



# Bank Audit – Planning, Approach and Documentation


CA V.Jawahar

# Why Planning

- Required by SA 300 & 315
- Need of the Hour – Expectations from CA's
- Assess and deploy resources
- Systematic execution
- Helps you understand where you are
- Gives the whole picture to the team
- Helps comply with the requirements of SQC

# What is to be done

- Obtain declaration of wilful defaulter, indebtedness and fidelity and secrecy form all the partners
- Submit the required declarations along with acceptance to the bank


- 
- Ensure that your firms policies and procedures addressing the following are up to date:
    - a. Leadership Responsibilities for quality within the firm
    - b. Ethical Requirements
    - c. Acceptance and continuance of client relationships and specific engagements
    - d. Human Resources





e. Engagement performance

f. Monitoring

- If the appointment letter does not contain the names and addresses of the previous auditors. Contact the branch and obtain the same
- Dispatch letters to the previous auditors seeking No objection

- 
- Similarly reply to the letters from the auditors of the branches audited by you previously
  - Draft an engagement letter in line with SA 210
  - Send the letter asking for information on the branch to help your time plan your resources

- 
- Plan your travel Itinerary based on the location of the branches
  - Compile a list of all the reports and certificates that need to be attested and the number of copies to be certified
  - List of persons to whom the reports and certificates need to be sent.

- 
- It is practical to keep a document showing the information requested, the person who was requested and the date and time when the information was received
  - Keep the team members abreast of the relevant RBI circulars and the closing circulars of the bank




# Structure on Internal control procedures in Banks


- Delegation of powers
- Authorisation of transactions
- Take a copy of the approved delegation of powers
- Review the delegation of powers to note the authorization, approval, exception, waiver and ratification powers of each bank official.



- Segregation and Rotation of Duties

- Work of one person is supervised or checked by another usually of a higher rank. Take on record the evidence that rotation of duties has in fact taken place at the branch.

- 
- Maintenance of adequate records and documents
  - Accountability and Safeguarding of assets
  - Take a list of all the records registers maintained at the branch
  - Maintenance of records and their physical verification

- 
- Copies of all the relevant Master circulars issued by the RBI.
  - Remember that the Branch auditors are responsible not only to the SCA's but also to the shareholders, Bank Management and RBI

I. These project loan accounts were not eligible for being treated as 'restructured standard assets' category as per extant regulatory guidelines in terms of clause (ii) , paragraph 4.2.15.3 of the master circular dated 01.07.2015.

Furthermore, in terms of clause iv, under query 3 of DBOD mail box clarification dated 20.04.2016 read with paragraph 17.2.4 of the master circular dated July 01,2015, which stipulate that a restructured account can be upgraded only after evidence of satisfactory performance for the specified period is shown, the upgradation done by the bank was not tenable. Since the company could not achieve the project DCCO on July 23,2016 up to which further extension was permitted by RBI, and since this failure rendered inevitable further extension of DCCO beyond August 01, 2016, i.e. beyond 4 years from the original SCOD , its project loan accounts were to be classified under substandard assets category as on July 23,2016, the date on which the DCCO for Unit 2 was required to be achieved as per one of the conditions of regulatory forbearance, for failure to achieve it on that date.

2. In terms of paragraph 17.2.3 of master circular dated 01.07.2015, the accounts of the company would have been Doubtful II category as on 31.03.2017 , till satisfactory performance was evidenced. The repayment of principal term loan was to commence from the quarter ended 30.06.2017 . The bank has to wait till at least 30.06.2018 for considering up gradation of the accounts of the company , in accordance with paragraph 12.2.3 of the master circular on IRAC norms dated 01.07.2014.

3. The bank had participated in the scheme of consolidation of the company's debt in 2010 which had envisaged, inter alia, re-financing of several project loans in respect of its then ongoing expansion and diversification projects at Hazira and Odisha, which included a palletization plant and a coke oven plant. As per their respective implementation schedules, these projects ought to have achieved their DCCO latest by March 31, 2010. Subsequently, their DCCO was revised to March 31, 2012 citing change in project configuration and redesigning. Despite non-achievement of the revised DCCO in respect of the coke-oven plant and other ventures, the facilities provided to the company were allowed to be used without a formal revision of the project DCCO after the deadline of March 31, 2012 was missed..

contd


This indefinite extension of COD beyond the limit of 1 year from the last stipulated DCCO had constituted restructuring in terms of paragraph 4.2.15.4 of the master circular on IRAC norms dated 01.07.2012, and the facilities provided to the company were liable to be classified under NPA as on April 01, 2013 , in terms of paragraph 12.2.1 of the said master circular, and under ' doubtful II' category as on 31.03.2017. After expiry of the original DCCO , the scope to these projects was revised, and their DCCO was postponed with separate DCCO for each of them , viz.: 31/12/2011 for the 4.9 mt steel plant , 31/03/2012 for the coke oven project and 31/10/2012 for pelletization project. The company had failed to achieve DCCO for its coke-oven plant, even after one year from revised date , on 31.03.2013 . As a result, therefore, its accounts were required to be downgraded to NPA status as on 01.04.2013 as per paragraph 4.2.15.4 of the master circular on IRAC norms dated 01.07.2012



4. The project loan of the company was liable to be treated as restructured on account of postponement of DCCO beyond 3 years from the date of original SCOD of March 31, 2013, downgraded to NPA status as on March 31, 2015 in accordance with paragraph 4.2.15.3 (ii) of Master circular on IRAC norms dated July 01, 2014, and placed under substandard assets category as on April 01, 2015 for non-achievement of DCCO beyond the permissible limit of 2 years considering the circumstances of the project implementation, placed in doubtful I category as on 31.03.2017 and further due to failure to attain the same despite lapse of 4 years from original SCOD, in terms of clause (a), sub clause iv, query 3 of DBOD Mailbox clarification dated April 20, 2016.

5. Grant of fresh long term loan of Rs.80 mn under CAP was treated as restructuring in terms of DBOD mailbox clarification dated January 14, 2016 , and the facilities of the company are classified under 'Substandard assets ' category as on March 27, 2015 and as ' Doubtful II' asset on March 31, 2017 in terms of paragraph 17.2.1 of the master circular on IRAC norms dated 01.07.2015.

6. The company's facilities were restructured vide CAC's orders dated 26.03.2015. The cut-off date for the restructuring scheme was 01.12.2014 and it included, inter alia, waiver of penal interest, reduction of margin for CC limits, etc. Post restructuring, the company failed to abide by the restructured repayment terms, which led to down gradation of its facilities to NPA status. Upon down gradation the asset classification ought to be with reference to pre-restructuring repayment schedule, i.e. in substandard asset category as on 31.03.2015 and in "doubtful 2" as on 31.03.2017. Since total value of available securities for the bank as per available records was only Rs. 552 mn, the remaining portion of Rs. 205 mn was required to be treated as unsecured.

- 
- All the accounting and auditing standards and guidance notes issued by the ICAI are applicable to the bank audit.

# Audit Approaches


- Department wise
- Head of Account wise
- Checklist wise

# Audit Documentation

- **Main purpose**
  - evidence of the auditors basis for a conclusion about the achievement of the overall objectives of the auditor.
  - Evidence that the audit was planned and performed in accordance with the SA's and applicable legal and regulatory requirements.

# additional purposes


- Assisting the engagement team to plan and perform the audit
- Assisting the engagement team responsible for supervision to direct and supervise the audit work and discharge their review responsibilities as per SA 220
- Enabling the engagement team to be accountable for its work


- 
- retaining the record of matters of continuing significance to future audits.
  - Enabling the conduct of quality control and reviews and inspections in accordance with SQCI
  - Enabling the conduct of external inspections in accordance with the legal regulatory and other requirements




# Form content and Extent of Audit documentation

- The auditor shall prepare audit documentation that is sufficient to enable an experienced auditor having no previous connection with the audit to understand
  - the nature timing and extent of the audit procedures
  - the results of the audit procedures performed and the audit evidence obtained


- 
- Significant matters arising during the audit , the conclusions reached thereon and the significant professional judgements made in reaching those conclusions
  - The documentation must also show the identifying characteristics of the specific items or matters tested


- 
- who performed the audit work and the date on which such work was completed
  - who reviewed the work performed and the date and extent of such review
  - Discussions on significant matters with the management when and with whom the discussions took place

- 
- If the auditors identified information that is inconsistent with his final conclusion regarding a significant matter , the auditor shall document how the auditor addressed the inconsistency
  - If in exceptional circumstances the auditor feels that it is necessary to depart from the relevant requirement of the SA's the auditor shall document the alternate procedures performed too achieve the audit objective.

# Use of CBS reports in audit and documentation

- Jotting Report – JTRPT helps the auditor to review the process from the list of advances scheme wise.
- ACLI – Transactions, details , DP and Sanction limits, type , purpose scheme code details Asset classifications repayment schedule and overdue status in individual term loan accounts
- LAOPI – loan overdue position specially for term loans

- 
- HCLM updation of stock statement
  - HACLI / HACCBAL – transaction enquiry, balance details, interest enquiry, account turnover details, sanction date, loan documents date
  - AINTRPT displays interest calculation worksheets for advances and deposits
  - ASSCR generates list of NPA's classification wise

- 
- **MINRPT** reflects manual entries which are not system generated
  - **TDSIP** generates complete TDS deducted and deposited
  - **EXCPRPT** exception transaction report

# Final File

- Should be assemble in a timely manner
- After the final assembly no document should be deleted or discarded before the end of the retention period
- After the final assembly no document should be deleted or discarded before the end of the retention period



**BANK BRANCH AUDIT PROGRAMME (2019-20)**

1. Name of the Bank  
: \_\_\_\_\_ Branch: \_\_\_\_\_

2. Year Ended : 31st March, 2020

3. Audit In-charge :  
\_\_\_\_\_

4. Audit Assistants:	Name	Signature
a) _____	_____	_____
b) _____	_____	_____
c) _____	_____	_____

5. Audit commenced on: \_\_\_\_\_

Completed on \_\_\_\_\_

-----  
-----

6. **Submission of Reports**

**Date of Submission**

a) Statutory Audit Report \_\_\_\_\_

b) LFAR \_\_\_\_\_

c) Tax Audit Report \_\_\_\_\_

d) Certificates:

i) DICGC Claims

ii) Subsidy claims under Prime Minister's Rojgar Yojna for unemployed Youth (PMRY)

iii) Data on 12 odd dates for verification of SLR

iv) Exposure to Sensitive Sectors

v) Implementation of the recommendations of the Ghosh Committee

vi) Implementation of the recommendations of the Jilani Committee

- vii) Movement chart of NPAs and provisions
- viii) Information on restructuring of Advances
- ix) Investments held on behalf of Head Office.
- x) Other Certificates required by bank

7. **Remarks:**

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**DEPOSITS**

1. Report differences between control and subsidiary ledgers for all categories of deposit accounts.
2. a) Check balances from 3 individual subsidiary ledgers into the balance books.  
b) \* Generally review two accounts per ledger and enquire into any unusual items.  
c) \* Enquire whether individual cash items in excess of Rs.10.00 lakhs each have been reported to the competent authority.  
d) \*enquire into, stagnant Current accounts of banks  
**[\* Note down names of Accounts and particulars of such entries for report]**
3. Check **and report** whether and the extent to which any overdue/matured deposits and deposits prematurely recalled, continue, as at the year-end, to be treated as Term Deposits instead of Demand Deposits.
4. Test withdrawals made during the year from inoperative accounts, including major amounts.  
**(Document accounts / entries tested and report wrongful or unsubstantiated items)**
5. Check that demand deposits include:
  - a) Overdue/matured Deposits
  - b) Credit balances in overdraft accounts
  - c) Deposits payable at call
  - d) Inoperative current accounts**with due adjustments for the following:**
  - a) Overdrawn/adverse balances in deposits
  - b) \* Margins by way of book adjustments, if any, against bills purchased and discounted**(\* These must be reported)**
6. **Savings Bank Accounts:**
  - a)Check whether the Branch has Savings Bank Accounts for constituents in the negative list of the Bank. If so,  
  
- **Report** such accounts with aggregate outstanding as at the

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

year-end;

- **Report** interest paid on such accounts during the year.

b) Check interest provision upto the year- end based on the date of last application of interest to individual accounts.

**Report** differences

7. Verify **Term Deposits** from Banks/institutions

a) with reference to certificates/confirmations from the institutions/banks concerned;

and

b) if not in round figures, vouch the relevant entries.

8. a) Check from counterfoils of the Term Deposit Receipts for each category of deposits for the last two working days of the year, and ensure that:

- all entries have been duly incorporated, and

- serial numbers are in proper sequence out of currently used receipt books.

b) Check whether general scrutiny of the Term Deposit registers reveals that Receipts are being issued in sequential order.

c) Test the S. No. of some matured deposits repaid with that in vogue at the time of issue, and report unlinked FDRs discharged/repaid (i.e. where there are no corresponding credits).

9. Check and **Report** whether any Term Deposits upon being overdue have been renewed beyond 14 days of maturity with preferential interest rate application; and whether Tax has been deducted at source on the interest component upon renewal.

10. Check whether credits in the Term Deposit Ledger comprise amounts:

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

- a) Where deposit receipts are not actually issued under the automatic renewal scheme.
- b) Where deposit receipts are issued but not physically sent to the depositors (i.e. held by the branch itself)
- c) Where the branch has resorted to renewal by endorsement on the old/existing receipts.

**(Report if system is lax or items are incapable of audit trail involving audit risk)**

11 **Additional procedures** (if any)

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**BORROWINGS:(in case the branch has borrowings)**

- 1 Verify whether the Branch is authorised by Head Office/controlling authority, to borrow/retain borrowings and refinance obtained.

**[Report unauthorised borrowings / refinance]**

- 2 Obtain and check the amount of borrowing/ refinance as at the year-end, with reference to the balance confirmation certificate(s) from:

a) Reserve Bank of India

b) Other banks

c) Other institutions and agencies:

-Industrial Development Bank of India

-Export Import Bank of India

-National Bank for Agriculture and Rural Development

-Others (**Specify in the audit file**)

- 3 Check whether the amounts have been disclosed as required in respect of each sub-head.

**[Report:**

- balances not confirmed / reconciled,
- entries, if any, required not passed,
- interest adjustments / provisions not made upto the year-end for amounts:
  - accrued and due, and
  - accrued but not due]

- 4 **Report** amounts, if and to the extent included in Borrowings, on account of:

a) Rediscount of bills, and

b) \* Participation certificates (on risk- bearing basis).

**(\* These need to be netted from the related Advances)**

- 5 **Report** whether credit balances in

a) NOSTRO

b) VOSTRO

accounts are included as part of borrowings where there are

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

**Remarks & Signature**

no overdraft facilities or arrangements

6 **Additional procedures:**(if any)

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

**OTHER LIABILITIES AND PROVISIONS:**

1 **Bills Payable:**  
**(Applicable where entries are retained at branches)**

a) Enquire into the system of the Bank as regards retention of liability at the Branch towards Bills Payable; and

Check old/large outstandings in Bills Payable which remain unresponded/ unadjusted.

b) Check and report large debits, particularly for Drafts paid without/ex-advice(DPWA),which, if not routed through inter-office account, comprise old entries requiring provision.

c) Check inward communications from other branches which remain unattended as regards marking-off/adjustment entries relating to drafts and other similar instruments comprising "Bills Payable".

d) - Check whether the amount in respect of old instruments like Pay Orders/Bankers cheques/Pay slips which are expected to be presented to the issuing branch is transferred (after a time-lag) to a separate account as per instructions of Head Office/controlling authority.

- Obtain and check aggregate figures in respect of Bankers cheques and Pay orders as under :

<u>Particulars</u>	<u>Bankers cheques</u>		<u>Pay orders/slips</u>	
	<u>No.</u>	<u>Amount</u>	<u>No.</u>	<u>Amount</u>
Within 6 months				
6 months - 1 year				
1-2 years				
2-3 years				
3 years and above				

- **Seek confirmation for and report instruments in hand or those not dispatched.**

- Test entries made for cancellation of instruments and **report unusual entries** (List out such entries).

e) Check whether there are any unlinked debits over 1 year which require provision.



**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

2 **Interest Accrued:**

**(comprises interest accrued and NOT DUE)**

- a) Check whether interest provision made since last application thereof on  
. deposits, and  
. borrowings,

has been made upto the year-end and no part of such broken-period interest is accrued and due.

- b) Check and report interest provision, if any, made other than on deposits/ borrowings, which relates to the sub-head 'Others (including provisions)'.  
c) Report interest accrued and due wrongly shown under this sub-head.

**CASH AND BALANCES WITH RESERVE BANK OF INDIA:**

**Cash:**

- a) **Physically verify** simultaneously at all locations of the branch, as at the close of the accounting year and tally with the books, the following:

- i) Cash in hand (Including sub-Offices/ATMs)
- ii) Foreign Currency
- iii) Petty Cash/Imprest balances
- iv) Postage in hand (cash)
- v) Tokens

and in case these balances cannot be physically verified as at the year-end:

- verify the same at a subsequent date, preferably by surprise check on the date of the first **visit indicating the date** (.....)

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

- **obtain as evidence** for the audit file, balance confirmation certificates in respect of cash balances both as at 31st March and the date of physical verification thereof indicated in sub-para (a) above.

**Report discrepancies, if any**

- b) Scrutinise the cash book transactions for the last two working days of September/March and vouch large transactions. **(Report unusual entries)**
- c) Check whether the value of foreign currency notes has been converted into Rupees at correct rates for proper disclosure of the cash balance.
- d) Check entries arising from ATMs if operated by the Branch, and **report** unrecorded cash operations upto the \* day-end as at the year-end, as affecting:
  - cash in hand
  - Accounts of constituents
  - Other Banks, if any,

(\* **Note: This can be done with reference to the year-end scrolls / tapes generated by the ATM and subsequent entries)**

**2 Balances with Reserve Bank of India:**

**2.1 Where Branch maintains RBI Account(s):**

- a) Obtain balance confirmation certificate(s) for balance(s) as at the year-end in the account(s) of the Reserve Bank of India, for:
  - Current Account, and
  - other accounts,and verify whether the book balance(s) as per the ledger agree with those as per confirmation(s).
- b) Obtain and check bank reconciliation statements as at the year-end and report:
  - large/old unadjusted entries,
  - cash transactions remaining unresponded, and
  - revenue items included in reconciliation statements

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

remaining unadjusted,

and having effect on other heads and sub-heads in the Branch Accounts.

- a) Check whether **interest accrued** to the Bank upto the year-end has been adjusted (including where formal entries in RBI statements are made after the year-end).
- b) Check and report on a value-date basis, transactions and entries originating prior to, but responded after the year-end in R.B.I. Account (including entries for currency chest operations, originating at other Branches / Offices), particularly where such entries appear in nominal heads of accounts.
- c) Report old debits in Reconciliation statement requiring provision.

**2.2 Whether Branch does not maintain RBI Account but has a Currency Chest:**

Check whether all deposits/ withdrawals to/from Currency chest upto the year-end have been reported to the link Branch maintaining RBI Accounts.

**(Report entries pertaining upto the year-end communicated after the year-end)**

- 2.3 Enquire whether there are any penalties for default in operation of the Currency chest or otherwise have been claimed by or paid to RBI

3 **Additional Procedures:** (if any)

**BALANCES WITH BANKS AND MONEY AT CALL AND SHORT NOTICE:**

1 **Balances with Banks:**

- a) Obtain in evidence of the year-end balances, the relevant bank confirmation certificates for balances in:
  - Current accounts
  - Deposit accounts
- b) Verify whether any balances with Banks on 'Deposit' Account are in odd (**and not round**) figures and enquire as to whether any such amounts are really of the nature of deposits, or otherwise comprise only Current Account balances.
- c) Scrutinise outstandings in the bank reconciliation statements and **report**:
  - i) old/large unadjusted outstanding entries particularly at debit;
  - ii) cash transactions remaining unresponded; and
  - iii) items of revenue nature not adjusted.
- d) Check and **report** the effect of entries (originated overseas – whether debit/credit) in NOSTRO Accounts, and **report** whether :
  - the balances are as corrected and updated in foreign currencies.
  - the profit / loss on valuation is correctly accounted.
- e) Ascertain whether and the extent to which provision is required for outstanding debit entries which are old/large (over one year) and which remain unexplained.

**Report outstanding entries over one year as under in the Audit Report:**

	<u>No.of Entries</u>	<u>Amount(Rs.)</u>
- Debit		

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**- Credit**

- e) Check whether the year-end rates of exchange are applied to outstanding balances in foreign currencies (keep evidence on record).

**2 Money at Call and Short Notice:**

**[APPLICABLE ONLY TO DESIGNATED BRANCHES]**

- a) Verify the general or specific authority from Head Office/controlling authority for keeping moneys at call and short notice:

- with Banks, and/or
- with other institutions.

- b) Verify the year-end balances under the relevant sub-heads, with reference to

- the relevant Deposit Receipts;
  - the relevant correspondence (in case of subsequent squared-up transactions);
- and ascertain whether the aggregate balances comprising these as shown in the relevant register, tally with the control account as per the general ledger.

- c) check interest adjustments made upto the year-end based on the terms on which moneys were placed.

**3 Additional Procedures:(if any)**

**INVESTMENTS:**

***[NOTES: 1. Generally investments are dealt with on a centralised basis and verification procedures on behalf of the centralised office may be restricted to certain branches only.***

***2. If the above procedures are not applicable at the Branch, if may be so indicated.]***

**A. WHETHER INVESTMENTS ARE HELD AT BRANCH:**

1 Obtain a list of investments held by the Branch on behalf of the Head Office/Central Investment Cell and verify the contents thereof by conducting a physical verification of:

a) Securities of the nature required to be disclosed in the Bank's annual accounts.

b) allotment letters/other documentary evidence held, where the securities are not available with the Branch.

**Report results of the verification in the manner required by the Head Office/Central Statutory auditors.**

2 **Verify and report** whether income collected on such investments has been recorded as income of the Branch contrary to instructions of the Bank.

**B WHERE VALUE OF INVESTMENTS IS RECORDED AT THE BRANCH:**

3 In case value of investments is recorded in the books of the Branch:

a) verify authority for acquiring/holding such investments;

b) vouch all transactions relating to acquisition/disposal of investments;

c) Physically verify the investments with reference to documentary evidence; and

d) Verify whether legal requirements of disclosure have been

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

complied with.

**Report adverse observations**

4 **Additional Procedures:** (if any)

**\*ADVANCES:**

1 Verify whether the control and subsidiary ledger accounts have been reconciled and that the Branch has prepared for audit verification:

i) party-wise statements of advances keeping in view the classification as required by law; and

ii) break-up of advances which reconciles with the figures of advances in the final statements as at the year-end.

2 Check the year-end balances of Advances with reference to the sub-ledgers for each category of advances, in respect of:

a) Bills Purchased and Discounted

b) - Cash Credits

- Overdrafts

- Demand Loans

- Overdrawn balances in Deposit Accounts

c) Term Loans

**\*(report advances to willful defaulters on the list of RBI)**

3 **Bills purchased and discounted:**

a) Check closing balances as at the year-end in the accounts of the parties.

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

b) Conduct physical verification of bills in hand as at the year-end, and on any other date in the course of audit and tally the same with the book records.

**(Date of verification \_\_\_\_\_)**

c) Check and **report** on:

- Bills not supported by relevant documents, or where these have been parted with in favour of drawees,
- Advances in excess of limits to any party,
- Old outstanding balances,
- Bills which are overdue/matured but not adjusted,
- Frequent returning of bills, and account where old bills are replaced by new ones to accommodate borrowers,
- Bills drawn on 'self' or on associate or inter-connected concerns,
- Bills drawn on unauthorised parties
  
- adjustments not made for rediscounting of bills, and
- Bills shown at inflated figures with corresponding book adjustment towards margin money.
- any other adverse features observed.

4 **Cash credits, overdrafts, demand loans and Term Loans:**  
***Select Advances (preferably as per Annexure C.I) and check in depth all advances accounts in each category/sub-head as under:***

a) all large accounts i.e., those which are in excess of 5% of the aggregate advances portfolio of the branch or Rs.200 lakhs whichever is less(**Section A III**).



**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

b) all accounts where provision for doubtful debts has been considered/ made/recommended upto the previous year end / half year-end/last quarter.

c) all accounts adversely commented upon in the latest reports of the Branch auditors, RBI/ internal inspection/audit reports, concurrent audit reports etc.

d) accounts, where Branch Management has initiated/ recommended to the higher authorities, action, if warranted, for recoveries.

e) 3 of the largest ) other than per (a)  
 accounts ) above - for each  
 ) category of  
 3 accounts at ) advances  
 random )

f) grouped accounts-one/two accounts per ledger.

5 **Record list of accounts checked** in the audit note file based on examination of and observations on accounts with reference to:

a) documentation,

b) security (of tangible assets),

c) classification (-Secured, guaranteed by Bank/Govt., Unsecured; and further break-up into Sector-wise classification for advances in India).

6 Check that adverse or overdrawn balances in Deposit, Savings and Current Accounts have been shown as clean/unsecured advances.

7 Check Status report and brief history of each advance account for advances accounts being reported upon-particularly for major adverse features. Observations should be in **Annexure C.II**.

**{These status reports (preferably prepared as per Annexure III) should be kept on the Audit file and a copy to be annexed to the LFAR}**

8 •.Report advances accounts identified as having adverse

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

features not transferred/categorised as per the new norms into:

(a)\*SUB-STANDARD \***Secured/unsecured to be segregated**

(b) DOUBTFUL(**over/under 3 years as on 1-4-2020**),and

(c) LOSS ASSETS.

- Report borrowal accounts where the facilities have not been reviewed/renewed or stock statements not received for a period of 180 days and where accounts continue to be classified as "Standard"
- check whether income accrued has been reversed in all accounts classified as other than "Standard" unless such income is realised.
- Report income accrued / recorded in NPAs where credits have been given to Income out of fresh facilities.

9 List out accounts not identified/categorised properly as per the applicable norms and in respect of which provision has not been considered for the year under audit.

**Classification not considered properly affects provision and must be reported through the MOC.**

10 Check and **report** whether there are advances as at the year end, against;

- a) Shares,
- b) Debentures, and
- c) Margin Trading

**Whether these are disclosed separately**

11. Report sacrifice/provisions not made in borrowal accounts involving:

a) Restructuring:

- under corporate Debt Restructuring (CDR)
  - Standard
  - Sub Standard
  - Doubtful
- Other Restructuring (separately for projects in category I,II,III)
  - Standard
  - Sub Standard

b) Rehabilitation

**(Refer Section A IV)**

12 **Additional Procedures:** (if any)

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**FIXED ASSETS:**

**1 PREMISES:**

- a) Check opening figures of cost from the earlier year's statements/ records.
- b) Vouch additions upto the year-end.
- c) Vouch deductions upto the year-end.
- d) Check depreciation/lease money written off upto the year-end based on the rates prescribed and the basis communicated by the controlling authority.

**(Reference may be made to the Bank's Accounting Policy)**

- e) Inspect documents of title to each property, and report:
  - documents of title not made available
  - capitalisation not made in respect of properties where though documentation has not been formally completed but substantial risks and rewards of ownership vest in the bank.
- f) Check whether the balance in the control account in the General Ledger tallies with that as per the subsidiary records and fixed Assets Register.

**2**

**OTHER FIXED ASSETS:**

**(including furniture and fixtures):**

- a) a) Check opening figures of cost from the earlier year's statements/records.
- b) Vouch additions upto the year-end.
- c) Vouch deductions upto the year-end.
- d) Check depreciation written off upto the year-end based on the rates prescribed and the basis communicated by the controlling authority.
- e) Examine nominal heads of account, like "SUSPENSE" or other similar accounts, where debits may comprise amounts

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

paid towards acquisition of motor vehicles, computers, furniture and other items of fixed assets pending capitalisation and report whether and the extent to which capitalisation required has not been made.

- f) Inspect the relevant registration books and check whether insurance covers are in force for vehicles.
- g) Inspect Head Office/Controlling Authority sanctions with regard to additions/deductions of assets
- h) Vouch disposals of assets shown under the above sub-head and the consequent profit/loss thereon.
- i) In case of renovation of branch, verify whether capital and revenue expenditure has been appropriately bifurcated and correctly accounted, on the basis of liability incurred and not on cash basis.
- j) Check whether the balance in the control account in the General Ledger tallies with that as per the subsidiary records and Fixed Assets Registers.
- k) Ascertain the frequency of physical verification of assets at the branch and review the discrepancies recorded between the book records and such verification.
- l) Check adequacy or otherwise of insurance cover to assets.
- m) In respect of Computers, check whether depreciation is being charged off to the extent of 1/3<sup>rd</sup> of the cost each year.

3 **Additional Procedures** :(if any)

**OTHER ASSETS**

1 **Inter-Office Adjustments (net)**

- a) Check whether Head Office Summaries have been prepared on a daily basis, as per the laid down system, and whether these have been expeditiously **dispatched** to the Head Office/designated office as required.
- b) Check whether the closing balance in Head Office summary tallies with that as per the General Ledger balance as at the year-end.

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

c) Examine inward communications from the Head Office/Central Computer Cell and check compliance thereof for adjustments required to be made.  
**(Report non-compliance having effect on the accounts of the Branch)**

d) Examine old/large entries outstanding debits in the inter-branch/office accounts and vouch large entries, particularly towards the year-end.  
**(Ascertain reasons for such entries remaining pending and report adverse features)**

e) Examine and report inward communications from other branches/offices originating prior to but not responded upto the year-end.  
**(Adjustments made after the year-end based on entries originating prior to the year-end, should be examined and effect thereof reported-Refer Section A VI)**

f) Obtain reasons for outward remittance unresponded by other branches, if these have been outstanding since long.

g) **Examine and report on originating debits in Head Office Account, not satisfactorily explained.**

h) Report, in respect of the Branch, all debit entries which are over one year old as at the Balance Sheet date under each Sub-head comprising Inter-branch Adjustments.

**2 Interest Accrued: (Comprises not due)**

a) \*Check basis and verify income on investments for the broken period upto the year-end with break-up for interest:  
- accrued but not due;  
- due but not collected.  
(\* if applicable at the branch)

b) Check income accrued but not due on advances which has accrued but is not due as per arrangements/documentation (mainly for Term Loans with due dates not coinciding with year-end)

c) Report interest accrued other than on Investments/advances to the extent included under the above sub-head.

d) Report income accrued on assets identified as non-performing (including on Advances).

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**3 Stationery and Stamps:**

- a) Conduct physical verification of items of security paper stationery and **report discrepancies** between such inventories and book records.
- b) Check whether internal controls laid down for receipts/issue and holding of stationery comprising security paper, are being followed; particularly as regards issue of stationery in proper sequential order in respect of numbered forms.
- c) Check whether internal controls are strictly enforced for withdrawal slips, and cheque books. Examine whether unused cheque books are returned upon closure of their accounts constituents.
- d) Report security paper stationery comprising inward despatches from other offices not physically received or short received.
- e) Check and report whether the Branch is holding large stationery stocks, over a long period of time.
- f) Check whether stock of unused stamps/ stamp paper is intact and tallies with the relevant register.
- g) Examine large withdrawals from Accounts (particularly newly opened) if made by other than cheques issued by the Account holder.  
**(Report unusual items)**

***Examine and enquire into reasons for frequent use of Withdrawal Slips /Bankers cheques by Account holders. (This may be done with reference to consumption of such slips at the Branch)***

**4 Others:**

- a) **Suspense, Sundries** (or other similar heads of account):
  - Obtain year-wise break-up of entries outstanding as at the year-end for scrutiny; and
  - . report provisions required for old outstanding unadjusted

- amounts,
- . report year-wise summary in the long form audit report.
  - check entries (at debit) relating to clearing transactions outstanding and ascertain reasons for old entries, to examine if these require to be provided for.
- [Report items requiring provision]**
- b) **Staff advances** (Non-interest bearing):  
 Ascertain the types of advances to staff requiring disclosure under this sub-head and the normal terms on which such advances are made and
- . check balancing of the relevant ledgers,
  - . test 5% of the advances on account of housing loans with reference to the relevant documentation ( 5 Accounts) .
  - . test 5% of the other advances(at least 3 Accounts).
- (Note down the particulars of the accounts tested)**
- . Check whether in the cases tested whether the bank has obtained documents (including the letter of lien on terminal benefits) relevant to the type of advances.
- c) **Security Deposits:**
- Vouch deposits made during the year
  - Check whether any adjustments are pending for old/existing deposits  
 (e.g. OYT Deposits, Rent Deposits)
- d) **Prepaid Discount on Bills Rediscounted:**  
 In respect of Bills Rediscounted as at the year-end, check calculation of prepaid discount attributable to the period beyond the year-end.
- e) **Premises under Construction:**
- Check adjustments upto the year-end of progress bills vis-à-vis the relevant contracts/controlling authority.
  - Check whether capitalisation, where required, has been made so that depreciation thereon can be considered.
- f) **Other Fixed Assets pending Capitalisation:**
- Check whether capitalisation, where required, has been made, so that depreciation thereon can be considered.
  - Ascertain reasons for old outstanding balances in Advances relating to acquisition of fixed assets to ensure that these do not require adjustments.
- g) **Others:**
- Generally scrutinise old/large entries outstanding in accounts falling under any sub-head relating to the above head, to ensure that:
  - adjustments, if any, required are reported,
  - provisions, if any, are made for amounts considered doubtful of recovery.
  - Scrutinise and report whether any outstanding entries

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

relate to any other specific head of account (particularly 'Advances' - in case any debit relates to the account of any borrower).

5 **Additional Procedures** : (if any)

**CONTINGENT LIABILITIES:**

1 a) **Claims against the bank not acknowledged as debts:**

Obtain a list of updated claims lodged against the bank and check status thereof based on correspondence /communications and whether the claims have been contested/not acknowledged.

b) Scrutinise details of law charges to ascertain whether any expenditure has been incurred/recorded in connection with or relate to any claims/ disputes/litigation matters having financial implications involving possible liability not acknowledged.

c) Check whether any claims outstanding as at the previous year-end have been omitted/ignored unless liability in respect thereof has ceased.

Check correspondence/claims recorded in the post-balance sheet period to ensure that no items relating to the year under audit have been ignored.

2 **Liability for partly paid investments: (if applicable)**

In case any investments are held at the Branch and value thereof appears in the Branch balance sheet, check whether liability on account of partly paid investments has been disclosed at correct figures.

3 **Liability on account of outstanding forward exchange contracts: (if applicable)**

a) Check register(s) relating to the outstanding forward exchange contracts to ensure that all transactions contracted for upto the year-end have been correctly recorded.

b) Check basis of year-end foreign currency translation with reference to Head Office/controlling authority communications.

c) Check whether the Branch has recorded the net profit/loss upto the year-end as per R.B.I./FEDAI instructions for the time being in force.

4 **Guarantees given on behalf of constituents:**

a) Generally scrutinise the guarantee register(s) to ensure that



**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**guarantee documents\*** issued are sequentially and expeditiously recorded **\*(includes letters of comfort)**.

- b) Check the list of outstanding guarantees with the relevant registers to ascertain whether all outstanding amounts are included as at the year-end.
- c) Check whether the amount of expired guarantees, where the claim period has also expired, is not included; and if included, whether the bank has recovered the commission thereon upto the year- end.
- d) Check whether contingent liability includes liability in respect of invoked guarantees where action was warranted by the Management(to invoke counter-guarantees, appropriation of securities/margins/marketing lien on accounts to protect the interest of the Bank).
- e) Ascertain whether the Branch has disclosed contingent liability net/ gross of cash margins/security available, contrary to HO instructions
- f) In case of guarantee obligations involving foreign currencies, check whether liability is based on translation of foreign currencies at correct rates applicable.

**5 Acceptances, endorsements and other obligations:**

**a) Letters of credit:**

- check outstanding Letters of credit balances with reference to the relevant L.C. Registers maintained;
  - check whether margins/security obtained is as per the terms and conditions in the cases examined.
- (keep record of cases tested in the work papers).

**b) Bills accepted:**

- check whether recoveries are being made from customers upon the maturity of the bills accepted by the Bank to provide assurance to the payees.

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**6 Other Items:**

**Bills rediscounted:**

- Verify whether contingent liability is shown only on account of outstanding bills rediscounted and where upon maturity of bills adjustments were not made.
  
- Examine entries recorded in the post balance sheet period as regards reversal adjustments of bills rediscounted to the extent these relate back to adjustments for the year under audit.
  
- Obtain and check confirmation certificates from the parties
  
- rediscounting the bills (R.B.I./ I.D.B.I./D.F.H.I. and other institutions/banks)
  
- Check inter-branch transactions towards the year-end to ensure that items relating to bills rediscounted are adjusted to the extent included therein.

**7 General:**

Obtain from the Branch Management a representation to the effect that all known liabilities have been duly incorporated upto the year-end and that there are no contingent liabilities except to the extent disclosed in the branch returns submitted for audit.

Review major contingent liabilities recorded at the Branch and report any discrepancies affecting the disclosure in the Balance Sheet.

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

8 **Additional Procedures** :(if any)

**BILLS FOR COLLECTION:**

- 1 Check whether bills in hand as physically verified as at the year-end and/or at a **subsequent date**(.....):
  - a) are complete in all respects and duly supported by the relevant documents as required; and
  - b) that particulars thereof tally with the those entered in the relevant Bills Register(s) maintained for the purpose.
- 2 Scrutinise the age-wise details of the pending bills, and ascertain reasons for retaining bills:
  - a) beyond the normal dates of retention; or
  - b) contrary to instructions of the constituents; or
  - c) which have been frequently returned, and for which the customers have not been charged.
- 3 Check in the post-balance sheet period, whether entries have been marked-off based on collections made in respect of bills under collection as at the year-end: and enquire into outstanding entries not squared up on due dates
- 4 Check and report whether bills under collection include amounts comprising bills drawn on other branches of the bank (i.e. inter-branch bills).
- 5 Check whether year-end bills expressed in foreign currencies have been converted at rates as stipulated by Head Office/controlling authority.

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

- 6 Check totals in the Bills Register(s) and ensure that correct figures appear against the above head in the Balance Sheet.

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**1 Interest/discount on Advances/Bills:**

**a) Large Advances:**

(with balances above 5% of the aggregate branch advances as at the year-end):

Check interest charged in borrowers' accounts:

- for one quarter (ended 31.3.2020)

- for the balance three quarters, in case major differences are observed in the accounts checked.

(Accounts must be listed in the audit notes)

**b) Other Advances:**

**i) Term Loans:**

Check interest for two quarters( ended 31.12.2019 and 31.3.2020)

- 5 of the largest accounts

- 5 accounts at random

[List out names of the Accounts checked]

**ii) Cash credits, overdrafts, demand loans etc.**

Check interest charged in each category of advances covered by the above sub –head for two months(December 2019 and March 2020)

- 5 accounts (largest advances)

- 3-5 accounts at random

Report whether interest has been short charged from borrowers based on application of wrong credit rating- List such Accounts

(Prepare a list of accounts and periods for which interest has been checked - as per the recommended proforma for Report –Section D I.4)

Check whether interest adjustments required upto the year-end, and arising from income audit/inspection audit and/or similar audit reports, have been made.

Check whether Interest accrued includes income in respect of accounts classified as NPAs (including those classified during audit).

Check whether, in the accounts examined interest has been recorded as income on Non-Performing Accounts contrary to RBI norms

Adverse observations must be incorporated in the Report

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

stating the unrealised amount recognised as income in NPAs.

Examine nature of debits in Income account to check whether these are appropriate.

(Vouch all large debits and record the same in the Audit Notes)

2 **Income on Investments:**

Check authority/basis for recording income on investments, in the branch returns, and if authorised, vouch the same in-depth.

3 **Interest on balances with Reserve Bank of India and other inter-bank funds:**

Check authority/basis for recording income on investments, in the branch returns, and if authorised, vouch the same in-depth.

4 **Others:**

Test check interest on :

- staff advances (given by the bank as employer/banker),
- security deposits,
- other claims,
- other items,

which comprise assets recorded under the head "OTHER ASSETS" in the Balance sheet.

**(Record must be kept for items tested)**

5 Check inter-branch interest with reference to HO advice(s).

6 **Other Procedures** : (if any)

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

**OTHER INCOME:**

**1 Commission, exchange and brokerage:**

a) Test check commission on:

- Bills for collection  
(for bills in hand as at the year-end
- Letters of credit (those current - 10% of the largest ones in value)
- Guarantees ( those current - 10% of the largest ones in value)

b) Vouch entries each in excess of 2% of the aggregate in each income head in which commission, exchange and brokerage, is recorded.

**(Details of work done must be kept on the audit file)**

c) Ascertain reasons for major discrepancies between locker rent collected and that normally due on the basis of lockers let out.

d) Check that adjustments to the extent required, have been made in the accounts in compliance of the latest reports of:

- the Branch inspection audit,
- Income/Revenue audit,
- concurrent audit, and
- any special audit.

**2 Profit on sale of investments (less Loss):**

**Check authority/basis for recording in the Branch returns, the profit/loss on sale of investments-** and if so authorised, vouch the transactions in depth.

**3 Profit on sale of land, buildings and other assets (less Loss):**

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

- a) **Check authority for disposal** of:
  - fixed assets, if any, sold during the year under audit; and
  - non-banking assets acquired in satisfaction of claims.
- b) Vouch transactions in evidence of profit/loss recorded by the Branch in respect of assets, as aforesaid.
- c) Report if any assets have been revalued and entries recorded in respect thereof at the Branch level.

**4 Profit on exchange transactions (less Loss):**

- a) Check that the year-end outstanding entries are converted at appropriate rates of exchange as communicated by the Controlling authority, for recording profit/loss on exchange transactions.
- b) Test large transactions(each in excess of 2% of the aggregate in the ledger), and check whether these are recorded in compliance with the directions of the controlling authority.
- c) Scrutinise the transactions recorded in the post-Balance sheet period to ensure that no material items have been ignored upto the year-end.
- d) Enquire into unusually large entries involving huge gains/losses for the year(**and whether these pertain to the Branch or another linked office**).

**5 Miscellaneous Income:**

- a) Ascertain whether any premises or part thereof is let out, and if so, whether rent recoveries are recorded upto the year-end at the rates as applicable.
- b) Check items, each in excess of 5% of the aggregate amount in the income sub-heads relating to 'Miscellaneous income'.

**(Take note of work done, in the audit file)**



**INTEREST EXPENDED:**

1 **Interest on deposits:**

Test check for each category of deposits, interest as under:

a) **Savings Bank Deposits:**

- (i) In case interest test is applied at periodic intervals at the Branch, check whether the excess/short adjustment upto the date the last application was so made, has been adjusted.
- (ii) Check compliance of Head Office instructions as to the date upto which interest is required to be adjusted to the savings bank accounts and the manner/basis of further provision/accrual of interest upto the year-end.
- (iii) Test 3 accounts per ledger (and list out the accounts checked in the audit notes).
- (iv) Ascertain whether an over-all check of interest calculations(based on the control account in the General ledger for the year) reveals any major variation in the expenditure recorded.

b) **Term Loans:**

- (i) Check interest on Term Loans from Banks/institutions (100%).
- (ii) Check that interest provision is made on each category of term deposits.
- (iii) Check one account in each subsidiary ledger in-depth.
- (iv) Check on an over-all basis the computation of interest with reference to the average balances in the Term deposits in each category-enquire into major variances.
- (v) Check whether interest is provided on matured/overdue deposits upto the year-end, and if so, the basis thereof.

(vi) c) **General:**

Check compliance of reports relating to Income/expenditure control audit in Relation to interest on deposits.

d) Report Interest, if paid, on any Current Account balances(**and authority to pay the same.**)

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

2 **Interest on R.B.I./inter-bank borrowings:**  
Check authority/basis on which the branch has recorded interest on the above.

3 **Others:**  
Check interest /discount (100%) on borrowing/refinance from financial institutions (if borrowings are authorised by Head Office).  
Check interest on non-risk bearing participation certificates(100%). *(if participation is authorised by H.O.)*

**OPERATING EXPENSES:**

1 **Payments to and Provisions for employees:**  
a) Check salaries/allowances for one month  
b) Check major variances in such salaries, allowances in any month; and enquire into reasons for the same.  
c) Check whether pursuant to any award/settlement or otherwise any arrears of remuneration are due but not adjusted.

2 **Rent, taxes and Lighting:**  
a) Check rent for 1 month and verify whether adjustments have been made for the full year on account of rent at the rates as applicable and as per agreement in force.  
b) Check that Rent does not include House Rent Allowance to employees.  
c) Check whether municipal rates/taxes are duly paid/adjusted for the year under audit.  
d) Enquire whether any disputed liability exists on this account upto the year-end.

3 **Printing and Stationery:**  
Check items, each in excess of 5% of the total expenditure recorded at the branch.

4 **Advertisement and Publicity:**  
Check items, each in excess of 5% of the total expenditure recorded at the branch.

5 **Depreciation on Bank's Property:**  
a) Check H.O. instructions as regards adjustment of depreciation on the fixed assets of the Branch.  
b) Check whether depreciation on fixed assets, has been adjusted at the rates and in the manner required by Head Office.

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

c) Report unadjusted depreciation on assets acquired but not capitalised.

6 **Law Charges:**

Check items, each in excess of 5% of the total expenditure recorded at the branch.

7 **Postage, Telegrams, Telephones etc.**

a) Check items, each in excess of 5% of the total expenditure recorded at the branch.

b) Check whether OYT deposits have been written off in accordance with the system in force.

8 **Repairs and Maintenance**

Check items, each in excess of 5% of the total expenditure recorded at the branch.

**GENERAL:**

1 **General Ledger:**

a) Check all opening balances in the General ledger.

b) Review the ledger accounts and enquire into any large transactions or those as may appear to be unusual under any head of account. Transactions checked on the basis of such review must be listed in the work papers.

c) Test totals of a few accounts in the general ledger (say one account in a block of 30 accounts).

d) Check all closing balances [after ensuring that those have been inked, and initialed by the authorised signatory in case of manual accounts], and see that the final statements are in agreement with the books.

2 **Routine Checking:**

**Review**, for one day ( \_\_\_\_\_ ) all transactions of the Branch and check summary thereof into the ledgers.

3 **Safe Custody:**

a) Test whether securities/parcels/packages of the customers

**AUDIT PROGRAMME - LIABILITIES**

[Bank Branch Audit 2019-2020 ]

Remarks & Signature

kept in safe custody with the branch are intact and as per entries made in the Safe Custody Register maintained.

- b) Check whether the seals are intact in respect of sealed covers of customers (The contents of such covers are not required to be verified by opening the seals).
- c) Test check whether safe custody items are returned with proper acknowledgements from the recipients.
- d) Test check income on account of safe custody charges. (Note must be kept in the audit file for work executed)

4 a) **Frauds/Vigilance Cases:**

Scrutinise the list of cases recorded at the Branch including those reported/recorded after the year-end for considering in the long form audit report, any major items.

- For frauds
- For Vigilance cases
- Customers' complaints for unauthorized debits to their accounts pending enquiry (not covered by the above)

- b) Ascertain whether adequate provision has been made/recommended for debits arising at the branch on account of frauds reported/recorded.

5 **Corresponding Comparative Figures:**

- a) **Enquire** from the Branch Management the reasons for disproportionate unusual/large variations under income or expenditure heads as compared to the corresponding financial figures of the earlier year.

- b) **Broadly** review the trends between:
  - the interest earned in relation to advances and outlay of funds; and
  - expenditure by way of interest vis-a-vis the Deposits and other liabilities,
  - current and preceding year's aggregate of
    - . Interest Suspense
    - . Unapplied Interest

and ascertain from the management, reasons for divergent

**AUDIT PROGRAMME - LIABILITIES**

**[Bank Branch Audit 2019-2020 ]**

**Remarks & Signature**

trends.

**Report results of enquiry/ review, if not satisfactorily explained.**

*(These matters are more relevant to the long form audit report).*

**Additional Procedures:** (if any)

----- BANK                      ZONE: \_\_\_\_\_ REGION: \_\_\_\_\_ BRANCH: \_\_\_\_\_

**SUMMARY OF ADVERSE OBSERVATIONS ON ADVANCES ACCOUNTS AS AT 31.3.2020 (Illustrative)**

Name of the Borrower	Type of Facility	Account No.	Year End Balance (Rs.)	Remarks- Adverse Code @	Classification Code *		Valuation of security @@		Financial Effect of observations		Remarks
					By Bank	Recommended	By Bank (Rs.)	As per Auditor (Rs.)	Provision (Rs) (+) (-)	Income (Rs.) (+) (-)	
ABC	TL	140	59,783	1.5,1.6.3 1.10(b)	A	C			(+)	(-)	
	CC	234	28,733	1.11,1.13	B	C			(+)	(-)	
	Bills	38/04	1,05,734	2.2,2.4,3.1	B	C			(+)	(-)	
			----- 1,94,250 =====								
DEF	TL	45	68,528	2.2,2.4,3.4	A	B			(+)	(-)	
	PC	2013	2,01,05,273	3.10,3.11,4.4	A	B			(+)	(-)	
	CC	5231	5,07,83,724	4.6,4.17	A	B			(+)	(-)	
			----- 7,09,57,525 =====								

@ Refer to description of Coded Adverse Features{ (Annexure C II.1.1 (PAGES 2 - 6))}

@@ Wherever the auditor disagrees with the Bank

\*CLASSIFICATION → A. STANDARD    B. SUB-STANDARD    C. DOUBTFUL    D. LOSS

RECOMMENDED ANNEXURE TO AUDITORS REPORT

BANK: BRANCH \_\_\_\_\_ REGION/DISTT./CIRCLE \_\_\_\_\_

ANNEXURE-D.1.2 TO AUDIT REPORT DATED.....

Statement showing summary of Memorandum of Changes affecting Advances as at 31.3.2020

Particulars	Code	Secured Add/(Deduct)	Bank/Govt Guaranteed Add/(Deduct)	Unsecured Add/(Deduct)	Doubtful Add/(Deduct)	Remarks
<b>I Bills Purchased:</b>						
Priority Sector						
Public Sector						
Banks						
Others						
<b>Total I</b>						
<b>II. Cash Credits, Overdrafts, Demand Loans etc:</b>						
Priority Sector						
Public Sector						
Banks						
Others						
<b>Total II</b>						
<b>III. Term Loans:</b>						
Priority Sector						
Public Sector						
Banks						
Others						
<b>Total III</b>						
<b>Grand Total (I+II+III)</b>						

**NOTES/INSTRUCTIONS:** 1. Only one figure must appear against each item & deductions/negative figures must be shown in brackets  
2. Reasons for changes must be given in the proforma as per Annexure D.1.2

**D.1.2....2**

**RECOMMENDED ANNEXURE TO AUDITORS REPORT**

**BANK: BRANCH \_\_\_\_\_ REGION/DISTT./CIRCLE \_\_\_\_\_**

**ANNEXURE-D.1.2 TO AUDIT REPORT DATED.....**

**STATEMENT OF REASONS FOR CHANGES RECOMMENDED IN ANNEXURE A.8 TO THE REPORT**

PARTICULARS				CHANGES IN CLASSIFICATION						
Name of the Party Remarks	Secured	Govt./Bank	Unsecured	Additional						
		Guarantees		Provision Recommended	Priority Sector	Public Sector	Banks	Others	Additional Provision	Existing Provision

I. Bills Purchased

II. Cash Credits,  
Overdrafts,  
Demand Loans etc.:

Total

III. Term Loans

Total





(Part of audit working papers on Audit File)

Jawahar and Associates, CHARTERED ACCOUNTANTS, Hyderabad

----- BANK                      ZONE: \_\_\_\_\_                      REGION : \_\_\_\_\_                      BRANCH : \_\_\_\_\_

**OBSERVATIONS/STATUS REVIEW ON MAJOR ADVANCES ACCOUNTS FOR THE YEAR ENDED 31.3.2020**

**(based on analysis of Annexure III and for purpose of reporting)**

**OBSERVATIONS OF BRANCH AUDITOR**

1. Whether the Borrower requires reclassification
2. Has these been frequent devolvement of LCs
3. @Justification/observations requiring change in classification:

Yes@
Yes

No	<b>Whether reported in MOC // whether reported in LFAR</b>			
No	<b>Yes</b>	<b>No</b>	<b>//</b>	<b>Yes / No</b>

\_\_\_\_\_  
Signature of Audit Assistant

## BANK BRANCH AUDIT

**SUMMARY OF ADVANCES OF THE BANK AS AT 31ST MARCH (for information) ...1**

	TOTAL	1 x	Amount(Rs.)	
			2 @	3 xx
<b>GROSS AMOUNT IN BORROWERS' ACCOUNTS AT THE BRANCH LEVEL</b> (includes for credit cards and interest bearing staff advances)	..	..	..	..
<b>Add:</b>				
a) Debit balances in Deposit Accounts	..	..	..	..
b) Invoked Guarantees/devolved L/Cs	..	..	..	..
	---	---	---	---
TOTAL (A)	..	..	..	..
	---	---	---	---
<b>Less:</b>				
a) Amounts pending appropriation e.g. Credit Guarantee claims, including D.I.C.G.C./ECGC claims/other amounts Recovered and held as liability/ advances related subsidies.	..	..	..	..
b) Interest applied in borrowers' accounts but not recorded as income and held at credit in interest Suspense/Suspended interest Account	..	..	..	..
c) Income derecognised on amounts identified as NPAs during the year and included in (A) above (+)	..	..	..	..
d) Participation on "risk sharing basis" - outstanding amounts if held as liability	..	..	..	..
e) Bills rediscounted, if included in (A) above (as per procedure applicable at Branch level)		..	..	..
f) Advances held at branches but written off at H.O. ...		..	..	..
	---	---	---	---
TOTAL (B)	..	..	..	..
	---	---	---	---
<b>GROSS ADVANCES (A-B) OF THE BANK</b>	..	..	..	..
<b>Less: PROVISION</b> (For sub-standard/ Doubtful/Loss Assets) (+) @@	..	..	..	..
	---	---	---	---
Balance as per Balance Sheet	..	..	..	..
	---	---	---	---
x Bills purchased and discounted				
@ Cash Credits, Overdrafts and Loans repayable in demand				
xx Term Loans				

Notes (Refer page ...2)

(+) Refer Note No.2

@@ Refer Chart (RBI guidelines)

bnkad06.scv

## BANK BRANCH AUDIT

**SUMMARY OF ADVANCES OF THE BANK AS AT 31ST MARCH (for information)....2****NOTES:**

1. Advances (non-interest bearing) to employees, (such as Leave Fare Concession Advance, Festival Advance, Drought Relief Advance) should not be treated as part of the Advances portfolio, **IF THESE ARE INTEREST BEARING** but are to be considered as part of "OTHER ASSETS-Others". Correspondingly interest on such advances should be shown in "Interest – Others”:
2. Where borrowers' accounts are identified for the first time as NPAs, the unrealised income recorded in the borrowers' accounts, including for Govt. advances, must be reversed, and
  - a) to the extent recorded as the current year's income, be derecognised/not treated as income; and
  - b) to the extent recorded as the income of the immediately preceding financial year, must be provided for, unless the laid down procedure of the Bank warrants the reversal of current year's income for such (earlier year's) unrealised interest.
3. Where income is accrued in advances treated as "Standard" by the Bank Management, but such accounts are re-classified as sub-standard, doubtful or loss assets in finalising the accounts, **such interest income accrued but not realised, has also to be reversed**, so that the provision can be worked out on the amounts, net of such reversal.
4. Provisions in excess of those necessary for Advances, would have to be treated as of the nature of "reserves" and not deducted from the "Advances". Provision made on adhoc basis for standard advances would also be of this nature.
5. Provisions are required to be made to the satisfaction of auditors, and if in the opinion of the auditors, provisions made/recommended by the Bank Management as per the prudential norms of RBI are lower, the auditors would have to qualify their report indicating the shortfall.
6. Debit/adverse balances in Deposit Accounts would normally be 'unsecured' advances.
7. Where recoveries are made and realisation of income is recorded, it may be ensured that the credits in the borrowers' accounts are appropriated in the following order, preference being given to the oldest debits:
  - a) Charges, not recorded/reversed; thereafter
  - b) income not realised/recorded earlier;
    - Interest Suspense
    - Unapplied Interest
    - Recompense amounts (earlier deferred in cases of sacrifice).**and thereafter**
  - c) the principal amount,

**UNLESS the realisation is accompanied by instructions otherwise from the borrower.**

**Care must be taken to ensure that to the extent the borrowers' accounts are credited, the unapplied charges and income, and right to recompense, are first applied and debited to the relevant accounts.**

8. Interest should not be accrued as income on accounts identified as non-performing, and after the date of the last application of interest in the borrowal accounts, the interest needs to be computed and recorded in the memoranda books on updated basis.

**Text of letter recommended for being addressed to the Branch**

BY HAND / COURIER

March 30, 2020

The Branch Manager,  
\_\_\_\_\_ Bank,  
\_\_\_\_\_.

Dear Sir,

**Re: Audit of Accounts for 2019-2020.**

We are deputing our team headed by Mr. \_\_\_\_\_ in connection with the verification of the following, at the close of business on 31.3.2020 :

**A. Cash balances etc.**

- a) Cash in hand (including with tellers);
- b) Cash at sub offices
- c) Cash in ATM(s), if operated/controlled; and if any with authorized agencies for stuffing;
- d) Petty Cash/imprest balances;
- e) 5. Postage in hand;
- f) Tokens, if any
- g) Foreign Currency, if any.

In connection with the above, please ensure that you will be getting the verification done simultaneously, and at all locations, of the balances for the aforesaid items and produce for our verification the following:

- a) Foreign Currency parcels, if any, lying at the Branch.
- b) Sealed covers containing cash, if any.
- c) Petty Cash and imprest balances held with various officers.

**B. Security Paper Stationery/ Forms (Unused/ blank)**

We would be undertaking the physical verification of ***the unused/blank security paper stationery/ forms*** lying at the branch, including for the following:

- a) Time/Term Deposits;
- b) Deposits under various schemes;
- c) Travellers Cheques;
- d) Drafts;
- e) Pay Orders/Banker's Cheques, Gift cheques, etc; and
- f) Cheque Books/Withdrawal Slips

We would request you to keep ready, a list of stock of all stationery in hand of the nature and type referred to above, so that verification thereof is expedited; and further ensure that the relevant registers are upto date to enable us to examine the balances therein.

**C. Bills for Collection/Purchased:**

All bills in hand (for collection as well as purchased) may be listed out and got physically verified.

**D. Your formal confirmations for our record:**

Upon completion of the exercise involving physical verification as aforesaid, we would request you to let us have a confirmation of the balances as at the close of the business as at the year-end duly signed by the authorised signatories.

**E. External Confirmations**

May we request you obtain and to let us have, balance confirmation certificates in respect of:

- a) balances with other banks as at the year-end along with reconciliation statements, in evidence of outstandings with such banks (including, if any, with the Reserve Bank of India);
- b) borrowings, if any, recorded at the Branch (banks/ institutions)

We expect these certificates/ reconciliation statements to be handed over along with the Branch returns.

We shall be thankful for your co-operation.

Yours faithfully,

**CHARTERED ACCOUNTANTS**

## BANK AUDIT - ASSET-LIABILITY MANAGEMENT

1

### Guidelines on disclosure in the annual accounts for the year 2019-20

Besides additional disclosures relating to movements in NPAs and lending to sensitive sectors. The Reserve Bank of India has prescribed the following additional disclosures to be made in the annual financial statements of the banks:

#### 1. Maturity Pattern of:

- a) Deposits
- b) Loans and Advances
- c) Investment Securities
- d) Borrowings

#### 2. Foreign Currency Assets and Liabilities

The RBI directives coincide with the introduction of **Asset-liability Management System (ALM)** in Banks during the year 2000-2001. Since the disclosure requirements are mandatory in nature, the banks would already have devised appropriate forms and returns to ensure that the required data is expeditiously available from the branches for consolidation and incorporation thereof in the annual audited accounts.

The disclosures on the items mentioned above are required to be attested by the Auditors, since these form a part of the audited information. To the extent relevant, the branch auditors need to certify the information at the branch level.

#### 1. MATURITY PATTERN OF DEPOSITS

The deposits of a Bank can broadly be categorised as under:

##### A. Demand Liabilities

These do not have specific maturity patterns, and comprise:

- Deposits in current accounts
- Savings Bank Deposits
- Credit Balances in Cash Credit/Loan accounts
- Overdue/ matured deposits

By definition these being repayable "On Demand", it is difficult to predict the likely pattern of the repayment of such deposits, and would, therefore, necessitate sophisticated statistical techniques or other methods and procedures to determine the likelihood of outflows/maturity patterns.

**This exercise may necessarily have to be carried out at the centralised level by the Banks.**

##### B. Time Liabilities

These have relatively predictable maturity patterns, and generally such liabilities fall into the following categories:

- Fixed Term Deposits (with interest payment plans during the tenure/period of the deposits),
- Term Deposits in Re-investment schemes
- Cumulative Time Deposits (where interest is compounded)



## BANK AUDIT - ASSET-LIABILITY MANAGEMENT (Contd.)

2

These include inland and foreign deposits and inter-bank term deposits, in respect of which relevant data would be required to be prepared by the branches.

Time Liabilities are required to be classified according to actual residual maturity of the relevant deposits as at the year-end..

**Residual maturity** means the balance time that remains for the deposit to mature, calculated from the year-end.

The data so prepared on individual deposits is required to be aggregated to fall into specific period tranches, called **TIME BUCKETS**.

Based on there are as many as 8 time buckets for the purpose of reporting as under:

- a) 1-14 days.
- b) 15-28 days
- c) 29 days – 3 months
- d) over 3 months upto 6 months
- e) over 6 months upto 1 year
- f) over 1 year upto 3 years
- g) over 3 years upto 5 years
- h) over 5 years.

The banks may, for the sake of convenience, segregate the branches as under for obtaining data on residual maturity:

**a) audited branches**

- computerised branches, which would normally be audited
- non-computerised branches selected for audit

**b) unaudited branches**

Data, if prepared, in the format as per Annexures, would be relevant. This needs to be signed by the authorised branch personnel in all cases, and in case of audited branches, should be examined and attested by the auditor.

## 2. MATURITY PATTERN OF LOANS AND ADVANCES

Maturity Pattern of only advances categorised and identified as STANDARD is required to be compiled by the Branches, for the reason that as per the RBI guidelines, all NON PERFORMING ADVANCES are required to be considered in maturity buckets as under:

<u>Category of NPA</u>	<u>Time Bucket</u>
Sub-standard	3-5 Years
Doubtful/Loss	Over 5 years

The Advances portfolio of a bank would generally be comprised of the following; and since the advances are controlled at the branches, the relevant information would be obtained from them - such information usually arising from:

**a) Bills transactions(bills purchased and discounted)**

- Inland Bills Purchased
- Inland Usance Bills Purchased
- Inland Usance Bills Discounted
- Advance against Inland Bills for Collection (Supply Bills)
- Foreign Bills Purchased
- Foreign usance Bills Purchased
- Advance against Foreign Bills or Collection

### **Usance Bills Purchased and Inland Usance Bills Discounted**

Details of Inland Usance Bills Purchased/Discounted need to be prepared by the branches in the recommended format

## BANK AUDIT - ASSET-LIABILITY MANAGEMENT (Contd.)

3

Advances against Inland Bills for Collection-ABC(Supply Bills) are made in rare cases, and the banks treat these as akin to the usance bills, as the realisability is according to the terms of the underlying contract of supply. Details regarding maturity of ABC(supply bills) would therefore, be furnished in their maturity buckets; and if against demand bills, the outstandings fall in the 1-14 days' bucket.

### **Foreign Usance Bills Purchased Advance against Foreign Bills for Collection**

Foreign Usance Bill means any Foreign Bill purchased or discounted whether or not under L/C, which has a due date on which it is expected to realise. As in the case of ABC (Inland), if advance is made against foreign bills, the same treatment is given as above and could be against sight bills (Demand Bills) which could not be purchased or negotiated. Details regarding maturity of Advance against Foreign Bills for Collection would be furnished in (Refer CV 7).

#### **Bills which are falling due:**

<b>Bills which are falling due:</b>	<b>Maturity Bucket</b>
- on or before 14/4/2020	1 to 14 days
- between 15/4/2020 and 28/4/2020	15 to 28 days
- between 29/4/2020 and 30/6/2020	29 days 3 months
- between 1.7.2020 and 30.9.2020	3 - 6 months
- between 1.10.2020 and 31.3.2021	6 months- 1 year
- between 1.4.2021 to 31.3.2023	1 - 3 years
- between 1.4.2023 to 31.3.2025	3 - 5 years
- on or after 1.4.2025	Over 5 years

**(Refer recommended reporting format )**

#### **b) Term Loans**

The Maturity pattern of Term Loans is to be computed on the basis of the interim cash flows

i.e. according to the stipulated repayment schedule.

**(Refer recommended reporting format)**

#### **c) Loans re-payable on demand**

- Cash Credits
- Overdrafts (including temporary overdrafts and adverse balances in deposit accounts)
- Demand Loans
- Packing Credits

### **3. MATURITY PATTERN OF INVESTMENT SECURITIES**

The investment portfolio of banks is generally controlled on a centralised basis and the maturity patterns can be worked out at that level. Branches may not, therefore be expected to submit any information on this item, even if they hold investments on behalf of the Head office.

### **4. MATURITY PATTERN OF FOREIGN CURRENCY ASSETS AND LIABILITIES**

Foreign currency assets and liabilities are not expected to be held/ incurred at other than certain branches, usually designated as 'A' category branches. The statement with regard to these would be prepared and forwarded by only such Branches for consolidation at Head Office.

### **5. MATURITY PATTERN OF BORROWINGS**

Borrowings include re-finance and in the normal course such activities take place at selected

## **CV**

few branches. The information relating to Maturity pattern of these Refinance/Rediscount is also available at Head Office. Certification of Maturity pattern of Borrowings in the stipulated Buckets can be done at such branches, and counter-checked at Head Office.

**BANK AUDIT  
BASIC ANALYTICAL PROCEDURES/REVIEWS:**

It is recommended that on overall review of the financial statements be made and, to begin with, the figures of the current year be compared with those of the previous year. Any disproportionate increase/decrease may be enquired into. Attention must be focused on any divergent trends between revenue and related assets or liabilities. Financial and performance ratios should be considered useful in connection with any audit; and for banks these ratios could be categorised into those relating to:

- a) **ASSET QUALITY**
- b) **LIQUIDITY**
- c) **EARNINGS**

a) **ASSET QUALITY RATIOS**

- Loan Losses to Total Advances
- NPAs to Total Advances
- Net Profit to Loan Losses
- Doubtful Advances to Gross Income
- Permanent/Current Investments to Total Investments
- Market value to cost of:
  - .Permanent Investments
  - .Current Investments

b) **LIQUIDITY RATIOS**

- Cash and liquid securities (e.g. those due within 30 days) to total assets
- Inter-bank and money market deposit liabilities to total assets

c) **EARNINGS RATIOS**

- Return on: . average total assets  
                  . average total equity
- Interest on: . advances as a percentage of Average Advances  
                  . Deposits as a percentage of Average Deposits
- Income/yield on Average Investments and return of Treasury Functions.
- Average interest earned on advances to average interest expended on Deposits and borrowings (Average cost of borrowing vis-a-vis average yield on moneys applied)
- Ratio of unapplied interest income/income suspense to Advances.

It would be advisable to examine the propensity of upward/downward movements in income not recorded on the NPAs to determine the potential loss of revenue. Potential loss of income can also be gauged independently from a year-wise comparison of the aggregate of **unapplied interest and the interest suspense** in relation to advances.

**(ATTENTION IS DRAWN TO THE RBI'S SPECIFIC REQUIREMENTS RELATING TO DISCLOSURE OF CERTAIN BUSINESS RATIOS, particularly Para 3.5 of RBI Circular DBOD.BP.BC.No. 59/21.04.0`8/2017-18 dated 30.1.2018 given hereunder:**

Items	Current year	Previous Year
(i) Interest Income as a percentage to Working Funds \$		
(ii) Non-interest income as a percentage to Working Funds		
(iii) Operating Profit as a percentage to Working Funds \$		
(iv) Return on Assets@		
(v) Business (Deposits plus advances) per employee #		
(vi) Profit per employee		

*\$ Working funds to be reckoned as average of total assets (excluding accumulated losses, if any) as reported to Reserve Bank of India in Form X under Section 27 of the Banking Regulation Act, 1949, during the 12 months of the financial year.*

*@ 'Return on Assets would be with reference to average working funds (i.e. total of assets excluding accumulated losses, if any).*

*# For the purpose of computation of business per employee (deposits plus advances) inter bank deposits may be excluded.*

## BANK BRANCH AUDIT 2019-20

**ANNEXURE C II.1.1: COMMON IRREGULARITIES/ ADVERSE FEATURES IN ADVANCES ACCOUNTS(Illustrative)**

<b><u>Code</u></b>	<b><u>Nature of Irregularities/ Adverse features</u></b>
1.	<b><u>CREDIT APPRAISAL:</u></b>
1.1	Loan application form not obtained / not on record.
1.2	Loan application not complete in all respects or not signed.
1.3	Borrower's name, whether figuring in the list of wilful defaulters of RBI not checked/ indicated.
1.4	Information not given as regards borrower being a Director of the Bank/another bank or of being an officer or a relative of any Director/ officer of the Bank.
1.5	Credit appraisal made for borrowers: <ul style="list-style-type: none"> <li>a) in the "negative" list of the bank.</li> <li>b) Where the borrower is a defaulter/NPA with other banks/ institutions.</li> </ul>
1.6	All documents / annexures required with the application form not received by the Bank, including:
1.6.1	Documents evidencing nature / type and legal status of entity such as Memorandum & Articles of Association, Partnership Deed, Trust Deed etc. not received/called for.
1.6.2	Latest financials (duly audited) and / or updated unaudited financials not obtained and / or not reviewed (including off balance sheet disclosures);
1.6.3	Audited statements if received are incomplete – without Accounting Policies / Notes / Audit Report.
1.6.4	Half yearly review reports (listed entities), not reviewed.
1.6.5	Cost / secretarial audit, if required, not got done, or no report thereof available.
1.6.6	Credit report not obtained from previous bankers / existing bankers from whom account is being shifted, and reasons for such shifting not justified.
1.6.7	Credit Reports of borrower/guarantor not obtained or inadequate as regards material particulars (including copies of sales tax/ Income tax/Wealth tax returns or other financial data).
1.6.8	Credit reports of borrowers/guarantors, not reviewed.
1.6.9	Adverse features reported upon in Inspection / audit not considered in appraisal in respect of continuing advances / for enhancement in limits. (eg. off balance sheet exposures, dealings with other bankers, major variations between audited data and QIS to branch).
1.7	Techno-economic feasibility report not obtained.
1.8.	Industry / group exposure and experience of the Bank not dealt in the appraisal note.
1.9.	Bank's policy norms for inventory/book-debts/creditors levels not followed as stipulated by the management.

## BANK BRANCH AUDIT 2019-20

**ANNEXURE C II.1.1: COMMON IRREGULARITIES/ ADVERSE FEATURES IN ADVANCES ACCOUNTS(Illustrative)****Code Nature of Irregularities/ Adverse features**

- 1.10. Adverse features observed in reports of concurrent Auditors/ Statutory Auditors/ RBI Inspection/LFAR not incorporated in the appraisal note, as arising from:
- a) RBI Inspection/
  - b) Concurrent Audit
  - c) Inspection Audit
  - d) Internal Audit
  - e) Statutory Audit/LFAR
  - f) Stock Audit
  - g) Special Audit/Credit Audit
- 1.11 Explanations not called for, or not justified, in respect of major variations between projected and actual financial data furnished.
- 1.12 Credit rating form not attached with credit appraisal note, or if attached, not reviewed.
- 1.13 Opinion reports of the associate and / or sister concerns of the borrower not called.
- 1.14 Appraisal of fresh limits made to cure existing defaults in NPA accounts.
- 1.15 Frequent resorting to short review procedures rather than full review of borrowal account.
- 1.16 Bank's rights to recompense not considered in appraisal where recoveries of earlier sacrifice are being made.
- 1.17 General level of compliance in the past not indicated.
- 1.18 Diversion of funds for purposes other than those intended, in the past not considered(including working capital funds being used for long term deployment).
2. **SANCTIONING AND DISBURSEMENT:**
- 2.1 Proposals sanctioned without the approval of the higher authority / signature of the concerned authority.
- 2.2 Facilities disbursed before the completion of documentation and other sanction terms.
- 2.3. Adhoc limits granted pending sanction of regular limits.
- 2.4. Disbursement made without following procedures relating to confirmation of higher authority as regards completion of formalities.
- 2.5. Sanctions in excess of delegated authority.
3. **DOCUMENTATION:**
- 3.1 Documents on record are blank, all parts not filled up and / or without signatures of Branch Manager and witnesses.
- 3.2 Documents signed by persons other than those authorised.
- 3.3. Signatures of the executants on all the pages of the documents not found and not obtained on all corrections / endorsements in the documents.

## BANK BRANCH AUDIT 2019-20

**ANNEXURE C II.1.1: COMMON IRREGULARITIES/ ADVERSE FEATURES IN ADVANCES ACCOUNTS(Illustrative)**

<b><u>Code</u></b>	<b><u>Nature of Irregularities/ Adverse features</u></b>
3.4.	Documents have become mutilated / soiled, or have expired and the bank is exposed to the risk of not enforcing the security.
3.5.	Consortium advances – documents not yet executed or not on record.
3.6.	Consent from other lenders for creation of security, not on record.
3.7.	Guarantee papers not on record / not renewed.
3.8	Revival letters not received.
3.9	Certification of Registration of charges with ROC / or evidence thereof not on record, in case of companies.
3.10	LIC Policies (together with evidence of surrender value), not obtained or not on record.
3.11	Bank's FDRs (lien marked) not obtained or not on record
3.12	KVPs not obtained or not on record.
3.13	IVPs not obtained or not on record.
3.14	Second charge on assets not created in favour of the bank.
3.15	Under-stamping of documents, and Stamping not being as per the amended Stamps Act. (particularly for immovable properties)
3.16	Work completion certificate, sale deeds, share certificates in societies, etc. not on record for housing loans.
3.17	Staff Housing loan documents not on record at the Branch.
3.18	Sales / search report / Title Clearance Report from advocate in respect of immovable property not obtained or on record.
3.19	Mortgage for property not created, as required.
3.20	Clearance not obtained from Authorities concerned to permit mortgage.
3.21	Copies evidencing lodgment of the original conveyance / sale deeds with the sub-Registrars for registration, not on record.
3.22	Authority letter / Power of Attorney to the Bank to collect the original documents from the Sub-Registrar, not on record.
3.23	Loans granted on properties on the basis of Power of Attorney and not ownership.
3.24	Valuer's report in evidence of gold / gold ornaments not obtained.
3.25	Registration certificates, transfer certificate, driving license, duplicate keys of vehicle and insurance covers not obtained, in case of loans against vehicles.
3.26	"Nil Encumbrance Certificate/s " or "No Dues Certificate/s" or "No lien Letters" not on record.
3.27	Consent letter not obtained from borrower that the Bank would publish his name in the list of defaulters, in the event of wilful default in repayment of the Bank's dues.
3.28	Clause/ stipulation as regards interest rates variations to be as per RBI norms, not notified or on record.



## BANK BRANCH AUDIT 2019-20

**ANNEXURE C II.1.1: COMMON IRREGULARITIES/ ADVERSE FEATURES IN ADVANCES ACCOUNTS(Illustrative)**

<b><u>Code</u></b>	<b><u>Nature of Irregularities/ Adverse features</u></b>
3.29	Other documents stipulated as per sanction not on record (specify).
4.	<b><u>REVIEW / MONITORING / SUPERVISION :</u></b>
4.1	Non compliance of major / repeated adverse features in Audit reports / inspection in relation to borrowal accounts.
4.2	Stock, book-debts statements / financial statements / other operational data etc., not received regularly, or belatedly received from the borrower.
4.3	Stock Audit not got conducted and / or latest report not on record.
4.4	Major discrepancies / variations in the stock and other securities (between the annual audited financial statements / stock audit report and the financial data / returns to the Branch).
4.5	Non-movement of goods in pledge accounts (particularly perishable goods) and accumulation of old stocks.
4.6	Drawing Power not properly worked out, based on non deduction of: a) Non-moving stock, b) unpaid for stocks, c) old book debts, and d) margins as stipulated.
4.7	Physical verification of securities not done at periodic intervals, and action not taken on major adverse observations based on Inspection reports.
4.8	Frequent requests for ratification of transgressions.
4.9	Statutory Liabilities not being paid, or being belatedly discharged, with constant fall back on the bank.
4.10	Age-wise break-up of debtors not on record.
4.11	Penal interest not charged for delay in submission of various statements.
4.12	Drawing power / limits not updated / revised as per market value of securities where advances are against shares / securities.
4.13	End use of funds not ensured; and diversion if observed, not attended to.
4.14	Account is frequently / continuously overdrawn.
4.15	Frequently invoked LCs / guarantees
4.16	Actual performance is well below projections.
4.17	Sale proceeds not routed through Bank and credit summations are on the decline.
4.18	Audited statements of non-corporate borrower having limit beyond Rs. 10 lacs not received (including Auditors Reports).
4.19	Renewal proposals of advances are not received on time and/ or limits not renewed / reviewed within 180 days.
4.20	Balance confirmation and acknowledgment of debt not obtained.
4.21	L. I. C. Policies taken as primary / collateral not sent for assignment in favour of the bank.

## BANK BRANCH AUDIT 2019-20

**ANNEXURE C II.1.1: COMMON IRREGULARITIES/ ADVERSE FEATURES IN ADVANCES ACCOUNTS(Illustrative)**

<b><u>Code</u></b>	<b><u>Nature of Irregularities/ Adverse features</u></b>
4.22	Insurance cover is inadequate, policies not on record / not renewed / not endorsed in favour of the Bank.
4.23	Tendencies of expired bills / foreign currency sight bills becoming overdue frequently and not getting crystallised when due.
4.24	Frequent cancellation of bills and substitution of unpaid bills.
4.25	Confirmation as to genuineness of export transactions not obtained from Bank's foreign offices / correspondents / customs department.
4.26	For import credit, Bill of Entry evidencing import of goods not available.
4.27	Documents not obtained for bills discounted under Letters of Credit.
4.28	Advances requiring guarantee cover of ECGC not brought under its cover.
4.29	Guarantee not invoked although accounts are irregular and called back.
4.30	For allocated limits, full terms of sanction, stock statements, inspection reports, margin etc, not available or available with considerable delay at monitoring branches.
4.31	<b><u>In respect of Consortium arrangements (particularly where others are categorising the borrower as NPA)</u></b>
	a) Regular meetings not held with other consortium members to review / assess performance of borrowers.
	b) Members of the consortium not advised about the quarterly operating limits / D. P.
	c) Minutes of the consortium meetings not found on record.
	d) Inspection reports from the consortium member not obtained.
4.32	Capital of the borrower has eroded / net worth is negative / decreasing.
4.33	Cases where adhoc limit remained unadjusted more than 3 months after due dates.
4.34	Copies of invoices and other evidence in relation to purchase of assets financed by the bank not available for verification.
4.35	Application of wrong rate of interest, processing charges, commission, other charges, etc. (e.g. due to wrong credit rating / non-revision thereof from effective dates).
4.36	Account becoming a case of "quick mortality" within a short time of sanction (say within 24 months).
4.37	Margins created out of book adjustments upon purchase of bills.
4.38	Income accrued on Advances categorized as NPAs.
4.39	Wrong appropriation of recoveries in NPAs.
4.40	Right of recompense not recorded/ invoked, if stipulated at the time of sacrifice earlier made in the borrowal account.
4.41	Leakage of income due to PC-cum-CC limits (where PC facilities are being wrongly credited to CC to take advantage of lower interest rates)

## BANK BRANCH AUDIT 2019-20

**ANNEXURE C II.1.1: COMMON IRREGULARITIES/ ADVERSE FEATURES IN ADVANCES ACCOUNTS(Illustrative)**

<b><u>Code</u></b>	<b><u>Nature of Irregularities/ Adverse features</u></b>
5.	<b><u>DOUBTFUL ADVANCES-other Adverse features:</u></b>
5.1	RBI prudential norms not followed (including in cases of substantial erosion of realisable security). Substantial erosion (of more than 50-90%) of the security.
5.2	Existence of saleable/ realisable security in serious doubt.
5.3	Dilution of security and / or Valuation Report of Security / collaterals, not available.
5.4	Installment / interest not received regularly, and default of 90 days or more.
5.5	Legal or other action for recovery of advances not taken, although authorised by the Board / Controlling Authority.
5.6	Terms of the BIFR scheme not complied.
5.7	Default in fresh facilities sanctioned pursuant to BIFR orders.
5.8	Delays in the settlement / repayment, in respect of one time settlement / compromise proposals and sacrifice not adjusted.
5.9	Payment from government for invoked guarantees not received, although guarantees were unconditional, irrevocable and payable on demand.
5.10	Compromise proposals pending at various levels where local government / outside agencies are involved as guarantors.
5.11	Irregular / sick / sticky advances not reported to higher authorities.
5.12	Adverse decisions in litigation, not considered.
5.13	Credit card dues not serviced.
5.14	Advances to new borrowers notwithstanding that they are defaulters in other banks/ institutions.
5.15	Restructured Doubtful Accounts and fresh facilities by way of funding unserviced interest.
5.16	Repeated rephasing/ restructuring in the same account for evergreening the account.
5.17	Non-reckoning of the default in borrowal accounts transferred from other branches, affecting the classification thereof.

**(REFERENCE MAY BE MADE TO RBI CIRCULARS DBOD No. Dir.BC.8/13.03.00/2016-17 dated 1-7-2016 and DBS FrMC No. BC.1/23.04.01D/2015-16 DATED 7-8-2015 )**

**JAWAHAR AND ASSOCIATES, CHARTERED ACCOUNTANTS, HYD**

**A III.1**

----- BANK

ZONE : \_\_\_\_\_

BRANCH : \_\_\_\_\_

**ANNEXURE –III.1 -OBSERVATIONS/STATUS REVIEW ON MAJOR ADVANCES ACCOUNTS FOR THE YEAR ENDED 31.3.2020  
COMPLIANCE OF TERMS AND CONDITIONS OF SANCTION**

<b>Terms and Conditions</b>		<b>Compliance</b>
i)	<b>Primary Security</b>	
	a) Charge on primary security	
	b) Mortgage of fixed assets	
	c) Registration of charges with Registrar of Companies	
	d) Insurance with date of validity of Policy	
	e) Stock Audit whether conducted-if so when	
ii)	<b>Collateral Security</b>	
	a) Charge on collateral security	
	b) Mortgage of fixed assets	
	c) Registration of charges with Registrar of Companies	
	d) Insurance with date of validity of Policy	
	e) Basis and date of last valuation	
iii)	<b>Guarantees – Existence and execution of valid guarantees</b>	
iv)	<b>Asset coverage to the branch based upon the arrangement (i.e. , consortium or multiple-bank basis)</b>	
v)	<b>Others:</b>	
	a) Submission of Stock Statements/ Quarterly Information Statements and other Information Statements.	
	b) Whether latest audited accounts obtained and analysed including considering effect of qualifications therein.	
	c) Last inspection of the unit by the Branch officials: Give the date and details of errors/omissions noticed	
	d) In case of consortium advances, whether copies of documents executed by the company favouring the consortium are available	
	e) Any other area of non-compliance with the terms and conditions of sanction.	

**Note: In case of non/unsatisfactory compliance, action taken by the Bank may be indicated on the inverse side for each item.**

**(Branch In charge)**

**SPECIAL ATTENTION NEEDS TO BE PAID TO ADVANCES OF THE NATURE GIVEN BELOW (FOR PROVISIONING AND INCOME RECOGNITION/DERECOGNITION) Year 2005-06**

		WHETHER EXAMINED		REMARKS
		YES	NO	
1	* Loss Assets			
2	BIFR cases classified as Standard			
3	XX Accounts upgraded to standard			
	a) BIFR cases upgraded to Standard since the previous year-end			
	b) Other accounts upgraded			
4	<b>Restructured Accounts</b>			
	a) under CDR			
	b) others			
5	FITL / Investments in Restructured Accounts requiring provision to be made or retained in terms of the RBI Master Circular dated 1-7-2005			
	a) Para 4.2.14 (iv)			
	b) Para 4.2.16 (vi), (vii)			
6	<b>Adversely commented accounts in latest reports of:</b>			
	RBI			
	Concurrent Auditors			
	Inspection			
	Statutory Auditors (including LFAR)			
	Lastest Quarterly review			
	Other Reports, including <b>Credit Audit Reports</b>			
7	Fresh NPAs during the year as identified at the Branch			
8	Major problem accounts <b>(Standard Accounts in default)</b>			
9	Accounts in which there is divergence with RBI			
10	Wilful defaulters in advances lists			
11	Critical amounts due as identified			
12	Quick Mortality Cases (accounts becoming NPA within 12 -24 months of sanction)			
13	Accounts upgraded or where (in restructured accounts)Provisions as at 31.3.2005 are written back [Para 4.2.14(iv) of RBI Master Circular dated 1-7-2005]			

\* Where erosion in value of security is over 90%.

XX Examine justification for upgration of accounts

**Jawahar and Associates, Chartered Accountants, Hyderabad**  
**BANK BRANCH AUDIT (2019-20)**

**SUMMARY OF CONTENTS OF BACKGROUND MATERIAL**

<b>Section</b>	<b>Particulars</b>	<b>Pages</b>
A	Letter to Branch Management (Audit Engagement/ Management Representation and letter seeking information)	1 -3
	<b>Annexure to Letter</b>	
	I Information/Requirements in connection with the audit	4-19
	II Information on Advances	20
	III Observations/Status Review on Major Advances accounts	21-31
	III.1 Major Advances Accounts – Compliance of Terms and Conditions of Sanction	32
	III.2 Key Financial Indicators for the last three years and projections	33
	IV Restructuring in Borrowal Accounts	34
	V Statement of Overdue Deposits	35
	VI Entries Originating Prior to and responded after 31.3.2006	36
	VII LFAR Requirements Deserving Special Attention	37-38
B	Text of letter recommended for being addressed to the Branch(year-end)	1
C	<b>Branch Audit Programme</b> -Important Instructions/Guidelines	1-6
	C Audit Programme	7-38
	C1 Advances requiring special attention	39
	C1.1 Auditor's observations on Status review on major advances (based on A III )	40
	CII.1 Summary of Adverse features in Advances	41
	CII.1.1 Summary of Adverse observations on advances accounts (Illustrative)	42
	CII.1.1 Common Irregularities/Adverse Features in Advances	43-48
	CIII Audit in EDP Environment	49-52
	CIV Summary of Advances of the Bank (for information)	53-54
	CV Asset-Liability Management (ALM)	55-63
	<b>Main Report of the Branch Auditor to the Statutory Auditors (Illustrative):</b>	1-5
D	Nationalised Banks	
DD	Banking Companies	
	D.1 Form of MOC relating to Advances	6
	D.1.2 MOC affecting Advances/Classification	7-8
	D.1.3 Recommended format for MOC (other than Advances)	9
	D 1.4 List of advances Accounts for which interest calculations have been checked	10
E	RBI Norms on Income Recognition, Asset Classification and Provisioning (2019-20) – Summary	1-9
	E.I Reckoner for Categorisation of Advances into Standard/ Substandard/Doubtful/Loss Assets	10-13
	E.II Chart Showing Provisions Required based on categorization of Advances Accounts	14-16
	E III Other Clarifications on Advances	17-28
F	Questionnaire in connection with the Long Form Audit Report (LFAR)	1-14
G	Accounting Standards (ICAI)	1
G.I	Auditing and Assurance Standards (ICAI)	2-4
G.II	Applicability of the Accounting Standards (1-7-2005)	5-11

H	Internal Controls	1-2
I	Broad Analytical Procedures	1
J	List of Important Circulars of Reserve Bank of India (from 1.1.2019 to 15..02.2020)	1-6
K	Broad Guidance on extended scope of work re:Frauds	1-3
L	Brief on Fringe Benefit Tax	1-6
M	Brief on Banking Cash Transaction Tax	1-5
N	Disclosure Items for Banks	1
O	Text of the certificate-Ghosh and Jilani Committee	1

----- **BANK****BRANCH:****Annexure II - Information on Advances**

(Amt-Rs.in '000)

**I. CLASSIFICATION OF ADVANCES AS COMPARED TO THE PREVIOUS YEAR-END**

Particulars	As at 31.3.2020		As at 31.3.2019		Increase/ (Decrease) <u>Amt(Rs.)</u>	Provision Amt. (Rs.)	
	<u>No.</u>	<u>Amt (Rs)</u>	<u>No.</u>	<u>Amt.(Rs.)</u>		2020	2019
A. STANDARD							
-SME/Dir. Agriculture							
- Others							
Total (A)							
B.SUB-STANDARD							
C.DOUBTFUL							
D.LOSS							
E.Total(B+C+D)							
<b>TOTAL (A+E)</b>							

**II. PARTICULARS OF AND MOVEMENT IN NPAs AND PROVISIONS**

	<u>GrossNPA(Rs.)</u>	<u>NetNPA(Rs.)</u>	<u>Provision(Rs.)</u>
As at the beginning of the year			
Additions during the year			
Less: Deductions			
a) Recoveries			
b) Write Off			
c) Upgradation Write back			
d) Others (Specify)			
<b>Balance at the year-end</b>	-----	-----	-----
	=====	=====	=====

**III Interest etc. (ACCRUED BUT NOT EARNED) on NPAs**

	31.3.2020		31.3.2019	
	<u>No. of Accounts</u>	<u>Amount (Rs.)</u>	<u>No. of Accounts</u>	<u>Amount (Rs.)</u>
Interest Suspense				
Unapplied Interest				
Right of Recompense				
<b>TOTAL</b>				



**IV . LOANS SUBJECTED TO**

**RESTRUCTURING/REHABILITATION/RESCHEDULEMENT/RENEGOTIATION**

Category	2019-2020				2018-2019			
	<u>No. of Accounts</u>		<u>Amount(Rs.)</u>		<u>No. of Accounts</u>		<u>Amount(Rs.)</u>	
	<u>CDR</u>	<u>Others</u>	<u>CDR</u>	<u>Others</u>	<u>CDR</u>	<u>Others</u>	<u>CDR</u>	<u>Others</u>
Standard @*	-----	-----	-----	-----	-----	-----	-----	-----
Sub –Standard*	=====	=====	=====	=====	=====	=====	=====	=====
Doubtful *	=====	=====	=====	=====	=====	=====	=====	=====
Amount of sacrifice								
@ FITL Component included								
Trading facilities if included above								
	=====	=====	=====	=====	=====	=====	=====	=====

[\* In case of restructuring under CDR to be separately stated for each category]

----- **BANK****BRANCH:****Annexure II - Information on Advances**

(Amt-Rs.in '000)

**I. CLASSIFICATION OF ADVANCES AS COMPARED TO THE PREVIOUS YEAR-END**

Particulars	As at 31.3.2020		As at 31.3.2019		Increase/ (Decrease) <u>Amt(Rs.)</u>	Provision Amt. (Rs.)	
	<u>No.</u>	<u>Amt (Rs)</u>	<u>No.</u>	<u>Amt.(Rs.)</u>		2020	2019
A. STANDARD -SME/Dir. Agriculture - Others							
Total (A)							
B.SUB-STANDARD							
C.DOUBTFUL							
D.LOSS							
E.Total(B+C+D)							
<b>TOTAL (A+E)</b>							

**II. PARTICULARS OF AND MOVEMENT IN NPAs AND PROVISIONS**

	<u>GrossNPA(Rs.)</u>	<u>NetNPA(Rs.)</u>	<u>Provision(Rs.)</u>
As at the beginning of the year			
Additions during the year			
Less: Deductions			
a) Recoveries			
b) Write Off			
c) Upgradation Write back			
d) Others (Specify)			
<b>Balance at the year-end</b>	-----	-----	-----
	=====	=====	=====

**III Interest etc. (ACCRUED BUT NOT EARNED) on NPAs**

	31.3.2020		31.3.2019	
	<u>No. of Accounts</u>	<u>Amount (Rs.)</u>	<u>No. of Accounts</u>	<u>Amount (Rs.)</u>
Interest Suspense				
Unapplied Interest				
Right of Recompense				
<b>TOTAL</b>				

**IV . LOANS SUBJECTED TO**

**RESTRUCTURING/REHABILITATION/RESCHEDULEMENT/RENEGOTIATION**

Category	2019-2020				2018-2019			
	<u>No. of Accounts</u>		<u>Amount(Rs.)</u>		<u>No. of Accounts</u>		<u>Amount(Rs.)</u>	
	<u>CDR</u>	<u>Others</u>	<u>CDR</u>	<u>Others</u>	<u>CDR</u>	<u>Others</u>	<u>CDR</u>	<u>Others</u>
Standard @*	-----	-----	-----	-----	-----	-----	-----	-----
Sub –Standard*	=====	=====	=====	=====	=====	=====	=====	=====
Doubtful *	=====	=====	=====	=====	=====	=====	=====	=====
Amount of sacrifice								
@ FITL Component included								
Trading facilities if included above								
	=====	=====	=====	=====	=====	=====	=====	=====

[\* In case of restructuring under CDR to be separately stated for each category]

**JAWAHAR AND ASSOCIATES, CHARTERED ACCOUNTANTS, HYD**

----- BANK

BRANCH: \_\_\_\_\_

**Annexure VI - LIST OF ENTRIES ORIGINATING PRIOR TO 31.3.2011 (AT OTHER BRANCHES) AND RESPONDED AT THE BRANCH AFTER 31.3.2019**

<u>Date of Responding entry after 31.3.2020 at the Branch</u>	<u>ORIGINATING ENTRY AT OTHER BRANCHES</u>		<u>Head of Account affected at the Branch</u>				<u>Amount(Rs.)</u>
	<u>Branch Name</u>	<u>Date of originating entry</u>	<u>Debit to</u>		<u>Credit to</u>		
			<u>Code</u>	<u>Head</u>	<u>Code</u>	<u>Head</u>	

JAWAHAR AND ASSOCIATES, CHARTERED ACCOUNTANTS, HYDERABAD

----- BANK: \_\_\_\_\_ BRANCH \_\_\_\_\_ REGION/DISTT./CIRCLE \_\_\_\_\_

List of advances Accounts for which interest calculations checked for the year 2019-20

Nature of Account

Name of the Borrower	Account No.	Credit Rating		Period of Checking	Interest Charged	Correct Interest	Excess charged	Short Charged	Remarks
		Applicable	Actually applied		Rs.	Rs.	Rs.	Rs.	

Signatures

**BANK AUDIT**  
**INTERNAL CONTROLS - BANKS**

**INTRODUCTION**

The exercise of internal control evaluation if properly carried out, assists the auditor to determine the effectiveness or otherwise of the control systems and accordingly, enables him to strengthen his audit procedures, and lay appropriate emphasis on the risk prone areas. It may be noted that transactions in banks are voluminous but repetitive, and fall into limited categories/heads of account. It may, therefore, be more appropriate that the evaluation of the internal controls is made for each class/category of transactions.

**Audit Risks**

- a) These arise inter alia, due to :
- Lack of internal control systems;
  - Inadequate internal controls ; and
  - Breach of internal controls.
- b) In EDP environment :
- Loss of audit trail
  - Non – review of exceptional reports (systems/ transactions)
  - Lack of security systems (hardware/ software)

**Internal controls would include:**

- a) accounting controls, and
- b) administrative controls.

**Accounting controls** cover areas directly concerned with recording of financial transactions and maintenance of such registers/ records as ensure their reliability. Broadly, these controls relate to execution of transactions as are in conformity with:

- a) general or specific authority and delegation of powers laid down by the management,
- b) generally accepted accounting principles and practices, (of which significant accounting policies are expected to be disclosed), and
- c) legal requirements and those of the regulatory bodies,
- so that the financial statements and data are drawn up based on transactions as are authorised and provide reasonable assurance as to reliability thereof.

Internal accounting controls also envisage such procedures as would determine responsibility and fix accountability with regard to safeguarding of the assets of the bank.

It may not be out of place to mention that there is a distinction between accounting systems and internal accounting controls. Accounting system envisages the processing of the transactions and events, their recognition and appropriate recording. Internal controls are techniques, methods and procedures so designed and usually built into systems, as would enable prevention as well as detection of errors, omissions or irregularities in the process of execution and recording of transactions/events.

***(Reference is also drawn to AAS 6 and in particular Para 5 relating to Accounting System and Internal Control).***

**Administrative controls**, broadly, are concerned with the decision processes and laying down of authority / delegation of powers, by the management.

### **Internal Accounting Control Techniques**

#### **Prevention of errors, omissions and irregularities:**

The internal accounting controls as would ensure prevention of errors, omissions and irregularities would include the following:

- a) No transaction can be recognised/recorded unless it is sanctioned/approved by the designated authority.
- b) Built-in dual control/supervisory procedures ensure that there is an independent automatic check on inputs/ vouchers.
- c) No single person has authority to initiate a transaction and record it through all stages to the general ledger; and each day's transactions are promptly and accurately recorded, and the control and subsidiary records are kept balanced through personnel independent of each other.

#### **Detection of errors, omissions and irregularities:**

The following internal control techniques are useful as would enable detection of errors, omissions and irregularities:

- a) Independent external evidence/direct confirmation procedures.
- b) Internal/concurrent audit/inspection/special surprise checks.
- c) Balancing of control and subsidiary records.

**The Auditor would be well advised to look into other areas as may lead to detection of errors, omissions and irregularities, inter-alia the following:**

- a) Missing/loss of security paper stationery forms.
- b) Extensive use of and accumulation of transactions/balances in nominal heads of accounts like Suspense, Sundries, Inter-branch accounts, or other nominal heads of accounts particularly if these accounts are frequently used to balance books, despite availability of information.
- c) Accumulation of old/large unexplained/unsubstantiated entries in accounts (as may also appear in the periodic reconciliation statements), with Reserve Bank of India and other banks and institutions.
- d) Transactions represented by mere book adjustments not evidenced/ substantiated or upon non-honouring of contracts/commitments (e.g. dishonour of Bankers' Receipt/SGL Forms in the Investment Department).
- e) Unexplained and old credits, capable of being misused.
- f) Originating debits in Head Office Accounts (inter-branch accounts).
- g) Results of periodic analytical reviews, if observed as adverse.
- h) Serious irregularities pointed out in internal audit/ inspection/special audit/credit audit.
- i) Complaints/matters pending in the Vigilance/Grievances Cell, as regards discrepancies in accounts of constituents, etc.
- j) Analytical review procedures, if indicative of adverse events.

A

## JAWAHAR AND ASSOCIATES, CHARTERED ACCOUNTANTS, HYD

ZONE: \_\_\_\_\_

BRANCH : \_\_\_\_\_

Borrower : \_\_\_\_\_

### ANNEXURE III.2- Key financial indicators for the last three years and projections

(Rs.in Lakhs)

Indicators	Audited Accounts (year ended)		Projected for year ended 31.3.2020
	31.3.2018	31.3.2019	
Turnover			
Increase in turnover % over previous year			
Profit before depreciation, interest and tax			
Less: Interest			
Net Cash Profit before tax			
Less: Depreciation [straight line <input type="checkbox"/> W.D.V <input type="checkbox"/> ]			
Less: Tax			
Net Profit after Depreciation and Tax			
Net Profit to Turnover Ratio			
Capital (Paid-up)			
Reserves			
Net Worth			
Turnover to Capital Employed Ratio (The term capital employed means the sum of Net Worth and Long Term Liabilities)			
Current Ratio			
Stock Turnover Ratio			
Total Outstanding Liabilities/ total Net Worth Ratio			
In case of listed companies, Market value of shares during the year:			
a) High			
b) Low			
c) Closing			
* Earning Per Share (Face Value Rs. _____)			
Whether the accounts were audited? No Yes,upto			
If yes, are there any audit qualifications@			

\* To be based on common denominator of face value of shares :State whether basic:  :Diluted

@ Audit qualifications may also be stated against item 8 (c) of the form  
Bnkad20.scv



**A  
JAWAHAR AND ASSOCIATES, CHARTERED ACCOUNTANTS, HYD**

March 25,

The Manager

\_\_\_\_\_  
\_\_\_\_\_  
Branch  
Andhra Pradesh**URGENT**

Dear Sir,

Sub: **Audit of your Branch for the year 2019- - Audit engagement/  
Management representations:**

You have already been informed by your Management that we have been appointed as the auditors to audit and report on the accounts of the Branch for the year 2019-

We have accepted the appointment, and we confirm that the audit shall be carried out in accordance with the applicable legal provisions and the regulatory requirements, besides the applicable authoritative pronouncements of the Institute of Chartered Accountants of India, with the objective of expressing an opinion on the Branch financial statements. For this purpose we will perform sufficient tests to obtain reasonable assurance as to whether the information contained in the accounting records and other source data is reliable and sufficient as the basis of the preparation of the financial statements; and whether the information is properly presented in the said statements.

**We wish to clarify that the responsibility for the preparation of the financial statements including adequate disclosure is that of the Management, and this includes the maintenance of adequate accounting records and internal controls, the selection and consistent application of appropriate accounting policies, including implementation of applicable accounting standards along with proper explanation relating to any material departures from those accounting standards. The management is also responsible for making judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Branch at the end of the financial year and of the profit or loss of the Branch for that period, and the safeguard of the assets of the Bank/branch.**

We will conduct our audit in accordance with the auditing standards generally accepted in India and with the requirements of law. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

However, having regard to the test nature of an audit, persuasive rather than conclusive nature of audit evidence together with inherent limitations of any accounting and internal control system, there is an unavoidable risk that even some material misstatements of financial statements, resulting from fraud, and to a lesser extent error, if either exists, may remain undetected.

In addition to our report on the financial statements, we expect to provide you with a separate letter concerning any material weaknesses in accounting and internal control systems which might come to our notice through the LFAR.

The responsibility for the preparation of financial statements on a going concern basis is that of the management.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review' under the Chartered Accountants Act, 1949. The reviewer may examine our working papers during the course of the peer review.

As part of the audit process, we will expect to receive from the Management, written confirmation of the representations made to us.

We wish to complete some audit procedures even prior to the year-end, depending on your state of readiness/response.

In view of the severe time constraints imposed, we are confident you will make available to us, within the dates stipulated, the Branch returns/statements duly completed, pre-reviewed and duly authenticated, to enable us to furnish our reports in the form and manner desired of us by law or by the Reserve Bank of India. The Branch returns on which we are expected to furnish our reports, would be the financial statements that correspond to:

- a) the Balance Sheet as at 31.3.;
- b) the Profit and Loss Account for the year ending on 31.3.;

- c) the statements relating to the particulars of Advances as at 31.3.; and
- d) Other supporting returns/statements/annexures (including those as per Annexure A.1, covering also the new LFAR requirements).

**Please ensure that all the returns, statements and schedules are complete in all respects and are authenticated by the authorised signatories and handed over to us on the 5<sup>st</sup> April, . Please indicate/mention , by your endorsement thereon, the actual date of completion of each statement/return/confirmation required to be prepared by you and handed over to us (as per the contents of the letter of appointment sent to us), by your endorsement on each such statement/return/confirmation; as also on the management representation letter required to be furnished by you to us. This is imperative for our record and necessary action.**

It is important that we also have your confirmation by 5.4., that you would be meeting this commitment, to enable us to plan our audit exercise. **We await your commitment.**

In order to enable us to finalise and furnish our report on the audit of the accounts for the said year of your Branch, may we request you to provide the information/ clarifications as stated in **Annexure 'I'** to this letter **with a confirmation that the print-out of books is taken and is available for our examination, simultaneously with the branch returns/statements i.e. on 5.4.2020**; unless otherwise stated in our letter, or where some matters can be explained/ dealt with prior to the year-end.

Please confirm whether you would be in a position to make available a list of all the HO/CO/RBI circulars , and copies thereof, relevant to the accounts for the year 2019-20, preferably in a separate folder, in case we require to refer to the same in connection with our assignment.

The year-end Closing of Accounts Circular(s), also need to be given to us.

**A written response (para-wise), to our audit requirements would be imperative, and such response is to be based on your verification of facts.**

**Please note that we shall be in a position to take up the audit of the financial statements for the purpose of our report, only upon completion by you, in its entirety, of all the returns/ schedules/ statements/ information sought, and upon receipt of your response in writing to this communication.**

**A**

**We reiterate that all statements/ information be duly authenticated before being sent/ delivered to us on or before 5.4.2020 .** Please ensure that all returns/statements/information given by the Branch are duly stamped and signed by the delegated authority **indicating the date** on which each is prepared/handed over.

We shall be grateful if you could confirm the name(s) of the Officer(s) designated by the Branch to comply with our requirements in connection with the audit, so that our reports are expedited.

We shall appreciate your co-operation in the matter.

Thanking you,

Yours faithfully,

For Jawahar and Associates  
Chartered Accountants

***Partner***

***Annexure I to letter dated March 25, 2020***

**INFORMATION /REQUIREMENTS IN CONNECTION WITH THE AUDIT OF ACCOUNTS FOR THE YEAR ENDED MARCH 31, 2020**

**1. Latest Reports:**

For our scrutiny, the following **latest reports** on the accounts of your Branch, **and compliance by the Branch** on the observations contained therein:

- a) Branch Audit Report and Accounts;
- b) Long Form Audit Report;
- c) Internal Inspection Report;
- d) Internal/Concurrent Audit Report(s);
- e) Credit Audit Report;
- f) RBI Inspection Report, if such inspection took place;
- g) Income and Expenditure Control Audit/Revenue Audit Report;
- h) Quarterly review report;
- i) Snap and Systems Audit Report;
- j) IS/ IT/Computer/EDP Systems Audit; and
- k) any special inspection/investigation report.

**2. Circulars in connection with Accounts/financial statements:**

Please confirm that you would make available, for our ready reference, a **list and copy** of all the HO/CO/RBI circulars, including **the year-end Closing of Accounts Circular(s)**, relevant to the accounts for the year 2019-20.

**3. Accounting Policies:**

We understand that in respect of the accounts under audit, there is no change in the Accounting Policies of the Bank as applicable to the Branch. If there is a change, since the preceding year, in the Bank's Accounting Policies as having an impact of the Branch statements/returns, we may be duly informed of the same and the financial effect thereof may be computed to enable us to verify the same.

**4. Balancing of books:**

Please confirm the present status of balancing of the subsidiary records with the relevant control accounts.

In case of differences between balances in the control and subsidiary records, please let us know of the steps being taken to reconcile/balance the same.

**This information may please be given head-wise for the relevant control accounts, indicating the dates of arrears of balancing.**

***The year-end status of balancing may be reconfirmed.***

Any balancing differences reconciled after the year-end may please be brought to our notice in the course of audit.

**5. Accounts, if maintained on Computer/ in the EDP environment:**

- a) In case the financial information/data is being prepared in an EDP environment at the Branch,

please confirm:

- i) whether, **and the extent to which:**

- the Branch records are not yet computerised, and
- outstanding balances picked up at the time of initial computerisation, that lack details and remain unadjusted/ unreconciled.

***Head-wise figures taken over from the manual system, and included in the balances as at the beginning of the year and which continue till date may be confirmed, with status of their analysis/adjustment during the year.***

ii) the kind/nature of **software package(s) currently installed** at the Branch; and whether there are any changes/ modifications in the package(s) since the preceding year, **as regards the systems as well as changes brought about by virtue of regulatory/statutory amendments and H.O. Circulars, including due to applicability of revised interest rates on deposits, advances etc.**

***The nature, basis and the effective dates of the modifications , may please be confirmed to us.***

iii) Please let us have a confirmation that the print-out of books is taken and will be available for our examination, simultaneously with the branch returns/statements i.e. on 1.4.2020.

b) Please confirm the precise procedures for computer security systems and data security, back ups, offsite storage (including locations and personnel in charge), contingency and disaster recovery system/plans and adherence thereto at the Branch.

Off site storage locations may be indicated along with information as to the periodicity of testing the data, and whether such periodicity was adhered to.

**Any adverse features observed during the year may be confirmed, along with the remedial action taken.**

c) Please keep ready for our examination, the file relating to the **daily exception reports** on the **“system”** as well as **“transactions”**, to enable us to examine the manner of disposal of the reports generated; as also the report for the month-end/day-end procedures as at the year-end. Any such report that is pending compliance may be brought to our notice.

d) *Please confirm whether, to the system generated information/data having a bearing on the financial statements of the Branch, you have adjusted all transactions with manual intervention to the extent the same was required and necessary, particularly in the matter of recording of items of income and expenditure.*

## **6. Deposits**

### **a) Overdue/matured Term Deposits:**

i) Please confirm that credit balances comprising overdue/ matured Term Deposits in various categories, as at the year-end, *do not continue to be shown as Term Deposits*, particularly where the Branch does not have any instructions/ communication for renewal of such deposits from the account holders; and that these comprise Demand Deposits, duly disclosed as such in the Branch returns as at the year end.

ii) We understand that as per your H.O. circulars and in keeping with the circulars of the RBI, you have introduced a system for automatic/suo moto renewal of term deposits on maturity. The cut-off date(s) beyond which these instructions apply may be intimated to us, indicating as to the status and basis of interest accretion, if any, on the amounts held as Overdue Deposits in the Accounts of the Branch.

iii) In case of automatic renewal of old matured deposits in terms of your H.O. circulars, please confirm as to the basis adopted at the Branch for computation of the interest component (added to the original principal), for purpose of renewal, i.e. whether it is :

- simple interest since maturity of the original/initial deposit; or
- based on interest rate applicable on the date of maturity of the deposit; or
- based on the rate of interest on the date of renewal of the deposit.

and whether any excess/short provision relating to the prior periods i.e. up to 31.3.2019 is considered in the accounts under review.

***The computation of interest may be evidenced for our verification.***

*The number and amount of such deposits may be confirmed, both for Rupee denominated as well as for foreign currency deposits.*

iv) Please let us have a list of deposits, which have been received/ suo moto renewed but where:

- deposit receipts are not physically issued, although book entries have been made as per the computerized system,
- deposit receipts are physically issued but not dispatched to deposit holders (*particularly where the amounts received in foreign currency are to be covered by Deposit Receipts from another foreign exchange authorized Link Branch*).

***A list of such unissued/undespatched Deposit Receipts in the physical custody of the Branch needs to be given and the Receipts produced for our verification at the year end.***

- renewals have been made by endorsement of renewal on the existing Deposit Receipts of the deposit holders.

***This may be substantiated from your record.***

**For the above, information may be prepared for deposits:**

- in Rupees
- held in foreign currencies - FCNR(B) Deposits
- in external accounts (NRE accounts, if any).

v) Please also confirm whether any deposits have been renewed other than in the name(s) of the original holder e.g. in the case of deceased depositors.

In such cases, it may be confirmed to us as to whether the Branch holds the necessary evidence on record.

vi) Please confirm as to whether Interest accrued but not due and for which provision is made as at the end of each accounting period, is shown in the balance sheet as part of:

- Deposits or
- Other Liabilities – Interest Accrued;

***Further***, whether Tax is deducted in respect of the same and deposited, indicating the basis and amount thereof.

**b) Tax Deduction at Source**

Please confirm the system followed by the Bank with regard to deduction of tax at source on interest on deposits (*including in respect of interest provision accrued but not due as aforesaid*), and whether:

- in respect of interest (**based on credit or payment whichever is earlier**), including in respect of **cumulative** Deposit Schemes **and** on renewals of matured deposits, Tax as required to be deducted at source was so deducted on due dates and deposited within the prescribed period; and
- the automatically renewed deposits are net of the Tax deducted at source.

**Cases of delay/default may be listed for our review and incorporated in Form 3CD (Tax Audit Reporting Format).**

**c) Back-ended or other subsidies adjustable against advances**

Please confirm whether Deposits include any amounts received under specific schemes. If so, the amount thereof and interest, if any, paid thereon during the year, may be confirmed; **and whether interest on advances is calculated net of Govt. subsidies in such schemes.**

**d) Deposits held as margins:**

Please confirm whether against issue of guarantees/ LCs, the Branch holds any cash margins by way of fixed deposits, shown as part of the 'Deposits' portfolio.

**If so, the aggregate amount of such deposits may be made known to us.**

**e) Inoperative Deposit Accounts:**

Please confirm the procedure followed at the Branch with regard to identification of Inoperative Accounts and safeguards as to operations therein; **and whether the identified accounts are segregated/ maintained in separate distinct ledgers.**

Please let us have information as regards:

- Aggregate Opening Balance**
- Additions/Accounts identified during the year**
- Less: Payments out of such accounts**
- Balance Outstanding at the year end**

**7. Advances:**

a) Please confirm whether the aggregate of the advances as per the Branch Balance Sheet as at 31.3.2020 reconciles with the Particulars of Advances (Portfolio) statement after including considering:

- interest bearing staff advances;
- credit card dues;
- debit balances in Savings/Current deposit accounts;
- unappropriated credit balances (including in litigation) pending adjustment;
- DICGC/ECGC and other credit guarantee claims received and pending adjustment;
- Interest Suspense or any account of similar nature;**
- subsidies (and interest thereon, to the extent requiring adjustment) ; and**
- foreign exchange differences on the above, if decentralized.**

**Centralised Advances Processing Cells/Centres**

In case all or any of the loan procedures (*whether in connection with grant or renewal of credit facilities*) are not conducted at the Branch, but are centralized at any Loan



Processing Cells/Centres, (e.g., Retail Assets and Small & Medium Enterprises City Credit Centre, Retail Assets Credit Processing Centre, Retail Credit Processing Centre, or by whatever name called), involving appraisal, sanction, execution of documents, disbursements, collection and holding of post dated cheques etc., and the documents are in the custody and control of the said centralized Cell/ office, please confirm as to your preview of the compliance of the applicable RBI prudential norms of asset classification, income recognition and provisioning, in so far as the advances at your Branch are concerned.

We would like you to satisfy us as to the compliance of the appraisal systems, completeness and accuracy of the original records/documents in the custody and control of the centralized office, pursuant to which you are maintaining the borrowal account; and in particular:

***i) that confirmation is available from the said Office as to the number and amount of the advances accounts, and whether these tally with the data in the Branch;***

***ii. that the Sanction Letters issued to you by the said centralized office and held by you for your compliance at the Branch, are duly authenticated (and not merely computer generated, without authentication), and that the centralized office has confirmed that these sanction letters subsequent instructions were issued strictly as per the applicable documentation and sanction terms with all updated modifications/ changes therein; and that these in any case are in consonance with the applicable prudential regulatory norms, based on the Guidelines/regulatory impositions in force.***

***iii. that the system generated data for the Branch advances is in line with the regulatory built in parameters, based on facts made available from the centralized office as regards matters other than operation of the credit facilities and accounts recorded at the Branch.***

***iv. that the drawing power/limits have been properly computed at the centralized office, including in consortium advances/multiple banking arrangements as conveyed to you for your ensuring that the account of the borrower is monitored at the Branch accordingly, without any defaults;***

***v. that adverse features pointed out by the Internal/concurrent/inspection audit of the centralized office as regards the appraisal, disbursement, sanction, documentation under their control, have been considered by you for classification of the account; and further that there are no unbanked post dated cheques held by the said office affecting the borrowers' accounts.***

***vi. that for the purpose of audit, the Branch will provide evidence at the Branch, as to the documents, security and guarantee aspects etc. to justify the classification of the amount reflected in the branch books as advances; and information sought, including on all large advances, in the manner required by us.***

***The above information is critical to our examination/reporting on advances and may please be ensured at the Branch. A summary of the particulars of Advances as per Annexure II may be provided to us.***

b) A list of all Advances, each with outstandings above 5% of the total Advances Portfolio of the Branch or Rs. 200 lakhs whichever is lower, indicating their classification.

***The year-end Status Report on each large borrower, may be given as per Annexure III, III.1 and III.2, which includes information as per the LFAR.***

The aforesaid information, (which must also cover accounts adversely commented upon by Bank's internal/ concurrent auditors/ RBI inspection/ special audit/ credit audit/ previous statutory auditors- i.e. in the Reports as per refer Para I of this Annexure ), **may please be prepared keeping in view the applicable RBI circulars, and kept ready and be made available to us along with the Branch returns on 1.4.2020.**

**c) Please confirm whether:**

- the borrowers' accounts have been classified according to the latest RBI norms applicable for the year, with particular care being taken to identify Non-Performing Assets(NPA) [**classified as Sub- Standard, Doubtful or Loss assets**], and, in case a computerized package is being used for such an exercise, **whether the statements are being prepared with the applicable latest parameters as per the prudential norms of the Reserve Bank of India**

- you have examined the accounts based on documentation security/guarantee/operations aspects etc. to determine the status **borrower-wise** and not account-wise for categorising the accounts, as above; and in case the loan processing, appraisals, sanction etc. is done at a centralized/designated office other than the branch, the branch has co-ordinated the information /data and tallied the branch data with that at such centralized location as also ensured that the sanction letters held are as per the latest documentation on record of the centralized processing cell. It may be confirmed that the number and amount of the advances accounts tally between the branch and such office, as a matter of control.

- the classification as at the year-end of borrowal accounts under consortium arrangements with other participating banks, has been done on the basis of operations of the accounts as per your Bank, without the necessity of relying on classification made by other participating banks;

**however, making known to us, the status of the borrower, if adverse, in case of other lenders.**

- the Borrower's classification at the Branch is uniform for the Bank as a whole, based on the applicable RBI norms, in case of sub-limits/ transferred limits and where advances are transferred from another branch.

**d) Valuation/market value of tangible Assets:**

**Please confirm:**

- whether in respect of the advances secured against tangible securities, the bank holds evidence **of existence and market value** of the relevant securities as at the year-end.

- whether the existence/market value is evidenced, based on physical inspections or otherwise through stock audit or other verification procedures applied nearer the balance sheet date; and the same may be produced for our examination.

- in case of NPAs, the periodicity of valuation, and the basis on which valuation is arrived at in respect of advances for the year under audit, particularly in case the security valuation reports/dates are older than one year.

- in respect of facilities of Rs.5.00 crores and above, whether stock audit has been got conducted.

- *whether and in which cases was the stock audit was required to be conducted.*

**Please furnish us:**

- List of accounts where stock audit was required, but not conducted; and**
- Cases in which stock audit was conducted where adverse features noticed have not been addressed and whether it has any effect on classification of any borrowers; and whether the same has been duly considered.**

e) Besides providing us information as per Annexure II, may we request you to provide us with a list of the:

- i) Top 25 NPAs and their status as at 31.3.2019 and 31.3.2020;
- ii) Borrowers identified/classified as NPAs during the period 1.4.2019 to 31.3.2020 and whether and extent to which unrealized income on such accounts is reversed/ derecognized
- iii) NPAs upgraded to Standard classification during the period 1.4.2019 to 31.3.2020, justifying reasons for the same; **also indicating the amount of any unapplied interest in such accounts (not debited/charged to the borrower);**
- iv) **Cases and Status of restructured accounts** (covered by Part B – Para 12, of the RBI Master Circular (DBOD.No.BP.BC. 17 /21.04.048/2019-20 dated 1-7-2019), including **those where proposals/ applications received are pending in the following categories:**

- industrial units.
- industrial units under the Corporate Debt Restructuring (CDR) Mechanism
- Small and Medium Enterprises (SMEs)
- all other advances.

**Indicating for each category**

- a. The name of the borrower
- b. Classification Status pre structuring (standard', 'sub- standard' or 'doubtful' category)
- c. Amount of advance requiring restructuring
- d. Date of the proposal/ application
- e. Date of disposal
- f. Sacrifice sought
- g. Sacrifice borne by the Bank
- h. FITL/WCTL out of interest in default, if any, and retained for provision
- i. Whether restructuring is eligible for special regulatory treatment
- j. Classification Status post re-structuring
- k. Normal Provision made for classification status on 31-3-2019 and 31-3-2020
- l. Provision made for sacrifice on 31-3-2019 and 31-3-2020
- m. Accounts downgraded for restructured proposals
- n. Accounts upgraded if considered satisfactory, with justification
- o. Whether Provision for sacrifice retained in separate account, with distinction for Standard/NPA accounts for appropriate disclosure in the balance sheet of the Bank
- v) Provision for classification (Refer also Para 4.2.5 of Part A of the master Circular dated 1-7-2019):

While making provision for normal classification the amounts (present value of principal and interest receivable as per restructured loan terms) considered as *Fully Secured and covered by the value of tangible security (primary as well as collateral), duly charged in the Bank's favour in respect of those dues, whether for this purpose* guarantees of the following types(which are otherwise intangible by nature) are treated on par with tangible security:

- bank guarantees and
- State and Central Government Guarantees

vi) Accounts where there was rehabilitation/ reschedulement/ restructuring, rephasing indicating in each case, **the number of times the same has been done**, and accounts in

which the Bank needs to exercise its **right to recompense**, indicating the amount, also giving reasons for nonrecovery thereof;

**{The aggregate of such amounts due (party-wise), and the dates on which recoupment is to be made, may please be made known}.**

vii) Cases covered in Part B – Para 12, of the RBI Master Circular (DBOD.No.BP.BC. 17 /21.04.048/2019-20 dated 1-7-2019), **where pursuant to restructuring**, part of the principal and/or interest unrealized and/or in default was converted to investments by the Bank, including where borrowers were granted funded interest term loan facilities, and a confirmation as to whether the prudential norms have been followed for provisioning and income recognition. (It may also be confirmed that during the pendency of the application for restructuring of the advances, the usual asset classification norms have been made applicable, in terms of Part B – Para 11.1.2 of the said Circular)

**(Refer also to Section II (v and VI) for information on accounts restructured)**

viii) List of Borrowers, where one time settlement was sanctioned, but there is a default in repayment or in compliance of the terms thereof;

ix) Particulars of Advances where there is divergence of opinion between the Branch Management and the RBI/Inspection/ Internal/Concurrent audit Reports etc., indicating as to how this has been addressed by the Branch.

x) The aggregate of the amounts of advances in the standard category which have the status of “critical amount due”; and whether any amounts comprised therein are over 90 days in default as at 31.3.2020.

**A list of such accounts may be made available and quantified, for our review.**

xi) Borrowal accounts (in standard category), which have not been reviewed/ renewed for 180 days since the due date of their last renewal, or where there is a default on the part of the borrower in submission of stock statements, for a period of 90 days beyond any period of default/irregularity, **including that commencing prior to 31.3.2019**; and if so, whether such borrowers are classified as NPAs.

**Particulars of accounts overdue for review/renewal between 6 months and 1 year, and those over 1 year may be provided.**

xii) accounts which do not fall within the definition of advances, such as interest free employee advances, but have been shown as such in the accounts of the Branch may be listed for our review.

xiii) advances accounts which have been identified as of the nature of NPAs, and where, pending formal sanction of the higher authorities, the relevant amounts have yet to be reclassified/recategorised for the purpose of provision/write off. **This covers all accounts identified by the Bank or internal/external auditors or by RBI inspectors but the amount has not been written off wholly or partly.**

xiv) accounts in which the Bank, or the Branch has itself recommended legal or other coercive action for recovery of dues and, where no such action has been taken up to the year –end against the borrowers. A list of such borrowers' accounts may be furnished to us, particularly if such accounts are in standard or sub standard category.

xv) borrowal accounts in the “Standard” or “Sub Standard” category which are the subject matter of reference to BIFR/ DRT or in litigation.

xvi) Advances to borrowers on the list of willful defaulters (as per the latest list and guidelines of the RBI).

xvii) all accounts where the default resulted in WCTL, FITL, WCDL etc. and whether the advances would be NPAs but for such facilities.

xviii) whether there are any agricultural loans where borrowers are entitled, as per the Govt. directions/ announcements or otherwise, to any relief/waiver up to the year-end; if so, the particulars thereof may please be given.

**f) Upgradation of classification:**

Please let us have a list of borrowers' accounts (including projects under implementation and restructured accounts), **where classification previously made**, including as at the end of the previous year (31-3-2019), has been changed to a better classification, stating reasons for the same; and whether provision (including for the Interest sacrifice, if made), on the borrowal accounts, is sought to be reversed contrary to RBI's master circular dated 1-7-2019.

***Please confirm whether Advances comprising Funded Interest, if already recognized as income, is fully provided for and not reckoned as income till realization/ redemption of securities. This would also apply to funded interest where the same is converted into securities (equity, debentures or other instruments), if held at the branch.***

**g) Devolved Letters of Credit(LCs)/ co-acceptances, and guarantees:**

**Please confirm:**

- the precise procedure followed for accounting treatment of devolved, LCs.

- whether in categorising the borrowers' accounts as standard, substandard, doubtful or loss assets, the amount in default on account of devolved LCs has been reckoned, as per the applicable RBI norms.

- whether there are any devolved LCs upto the year-end.

Please also confirm whether the debits have been raised in separate distinct accounts of the borrowers or to the normal cash credit/overdraft accounts of the borrowers; and if not, whether these are considered for classification of the borrower.

***For information on guarantees invoked, and outstanding LCs/ co- acceptances.***

***Refer format in Para 5(e) of Part 1 of the LFAR questionnaire.***

**h) Please confirm:**

i) Whether in computing the Drawing Power(DP), Sundry Creditors comprising unpaid for stocks, are reduced prior to application of margin as stipulated.

A list of cases where such reduction was not specifically made( ***including by the leader bank in consortium***), may be made known and particularly where it has an adverse effect on the borrowers' status. Please review all cases of the stock confirmations/certificates issued by the borrowers to the Bank to determine if, and to the extent, the DP is required to be modified on this account and as may have a bearing on the limits/drawing power. This may also be evidenced for us.

ii) In case of one time settlement proposals under consideration or where rehabilitation/rephasing is being done, whether the amount of sacrifice including anticipated sacrifice is provided fully.

Particulars of accounts where the borrowers have defaulted in their commitments after sanction of the compromise proposal, indicating classification of the amounts, may be made available.

***The extent of provision/ adjustment, if any, made may be communicated.***

iii) Whether the Bank has a recovery policy in cases of compromise/ settlement/write off and is the policy available at the Branch.

**Particulars of cases of compromise/settlement/write off involving write off/ waiver, each in excess of Rs.25 lacs, may please be furnished.**

iv) the particulars of any borrowal accounts with working capital limits of Rs.10.00 lacs and above, as also in case where audit is compulsorily required as per any statute, where the latest audited accounts are not on record.

v) Compliance by the Branch of the RBI Master Circular (No.DBOD No.Dir.BC. 17/13.03.00 / 2019- 10 dated 1-7-2019), relating to statutory and other restrictions as regards Loans and

**Advances. In particular it may be confirmed as to whether, at the Branch:**

- there are any loans and advances against security of the Bank's own shares.

- there is any laid down procedure as regards identification of directors/ officers and their relatives

**and** of directors of other banks for purposes of sanction of loans to them or to concerns in which directors are interested, as per the said circular.

- loans have been given to companies for buy back of their shares/securities.

**i) Advances to share brokers/NBFCs:**

Please confirm whether at the Branch, there are advances to:

- share brokers; if so, the total amount of limits granted and the aggregate advance due as at the year-end.

- NBFCs; if so please confirm whether the Reserve Bank of India has taken any adverse view as regards their registration or otherwise.

The status on advances to NBFCs may please be made known, along with their classification.

**j) Advances to Staff**

Please confirm:

- the procedure with regard to Advances to Staff (interest/non-interest bearing), by the Bank, both in its capacity as a banker and as an employer; also whether such interest-bearing advances are being disclosed as Advances.

- the verification procedures followed in respect of Staff Housing Loans, and in particular, whether the original documents are held at the Branch and can be produced for our examination.

**k) Credit Cards :**

Please confirm the system followed at the Bank/Branch for recovery of credit card dues; and whether, and the extent to which, there are:

- any debits in the Branch on account of credit card facilities, and whether the amount is being reflected as part of the *ADVANCES* portfolio or as part of *OTHER ASSETS*;

- any arrears/ defaults in collection of such dues; **and**

- unadjusted debits up to the year end, against the Credit Card holders' Current/Savings Accounts.

#### **8. Outstandings in Suspense/Sundries:**

Please let us have a summary of the year-wise break up of amounts:

- debited to Suspense Account (or similar account) indicating the number of entries and the amount thereof, with reasons for non-adjustment of old/large/ unusual entries.

#### **The amount of provision for doubtful debits may be confirmed.**

- credited to Sundries/Sundry Deposit Accounts, indicating the reasons for non- adjustment of items included therein, particularly in respect of items which are over 3 years old.

***(Information may please be provided in the formats as per the LFAR).***

#### **9. Provisions/Liabilities remaining unadjusted against corresponding advances:**

Please confirm whether:

- provisions for known liabilities, up to the year end have been made (also, based on subsequent entries made); and

- there are any advances (e.g. Travel Advance) against such provisions/liabilities that require to be netted off for purpose of the financial statements.

*If so, the same may be made known to us, to the extent unadjusted at the Branch.*

#### **10. Inter-branch/Office Accounts/Head Office Account:**

a) Please let us have a statement of entries (head-wise) which originated prior to the year-end at other branches, but were responded after the year-end at the Branch.

***This statement may please be prepared upto a cut off date if stipulated by Head Office, and if not, upto the date of completion of audit but before submission of our report. (Format at Annexure VI may please be used and handed over).***

b) Date-wise details of debits in various nominal or other sub-heads relating to Inter-branch transactions, with reasons, particularly for large outstanding amounts, including those which are pending for over 30 days as at the Balance Sheet date.

#### **c) Please confirm:**

- **whether, and the extent to which, there are (under any sub-head), any debits outstanding over 6 months as at the year-end**, and whether provisions are being considered against the same at the Branch level;

- whether the Branch has effectively complied with the centralised Reconciliation Cell, all their queries in relation to unmatched entries.

***Communications as are pending action, may be made available for our review.***

- the number of old unadjusted entries and the aggregate amount as at the year-end comprising unlinked debits in respect of Drafts and TTs, MTs paid, which remain outstanding at the Branch; ***and whether, and the extent to which, provision is being considered for the same.***

- the period up to which the Reconciliation Cell has sent the statements of unmatched entries (head-wise).

**11. Foreign Currency outstanding transactions:**

If the system of conversion of foreign exchange entries has been decentralized, the precise year end adjustments made in the Branch Accounts (**head-wise**) may please be made known to us.

Please confirm whether all balances (including off-balance sheet items) outstanding in foreign currencies as at the year-end have been converted as at the year-end rates as applicable; or at the rate(s) as at the date(s) of origination thereof.

***Evidence/basis of the rates as applied may be made available.***

**12. Contingent Liabilities etc.:**

**Please confirm whether:**

- other than for advances, there are any matters involving the Branch in any demands/claims (whether statutory, regulatory, contractual or otherwise) in litigation, arbitration or other disputes in which there may be some financial implications, including claims from customers, fraud cases, for staff claims, municipal taxes, local levies etc. If so, these may be listed and evidenced for our verification, and it may be confirmed as to whether these are included as contingent liabilities in the Branch financial statements.

**(Reference may also be made to the LFAR - Para II.3).**

- guarantees are being disclosed in the Branch Balance Sheet, ***net of cash margins and term deposits***, or otherwise; and whether, and the extent to which, expired letters of credit, and guarantees ***where the claim period has also expired***, and obligations have ceased, continue to be disclosed in the Branch returns.

**The amount of such expired obligations may be made known.**

- other obligations assumed, e.g., in case of **Letters of comfort**; have been disclosed in the Branch returns; ***and that, based on the related documentation, these do not comprise funded liabilities by or on behalf of the bank.***

- there are any outstanding contracts on capital account (including for fixed assets to be acquired/constructed). ***Details thereof may be given.***

- there are any awards in arbitration/litigation or disputes involving any liability (***including based on any awards by the Banking Ombudsman***)

**13. Interest Income/Expenditure:**

a) Please let us have a statement showing the rates of interest applicable during the year on various

- Advances Accounts
- Deposits Accounts



giving reference of the relevant circulars of the Head Office, and indicating the effective dates and periodicity of application of the interest rates; and evidencing that the computer programme was modified from such effective date(s).

***Please confirm whether interest being debited at the end of each month on advances, is also being compounded for levy of further interest on a monthly basis. Rectification, in respect of interest if not properly charged up to the date of modification of the interest rates during the year, may please be advised to us, along with the changes/modifications, if carried out in the software programme.***

Please confirm whether the rates and changes therein are based on the Credit rating, as and where applicable and reflected in the accounts/ documentation.

*b) Interest income, if recognized on certain advances:*

Please confirm whether **and the extent to which**, you have recognized any interest as income on the following types of advances:

On any additional finance under an approved restructuring package treated as 'standard asset', up to a period of one year where the pre-restructuring facilities were classified as 'sub-standard' and 'doubtful', or in cases where the restructured asset does not qualify for upgradation at the end of the specified period (where the additional finance is to be placed in the same asset classification category as the restructured debt as NPA).

On Central Govt. guaranteed advance, if NPA, but for reasons that the guarantee is not invoked or repudiated requiring the account to be treated as and retained in, Standard category.

*In cases of restructured accounts, where the income recognized earlier, was, to the extent unrealized and converted to FITL and fully provided for, is reversed or treated as standard for further accretion of income.*

in case documents under LC are not accepted on presentation or payment under the LC is not made on the due date by the LC issuing bank for any reason and the borrower does not immediately make good the amount disbursed as a result of discounting of concerned bills, whether the outstanding bills discounted continue to be classified as Standard and treated as 'performing'.

**c) System of appropriation of recoveries in NPAs:**

Please confirm the basis on which recoveries in NPA Accounts are being appropriated, in particular where recoveries are in excess of "Interest Suspense" – **whether priority is being given towards principal or unapplied interest.**

Please confirm whether there is any amount of "Interest Suspense" or "Unapplied Interest" **or a "right of recompense"** in borrowal accounts previously classified as NPAs but upgraded and classified as "Standard".

***If so, details thereof may please be given to us.***

**d) As regards advances (including bills), whether:**

- any income has been adjusted/recorded to revenue, contrary to the norms of income recognition issued by the Reserve Bank of India and/or Head Office circulars issued in this regard; and particularly where the chances of recovery/realisability of the income are remote.

- in respect of accounts classified as NPA during the year, *including as at 31.3.2020*, the income remaining to be realized(i.e. unrealized) for the preceding year is reversed to income or provided for; and that for the year 2019-20 such unrealized income is derecognised.

- any income has been recorded on Non Performing Accounts (including overdue bills) other than on actual **realisation** from the borrowers, or out of fresh limits sanctioned by the Bank.
- the reversal of interest income (i.e derecognised income), is recorded through "Interest Suspense" or similar account.
- unapplied interest has been computed and recorded upto date.

***(Please confirm whether the contractual or any other interest rates are the basis of computation of unapplied interest).***

- Unrealized fees, commission and other charges in respect of accounts identified as NPAs during the year, are reversed for all earlier periods.

***Amount of income accrued, if any, as at 31.3.2020 on NPAs may be made known.***

- e) Please confirm whether interest adjustments on inter branch balances (as per the Transfer Price Mechanism) as communicated by Head Office, have been duly recorded in the Profit & Loss Account of the Branch.

***Relevant evidence thereof may please be made available to us.***

#### **14. Commission on Govt. business**

Please confirm whether at the Branch, income is being accounted on cash basis or on accrual basis.

Income accrued upto 31.3.2020 but not claimed/ recorded/ received may please be confirmed to us, together with computation thereof.

Income Receivable by the Branch based on business done upto 31.3.2020 may be got computed and made known, if the same is required to be recorded at the Branch level.

#### **15. Interest Provision:**

Please confirm whether interest provision has been made on Term and Savings Bank account deposits in accordance with the applicable contractual rates and latest instructions of the Head Office; and whether interest provision is considered as accrued:

- and due on Term deposits {including FCNR(B) deposits}
- not due on Savings bank deposits, to the extent it is due but not applied to the individual accounts, as per the system of the Bank.

Correspondingly, if considered as due, whether Tax deduction at source has been made and deposited within the prescribed time with the Govt.

#### **16. Employee/Staff Payments and benefits**

Please confirm that all payments due to the Branch employees upto the year end, have been duly computed and recorded under the respective sub heads, including incremental liability towards arrears, if any, and to the extent not required to be provided for or adjusted except at Head Office.

#### **17. Rent, Rates and Taxes**

Please confirm that the rents, rates and taxes are recorded up to the year end, based on:

- rent/lease agreements for the time being in force and liability has been considered on the basis of claims/demands *and contractual enhancements due*;
- municipal taxes and levies are adjusted/provided up to the year-end, based on the demands accepted; and
- in case of disputed liabilities, if any, the related contingent liability has been disclosed.

#### **18. Penalties/fines etc:**

Please confirm whether any fines or penalties have been imposed on the Branch, or incurred or paid by the Branch during the year as arising out of any defaults to meet statutory or regulatory requirements or otherwise. If so, the particulars thereof may be made known; as these would require separate disclosure in the financial statements of the Bank and for consideration in the Tax Audit Report under Section 44 AB of the Income tax Act 1961 (Form 3 CD).

#### **19. Balance(s) with other Banks(including RBI/SBI):**

Please confirm the status of reconciliation as at 31.3.2020, of accounts with other banks in your Branch; as also whether there are any entries arising therefrom as have effect on revenue up to 31.3.2020, which remain to be adjusted till the year end. For this purpose you may let us know how the pending items in reconciliation were adjusted after 31.3.2020, and whether these are considered in the Memorandum of Changes (MOCs).

***In case a currency chest is attached to the Branch, whether all deposits into and withdrawals of currency up to the account year end, have been duly communicated on a value date basis to the linked branch of the Bank; unless the Branch itself maintains the account of Reserve Bank of India to effect the necessary adjustments. In such a case, whether, the inward currency chest slips from other linked offices are recorded on a value date basis till the year end, unless covered by MOC.***

#### **20. Frauds etc.:**

**Please confirm whether for the purpose of provisioning, the relevant particulars have been prepared at the Branch and whether:**

- there are any frauds reported/recorded upto 31.3.2020;
- there are any transactions or events involving cases of suspected frauds;
- there are any cases of vigilance or similar enquiry, or financial claims/potential claims that may arise, from customers/others in respect of the Branch. The relevant records of these may please be made available.
- any enquiries have been initiated for any suspected frauds/aberrations.
- the Branch has complied with the reporting requirements of RBI and communicated the same as per the requisite formats, including where central investigating agencies have initiated criminal proceedings or where the RBI had directed that a matter be treated as fraud.

#### ***Recommendations of the Mitra Committee – Bank Frauds***

While drawing you attention to the contents of the SA 240 -*The Auditor's Responsibility to Consider Fraud and Error in an Audit of Financial Statements*, issued by the Institute of Chartered Accountants of India, particularly in that the responsibility for the prevention and detection of fraud and error rests with the management through the implementation and continued operation of an adequate system of internal control, we would request you to confirm whether, in relation to the operations/activities of the Branch, anything has come to light which is in the nature of a fraud, any fraudulent activity, or any matter susceptible to fraud or foul play, which should receive our attention; and particularly, if there is anything which invokes, or is the subject matter of any vigilance, enquiry, investigation or examination

as regards any transaction or event that is suggestive of attracting compliance or for reporting to the competent authorities within the Bank, or to the regulatory authorities.

***This would include matters that could arise out of inadequacies in, or absence/breach of the laid down, internal control systems and procedures (both accounting and administrative).***

Your attention is drawn to the RBI Master Circular **DBS. FrMC. BC. No. 1/23.04.001/2019-20 dated 1-7-2019** relating to **Frauds – Classification and Reporting**.

**21. Asset Liability Management:**

Please let us have, duly authenticated, the financial information regarding the additional disclosures to be made as at 31.3.2020, as required by the Reserve Bank of India, indicating the procedure followed to arrive at the financial data.

Instructions from the Controlling Authority, in this behalf, may be made known.

**22. Long Form Audit Report-Branch response to the Questionnaire:**

In connection with the Long Form Audit Report, please let us have complete information, and evidence, as regards each item in the questionnaire, to enable us to verify the same for the purpose of our audit.

Reference may also be made to the important items as per **Annexure VII**.

**23. Tax Audit in terms of section 44AB of the Income-Tax Act, 1961:**

Please let us have the information required for Tax Audit under section 44AB of the Income-tax Act, 1961 to enable us to verify the same for the purpose of our report thereon.

**24. Compliance of Ghosh and Jilani Committee recommendations**

Please confirm whether the Branch has duly complied with the requirements of the Ghosh and Jilani Committees and whether such compliance has been got verified from the Bank's Inspection Division and/or the Concurrent Auditors.

It may be confirmed as to whether there are any adverse observations in respect of any requirements that may also have bearing on the financial statements of the Branch; and if so, these may please be made known to us.

**25. Consideration of laws and regulations for the purpose of the audit of financial statements:**

Please confirm as to whether the Branch is maintaining a codified list of the related laws and regulations applicable to the Bank in respect of its operations/activities to cover all transactions and events, with which it is concerned; and whether the Branch management has come across, or is aware of anything that needs to be brought to our notice for our consideration or anything suggesting that there is fundamental effect on the branch state of affairs or operations on account of non-compliance of these.

**26. Other Certification**

Please let us have, duly authenticated, information as regards other matters which, as per the letter of appointment, require certification/validation.

The certificates relate to the following (besides the data as the letter of appointment, and assistance may be sought from the Annexures indicated):

- a) DICGC
- b) PMRY
- c) 12 odd dates data for verification of SLR (Refer Annexure A VIII)
- d) Additional Disclosures
- e) Implementation of the Ghosh and Jilani Committee recommendations
- f) Movement Chart of NPAs and Provision of NPAs (Refer Annexure A II)
- g) Information relating to restructuring etc. undertaken during the year

**27. Transactions and events after the Balance sheet date**

Please let us have a statement of any significant transactions or events accruing after the Balance sheet date but which relate to the period prior to 31-3-2020, ***whether or not yet recognized or recorded in the accounts of the Branch***. This would include items of income or expense or capitalization etc. relating to the period prior to the year end. (particularly also, if these are reported in the inspection/internal/concurrent audit reports relating up to March 2020), which need to be incorporated in the MOC. This may kindly be communicated to us.

**28. Investments:****In case the Branch holds any investments on behalf of the Bank:**

a) these may be produced for physical verification and/or evidence of holding the same be made available.

b) stock of unused security paper stationery/numbered forms like B/Rs, SGL Forms etc. may please be produced for physical verification.

c) it may be confirmed whether income accrued/collected has been accounted as per the laid down procedure, and is not reckoned as income of the Branch .

***The procedure may please be confirmed to us.***

***Information duly completed in respect of Paras 1 to 28 should be made available simultaneously with the returns/ statements/ schedules, as committed by the Head Office to be given by the Branch on 5.4.2020.***

**For Jawahar and Associates  
Chartered Accountants**

**Partner**

(Each column needs to be filled in completely and adequately; and in case space is inadequate use inverse side)

1

**1. BORROWER:**

a) <b>Name of the Borrower</b>	:								:Group		
b) <b>Address</b>	:										
c) <b>Constitution</b>	:	Company	<input type="checkbox"/>	Partnership	<input type="checkbox"/>	:Sole Prop	<input type="checkbox"/>	:Other(specify)	_____		
d) <b>Nature of Business</b>	:										
e) <b>Other Units in the same group</b>	:										
f) <b>- Name(s) of proprietor/partners/Directors</b>	:										
<b>- Name of Chief Executive, if any</b>	:										
g) <b>Whether Borrower or constituents thereof are on the list of willful defaulters of RBI</b>	:	<input type="checkbox"/> Yes	<input type="checkbox"/> No	: If Yes, give details:							
h) <b>Credit Facilities:</b>	:	Fund Based(Rs.)					Non Fund Based (Rs.)				
Nature of facilities and limits (Rs.in lakhs)		<u>Term Loans</u>	<u>CC/OD</u>	<u>Bills</u>	<u>Others</u>	<u>Total</u>	<u>LCs</u>	<u>Guarantees</u>	<u>Total</u>		
• Date of Sanction and authority											
• Due date of renewal, and authority									: Actual date of renewal		
• Particulars of latest balance confirmation											
Total exposure of the Branch (Rs.in Lakhs)		Borrower (Rs.)			Group (Rs.)						
i) <b>Whether project under Implementation</b>	:	<input type="checkbox"/> No	<input type="checkbox"/> Yes	: Since			Category as per RBI master circular		<input type="checkbox"/> I	<input type="checkbox"/> II	<input type="checkbox"/> III
j) <b>Give details, if the account has been subject to:</b>	:								<b>Sacrifice:*</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
-Rehabilitation /Restructuring including as per BIFR	:								Amount : Rs.		
-Rephasing of terms	:								<b>Right of recompense:*</b>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
									Amount : Rs.		
									*Basis to be enclosed		

2

**1. BORROWER:**

k) <b>Review of Facilities</b>	: Due Date :	Actual Date	Regular Review	Yes	No	:Short Review	Yes	No
l) <b>Credit Rating applicable during the review period</b>	:	:Previous Period:						
m) <b>General level of compliance by borrower</b>	:	Satisfactory		:Unsatisfactory		:Remarks:		

**2. NATURE OF ADVANCE/ FACILITIES:**

In case of Consortium/ Multiple facilities, the following information is confirmed:

**A CONSORTIUM:**

**Participating Banks and their shares**

i) **Lead Bank**

ii) **Other Banks(Specify):**

**B MULTIPLE BANKING:**

**Particulars of Other Banks**

(evidence thereof to be enclosed)

Name of the Bank	%	Bank's Share(Rs.in Lakhs)			
		<u>Term Loans</u> (Rs)	<u>Cash Credits/ overdrafts</u> (Rs)	<u>Bills facilities</u> (Rs)	<u>Non Fund Based</u> (Rs)

**3. SANCTION (Terms and Conditions)**

						(Rs.in lakhs)
a) <u>Security</u>						
Primary	*Value (Rs.)	Margin (Rs.)	Net Value(Rs.)	Collateral	Valuation date	Value (Rs.)
a) Stocks/Inventories (*net of unpaid for stocks)						
b) Book Debts (*current debts chargeable)						
c) Others (Specify)						
Total				Total		

(Value and Margins as per working on the inverse side)

**b) Other major Terms and conditions:**

i)

ii)

iii)

iv)

v)

vi)

vii)

**c) Guarantor(s)**Central Govt.  : State Govt.  : Banks  :Financial Institutions  :Others



4.a) **Documents Obtained:** (Tick as appropriate)

	Yes	No
DPN	<input type="checkbox"/>	<input type="checkbox"/>
Letter of Hypothecation	<input type="checkbox"/>	<input type="checkbox"/>
Mortgage Deed [Equitable/Registered]	<input type="checkbox"/>	<input type="checkbox"/>
Agreement for loan	<input type="checkbox"/>	<input type="checkbox"/>
Letter of Guarantee	<input type="checkbox"/>	<input type="checkbox"/>
Legal Opinion	<input type="checkbox"/>	<input type="checkbox"/>
Non Encumbrance Certificate	<input type="checkbox"/>	<input type="checkbox"/>
Registration of Charge (in case of Company) or evidence thereof	<input type="checkbox"/>	<input type="checkbox"/>

**Others (Specify)**

b) **Documents required and pending completion** (Specify with reasons):

5. **ADVANCE PORTFOLIO STATUS** :

(Figures – Rs. in lakhs for all columns)

Facility	Limit (Rs.)	Outstanding (Rs.)	*Margin on primary security		Drawing Power (Rs.)	Outstanding on 31.3.2019 (Rs.)	Overdrawn Amount @ (Rs.)	Overdues ** (Rs.)
			%	Amount (Rs.)				
a) <b>Fund based</b> - CASH CREDIT - TERM LOANS • WCTL • FITL • Others - BILLS - OTHERS								
<b>Total</b>			xx					
b) <b>Non Fund Based</b> - Letters of Credit • Inland  • Foreign - Letters of Guarantee								<b>Invoked/ Devolved</b>
<b>Total</b>			xx					
c) Amount at credit unappropriated				Rs. _____				*Rs. _____
d) Interest, if any, held in "Suspense Account"				Rs. _____				*Rs. _____
e) Unapplied Interest				Rs. _____				*Rs. _____
f) Bank's right of recompense (# as at 31.3.2019)				Rs. _____				*Rs. _____

[\* after deducting unpaid stocks and debts older than stipulated period]

@ Overdrawn amount must be with reference to lower of the limit or drawing power

\*\* Segregate principal and interest amounts in default, indicating separately, if any amount is over 90 days overdue.

**ANNEXURE-III. OBSERVATIONS/STATUS REVIEW ON MAJOR ADVANCES ACCOUNTS FOR THE YEAR ENDED 31.3.2020**

6.A <b>CLASSIFICATION:</b> (as per RBI norms) (Tick as appropriate) @ State also whether D1,D2,D3: # based on unsecured/secured exposures(state on inverse)		*STANDARD		#SUBSTANDARD		DOUBTFUL@		LOSS	
		Bank	Auditor	Bank	Auditor	Bank	Auditor	Bank	Auditor
a) as at the year-end (31.3.2020)									
b) as at the previous year-end(31.3.2019)									
c) as at half year-end (31.12.2019)									
d) Date of Identification as NPA by Bank	(Date)	(iv) Other Reasons for Identification as NPA							
e) <b>Reasons for identification as NPA (per RBI norms):</b>									
i) Default in servicing of 90 days or more	<input type="checkbox"/> Yes <input type="checkbox"/> No								
ii) Accounts not reviewed/limits not renewed for 180 days or more	<input type="checkbox"/> Yes <input type="checkbox"/> No								
iii) Funded Interest (FITL)-projects under implementation	<input type="checkbox"/> Yes <input type="checkbox"/> No								
f) Whether classification is as per guidelines of the Controlling Authority	<input type="checkbox"/> Yes <input type="checkbox"/> No								
<b>6.B ADVERSE OBSERVATIONS IN LATEST REPORTS</b>									
<b><u>Concurrent Auditor</u></b>									
<b><u>Internal Inspection</u></b>									
<b><u>RBI Inspection Reports</u></b>									
<b><u>Other Reports(including Special Audit/Credit Audit)</u></b>									
<b>*State reasons for upgradation of Account if NPA earlier.</b>									
-Whether upgradation is in respect of project under implementation:								<input type="checkbox"/> Yes	<input type="checkbox"/> No
If so, pre-upgradation classification		<input type="checkbox"/> Substandard		<input type="checkbox"/> Doubtful :		<input type="checkbox"/> D1	<input type="checkbox"/> D2	<input type="checkbox"/> D3	

**7. OPERATIONS:**

(Rs. – Actual amounts rounded off without Paise)

a) *Term loans:	<u>Instalments(Rs.)</u>				<u>Interest(Rs.)</u>			
	1 <sup>st</sup> Qtr.	2 <sup>nd</sup> Qtr.	3 <sup>rd</sup> Qtr.	4 <sup>th</sup> Qtr.	1 <sup>st</sup> Qtr.	2 <sup>nd</sup> Qtr.	3 <sup>rd</sup> Qtr.	4 <sup>th</sup> Qtr.
<b>Due</b>								
<b>Realisation</b>								

Interest in arrears: Rs. \_\_\_\_\_ (Period of arrears \_\_\_\_\_); Installments in arrears: (No. \_\_\_\_\_)Rs. \_\_\_\_\_ (Period of arrears \_\_\_\_\_)

[\* If more than one Term Loan, please give information for each on the inverse side in the same format]

**Bills purchased/discounted:(Total outstanding as at year end – Rs. \_\_\_\_\_)****Bills overdue\*** Over 90 days -Details overleaf Rs. \_\_\_\_\_ Interest accrued and accounted on overdue Bills

- Other Current Bills

Rs. \_\_\_\_\_ Rs. \_\_\_\_\_

Bills overdue during the year in excess of 90 days

 Yes No

If yes, particulars on inverse

**c) Cash Credit/Other facilities:**

Account No.	Facility	Limit (Rs.)	Drawing Power (Rs.) @	Outstanding (Rs.)	Outstanding more than D P (Rs.)	Interest (Rs.)		
						Due	Realised	Unrealised for more than 90 days
	- Cash Credit							
	- Devolved L/Cs							
	<b>Total</b>							
	Other facilities							

(@ to be worked out net of trade creditors in relation to stocks and margins as stipulated)

d) Unrealised interest accrued upto 31.3.2020, if NPA according to Bank/Auditor: Current year Rs. \_\_\_\_\_ : Previous year Rs. \_\_\_\_\_

e) Right of Recompense, if any, in case of restructuring and sacrifice in the past: Current year Rs. \_\_\_\_\_ : Previous year Rs. \_\_\_\_\_

e) Particulars/Dates of Irregular Drawings\*

(Rs.in Lakhs)

Date	Limit (Rs.)	Drawing Power (Rs.)	Outstanding (Rs.)	Excess over		Reasons for Excess	Whether excess drawings reported to the controlling Authority	Date of approval by controlling Authority
				Drawing Power (Rs.)	Limit (Rs.)			

\* In case of computerized branches information could also be available/corroborated from **exceptional daily reports** generated through the system

f) Summary of Account/Summations: (Rs.in Lakhs)

	<u>Cash Credit(Rs.)</u>	<u>Overdraft (Rs.)</u>	<u>Others(Rs.)</u>	<u>Remarks</u>
<b>Opening Balance –Debit(1.4.2019)</b>				
Add: <b><u>Debit Summations</u></b>				
i) Interest				
ii)Others				
Total				
Less: <b>Credit Summations</b>				
<b>Balance outstanding debit as at 31.3.2020</b>				

8. **SECURITY/GUARANTEE:**

(Rs.in Lakhs)

**Nature of Evidence**a) **Evidence on record for existence and Market value of Security:**i) **Primary:****Date****Particulars***(indicating date of the latest stock statements/book debts etc.)*

a) Stocks (net of unpaid stocks)

b) Book Debts (current debts)

c) Others (specify)

ii) **Collateral**

(Date of last valuation, Nature of encumbrances, if any )

iii) **Insurance coverage.**

Whether adequate

Any other Adverse features

Yes

Yes

No

Yes

No

- **Comment on inadequacy in Insurance coverage and other adverse features.**

iv) **Physical Inspection of securities charged as security:**

Date of latest inspection

Date of last Stock Audit Report

- **Reasons for non-inspection(if more than 6 months)**

-**Major uncomplined adverse observations in Inspection/  
Concurrent audit/stock audit/credit audit on securities**

**ANNEXURE–III. OBSERVATIONS/STATUS REVIEW ON MAJOR ADVANCES ACCOUNTS FOR THE YEAR ENDED 31.3.2020**

v) <u>Guarantees</u>	<u>Date of Guarantee</u>	<u>Amount</u>	<u>Guarantees (Rs.in Lakhs)</u>		<u>*Remarks</u>
			<u>*Invoked(Rs.)</u>	<u>Repudiated(Rs.)</u>	
<u>Particulars</u>		<u>(Rs.)</u>			
Central Govt.					
State Govt.					
Banks					
Financial Institutions					
Others(Specify)					

**\* Besides other observations, reasons for non invoking of guarantees to be given in the remarks column**

<p>b) <b>Exceptional reports, if any</b> on documentation, operations, security/guarantee aspects (whether and when reported to the supervisory / monitoring authority), or where the same is pending , or where the same is pending approval/ authorization)</p>	
<p>c) <b>Latest audited statements</b> (including audit report, accounting policies and notes), whether on record -Whether there are any qualifications in the Notes/Audit Report having impact on the financial statements (<b>State effect thereof</b>)  - Whether Cost Audit report(if applicable) received</p>	
<p>d) <b>Critical Information</b> Whether any critical information sought from the borrower remains uncomplied.</p>	

**OBSERVATIONS OF BRANCH MANAGEMENT** (including responses to adverse observations in Reports stated at **Item 6 B** above)

- a) Documentation
- b) Operations
- c) Security/ Guarantee
- d) Any other matter
- e) Overview of the borrowal account and its operation

**10. COMPLIANCE OF TERMS AND CONDITIONS OF SANCTION (Annexure III.1)**

**11. KEY FINANCIAL INDICATORS FOR THE LAST 3 YEARS AND PROJECTIONS FOR THE YEAR (Annexure III.2)**

---

**Signature of Branch Incharge :**

---



----- Bank BRANCH \_\_\_\_\_

Annexure D.1 - FORM OF MOC RELATING TO ADVANCES

AMOUNT IN RUPEES

Sr.No.	Name of Borrower	Type of Account C/C,O/D,D/L BP/BD of T/L	Total outstanding	As per Branch		Secured by Tangible Assets	CHANGES SUGGESTED UNDER ALLOCATION OF ADVANCES			Total Unsecured	PROVISION REQUIRED			Total of Col 11,12,13	Reversal of unrealised accrued Income to Intt. Suspense	Remarks/ Reasons for change/Para Reference
				Classification S/SS/D	Provision		Covered by Guarantee of				SS	D	L			
							Bank	Govt.	ECGC/CGTSI							
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15		
		Rs.		Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.	Rs.		

SS= Sub Standard : D= Doubtful (to be classified as D1, D2, D3) : L= Loss  
 Note: See alternative formats in A.8 at pages A 8.2 and A 8.3

**SPECIAL ATTENTION NEEDS TO BE PAID TO ADVANCES OF THE NATURE GIVEN BELOW (FOR PROVISIONING AND INCOME RECOGNITION/DERECOGNITION) Year 2019-20**

		WHETHER EXAMINED		REMARKS
		YES	NO	
1	* Loss Assets			
2	BIFR cases classified as Standard			
3	XX <u>Accounts upgraded to standard</u>			
	a) BIFR cases upgraded to Standard since the previous year-end			
	b) Other accounts upgraded			
4	<b>Restructured Accounts</b>			
	a) under CDR			
	b) others			
5	FITL / Investments in Restructured Accounts requiring provision to be made or retained in terms of the RBI Master Circular dated 1-7-2019			
	a) Para 4.2.14 (iv)			
	b) Para 4.2.16 (vi), (vii)			
6	<b><u>Adversely commented accounts in latest reports of:</u></b>			
	RBI			
	Concurrent Auditors			
	Inspection			
	Statutory Auditors (including LFAR)			
	Lastest Quarterly review			
	Other Reports, including <b>Credit Audit Reports</b>			
7	Fresh NPAs during the year as identified at the Branch			
8	Major problem accounts			
	<b>(Standard Accounts in default)</b>			
9	Accounts in which there is divergence with RBI			
10	Wilful defaulters in advances lists			
11	Critical amounts due as identified			
12	Quick Mortality Cases (accounts becoming NPA within 12 -24 months of sanction)			
13	Accounts upgraded or where (in restructured accounts)Provisions as at 31.3.2019 are written back [Para 4.2.14(iv) of RBI Master Circular dated 1-7-2019]			

\* Where erosion in value of security is over 90%.

XX Examine justification for upgration of accounts

----- BANK: \_\_\_\_\_ BRANCH: \_\_\_\_\_

**DATA FOR THE YEAR ENDED MARCH 31, 2020**  
**FOR VERIFICATION OF SLR UNDER SECTION 24 OF B.R. ACT, 1949**

(Amount (Rs.'000))

Dates (odd dates specified)	Deposits in Current Accounts from Banks (SBI, and its Subsidiaries, Public Sector/Nationalised Banks)	Cash in Hand	Balances in Current Accounts with				Total Balances
			RBI	SBI	Subsidiaries of SBI	Nationalised Banks	