Detailed Statutory Bank Branch Audit Program for the Financial Year 2024-25

Based on the Guidance Note on Audit of Banks (2025 Edition) - ICAI AASB

Branch Details:

- **Branch Name:**
- **Branch Code:**
- **Branch Address:**
- **Branch Manager:**
- **Contact Number:**
- **Email Address:**
- **Branch Type:**
- **Branch Category:**

Audit Details:

- **Audit Period:**
- **Audit Dates:** [Start Date] to [End Date]
- **Auditor Firm:**
- **Audit Team:**
    - Lead Auditor:
    - Audit Senior:
    - Audit Staff:
- **Audit Software/Tools Used:**

I. Audit Objectives:

- **Financial Statement Audit:**
    - To obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error.

- To express an opinion on whether the financial statements present a true and fair view in accordance with applicable accounting standards, regulatory requirements, and the bank's policies.

- **Internal Control Evaluation:**
    - To assess the design, implementation, and operating effectiveness of the branch's internal control system relating to financial reporting, operational efficiency, and compliance.
    - To identify weaknesses in internal controls and recommend corrective actions.
- **Regulatory Compliance:**
    - To evaluate the branch's compliance with all applicable laws, regulations, and guidelines issued by the RBI, including those related to:
        - Income Recognition and Asset Classification (IRAC) norms.
        - Know Your Customer (KYC) and Anti-Money Laundering (AML) guidelines.
        - Capital adequacy requirements (if applicable).
        - Prudential norms for lending and investments.
        - Foreign Exchange Management Act (FEMA) regulations (if applicable).
    - To verify the correct application of all applicable circulars.
- **Asset Quality and Provisioning:**
    - To assess the quality of the branch's loan portfolio and the adequacy of provisions for non-performing assets (NPAs).
    - To evaluate the effectiveness of the branch's loan recovery procedures.

- **Long Form Audit Report (LFAR):**
    - To report on all matters specified by the RBI in the LFAR format, including significant observations on the branch's operations and internal controls.
- **Risk Assessment:**
    - To identify and assess all inherent and control risks that could lead to material misstatements in the financial statements.

II. Scope:

- **Transaction Testing:**
    - Detailed verification of a sample of transactions from all significant account balances, including cash, investments, advances, deposits, and off-balance sheet items.
- **Balance Verification:**
    - Confirmation and verification of account balances with counterparties, including RBI, other banks, and customers.
- **Document Review:**
    - Examination of supporting documentation for transactions, including loan documents, investment certificates, deposit slips, and payment vouchers.
- **Analytical Procedures:**
    - Analysis of financial ratios, trends, and variances to identify unusual fluctuations and potential risks.
- **Compliance Testing:**
    - Testing of the branch's compliance with regulatory requirements and internal policies.

- **IT System Review:**
    - Assessment of the adequacy and effectiveness of the branch's IT systems and controls.
- **LFAR Reporting:**
    - Comprehensive review and reporting on all LFAR matters.

III. Audit Procedures:

A. General Audit Procedures:

1. **Planning and Risk Assessment:**
    - Obtain and review:
        - Branch organizational chart and staff responsibilities.
        - Branch operational manuals and policy documents.
        - Previous audit reports (internal and statutory) and LFA reports.
        - RBI inspection reports.
        - Branch MIS reports.
    - Conduct preliminary analytical review of financial statements.
    - Perform risk assessment procedures, including inquiries of branch management and staff.
    - Develop a detailed audit plan and strategy based on identified risks.
    - Document the audit planning process in the audit working papers.

2. **Internal Control Review:**
    - Evaluate the design and operating effectiveness of key controls related to:
        - Authorization and approval of transactions.
        - Segregation of duties.
        - Reconciliation of accounts.
        - Physical security of assets.
        - IT general and application controls.
    - Perform tests of controls using appropriate sampling techniques.
    - Document the control testing and the results in the working papers.
3. **Compliance with Regulatory Requirements:**
    - Review compliance with RBI circulars and guidelines related to:
        - IRAC norms for advances and investments.
        - KYC/AML procedures, including customer due diligence and transaction monitoring.
        - Cash Transaction Reports (CTRs) and Suspicious Transaction Reports (STRs).
        - Deposit insurance regulations.
        - Priority sector lending targets.
    - Verify the correct application of all applicable accounting standards.
4. **Documentation:**
    - Maintain comprehensive audit documentation, including:
        - Working papers for each audit procedure performed.

    - Evidence obtained during the audit.
    - Conclusions reached by the audit team.
    - Management representations.
  - Ensure that all working papers are properly referenced and cross-referenced.

B. Specific Audit Procedures:

1. **Cash and Balances with RBI:**
   - Perform surprise cash counts and reconcile with cash balances.
   - Verify the reconciliation of cash balances with the general ledger and subsidiary ledgers.
   - Confirm balances with RBI through direct confirmation or statement verification.
   - Verify adherence to currency chest guidelines if applicable.
2. **Investments:**
   - Verify the existence, ownership, and valuation of investments.
   - Review supporting documentation, including investment certificates and trade confirmations.
   - Assess the adequacy of provisions for impairment and mark-to-market losses.
   - Verify that investments are in line with the banks investment policy.
3. **Advances:**
   - Review the loan portfolio, including loan documentation, sanctioning procedures, and recovery procedures.
   - Perform a detailed review of a sample of loan files, focusing on:

- High-value loans.
- Non-performing assets (NPAs).
- Restructured loans.
- Loans to related parties.

- Verify the classification of advances in accordance with IRAC norms.
- Verify the adequacy of the loan review mechanism.
- Verify the adequacy of collateral and security held.

4. **Deposits:**
   - Verify the accuracy and completeness of deposit balances.
   - Review compliance with deposit regulations, including interest calculation and TDS.
   - Confirm deposit balances with customers, if necessary.
5. **Contingent Liabilities:**
   - Identify and evaluate contingent liabilities, including guarantees and letters of credit.
   - Assess the adequacy of disclosures in the financial statements.
6. **Income and Expenditure:**
   - Perform analytical procedures on income and expenditure accounts.
   - Verify the accuracy and completeness of income and expenditure transactions.
   - Review compliance with income recognition norms.
7. **Foreign Exchange Transactions:**
   - Verify the accuracy and completeness of foreign exchange transactions.

- Review compliance with FEMA regulations.
- Assess the adequacy of internal controls over foreign exchange transactions.

8. **KYC/AML:**
    - Review compliance with KYC/AML guidelines, including customer due diligence and transaction monitoring.
    - Verify the adequacy of customer identification and verification procedures.
    - Review the branch's reporting of CTRs and STRs.
9. **IT Systems:**
    - Review the adequacy of IT general and application controls.
    - Assess the security and integrity of data.
    - Review the branch's disaster recovery and business continuity plans.
10. **LFAR (Long Form Audit Report):**
    - Address all matters required to be reported in the LFAR as per RBI guidelines.
    - Document findings and conclusions of the LFAR review.

IV. Audit Deliverables:

- Audited financial statements.
- Audit report (including opinion and basis for opinion).
- Long Form Audit Report (LFAR).
- Management letter (if applicable), detailing control weaknesses and recommendations.
- Summary of significant audit findings and recommendations.

V. Audit Team Responsibilities:

- Lead Auditor: Overall supervision and review of the audit.
- Audit Senior: Planning and execution of audit procedures, supervision of
- Audit Staff: Performance of assigned audit procedures and documentation.

VI. Audit Timetable:

- **Phase 1: Planning ([Start Date] - [End Date])**
  - Initial meeting with branch management.
  - Obtain and review relevant documents.
  - Conduct preliminary analytical procedures.
  - Perform risk assessment.
  - Develop detailed audit plan and strategy.
  - Prepare audit programs and checklists.
- **Phase 2: Fieldwork ([Start Date] - [End Date])**
  - Perform detailed audit procedures as per the audit program.
  - Conduct tests of controls and substantive procedures.
  - Gather and document audit evidence.
  - Conduct meetings with branch staff to discuss findings.
  - Perform Surprise cash verification.
- **Phase 3: Reporting ([Start Date] - [End Date])**
  - Prepare draft financial statements.
  - Prepare draft audit report and LFAR.

- Conduct management discussions on audit findings.
- Obtain management representations.
- Finalize the audit report and LFAR.
- Submit the audit report and LFAR to the bank.

VII. Reference Documents:

- Guidance Note on Audit of Banks (2025 Edition) - ICAI AASB.
- RBI Master Circulars and Notifications:
  - Master Circular on Income Recognition, Asset Classification, Provisioning and Other Related Matters.
  - Master Direction - Know Your Customer (KYC) Direction, 2016.
  - Master Circular on Loans and Advances - Statutory & Other Restrictions.
  - Master Circular on Investments by Banks.
  - Master Direction on Interest Rate on Deposits.
  - Master Direction on Foreign Exchange Management (FEMA).
- Applicable Accounting Standards (Ind AS / AS).
- Branch Operational Manuals and Policy Documents.
- Previous Years' Audit Reports (Statutory and Internal).
- RBI Inspection Reports.
- Bank's Internal Circulars and Guidelines.
- Relevant sections of the Banking Regulation Act, 1949.
- The Prevention of Money-laundering Act, 2002.
- The Information Technology Act, 2000.

VIII. Audit Sign-off:

- **Prepared by:** [Name, Designation, Date]
- **Reviewed by:** [Name, Designation, Date]
- **Approved by:** [Name, Designation, Date]

IX. Specific Risk Areas and Mitigation:

- **Credit Risk:**
  - Detailed scrutiny of loan documentation and collateral.
  - Assessment of the effectiveness of the loan review mechanism.
  - Analysis of NPA movement and provisioning.
  - Review of the credit appraisal process.
- **Operational Risk:**
  - Evaluation of internal controls over cash management, transaction processing, and IT systems.
  - Review of the branch's disaster recovery and business continuity plans.
  - Review of the branch's compliance with operational manuals.
- **Market Risk (if applicable):**
  - Verification of the valuation of investments and foreign exchange positions.
  - Assessment of the adequacy of risk management policies.
- **Compliance Risk:**
  - Detailed testing of compliance with RBI guidelines and circulars.
  - Review of KYC/AML procedures.

    - Verification of compliance with statutory requirements.
- **IT Risk:**
    - Review of IT general and application controls.
    - Assessment of data security and integrity.
    - Review of access controls and system logs.
- **Fraud Risk:**
    - Perform analytical procedures to identify unusual transactions.
    - Review of high-value and unusual transactions.
    - Assessment of the adequacy of segregation of duties.
    - Perform surprise cash counts.

X. Communication with Branch Management:

- Regular meetings with branch management to discuss audit progress and findings.
- Prompt communication of any significant issues or concerns.
- Formal management representation letter to obtain written confirmation of management's responsibilities and representations.
- Exit meeting to discuss the LFAR and audit report.

This detailed program aims to provide a comprehensive framework for the statutory audit of a bank branch. The auditor should exercise professional judgment and adapt the program to the specific circumstances of the branch. The use of data analytics and Computer Assisted Audit Techniques (CAATs) should be considered to enhance audit efficiency and effectiveness.