A Study on Voucher Verification of IndusInd Bank, Nungambakkam, Chennai

Dr.V.Kannan, Dr.G.Amudha, Mr.K.Siranjeevi

Abstract— Bank is considered to be the backbone of our Indian economy. Too much of money cause inflation and too little stifles economic growth and create problems of unemployment and lost opportunity. IndusInd Bank Limited is a Mumbai based Indian new generation bank, established in 1994. The bank offers commercial, transactional and electronic banking products and services. Voucher verification unit is one of the unique specialties in this bank. In banks whatever the transactions has been made vouchers are prepared. It will be sent to Voucher Verification Unit and they will monitor it. In this study we have discussed about the need, coverage, branch mapping of VVU’s, process flow of VVU’s, Day zero and Day one process at branches, Categories of errors, branch responsibilities on detection of VVU, How to rectify those errors and finally conclusion about the study.

Index Terms— Voucher Verification Unit (VVU), Categories of errors

I. INTRODUCTION

Voucher Verification Unit was created by Varsha/Audley – General Banking Operations. It was reviewed by Mr. Haresh Wadhwa and approved by Ms. Anita Vergheese.

- Released date of VVU- 15-02-2012
- Revised Version 1- 24-05-2012
- Revised Version 2- 22nd march 2013

Voucher is a bond of the redeemable transactions. A voucher is produced usually after receiving a vendor invoice after the invoice is successfully matched to a purchase order. Voucher contains detailed information regarding the payee, the monetary amount of the payment, a description of the transaction and more. In account payable systems a process called payment Run is executed and to generate payments corresponding to the unpaid vouchers. Branches handle financial and non-financial transactions. To mitigate the risk of errors in operations, the bank and regulatory authorities have laid down various guidelines to be adhered by branches. These regulatory guidelines are disseminated to branches through various internal guidelines in the form of circulars/ mailers.

The branches are the face of the bank having customer inflow the customer instructions and certain bank induced transactions on customer accounts are preferred at the branches. It is vital to mitigate the risk of errors that happen in operations. A robust mechanism of detection and corrective action for error was required and the bank started the voucher verification project. VVU project has been outsourced to M/s Centilion Solutions and Services (p) ltd (CSS).

Coverage:

Project coverage will be vouchers pertaining to all entries including COFA transactions (except clearing and those generated by the system). It covers

1. All branches including Corporate Global Market Operations (CGMO) units at branches.
2. Depository section at (IndusInd Bank Limited) IBL house.
3. Credit card unit at corporate office.

Branch Mapping of VVU’s:

- VVU’s have been geographically spread across India to cover all branches of IndusInd bank limited (IBL).
- As per 21st march 2013 there are 21 VVU’s covering all branches.
- Branches additions and/or changes in branches would be advised by GBO to respective VVU’s through their Central Coordinator.

Process flow:

All entries in the branches are reflected in the daily transaction statements. Branches are responsible for dispatching the vouchers alone with supporting documents and summary to the linked VVU’s of region.

Each branch should identify a voucher champion who has the responsibility for ensuring smooth flow of process and liaison with the VVU’s Hub and closure of discrepancies.

Day Zero Process at Branches:

- Branch should ensure that each transaction processed at the branch is supported by the voucher.
- Each debit and credit transactions processed in the system can be segregated into customer induced, bank induced and system generated transactions as under:
  - Customer induced transactions are put through vouchers such as deposit pay-in-slips, cheques, Fixed deposits receipts, Real-Time Gross Settlement (RTGS), National Electronic Fund Transfer (NEFT) applications, pay orders/ Demand drafts, Customer requests letters, etc…
  - Bank induced transactions are put through vouchers which are mainly related to charges or entries processed manually by the staff for standing instructions, EMI etc. Any transaction not supported

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by voucher can only be bank induced system generated such as interest credit debit charges.

- The vouchers need to be filled up with all the relevant details.
- Vouchers must bear the relevant stamps like cash received stamp, cash paid stamp, and transfer stamp depending upon the nature of transactions.
- Branches must also ensure to maintain the relevant batch no. and serial no. on the vouchers.
- Vouchers must be prepared and posted by the passing officials with their ECN stamps and signatures as per the passing powers.
- All relevant supporting bills, documents should be attached to the respective voucher.
- All vouchers should be arranged and segregated into three lots
  1. Clearing vouchers
  2. Cash vouchers
  3. Transfer vouchers (RTGS/NEFT, DD, PO, Transfers)
- Only cash and transfer vouchers should be sent to the VVU hub linked to the branch.

Day One at Branches:

- Branches have to download the Rep.161 reports from the branch queue along with the legal compliance certificate.
- These reports contain all the transactions processed on the specific day pertaining to cash and transfer.
- All the vouchers along with relevant supporting must be arranged in the same order in which the transaction appears in the report.
- Branches must affix their branch round stamp on all the pages of these reports and the reports should be signed by the MCSOP and Branch head on the last page.
- Vouchers must be affixed with cash and transfer stamps based on the nature of transactions and the respective scroll/ Tran Id recorded thereon and duly signed by the passing official.
- The branches must be preparing a covering schedule containing the total of debit/ credit vouchers, No. of dispatched by branch and no. received by VVU and discrepancies in numbers. The voucher bundles must be sent to the VVU hub for audit within the Turn-around time (TAT).

Review of literature:

Meselekebede, lecturer, department of accounting & finance college of business & economics, wolaitasoddo university, soddo (2016) discussed about audit practices to the cooperatives and to throw new light on the above mentioned problems and discuss them from different angles (appointments, due professional cares, program, routine checking, vouching receipts and payments, verification and valuation, audit report classification and audit control system. There is a criteria by which the auditor express their opinion, They rank them based on the colour if the report is highly satisfactory they give green, satisfactory- blue, below satisfactory- yellow and unsatisfactory- yellow.

According to banking regulation act, 1949 explains the banking policy i.e. the policy which is specified from time to time by the Reserve Bank in the interest of the banking system or in the interest of monetary stability or sound economic growth, having due regard to the interests of the depositors, the volume of deposits and other resources of the bank and the need for equitable allocation and the efficient use of these deposits and resources.

According to Basel norms, Basel is a city in Switzerland which is also the headquarters of banks of Bureau of International Settlement (BIS). Basel guidelines refer to broad supervisory standards formulated by this group of central banks called Basel committee on Banking Supervision. It focuses on Risks of the banks and financial systems are called Basel accord. In 1988, BSBS introduced capital measurement system called Basel capital accord which focuses on credit risks. In 2004, Basel II guidelines were published by BCBS, which were considered to be refined version of Basel I, and finally Basel III guidelines released in 2010 which response to financial crisis of 2008. It aims to promote more resilient banking system by four parameters i.e. capital leverage, Funding and liquidity.

Guillermo Ortiz, governor of the Bank of Mexico, Bank of Mexico (2009) discussed the issues in the governance of central banks and main tendencies in modern central banking are to preserve monetary stability and promote financial stability. Some of the leading central banks have engaged in new and unusual transactions with a far wider range of counterparties than ever before, and done so on a scale that is virtually without precedent. As a result, the composition and size of their balance sheets have changed dramatically, and they have assumed significant financial and reputational risks.

Categories of Errors:

There are three categories of errors. They are Utmost critical error, critical error and Non critical error. Non critical errors are not considered for marks allotted by VVU.

Utmost critical:

There is a financial implication for the bank by way of possible losses resulting from mistakes such as wrong account debited/ credited, wrong amount debited/ credited, missing vouchers, transactions not accounted etc., such type of errors committed by the branches are called utmost critical.

Critical:

Committing an error of any type is critical as it may impose either a financial or a reputation loss to the bank. Errors such as authentication not obtained from customers for overwriting on cheque/ document.

Non critical:

Errors like voucher not properly written, stamp not affixed/ wrongly affixed, Date not written on voucher, Batch number not mentioned etc., this type of errors are not considering for marks.

<table>
<thead>
<tr>
<th>Percentage of errors</th>
<th>Proposed</th>
</tr>
</thead>
<tbody>
<tr>
<td>Voucher audit</td>
<td>1</td>
</tr>
</tbody>
</table>
discrepancy
(Numbers)  2  >0.10% to <0.25%  4 marks
3  >0.25% to <0.50%  3 marks
4  >0.50% to <1.00%  2 marks
5  >1.00  Nil mark

Rectification of errors
Parameters  No of days where vouchers received as per TAT

Achievement

Voucher audit
discrepancy
(Resolution)  Above 90%  5 marks
Above 80%  3 marks
Above 70%  2 marks

Submission of errors:
Parameters  No of days where vouchers received as per TAT

Promptness in submission
of vouchers to VVU  2  Above 90%  5 marks
3  < 90% to >80%  3 marks
4  < 80% to >70%  2 marks
5  70% and less  Nil mark

Branch Responsibility on Detection of Errors by VVU:
The auditors will list out the discrepancies or any mismatch with the daily statement found in the vouchers and also details of the missing vouchers and select the correct audit observation codes from the drop down menus in TMS and save in the system and forward to the branch. It is the responsibility of the branches to revert to the errors raised and close the discrepancies. “All errors should be closed within 3 days of TAT”. Any wrong entries posted means a reversal voucher should be made for the reversal entry with correct and complete remarks.

Research Design:
This research is about the financial transaction and vouchers of IndusInd bank. To analyze this, Vouchers of the company is taken from IndusInd bank for the month of March, April, and May. From these vouchers we can able to calculate the categories of errors.

Process Flow of vouchers:

Need For Study:
The main purpose of this study is to analyze the Vouchers and reduce the transactional errors in IndusInd bank, Nungambakkam branch. In IndusInd bank voucher verification unit acts as a supportive function for both the customers as well as bank.

Objective of the Study:
✓ To study the financial transactions and reduce the error percentage of IndusInd bank, Nungambakkam branch.
✓ To study the flow of vouchers.
✓ To reduce the transactional errors in order to increase the reputation of the bank and reduce the financial losses.
✓ To mitigate the risk of errors in operations.
✓ To rectify the errors within turnaround time of the vouchers.
**Interpretation:**

Branch sent the day to day Cash and Transfer vouchers to VVU. Then VVU will verify those vouchers and if there is an error it will be sent to the concerned branches. Then they will rectify those errors and again send back to the VVU. If there is no error in vouchers they will send it to the Crown (storage units). Crown will store all the cleared vouchers. They are maintaining 12 year vouchers. If we need any particular voucher the branch can climb to VVU and VVU will get it from the crown.

**Table - 3.1: Vouchers sent to VVU for the past 3 months:**

<table>
<thead>
<tr>
<th></th>
<th>Cash</th>
<th>Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>12391</td>
<td>19159</td>
</tr>
<tr>
<td>April</td>
<td>11794</td>
<td>18131</td>
</tr>
<tr>
<td>May</td>
<td>5782</td>
<td>7948</td>
</tr>
</tbody>
</table>

**Chart - 3.1: Vouchers sent to VVU for the past 3 months:**

From this diagram it shows that Utmost critical error is more which means the financial implication for the bank by way of possible losses resulting from mistakes is more. So within the TAT the branch has to rectify those errors. The critical error as it may impose either a financial or a reputation loss to the bank is normal when compared to the Utmost critical error. Non critical errors are not considered for marks given by VVU.

**Table-3.3: Total No. of errors in cash and Transfers:**

<table>
<thead>
<tr>
<th></th>
<th>cash</th>
<th>Transfers</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>57</td>
<td>636</td>
</tr>
<tr>
<td>April</td>
<td>37</td>
<td>619</td>
</tr>
<tr>
<td>May</td>
<td>37</td>
<td>652</td>
</tr>
</tbody>
</table>

**Chart-3.3: Total No. of Errors in cash and Transfers**

From this diagram it shows that the number of errors in Cash and Transfer vouchers. When compared to Cash there are more errors happened in Transfers. It is because in cash payments and withdrawals error chances are less in number when compared to Transfers. For e.g. In payments payee failed to put the signature etc...

**Table-3.4: Total Number of critical errors:**

<table>
<thead>
<tr>
<th></th>
<th>Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>105</td>
</tr>
<tr>
<td>April</td>
<td>126</td>
</tr>
<tr>
<td>May</td>
<td>136</td>
</tr>
</tbody>
</table>

**Chart-3.4: Total Number of critical errors**

**Interpretation:**

This chart shows that the number of cash vouchers sent to VVU and the number of transfer vouchers sent to VVU. There is a difference in vouchers between cash vouchers and transfer vouchers. In Nungambakkam branch corporate transactions are more than cash transactions. So Transfer vouchers are high.

**Table -3.2: Total No. of Errors for the past 3 months:**

<table>
<thead>
<tr>
<th>Error Category</th>
<th>Errors in Numbers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Critical</td>
<td>365</td>
</tr>
<tr>
<td>Utmost Critical</td>
<td>512</td>
</tr>
<tr>
<td>Non Critical</td>
<td>152</td>
</tr>
<tr>
<td>Total</td>
<td>1029</td>
</tr>
</tbody>
</table>

**Chart -3.2: Total No. of Errors for the past 3 months**
From this diagram it shows that committing an error of any type is critical as it may impose either a financial or a reputation loss to the bank. Errors such as authentication not obtained from customers for overwriting on cheque/document. There are more than 100 times critical errors happening in the vouchers. So the bank has to reduce it and increase the efficiency of the transactions.

Table-3.5: Total Number of Utmost critical errors:

<table>
<thead>
<tr>
<th></th>
<th>Utmost Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>March</td>
<td>210</td>
</tr>
<tr>
<td>April</td>
<td>152</td>
</tr>
<tr>
<td>May</td>
<td>150</td>
</tr>
</tbody>
</table>

Chart-3.5: Total Number of Utmost critical errors:

From this chart we see that the number of utmost critical errors for the month of March, April and May. There is a financial implication for the bank by way of possible losses resulting from mistakes such as wrong account debited/credited, wrong amount debited/credited, missing vouchers, transactions not accounted etc.,

Table-3.6: Three Most Frequent errors in Critical Category

<table>
<thead>
<tr>
<th>Error codes</th>
<th>Most frequent critical errors</th>
</tr>
</thead>
<tbody>
<tr>
<td>131</td>
<td>85</td>
</tr>
<tr>
<td>147</td>
<td>32</td>
</tr>
<tr>
<td>15</td>
<td>22</td>
</tr>
</tbody>
</table>

Chart-3.6: Three Most Frequent errors in Critical Category

- 131 - Supporting documents missing
- 147 - Pan number of Account holder is not entered on the application
- 78 - Transfer vouchers approved by authorized official not within the delegated powers

From this chart we can understood that these are the critical errors which are more frequently happening while doing transactions. Supporting documents missing means for certain transactions we need to attach the documents with the voucher. So branch needs to provide the same. After sending it to VVU they will close the error. Customer do transactions more than Rs. 50,000 Pan No. is compulsory. Transfer vouchers should be signed by the officials if it is not there the official should sign and send it to VVU so that they will close the error.

Table – 3.7: Three Most Frequent errors in Utmost Critical Category

<table>
<thead>
<tr>
<th>Error codes</th>
<th>Utmost critical</th>
</tr>
</thead>
<tbody>
<tr>
<td>82</td>
<td>6</td>
</tr>
<tr>
<td>7</td>
<td>56</td>
</tr>
<tr>
<td>79</td>
<td>178</td>
</tr>
</tbody>
</table>

Chart –3.7 Three Most Frequent errors in Utmost Critical Category

- 82 - Wrong Posting for Amount
- 7 - Voucher not available
- 79 - Cheque / Voucher not available

From this chart it clearly shows that cheque/voucher not available category is most. Cheque is one of the financial instruments. So cheque based transactions it has to be attached in the voucher.

Table –3.8: Voucher audit discrepancies in No. of cash vouchers and errors

<table>
<thead>
<tr>
<th>Vouchers</th>
<th>Errors</th>
<th>Error Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>12391</td>
<td>23</td>
<td>0.18%</td>
</tr>
<tr>
<td>11794</td>
<td>12</td>
<td>0.10%</td>
</tr>
<tr>
<td>5782</td>
<td>11</td>
<td>0.19%</td>
</tr>
</tbody>
</table>

Chart –3.8 Voucher audit discrepancies in No. of cash vouchers and errors
This chart shows that the total number of cash vouchers sent to VVU and the errors raised by VVU for those vouchers. For March the error percentage is 0.18. For April the Error percentage is 0.09. For May it was 0.10. So the Errors are consistent in Cash vouchers.

**Table –3.9: Voucher audit discrepancies in No. of transfer vouchers and errors**

<table>
<thead>
<tr>
<th>Vouchers</th>
<th>Errors</th>
<th>Error percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>19159</td>
<td>29</td>
<td>15.14%</td>
</tr>
<tr>
<td>18131</td>
<td>23</td>
<td>12.69%</td>
</tr>
<tr>
<td>7948</td>
<td>14</td>
<td>17.61%</td>
</tr>
</tbody>
</table>

Chart –3.9 Voucher audit discrepancies in No.of Transfer vouchers and errors

In Transfer voucher there are lots of chances for error. In this branch corporate transactions are more than the customer transactions. So there are more chances of getting errors in Transfers. For the month of March 0.15% error in transfers. For April 0.13% error and for May 0.18% errors.

**Table –3.10: Voucher audit discrepancies in no. of vouchers and errors**

<table>
<thead>
<tr>
<th>Vouchers</th>
<th>Errors</th>
<th>Error percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>75205</td>
<td>112</td>
<td>15%</td>
</tr>
</tbody>
</table>

Chart –3.10: Voucher audit discrepancies in no. of vouchers and errors

As per the Past three months data there were 75205 vouchers sent to VVU. They verified and raised 112 errors. It shows that 0.15% of errors for Nungambakkam branch. As per VVU norms Nungambakkam branch will get 4 marks for their efficiency.

**Findings:**
- IndusInd bank, Nungambakkam branch is the largest branch in south India and also VVU process is the unique procedure followed by IndusInd bank. It shows that the commitment towards their service towards the customers.
- When compared to other branches Nungambakkam branch sent the maximum number of Vouchers to VVU.
- In Chennai VVU is located in GUINDY.
- The main objective is to increase the goodwill of the bank and reduce the financial loss of the Bank.
- Email Indemnity plays a major role in this branch. So many transactions are done using Email Indemnity. So error chances will be more in Transfers.
- Nungambakkam branch got 4 marks out of 5 given by Voucher Verification Unit.

**CONCLUSION**

The study on Voucher Verification of IndusInd bank Nungambakkam Branch for the past three month’s data the voucher analysis is based on the analysis of Errors. The present study concludes that to increase the efficiency and reduce the errors of the bank. To reduce the errors Methodology of counting should be strictly followed as per guidelines. This will ensure that the counting method of the Branches and the VVU are in line; thus avoiding excess/shortage of vouchers found during audit. All relevant supporting documents should be sent to VVU along with the vouchers, all documents must be supported by correct and complete vouchers and any reversal entries passed by the Branch should be supported by a voucher with clear and elaborate remarks and everything should be submitted within the Turnaround Time.

**WEBSITES**