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BANK BRANCH AUDIT PROGRAM FOR THE YEAR ENDED MARCH 31, 2015

NAME OF THE BANK			
NAME OF THE BANK BRANCH			
REGION / ZONE in which the Branch is located			
DP CODE		**BSCA No.**	
Date of Commencement		**Target Date of Completion**	
Audit Team Incharge			

Audit Team (Names)	**Man Days Put In (Dates)**	**Signatures**

BRANCH MANAGER- Name, Contact Details	
OTHERS- Name, Contact Details	
Sanction Limit of Authorised Person in Branch (BM / SBM)	
Advances as on 31st March, 2015	
NPA as on 31st March, 2015	
Deposits as on 31st March, 2015	
Letter of requirements to the Branch whether given?	
Letter for NOC to previous auditors whether sent?	

Meeting and discussion with the bank branch management and understanding the profile of the bank and its business	
Review of Previous Year's Audit Report / LFAR, Current period's Concurrent Audit \ Revenue Audit Reports RBI Inspection Report(s), Information System Audit Reports Compliance by the branch to above and other Special Review Reports	

AREAS TO BE COVERED \ CHECKINGS TO BE DONE	**CHECKING PERSON**	**REMARKS**
PHYSICAL VERIFICATIONS Cash, ATM Cash, Security Papers, Valuable Securities, Investments, Fixed Assets (additions / deletions/ transfers) Dual custody of Cash Record Of Periodical Physical Verification of Cash Shortage of Cash if any, appearing in Trial Balance **Loss / Theft of DDs\ Security Papers, if any, reported to the resp. authorities**		
DEPOSITS ▪ Overdue \ Matured Time Deposits to be shown in Demand Deposits ▪ Interest Provisions, A/c Opening Forms, KYC Norms Compliances ▪ TDS compliances on Interest Paid ▪ Test checking of Interest Credit on Deposits \ Overdue FDs		
POSSIBLE FRAUDS IN ADVANCES • Sanction without proper application / credit appraisal • Sanction beyond Discretionary Power, Non-Reporting of the same • Unauthorised release of Securities • Incorrect Security Valuation (esp. in NPA accounts for Immovable Properties, Vehicles, Stocks, Patents etc.) • Charging of the same security to loans from different Banks, • Diversion of funds • Fake Transport Documents / Godown Receipts • Discounting of Accomodation Bills / Issuance / LC		

ADVANCES

- Review of all Large Advances (Lower of 5% or Rs. 2 Crores)
- All the Multiple facilities of a Single Borrower to be verified
- **NPA Classification-** (principal overdue for > 90 days, interest not serviced with in 90 days from the end of the quarter, outstanding balance continously in excess of Sanctioned Limit / DP, where balance within limits- no credits continuously for 90 days or Credit during this period is insufficient to cover interest debited, **Agri. Adv**.: Short Term Crops- Overdue for 2 harvest seasons, Long Term Crops- Overdue for 1 harvest season, **Stock / Receivable Stat.** Older than 3 months, Non Renewal of Limit for 181 days, Credit Card- Min. due amt. not paid within 120 days, Project (Infrastructure) Loans: NPA, if Comml. Prod. not started with in 2 Yrs. from the Specified Date (Non Infrastructure with in 1 Yr.). If one facility of a Bororwer is NPA, all the the other facilities of a borrower also become NPAs.
- **NPA Exclusions**: Advance against own deposits, KYP, NSC, IVP, LIP, Central Govt. Guarantee (unrealised income to be reversed), **but not including** Gold Ornaments, Govt. Secu., State Govt. Guarantees).
- **SUB STD. ASSET: NPA for 12 Months Or Less**
- **DOUBTFUL ASSETS: D1-** NPA For 1-2 Yrs., **D2-** 2-3 Yrs., **D3-** 3-4 Yrs., Serious Impairment (50% Security Erosion): Straight Forward Doubtful.
- **LOSS ASSETS:** Identified as such, no hope of Recovery, Fraud Cases, > 90% Security Erosion.
- **NPA PROVISIONS**
  Sub Std.: 15% of Net Outstdg.Bal. + 10% on Unsecured Portion
  Doubtful <= 1 Yr.: 25% of Secured Portion + 100% of Unsecured
  Doubtful 2-3 Yrs.: 40% of Secured Portion + 100% of Unsecured,
  Doubtful > 3 Yrs.: 100% of Secured & Unsecured Portions.
  Loss Assets: 100%
  Std. Assts.: Agr./SME Advances: 0.25%, Comml. Real Estate: 1%, Comml. Resi. Hsg.: 0.75% (Teaser Rates 2%), Other Loans: 0.4%.
  Total Provisioning Coverage Ratio (PCR), including floating provisions, of 70% (of Gross NPAs) is to be maintained.
- **UPGRADING NPA**: Full arrears of Interest & Principal Received, and all the loan facilities of the borrower are performing well during the specified period of 1 Year.
- **REVERSAL on becoming NPA-** Entire unrealised income.
- Checking of Documentation in select cases.
- Physical Verification of Security & Periodical Stock Inspections
- Checking of Loans sanctioned during the year esp. by BM
- Audited Statements (sanctioned limits above Rs. 20 lakhs)
- Stock Audit Report (external) every year for balance of 5 crores and above. In case of NPAs Limits\Outstanding exceeding 200 lakhs, stock audits should be done. Collaterals like Immov. Prop./ other securities should be valued at least once in 3 years.
- **Gold Loans**: Loan Value not to exceed 75%
- **Restructured Loans**: whether RBI Guidelines followed?
- Adverse comments in other reports
- **Interest** Accrual on loans & Rate of Interest charged
- Credit Balances in **O/D, C/C** not be netted off with advances
- **Penal Interest** if, DP limits breached, Stock Statements not submitted
- **Letter of Acknowledgement** / Balance Confirmation
- **Bills Discounted** – whether accommodation bills, whether ECGC Cover taken?
- **Charge Registration** in case of Companies, whether Insurance policies assigned to Bank?
- **Bank Lien** on FDR, NSCs
- **Suit Filed** and Decreed Accounts with respect to provision thereon and progress of recovery
- **Accounts upgraded** during the year from NPA to Standard
- Accounts frequently **exceeding Limits / DP** and Watch-List Accounts
- **Credit Card** Overdue, Debit Balances in SB A/cs
- Accounts classified as **NPA** during the year
- **Recovery Priority**: Unrealised Expenses, Unrealised Interest, Amount of Principal Outstanding

Non-Funded Advances - Bank Guarantee • Classification: Financial, Performance • Adequate security margin, lien marking • Margin, commission recovered • Reversal of expired Guarantees • Guarantee documents returned • Repeated extensions of guarantee **Non-Funded – Letter of Credit** • Documents submitted within validity of L/C? • Description of goods, Insurance documents • Invoice amount to equal the LC amount • Ports of loading and destination should be mentioned in LC		
SCRUTINY OF BALANCE SHEET		
Sundry Assets / Suspense Accounts Provisioning, why not cleared		
Sundry Liabilities Are they real, whether necessary provisions made		
Inter Branch Reconciliations		
Fixed Assets \ Fixed Assets Schedule Addition / Deletion / Transfer of fixed assets, Depreciation		
CONTINGENT LIABILITIES Liability under Bank Guarantee / LC Pending Claims, Other contingent liab.		
INCOME HEADS • Interest on Advances • Locker Rent Accrual, Recovery • Commission On Govt. Business • Processing of Loans, Stamping, Insurance etc. • Charges for late / non-submission of stock / QIS statements, non-renewal of limits, inspection, valuation, etc. • Critical scrutiny of the Income Accounts		
EXPENDITURE HEADS • Interest on deposits • Prior Period Expr. • Outstanding Expr. Provisions & Prepaid Exps. accounting • Vouching of General Expense Accounts • Comparison With Previous Year figures • Critical scrutiny of the Expense Accounts		
Statement Of Frauds- adequacy of provisions, timely reporting to competent authority, recovery and movement in balances.		
Balance Sheet, P & L A\c, Schedules Checking		
LFAR		
TAX AUDIT Tax Audit annexure and preparation of Tax Audit Report.		
Service Tax collected and paid		
AUDIT REPORT Memorandum Of Changes, Various Reports as required By the Bank		
CERTIFICATES TO BE COLLECTED Physical verification of the fixed assets, Physical verification of Investments, Physical verification of the cash & other items etc.		
Other important Aspects		

Prepared By **Reviewed By** **Audit Team Incharge**