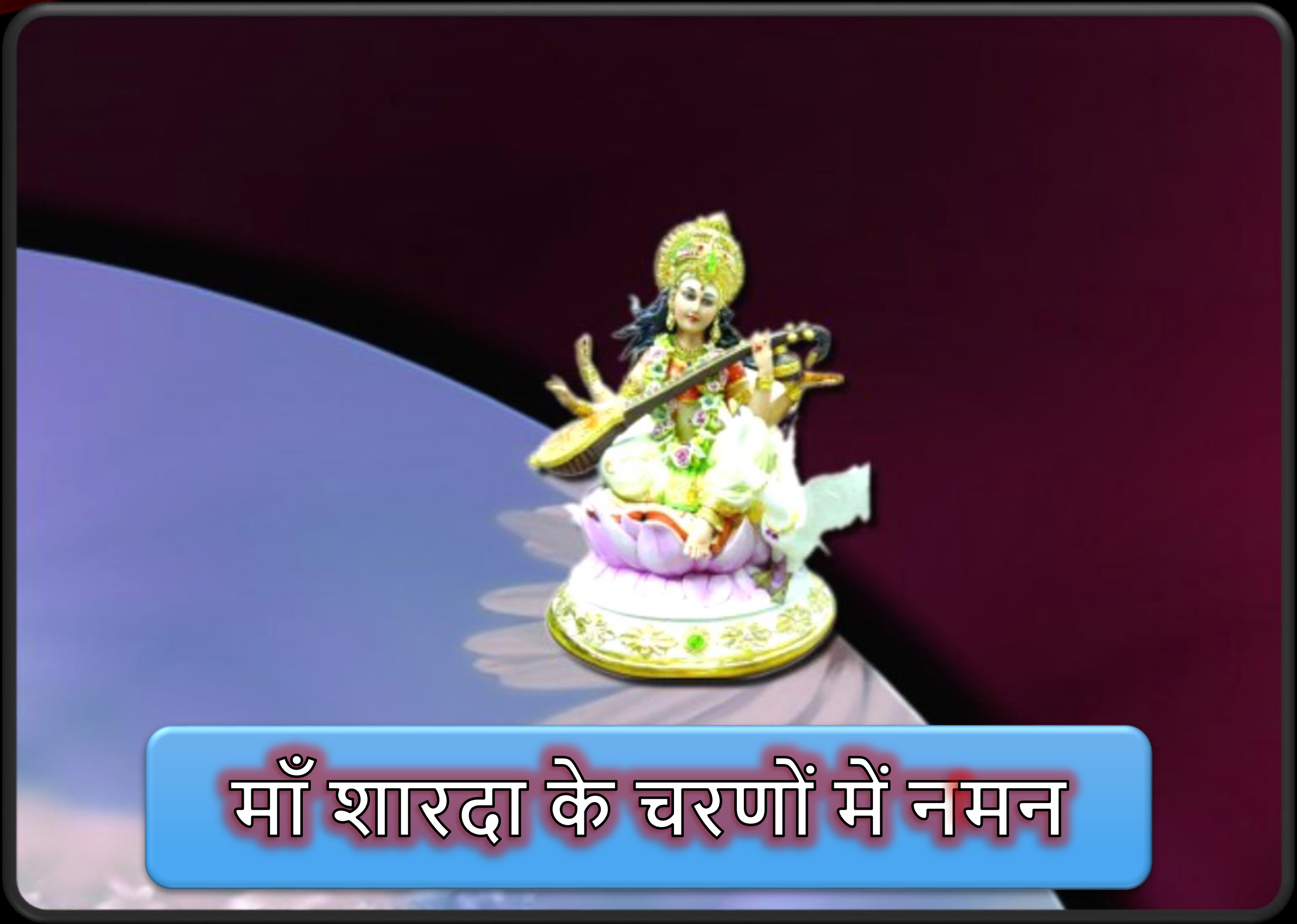
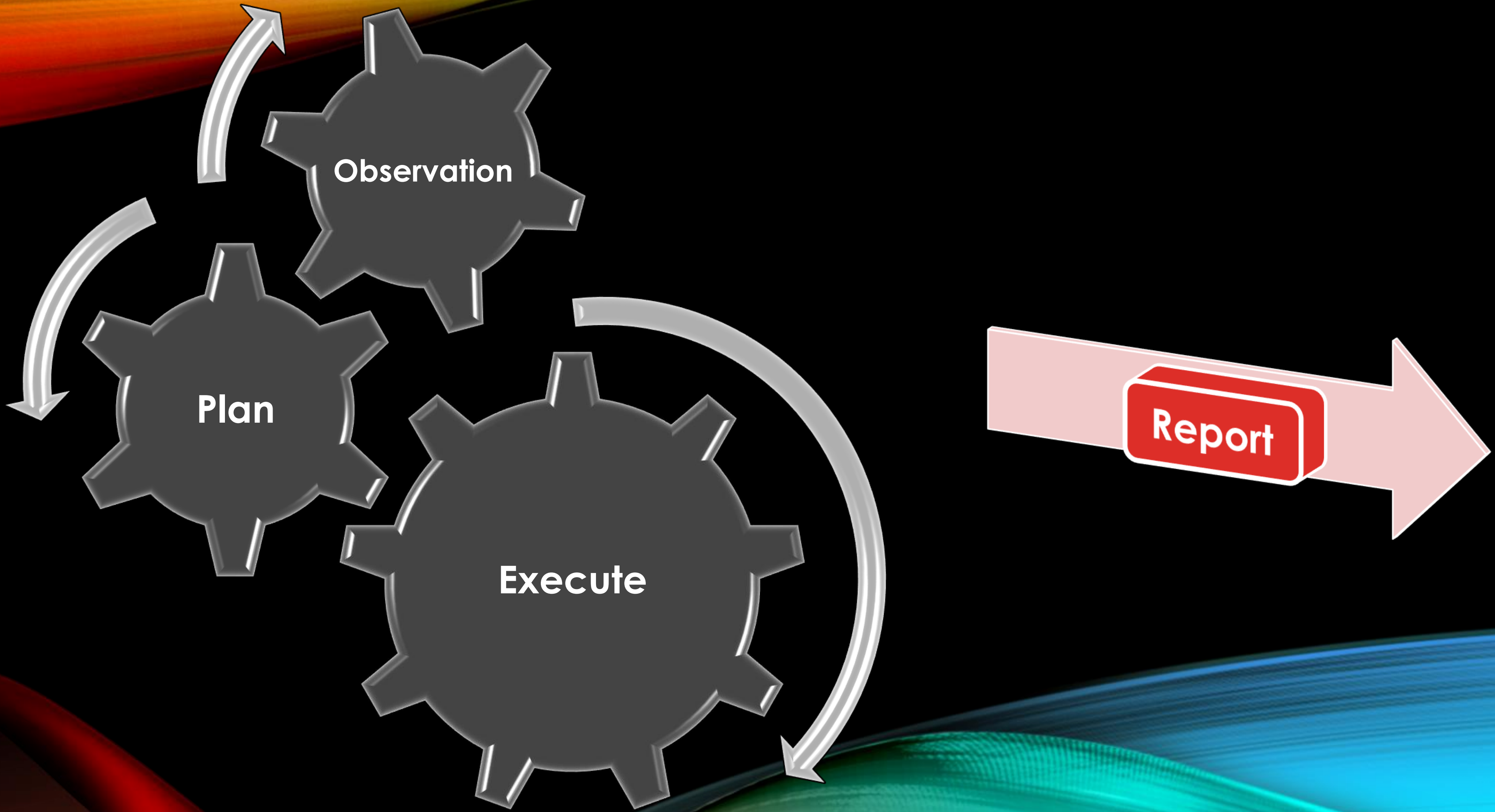

माँ शारदा के चरणों में नमन

By

CA Gopal Rathi



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Just go through Programme

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be aware
Social Engineering
Digital Signature

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Bank Branch Audit

Before you go to the branch

Ensure you have the following

- A letter introducing you
- Copy of Appointment letter
- Letter addressed to Branch Head from HO

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Bank Branch Audit

Ask for following Reports

- RBI Inspection Report
- HO Inspection Report
- Circle Audit Report
- Internal Audit Report
- Concurrent Audit Report
- Stock Audit Report
- Statutory Audit Report

Bank Branch Audit

Very Important

Obtain following folders

- 31st March 2015
- 30th November 2015
- 31st December 2015
- 29th February 2016
- 31st March 2016

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- These all folders are in ZIP folder
- Extract all
- Now the files are in Text formate
- Convert them into Excel formate
- Short out Data
- Analyse them

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Bank Branch Audit

Print out all important Reports extract from folders → 31st March 2016

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Bank Branch Audit

- Exception reports
- Age wise break up of inward collection system suspense account
- Atm debit suspense
- Coll matured sec loan
- Exception excess drawing
- Customer insurance report loan
- Exception report for difference in product level intt and account level intt loan

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Bank Branch Audit

- Exception_report_for_interest_rates_variation_dep
- Irregular_excess_draw_loan
- Lien marked removal
- List_of_accounts_due_for_revival_loan
- List_of_unpaid_instruments_gen
- List_of_accounts_irac_status_changed_by_branch_for_homebranch
- Listofnonzerointermediatesuspenseaccounts-gen
- One_acct_npa_all_acct_npa_loan

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- USER_AMENDMENTS_MADE_BY_BRANCH
- TDS_Exemption_Certificates
- ResidualMaturity
- REPORT_ON_CCOD_ACCOUNTS_SANCTIONED_TODAY
- Report_High_Value_Transactions
- Recommended_NPA_Write_Off_Report_lonm2538
- Probable_NPA_Report_lond2463
- Over Due list
- Overdue_Loans_Lond2497

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Bank Branch Audit

Take a full set of statements for your use.

(Don't change this copy)

Marked it as Auditors copy

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Bank Branch Audit

Just observation

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Bank Branch Audit

Fixed Assets

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Bank Branch Audit

KYC

- Signature of Customer
- Bank Official Signature
- Photo ID
- Address Proof
- PAN / 60

Bank Branch Audit

- Cash Book double verification
- Strong Room Double key operation
- Strong Room open for all
- Cash Verification
- ATM Cash Verification
- Net Banking PIN

Bank Branch Audit

- Bank duplicate key
- Premises Insurance
- Lease Rent Agreement
- Fire Alarm
- Emergency Switch
- Gard

Bank Branch Audit

- Payment to Contractors TDS
- Rent / Car /etc.
- Locker Operation

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Bank Branch Audit

- Interest Subvention Certificate
- Compare to MOC if any
- Attendance Certificate
- Unearned Income
- Inoperative Account transaction
- ATM excess withdrawn
- Excess Cash or deficiency

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Bank Branch Audit

- Exception Reports
- March 31 Folder
- Excel conversion
- Analysis
- Web Page
- Social Engineering

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Bank Branch Audit

- Check whether payment made to directly third party in case of Term Loan
- Transactions with other Banks

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Bank Branch Audit

Selection of advances

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Focus on Advances sanctioned 2015-2016

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All documents relating to the selected advances must be verified

Documents are usually filed as

- General/Correspondence File
- Stock /Receivables Statements
- Loan Documents
- Title Deeds to EM property

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Verification of advances

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Verification of Advances

Stages in Life of an Advance

- Pre Sanction
- Pre Disbursement
- Post Disbursement

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Verification of Advances

LFAR divides Advances verification

- Credit Appraisal
- Sanction and Disbursement
- Documentation
- Review Monitoring and Disbursement

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Income Recognition and Asset Classification Norms

- Steps Involved
- Identification of NPA
- De-recognition of Income not realised
- Classification of NPA's according to age
- Calculation of provision to be made - account wise

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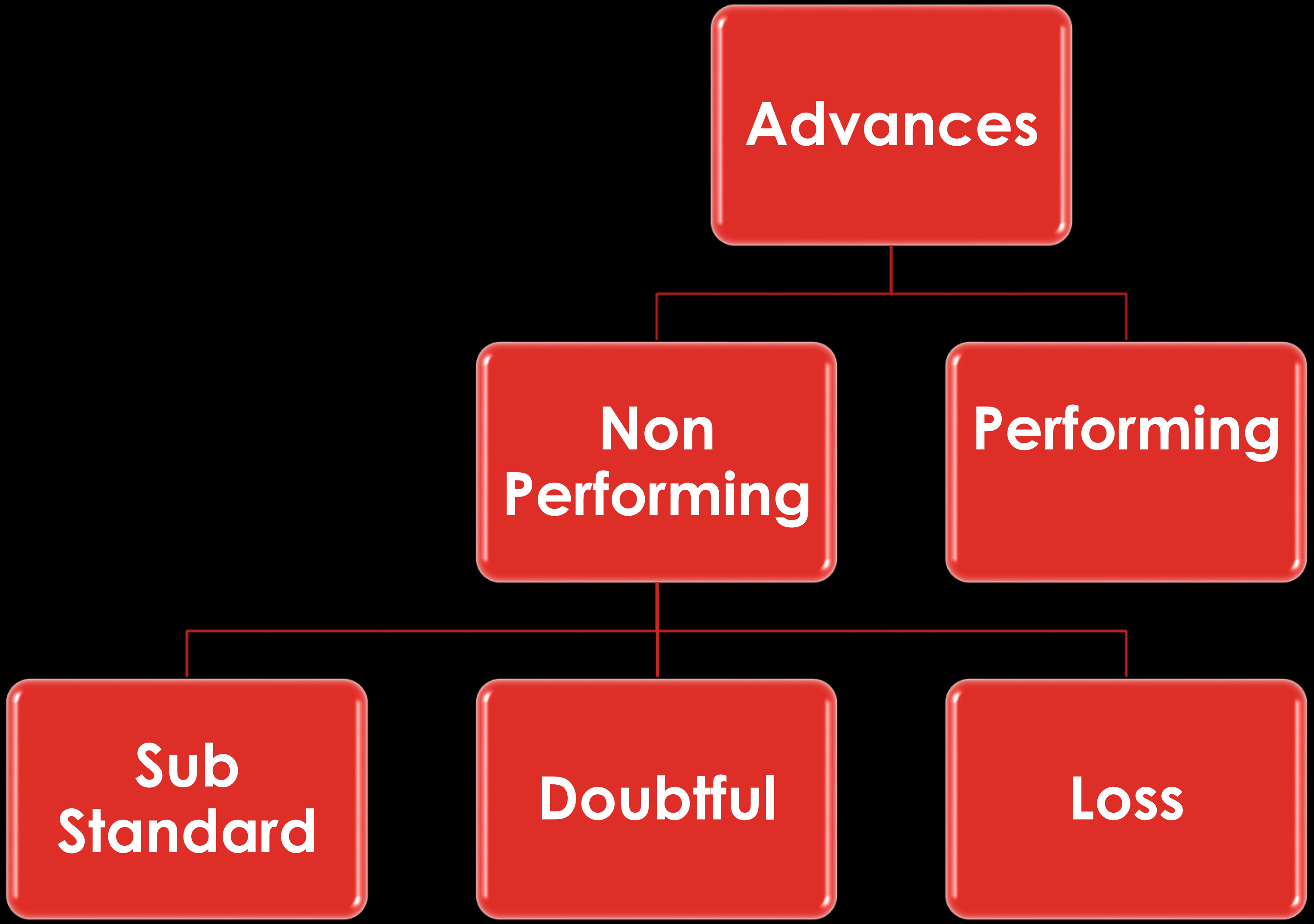
Advances classification – general



Verification of Advances

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Verification of Advances

Term Loan

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Verification of Advances

Term Loan

Interest and/or instalment of principal, remain overdue for a period more than 90 days.

Verification of Advances

Term Loan

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Verification of Advances

Term Loan

Suppose monthly interest is charged in an Account on 30th October,2015, it becomes overdue on 1st November,2015 and if it is not realised fully within 90 days from the end of the quarter. Therefore, in the given example, if the interest due on 30th October, 2015 is not realized by 30th March, 2016, then the account will become NPA on 31st March, 2016.

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Verification of Advances

Working Capital Finances
(Over draft and Cash Credit)

If accounts remain out of order for more than 90 days

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Verification of Advances

Working Capital Finances (Over draft and Cash Credit)

Stock Statement

Particulars	Amount (Rs.)
Value of stock	15,00,000
Less: Creditors	3,00,000
Value of paid stock	12,00,000
Less: Margin @ 25%	3,00,000
Drawing power	9,00,000

Stock Statement shows DP
No Stock St. =>
No Stock =>
DP = 0

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Verification of Advances

Agricultural Advances

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Verification of Advances

Agricultural Advances

Short duration crops :
The instalment of principal or interest thereon remains overdue for <u>two</u> crop seasons.

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Verification of Advances

Agricultural Advances

Rabi season → (planted october-november and harvested in march-april). → Kharif season → (planted may- june and harvested in october- november).

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Verification of Advances

Agricultural Advances

Long duration crops :
The instalment of principal or interest thereon remains overdue for <u>one</u> crop season.

Verification of Advances

Agricultural Advances

Period of disbursement	--	October, 13
Due date of repayment	--	December, 14
Next crop season ended in	--	December, 15
NPA on	--	1st January, 16.

Verification of Advances

Banks should classify an account as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter

Classification of Advances

- Non Performing
  - Sub Standard
  - Doubtful
  - Loss

Classification of Advances

Substandard Assets → NPA's for a period of 12 months or less

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Classification of Advances

Doubtful Assets
NPA's beyond 12 months

D1	D2	D3
Doubtful Stage 1 NPA between 12 Months and 24 Months (1 yr in Doubtful)	Doubtful Stage 2 NPA between 24 months and 48 months (1 to 3 yrs in Doubtful)	Doubtful Stage 3 NPA more than 48 months (More than 3 yrs in Doubtful)

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Classification of Advances

Loss Asset : potential threats for recovery

non-availability of security

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Advances

stock statements
should not
be older than three months.

Advances

Ad hoc credit limits need to be reviewed/
regularised not later than
three months
from the due date/date of ad hoc sanction

Advances

Accounts regularised near about the balance sheet date

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Advances

Loans with moratorium for payment of interest

Advances

Asset Classification needs to be done borrower wise and not facility wise
even if one small
facility is NPA
All facility of such borrower's becomes NPA

Advances

Advances against
Term Deposits
NSCs
KVP
IVP
LIP

Advances

Advances against gold ornaments, government securities and all other securities are not covered

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Provisioning Norms

Provisioning Norms

Standard Assets

Provisioning Norms

Standard Assets

- Direct advances to agricultural and SME sectors at 0.25%
- Advances to commercial real estate (CRE) sector at 1.00 %;
- Advances to commercial real estate–residential housing sector (CRE-RH) at 0.75%;
- All other loans and advances not included in (a) and (b) above at 0.40 %
- Housing loan at teaser rate, it will be @ 2%
- On newly restructured advances after 1.6.2015 @ 3.5% for March 2016, 4.25%
- for March 2015 and @ 5% for March 2016.
- On old restructured advances @ 2.75%.

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Provisioning Norms

SubStandard Assets

- Secured exposure: 15% on outstanding balance
- Unsecured exposures for escrow accounts available in respect of
- infrastructure lending, infrastructure
- loan accounts: 20% on outstanding balance
- Other unsecured exposures: 25% on outstanding balance

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Provisioning Norms

SubStandard Assets

- Secured exposure: 15% on outstanding balance
- Unsecured exposures for escrow accounts available in respect of
- infrastructure lending, infrastructure
- loan accounts: 20% on outstanding balance
- Other unsecured exposures: 25% on outstanding balance

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Provisioning Norms

Doubtful Assets

Unsecured Portion: 100%

Secured Portion: Period for which the advance has

remained in 'doubtful' category

Provision Requirement (%)

- Up to one year–D1 25
- One to three years-D2 40
- More than three years–D3 100

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Provisioning Norms

Loss Assets

100 %
Provision
Required

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Dealing with NPA

- Accounts regularized near about the balance sheet date
- few credits on or near the closing date
- The amount of credit may just keep the account floating as standard
- The above can be considered only if the account does not show inherent weakness
- Bank to provide satisfactory evidence of account strength

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Upgrading of NPA

- Full Arrears of Interest and Instalments must be paid
- Benefit of 90 days will not be available for to consider upgrading.

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Bank Branch Audit

Thanks

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Thanks → for the patient

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Thanks → for the patient → hearing

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Happy Auditing!!

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