

BANK BRANCH AUDIT PROGRAM FOR THE YEAR ENDED MARCH 31, 2019

NAME OF THE BANK			
BRANCH NAME & CODE			
REGION / ZONE NAME & CODE			
Date of Commencement		Target Date of Completion	
Audit Team Incharge			

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

BRANCH MANAGER- Name, Contact Details, Email ID		
OTHERS- Name, Contact Details, Email ID		
Sanction Limit of Authorised Person in Branch (BM / SBM)		
Advances as on 31st March, 2019		Previous Year:
NPA as on 31st March, 2019		Previous Year:
Deposits as on 31st March, 2019		Previous Year:
Letter of Engagement, Letter of Requirements, whether given?		
Letter to Previous Auditors for NOC, 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, Exception Reports, 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 TB, Loss/Theft of DDs\ Secu. Papers , if any, Non Adherence to Cash Retention Limits .		
DEPOSITS - Overdue \ Matured Time Deposits to be shown in Demand Deposits, - Interest Provisions, A/c Opg. Forms, KYC Norms Compliance, Aadhaar Linking, - Interest Paid-TDS Compliance, Test Check of Interest Credit on Depo.\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 A/cs: 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 / LCs, - Misuse of SWIFT \ SFMS To Issue Unauthorized LOU\LOC and its Illegal Rollover, - Non Integration of SWIFT \ SFMS With CBS.		
ADVANCES - Checking of Documentation in Select Cases, & Review of all Large Advances (Lower of 5% of Total Advances or ₹ 2 Crores), Re-verification of Docu. Once in 2 Yrs. - 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 ₹ 20 lakhs).		

ADVANCES (Contd.) • Stressed A/cs To Be Classified As SMA-0 (≤ 30 Days), SMA-1 (31-60 Days), SMA-2 (61-90 Days). Restructured Std. A/cs To Be Imme. Downgraded To Sub-Std.(NPA). [RBI Cir. Dt. Feb. 12, 2018] • 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 Regular Limits for 180 Days, Non-Renewal of Ad-Hoc Limits With In 180 Days from Sanction, 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> • MSMEs having ≤ 25 Crores Exposure & A/c being Standard on 31.8.2017- Dues Between 1.9.2017 & 31.12.2018 can be paid within 180 Days. Interest to be recognized using the 90 Days NPA Norm. [RBI Cir. Dt. Feb. 7, 2018 & June 6 2018] • 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%, MSME GST Rgd.: 5% Restructured Advances: 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. [Also Refer RBI Cir. Dt. Feb. 12, 2018] • REVERSAL On NPA- Entire Unrealized Income incl. Govt. Guaranteed A/cs.		
• Stock Audit Report (External) Every Year, for balances of ₹ 5 Crores & above. In cases of NPAs\Outstanding Balance $\geq$ ₹ 200 lakhs, Stock Audits should be done. All the Securities & Collaterals should be <u>valued at least once in 3 years.</u> • 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? • Ensure Charge Registration in case of Companies, Registration of Memorandum Of Deposit Of Title Deeds (MOD), Regn. of All Types of Security Interests inclu. Immo.\ Movable Securities on the CERSAI Portal to be completed latest by March 31, 2019 [RBI Cir. Dt. 27.12.2018], • Assignment Of Insurance Policies in favor the Bank, • Bank Lien on FDR, NSCs to be Checked and Ensured, • 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 checked, • Accounts classified as NPA during the year to checked carefully, • Recovery Priority: Unrealized Expense, Unrealized Interest, Principal Outstanding.		

ADVANCES (Contd.) NON-FUNDED ADVANCES - BANK GUARANTEE, LOU \ LOC • Classification: Financial, Performance, Adequate Security Margin, Lien Marking, • Margin, Commission Recovered, Reversal of Expired Guarantees, • Guarantee Documents returned, Repeated Extensions of Guarantees. • Letter Of Undertaking (LOU) Issued to Foreign Bank \ Foreign Branches Of Indian Banks, Scrutiny of SWIFT\SFMS Messages, Accounting In CBS, Unauthorized Roll Over Of LOU \ LOC, Reconciliation of NOSTRO A/cs.		
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/LOUs, Pending Claims, Other Contingent Liab.		
INCOME HEADS • Interest on Advances, • Locker Rent Accrual, Recovery, • Commission on Bank Guarantees, LCs, LOUs, 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 (where required) Tax Audit annexure and preparation of Tax Audit Report.		
GST Collected and Paid		
AUDIT REPORT Memorandum Of Changes, Various Reports as required By the Bank.		
TO BE COLLECTED FROM BRANCH Certificates of Physical verification of the Fixed Assets, Investments, Cash & Other Items, Management Representation Letter etc.		
OTHER IMPORTANT ASPECTS		

Prepared By

Reviewed By

Audit Team Incharge

Note: Information contained in this program is for general use only. While every care has been taken to provide most updated information, the user is advised to use his own discretion and make his own independent enquiries before taking a decision.

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