

BANK BRANCH AUDIT PROGRAM FOR THE YEAR ENDED MARCH 31, 2017

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, 2017	
NPA as on 31st March, 2017	
Deposits as on 31st March, 2017	
Letter of Requirements to the Branch, whether given?	
Letter for NOC to previous auditors, whether sent?	

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

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 compliance 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, • Unauthorized 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 Accommodation Bills / Issuance / LC.		
ADVANCES • Checking of Documentation in select cases, and Review of all Large Advances (Lower of 5% of Total Advances or Rs. 2 Crores), • All the Multiple facilities of a Single Borrower to be verified, • Physical Verification of Security & Periodical Stock Inspections, • Checking of Loans sanctioned during the year esp. by the Branch Manager, • Audited Statements (sanctioned limits above Rs. 20 lakhs).		

ADVANCES (Contd.) • NPA Classification*- Principal Overdue for > 90 days, Interest Not Serviced With In 90 Days from the end of the Quarter, A/c out of order for > 90 days (<i>outstanding balance continuously in excess of Sanctioned Limit / DP, Balance Within Limits but no Credits continuously for 90 days or Credits insufficient to cover Interest Debited</i>), Gold Loans: Loan To Value (LTV) > 75% or Interest \ Principal (on maturity of 1 Year) Overdue for > 90 days, Bills Purchased Overdue for > 90 days, 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 90 days of the Due Date, Project (Infrastructure) Loans: if Comml. Prod. not started with in 2 Yrs. from the Specified Date (Non Infrastructure with in 1 Yr.). <i>If one facility of a Borrower is NPA, all the other facilities of a borrower also become NPAs.</i> • *Demonetization: <u>60+30 Days Grace Period</u> f. Dues Payable bet. Nov. 1 and Dec. 31, 2016 for OD/CC/Crop/Term Loans w. Sanct.Limit <= 100 Lakhs, & a similar <u>60 Days Grace Period</u> f. Loans To NBFC/HFC(Without any Limit). <i>[Applies to Performing Assets and Not To Existing NPAs.] [RBI Cir.Dt.Nov.21 & Dec.28,2016]</i> • NPA Exclusions: Advance against own Deposits, KYP, NSC, IVP, LIP, Central Govt. Guarantee (unrealized income to be reversed). [Gold Ornaments, Govt. Secu., State Govt. Guarantees are not covered by this Exemption]. • SUB STD. ASSET: NPA for 12 Months Or Less (On Restructuring, Std. Assts. would become Sub Std.). • DOUBTFUL ASSETS- D1: NPA For 1-2 Yrs., D2: 2-3 Yrs., D3: 3-4 Yrs. [In case of Serious Impairment (50% Security Erosion): You can Straight Forward Classify The A/C As Doubtful]. • LOSS ASSETS: Identified as such, no hope of Recovery, Fraud Cases, Security Erosion > 90%.		
NPA PROVISIONS Sub Standard Assets: 15% of Net Outstanding Bal. + 10% on Unsecured Portion, Doubtful D1 <= 1 Yr.: 25% of Secured Portion + 100% of Unsecured, Doubtful D2 2-3 Yrs.: 40% of Secured Portion + 100% of Unsecured, Doubtful D3 > 3 Yrs.: 100% of Secured & Unsecured Portions, Loss Assets: 100%. Standard Assets: Agr. / SME Advances: 0.25%, Comml. Real Estate (CRE): 1%, CRE Resi. Hsg.: 0.75% (Teaser Rates 2%), Other Loans: 0.4%, Advances Restructured After 1.6.2013: 5%, Old Restructured Advances: 2.75%. Total Provisioning Coverage Ratio (PCR), including floating provisions, of 70% (of Gross NPAs) is to be maintained. Accelerated Provisioning requirements might apply if the bank fails to report SMA status to CRILC / conceals the Actual Status / Evergreens the Accounts. • UPGRADING NPA: Full arrears of Interest & Principal Received, and in case of Restructured Loans, all the loan facilities of the borrower are performing well during the specified period of 1 Year. • REVERSAL On NPA- Entire Unrealized Income incl. Govt. Guaranteed A/cs.		
• Stock Audit Report (External) every year, for balances of Rs. 5 Crores and above. Also, in cases of NPAs Limits \ Outstanding Balance exceeding Rs. 200 lakhs, Stock Audits should be done. Collaterals like Immov. Prop./ other Securities should be <u>valued at least once in 3 years</u>. • Adverse Comments in other reports to be reviewed, • Interest Accrual on loans & Rate of Interest charged to be checked, • 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 to be checked, • Bills Discounted – whether accommodation bills, whether ECGC Cover taken? • Charge Registration in case of Companies to be ensured, also whether Insurance Policies assigned to Bank? • Bank Lien on FDR, NSCs to be seen, • Suit Filed and Decreed Accounts to be checked with respect to provision thereon and Progress Of Recovery, • Accounts upgraded during the year from NPA to Standard to be verified, • A/cs frequently exceeding Limits / DP and Watch-List Accounts to be checked, • Credit Card Overdue, Debit Balances in SB A/cs to be checked, • Accounts classified as NPA during the year to be checked carefully, • Recovery Priority: Unrealized Expense, Unrealized Interest, Amount of Principal Outstanding. • Restructuring not to be done with retrospective effect. Special Regulatory Treatment for restructured accounts withdrawn from 01-04-2015. In case of Non Satisfactory Performance (after one year from the commencement of the first payment of interest or principal whichever is later), IRAC Norms would apply.		

ADVANCES (Contd.) 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 Guarantees.		
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 Guarantees/ LCs, Pending Claims, Other Contingent Liab.		
INCOME HEADS • Interest on Advances, • Locker Rent Accrual, Recovery, • Commission On Govt. Business Transactions, • 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 Expenditure, • Outstanding Expenditure Provisions & Prepaid Expenses 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