BANK BRANCH AUDIT PROGRAM FOR THE YEAR ENDED MARCH 31, 2022

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 (Funded+Non-Funded) as on 31st March, 2022		Previous Year:
NPA as on 31st March, 2022		Previous Year:
Deposits as on 31st March, 2022		Previous Year:
Letter of Engagement, Letter of Requirements, whether given? [Also obtain Auditor's Log In ID & Password]		
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, ATM Cash Reconciliation, 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; • Any Unusual Movement in the Deposits.		
POSSIBLE FRAUDS IN ADVANCES • Sanction without Proper Application\Credit Appraisal, beyond Discretionary Power, Non-Reporting of the same, and 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\Ware House 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 • Transaction Audit of all **Large Advances** (10% of Total Advances or ₹10 Crores Whichever Is Less), Process Checking of **Select Advances Cases;** • Checking Of **Top 5 Standard Large Advances**; • All the Multiple Facilities of a Single Borrower to be Verified; • Physical Verification of Security, Periodical Stock Inspections And Re-verification of Documents At Least Once in 2 Years;		

ADVANCES (Contd.)

- Checking of Loans Sanctioned during the year esp. by the Branch Manager;
- **Audited Stat.(Non Corporate Entities)**→Sanctioned Limit > ₹10 Lakhs;
- **Stressed A\cs** ToBe Classified As **SMA-0** (Overdue≤30 Days), **SMA-1** (Overdue 31-60 Days), **SMA-2** (Overdue 61-90 Days) as a part of **Day End Process**.
- **NPA Classification** [ToBe Done as a Part of Day End Process in An Automated Manner By The CBS (RBI Cir. 37 Sep. 14, 2020)]→**Principal\Interest Overdue** for **>90 Days**, **CC\OD A\c Out-Of-Order** for >90 Days *(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, Stock\Receivable Stat.>3 Months Old)*, **Gold Loans**: **LoanToValue** (LTV) Ratio **>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, **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. Prodn. not started with in 2 Yrs. from the Specified Date (Non Infrastructure with in 1 Yr.). *If one facility of a Borrower is NPA, all the other facilities of a borrower also become NPAs;* **COVID-19:** ***6 Months' Moratorium (Mar 1- Aug. 31, 2020) to be ignored for NPA Classification*** *(RBI Cir. 186 Mar. 27, 2020 & Cir. 244 May 23, 2020)*. **Fresh Loan** Can't Be Granted to Repay an Existing Loan.

  NPA Exclusions: Advance against own Deposits, KYP, NSC, IVP, LIP, Central Govt. Guarantee (unrealized income to be reversed).[Gold Ornaments, Govt. Securities, State Govt. Guarantees are not covered by this]; **Restructured A\cs** To Be Immediately Downgraded To Sub-Standard (NPA) [RBI Circular Dt. Feb. 12, 2018].
- **SUB STANDARD ASSETS: NPA for 12 Months Or Less** [On Restructuring a Standard Assets would become Sub Standard];
- **DOUBTFUL ASSETS- D1:** NPA For 1-2 Yrs., **D2:** 2-3 Yrs., **D3:** >3 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%**.

  [RBI Master Cir.104 Oct. 1 2021, Clarifi. Cir 125 Nov. 12 2021, & Clarifi. Cir.158 Feb. 15 2022]

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%;
Fraud Cases: 100% (irrespective of Security);
Standard Assets: Agr.\ Hsg.\ SME: 0.25%, Comml. Real Estate (CRE): 1%, CRE RH: 0.75%, Housing Teaser Rates: 2%, Restructured Adv.: 5%; Other Loans: 0.4%.
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 [RBI Cir.131 Feb. 12, 2018 & Cir.158 Feb. 15 2022];
- **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 ≥ ₹200 Lakhs, Stock Audits should be done. All the **Securities & Collaterals** should be valued at least once in 3 years;
- **Interest** Accrual on loans & Rate of Interest charged to be checked;
- Credit Balances in **Overdraft, Cash Credit A\cs** not be netted off with Advances;
- **Penal Interest Chargeable** 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**), Registration of All Types of Security Interests inclu. Immovable\Movable Securities on the **CERSAI Portal;**
- Assignment Of **Insurance Policies** in favor the Bank;
- **Bank Lien** on FDR, NSCs to be Checked and Ensured;
- **Suit Filed** & Decreed A\cs→Provisions Made 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** Overdues, Debit Balances in SB A\cs to checked;
- Accounts classified as **NPA** during the year to be checked carefully;
- **Recovery Priority**: Unrealized Expenses, Unrealized Interest, Principal Outstanding;
- **MSME**: One Time Restructuring [RBI Cir. Dt. Aug. 6, 2020 & 32 Dt. May 5 2021].

ADVANCES (Contd.) **NON-FUNDED: 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 Old Balances 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 Liabilities.		
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 (for select Months); • Comparison With Prev. Year Figures & Critical scrutiny of the Expense A\cs.		
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 (Revised w.e.f. FY 2020-21)		
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**