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CA Final

Bank branch audit Tips

1. **Get the advances list (cash credit and term loan) from the branch (in soft copy)**
2. **Sort the data and select the sample based on following manner**
    a. Cash credit advances to be sort on irregularities column (descending order)
    b. Term loan to be sort on outstanding balance (descending order)
    c. Mark the advances to be check as per requirement.
3. **Following are the manner to check cash credit/ overdraft and Term Advances**
    a. **Document to be check**
        i. **Approved Sanction letter contain**
            1. Sanction limit
            2. Drawing power (not applicable for term loan)
            3. Primary securities
            4. Collateral securities
            5. Guarantors details if applicable
            6. Lien mark if any
        ii. **Legal documents**
            1. Hypothecation deed
            2. Mortgage deed
            3. Sales deed
            4. Title verification
            5. Nil encumbrance
            6. Insurance (of stocks or property purchase)
        iii. **Any other document such as**
            1. Profit and loss account And Balance sheet
            2. Income tax return file
            3. Audit report.
    b. If the drawing power is based on the stock statement then the effective drawing power will be calculated as following manner

        Stocks (80%)+debtor (60%) –creditors.

        The standard margin will be 20% of stocks and 40% of debtors or as per sanction letter.

        The drawing power will be less then or up to sanction letter.

    c. **Primary securities** :- if the stocks is primary securities then check whether latest stock statement is available as per specified in sanction letter. And compare the value of stocks with insurance value.
        i. If the sanction limit is more the 10lacs then check whether the bank has collected Plbs and audited report from the client.
    d. Check the validity of insurance.
    e. Check bank verification of stocks(as per term mention in the sanction letter).

f. **Collateral securities**:- The property which is mention as collateral securities to be check by following way
   i. Compare the details of property mention on sanction letter with Mortgage deed (must be same).
   ii. Compare the details of property mention on Mortgage deed with sale deed (must be same).
   iii. Check whether the charge of bank has been mention on 7/12 issued by local Authorities.
   iv. Check the title verification certificate.
   v. Check the valuation certificate of property. (Should not be older then 3 years).
   vi. Check bank verification (inspection) of the property.

g. **Guarantors sureties**:- verify the guarantor net worth mention in sanction letter with guarantor net worth bank verification document.

4. **Operation of accounts** :- check the transaction in the banking software is satisfactory.
   a. If the transaction is not satisfactory then it is the possibility that account is Non Performing Assets (NPA)
      i. If the one account of customer is NPA then make sure that all account of that customer must be (NPA).
      ii. If the account is NPA than verify that no interest is credited.
   b. if the lien is mention in sanction letter then check
      i. If the lien is Fixed deposits (FD) verify it is hold. Verify that hold value covers the principle value and the interest.
         Bank margin on FD is 10% of the value.
      ii. If the lien is insurance policy then check
         1. Policy documents with bank
         2. Bank has collected the surrender value certificate from the insurance company.
         3. Bank has collected the assertion certificate from the insurance company.
         4. Verify the loan condition given on the policy documents.

5. **If Loan is taken for purchase of assets (flat, machinery, vehicle)**
   a. Check whether original invoice is collected by bank.
   b. If the flat is purchased the sale deed is available and verify hypothecation done on the same flat.
   c. If the vehicle is purchased the proper sign forms are collected. Verify on RC book that bank hypothecation charged is mentioned.
   d. Check Bank inspection report.
   e. Check Insurance policy of the assets.