAGEMENT

NPA Management

What Everyone Should Know About Non-Performing Assets

By Ashok Kakkar

Non-performing assets are a major concern for banks because they affect income, capital, lending capacity and the quality of the loan portfolio. For borrowers, an account that deteriorates can bring additional financial pressure, recovery action and, in appropriate cases, enforcement of security or legal proceedings. Understanding NPAs is therefore relevant not only to bankers and auditors, but also to borrowers, business owners and professionals dealing with credit.

1. What is an NPA?

A non-performing asset is a loan or advance classified as non-performing under the applicable prudential norms of the Reserve Bank of India. Under the general framework for banks, **a term loan ordinarily becomes an NPA when interest or an instalment of principal remains overdue for more than 90 days**. Similar norms apply to other facilities, but the precise tests differ with the type of facility.

For cash credit and overdraft accounts, the test is whether the account is “out of order” under the applicable RBI norms. Broadly, this includes specified circumstances involving continuous excess over the sanctioned limit or drawing power, absence of credits, or credits insufficient to cover interest debited over the prescribed period. The detailed test and exceptions must be checked in the current directions applicable to the bank and facility. Agricultural advances follow crop-season-based criteria.

An account does not become an NPA merely because a borrower faces temporary difficulty. Equally, a bank must not postpone classification once the prescribed criteria are met.

Early stress: the SMA ladder

Before an account becomes an NPA, banks identify stress through Special Mention Accounts (SMA):

Category	Overdue period	Meaning
SMA-0	Up to 30 days	Early signs of stress
SMA-1	31 to 60 days	Stress is continuing
SMA-2	61 to 90 days	Close to NPA status
NPA	More than 90 days	Non-performing asset

Important distinction: for ordinary term loans and other non-revolving facilities, SMA-0 generally covers overdue amounts up to 30 days, SMA-1 more than 30 days and up to 60 days, and SMA-2 more than 60 days and up to 90 days. For revolving facilities such as cash credit and overdraft, the SMA

framework uses the period for which the outstanding balance continuously exceeds the sanctioned limit or drawing power; SMA-0 is not listed in the same way. Apply the current RBI directions relevant to the bank, borrower and facility, including any special rules for agricultural advances.

2. Categories of assets

Category	Description
Standard	Performing; no more than normal business risk
Sub-standard	NPA for up to 12 months
Doubtful	Sub-standard for more than 12 months; recovery doubtful
Loss	Identified as loss under applicable norms; may be written off or provided for as prescribed

3. Why do accounts become NPAs?

- ◆ Decline in business sales or profitability
- ◆ Delayed payments from customers
- ◆ Poor working-capital management
- ◆ Diversion or inappropriate use of funds
- ◆ Weak financial controls or inadequate planning
- ◆ External economic or sectoral difficulties
- ◆ Inadequate appraisal or ineffective post-disbursement monitoring

A proper review should distinguish a temporary cash-flow difficulty from a more fundamental problem in the business or in repayment capacity.

4. What follows classification?

For the bank, classification affects income recognition, provisioning, asset-quality reporting and the need for recovery or resolution action. For the borrower, it signals serious deterioration in the credit relationship. Depending on the facts and the law, the bank may consider permitted resolution measures, enforce security under the SARFAESI Act, approach the Debts Recovery Tribunal or initiate insolvency proceedings where the statutory conditions are met.

Classification and enforcement are separate matters. Classification does not by itself mean that every legal step is complete or that every security can be enforced without satisfying the legal requirements.

5. What banks should do before the NPA stage

The most effective NPA management begins before an account reaches the classification threshold. Banks should monitor repayment behaviour, drawing power, turnover, stock and receivable statements, financial performance, limit utilisation and compliance with sanction conditions.

Early warning signs

- ◆ Persistent excesses over limits
- ◆ Irregular or round-figure credits
- ◆ Repeated requests for ad hoc limits
- ◆ Delayed submission of financial statements
- ◆ Declining sales; unpaid statutory dues

These signs do not make an account an NPA. They signal the need for investigation and action.

6. Advice for borrowers in difficulty

- ◆ Do not ignore communications from the bank.
- ◆ Review the reasons for the cash-flow shortfall.
- ◆ Prepare realistic financial projections.
- ◆ Disclose genuine problems promptly, with accurate records.
- ◆ Examine a feasible corrective or restructuring proposal.
- ◆ Take professional advice where necessary.

Relief depends on the applicable framework, the bank's assessment and the facts. A request does not automatically prevent classification or recovery action.

7. The role of audit

Auditors examine whether accounts have been classified correctly, and whether interest recognition, provisioning and reporting are appropriate. They should study account conduct, overdue data, system-generated reports and supporting documents, and should not rely solely on the description of an account in a report: the underlying transactions and classification criteria must be tested.

Conclusion

Effective NPA management requires early recognition of stress, reliable monitoring, accurate classification and timely action. For bankers, the lesson is to identify deterioration before it becomes irreversible. For borrowers, it is to address repayment difficulties transparently. For auditors, it is to test the facts, apply the norms and report exceptions clearly. NPA management is not simply recovery after default; it begins with sound lending, continues through monitoring and becomes harder when warning signs are ignored.

Key source for verification: RBI directions on Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRACP), as amended and applicable to the relevant bank and facility. Refer to the current RBI master circular/directions and subsequent notifications; the 90-day rule and SMA treatment must be applied with

*facility-specific qualifications. RBI master-circular index:
https://www.rbi.org.in/scripts/BS_ViewMasCircularDetails.aspx*

Ashok Kakkar

ARTICLE 3 | BANKING AUDIT

Banking Audit

*Types of Audit and What Banks Need to Know***By Ashok Kakkar**

Audit is an important element of a bank's system of control, governance and regulatory compliance. Banks handle public deposits, extend credit, process payments and maintain extensive financial and customer records. Errors, control weaknesses and non-compliance can have consequences for the bank, its customers and the wider financial system.

Banking audit is not a single activity. Different audits serve different purposes, operate at different intervals and examine different aspects of a bank's operations. The audits listed below are common examples, not a claim that every audit is mandatory for every bank or branch. Applicability, scope, frequency and reporting requirements depend on law, RBI directions, bank policy, the assignment and its terms of reference.

Audit	Principal focus
Statutory	Opinion on financial statements
Concurrent	Ongoing transaction-level checks
Internal	Governance, risk and controls
Credit / advances	Lending process and documentation
Revenue	Income, interest and charges
Stock & receivables	Borrower's inventory and book debts
IS / technology	System controls and access

1. Statutory audit

Conducted under the applicable legal and regulatory framework by auditors appointed in accordance with the relevant provisions. Its principal purpose is to examine the financial statements and express an **independent opinion** under the applicable auditing standards. In a bank the work extends to balances, income recognition, provisioning, advances, investments and internal controls, within the scope of the engagement. It should not be confused with a detailed concurrent audit of every daily transaction.

2. Concurrent audit

Concurrent audit examines selected transactions and activities on an ongoing or near-real-time basis. Depending on the assignment, areas may include cash operations, deposits, advances, remittances, clearing, foreign exchange, system-generated transactions and compliance with delegated powers. The objective is to detect errors, irregularities and control weaknesses promptly so that corrective action is not delayed. Scope and frequency

depend on the bank's instructions, RBI requirements and the terms of the assignment.

3. Internal audit

Internal audit provides an independent assessment of governance, risk management and internal controls. It may examine operational processes, compliance systems, credit administration, access controls, fraud risk and business continuity. It is broader than checking vouchers: it asks whether processes are designed appropriately and are operating effectively.

4. Credit or advances audit

Credit audit examines the lending process from appraisal and sanction through disbursement, documentation, monitoring and recovery.

Typical areas

- ◆ Compliance with sanction terms
- ◆ Documentation and security records
- ◆ Adherence to delegated lending powers
- ◆ End-use monitoring, where applicable
- ◆ Stock statements and drawing power
- ◆ Inspection and valuation records
- ◆ Monitoring of overdue and stressed accounts

5. Revenue audit

Revenue audit checks whether income and expenditure are correctly accounted for, and whether interest, fees and charges have been properly levied or recorded. In advances, the auditor may review interest calculations, applicable rates, penal charges where lawfully applicable, processing charges and the treatment of irregular accounts, with reference to product terms, bank instructions and applicable law.

6. Stock and receivables audit

For certain working-capital facilities, stock and receivables audits examine the borrower's reported inventory, receivables and records. The engagement may cover physical verification, ageing of receivables, insurance, drawing-power calculations and reconciliation of reported figures with evidence. It is distinct from a general branch audit and must follow the agreed scope.

7. Information systems audit

Technology controls matter because most transactions run through centralised systems. This audit examines access rights, user privileges, change management, security, system logs, data integrity and continuity arrangements. The auditor must consider the reliability of the system-generated reports on which other audits depend.

8. Other specialised reviews

- ◆ Risk-based internal audit
- ◆ Forensic audit or investigation
- ◆ Compliance reviews and thematic audits
- ◆ Inspection of identified transactions
- ◆ Long Form Audit Report (LFAR) work, as applicable

These are not interchangeable. Each has its own purpose, scope, appointment process and reporting requirements.

What a bank needs from its audit function

An audit function that is **independent, adequately scoped and supported by reliable records**. Branches and departments should give access to books, documents, system reports and explanations. Findings should be specific and evidence-based, identifying the issue, the requirement, the facts, the risk and the corrective action. A bank should also track observations, fix responsibility and timelines, and verify closure: submitting a report does not by itself remove a control weakness.

Conclusion

Different forms of banking audit complement one another. Statutory audit focuses on financial reporting; concurrent audit gives ongoing oversight; internal audit assesses controls and risk; and specialised audits examine particular risk areas. The effectiveness of audit depends on the auditor's work, the quality of the records, the bank's cooperation and the timely implementation of corrective measures.

Reference note: the applicable Companies Act provisions, RBI directions, bank-specific audit policy, appointment terms and relevant auditing standards determine the audit requirement and scope. This article is a general overview; it does not imply that each audit type is compulsory for every branch or bank.

Ashok Kakkar

ARTICLE 4 | AUDIT PRACTICE

How Should an Auditor Begin a Banking Audit?

A Practical Starting Checklist

By Ashok Kakkar

An auditor's work begins before the first voucher, loan file or system entry is examined. Preparation is essential for understanding the assignment, defining its scope, obtaining records and identifying the areas that need greater attention. Whether the engagement is a concurrent audit, internal audit, advances audit or another assignment, the auditor should first understand the applicable instructions and establish a systematic working method.

The following is a general practical guide. The precise requirements depend on the type of audit, the bank's instructions, the regulatory framework and the terms of appointment. Before accepting or starting work, confirm eligibility, independence, conflicts of interest, confidentiality obligations, the authority to access records and systems, and the procedure for raising access restrictions.

STEP 1 Understand the appointment and scope

Obtain and study the appointment letter, terms of reference, audit instructions, reporting format and period. Confirm:

- ◆ the branch, department or activity covered;
- ◆ the period under audit;
- ◆ the transactions and processes in scope;
- ◆ the prescribed methodology, if any;
- ◆ the reporting deadline and escalation procedure; and
- ◆ the records and systems you are authorised to access.

Do not assume that every assignment has the same scope. Confirm also that you meet the independence and eligibility requirements for the assignment.

STEP 2 Review previous audit reports

Identify outstanding observations, repeated deficiencies and unresolved high-risk items. Verify that reported deficiencies have actually been rectified; an item is not closed merely because the branch states that action was taken. Repeated observations may point to a weakness in the control process, not an isolated error.

STEP 3 Understand the branch and its risk profile

Obtain an overview of the branch's deposits, advances, cash operations, remittances and digital transactions. Consider the volume and complexity of transactions, unusual activity, earlier control weaknesses and areas highlighted by the

bank. This lets the auditor allocate attention according to risk.

STEP 4 Obtain the necessary reports and records

Request the reports and registers relevant to the assignment, such as:

- ◆ trial balance and general ledger extracts;
- ◆ cash book and cash balance reports;
- ◆ advances, overdue, SMA and NPA reports;
- ◆ loan documentation and security registers;
- ◆ interest, charges and income reports;
- ◆ suspense, sundry and inter-branch reconciliations;
- ◆ stock inspection and drawing-power records; and
- ◆ exception reports and system-generated statements.

Tailor the list to the audit. Do not collect unrelated customer information without a legitimate audit purpose and proper authorisation.

STEP 5 Prepare a risk-based audit plan

Identify the areas that warrant greater attention. Examples include high-value or irregular advances, accounts showing overdue or stress indicators, large or unusual transactions, transactions needing special approval, long-outstanding suspense items and repeated control exceptions. Risk-based selection does not permit the auditor to disregard mandatory checks or prescribed sampling.

STEP 6 Maintain proper working papers

Record the work done, evidence examined, exceptions found and conclusions reached, so that an authorised reviewer can see what was tested, why and how the conclusion followed. Refer to reports, vouchers, files or system entries without needlessly reproducing confidential information.

STEP 7 Discuss preliminary observations

Where an issue needs clarification, obtain an explanation and examine the supporting evidence. Distinguish a **confirmed exception**, a **matter requiring further verification** and a **recommendation for improvement**. Serious or time-sensitive concerns should be escalated through the prescribed channel without waiting for the end of the audit.

STEP 8 Report findings and follow up

A useful audit observation states what was observed, the requirement or control that applies, the evidence, the risk or consequence, and the corrective action required. At the end, reconcile the findings with the final report, confirm that significant matters have been escalated and track unresolved issues under the applicable process.

A simple format for an observation

- ◆ **Observation:** the factual exception
- ◆ **Requirement:** the policy, instruction or law
- ◆ **Evidence:** the record or transaction
- ◆ **Risk:** the potential impact
- ◆ **Action:** the corrective step required

Conclusion

A well-conducted banking audit begins with a clear understanding of the assignment, a review of previous findings, an assessment of risk and a disciplined approach to evidence. The auditor's objective is not merely to find mistakes; it is to give a reliable assessment of compliance and controls, report deficiencies clearly and help ensure that corrective action follows.

Ashok Kakkar

PRACTICAL CHECKLIST

Documents and Registers at the Commencement Stage

A general reference list for planning a branch audit — adapt to the scope of the engagement and the bank's instructions

Done	Area	Records or reports to consider
☐	Previous audit	Previous reports, outstanding observations and compliance status
☐	Financial records	Trial balance, general ledger and relevant subsidiary ledgers
☐	Cash operations	Cash book, cash balance reports, relevant registers and prescribed reconciliations
☐	Advances	Advances list, overdue reports, SMA/NPA reports and sanction details
☐	Loan documentation	Loan agreements, security documents, mortgage or charge records, as applicable
☐	Credit monitoring	Stock statements, drawing-power calculations, inspection and review records
☐	Income and charges	Interest calculations, fee reports and relevant income or reversal entries
☐	Reconciliation	Suspense accounts, inter-branch entries and other reconciliation reports
☐	Controls and access	Exception reports, authorised user access and relevant system logs, as permitted
☐	Compliance	Regulatory or internal instructions applicable to the audit and the branch

Important working principle

The existence of a register or report does not establish that the underlying transaction is correct. The auditor should test entries against supporting records and the applicable requirements.

An observation should not be raised merely because a document is missing from the initial set of records. First establish whether it is required, whether it is maintained elsewhere, and whether its absence is a reportable deficiency.

Observation format

- ◆ **Observation** — state the factual exception
- ◆ **Requirement** — policy, instruction or law
- ◆ **Evidence** — the record or transaction
- ◆ **Risk** — financial, operational, compliance or control impact
- ◆ **Action required** — the corrective step or clarification

REFERENCE

Glossary of Abbreviations

CAIIB — Certified Associate of the Indian Institute of Bankers

CIRP — Corporate Insolvency Resolution Process

CoC — Committee of Creditors

DRT — Debts Recovery Tribunal

IBBI — Insolvency and Bankruptcy Board of India

IBC — Insolvency and Bankruptcy Code, 2016

IP — Insolvency Professional

LFAR — Long Form Audit Report

NCLT / NCLAT — National Company Law Tribunal / Appellate Tribunal

NPA — Non-Performing Asset

RBI — Reserve Bank of India

SARFAESI — Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

SMA — Special Mention Account

CONCLUDING NOTE

The Road Ahead

A note from the Editor

This inaugural issue is a modest beginning. It brings together subjects that have been important throughout my professional journey: banking operations, the management of stressed assets, insolvency proceedings, and the role of audit in strengthening controls.

The intention is to develop a publication that is useful to professionals in their everyday work. Articles should help readers understand a subject, identify practical issues and approach professional responsibilities with greater clarity.

Future issues may cover banking law, recovery proceedings, security enforcement, taxation, GST, corporate law, compliance and other emerging professional matters. The journal will also seek contributions from other professionals, subject to editorial review and the availability of suitable material.

The long-term value of this initiative will depend on consistency, accuracy and the willingness to share knowledge responsibly. I hope readers will find the publication useful, and that it will gradually become a collaborative professional platform.

Ashok Kakkar

Founder Editor

Coming next (proposed)

November 2026: themes under consideration include recovery under the SARFAESI Act and the DRT, credit monitoring, claims in insolvency and a regulatory update note.

Subject to the contributions received.

CALL FOR ARTICLES

Invitation for Contributions

Join us in building a platform for practical professional knowledge

Professionals working in banking, insolvency, law, taxation, GST, audit, compliance and related fields are invited to submit original articles for consideration in future issues of Professional Wisdom Review.

Submission guidelines

- ◆ **Length:** normally 1,200 to 2,000 words; shorter notes for updates.
- ◆ **Format:** editable Word (.docx) file with title, author name, designation and qualifications.
- ◆ **References:** statutory provisions, circulars, case-law and source citations.
- ◆ **Profile:** a brief professional profile of 80 to 120 words and a professional photograph.
- ◆ **Originality:** disclosure of any prior publication or simultaneous submission.
- ◆ **Confidentiality:** case studies must protect client, account and personal information.
- ◆ **Declaration:** signed confirmation as per the specimen opposite.

Articles are reviewed for relevance, clarity, originality, accuracy and suitability. Submission does not guarantee acceptance, and the editor may request revisions. Authors remain responsible for the accuracy of their work and for securing permission to reproduce third-party material.

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Publication	Professional Wisdom Review — Monthly Digital Professional Journal
Issue	Volume 1, Issue 1 — Inaugural Sample Issue, October 2026
Founder Editor and Author	Ashok Kakkar
Format	Website edition and downloadable PDF edition
Website	https://legalwisdomhub.in
Contact email	kakkarwisdomhub@gmail.com

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Volume 1 · Issue 1 · October 2026 · Inaugural Sample Issue