

			<p>machine by joint custodians.</p> <ul style="list-style-type: none"> • Further in some banks, there is also prescribed procedure for monthly verification of cash by officer other than custodians. Ensure same has been conducted and evidenced on records.
c)	i)	Does the branch generally maintain / carry cash balances, which vary significantly from the limits fixed by the controlling authorities of the bank?	<ul style="list-style-type: none"> • Auditor should obtain the cash retention limit of branch. He should review the cash records and comment, if cash balance generally exceeds significantly the retention limit. He should verify that instances of excess cash beyond retention limit are being regularly reported in returns to HO. • In case, ATM is being operated by branch, obtain cash limit fixed for ATM machines. Generally, during festival season or continuous holidays, cash is fed more than limit some times to serve customers. Verify, whether excess cash beyond limit has been intimated to higher authorities.
	ii)	<i>Does the figure of the balance in the branch books in respect of cash with its ATM(s) tally with the amounts of balances with the respective ATMs, based on the year end scrolls generated by the ATMs? If there is any difference, same should be reported.</i>	The auditor should ensure that the physical verification of cash includes physical verification of cash on hand, cash at ATM and cash at CDM (Cash Deposit Machines) and the reconciliation of the same with the GL balances of the respective GL heads. The counting sheet should be counter signed by the Cashier and the Branch manager.
d)		Whether the insurance cover available with the branch adequately meets the requirement to cover the cash-in hand and cash-in transit?	<ul style="list-style-type: none"> • Auditor should ask the branch as to who is getting the cash insured. In case, it is done by HO, a management representation should be obtained and commented upon accordingly. • If insurance cover details are available at branch, auditor should verify, whether branch holds adequate insurance cover of cash on hand, cash in ATM, and cash-in-transit. Verify insurance cover is in force. • Generally, cash in transit includes the movement of cash between currency chest and branch, one branch to another branch, cash movement for door step banking facility to clients, etc.
			<ul style="list-style-type: none"> • FOREIGN CURRENCY - All above points are applicable to foreign currency also.

			<p><u>Reconciliation of ATM balance with GL at year end</u> Ensure, the figure of the balance in the branch books in respect of cash with its ATM(s) tally with the amounts of balances with the respective ATMs, based on the year scrolls generated by the ATMs</p>
			<p><u>Where bank has appointed the agents for cash feeding in ATM</u></p> <ul style="list-style-type: none"> • If the account relating to cash with agent is being maintained with branch, verify the figure of cash with agency is forming part of cash in hand. • Ensure the branch holds periodic as well as period/year end confirmation of balances of cash held by such agents. Whether discrepancies, if any, have been reported to controlling authorities. • Verify retention limit of cash/ custody process is being adhered to • Verify the process of physical verification of cash with agent and cash in ATM by bank officials. <p><u>Excess cash in ATM</u> Banks are advised by RBI that pending reconciliation or matching claim by customers, such ATM related credit balances represent unclaimed balances and should not be transferred to profit and loss account.</p>
2.		Balances with Reserve Bank of India, State Bank of India and other banks (<i>For branches with Treasury Operations</i>)	
a)		Were balance confirmation certificates obtained in respect of outstanding balances as at the year-end and whether the aforesaid balances have been reconciled? If not , the nature and extent of differences should be reported.	<ul style="list-style-type: none"> • Auditor should obtain balance confirmation at year end. In case confirmation is not received, same should be commented with name of bank and outstanding balance pending for confirmation. • Verify whether reconciliation of balance as per confirmation obtained at year end has been done with books of account maintained by bank. If not reconciled, same should be commented upon. <p>Comment on nature of entries and extent of differences if any.</p>
b)		Observations on the reconciliation statements may be reported in the following manner:	

	i)	Cash transactions remaining un-responded (give details):	Cash deposited at or taken from SBI/RBI/other bank and entries are pending in reconciliation unresponded. Auditor should obtain and furnish the details about such unresponded entries along with reasons.
	ii)	Revenue items requiring adjustments/write-off (give details):	<ul style="list-style-type: none"> • Comment, whether any ‘charges’ entry is pending for adjustment in reconciliation or any entry needs to be written off as on 31.03.2021. <p>Example - Some times, clearing house charges or interest for overdrawn amount are debited by clearing house and same are not accounted for at branch during the year.</p> <p>Example- There are some entries debited by other banks, which are not accepted by branch due to some dispute.</p> <p>In case, auditor is of opinion that charges should have been debited to expenses account or amount lying in reconciliation is not recoverable and needs provision, such entries should be commented upon in LFAR. Auditor should also recommend such cases in Memorandum of Changes.</p>
	iii)	<i>Other credit and debit entries originated in the statements provided by RBI/other banks, remaining un-responded for more than 15 days:</i>	<p>From reconciliation, auditor should find out old unexplained/ unadjusted entries and give the details of old entries along with reasons.</p> <p>Example - Differences of inward and outward clearing transactions with clearing house not identified and lying in reconciliation.</p>
	iv)	<i>Where the branch maintains an account with RBI, the following additional matter may be reported: Entries originated prior to, but communicated / recorded after the year end in relation to currency chest operations at the branch/other link branches, involving deposits into/withdrawals from the currency chest attached to such branches (Give details)</i>	<p>From reconciliation, auditor should find out entries originated prior to year end and recorded after year end in relation to currency chest transactions which are old unexplained/ unadjusted entries. Give details of such old entries along with reasons.</p>
	c)	In case, any item deserves special attention of the management, the same may be reported.	<p>In case auditor feels that in reconciliation, any entry needs special attention of the management, same should be reported. Instances are:</p> <p>Example- Inward clearing cheques received from clearing house are lying in reconciliation instead of debiting to operating account. There is possibility that limit account/SB/current A/c were out of funds and would have become NPA in case of debit to these</p>

			<p>accounts on the date of payment to clearing house. Auditor should look into such cases and take the decision.</p> <p>Example- In case, branch is not obtaining balance confirmation and not reconciling periodically the bank accounts as prescribed, such default should be commented.</p> <p>Where the branch maintains an account with the Reserve Bank of India, verify the following issue: Entries originated prior to, but communicated/recorded after, the year end in relation to currency chest operations at the branch/other link branches, involving deposits into/ withdrawals from the currency chest attached to such branches. Give the details of such transactions.</p>
3.	Money at call and Short Notice:		
a)	Has the branch kept money-at-call and short notice during the year?	-	<ul style="list-style-type: none"> • Auditor should, go through instructions received from HO with regard to amount deposited. • Verify whether instructions/ guidelines laid down by the controlling authority for money at call and short notice have been complied by branch. If there is any deviation, same should be commented. • In case of unauthorised deposits including those made in excess of the authorised limits arising in this account should be reported with name of bank, account and other details.
b)	<i>Has the year-end balance been duly confirmed and reconciled?</i>		The auditor should examine whether borrowings of money at call and short notice are properly authorised. The rate of interest paid/payable on, as well as duration of such borrowings should also be examined by the auditor.
c)	<i>Has interest accrued up to the year-end been properly recorded?</i>		Verify interest accrued upto the year end has been accounted for. Balance is duly confirmed and reconciled
d)	Whether instructions/guidelines, if any, laid down by the controlling authorities of the bank have been complied with?		Auditor should ask for such instructions/guidelines, auditor should also comment the systems and procedure being followed by the branch.
4.	Investments (for branches outside India)		

a)	<i>In respect of purchase and sale of investments, has the branch acted within its delegated authority, having regard to the instructions/ guidelines in this behalf issued by the controlling authorities of the bank?</i>	<ul style="list-style-type: none"> • Auditor should do physical verification of investment certificates with the investment register. • In case, if any certificate is not available, verify evidence for not keeping the same in possession. • If certificates are sent for realisation, verify acknowledgment. <p>In case, neither certificates have been made available for physical verification nor evidences as mentioned above are available, auditor should comment for these certificates.</p>
b)	<i>Have the investments held by the branch whether on its own account or on behalf of the Head Office/other branches been made available for physical verification? Where the investments are not in the possession of the branch, whether evidences with regard to their physical verification have been produced?</i>	Verify the system of reporting the receipt of income on the investment held on behalf of corporate office and ensure in all the cases, income is received on due date and reported to HO.
c)	<i>Is the mode of valuation of investments in accordance with the RBI guidelines or the norms prescribed by the relevant regulatory authority of the country in which the branch is located whichever are more stringent?</i>	Verify instructions from Corporate office regarding accounting of income on investments. Generally, instructions are, income received on investments should be sent to HO through IBR and same should be recognised as income at HO to have better control. Comment in case, income is accrued/received and recognised as income of the branch, contrary to the instructions of controlling authorities of the branch.
d)	<i>Whether there are any matured or overdue investments which have not been encashed and / or has not been serviced? If so, give details?</i>	Auditor should verify the Investment register maintained at the branch and comment the cases, where investments have been matured or overdue and same have not been encashed. Give details of such investments.
5.	Advances:	
	General Instructions	
i)	<i>The answers to the following questions may be based on the auditor's examination of all large advances. For this purpose, large advances are those in respect of which the outstanding amount is in excess of 10% of outstanding aggregate balance of fund based and non-fund based advances of the branch or Rs.10 crores, whichever is less. Care-For all accounts above the threshold, the transaction audit/account specific details to be seen and commented, whereas below the threshold, the</i>	

		<i>process needs to be checked and commented upon. Comments of the branch auditor on advances with significant adverse features, which might need the attention of the management / Statutory Central Auditors, should be appended to the LFAR.</i>	
	ii)	<i>The critical comments based on the review of the above and other test check should be given in respective paragraphs as given in LFAR given below.</i>	
a)		List of accounts examined for audit	

Account No.	Account Name	Balance as at year end – Funded	Balance as at year end – Non-funded	Total
XXXXXX				
XXXXXX				
Total		A	B	C = A + B
Total Outstanding of the branch		X	Y	Z = X + Y
Percentage examined		A as % of X	B as % of Y	C as % of Z

b)		Credit Appraisal	
	i)	In your opinion, has the branch generally complied with the procedures / instructions of the controlling authorities of the bank regarding loan applications, preparation of proposals for grant/ renewal of advances, enhancement of limits, etc., including adequate appraisal documentation in respect thereof. <i>What, in your opinion, are the major shortcomings in credit appraisal, etc.</i>	<p>On the basis of verification of documents relating to loans, auditor should form opinion, whether branch has complied with procedures/ instructions issued by Head Office on following key issues. If there is any deviation same should be commented.</p> <p>Loan Application- Auditor should examine, whether appropriate forms as prescribed by corporate office are being obtained according to nature of loan/limit.</p>
			<p>Preparation of Proposals- Proposals for grant/renewal of advances, enhancement of limits are being recommended after due consideration of all relevant factors like latest financial statement, past dealings, repayments capacity of the parties. Auditor should verify, whether in appraisal, important information's for the borrower have been commented by branch officials. Instances of important information are given below:</p> <ul style="list-style-type: none"> • Unit is functioning properly. • All primary and collateral securities are in order and fully insured. • Borrower has not deviated from terms and conditions of

		<p>sanction.</p> <ul style="list-style-type: none"> • End use of loan is being done for the purpose for which it was disbursed. • Borrower is repaying as per schedule without any default. • Operation of account is satisfactory. <p>There is no major difference between audited financial data and projections submitted earlier.</p> <p>Refer circular issued by Head Office regarding Credit Appraisal.</p> <ul style="list-style-type: none"> • Enquire whether specific facility wise loan application form is prescribed by the Bank. • Confirm that the instructions are followed by the Branch while accepting the loan application form. • Refer circular issued by Head Office regarding preparation of proposals for grant / renewal of advances, enhancement of limits, etc., including adequate appraisal documentation in respect thereof.
		<p>Documentation- Auditor should verify, whether all legal documents as prescribed in bank and as per sanction have been taken, executed and completely filled. All legal formalities relating to documentation has been completed like stamping as applicable to respective States.</p>
		<p><u>Compliance of RBI guidelines:</u> <u>Lending under Lending under Consortium Arrangement / Multiple Banking Arrangements</u></p> <ul style="list-style-type: none"> • Auditor should verify that in case of Lending under Consortium Arrangement / Multiple Banking Arrangements' banks, any sanction of fresh loans/<i>ad hoc</i> loans/renewal of loans to new/existing borrowers should be done only after obtaining/sharing necessary information among banks. Report the cases where prescribed guidelines are not followed <p>Auditor should verify that bank branch has on its record a due diligence certificate/report in the form and manner required by the Reserve Bank of India in respect of advances under consortium and multiple banking. Give the list of accounts where certificate is not obtained or on record.</p>
		<p><u>For above auditor can refer to following circulars issued by RBI</u> DBOD.No.BP.BC.46/08.12.001/2008-09 dated September 19, 2008 DBOD.BP.BC.94/ 08.12.001/2008-2009 dated December 8, 2008 DBOD No. BP.BC.110/08.12.001/2008-2009 dated February 10, 2009 DBOD.BP.BC.No. 62 /21.04.103/2012-13 November 21, 2012</p> <p><u>Transfer of Borrowal Accounts from One Bank to Another bank</u></p>

		<ul style="list-style-type: none"> Verify that before taking over an account, the transferee bank has obtained necessary credit information from the transferor bank as per prescribed in following circulars issued by Reserve Bank of India <p>DBOD.BP.BC.94/ 08.12.001/2008-2009 dated December 8, 2008 DBOD.No.BP.BC- 104 /21.04.048/2011-12 May 10, 2012</p>
		<p><u>Legal audit of title documents in respect of large value loan accounts</u></p> <p>Banks should also subject the title deeds and other documents in respect of all credit exposures of Rs. 5 crore and above to periodic legal audit and re-verification of title deeds with relevant authorities as part of regular audit exercise till the loan stands fully repaid.</p> <p><u>For Above auditor can refer to:</u> RBI cir - DBS.FrMC.BC.No.7/23.04.001/2012-13 June 07, 2013</p>
	<p>ii) <i>Have you come across cases of quick mortality in accounts, where the facility became non-performing within a period of 12 months from the date of first sanction? Details of such accounts may be provided in following manner:-</i></p> <ul style="list-style-type: none"> Account No. Account Name Balance as at year end 	<p>The auditor would need to consider whether:</p> <ul style="list-style-type: none"> The branch had conducted appraisal of the borrower as per the circular issued by Head Office regarding Credit Appraisal. Necessary documents were obtained on record before considering for sanctioning of the facility. There are additional facilities extended to the borrower by the Bank. Also, consider the operation of other facilities of the borrower, if any. Analysed staff accountability? <p>*can give example of PM Swanidhi Loans and how they face the risk of quick mortality*</p>
	<p>iii) <i>Whether in borrowal accounts the applicable interest rate is correctly fed into the system?</i></p>	<p>The auditor would need to:</p> <ul style="list-style-type: none"> Confirm that the interest rate as per the sanction letter has been fed into the system. Maker checker – changes made to master? Check whether the system of the bank calculates interest as per the policy of the Bank. To ensure there is no revenue leakage or excess recovery.
	<p>iv) <i>Whether the interest rate is reviewed periodically as per the guidelines applicable to floating rate loans linked to MCLR / EBLR (External Benchmark Lending Rate)?</i></p>	<p>Auditor should verify that interest is being charged on all performing accounts regularly and should compare rate of interest with the agreement, sanction letter and credit rating reports where rate of interest is linked to credit rating. In case the interest rate is revised based on changes in PLR/BPLR/Base Rate of the bank, it needs to be ensured that the rate of interest to be charged form the borrower is suitably revised as and when there are changes in PLR/BPLR/Base Rate (Presently RBLR/RLLR). Calculation of interest should be test-checked.</p>

	<p>v) <i>Have you come across cases of frequent renewal / rollover of short-term loans? If yes, give the details of such accounts.</i></p>	<p>Refer circular issued by the Head Office regarding renewal / rollover of loans. Confirm whether the branch has followed the procedure as laid down by the Head Office. Check whether necessary documents have been obtained at the time of such renewal / rollover. Report any irregularities noticed during renewal / rollover of the loans.</p>
	<p>vi) <i>Whether correct and valid credit rating, if available, of the credit facilities of bank's borrowers from RBI accredited Credit Rating Agencies has been fed into the system?</i></p>	<p>The credit rating is essential for all the exposures above 5 Cr. This determines the risk weight for the purpose of CRAR calculations. Non availability of credit rating would attract higher risk. In case the rating is not available, auditor should find out the earlier rating.</p> <p>Further banks many times confuse between Govt. Corporations and Government undertaking. Unless there is specific sanction term for not taking rating (only in case of Govt. undertaking, others have to be rated) valid rating certificate should be verified.</p> <ul style="list-style-type: none"> • Check the bank's policy and relevant guidelines (credit rating framework) relating to credit rating of the credit facilities of the bank's borrower • Verify the credit ratings obtained by the branch are provided by the agencies accredited by RBI. • Report any irregularities noticed.
	<p>c) Sanctioning / Disbursement</p>	
	<p>i) In the cases examined by you, have you come across instances of:</p> <p>(a) credit facilities having been sanctioned beyond the delegated authority or limit fixed for the branch?</p> <p>(b) Are such cases promptly reported to higher authorities?</p>	<p>In the cases examined by auditor, he should verify, whether the credit facilities were sanctioned beyond limits defined as per delegation financial powers (DFP) and same have been reported to higher authority as per prescribed procedure. In case of non-reporting, auditor should report the same.</p> <p>Following are Instance which needs reporting if exceed DFP:</p> <ul style="list-style-type: none"> • Loan sanctioned. • Operation permitted above sanctioned limits. • Temporary overdraft. • Withdrawal permitted against cheque pending in clearing. • Cheques/bills purchased. • Any other credit facility permitted
	<p>ii) Whether advances have been disbursed without complying with the terms and conditions of the sanction? If so, give details of such cases.</p>	<p>In case, auditor comes across the instance, where loan has been disbursed without complying the terms and conditions mentioned in sanction letter, same needs to be reported. Few instances are:</p> <ul style="list-style-type: none"> • Loan disbursed without creating EM on property. • Loan disbursed without obtaining personal guarantees of directors. <p>Loan disbursed without completing the requirements mentioned</p>

			in legal report of lawyer relating to property kept under EM.
	iii)	<i>Did the bank provide loans to companies for buy-back of shares/securities?</i>	<p>As per the Master Circular issued by RBI DBOD. No. Dir. BC. 9/13.03.00/2006-07 dated July 2, 2007, Para no. 2.1.4, "Restrictions on Credit to Companies for Buy-back of their Securities"</p> <p>In terms of Section 77A(1) of the Companies Act, 1956, companies are permitted to purchase their own shares or other specified securities out of their</p> <ul style="list-style-type: none"> • free reserves, or • securities premium account, or • the proceeds of any shares or other specified securities, <p>subject to compliance of various conditions specified in the Companies (Amendment) Act, 1999. Therefore, banks should not provide loans to companies for buy-back of shares/securities.</p> <p>It is suggested that the management representation to this clause should be obtained as it is difficult for an auditor to find out unless specifically mentioned (which is very unlikely)</p> <ul style="list-style-type: none"> • Auditor should verify the purpose of the loans as mentioned in the loan application made by the applicant. • Auditor should also verify the end use certificates obtained by the bank wherever it is required as per the policy of the bank or sanction letter. • Report instances of loan sanctioning for buy-back of shares / securities, if any.
	d)	Documentation	
		In the cases examined by you, have you come across instances of:	
	i)	Credit facilities released by the branch without execution of all the necessary documents? If so, give details of such cases	Generally, list of documents to be obtained from borrower for various types of credit facilities is available in bank loan manual or bank circulars. In the cases verified by auditor, if he comes across any deviation in execution of documents as per procedure, same should be commented with details of accounts and documents not obtained.
	ii)	Deficiencies in documentation, including non-registration of charges, non-obtaining of guarantees, etc.? If so, give details of such cases.	In the cases verified by auditor, if he comes across any deficiencies in documentation particularly as mentioned in questionnaire, same should be reported.

	iii)	Advances against lien of deposits have been granted without marking a lien on the bank's deposit receipts and the related accounts in accordance with the guidelines of the controlling authorities of the bank.	<p>In cases verified by auditor, if he finds any deviation in process of marking lien on FDR pledged against loan, such cases should be commented with details of deviations. Key points which can be verified by auditor are given below:</p> <ul style="list-style-type: none"> • Lien of FDR receipt has been marked by branch officials. • FDR is properly discharged by all the parties to deposit. • Signature discharging the FDR has been verified by branch officials. • In computerised branches, lien has been marked in computer also. • Similarly, in case of loans against LIC/NSC/KVP, lien has been got marked in favour of bank from LIC/Post office as per prescribed procedure. • All such securities matured but not adjusted in loan.
e)		Review/Monitoring/Supervision	
	i)	Is the procedure laid down by the controlling authorities of the bank, for periodic review of advances, including periodic balance confirmation / acknowledgement of debts, followed by the branch? Provide analysis of the accounts overdue for review/renewal. What, in your opinion, are major shortcomings in monitoring, etc.	<p>Auditor should verify whether branch has followed procedures laid down by bank for timely review/renewal. If there is any deviation in process, same should be commented. Auditor should also verify following:</p> <ul style="list-style-type: none"> • At the time of review/renewal, there is system of recording adverse remarks already reported in internal audit report/concurrent audit reports in review note. • There is system of obtaining the latest balance sheet, other supporting papers, key information required for review/renewal. • Periodic balance confirmation of debts, to ensure that documents are not time barred, has been obtained. • Auditor should collect the details of accounts overdue for review/renewal from concurrent audit report, internal audit reports, review/renewal register and furnish the details of accounts due for review/renewal between 6 months and 1 year and over one year. • Auditor should verify that whether accounts, due for review/renewal more than 180 days reported in LFAR, are NPA as per clause no 4.2.4 (ii) of Master circular on Prudential norms RBI/2015-16/101, DBOD.No.BP.BC. 2/21.04.048/2015-16 dated July 1, 2015. <p>In case, account is NPA as per above guidelines, account should either be declared by branch as NPA or auditor should recommend same in MOC.</p>

		<p>As per the RBI guidelines relating to 'COVID 19 Regulatory Package" on Asset Classification and Provisioning, dated 27.03.2020, 17.04.2020, 23.05.2020 and clarification issued by RBI through Indian Bankers Association dated 06.05.2020, Bank has been granted a moratorium on payment of instalments and interest as applicable, falling due between 01.03.2020 and 31.08.2020 to eligible borrowers classified as standard, even if overdue, as on 29.02.2020 without considering the same as restructuring.</p> <p>The moratorium period, where granted, shall be excluded by the Bank from the number of days the account is past due for the purpose of asset classification under RBI's Income Recognition and Asset Classification norms. In accordance with RBI circular DOR.No.BP.BC.63/21.04.048/2019-20 dated 17th April, 2020, the Bank is required to make provision @10% of outstanding advances in respect of such borrower accounts where asset classification benefit has been taken as per RBI guidelines.</p> <p>Further, The Honourable Supreme Court of India, in a public interest litigation case of Gajendra Sharma vs. Union Bank of India & Anr vide an interim order no. 825/2020 dated 03.09.2020 has directed that the accounts which were not declared as Non-Performing Assets (NPA) till 31.08.2020 shall not be declared as NPA till further orders. Hence no NPA as on 31st March 2021 for account overdue as on 29th Feb 2020.</p>
	a) between 3 to 6 months, and	
	b) over 6 months	
ii)	<p>a) Are the stock/book debt statements and other periodic operational data and financial statements, etc., received regularly from the borrowers and duly scrutinized? Is suitable action taken on the basis of such scrutiny in appropriate cases?</p> <p><i>b) Is the DP properly computed?</i></p> <p><i>c) Whether the latest audited financial statements are obtained for accounts reviewed / renewed during the year?</i></p>	<ul style="list-style-type: none"> • Auditor should verify stock/book debt statements/ QIS data, other periodical operational data and financial details are being received regularly as prescribed. In cases, statements not received, same should be commented with detailed particulars of account and period since when statements not received. For these details, apart from document files, auditor can take help of stock statement/DP register, concurrent audit report and internal audit reports. • Auditor should verify that statements received are being scrutinized by branch officials and if there is any adverse observation, suitable action has been taken by branch. If process is not being followed, auditor should comment in report with details of accounts. • Auditor should verify as to whether accounts, where stock statements have not been received since long and commented in LFAR, will become NPA as per clause 4.2.4 (i) of Master circular on Prudential norms RBI/2015-16/101, DBOD.No.BP.BC. 2/21.04.048/2015-16 dated July 1, 2015.

			<ul style="list-style-type: none"> • In case, account is NPA as per above guidelines, account should either be declared by branch as NPA or auditor should recommend same in MOC.
iii)	<p>a) Whether there exists a system of obtaining reports on stock audits periodically?</p> <p>b) If so, whether the branch has complied with such system?</p> <p><i>c) Details of:</i> <i>- cases where stock audit was required but was not conducted</i> <i>- where stock audit was conducted but no action was taken on adverse features</i></p>		<p>Auditor should verify, that branch is obtaining stock audit reports periodically in all the cases as required by bank policy. If stock audit reports were not obtained as per bank procedure, same should be commented in report. Further, verify deficiencies, reported in report, have since been rectified, if pending, auditor should give the details of pending issues.</p>
iv)	<p>Indicate the cases of advances to non-corporate entities with limits beyond that is set by the bank where the branch has not obtained the duly audited accounts of borrowers.</p>		<p>Auditor should obtain from branch a complete list of all the accounts where limits have been sanctioned or renewed beyond Rs.10 lacs. Auditor should verify that in all cases, branch has obtained the latest audited accounts of borrowers. In case of deviation, auditor should give the details of all such accounts along with sanctioned limit and outstanding balances.</p>
v)	<p><i>Does the branch have on its record, a due diligence report in the form and manner required by the Reserve Bank of India in respect of advances under consortium and multiple banking arrangements. Give the list of accounts where such certificate/report is not obtained or not available on record.</i></p> <p><i>(In case, the branch is not the lead bank, copy of certificate/report should be obtained from lead bank for review and record)</i></p>		<ul style="list-style-type: none"> • Obtain the due diligence report in case of loan sanctioned under consortium. In case the bank is not the lead bank, obtain a copy of the due diligence report. • Report cases of non-compliance.
vi)	<p>Has the inspection or physical verification of securities charged to the bank been carried out by the branch as per the procedure laid down by the controlling authorities of the bank?</p> <p><i>Whether there is a substantial deterioration in value of security during financial year as per latest valuation report in comparison with earlier valuation report on record?</i></p>		<p>Every bank is having system of conducting physical verification of securities periodically. Auditor should obtain a list of cases where physical verification is not done as per prescribed guidelines. Auditor should review inspection register maintained by branch to find out such accounts.</p>

	vii)	In respect of advances examined by you, have you come across cases of deficiencies, including in value of securities and inspection thereof or any other adverse features such as frequent/ unauthorized overdrawing beyond limits, inadequate insurance coverage, etc.?	<ul style="list-style-type: none"> • In the cases examined, if auditor comes across any deficiencies in value of securities, frequent overdrawing, unauthorised overdrawing, inadequate insurance cover, he should give the detail particulars of these accounts along with adverse features observed. <p>In case of cash credit limits, verify that there should not be major variation between stock/ book debts/ creditors figures being submitted in monthly statement and audited accounts. If there is material variation between both the figures, particularly at balance sheet date of the borrower without any justification, same should be commented.</p>
	viii)	<i>Whether the branch has any red-flagged account? If yes, whether any deviations were observed related to compliance of bank's policy related with Red Flag Accounts?</i>	<p>A Red Flagged Account (RFA) is one where a suspicion of fraudulent activity is thrown up by the presence of one or more Early Warning Signals (EWS). These signals in a loan account should immediately put the bank on alert regarding a weakness or wrong doing which may ultimately turn out to be fraudulent.</p> <ul style="list-style-type: none"> • Obtain the bank's policy relating to monitoring of red-flagged accounts • Confirm whether the policy guidelines are adhered to by the branch. • Report in case of any deviations.
	ix)	<i>Comment on adverse features considered significant in top 5 standard large advances and which need management's attention.</i>	<ul style="list-style-type: none"> • Provide instances of deviations from the policy of the bank relating to sanctioning of advances. • Report along with details of the adverse observations in the top 5 standard large advances.
	x)	In respect of leasing finance activities, has the branch complied with the guidelines issued by the controlling authorities of the bank relating to security creation, asset inspection, insurance, etc.? Has the branch complied with the accounting norms prescribed by the controlling authorities of the bank relating to such leasing activities?	RBI has issued Master circular on Lending to NBFCs (RBI /2004-05/14/ DBOD / IECS.No.7 /08.12.01/2004-2005). Further the Exposure Norms also suggest the cap on lending of such activity. It is necessary at the branch to understand the correct categorization of advances and whether such instructions from the controlling office of the bank are adhered to. Please note that the error of categorization has impact on disclosure of Exposure norms as well as risk parameters change due to such change.
	f)	<i>Asset Classification, Provisioning of Advances and Resolution of Stressed Assets</i>	

<p>i) a) Has the branch identified and classified advances into standard / substandard / doubtful / loss assets <i>through the computer system, without manual intervention?</i></p> <p>b) Is this identification & classification in line with the norms prescribed by the Reserve Bank of India</p> <p><i>c) Whether the branch is following the system of classifying the account into SMA-0, SMA-1, and SMA-2. Whether the auditor disagrees with the branch classification of advances into standard (Including SMA-0, SMA-1, SMA-2) / sub- standard / doubtful / loss assets, the details of such advances with reasons should be given.</i></p> <p>d) Also indicate whether required changes have been incorporated/ suggested in the Memorandum of Changes.</p> <p><i>e) List the accounts (with outstanding in excess of Rs. 10.00 crore) which have either been downgraded or upgraded with regard to their classification as Non-Performing Asset or Standard Asset during the year and the reason thereof.</i></p> <p><i>f) Whether RBI guidelines on income recognition and provisioning have been followed.</i></p>	<p>Auditor should verify that branch has identified and classified advances as per following RBI circulars subject to RBI guidelines on Income Recognition and Asset Classification</p> <ul style="list-style-type: none"> • Master circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances bearing no RBI/2015-16/101, DBOD.No.BP.BC.2/21.04.048/2015-16 dated July 1, 2015. • RBI/2015-16/126 DBR.No.BP.BC.30/21.04.048/2015-16 July 16, 2015 Prudential Norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances – Credit Card Accounts • RBI/2015-16/111 DBR.No.BP.BC.27/21.04.048/2015-16 July 2, 2015 Discount Rate for Computing Present Value of Future Cash Flows • RBI/2015-16/376 DBR.No.BP.BC.92/21.04.048/2015-16 April 18, 2016 Provisioning pertaining to Fraud Accounts • Resolution of Stressed Assets – Revised Framework RBI/2017-18/131 DBR.No.BP.BC.101/21.04.048/2017-18 February 12, 2018 • COVID-19 – Regulatory Package: RBI/2019-20/186 DOR.No.BP.BC.47/21.04.048/2019-20 March 27, 2020. • COVID19 Regulatory Package - Asset Classification and Provisioning: RBI/201920/220DOR.No.BP.BC.63/21.04.048/2019-20 April 17, 2020 • COVID-19 – Regulatory Package: RBI/2019-20/244 DOR.No.BP.BC.71/21.04.048/2019-20 May 23, 2020. • Automation of Income Recognition, Asset Classification and Provisioning processes in banks RBI/2020-21/37 Ref. No. DoS.CO.PPG./SEC.03/11.01.005/2020-21 September 14, 2020 <p>e) This question expects auditor to select all the accounts having exposure of 10 Cr and above who have any classification movement from & to Standard accounts during the year. The upgrading, especially would need greater audit check for its accuracy.</p> <ul style="list-style-type: none"> • Relief for MSME Borrowers registered under Goods and Services Tax (GST) RBI/2017-18/129 DBR.No.BP.BC.100/21.04.048/2017-18 February 07, 2018
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			<ul style="list-style-type: none"> • Encouraging formalisation of MSME sector - RBI/2017-18/186 DBR.No.BP.BC.108/21.04.048/2017-18 June 6, 2018 • Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances- RBI/2018-19/100 DBR.No.BP.BC.18/21.04.048/2018-19 January 1, 2019 • Micro, Small and Medium Enterprises (MSME) sector Restructuring of Advances- RBI/2018-19/ DBR.No.BP.BC.26/21.04.048/2018-19 February 22, 2019. • Micro, Small and Medium Enterprises (MSME) sector Restructuring of Advances RBI/2019-20/ DOR.No.BP.BC.34/21.04.048/2019-20 February 11, 2020. • Micro, Small and Medium Enterprises (MSME) sector Restructuring of Advances. RBI/2020-21 DOR.No.BP.BC/4/21.04.048/2020-21 August 6, 2020 • Master Direction – Reserve Bank of India (Relief Measures banks in areas affected by Natural Calamities) Directions 20 RBI/FIDD/2018-19/64 Master Direction FIDD.CO.FSD No.9/05.10.001/2018-19 October 17, 2018. <p>Auditor should verify the deposit account having debit balances due to charging of service charges/interest time to time and pending for recovery since long. Verify whether, prudential norms on Income Recognition, Asset Classification and Provisioning have been followed.</p> <p>If there is any deviation to RBI circular and HO instructions same should be commented and MOC should be given if required.</p>
			<p><u>Master data in computer for NPA norms verification</u></p> <p>Sometimes, master data of loans accounts are wrongly updated in computer, particularly details relating to period of loan, due date of first installment and installment amount. Due to these errors, statement of overdue accounts will not be generated correctly by computer. Hence due to incorrect overdue statement, there is possibility that some accounts will not be declared NPA. So, Auditor should take care of this aspect while verifying the compliance of NPA norms.</p> <p>Similarly auditor should compare the date of NPA of loans accounts mentioned in current year statement with previous year statements. Normally there should not be change of date of NPA unless it is suggested by previous auditor in MOC. Otherwise, If there is change in date of NPA find out reason for the same.</p> <p>Few Instances are given below:</p>

		<p><u>Terms loans with moratorium period (Like housing loans etc).</u></p> <p>Example - Loan is sanctioned with the conditions that interest debited during moratorium period will be paid only after end of moratorium period along with EMI.</p> <p>In such cases, interest will not be paid during moratorium period and EMI shall be fixed by adding the interest accrued during moratorium period to the principal amount.</p> <p>Auditor should verify, whether EMI amount is correctly calculated by computer as mentioned above. In case, EMI is calculated only for principal amount, account can become NPA due to non-servicing of interest debited during moratorium period. Auditor should take care of this aspect while verifying the compliance of NPA norms in such type of cases.</p>
		<p>Example- Loan is sanctioned with the conditions that interest due during moratorium period will be paid as and when due.</p> <p>In such cases, interest will be served during moratorium period and EMI shall be calculated only for principal amount.</p> <p>Some times, overdue statement generated by computer, does not show the unserved interest due for payment during moratorium, hence correct position of NPA cannot be assessed for such accounts on the basis of system generated overdue statement. Auditor should take care of this aspect while verifying the compliance of NPA norms.</p>
ii)	<p><i>a) Whether the branch has reported accounts restructured or rephased during the year to Controlling Authority of the bank?</i></p> <p><i>b) Whether the RBI Guidelines for restructuring on all such cases have been followed.</i></p> <p><i>c) Whether the branch complies with the regulatory stance for resolution of stressed assets, including the compliance with board approved policies in this regard, tracking/reporting of defaults for resolution purposes among others?</i></p>	<ul style="list-style-type: none"> • Review various guidelines of RBI and the Head Office with respect to restructuring including special packages of RBI for restructuring for Covid related stress. • Any deviations observed to be reported in LFAR. • Enquire whether there is any account in the branch that has exposure of 2000 cr and above in the entire banking system. Check for the stress and regularity of these accounts. • Ensure that branch is prompt in reporting under CRILC. Any delay in reporting should be viewed seriously and reported. • In case the account continues to be under SMA category for 180 days continuously, the same should be reported for stress resolution. Please report in case such accounts are not reported

iii)	<p><i>a) Whether the upgradations in non-performing advances is in line with the norms of Reserve Bank of India</i></p> <p><i>b) Where the auditor disagrees with upgradation of accounts? If yes, give reasons thereof.</i></p>	<ul style="list-style-type: none"> Review various guidelines of RBI with respect to upgradation of accounts. Ordinarily, until all overdues are recovered, upgradation is not permitted. Further in case of restructured accounts, the norms for upgradation are even stricter. Any deviations observed to be reported in LFAR 																											
iv)	<p>Have you come across cases where the relevant Controlling Authority of the bank has authorized legal action for recovery of advances or recalling of advances, but no such action was taken by the branch? If so, give details of such cases.</p>	<p>Auditor should ask for the list of cases from the management, where approval for legal action for recovery of advances has been obtained from controlling authority of bank. Auditor should verify these cases and comment where branch has not taken any legal action so far or taken with delay.</p>																											
v)	<p><i>Whether there are any accounts wherein process under IBC is mandated but not initiated by the branch?</i></p> <p><i>Whether there are any borrowers at the branch against whom the process of IBC is initiated by any of the creditors including bank? If yes, provide the list of such accounts and comment on the adequacy of provision made thereto?</i></p>	<ul style="list-style-type: none"> Obtain the list of accounts in which process under IBC is initiated. Obtain confirmation from the Branch about IBC initiated by creditors of the borrowers. Report if adequate provisions as required by RBI have been made. Report the list of accounts in the following format: <table border="1" data-bbox="783 1010 1549 1178"> <thead> <tr> <th>Sr. No.</th> <th>Name of the Borrower</th> <th>Account Number</th> <th>Sanction Limit</th> <th>Date of action under IBC</th> <th>Present Status</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Sr. No.	Name of the Borrower	Account Number	Sanction Limit	Date of action under IBC	Present Status																					
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vi)	<p>a) Have appropriate claims for credit guarantee (ECGC and others), if any, been duly lodged and settled?</p> <p><i>b) Give details of claims rejected? (As per the given table)</i></p> <p><i>c) Whether the rejection is appropriately considered while determining the provisioning requirements</i></p>	<table border="1" data-bbox="783 1211 1549 1653"> <thead> <tr> <th>Particulars</th> <th>Number</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Claim at the beginning of the year</td> <td> </td> <td> </td> </tr> <tr> <td>Further claim lodged during the year</td> <td> </td> <td> </td> </tr> <tr> <td>Total A</td> <td> </td> <td> </td> </tr> <tr> <td>Amounts representing</td> <td> </td> <td> </td> </tr> <tr> <td>(i) Claims accepted/ settled</td> <td> </td> <td> </td> </tr> <tr> <td>(ii) Claims rejected</td> <td> </td> <td> </td> </tr> <tr> <td>Total B</td> <td> </td> <td> </td> </tr> <tr> <td>Balance at the year end (A-B)</td> <td> </td> <td> </td> </tr> </tbody> </table>	Particulars	Number	Amount	Claim at the beginning of the year			Further claim lodged during the year			Total A			Amounts representing			(i) Claims accepted/ settled			(ii) Claims rejected			Total B			Balance at the year end (A-B)		
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vii)	<p>In respect of non-performing assets, has the branch obtained valuation reports from approved valuers for the immovables charged to the bank, once in three years, unless the circumstances warrant a shorter duration?</p>	<ul style="list-style-type: none"> Auditor should verify whether, in case of NPA accounts, branch has obtained approved valuer report for fixed assets charged to bank once in three years or shorter duration as prescribed by the bank. If there is any deviation same should be commented upon. <p>Auditor should also verify compliance of Notes given at the end of clause 5.3 of prudential norms master circular dated July 1, 2015 for stock audit and valuation of collaterals by external</p>																											

			agencies in case of NPAs with balance of Rs. 5 crore and above.
viii)	In the cases examined by you, has the branch complied with the Recovery Policy prescribed by the controlling authorities of the bank with respect to compromise/settlement and write-off cases? Details of the cases of compromise/settlement and write-off cases involving write-offs/waivers in excess of Rs. 50.00 lakhs may be given.		<p>Auditor should verify the cases of compromise/settlement and write off during the year. Auditor should verify that prescribed policy of the bank for compromise/settlement and write off is followed by the branch. Approval from designated authority has been obtained as per policy in all cases.</p> <p>Auditor should obtain the details of all cases of compromise/settlement and write off cases involving write off/waiver in excess of Rs. 50 lacs and submit along with report.</p>
ix)	<i>Is the branch prompt in ensuring execution of decrees obtained for recovery from the defaulting borrowers? Give Age-wise analysis of decrees obtained and pending execution.</i>		<ul style="list-style-type: none"> • Review the process followed by the branches for execution of decrees and comment if it is in line with the guidelines of the Head Office of the Bank. • Provide age-wise analysis of decrees obtained and pending execution.
x)	<i>Whether in the cases concluded the recoveries have been properly appropriated against the principal / interest as per the policy of the bank?</i>		<ul style="list-style-type: none"> • Obtain the recovery policy of the Bank and understand the process and priority of appropriation of recoveries. • In case of errors in appropriation, appropriate Memorandum of Changes need to be suggested.
xi)	<i>In cases where documents are held at centralized processing centers / office, whether the auditor has received the relevant documents as asked by them on test check basis and satisfied themselves. Report the exceptions, if any.</i>		For the advances examined as per threshold and other samples drawn by the auditor, relevant documents should be called for from the centralized processing centres / office, where applicable and report on deficiencies observed.
xii)	List the major deficiencies in credit review, monitoring and supervision.		<p>In the cases verified by auditor, if he comes across any major deficiencies in credit review, monitoring and supervision, he should comment. In case, he finds any deviation of RBI guidelines same should also be commented upon.</p> <p>Apart from circulars already mentioned some important RBI Master circulars dated July 1, 2015 are given below:</p> <ul style="list-style-type: none"> • RBI Master Circular- Loans and Advances-Statutory and Other Restrictions • Master Circular - Guarantees and Co-acceptances • Master Circular on Wilful Defaulters <p>Master Direction - Interest Rates on Advances dated March 3, 2016 (Updated on March 29, 2016)</p>

g) Non-Fund Based facilities							
i)	Sr. No.	Invocation Date	Party Name	Beneficiary Name	Amt	Recovery Date	<ul style="list-style-type: none"> Auditor should obtain a list of guarantees invoked and funded by branch but not adjusted and kept in separate account. All the details should be furnished in prescribed format. While reporting these cases in LFAR, auditor should also verify simultaneously that whether after considering above funds as part of principal operating account, the facility is becoming NPA, if yes, same should be reported in MOC also for income recognition, asset classification and provisioning. <p>For above issue, auditor can refer to clause 4.2.7 (ii) of the RBI Master circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances bearing no RBI/2015-16/101,DBOD.No.BP.BC. 2/21.04.048/2015-16 dated July 1, 2015</p>
	List of borrowers with details of LCs devolved or guarantees invoked during the year.						
ii)	Sr. No.	Invocation Date	Party Name	Beneficiary Name	Amt	Reason for payment	<p>Auditor should obtain relevant data from branch and furnish the details in the prescribed format.</p> <p>In case, branch informs that there is no such case, where guarantee is invoked but not paid, auditor should obtain a certificate from the branch that no guarantee is pending for payment which has been invoked up to 31.03.2021.</p>
	List of borrowers where the LCs have been devolved or guarantees have been invoked but not paid with amount thereof.						
iii)	<i>List of instances where interchangeability between fund based and non-fund-based facilities was allowed subsequent to devolvement of LC / invocation of BG.</i>						<ul style="list-style-type: none"> Auditor should obtain a list of LC/acceptances funded by branch and outstanding details should be furnished in prescribed format. Auditor should refer to clause 4.2.7 (ii) of RBI Master circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances dated July 1,2015 for considering the funding of LC as a part of principal operative account for income recognition, asset classification and provisioning. This issue has already been commented in detail under item- Guarantees Invoked, paid but not adjusted.

6.	Other Assets	-
a)	Suspense Accounts/Sundry Assets	
i)	Does the system of the bank ensure expeditious clearance of items debited to Suspense Account? Details of outstanding entries in excess of 90 days may be obtained from the branch and the reasons for delay in adjusting the entries may be ascertained. Does your scrutiny of the accounts under various sub-heads reveal balances, which in your opinion are not recoverable and would require a provision/write-off? If so, give details.	<p><u>Expeditious clearance</u> Verify the old outstanding entries pending for adjustment, auditor should obtain the reasons of delay in adjusting the entries. In case, auditor finds that procedure of clearance of items in suspense/sundry asset account is inadequate and entries are outstanding beyond prescribed time, comment accordingly. Review the steps taken for reversal of old entries.</p> <p><u>Instances of window dressing for expeditious clearance</u></p> <ul style="list-style-type: none"> • Traveling advance is being given to staff and taken back without executing any traveling frequently. In this case, advance will always remain with staff. • Old debit entries in one asset account are reversed by transferring the amount to other asset account with new date. Ultimately, entry will not be reversed, it will always remain outstanding in one account or another. <p>If auditor finds such cases, same should be reported.</p>
		<p><u>Old outstanding entries</u></p> <ul style="list-style-type: none"> • Auditor should obtain list of all old entries debited to suspense or any other sub head of asset account along with reasons of delay. Details should be given in prescribed format in LFAR. <p>In case, auditor feels that old entries are not recoverable and same require provision/write off, comment in report. He can recommend for MOC if required. Instances of sub heads are given below:</p>
		<ul style="list-style-type: none"> • Entries debited in asset account to avoid declaring the operating accounts as NPA - Debit entries received in inward clearing were debited in clearing difference account or other asset account as funds/limit/DP is not available in operating accounts, if same is debited in CC/SB/Current accounts, same will become NPA.

			<ul style="list-style-type: none"> • Debit due to ATM entries- In cases, customer of other branch (not connected with central server i.e CBS) has withdrawn the money from ATM at branch under audit. Amount is pending for realisation from other branch. • Old Clearing differences not recoverable and debited in asset accounts. • Fraudulent withdrawals debited to asset account pending for recovery. • Payments of Pensions pending for recovery from Government since long. • Drafts paid, but entry is pending for reversal for want of advice from branch issuing drafts.
	ii)	Does your test check indicate any unusual items in these accounts? If so, report their nature and the amounts involved. Are there any intangible items under this head e.g. losses not provided / pending investigation?	If auditor finds any unusual item same should be reported along with its nature and amount involved.
II LIABILITIES			
1. Deposits			
a)		Does the bank have a system of identification of dormant/ inoperative accounts and internal controls with regard to operations in such accounts? In the cases examined by you, have you come across instances where the guidelines laid down in this regard have not been followed? If yes, give details thereof.	<p>Auditor should ask for prescribed procedure with respect to conduct and operation in inoperative accounts in the bank.</p> <p>Generally in banks, operation in inoperative accounts is permitted after obtaining request letter duly signed by customer for activation along with reason for delay in operation in accounts. Signature of customer on letter should be verified by branch officials and approval from appropriate authority should be taken as prescribed. Auditor should verify entries in inoperative accounts on test check basis. If prescribed guidelines are not adhered to same should be commented.</p> <p><u>Refer to following circulars:</u> RBI/2008-2009/138 DBOD.No.Leg.BC.34/09.07.005/2008-2009 dated August 22, 2008 RBI/2016-2017/173 DBR.AML.BC.No.44 /14.01.001/ 2016-2017 December 6, 2016.</p>

b)	<p>After the balance sheet date and till the date of audit, whether there have been any unusual large movements (whether increase or decrease) in the aggregate deposits held at the year-end? If so, obtain the clarifications from the branch and give your comments thereon.</p>	<p>Compare the figures of deposits after balance sheet date on visit to branch with deposit figure as on balance sheet and find out any unusual variation in various heads of deposits accounts. Auditor should obtain clarification from the branch for unusual large movements of deposits and comment thereon.</p> <p><u>Other issues on Deposits</u> Verify that banks have a system of reckoning the effect of TDS on interest at the time credit/payment of Term deposits including upon renewal thereof</p>
c)	<p><i>Whether the scheme of automatic renewal of deposits applies to FCNR(B) deposits? Where such deposits have been renewed, report whether the branch has satisfied itself as to the 'non-resident status' of the depositor and whether the renewal is made as per the applicable regulatory guidelines and the original receipts / soft copy have been dispatched.</i></p>	<ul style="list-style-type: none"> • Check for bank policy for renewal of FCNR(B) accounts and system parameters for automatic renewal marked in FCNR(B) accounts. • Check the process of obtention of documents at the time of renewal of FCNR(B) accounts including verification of process of continuation of account holder in non-resident status. • Check the bank policy of printing and dispatch of original receipts and control over them. Test check sample cases to form an opinion about the efficacy of the process.
d)	<p><i>Is the branch complying with the regulations on minimum balance requirement and levy of charges on non-maintenance of minimum balance in individual savings accounts?</i></p>	<p>RBI specifically has mandated Certification for penalty levied by banks for non-maintenance of minimum balance (DBR, no. Leg, BC.21/09.07.006/2015/16 dated July 1, 2015)</p> <p>Although the general answer given at the branch is that the calculations are automated through system, it is expected that the auditor takes at least 5 samples and calculates whether the levy of these charges is fair and as per the policy.</p> <p>On a side note if there is debit balance in savings and current account then, RBI has issued a Master Circular on Customer Services in Banks, RBI/2015-16/59DBR No.Leg.BC.21/09.07.006/2015-16, dated July 1, 2015, consolidating the important instructions issued in the area of customer services, under which, Clause 5.4 states, "With effect from May 06, 2014, banks are not permitted to levy penal charges for non maintenance of minimum balance in any inoperative account and it should be ensure balance in a savings account does not turn negative (debit) solely on account of levy of non maintenance of minimum balance charges.</p>

2.	Other Liabilities - Bills Payable, Sundry Deposits, etc.			
a)	The number of items and the aggregate amount of old outstanding items pending for one years or more be obtained from the branch and reported under appropriate heads. Give details thereof.			Auditor should obtain the list of all old items pending for three years or more under the heads bills payable, sundry deposits etc and details of number of items along with amount should be submitted in report for all sub heads in the format provided by bank.
	<i>Yr</i>	<i>No. of items</i>	<i>Amt</i>	
b)	Does your test check indicate any unusual items or material withdrawals or debits in these accounts? If so, give details thereof.			Auditors should verify entries relating to material withdrawals or debits in these accounts. If any unusual transaction found same should be reported.
3.	Contingent Liabilities			
	List of major items of the contingent liabilities (other than constituent's liabilities such as guarantees, letter of credit, acceptances, endorsements, etc.) not acknowledged by the branch?			<p>Auditor should verify the branch records for contingent liabilities and find out if branch is having proper controls for recording all the contingent liabilities. Auditor should obtain following details from branch:</p> <ul style="list-style-type: none"> • List of all the cases filed against branch by any person in consumer court or any other court. • List of any litigation cases pending against branch for claims made by any government department. • List of any demand raised by any office, pending for payment. Eg- Payment of stamp duty on lease deed. Payment of any municipal committee dues etc.
				<p>At the time of audit, branch keeps ready list of contingent liabilities. Auditor should verify that all the contingent liabilities cases are included in that list and same are correctly valued.</p> <p>Auditor should obtain the representation from management that all contingent liabilities have been disclosed. In case of verification, if it appears to auditor that bank loss is clear, identified and not disputed, he should recommend for accounting of the liability for the same.</p>
III	PROFIT & LOSS ACCOUNT			
a)	Has the test checking of interest/discount/ commission/ fees etc. revealed excess/short credit of a material amount? If so, give details thereof.			<p>The question is self-explanatory. However, few insights with respect to taking percussions on certain aspects are:</p> <ul style="list-style-type: none"> • Auditor should verify whether branch is having system of finding out the discrepancies in interest/discount and timely adjustment for the

			<p>same are being done as per prescribed guidelines. If there is any deviation, auditor should comment.</p> <ul style="list-style-type: none"> • Verify revenue audit report/ concurrent audit reports/ internal audit reports - Ensure all errors reported in these reports relating to incomes (short/excess) have been corrected in accounts. If, corrections are pending, same should be commented and MOC should be recommended if required.
			<p>Auditor can apply following test checks to find out material discrepancies in computation of interest/discount income:</p> <ul style="list-style-type: none"> • Take computer print of some loan accounts from all segments of Advances and verify interest has been debited monthly/quarterly/half yearly as applicable without fail on all accounts by computer. Ensure, in no case, interest is skipped by system due to technical error. • In sample cases, verify the master data with regard to rate of interest and ensure same is correctly updated as per documents. Further, also verify the calculation of interest to ensure that computer is calculating the interest correctly. • In case of discount income, verify the computer master data and ensure that charges schedule has been correctly updated in master data as per circulars.
			<ul style="list-style-type: none"> • Verify on test check basis, in case of cash credit limit/OD accounts, whether DP is being correctly and regularly updated in computer on monthly basis as per DP register to ensure correct calculation of penal interest. • Verify on test check basis, interest on loan against FDR has been modified according to change in rate of FDR in case of maturity or renewal of FDR.
b)		Has the branch complied with the Income Recognition norms prescribed by R.B.I.? (The Auditor may refer to the instructions of the controlling authorities of the bank regarding charging of interest on non-performing assets).	<ul style="list-style-type: none"> • Auditor should refer to Master circular- Prudential norms on Income recognition issued by RBI and bank guidelines for income recognition. Auditor should also refer to instruction issued by the respective bank on charging and recognition of interest on NPA accounts. • In case, above guidelines have not been complied with by the branch, same should be commented by auditor in report. In case MOC is required same should be recommended.
c)		Has the test check of interest on deposits revealed any excess/short debit of material amount? If so, give details thereof.	<ul style="list-style-type: none"> • Auditor should verify whether branch is having system of finding out the discrepancies in interest on deposits and timely adjustment for the same are being done as per prescribed guidelines. If there is any deviation, auditor should comment.

			<ul style="list-style-type: none"> • Verify revenue audit report/ concurrent audit reports/ internal audit reports -- Ensure all errors reported in these reports relating to interest on deposits (excess/short debit) have been corrected in accounts. If corrections are pending same should be commented and MOC should be recommended if required.
d)		Does the bank have a system of estimating and providing interest accrued on overdue/matured/ unpaid/ unclaimed term deposits including in respect of deceased depositors?	<ul style="list-style-type: none"> • Verify the bank accounting policy in this regard. In case, this activity is to be done at HO, comment accordingly. • In case, interest on overdue deposits is being accounted for at branch, verify the basis of making provision of interest on overdue/matured deposits. It should be as per bank prescribed policy. <p>As per RBI Master Direction DBR. Dir. No.84/13.03.00/2015-16 dated March 03, 2016(Updated on Feb 22, 2019) on Interest Rate on Deposits, If a Fixed Deposit Receipt matures and proceeds are unpaid, the amount left unclaimed with the bank will attract savings bank rate of interest. Auditors can refer this circular and ask for the bank guidelines in this regard.</p>
e)		Are there any divergent trends in major items of income and expenditure, in comparison with corresponding previous year, which are not satisfactorily explained by the branch? If so, the same may be reported.	<ul style="list-style-type: none"> • Auditor should do comparative study of all major income and expenditure accounts figures with the previous year figures. • Auditor should co-relate total interest paid to average deposits figures and total interest income to average loans figures. • After applying above test checks if any major divergent trend in figures is observed, auditor should obtain appropriate justification from branch explaining the divergent trends and same should be commented in report. • In case, branch does not provide the justification for major divergent trends or auditor is not satisfied with the justification given by the branch, same should be commented and auditors should give his justification also for divergent trend.
IV		GENERAL	
1.		<i>GOLD/ BULLION / SECURITY ITEMS</i>	
a)		<i>Does the system ensure that gold/bullion is in effective joint custody of two or more officials, as per the instructions of the controlling authorities of the bank?</i>	The auditor needs to take the details of the name and designation of the people who have joint custody of the same. The same needs to be verified as per the system laid down and the exceptions if any should be reported.

b)	<i>Does the branch maintain adequate records for receipt, issues and balances of gold/bullion and updated regularly? Does the periodic verification reveal any excess/shortage of stocks as compared to book records and if any discrepancies observed have been promptly reported to controlling authorities of the bank?</i>	<p>The records maintained in this regard should be verified by the auditors.</p> <p>The details of discrepancies noticed and the reporting to the controlling authorities should be taken and delays if any should be reported.</p>
c)	<i>Does the system of the Bank ensure adequate internal control over issue and custody of security items (Term Deposit Receipts, Drafts, Pay Orders, Cheque Books, Traveler's Cheques, Gift Cheques, etc.)? Whether the system is being followed by the branch? Have you come across cases of missing/lost items?</i>	<ul style="list-style-type: none"> • The Head Office instructions should be reviewed for existence of internal control. • Carry out the physical verification of security items including stamps. • Review whether lost security items have been promptly reported to Controlling Authority. • Review the accounting treatment of Stationery items in financials. • Different banks follow different policies w.r.t. valuation and accounting of Stationery and stamps. • Comment on the usage of security items during the year and the stock of such items vis a vis usage. • Report lacunas observed in the system at the branch as this is a fraud prone area.
2.	Books and Records	
a)	<i>Whether there are any software / systems (manual or otherwise) used at the branch which are not integrated with the CBS? If yes, give details thereof.</i>	<p>Auditor should scrutinize the manual books maintained at branch and observe:</p> <ul style="list-style-type: none"> • Whether manual records have been inked and authenticated. • Books should be written in legible manner. <p>Overwriting and cutting should have been properly authenticated.</p>
b)	i) <i>In case the branch has been subjected to IS Audit whether there are any adverse features reported and have a direct or indirect bearing on the branch accounts and are pending compliance? If yes give details.</i>	<ul style="list-style-type: none"> • The branch auditor should seek a confirmation from Branch Management for IS Audit carried out at branch. If any IS Audit is carried out at branch, the Branch Auditor should seek the copy of the report. • The issues reported by IS Auditor should be reviewed from two important aspects viz. i) Impact of Issue identified on Branch Books and ii) Compliance status of the issue. All the pending items with status of the same should be reported. • Necessary explanations (wherever required) should be obtained on issues reported by IS Auditor.
	ii) <i>Whether branch is generating, and verifying exception reports at the periodicity as prescribed by the bank</i>	<ul style="list-style-type: none"> • Each bank has a system of generation of various exception reports at the prescribed intervals. The Branch Auditor should obtain list of exception reports prescribed by bank along with its periodicity for review. • The auditor on sample basis should verify whether the branch has followed the instructions issued by Bank w.r.t. generation and verification of exception reports.

			<ul style="list-style-type: none"> • The exception reports contain various type of transaction. Review of such transaction on sample basis will aid auditor in ascertaining the nature of transactions and risk involved.
	iii)	<i>Whether the system of bank warrants expeditious compliance of daily exception reports and whether there are any major observations pending such compliance at the year end.</i>	<ul style="list-style-type: none"> • The branch auditor should review whether exception reports which are required to be generated, reviewed and commented upon on daily basis have been complied with. • Are there any issues which have not been complied / marked as pending compliance? If so, the status of the same should be obtained. • All the critical items should be reported with status of the same.
	iv)	<i>Whether the bank has laid down procedures for manual intervention to system generated data and proper authentication of the related transactions arising there from along with proper audit trail of manual intervention has been obtained.</i>	<ul style="list-style-type: none"> • The branch auditor should obtain instructions issued by bank for process to be followed when system generated data is manually altered. • In case such instructions have not been issued, the same should be commented upon. • Moreover, the auditor should also review the cases wherein the system data, report, reporting, etc. have been manually altered. However, identification of such case is a complex process. • The branch auditor should identify the reporting requirement and should review the system on sample basis to ascertain the authenticity of data. • There have been instances of manual updation of Interest Rate / refund of excess interest by debiting revenue / expenditure account. Such transaction should also be reviewed from manual intervention perspective.
	v)	<i>Furnish your comments on data integrity (including data entry, checking correctness/integrity of data, no back ended strategies etc.) which is used for MIS at HO / CO level.</i>	Data integrity aspect is generally handled at Data Administration level i.e. at Head Office / Corporate Office. Branches do not have any role to play in this aspect. However, the data entry being done at branch level which is used for MIS at HO / CO level needs to be reviewed at branch level. Auditor should carry out test check to verify that the data being entered at branch level is done properly and there is proper maker checker principle for verification of the same.
3.		Inter-Branch Accounts	
		Does the branch expeditiously comply with/respond to the communications from the designated cell/Head Office as regards unmatched transactions? <i>As at the year-end are there any un-responded/un-complied queries or communications beyond 7 days? If so, give details?</i>	Auditor should ask for the correspondence file with designated cell / Head office for unmatched transactions. If there is any unresponded/ uncomplied queries or communication, same should be commented along with details of transactions.

4.	Frauds	
i)	<p><i>Furnish particulars of:</i></p> <p><i>Frauds detected/classified but confirmation of reporting to RBI not available on record at branch.</i></p>	<p>Auditor should go through records/registers maintained at branch for frauds discovered during the year under audit to know the nature of frauds.</p> <p>Auditor should also obtain list of frauds duly signed by branch manager, which were discovered during the year under audit and give suggestions to minimise the possibilities of their occurrence.</p> <p>For frauds, Auditors can refer - RBI Master Directions on Fraud DBS.CO.CFMC.BC.No.1/ 23.04.001/2016-17 dated July 01, 2016 (updated as on July 03, 2017) for classification and reporting on fraud.</p> <p>RBI/2014-15/294 DBS.CFMC.BC.No. 006 /23.04.001/2014-15 November 5, 2014, Cheque related fraud cases - preventive measures.</p>
ii)	<p><i>Whether any suspected or likely fraud cases are reported by branch to higher office during the year? If yes, provide the details thereof related to status of investigation.</i></p>	<p>Auditor should Check whether there are any suspected or likely fraud cases reported by branch to higher office during the year. Provide the details of the same.</p>
iii)	<p><i>In respect of fraud, based on your overall observation, please provide your comments on the potential risk areas which might lead to perpetuation of fraud (e.g. falsification of accounts/false representation by the borrower; misappropriation of funds especially through related party/ shell company transactions; forgery and fabrication of financial documents like invoices, debtor lists, stock statements, trade credit documents, shipping bills, work orders and encumbrance certificates and avail credit; Use of current accounts outside consortium where Trust and Retention Account (TRA) is maintained, to divert funds; List of Debtors/ Creditors were being fabricated and receivables were not followed up/ write off of debt of related parties; Fake export/shipping bill, etc.; Over statement of invoice amounts, stock statements, shipping bills, turnover; fly by night operations - including the cases where vendors, related/ associate parties, manufacturing units etc. aren't available on the registered addresses; Round Tripping of funds, etc.)</i></p>	<p>Relevant circulars</p> <ol style="list-style-type: none"> 1. RBI Master Circular No. RBI/2015-16/100 DBR.No.CID.BC.22/20.16.003/ 2015-16 dated July 01, 2015 on "Wilful Defaulters". 2. RBI Master Direction no. RBI/DBS 2016-17/28 DBS.CO.CFMC. BC.No.1/23.04.001/2016-17 dated July 01, 2016 (Updated as on July 03, 2017) on Fraud – Classification and Reporting by commercial banks and selected FIs.

	<p>iv) <i>Whether the system of Early Warning Framework is working effectively and, as required, the early warning signals form the basis for classifying an account as RFA</i></p>	<p>Deficiency in implementation of the Early Warning Signals (EWS) and Red Flagging of Accounts (RFA) Mechanism by banks</p> <ul style="list-style-type: none"> • Banks have not adopted any or all of the indicative list of EWS provided by RBI. • Non-integration of the mechanism into banks' credit monitoring software. • Not concluding investigation after RFA within the stipulated 6 month timeline. • Inconclusive forensic audits due to non-cooperation by the borrowers. <p>Few important Early Warning Signals:</p> <ul style="list-style-type: none"> • Critical issues highlighted in the stock audit report • Poor disclosure of materially adverse information • Frequent change in the scope of the project • Liabilities appearing in ROC search report, not in annual report. • Not routing sales through consortium member bank • LCs issued for related parties without underlying trade transaction. • Raid by Income tax /sales tax/central excise duty officials • Significant reduction in the stake of promoters or pledging of shares.
5.	<p><i>Implementation of KYCAML guidelines</i></p>	
	<p><i>Whether the branch has adequate systems and processes, as required, to ensure adherence to KYC/AML guidelines towards prevention of money laundering and terrorist financing</i></p>	<p>RBI has issued Master Circular on Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards/Combating Financing of Terrorism (CFT)/Obligation of banks and financial institutions under PMLA, 2002 Master Circular DBOD.AML.BC.No.22/14.01.001/14-15 dated July 01, 2014</p> <p>As mentioned in paragraph 3.3.1(i) of this Master Circular, banks/FIs are required to pay special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. It is further clarified that the background including all documents/office records/memorandums pertaining to such transactions and purpose thereof should, as far as possible, be examined and the findings at branch as well as Principal Officer level should be properly recorded. Such records and related documents should be made available to help auditors to scrutinize the transactions and also to Reserve Bank/other relevant authorities. These records are required to be preserved for five years as is required under PMLA, 2002.</p>
	<p><i>Whether the branch followed the KYC/AML guidelines based on the test check carried out by the branch auditors</i></p>	<p>As regards KYC, SBA may go through and rely on the concurrent audit reports. However, it needs to ensure that the concurrent audit has sufficient coverage with regard to this aspect. Auditor is also suggested to ask for CTR/STR reports of</p>

			the branch. This will provide sufficient insight into the adherence to AML and other suspicious monetary activity of any of the account in the branch.
6.		Management Information System	
a)		<i>Whether the branch has the proper systems and procedures to ensure data integrity relating to all data inputs which are to be used for MIS at corporate office level and for supervisory reporting purposes. Have you come across any instances where data integrity was compromised?</i>	<p>As such these aspects are controlled centrally. However, the only place where data integrity at the branch would affect is nonadherence to Password Protection policy. Further any transaction process where the maker checker principle is missing, such observations must be highlighted as these practices are highly susceptible to misstatement or fraud. It is suggested that the SBA obtains the copy of IS audit report to get comfort on this issue.</p> <ul style="list-style-type: none"> • Data integrity may be compromised through: Human error, whether malicious or unintentional. Transfer errors, including unintended alterations or data compromise during transfer from one device to another. Bugs, viruses/malware, hacking, and other cyber threats. • If Manual records of certain information is maintained in banks then there is a possibility of alteration of data. • Authority and accessibility should be fixed and in case of any breach the same should be reported. • Functioning Backup of data shall be ensured at all times
7.		Miscellaneous	
a)		<i>In framing your audit report/LFAR, have you considered the major adverse comments arising out of the latest reports such as: i) Previous year's Branch Audit Report / LFAR; ii) Internal audit/ Snap Audit/ concurrent audit report(s); iii) Credit Audit Report; iv) Stock audit Report; v) RBI Inspection Report, if such inspection took place; vi) Income and Expenditure (Revenue) Audit; vii) IS/IT/Computer/Systems Audit; and viii) Any special inspection / investigation report?</i>	<p>The Branch Auditor should review various audit reports of audits carried out by internal audit department or other departments of the Bank and any other external authorities. The adverse comments in these reports should be considered while conducting branch audit.</p> <p>Also, auditor should verify status of the open observations in these reports and report the same in LFAR in respective paras as open observations from other audit reports. The auditor shall comment how he/she has considered observations / adverse comment while conducting audit in this para.</p>
b)		Are there any other matters, which you, as branch auditor, would like to bring to the notice of the management or the Statutory Central Auditors?	<p>In case auditors want to bring any major issue to the notice of the management or Central Statutory Auditors. Same can be commented.</p> <p>Example- TDS on interest is not being correctly deducted in computers</p>

			Any other major lapse in system or any observation not covered in LFAR specifically, auditor should report in this clause.
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Additional Questionnaire Applicable to Specialised Branches			
A		For Branches dealing in Foreign Exchange Transactions	
1.		Are there any material adverse features pointed out in the reports of concurrent auditors, internal auditors and/ or the Reserve Bank of India's inspection report which continue to persist in relation to NRE/ NRO/ FCNR-B/ EEFC/ RFC and other similar deposits accounts. If so, furnish the particulars of such adverse features.	Auditor should go through concurrent auditors, internal auditors and/or the Reserve Bank of India's inspection reports and furnish adverse features with respect to NRE/NRO/NRNR/FCNR-B/EEFC/RFC and other similar deposits accounts mentioned in these reports which are pending for resolution and still persist.
2.		Whether the branch has followed the instructions and guidelines of the controlling authorities of the bank with regard to the following in relation to the foreign exchange and, if not, state the irregularities.	Auditors should obtain the instruction and guidelines of the controlling authorities in relation to foreign exchange and verify whether same are being followed. If any deviation found same should be reported with details. Instances are given below:
		a) Deposits	<ul style="list-style-type: none"> • FCRA compliances - Credit in FCRA A/c are from permissible sources only as advised by Ministry of Home Affairs. Letter of MHA is available. • FCRA returns are being submitted. • Whether adequate record of credit to NRE account is being maintained at branch, i.e no amounts have been credited to NRE account from non permissible sources.
		b) Advances	<p>Verify, loans against NRE FDR have not been opened with NRE status, otherwise cheque book bearing word "NRE" will be issued for overdraft accounts against NRE FDR and loan amount will be repatriated which is not permissible. Such loan accounts should be opened only in NRO status.</p> <p>Verify, proceeds of any demand loan against NRE FDR should not be credited to NRE SB account. Loan proceeds should only be credited to NRO account.</p>
		c) Export Bills	Comments on long outstanding overdue bills for collection. Comment in case, any export bill is written off whether prescribed procedure is followed by branch.
		d) Bills for collection	Any observation on process lapse in bills for collections should be given.
		e) Dealing room operations (Where a branch has one)	Generally applicable to extra large branches or corporate office. Any deviation found in dealing room operation same should be commented.
		f) Any other area	<u>Instances are</u>

			<p><u>Documents for remittances</u></p> <ul style="list-style-type: none"> Branch is obtaining documents for remittances relating to imports, remittances other than import and other trade transactions as prescribed Compliance of Schedule-III of FEMA requirements <p><u>Submission of trade/forex returns to RBI</u> Obtention of A1- A2 certification from concurrent auditors.</p>
3		NOSTRO Accounts	
		Obtain from the branch management, a list of all NOSTRO Accounts maintained/ operated by the branch.	Auditor should obtain a list of NOSTRO account from the branch.
	a)	Whether the bank has a system of periodic confirmation/ reconciliation of the balances in NOSTRO accounts maintained with each overseas bank/ correspondent? Has such confirmation been received and account reconciled at year end in each case. If not, give details.	<p>Verify whether balance confirmations have been obtained from all overseas branches/correspondents. Details of accounts where confirmations are not received should be given.</p> <p>Verify the reconciliation prepared by branch. If account is not reconciled report the same. Verify particularly debit entries pending for reversal in reconciliation. Effect of non reversal or delay in reversal of unreconciled entries are given below:</p> <ul style="list-style-type: none"> If any debit entry is pending for reconciliation and not debited to loan account on time, bank will loose interest for delayed period. There is possibility that in loan accounts DP/funds are not available at the time of payment and if entry would have been debited on due date it might have made the account overdue, due to which account may turn to NPA. <p>There are chances of unauthorised payments from NOSTRO accounts.</p>
	b)	Whether the system of the bank ensures that all entries originated by overseas banks/correspondents, have been duly responded promptly in the respective NOSTRO accounts maintained by the bank?	Auditor should obtain a list of NOSTRO account from the branch.
	c)	<i>Are there any dormant/closed NOSTRO accounts in respect of which balances continue to exist in the books of the branch, at year end?</i>	Verify, whether account is being regularly operated if not give the list of NOSTRO accounts with balances and since when same are not being operated.
	d)	<i>Have the NOSTRO balances been converted at year end at the rates of exchange as prescribed by controlling authorities?</i>	Auditor should check whether the NOSTRO balances been converted at year end at the rates of exchange as prescribed by controlling authorities.

	e)	<i>In case, any matter deserves special attention of the management, the same may be reported</i>	check whether the matters that deserves special attention of the management are reported.
4.		Does the branch follow the prescribed procedures in relation to maintenance of Vostro Accounts?	Balance confirmation obtained and reconciled.
B		For branches dealing in Clearing House Operations, normally referred to as Service Branches	
1.		Does the branch have a system of periodic review of the outstanding entries in clearing adjustments accounts? In your view has the system generally been complied with?	<ul style="list-style-type: none"> • Verify, branch has system of periodic review of outstanding entries. Find out branch is doing follow up for old entries. • On test check basis, verify if the prescribed system of review and follow up is being adhered to.
2.		Whether review of the clearing adjustments accounts (inwards/ outwards) reveals any old/ large/ unusual outstanding entries, which remain unexplained? Give year-wise break-up of outstanding in number and value.	On review of clearing adjustment account (Inward/outward clearing) give the breakup of old entries with number of entries and value outstanding since long.
3.		Has the branch strictly followed the guidelines of the controlling authority of the bank with respect to operations related to clearing transactions? Comment on the systems and procedures followed by the branch in this regard.	Auditor should verify, whether branch follows the guidelines of the controlling authority of bank with regard to operations relating to clearing transactions. In case, same has not been followed, auditor should report the deviation. In such case, auditor should also comment the systems and procedure being followed by the branch.
C		For branches dealing in recovery of Non-Performing Assets such as Asset Recovery Branches	
1.		In respect of borrowers with outstanding <i>of Rs. 10.00 Crores and above</i> the information should be obtained from the Branch Management. Comments of the Branch Auditor on advances with significant adverse features and which might need the attention of the management / Statutory Central Auditors should be appended to the LFAR.	<ul style="list-style-type: none"> • Auditor should obtain the details of such advances in prescribed format from Branch Manager duly signed by BM. • Give details of any adverse features like, non operative for quiet a long time, renewed without adequate appraisal or disbursement without any appropriate approval. Any other issue which auditor feels is adverse and requires attention of CSA/Management should be commented.
2.		List the accounts with outstanding in <i>excess of Rs. 10.00 Crores</i> , which have been upgraded from Non-Performing to Standard during the year and the reasons thereof.	Obtain the list of cases, where accounts have been upgraded from NPA to standard and give brief details and reason of reclassification.

Sr. No.	Name of the Unit / Account	Outstanding [Rs. in crore]	IRAC Status as on 31st March [Last Year]	IRAC Status as on 31st March [Current Year]	Reason/s
1					
2					
3					
3.		Whether the branch has a system of updating periodically, the information relating to the valuation of security charged to the bank?		Auditor should verify and comment, whether there is system of periodical obtainment and updation of valuation of security charged to bank. Whether information so obtained have been updated in records.	
4.		Age-wise analysis of the recovery suits filed and pending may be furnished, for the last three years along with latest status thereof.		Age wise details of recovery, suit filed cases and pending cases should be furnished along with outstanding amounts and status of suit.	
	Years	No. Of accounts	Amount (Rs. In crores)		
	Upto March 2018				
	2018-19				
	2019-20				
	2020-21				
5.		Is the branch prompt in ensuring execution of decrees obtained for recovery from the defaulting borrowers? Also list the time barred decrees, if any, and reasons thereof. Give age-wise analysis of decrees obtained and not executed.		Ensure in cases decree obtained, branches is prompt in execution for the decree. If not, same should be reported. List of cases, where decree is time barred same should be reported with reasons.	
6.		List the recoveries and their appropriation against the interest and the principal and the accounts settled / written off / closed during the year as per the bank's policy. Give particulars of recoveries which are pending for appropriation as on year-end with reasons thereof.		<ul style="list-style-type: none"> • Attach the list of all recoveries in NPA accounts for interest and principal. • List of accounts settled/closed should be provided. <p>Further in cases of recoveries, verify that accounting of revenue recognition has been done as per RBI guidelines and normal accounting principles consistently followed by bank.</p>	

Date of Sanction	Nature of facilities	Limit (Rs. In crore)	Prime Security	Collateral Security	Margin %	Balance outstanding at the year-end	
						Current Year	Previous Year

7.		<p>List the new borrower accounts transferred to the branch during the year. Have all the relevant documents and records relating to these borrower accounts been transferred to the branch? Has the branch obtained confirmation that all the accounts of the borrower [including non-fund-based exposures and deposits pending adjustment / margin deposits] been transferred to the branch?</p>	<ul style="list-style-type: none"> • List of new accounts transferred to branch to be attached. • Ensure all documents relating to these accounts obtained from transferor branch. • Branch should obtain confirmation that all accounts of borrower transferred to branch. <p>Any adverse features have been observed on transfer of cases same should be reported.</p>
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Signature of the Branch Auditor

Annex III – Long Form Audit Report (LFAR) for Large / Irregular / Critical Advance Accounts

(To be obtained by the Branch Auditors from branches dealing in large advances/asset recovery branches)

Sr. No.	Items / Particulars	Details
1.	Name of the Borrower	
2.	Address	
3.	Nature of business/activity	
4.	Total exposure of the branch to the borrower	
	(a) Fund Based (Rs. in crore)	
	(b) Non-Fund Based (Rs. in crore)	
5.	Name of Proprietor / Partners / Directors (As Applicable)	
6.	Name of the Chief Executive, if any	
7.	Asset Classification by the branch	
	(a) as on the date of current audit	
	(b) as on the date of previous Balance Sheet	
8.	Asset Classification by the branch auditor	
	(a) as on the date of current audit	
	(b) as on the date of previous Balance Sheet	
9.	Are there any adverse features pointed out in relation to asset classification by RBI inspection or any other audit	
10.	Date on which the asset was first classified as NPA (where applicable)	
11.	Facilities sanctioned	

Sr. No.	Items / Particulars	Details
12.	Whether the facility is a consortium facility or a facility made on multiple bank basis	
13.	If Consortium-	
	(a) names of participating banks with their respective shares	
	(b) name of the Lead Bank in Consortium	
14.	If on multiple banking basis, names of other banks	
15.	Has the branch classified the facility under the Credit Rating norms in accordance with the guidelines of the controlling authorities of the bank	
16.	(a) Details of verification of primary security and evidence thereof	
	(b) Details of valuation and evidence thereof	

Date of Verification	Nature of Security	Value	Valuation done by
Insured for Rs. _____ (expiring on ____)			

Sr. No.	Items / Particulars	Details
17.	(a) Details of verification of collateral security and evidence thereof	
	(b) Details of valuation and evidence thereof	
18.	Give details of the Guarantee in respect of the facility	
	(a) Central Government Guarantee	
	(b) State Government Guarantee	
	(c) Bank Guarantee or Financial Institution Guarantee	
	(d) Corporate / Personal / Other Guarantee	
	Provide the date, validity and value of the above Guarantees.	
19.	Compliance with the terms and conditions of the sanction	

Terms and Conditions		Compliance
(i)	Primary Security	
	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	
(ii)	Collateral Security	
	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	
(iii)	Guarantees - Existence and execution of valid Guarantees.	
(iv)	Asset coverage to the branch based upon the arrangement (i.e., consortium or multiple bank basis)	

(v)	Others	
	(a)	Submission of Stock Statements / Quarterly Information Statements and other Information Statements
	(b)	Last inspection of the unit by the branch officials: Give the date and details of errors/omissions noticed
	(c)	In case of consortium advances, whether copies of documents executed by the company favouring the consortium are available
	(d)	Any other area of non-compliance with the terms and conditions of sanction

20.	Key financial indicators of the borrower for the last two years and projections for the current year	
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Indicators	Audited Year ended 31st March _____	Audited Year ended 31st March _____	Projections for Current Year
Turnover			
Increase in turnover % over previous year			
Profit before depreciation, interest and tax			
Less: Interest			
Net Cash Profit before tax			
Less: Depreciation			
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 Share?			
(a) High (b) Low (c) Closing			
Earnings Per Share			
Whether the accounts were audited? If yes, up to what date; and are there any audit qualifications			

21.	Observations on the operations in the account	
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Sr. No.	Particulars	Excess over drawing power	Excess over limit
1.	No of occasions on which the balance exceeded the drawing power/sanctioned limit (give details)		
	Reasons for excess drawings, if any		
	Whether excess drawing were reported to the Controlling Authority and approved		
		Debit Summation (Rs. in crore)	Credit Summation (Rs. in crore)
2.	Total summation in the account during the year Less : Interest Balance		

Sr. No.	Items / Particulars	Details
22.	Adverse observations in other audit reports / Inspection Reports / Concurrent Auditor's Report / Stock Audit Report / Special Audit Report or RBI inspection with regard to:	
	(a) Documentation	
	(b) Operations	
	(c) Security/Guarantee	
	(d) Others	
23.	Branch Manager's overview of the account and its operations	
24.	(a) In case the borrower has been identified / classified as NPA during the year, whether any unrealized income including income accrued in the previous year has been accounted as income, contrary to the income recognition norms.	
	(b) Whether any action has been initiated towards recovery in respect of accounts identified / classified as NPA.	

Date, Signature and Seal of Branch In-Charge