माँ शारदा के चरणों में नमन

www.karmitra.com

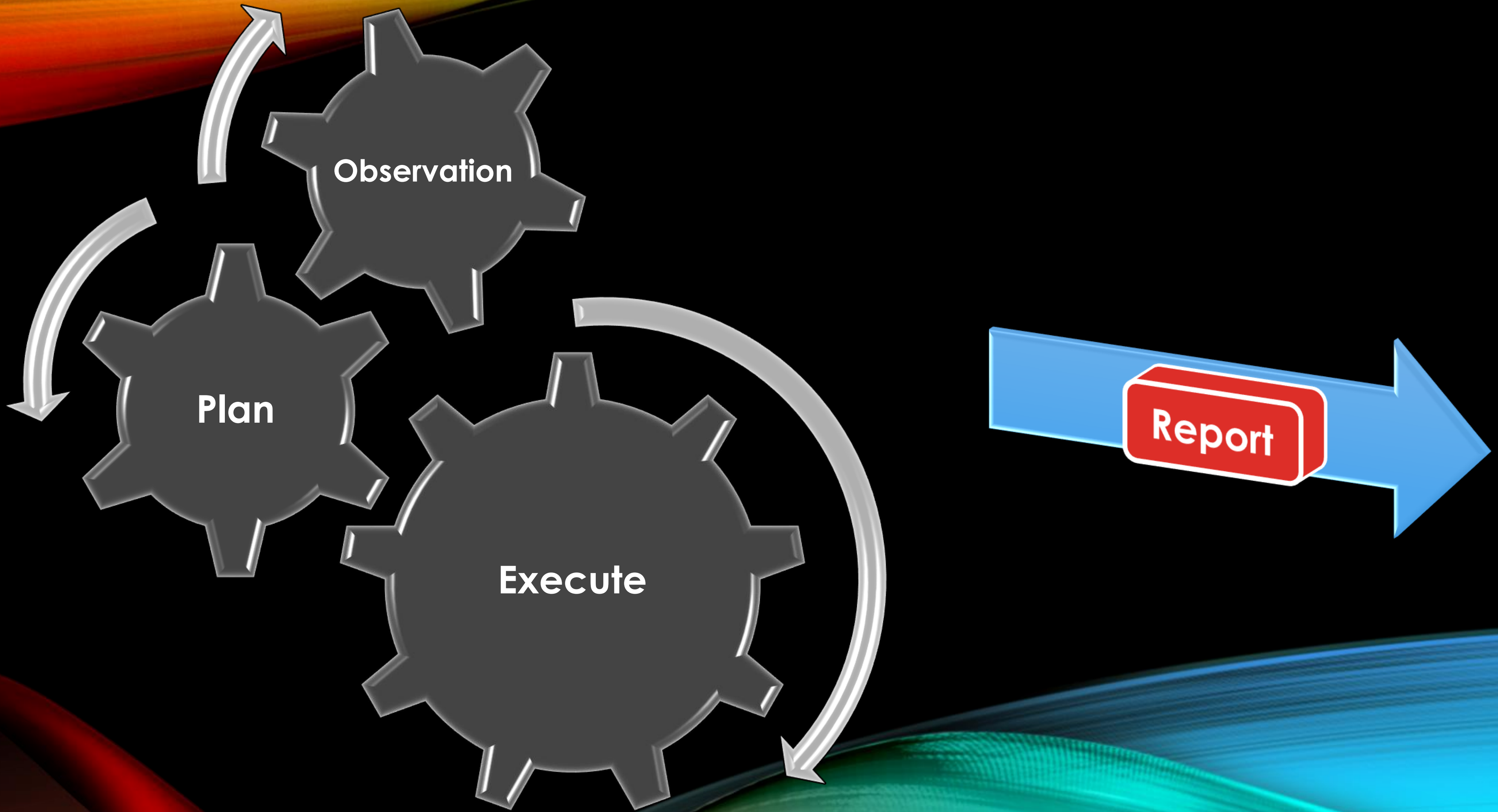
CA Gopal Rathi

Bank Branch Statutory Audit 2021

By

CA Gopal Rathi

www.karmitra.com


Observation
Plan
Execute
Report

Just go through Programme

CA Gopal Rathi

Be aware

Social Engineering
Digital Signature

CA Gopal Rathi

Bank Branch Statutory Audit 2021

First Question is How to Start

Very Simple answer

Make a good Audit Plan
And
Just follow it
You can find a simple and robust plan at
www.Karmitra.com
Download it and get set go ...

Bank Branch Statutory Audit 2021

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

Bank Branch Statutory Audit 2021

Day 1

- Verify Cash in Strong Room and all tailor windows
- Verify Cash in ATM
- Verify Joint Custody of Cash Vault
- Verify Cash Vault Books / Weekly Register for Joint custodian and Authorization.
- Verify Gold Loan with Weight of Gold
- Locker Access Book and Locker Register for Vacant and Entry Check
- Stamps and security papers and petty cash

Bank Branch Statutory Audit 2021

Day 1

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 Previous
- IS Audit Report if Applicable

Bank Branch Statutory Audit 2021

Day 1

Very Important

Obtain following folders

- 31st March 2020
- 01st April 2020
- 31st December 2020
- 29th February 2021
- 31st March 2021
- 01st April 2021

Bank Branch Statutory Audit 2021

Day 1

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

Bank Branch Statutory Audit 2021

Day 1

Print out all important Reports extract from folders → 31st March 2021

On Next Slide you may find Important Reports

Bank Branch Statutory Audit 2021

- 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

CA Gopal Rathi

Bank Branch Statutory Audit 2021

- 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

Bank Branch Statutory Audit 2021

- 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

CA Gopal Rathi

Bank Branch Statutory Audit 2021

Take a full set of statements for your use.

(Don't change this copy)

Marked it as Auditors copy

Selection of advances

Bank Branch Statutory Audit 2021

- All Reports generated are in Text format therefore first convert them in to Excel Sheets
- Analyze data with help of Excel Tools like Filter / V Lookup/ Sorting etc.
- Compare and Tick NPA VLOOKUP
- Create Excel Sheet for all possible NPA or required Print Statement from Origin
- All Statement of Accounts Printed from Origin and Numbering them 1 to End of List
- This is always reference Number and V lookup Formula
- Take all RW Returns and supported list with test basis account statement for subsidy Credit
- In accounting statement write down EMI Amount per month and per year
- Create Excel Sheet for all EMI PAID AND DUE and required amount receivable
- See MOC Calculation File type
- KYC Details for Account Opening Current and Saving Account
- Take Short and Long Inquiry Print For All

Bank Branch Statutory Audit 2021

- Create final list of accounts those required your attention means probable NPA
- For e.g. Suppose you got 93 accounts are suspected to NPA
- Now with the help of v lookup features you can sort out those accounts which was already NPA declared by the Bank.
- Now Suppose your final list has 75 Accounts
- Take Print of Statement of Accounts from the Origin and stamp on head the serial number as per your list say 1 to 75 this will be the identity of that account.
- And this will become reference Number for further communication
- On the head of printout also mention
    - EMI Amount per month and per year
    - Date of Disbursement
    - Date of EMI start (considering Moratorium Period if any)
    - Rate of Interest
- Calculate No. of EMI Due and Received ,greater then 3 EMI dues will be NPA

Bank Branch Statutory Audit 2021

- Calculate DP
- Consider Date of Irregularity
- Date of Renewal
- Special attention on IRAC 3 & 2
- Check Classification of NPA by Bank
- Proper Documentation

Focus on Advances sanctioned 2020-2021

Bank Branch Statutory Audit 2021

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

Verification of advances

Bank Branch Statutory Audit 2021

Verification of Advances

Stages in Life of an Advance → Pre Sanction → Pre Disbursement → Post Disbursement

Bank Branch Statutory Audit 2021

Verification of Advances

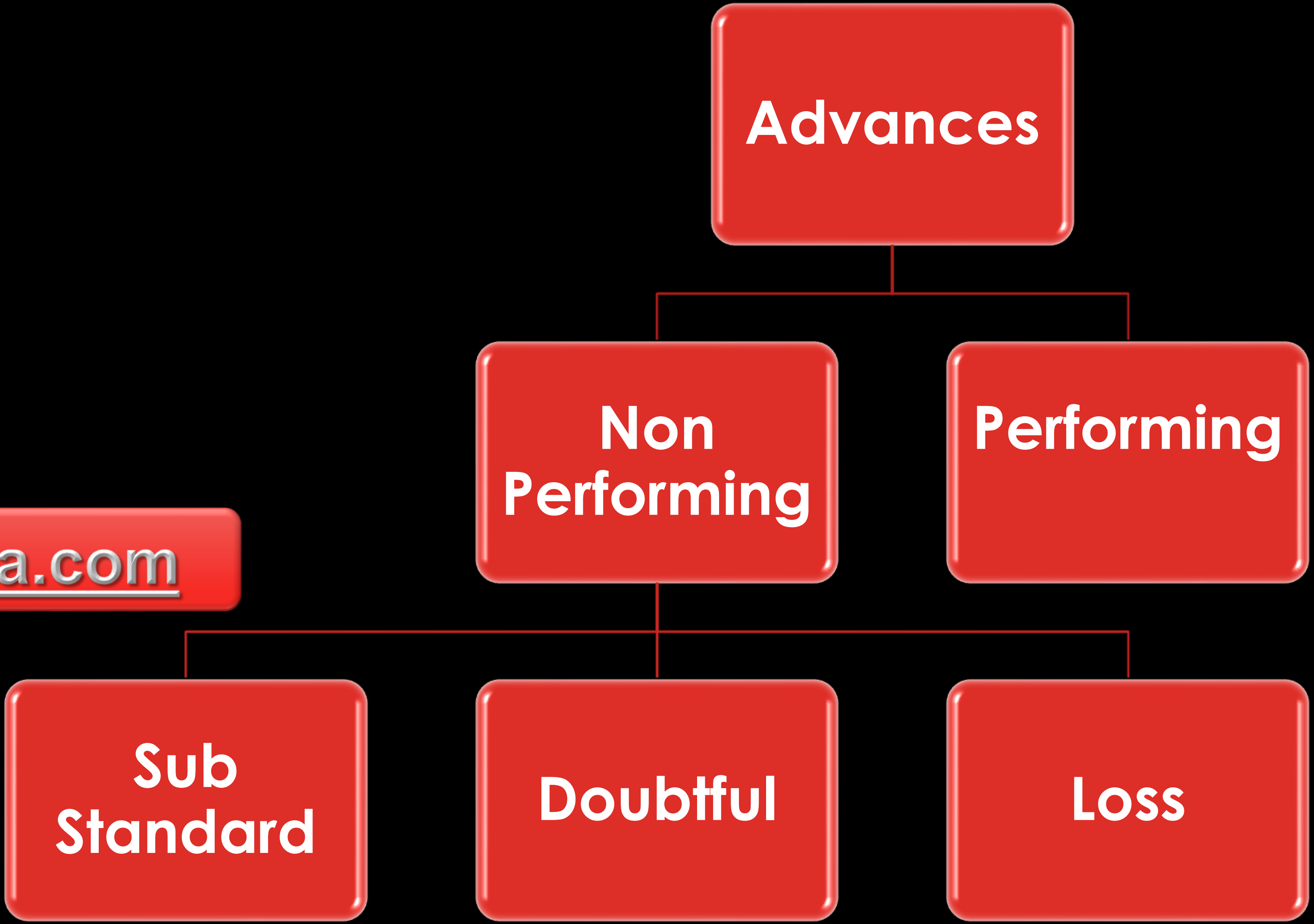
LFAR divides Advances verification

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

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

Advances classification – general



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

Suppose monthly interest is charged in an Account on 30th November,2020, it becomes overdue on 1st December,2020 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 November, 2020 is not realized by 30th March, 2021, then the account will become NPA on 1st March, 2021.

Verification of Advances

Working Capital Finances
(Over draft and Cash Credit)

If accounts remain out of order for more than 90 days

CA Gopal Rathi

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

Verification of Advances

Agricultural Advances

Verification of Advances

Agricultural Advances

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

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).

CA Gopal Rathi

Verification of Advances

Agricultural Advances

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

CA Gopal Rathi

Verification of Advances

Agricultural Advances

Period of disbursement	--	October,	18
Due date of repayment	--	December	19
Next crop season ended in	--	December	20
NPA on	--	1st January	21

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

www.karmitra.com

CA Gopal Rathi

Classification of Advances

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

CA Gopal Rathi

Classification of Advances

Doubtful Assets

NPA's beyond 12 months

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

Classification of Advances

Loss Asset : potential threats for recovery

non-availability of security

CA Gopal Rathi

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

CA Gopal Rathi

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

CA Gopal Rathi

Advances

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

CA Gopal Rathi

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%.

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

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 %

Provisioning Norms

Loss Assets

100 %
Provision
Required

CA Gopal Rathi

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

Upgrading of NPA

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

CA Gopal Rathi

Bank Branch Statutory Audit 2021

Day 3

KYC

Photo

- Photo ID
- Address Proof

Customers Signature

Officers Signature and Seal

Bylaws of corporate Body

Copy of Resolution for Authentication

Just observation

Fixed Assets

Bank Branch Statutory Audit 2021

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

Bank Branch Statutory Audit 2021

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

Bank Branch Statutory Audit 2021

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

Bank Branch Statutory Audit 2021

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

Bank Branch Statutory Audit 2021

Thanks → for the patient → hearing

Bank Branch Statutory Audit 2021

Happy
Auditing
!!

www.karmitra.com

FCA Gopal Rathi cagopalr@gmail.com 9425103167