

Long form Audit Report (LFAR) is Management Report submitted by Bank Auditors at Branch level. Reserve Bank of India had originally introduced system of LFAR submission by auditors way back in 1985, same was subsequently revised twice in 1993 and 2003 and now in 2020. Branches LFAR are consolidated and Bank level LFAR is prepared. For branches that are below cut off level for statutory audit, LFAR is to be prepared by concurrent auditors. LFAR serves as vital tool for auditors and their team members. Auditors have to offer comments/feedback on the Profit & Loss Account, Balance sheet, Advances and all other matters. LFAR has questions for specialised branches such as Forex Branches, Service Branches and Branches having large advances. Normally auditors verify and offer their comments on the details compiled by the branch management.

Normally audit team should go through LFAR well in advance and study the same thoroughly. Before any area is started, questions to be answered in LFAR should be kept in mind. Check List based on questions can be prepared same will help as ready tool for verification of that area by audit team. While replying to the questions LFAR auditor must be clear in his thoughts and to the point. Answer should be descriptive and Yes/NO/Not applicable type of replies should be avoided. General comments/ copy paste of previous should be strictly avoided. All irregularities pointed out should be specific and given with examples. Many time auditors are giving cross references in LFAR/ of LFAR in other report, that needs to be avoided. Main Auditor's Report is self-contained document. Same way matters of Main Statutory Auditor's Report should not be reported in LFAR. Matter concerning subject of qualification and affecting true & fair view should be reported only in Main Auditor's Report. In whole exercise of Bank audit, Documentation plays very important role. Auditors should collect all important documents and create proper working papers. All documents should be persevered as required by SAs.

Following points are to be kept in mind while making audit plan and doing actual verification

Long Form Audit Report (LFAR) to the Management and the Statutory Central Auditors of the bank by the branch auditors in case of bank branches

The following paragraphs list the matters which the branch auditors of the bank are required to comment upon in their Long Form Audit Reports (LFAR). This questionnaire additionally contains questions, which are relevant to the specialized branches dealing in foreign exchange transactions, branches having very large advances, recovery of non-performing assets (NPA) and clearing house operations, if any. Auditors of foreign branches of Indian banks should also furnish this report. In the case of foreign branches, reference to Reserve Bank of India should be construed to include Reserve Bank of India, as well as the relevant regulating authority of the foreign country where the branch is located.

A. Guiding principles on objective, strategy, scope and coverage of LFAR for branch auditors

- i. The overall objective of the branch audit should be to have transaction testing and provide inputs to the Statutory central Auditors on adequacy of implementation of various policy and regulatory requirements, including efficacy of the system and assurance functions (risk management, compliance and internal audit) at branch level.
- ii. The threshold fixed for different purposes for comments in the LFAR will decide that above the threshold, the transaction detailing needs to be seen and commented upon. However, below the threshold, the system and processes should be checked and commented upon.
- iii. Verification of data integrity and data related control systems and processes should be carried out and commented upon, with the special thrust on those data inputs which are to be used for MIS at corporate office level and for supervisory reporting purposes.
- iv. Where any of the comments made by the auditors in their LFAR is adverse, they should consider whether a qualification in their main report is necessary. It should not, however, be assumed that every adverse comment in the LFAR would necessarily result in a qualification in the main report. In deciding whether a qualification in the main report is necessary, the auditors should use their professional judgment in the facts and circumstances of each case.

B. Indicative Format / Coverage in the Long Form Audit Report (LFAR) by the Statutory Branch Auditors (SCB)

Name of Bank Name of
Branch Branch Code
Zone / Circle Code
Financial Year

I. ASSETS

| 1. | Cash | Guidance for verification to be done by Auditor |
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| (a) | Does the system ensure that cash maintained is in effective joint custody of two or more officials, as per the instructions of the controlling authorities of the bank? | : Verify the Internal Guidelines of Bank with regards to custody of cash. Verify the facts through records kept for cash custody/changes in custody. Normally Key Register is maintained. |
| (b) | Have the cash balances at the branch/ATMs been checked at periodic intervals as per the procedure prescribed by the controlling authorities of the bank? | : Auditor need to conduct physical verification of cash at branch and at ATMs during the statutory audit. Find out what is the policy of Bank with regards to cash verification by senior staff. Confirm whether such verification has been conducted during the year? Verify the records maintained of cash verification. Cash Verification Certificate is also required to be issued with denomination of note's and its quantity. |
| (c) | (i) Does the branch generally maintain / carry cash balances, which vary significantly from the limits fixed by the controlling authorities of the bank? | : Verify the Cash retention limits fixed for branch including ATM and extension counters if any. Check cash balance for the year under audit and report excess cash held if any. Check whether excess holding of cash is reported in head office or not? |
| | (ii) Does the figure of the balance in the branch books in respect of cash with its ATM(s) tally with the amounts of balances with the respective ATMs, based on the year-end scrolls generated by the ATMs? If there is any difference, the same should be reported. | : Check the cash balance as per branch books and as per ATM Report. If there, is any difference call for the reconciliation statement, verify the same, and report the discrepancies found. |
| (d) | Whether the insurance cover is available with the branch adequately meets the requirement to cover the cash-in hand and cash-in transit? | : Insurance is normally taken at Head office level. Hence, include the point in management representation regarding the same if original policy document is not verified by auditor. Verify Insurance Policy/Head office letter for insurance cover for branch and in transit. |

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| | | Verify whether cash in hand during the year is within insured limits and report the instances when the actual cash held is above insured limits. |
| 2. | Balances with Reserve Bank of India, StateBank of India and other banks (For branches with Treasury Operations) | |
| (a) | Were balance confirmation certificates obtained in respect of outstanding balances asat the year-end and whether the aforesaid balances have been reconciled? The nature and extent of differences should be reported. | Find out whether branch has any accounts with RBI/SBI/Other Banks. : Call for balance confirmation certificates and verify the same with books. If balance is not tallied call for Reconciliation. Verify the reconciliation items and if it requires any provisioning do call for the same. Report on transactions appearing in reconciliation Review reconciliation process and Periodicity of reconciliation and comment on the same. |
| (b) | Observations on the reconciliation statements may be reported in the following manner: | : Auditor should verify that there are no abnormal items in reconciliation. If there are any expense/ charges lying in records or old debit entries are lying, same should be provided for. |
| (i) | Cash transactions remaining un-responded (give details) | : Verify the Cash transactions remaining un-responded. Normally on second or third day, response comes for year end transactions. Report un-responded transactions at the year-end in LFAR. |
| (ii) | Revenue items requiring adjustments / write-off (give details) | : Auditor should examine pending items in reconciliation and if there is any revenue, item requiring adjustment / write off of the same should be done. |
| (iii) | Other credit and debit entries originated in the statements provided by RBI/other banks, remaining un-responded for more than 15 days: | : Auditor should call for statement of pending unreconciled entries and if the responded outstanding entry is older than 15 days same should be reported. |
| (iv) | Where the branch maintains an account with RBI, the following additional matter may be reported: Entries originated prior to, but communicated / recorded after the year end in relation to currency chest operations at the branch/other link branches, involving deposits into/withdrawals from the currency chest attached to such branches (Give details) | : If the Branch has account with RBI for currency chest, outstanding entries at year end needs to be reported. |

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| (c) | In case, any matter deserves special attention of the management, the same may be reported. | : Any special observation. Any other item which may be reported to controlling office |
| 3. | Money at Call and Short Notice | . |
| (a) | Has the branch kept money-at-call and short notice during the year? | : Verify the branch has such transactions. If yes, verify all RBI/Bank's guidelines are followed. Conduct verification of the transactions with documents such as deal ticket, contracts /ledger accounts/bank statements etc. |
| (b) | Has the year-end balance been duly confirmed and reconciled? | : Verification of year-end balance confirmation is to be done . |
| (c) | Has interest accrued up to the year-end been properly recorded? | : Calculation of interest accrued on year-end transaction is to be obtained and same needs to be examined by branch auditor. |
| (d) | Whether instructions/guidelines, if any, laid down by the controlling authorities of the bank have been complied with? | : Verify Bank Policies in this regards and it is actually being followed or not? Report non-compliances if any. |
| 4. | Investments (for branches outside India) | Confirm with management that branch is having investment activities, if yes call for all guidelines and study RBI guidelines and check whether the same are followed or not. |
| (a) | In respect of purchase and sale of investments, has the branch acted within its delegated authority, having regard to the instructions/guidelines in this behalf issued by the controlling authorities of the bank? | : Check the guidelines/ instructions for delegation of authorities for purchase and sale of investments to find out whether branch has acted within delegated authority or not. Report discrepancies if any. Conduct physical verification of investments with holding statement, certificates, deal slips etc. Report discrepancies if any. |
| (b) | Have the investments held by the branch whether on its own account or on behalf of the Head Office/other branches been made available for physical verification? Where the investments are not in the possession of the branch, whether evidences with regard to their physical verification have been produced? | : Conduct physical verification of investments with holding statement, certificates, deal slips etc. Report discrepancies if any. If the investments are held on the behalf of Head Office and physical verification of the same is not done. This should be mentioned in the management representation. In current situation DMAT / Holding statement should be verified. |

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| (c) | Is the mode of valuation of investments in accordance with the RBI guidelines or the norms prescribed by the relevant regulatory authority of the country in which the branch is located whichever are more stringent? | <p>Ask for Banks valuation policy and verify the same is in accordance with RBI guidelines or not. Verify the actual investment valuation done. Normally Bank Branch cannot hold investment in its own name except investments held for collection on revenue on behalf of the HO.</p> <p>In case of bank branch in foreign country, auditor should verify local rules/regulation prescribed and verify the same is being followed.</p> <p>To conclude – Verify the guidelines of the bank for valuation of investments and RBI Guidelines as well. Find out whether the branch has acted as per the guidelines are not. Report discrepancies found.</p> |
| (d) | Whether there are any matured or overdue investments which have not been encashed and / or has not been serviced? If so, give details? | <p>Check for matured or overdue investments which have not been encashed or services at the year end and provide details of the same.</p> <p>Details could be: Name: Date of Maturity: Overdue Days: Reasons for non-receipt of money: Any provision is done:</p> |
| 5. | Advances | |
| | General Instructions | |
| (i) | <p>The answers to the following questions may be based on the auditor's examination of all large advances.</p> <p>For this purpose, large advances are those in respect of which the outstanding amount is in excess of 10% of outstanding aggregate balance of fund based and non-fund based advances of the branch or Rs.10 crores, whichever is less.</p> <p>Care- For all accounts above the threshold, the transaction audit/account specific details to be seen and commented, whereas below the threshold, the process needs to be checked and commented upon. Comments of the branch auditor on advances with significant adverse features, which might need the attention of the management / Statutory Central Auditors, should be appended to the LFAR.</p> | <p>Select the advances as given in this question and verify the same in all aspect.</p> |
| (ii) | The critical comments based on the review of the above and other test check should be given in respective paragraphs as given in LFAR given below. | |
| (a) | List of accounts examined for audit | This is new requirement where in auditor has to report how much advances / which accounts are verified during the course of their audit. Percentage |

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| | | of advances verified as compare to total advances are to be mentioned. |
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| Account No. | Account Name | Balance as at year end – Funded | Balance as at year end – Non-funded | Total |
|---------------------------------|--------------|---------------------------------|-------------------------------------|-------------|
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| Total | | A | B | C = A + B |
| Total Outstanding of the branch | | X | Y | Z = X + Y |
| Percentage examined | | A as % of X | B as % of Y | C as % of Z |

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| (b) | Credit Appraisal | |
| (i) | <p>In your opinion, has the branch generally complied with the procedures / instructions of the controlling authorities of the bank regarding loan applications, preparation of proposals for grant/ renewal of advances, enhancement of limits, etc., including adequate appraisal documentation in respect thereof.</p> <p>What, in your opinion, are the major shortcomings in credit appraisal, etc.</p> | <p>: Carry out test check in advances verification and list all deficiencies, which you found and based in area in which there is a deficiency report that.</p> <p>Specifically call for advances sanctioned during the reporting period and call for those advances files and verify the credit appraisal as prescribed in bank's policy is being followed.</p> <p>For credit appraisal, verify the process to be carryout pre sanction and check whether the same is followed or not? Check all required documents are collected for appraising particular loan. Requisite Application Forms duly filled are collected.</p> <p>Document number of borrower accounts checked and then comment in separate annexure, giving details of account such as name, account number, sanctioned limits, balance outstanding, and your observations. Give reference of the annexure in this point.</p> |

| <p>(ii)</p> | <p>Have you come across cases of quick mortality in accounts, where the facility became non-performing within a period of 12 months from the date of first sanction? Details of such accounts may be provided in following manner:-</p> <ul style="list-style-type: none"> • Account No. • Account Name • Balance as at year end | <p>: Verify the advances, which have been sanctioned in the past 12 Months and check for any advances, which have become non-performing at the year-end.</p> <table border="1" data-bbox="895 349 1377 551"> <thead> <tr> <th data-bbox="895 349 1027 483">Account No.</th> <th data-bbox="1027 349 1195 483">Account Holder Name</th> <th data-bbox="1195 349 1377 483">Balance as at year end</th> </tr> </thead> <tbody> <tr> <td data-bbox="895 483 1027 512"></td> <td data-bbox="1027 483 1195 512"></td> <td data-bbox="1195 483 1377 512"></td> </tr> <tr> <td data-bbox="895 512 1027 551"></td> <td data-bbox="1027 512 1195 551"></td> <td data-bbox="1195 512 1377 551"></td> </tr> </tbody> </table> <p>Additionally security / IRAC status can be stated here.</p> | Account No. | Account Holder Name | Balance as at year end | | | | | | |
|---------------------|---|--|-------------|---------------------|------------------------|--|--|--|--|--|--|
| Account No. | Account Holder Name | Balance as at year end | | | | | | | | | |
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| <p>(iii)</p> | <p>Whether in borrowal accounts the applicable interest rate is correctly fed into the system?</p> | <p>: Verify whether interest rates actually applied to loans in the computer system are same as prescribed by the Head Office of the Bank. Report discrepancies found if any. Shortage /excess if material issue Memorandum of Changes.</p> | | | | | | | | | |
| <p>(iv)</p> | <p>Whether the interest rate is reviewed periodically as per the guidelines applicable to floating rate loans linked to MCLR / EBLR (External Benchmark Lending Rate)?</p> | <p>: Check the guidelines/ instructions for review/ revision for interest of loans lined to MCLR/ EBLR.</p> <p>Whether interest rate have been revised periodically as per the circulars of the RBI and effect of the same has been given in the loan accounts as per the RBI Guidelines.</p> <p>Report discrepancies if any.</p> | | | | | | | | | |
| <p>(v)</p> | <p>Have you come across cases of frequent renewal / rollover of short-term loans? If yes, give the details of such accounts.</p> | <p>: Call for all short term accounts renewed, rolled over during the year. Report such accounts where frequently the such renewals are is done. For example in Gold loans, Verify accounts opened and closed on same day for the same borrower in the system and if such accounts found to be non-genuine, report the same. Cases of ever greening should be reported.</p> | | | | | | | | | |
| <p>(vi)</p> | <p>Whether correct and valid credit rating, if available, of the credit facilities of bank's borrowers from RBI accredited Credit Rating Agencies has been fed into the system?</p> | <p>: Cases where credit rating is applicable, auditor has to verify credit rating from RBI accredited Credit Rating Agencies has been obtained and whether the credit rating has been fed in the system.</p> | | | | | | | | | |
| <p>(c)</p> | <p>Sanctioning / Disbursement</p> | | | | | | | | | | |
| <p>(i)</p> | <p>In the cases examined by you, have you come across instances of:</p> <p>(a) credit facilities having been sanctioned beyond the delegated authority or limit fixed for the branch?</p> <p>(b) Are such cases promptly reported to higher authorities?</p> | <p>: Find out what are delegated authorities at various levels</p> <p>Check sanction letters so you can find whether person sanctioned the loan had authority to sanction.</p> <p>Test check all new loan sanctioned and verify this aspect.</p> <p>Whether cases if any wherein credit facilities have been sanctioned beyond the delegated authority have been reported in higher authorities</p> | | | | | | | | | |

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| (ii) | Whether advances have been disbursed without complying with the terms and conditions of the sanction? If so, give details of such cases. | : Study terms and conditioned which bank has stipulated in sanction letter and verify the same are compiled or not if not report the same. |
| (iii) | Did the bank provide loans to companies for buy-back of shares/securities? | : Call for details of loans if any provided for buyback of shares/ securities and report the same. |
| (d) | Documentation | |
| | In the cases examined by you, have you come across instances of: | : |
| (i) | Credit facilities released by the branch without execution of all the necessary documents? If so, give details of such cases. | : Verify the standard documents to be executed and if they are not completely filed or not executed properly report the same here. |
| (ii) | Deficiencies in documentation, including non-registration of charges, non-obtaining of guarantees, etc.? If so, give details of such cases. | : List all deficiencies found in documentation in all advances verified and report the same. |
| (iii) | Advances against lien of deposits have been granted without marking a lien on the bank's deposit receipts and the related accounts in accordance with the guidelines of the controlling authorities of the bank. | : Call for guidelines for loan against fixed deposit. Verify loans against fixed deposit with guidelines of controlling authorities of bank. Verify the physical FD receipts and the CBS for Term Deposits lien marking and in cases where lien is not marked comment accordingly. |
| (e) | Review/Monitoring/Supervision | |
| (i) | Is the procedure laid down by the controlling authorities of the bank, for periodic review of advances, including periodic balance confirmation / acknowledgement of debts, followed by the branch? Provide analysis of the accounts overdue for review/renewal. What, in your opinion, are major shortcomings in monitoring, etc. | : Find out bank's guidelines for Periodic Review & Balance confirmation of accounts and acknowledgment of debt. Verify accounts selected on test check basis and comment accordingly. If there are any major shortcomings found in monitoring needs to be reported such as Blank/incomplete loan documents, non-availability of original agreements, defect in documents, Non availability of valuation report , Title certificate report etc. if any. |
| | a) between 3 to 6 months, and | : |
| | b) over 6 months | : |

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| <p>(ii)</p> | <p>a) Are the stock/book debt statements and other periodicoperational data and financial statements, etc., received regularly from the borrowers and duly scrutinized? Is suitable action taken on the basis of such scrutiny in appropriate cases?</p> <p>b) Is the DP properly computed?</p> <p>c) Whether the latest audited financial statements are obtained for accounts reviewed / renewed during the year?</p> | <p>: Review the stock and book debt statements submitted by the borrowers. Check financial statements submitted by borrower. If bank has examined and called explanation on these statements check the same. Verify that stock & book debt statements have been submitted with complete details along with movements. Compare credits in accounts with sales in financial statements along with receivables/payable position.</p> <p>Check margins as prescribed in sanctioned letters are deducted from stock and debtors.</p> <p>Verify on test check basis, accounts and comment irregularities if any observed.</p> <p>Verify drawing power calculations and check accounts are overdrawn or not?</p> <p>Check accounting software, whether DP is regularly updated or not and comment if not updated properly.</p> <p>Check Implication of NPA for non-submission of stock & debtor’s statement/financial statements.</p> <p>If these statements are submitted late, check penal interest as stipulated is applied or not?</p> |
| <p>(iii)</p> | <p>a) Whether there exists a system of obtaining reports on stock audits periodically?</p> <p>b) If so, whether the branch has complied with such system?</p> <p>c) Details of:</p> <ul style="list-style-type: none"> ➤ cases where stock audit was required but was not conducted ➤ where stock audit was conducted but no action was taken on adverse features | <p>: Bank should have prescribed system of carrying out stock audit of advances.</p> <p>Check Banks requirements to conduct stock audit. If stock audits are required to be undertaken for a particular borrower accounts, whether the same is undertaken or not.</p> <p>Where stock audits are carried out, whether bank officials have reviewed stock audit report? And they have called for explanation on negative remarks from borrower.</p> <p>If there is any impact on account classification, examine the same.</p> |
| <p>(iv)</p> | <p>Indicate the cases of advances to non-corporate entities with limits beyond that is set by the bank where the branch has not obtained the duly audited accounts of borrowers.</p> | <p>: Take list of non-corporate borrowers with limits of set by bank, check whether all borrowers have submitted audited financial statements or not, if not comment accordingly.</p> |

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| <p>(v)</p> | <p>Does the branch have on its record, a due diligence report in the form and manner required by the Reserve Bank of India in respect of advances under consortium and multiple banking arrangements.</p> <p>Give the list of accounts where such certificate/report is not obtained or not available on record.</p> <p>(In case, the branch is not the lead bank, copy of certificate/report should be obtained from lead bank for review and record)</p> | <p>: Check the RBI guidelines/ instructions for due diligence of the advances. Verify whether bank has carried out due diligence for advances under consortium and multiple banking arrangements that fulfill criteria's specified.</p> <p>Auditor should report list of accounts where such certificate/report is not obtained or not available on record.</p> <p>Verify the visit report of bank official and check if any negative observations are reported and check explanations called from borrower of the same.</p> |
| <p>(vi)</p> | <p>Has the inspection or physical verification of securities charged to the bank been carried out by the branch as per the procedure laid down by the controlling authorities of the bank?</p> <p>Whether there is a substantial deterioration in value of security during financial year as per latest valuation report in comparison with earlier valuation report on record?</p> | <p>: Check guidelines issued by the controlling authorities by the bank for physical verification of securities charged. Verify whether branch has followed the same.</p> <p>Check Valuation reports and compare the value with earlier valuation report and if substantial deterioration in value of security during financial year, report the same.</p> <p>Verify the insurance policies submitted by borrowers and report if the policies are expired, also check value of stock as per stock statement/ financial statement and report if stock is under insurance.</p> <p>Also check whether bank clause is mentioned in Policy.</p> |

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| (vii) | In respect of advances examined by you, have you come across cases of deficiencies, including in value of securities and inspection thereof or any other adverse features such as frequent/ unauthorized overdrawing beyond limits, inadequate insurance coverage, etc.? | : On test check basis, analyse the advances/loans with their value of securities, insurance coverage, other factors that helps in determining the loans drawing limits as per the banks guidelines. Report the discrepancies found in between securities value and drawing limits set between the banks, adverse observations, and inadequate insurance coverage. |
| (viii) | Whether the branch has any red-flagged account? If yes, whether any deviations were observed related to compliance of bank's policy related with Red Flag Accounts? | : Ask for guidelines for the red flagging any account and see whether branch has followed the same. Accounts that have been Red Flagged by the bank on various grounds have to be mentioned here. In addition, deviations that have been found by the bank and by auditor needs to mentioned here. |
| (ix) | Comment on adverse features considered significant in top 5 standard large advances and which need management's attention. | : Verify Top 5 standard advances and report the adverse features requiring management attention. |
| (x) | In respect of leasing finance activities, has the branch complied with the guidelines issued by the controlling authorities of the bank relating to security creation, asset inspection, insurance, etc.? Has the branch complied with the accounting norms prescribed by the controlling authorities of the bank relating to such leasing activities? | : Check whether the guidelines issued by the controlling authorities for leasing finance activities match with the procedure carried out at the bank branch. Have the all documents required and procedures to be followed have been complied with for example has the charge against security been created on necessary platform, bank has taken financial statements of the entity are with the bank, adequate insurance cover has been taken, etc. Accounting treatments as per guidelines are followed. Discrepancies found should be reported under this clause. |
| (f) | <i>Asset Classification, Provisioning of Advances and Resolution of Stressed Assets</i> | |

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| (i) | <p>a) Has the branch identified and classified advances into standard / substandard / doubtful / loss assets through the computer system, without manual intervention?</p> <p>b) Is this identification & classification in line with the norms prescribed by the Reserve Bank of India</p> <p>c) Whether the branch is following the system of classifying the account into SMA-0, SMA-1, and SMA-2. Whether the auditor disagrees with the branch classification of advances into standard (Including SMA-0, SMA-1, SMA-2) / sub-standard / doubtful / loss assets, the details of such advances with reasons should be given.</p> <p>d) Also indicate whether required changes have been incorporated/ suggested in the Memorandum of Changes.</p> <p>e) List the accounts (with outstanding in excess of Rs. 10.00 crore) which have either been downgraded or upgraded with regard to their classification as Non-Performing Asset or Standard Asset during the year and the reason thereof.</p> <p>f) Whether RBI guidelines on income recognition and provisioning have been followed.</p> | : | <p>a) Verify classification done by the branch of advances in to standard / substandard / doubtful / loss assets. Whether the same is done through the computer system, without manual intervention? If not done through computer report the same here.</p> <p>b) Check the same is in line with the norms prescribed by the Reserve Bank of India</p> <p>c) Verify classification of accounts in to SMA-0 to SMA-2/ sub-standard /doubtful / loss assets, and if discrepancies are found in the same report under this clause with reasons.</p> <p>d) Report changes suggested by auditor in Memorandum of Changes with justification for the same.</p> <p>e) Call for list of accounts downgraded or upgraded with regard to their classification as Non-Performing Asset or Standard Asset during the year and the reason thereof, verify the same and report here advances above Rs.10 Cr</p> <p>f) Verify income recognition and provisioning norms as prescribed by RBI, have been followed. If not report the same under this clause.</p> |
| (ii) | <p>a) Whether the branch has reported accounts restructured or rephased during the year to Controlling Authority of the bank?</p> <p>b) Whether the RBI Guidelines for restructuring on all such cases have been followed.</p> <p>c) Whether the branch complies with the regulatory stance for resolution of stressed assets, including the compliance with board approved policies in this regard, tracking/reporting of defaults for resolution purposes among others?</p> | : | <p>Verify that the accounts restructured or rephased by the banks are done as per the guidelines provided by the banks controlling authority and the changes in the account have been reported to the controlling authorities of the bank.</p> <p>Also, check if RBI Guidelines on Restructuring of accounts have been followed by the bank. Accounts should not be upgraded upon restructuring.</p> <p>Call for policy/ guidelines for stressed assets and board approval for such cases.</p> |
| (iii) | <p>a) Whether the upgradations in non-performing advances is in line with the norms of Reserve Bank of India</p> <p>b) Where the auditor disagrees with upgradation of accounts? If yes, give reasons thereof.</p> | : | <p>Verify the cases where the IRAC status has been upgraded and the same is in line with norms of Reserve Bank of India. If the any upgradation is not in line with RBI Norms auditor must report the same under this clause.</p> |

| (iv) | Have you come across cases where the relevant Controlling Authority of the bank has authorized legal action for recovery of advances or recalling of advances, but no such action was taken by the branch? If so, give details of suchcases. | : Call for the cases where in controlling authority has authorized legal action for recovery of advances or recalling of advances and verify the same is being done or not, if not report the same under this clause. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
|--------------------------------------|--|--|-------------|--------|--------|-----------------------------------|--|--|--------------------------------------|--|--|---------|--|--|----------------------|--|--|----------------------------|--|--|---------------------|--|--|---------|--|--|-----------------------------|--|--|
| (v) | Whether there are any accounts wherein process under IBC is mandated but not initiated by the branch? Whether there are any borrowers at the branch against whom the process of IBC is initiated by any of the creditors including bank? If yes, provide the list of such accounts and comment on the adequacy of provision made thereto? | : Call for cases wherein IBC is mandated by bank / creditors. Check adequacy of the provisions in such cases. | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (vi) | <p>a) Have appropriate claims for credit guarantee (ECGC and others), if any, been duly lodgedand settled?</p> <p>b) Give details of claims rejected? (As per the given table)</p> <p>c) Whether the rejection is appropriately considered while determining the provisioning requirements</p> | <p>: Call for details of Guarantees issued and margin & securities obtained against the same. Check charges are recovered as per Bank's Rules.</p> <p>Verify all the o/s guarantees. Examine List of guarantees invoked and funded by bank. Further examine steps taken for recovery from customers.</p> <p>Report all cases of guarantees invoked in LFAR.</p> <p>Verify the details in prescribed format prepared by branch and comment.</p> <table border="1" data-bbox="863 1126 1453 2022"> <thead> <tr> <th>Particulars</th> <th>Number</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Claim atthe beginning of the year</td> <td></td> <td></td> </tr> <tr> <td>Further claim lodged during the year</td> <td></td> <td></td> </tr> <tr> <td>Total A</td> <td></td> <td></td> </tr> <tr> <td>Amounts representing</td> <td></td> <td></td> </tr> <tr> <td>(i) Claimsaccepted/settled</td> <td></td> <td></td> </tr> <tr> <td>(ii) Claimsrejected</td> <td></td> <td></td> </tr> <tr> <td>Total B</td> <td></td> <td></td> </tr> <tr> <td>Balance asat year end (A-B)</td> <td></td> <td></td> </tr> </tbody> </table> | Particulars | Number | Amount | Claim atthe beginning of the year | | | Further claim lodged during the year | | | Total A | | | Amounts representing | | | (i) Claimsaccepted/settled | | | (ii) Claimsrejected | | | Total B | | | Balance asat year end (A-B) | | |
| Particulars | Number | Amount | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Claim atthe beginning of the year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Further claim lodged during the year | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total A | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Amounts representing | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (i) Claimsaccepted/settled | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| (ii) Claimsrejected | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Total B | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| Balance asat year end (A-B) | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |

| | | |
|---------------|---|--|
| (vii) | In respect of non-performing assets, has the branch obtained valuation reports from approved valuers for the immovables charged to the bank, once in three years, unless the circumstances warrant a shorter duration? | : Check security value reported and its basis. Find out immovable properties are valued from government-approved valuer every three years or not? |
| (viii) | In the cases examined by you, has the branch complied with the Recovery Policy prescribed by the controlling authorities of the bank with respect to compromise/settlement and write-off cases? Details of the cases of compromise/settlement and write-off cases involving write-offs/waivers in excess of Rs. 50.00 lakhs may be given. | : Call for list of cases wherein in compromise/settlement and write-off cases involving write-offs/waivers in excess of Rs. 50.00 lakhs is being done and verify the same is in line with the Recovery Policy prescribed by the controlling authorities of the bank with respect to compromise/settlement and write-off cases. Report such cases here. |
| (ix) | Is the branch prompt in ensuring execution of decrees obtained for recovery from the defaulting borrowers? Give Age-wise analysis of decrees obtained and pending execution. | : Call for list of cases where execution of decrees obtained for recovery from the defaulting borrowers and check the status of the same. Obtained & report age wise list of cases, where in execution is pending. |
| (x) | Whether in the cases concluded the recoveries have been properly appropriated against the principal / interest as per the policy of the bank? | : Call for the list of accounts where in recovery has been done. Check appropriation of recover in interest and principal and check whether the same is done as per bank's policy. Bank's Policy must be consistently followed in all cases of recovery. |
| (xi) | In cases where documents are held at centralized processing centres / office, whether the auditor has received the | : Check the system of keeping documentation and call for verification of documents and comment on the same under this clause. |

| | relevant documents as asked by them on test check basis and satisfied themselves. Report the exceptions, if any | | | | | | | | | | | | | | |
|---------|---|------------|--|---------|------------------------|------------|------------------|--------|------------------------|--|--|--|--|--|--|
| (xii) | List the major deficiencies in credit review, monitoring and supervision. | : | Report the major deficiencies in credit review, monitoring and supervision under this clause. | | | | | | | | | | | | |
| (g) | Non-Fund Based facilities | | | | | | | | | | | | | | |
| (i) | List of borrowers with details of LCs devolved or guarantees invoked during the year. | : | Call for list of Non-fund based facility. Report cases of LC devolvement and guarantees invoked and report the same here: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Sr. No.</th> <th>Invocation Date</th> <th>Party Name</th> <th>Beneficiary Name</th> <th>Amount</th> <th>Recovery Date</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> | Sr. No. | Invocation Date | Party Name | Beneficiary Name | Amount | Recovery Date | | | | | | |
| Sr. No. | Invocation Date | Party Name | Beneficiary Name | Amount | Recovery Date | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| (ii) | List of borrowers where the LCs have been devolved or guarantees have been invoked but not paid with amount thereof. | : | Report here the cases where in recovery is not done in case of LC devolvement and guarantees invoked: <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Sr. No.</th> <th>Invocation Date</th> <th>Party Name</th> <th>Beneficiary Name</th> <th>Amount</th> <th>Reason for non Payment</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> | Sr. No. | Invocation Date | Party Name | Beneficiary Name | Amount | Reason for non Payment | | | | | | |
| Sr. No. | Invocation Date | Party Name | Beneficiary Name | Amount | Reason for non Payment | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| (iii) | List of instances where interchangeability between fund based and non-fund-based facilities was allowed subsequent to devolvement of LC / invocation of BG. | : | Check cases wherein interchangeability between fund based and non-fund based of facility is allowed and if the same is done after devolvement of LC / invocation of BG, report the same here. | | | | | | | | | | | | |
| | | | | | | | | | | | | | | | |
| 6. | Other Assets | | | | | | | | | | | | | | |
| (a) | Suspense Accounts/Sundry Assets | | | | | | | | | | | | | | |

| | | |
|------|---|--|
| (i) | Does the system of the bank ensure expeditious clearance of items debited to Suspense Account? Details of outstanding entries in excess of 90 days may be obtained from the branch and the reasons for delay in adjusting the entries may be ascertained. Does your scrutiny of the accounts under various sub-heads reveal balances, which in your opinion are not recoverable and would require a provision/write-off? If so, give details. | : Review the bank's system about clearance of such entries and comment upon the same. Scrutinize to evaluate normal time taken to clear such entries. Verify the items appearing in the list with sufficient details such as narration of the transaction. Check the year wise break up and tally it with trial balance. |
| (ii) | Does your test check indicate any unusual items in these accounts? If so, report their nature and the amounts involved. Are there any intangible items under this head e.g. losses not provided / pending investigation? | : Report all unusual items/material withdrawals in suspense/sundries with complete details. |

II. LIABILITIES

| | | |
|-----------|---|--|
| 1. | Deposits | |
| (a) | Does the bank have a system of identification of dormant/ inoperative accounts and internal controls with regard to operations in such accounts? In the cases examined by you, have you come across instances where the guidelines laid down in this regard have not been followed? If yes, give details thereof. | : Check how system is flagging an account as dormant/ inoperative. Obtain list of inoperative accounts & verify the transaction on test check basis. Check bank policy for making accounts operative, & verify. Report deficiencies. Call for such accounts that are not flagged by the system for example account having only one transaction and that might be unusual. Test check account where only one/ few transactions have occurred during the year. |
| (b) | After the balance sheet date and till the date of audit, whether there have been any unusual large movements (whether increase or decrease) in the aggregate deposits held at the year-end? If so, obtain the clarifications from the branch and give your comments thereon. | : Take monthly average deposit under various schemes and check figures and see if there are unusual movements at year/quarter end, report the same. Call for deposit figure in first few days of new year. Obtain comments from branch management for unusual large movements if any and Also compare the deposits figures after year end. |

| (c) | Whether the scheme of automatic renewal of deposits applies to FCNR(B) deposits? Where such deposits have been renewed, report whether the branch has satisfied itself as to the 'non-resident status' of the depositor and whether the renewal is made as per the applicable regulatory guidelines and the original receipts / soft copy have been dispatched. | : Check the policy of Bank for Renewal of FCNR(B) deposits, also whether the branch has FCNR(B) deposits. On Test Check basis verify all relevant documents and renewal transactions. Verify the original receipts / soft copy have been dispatched or not. | | | | | | | | |
|------------|---|--|---------|-----------------|---------|---------|--|--|--|--|
| (d) | Is the branch complying with the regulations on minimum balance requirement and levy of charges on non- maintenance of minimum balance in individual savings accounts? | : Check norms for minimum balance as fixed by controlling office. Verify whether branch is complying with the same or not, if not report the same here. | | | | | | | | |
| | | | | | | | | | | |
| 2. | Other Liabilities - Bills Payable, Sundry Deposits, etc. | | | | | | | | | |
| (a) | The number of items and the aggregate amount of old outstanding items pending for one years or more be obtained from the branch and reported under appropriate heads. Give details thereof. | : Obtain List and verify all items pending for more than one year and comments on the same.(earlier this was 3 years and now updated as 1 year) <table border="1" data-bbox="786 1272 1305 1385"> <thead> <tr> <th data-bbox="786 1272 883 1385">Year</th> <th data-bbox="883 1272 1016 1385">Number of Items</th> <th data-bbox="1016 1272 1162 1385">Amounts</th> <th data-bbox="1162 1272 1305 1385">Remarks</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table> | Year | Number of Items | Amounts | Remarks | | | | |
| Year | Number of Items | Amounts | Remarks | | | | | | | |
| | | | | | | | | | | |
| (b) | Does your test check indicate any unusual items in these accounts? If so, report their nature and the amounts involved. Are there any intangible items under this head e.g. losses not provided / pending investigation? | : Verify transactions during the year and report such transactions. Examine debits are genuine if not call for provisioning of the same. | | | | | | | | |
| | | | | | | | | | | |
| 3. | Contingent Liabilities | | | | | | | | | |
| | List of major items of the contingent liabilities (other than constituent's liabilities such as guarantees, letter of credit, acceptances, endorsements, etc.) not acknowledged by the branch? | : Verify previous year's audited statements for list of contingent liabilities at the beginning of the year. Take current list of contingent liabilities. Verify and Report the same under this clause. | | | | | | | | |

III. PROFIT AND LOSS ACCOUNT

| | | | |
|------------|---|---|---|
| (a) | Has the test checking of interest/discount/ commission/ fees etc. revealed excess/short credit of a material amount? If so, give details thereof. | : | <p>Verify the system for finding discrepancies in Interest/Commission/Processing Fees paid/received.</p> <p>Test check the system followed by branch during the year. Comment on the discrepancies found if any.</p> |
| (b) | Has the branch complied with the Income Recognition norms prescribed by R.B.I.? (The Auditor may refer to the instructions of the controlling authorities of the bank regarding charging of interest on non-performing assets). | : | <p>Check the interest is derecognized if the same is not recovered on accounts classified as NPA during the year. Also, check no interest is charged on old NPA accounts.</p> <p>Guidelines as given in Master Circular on IRAC issued by RBI needs to be followed.</p> |
| (c) | Has the test check of interest on deposits revealed any excess/short debit of material amount? If so, give details thereof. | : | <p>If any material discrepancies are found issue memorandum of changes for corrections to be done and report the same under this clause.</p> |
| (d) | Does the bank have a system of estimating and providing interest accrued on overdue/matured/ unpaid/ unclaimed term deposits including in respect of deceased depositors? | : | <p>Check the policy of bank. Generally provided at HO through CBS.</p> <p>The same is not verifiable at Branch level.</p> |
| (e) | Are there any divergent trends in major items of income and expenditure, in comparison with corresponding previous year, which are not satisfactorily explained by the branch? If so, the same may be reported. | : | <p>Follow analytical procedures and find out is there any divergent trend in in major items of income and expenditure, in comparison with corresponding previous year, which are not satisfactorily explained by the branch, if so report the same here.</p> |

IV. GENERAL

| | | | |
|-----------|---------------------------------------|--|--|
| 1. | GOLD/ BULLION / SECURITY ITEMS | | |
|-----------|---------------------------------------|--|--|

| | | |
|-----------|---|--|
| (a) | Does the system ensure that gold/bullion is in effective joint custody of two or more officials, as per the instructions of the controlling authorities of the bank? | : Confirm whether branch has transactions for gold/bullion. If branch has such transactions study all relevant policies and verify whether branch is following the same or not, if not report under this clause. |
| (b) | Does the branch maintain adequate records for receipt, issues and balances of gold/bullion and updated regularly? Does the periodic verification reveal any excess/shortage of stocks as compared to book records and if any discrepancies observed have been promptly reported to controlling authorities of the bank? | : Check records for receipt, issues and balances of gold/bullion being maintained by branch and comment upon adequacy of the same. Verify whether the periodic verification is done? Whether it revealed any excess/shortage of stocks as compared to book records. if any discrepancies observed the same have been promptly reported to controlling authorities of the bank? Report such discrepancies here. |
| (c) | Does the system of the Bank ensure adequate internal control over issue and custody of security items (Term Deposit Receipts, Drafts, Pay Orders, Cheque Books, Traveller's Cheques, Gift Cheques, etc.)? Whether the system is being followed by the branch? Have you come across cases of missing/lost items? | : Obtain current process and internal control details regarding issue and custody of security items (Term Deposit Receipts, Drafts, Pay Orders, Cheque Books, Traveller's Cheques, Gift Cheques, etc and verify the same is adequate? Carry out physical verification and report if you come across cases of missing/lost items |
| | | |
| 2. | Books and Records | |
| (a) | Whether there are any software / systems (manual or otherwise) used at the branch which are not integrated with the CBS? If yes, give details thereof. | : Obtain list of manual registers required to be maintained at branch level and examine the same are actually maintained or not? Records maintained in computer needs to be examined. Call for list of reports being generated at periodic interval and verify the same on test check basis. |
| (b) | i) In case the branch has been subjected to IS Audit whether there are any adverse features reported and have a direct or indirect bearing on the branch accounts and are pending compliance? If yes give details. | : Call for Information System audit report and report discrepancies if any report there in under this clause. |
| | ii) Whether branch is generating, and verifying exception reports at the periodicity as prescribed by the bank | : Check whether the guidelines given by the HO for exception reports to be generated are being adhere to and verify that the exception reports. Comment on the same under this clause. |

| | | | |
|-----------|--|---|--|
| | iii) Whether the system of bank warrants expeditious compliance of daily exception reports and whether there are any major observations pending such compliance at the year end. | : | Check whether all compliance required by the branch/ bank have been complied by, exception reports for these compliances should also be checked for pending compliances and material observations should be reported. |
| | iv) Whether the bank has laid down procedures for manual intervention to system generated data and proper authentication of the related transactions arising there from along with proper audit trail of manual intervention has been obtained. | : | Call for the laid down procedures for manual intervention to system generated data. and verify proper authentication of the related transactions arising there from along with proper audit trail of manual intervention has been obtained. Comment upon the same under this clause. |
| | v) Furnish your comments on data integrity (including data entry, checking correctness/integrity of data, no back ended strategies etc.) which is used for MIS at HO / CO level. | : | Review the process of access controls and data security. Check internal controls on computer system and other sensitive information. If any commands are passed at back end for generation of reports verify and comment upon the same. Normally no such authorities are given at branch level. |
| | | | |
| 3. | Inter-Branch Accounts | | |
| | Does the branch expeditiously comply with/respond to the communications from the designated cell/Head Office as regards unmatched transactions? As at the year-end, are there any un- responded/un-complied queries or communications beyond 7 days? If so,give details? | : | Reconciliation in CBS environment is done at head office level. Understand the system being followed at branch and role of branch for originating entries un-reconciled and same way error in responding entries originated by other branch this branch. Enquiry for unreconciled entries must be attended and necessary action must be taken by branch official in timely manner.(In maximum 7 days) Report if there is any delay in sorting unreconciled entries existing at branch level. |
| | | | |
| 4. | Frauds | | |
| | Furnish particulars of: (i) Frauds detected/classified but confirmation of reporting to RBI not available on record at branch. | : | Find out is there is any fraud discovered at Branch. Take management representation for the same. Examine requirement for provision, if the loss is not provided for Issue MOC. Find out the fraud is |

| | | |
|--|--|---|
| | | <p>reported to RBI if the same is not reported to RBI, auditors are duty bound to report the same to nodal office of RBI. Give your suggestions to minimize the same.</p> |
| | <p>(ii) Whether any suspected or likely fraud cases are reported by branch to higher office during the year? If yes, provide the details thereof related to status of investigation.</p> | <p>: Report cases of suspected or likely fraud cases and find whether same has been informed to higher office.</p> |
| | <p>(iii) In respect of fraud, based on your overall observation, please provide your comments on the potential risk areas which might lead to perpetuation of fraud (e.g. falsification of accounts/false representation by the borrower; misappropriation of funds especially through related party/ shell company transactions; forgery and fabrication of financial documents like invoices, debtor lists, stock statements, trade credit documents, shipping bills, work orders and encumbrance certificates and avail credit; Use of current accounts outside consortium where Trust and Retention Account (TRA) is maintained, to divert funds; List of Debtors/ Creditors were being fabricated and receivables were not followed up/ write off of debt of related parties; Fake export/shipping bill, etc.; Over statement of invoice amounts, stock statements, shipping bills, turnover; fly by night operations -including the cases where vendors, related/ associate parties, manufacturing units etc. aren't available on the registered addresses; Round Tripping of funds, etc.)</p> | <p>: Provide your comments on the potential risk areas which might lead to perpetuation of fraud.</p> |

| | | |
|------------|---|--|
| | (iv) Whether the system of Early Warning Framework is working effectively and, as required, the early warning signals form the basis for classifying an account as RFA. | : Verify the Early Warning Framework set up. Comment upon the same is working or not. |
| | | |
| 5. | Implementation of KYCAML Guidelines | Verify relevant Circular by RBI on KYC Anti Money Laundering |
| | Whether the branch has adequate systems and processes, as required, to ensure adherence to KYC/AML guidelines towards prevention of money laundering and terrorist financing | : Verify the system at branch level for KYC/AML. Comment upon whether the same is adequate or not |
| | Whether the branch followed the KYC/AML guidelines based on the test check carried out by the branch auditors | : Carry out test check and comment whether branch has followed KYC/AML guidelines. |
| | | |
| 6. | Management Information System | |
| (a) | Whether the branch has the proper systems and procedures to ensure data integrity relating to all data inputs which are to be used for MIS at corporate office level and for supervisory reporting purposes. Have you come across any instances where data integrity was compromised? | : Verify the current process of obtaining data for MIS and whether branch has any authority / possibility of data integrity can be compromised; if yes report such issues under this clause. |
| | | |
| 7. | Miscellaneous | |

| | | | |
|------------|---|---|--|
| (a) | <p>In framing your audit report/LFAR, have you considered the major adverse comments arising out of the latest reports such as:</p> <p>i) Previous year's Branch Audit Report /LFAR; ii) Internal audit/ Snap Audit/ concurrent audit report(s); iii) Credit Audit Report; iv) Stock audit Report; v) RBI Inspection Report, if such inspection took place; vi) Income and Expenditure (Revenue) Audit; vii) IS/IT/Computer/Systems Audit; and viii) Any special inspection /investigation report?</p> | : | <p>Auditor is expected to go through all past reports which are mentioned in this clause and he has to consider major adverse comments.</p> |
| (b) | <p>Are there any other matters, which you, as branch auditor, would like to bring to the notice of the management or the Statutory Central Auditors?</p> | : | <p>Any other matter which branch auditor would like to bring to the notice of the management or the Statutory Central Auditors needs to be reported under this clause.</p> |

Conclusion

Plan to update the LFAR simultaneously along with audit. Most of the time audit team fills the LFAR post completion and they find it difficult or they need go back to records to again note details to be reported in LFAR. Auditor's Team should bifurcate the questions based area being audited by each team member. When irregularities are reported, the same should be reported with sufficient details. Once the report is ready same need to be discussed with Branch Head. During the course of audit, where we are not able to verify the documents/we are relying on explanations we should obtain confirmations on such points in Management Representation letter.

Checklist for verification of advances & reporting in LFAR

1. In respect of common irregularities, the Auditors can give their comments borrower-wise in the LFAR in the format given hereunder:

| Name of Borrower | Name of Branch | Region | IRAC Status | Sanctioning Authority | Facility | Limit | Amount o/s. asat the year end | Irregularity No. |
|------------------|----------------|--------|-------------|-----------------------|----------|-------|-------------------------------|------------------|
| 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 |
| | | | | | | | | |
| | | | | | | | | |

2. In respect of Column 9 above, “Irregularity No.,” the number as given in the “Glossary to Irregularities” in Point5, under the head “Item” below should be given for the irregularity applicable to respective borrower.

In case the auditors feel that in spite of the list of irregularities given below, there are some other irregularities, which the auditor would like to bring to notice, the auditor may separately disclose under the given head by giving “appropriate number”.

For the aforesaid purpose, “appropriate number” would mean, for example, if the auditors feel that in case of “Review/Monitoring/Supervision”, which has the number “4”, any additional irregularity has to be incorporated, he may give a number after the last number appearing in the list, such as “4.62”, and onwards.

Similarly in case of “Credit Appraisal” which has the number “1”, any additional irregularity may be given “1.19”,and so on

3. The borrower-wise details may be given in descending order based on the amount outstanding.

4. Glossary to Irregularities

| | <i>Item</i> | <i>Remarks</i> |
|-----------|---|----------------|
| 1. | Credit Appraisal | |
| 1.1 | Loan application not on record at Branch | |
| 1.2 | The appraisal form was not filled up correctly and thereby the appraisal and assessment was not done properly | |
| 1.3 | Loan application is not in the form prescribed by Head Office | |
| 1.4 | The Bank did not receive certain necessary documents and annexures required with the application form | |
| 1.5 | Basic documents such as Memorandum & Articles of Association, Partnership deed, etc., which are a pre-requisite to determine the status of the borrower, not obtained | |
| 1.6 | Certain adverse features of the borrower not incorporated in the appraisal note forwarded to the management | |
| 1.7 | Industry/group exposure and past experience of the Bank is not dealt in the appraisal note sent to the management for sanction | |
| 1.8 | The level for inventory/book-debts/creditors for finding out the working capital is not properly assessed | |
| 1.9 | Techno-economic feasibility report, which is required to know the technical aspects of the borrower's business, is not obtained from Technical Cell | |
| 1.10 | Credit report on principal borrowers and confidential report from their banks are not insisted from the borrowers | |
| 1.11 | The opinion reports of the associate and/or sister concerns of the borrower are not scrutinised | |
| 1.12 | The opinion reports of the associate and/or sister concerns of the borrower are not called for | |
| 1.13 | The opinion reports of the associate and/or sister concerns of the borrower are not updated | |
| 1.14 | The opinion reports of the associate and/or sister concerns of the borrower are not satisfactory | |
| 1.15 | The procedure/instructions of head office regarding preparation of proposals for grant not followed | |
| 1.16 | The procedure/instructions of head office regarding preparation of proposals for renewal of advances not followed | |
| 1.17 | The procedure/instructions of head office regarding preparation of proposals for enhancement of limits, etc. not followed | |
| 1.18 | No exposure limits are fixed for forward contract for foreign exchange sales/purchase transactions | |
| 2. | Sanctioning and Disbursement | |
| 2.1 | Credit facility sanctioned beyond the delegated authority or limit of the branch | |

| | <i>Item</i> | <i>Remarks</i> |
|-----------|--|----------------|
| 2.2 | Certain proposals were sanctioned pending approval of higher authorities whereverrequired | |
| 2.3 | <i>Ad hoc</i> limits were granted for which sanctions were pending since long | |
| 2.4 | Facilities were disbursed before completion of documentation | |
| 2.5 | Facilities were disbursed without following sanction terms | |
| 2.6 | Facilities were disbursed without any sanction | |
| 2.7 | Sanction letter was missing in the branch | |
| 2.8 | Guarantor as required in the sanction letter was not obtained | |
| 2.9 | Required promoters stake not invested before disbursement of loan | |
| 2.10 | Sanctions were made without proper appraisal | |
| 2.11 | Security charge not created before disbursement as required by sanction letter/renewed letter | |
| 2.12 | Full disbursement of the facility not made | |
| 2.13 | Sanction terms were not complied with or were not recorded | |
| 2.14 | Disbursement Made without proper sanction | |
| 2.15 | Term loan was disbursed by creating the cash credit or savings account of the borrower | |
| 3. | Documentation | |
| 3.1 | The security against which the advance was sanctioned was not available/was not on record | |
| 3.2 | Mortgage for the property given as security is not created | |
| 3.3 | Mortgage for the property given as security created, was inadequate, as compared to terms of sanction | |
| 3.4 | Second charge as required, on assets is not created in favour of the bank | |
| 3.5 | Documents of Second charge on assets is not on the record | |
| 3.6 | Documents pertaining to registration of charges with ROC or any other concerned authority requiring charging of assets is not obtained | |
| 3.7 | Copies evidencing lodgment of the original conveyance/sale deeds with the Sub-Registrars for registration not on record | |
| 3.8 | Authority letter/Power of Attorney to the Bank to collect the original documents from the Sub- Registrar not on record | |
| 3.9 | Documents pertaining to consortium advances not yet executed/not available with bank | |
| 3.10 | Documents signed by persons not duly authorised to sign or who have signed in other capacity accepted by the bank | |

| | <i>Item</i> | <i>Remarks</i> |
|------|---|----------------|
| 3.11 | Signatures of the executants were not found on all the pages of the documents | |
| 3.12 | Some of the documents on record were blank, without signatures of BranchManager, witnesses, or guarantors, etc. | |
| 3.13 | Revival letters in respect of documents to be reviewed from the borrowers not received | |
| 3.14 | Guarantors have expired | |
| 3.15 | Guarantors not on record | |
| 3.16 | Guarantors not renewed | |
| 3.17 | Guarantors not assigned | |
| 3.18 | Worth of the Guarantors not available | |
| 3.19 | Stamping not as per the amended Stamps Act | |
| 3.20 | Documents have become mutilated, soiled, time barred or not obtained | |
| 3.21 | Opinion report by the field officer for the borrowers not found on record | |
| 3.22 | “Nil Encumbrance Certificate/s” or “No Dues Certificate/s” or “No lien Letters” not obtained for the mortgage/s | |
| 3.23 | Advances for vehicle loans, Registration certificate, transfer certificate, etc. not obtained | |
| 3.24 | Work completion certificate, sale deeds, share certificates in societies, etc. not on record for housing loans | |
| 3.25 | Documents are not duly attested/signed by concerned officials/not renewed | |
| 3.26 | The agreements for hypothecation do not contain details regarding goodshypothecated | |
| 3.27 | Copy of Bills/receipts, on the basis of which the amount was disbursed not found on record. For e.g. Vehicle Loans, Plant & Machinery | |
| 3.28 | Charge on main &/or collateral securities not created in terms of sanction letter | |
| 3.29 | Original security papers/sale deed/lease deed/title deed/agreement of sale not available on record | |
| 3.30 | TDR are not discharged or renewed | |
| 3.31 | Control returns not sent to the H.O. | |
| 3.32 | The branch has not taken any action for not compliance with terms of agreement | |
| 3.33 | No documents executed for enhancement of limit/document not on record | |
| 3.34 | ECGC Post shipment policy not obtained | |
| 3.35 | Credit facility released without execution of all necessary documents | |
| 3.36 | Common Seal not affixed on Letter of Comfort | |
| 3.37 | Confirm orders for export credit not found on record for facilities released | |

| <i>Item</i> | | <i>Remarks</i> |
|-------------|--|----------------|
| 4. | Review / Monitoring / Supervision | |
| 4.1 | The account is frequently overdrawn | |
| 4.2 | The account is continuously overdrawn | |
| 4.3 | The account is overdrawn and the branches have not taken sufficient steps to regularise the accounts promptly | |
| 4.4 | The balance outstanding has exceeded the drawing power | |
| 4.5 | Balance confirmation and acknowledgment of debt not obtained | |
| 4.6 | The stock book – debts statements not received regularly/promptly | |
| 4.7 | The FFI/financial statements/audited statements/FFR 1 & 2/other operational data, etc., not received regularly/promptly | |
| 4.8 | The stock, book – debts statements, etc., not scrutinised and no suitable action is taken | |
| 4.9 | The FFI/financial statements/audited statements/FFR 1 & 2/other operational data, etc., not received regularly/promptly/not scrutinised and no suitable action is taken | |
| 4.10 | Non-moving stock is not deducted to arrive at the drawing power | |
| 4.11 | The age-wise break-up of debtors is not found on record. The borrowers are allowed to draw money on entire outstanding debt, which must rather be for the recent debts as prescribed for particular industries and as per margin prescribed in the sanction letter | |
| 4.12 | Wide discrepancies observed in the stock statements and stock figures in the annual audited financial statements | |
| 4.13 | No penal interest has been charged for delay in submission of various statements as per the terms of agreement depending upon the type of loan/credit availed by the borrower | |
| 4.14 | Many branches have not adhered to the prescribed frequency of physical verification of securities given against loans & advances | |
| 4.15 | Drawing power limits are not revised as per market value of shares for advances against security of shares | |
| 4.16 | End-use of funds not ensured/not known funds utilised for purpose other than for which granted | |
| 4.17 | The projections submitted by the borrower stay far beyond the actual performance. Further, no explanation for the same is taken from the borrower | |
| 4.18 | Major sale proceeds of the borrower not routed through the Bank | |
| 4.19 | Audited statements of non-corporate borrowers having limit beyond ` 10 lakh not received | |
| 4.20 | Renewal proposals of advances not received on time and in many cases the limits are not renewed | |

| | <i>Item</i> | <i>Remarks</i> |
|------|--|----------------|
| 4.21 | Application of wrong rate of interest, processing charges, commission, other charges, etc. resulting in income leakage/excess book in go fininterest of the bank | |
| 4.22 | Insurance cover for stock/property is inadequate/not on record/not renewed/notendorsed in favour of the Bank | |
| 4.23 | Inspection/physical verification of security charged, not been carried out | |
| 4.24 | Expired bills/foreign currency sight bills which are outstanding, have not been crystallised | |
| 4.25 | EBW statements on write-off of overdue export bills of ECM not found on record | |
| 4.26 | Confirmation as to genuineness of export transactions not obtained from Bank'sforeign offices/correspondents/customs department | |
| 4.27 | Import credit, bill of entry evidencing import of goods not found | |
| 4.28 | Documents are not obtained for bills discounted under Letter of Credit | |
| 4.29 | Advances, which are eligible for whole turnover packing credit guarantee cover of ECGC, are not brought under its cover | |
| 4.30 | Though government guaranteed accounts are irregular since long, the issue of invocation of guarantee does not seem to have been considered | |
| 4.31 | Prescribed margins not maintained as per sanctions | |
| 4.32 | Allocated limits, full terms of sanctions, stock statements, inspection reports,margin, etc. not available at monitoring branches | |
| 4.33 | For allocated limits, inordinate delays were noticed in responding to transfer bythe allocator branch | |
| 4.34 | Regular meetings not held with other consortium members to review the performance of borrowers and to assess the current state of affairs/not been held as per norms | |
| 4.35 | Individual members of the consortium are not advised about the quarterly operatinglimits/D. P. allocated to each one of them | |
| 4.36 | Minutes of the consortium meetings not found on record/not been held as per norms | |
| 4.37 | Inspection report from the consortium members not obtained | |
| 4.38 | The capital of the borrower has eroded/networth is negative/decreasing. Close monitoring needs to be done | |
| 4.39 | The drawing power is calculated wrongly and/or hence the borrower is allowed toenjoy excess credit than actually eligible | |
| 4.40 | Signboard of the bank is not displayed in godown, where the pledged/hypothecated stock is stored | |
| 4.41 | Limit not fully utilised by the borrower/No commitment charge is levied for the limitnot fully utilised by the borrower | |
| 4.42 | Loan against TDR/STDR, which is matured, is neither renewed nor credited toloan account | |

| <i>Item</i> | | <i>Remarks</i> |
|-------------|--|----------------|
| 4.43 | The Stock and Debtors Audit Report not found on record. No audit has been done for accounts of the borrower | |
| 4.44 | The valuation report in respect of tangible security from Government approved valuer have not been obtained | |
| 4.45 | Guarantees, Opinion Reports Financial statements, IT assessment orders and etc.of the guarantor are not found on record | |
| 4.46 | Opinion report on guarantor is not obtained | |
| 4.47 | For Small Government Sponsored loan accounts, security cover could not be ascertained since neither any record was available at branch nor physical verification conducted by thebranch | |
| 4.48 | Pre-sanctions and/or post-sanctions inspection reports were not on record | |
| 4.49 | The account was overdue for repayment and/or no credit was received from theborrower for a long time | |
| 4.50 | The borrower is absconding or deceased and legal formalities are incomplete and there is wilful default from the borrower. Either establishment was closed or security was disposed off or no action taken by the branch | |
| 4.51 | Subsidy claim process was incomplete or subsidy was yet to be received or needsfollow-up | |
| 4.52 | Security disposed off/entity closed by borrower and no action taken by the branch | |
| 4.53 | Irregularity not advised to controllers | |
| 4.54 | Letter of subordination of deposits not taken | |
| 4.55 | Secured and unsecured portion not segregated properly in advance return of thebranch | |
| 4.56 | Renewal of limits was done before the receipt of financial statements | |
| 4.57 | Heavy cash withdrawal for which consent of corporate Guarantor is not taken | |
| 4.58 | Proper valuation of stock not done/needs critical scrutiny | |
| 4.59 | Security obtained is inadequate/lower as compared to amount of outstanding/nocollateral security | |
| 4.60 | The party was dealing with other banks also though it was not permitted | |
| 4.61 | Sticky accounts require close follow-up by the management | |
| 5. | Bad and Doubtful Debts | |
| 5.1 | The IRAC norms for classification of advances were not followed and the same is implemented through Memorandum of Changes by auditors during audit | |
| 5.2 | Instalments were not received from the borrowers | |
| 5.3 | Interest was not received from the borrowers | |
| 5.4 | Legal action for recovery of advances was not taken although authorised by the Board/Controlling Authority | |

| <i>Item</i> | | <i>Remarks</i> |
|-------------|--|----------------|
| 5.5 | Discontinuance of application of interest not followed although authorised by the Board/Controlling Authority | |
| 5.6 | Government guarantees have expired and fresh guarantees not obtained/not renewed | |
| 5.7 | Terms of the BIFR scheme not complied | |
| 5.8 | Payment from Government not received although guarantees were unconditional, irrevocable and payable on demand | |
| 5.9 | Delays in the settlement/repayment in respect of sanctioned proposals | |
| 5.10 | The repayment accepted in case of compromise cases inadequate vis-à-vis value of security | |
| 5.11 | Compromise proposals pending at various levels where local government/outside agencies are involved as guarantors | |
| 5.12 | Copy of Search Report not on record | |
| 5.13 | Decree awarded but no further steps taken for recovery | |
| 5.14 | DI&CGC claims submitted/rejected/pending data not available | |
| 5.15 | Irregular/sticky advance not reported to the controlling authority promptly | |
| 5.16 | Compromise/OTS proposal is recommended and is under negotiation since long but not finalised. Suit is filed in the court/DRT and pending to be finalised | |
| 5.17 | ECGC claim not submitted/lodged for recovery | |

