

AUDIT PROGRAMME - LIABILITIES [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>DEPOSITS</p> <ol style="list-style-type: none"> 1. Report differences between control and subsidiary ledgers for all categories of deposit accounts. 2. <ol style="list-style-type: none"> a) Check balances from 3 individual subsidiary ledgers into the balance books. b) * Generally review two accounts per ledger and enquire into any unusual items. c) * Enquire whether individual cash items in excess of Rs.10.00 lakhs each have been reported to the competent authority. d) *enquire into, stagnant Current accounts of banks [* Note down names of Accounts and particulars of such entries for report] 3 Check and report whether and the extent to which any overdue/matured deposits and deposits prematurely recalled, continue, as at the year-end, are being treated as Term Deposits instead of Demand Deposits. 4 Test withdrawals made during the year from inoperative accounts, including major amounts. (Document accounts/entries tested and report wrongful or unsubstantiated items, based also on Branch response to Item 6(e) of Annexure to Letter sent) 5 Check that demand deposits include: <ol style="list-style-type: none"> a) Overdue/matured Deposits b) Credit balances in overdraft accounts c) Deposits payable at call d) Inoperative current accounts e) Interest accrued and due on deposits with due adjustments for the following: <ol style="list-style-type: none"> a) Overdrawn/adverse balances in deposits, being excluded b) * Margins by way of book adjustments, if any, against bills purchased and discounted (* These must be reported) 6 Savings Bank Accounts: <ol style="list-style-type: none"> a) Check whether the Branch has Savings Bank Accounts for constituents in the negative list of the Bank. If so, <ul style="list-style-type: none"> - Report such accounts with aggregate outstanding as at the year-end; - Report interest paid on such accounts during the year. 	

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<p>b) Check interest provision upto the year- end based on the date of last application of interest to individual accounts. Report differences</p> <p>7. Verify Term Deposits from Banks/institutions</p> <p>(a) with reference to certificates/confirmations from the institutions/banks concerned; and</p> <p>b) if not in round figures, vouch the relevant entries.</p> <p>8. a) Check from counterfoils of the Term Deposit Receipts for each category of deposits for the last two working days of the year, and ensure that:</p> <ul style="list-style-type: none"> - all entries have been duly incorporated, and - serial numbers are in proper sequence out of currently used receipt books. <p>b) Check whether general scrutiny of the Term Deposit registers reveals that Receipts are being issued in sequential order.</p> <p>c) Test the S. No. of some matured deposits repaid with that in vogue at the time of issue, and report unlinked FDRs discharged/repaid (i.e. where there are no corresponding credits).</p> <p>9. Check and Report whether any Term Deposits upon being overdue have been renewed beyond 14 days of maturity with preferential interest rate application; and whether Tax has been deducted at source on the interest component upon renewal. (This period has been reduced to 7 days in March 2005)</p> <p>10. Check whether credits in the Term Deposit Ledger comprise amounts:</p> <p>a) Where deposit receipts are not actually issued under the automatic renewal scheme.</p> <p>b) Where deposit receipts are issued but not physically sent to the depositors (i.e. held by the branch itself)</p> <p>c) Where the branch has resorted to renewal by endorsement on the old/existing receipts.</p> <p>(Report if system is lax or items are incapable of audit trail involving audit risk and the No. and amount of Deposit Receipts held physically)</p> <p>11. Additional procedures (if any)</p>	

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<p>BORROWINGS: (in case the branch has borrowings)</p> <ol style="list-style-type: none"> 1. Verify whether the Branch is authorised by Head Office/controlling authority, to borrow/retain borrowings and refinance obtained. [Report unauthorised borrowings/refinance] 2. Obtain and check the amount of borrowing/ refinance as at the year-end, with reference to the balance confirmation certificate(s) from: <ol style="list-style-type: none"> a) Reserve Bank of India b) Other banks c) Other institutions and agencies: <ul style="list-style-type: none"> - Industrial Development Bank of India - Export Import Bank of India - National Bank for Agriculture and Rural Development - Others (Specify in the audit file) 3. Check whether the amounts have been disclosed as required in respect of each sub-head. [Report: <ul style="list-style-type: none"> • balances not confirmed / reconciled, • entries, if any, required not passed, • interest adjustments / provisions not made upto the year-end for amounts: <ul style="list-style-type: none"> - accrued and due (to be shown as Borrowings), and - accrued but not due(to be shown as Other Liabilities)] 4. Report amounts, if and to the extent included in Borrowings, on account of: <ol style="list-style-type: none"> a) Rediscount of bills, and b) *Participation certificates (on risk- bearing basis). (* These need to be netted from the related Advances) 5. Report whether credit balances in <ol style="list-style-type: none"> a) NOSTRO b) VOSTRO <p>accounts are included as part of borrowings where there are no overdraft facilities or arrangements</p> <p>Report that these must be reflected as Deposits from Banks</p> 6. Check whether Borrowings are secured and whether the Branch has indicated the same in line with the disclosure requirements 7. Additional procedures: (if any) 	

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OTHER LIABILITIES AND PROVISIONS:
1. Bills Payable:
(Applicable where entries are retained at branches)

- a) Check old/large outstandings in Bills Payable which remain unresponded/ unadjusted.
- a) Check and report large unlinked debits, particularly for Drafts paid without/ex-advice(DPWA),which, if not routed through inter-office account, comprise old entries requiring provision.
- b) Check inward communications from other branches which remain unattended as regards marking-off/adjustment entries relating to drafts and other similar instruments comprising "Bills Payable".
- c) - Check whether the amount in respect of old instruments like Pay Orders/Bankers cheques/Pay slips which are expected to be presented to the issuing branch is transferred (after a time-lag) to a separate account as per instructions of Head Office/controlling authority.
 - Obtain and check aggregate figures in respect of Bankers cheques and Pay orders as under :

Particulars	Bankers cheques		Pay orders/slips	
	No.	Amount	No.	Amount

Within 6 months

6 months - 1 year

1-2 years

2-3 years

3 years and above

- **Seek confirmation for and report instruments in hand or those not dispatched**

(Report physical instruments in hand and the risk of misuse of these if not covered by proper internal control system or dual control).

- Test entries made for cancellation of instruments and **report unusual entries** (List out such entries).

- d) Check whether there are any unlinked debits over 1 year which require provision.

2. Interest Accrued: (comprises interest accrued and NOT DUE)

- a) Check whether interest provision made since last application thereof on
 - deposits, and
 - borrowings,

Is computed up to the year-end and no part of such broken-period interest is accrued and due.

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<p>b) Report interest accrued and due wrongly shown under this sub-head.</p> <p>3. Others (including Provisions):</p> <p>Check the balances and calculations of advance payments and unexpired discounts as at the year- end i.e., rebate on bills discounted.</p> <p>a) Check whether the year-end provisions are made at the Branch for items of expenditure nature, like:</p> <ul style="list-style-type: none"> • Rent, • Rates and Municipal taxes, • Electricity and Power bills, • Telephone, Telegrams, telex etc., • Interest payable on Staff security deposits, • Payments and provisions for employees other than for items for which H.O. makes provision, • Repairs/maintenance bills, • Advances to staff for expenditure • Other known expenditure items -e.g. Concurrent Audit Fee <p>c) Check and report whether pending bills requiring adjustment for items of the nature of capital expenditure, are adjusted, e.g.</p> <ul style="list-style-type: none"> • cost of fixed assets acquired (particularly if part payments have been made), • progress bills relating to premises under construction, etc. <p>And impact of depreciation if any</p> <p>e) Cash Margins:</p> <ul style="list-style-type: none"> • Ascertain whether credits are represented by actual collections in cases of advances comprising Bills Purchased and Discounted <p>(Report mere book adjustments)</p> <ul style="list-style-type: none"> • Check whether adjustments are required in case of expired Guarantees/Letters of Credit 	

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<p>CASH AND BALANCES WITH RESERVE BANK OF INDIA:</p> <p>Cash:</p> <p>a) Physically verify simultaneously at all locations of the branch, as at the close of the accounting year and tally with the books, the following:</p> <ul style="list-style-type: none"> i) Cash in hand (Including sub-Offices/ATMs) ii) Foreign Currency iii) Petty Cash/Imprest balances iv) Postage in hand (cash) v) Tokens <p>and in case these balances cannot be physically verified as at the year-end:</p> <ul style="list-style-type: none"> - verify the same at a subsequent date, preferably by surprise check on the date of the first visit indicating the date (.....) - obtain as evidence for the audit file, balance confirmation certificates in respect of cash balances both as at 31st March and the date of physical verification thereof indicated in sub-para (a) above. <p>Report discrepancies, if any</p> <p>b) Scrutinise the cash book transactions for the last two working days of September/March and vouch large transactions. (Report unusual entries)</p> <p>c) Check whether the value of foreign currency notes(if held) has been converted into Rupees at correct rates for proper disclosure of the cash balance.</p> <p>d) Check entries arising from ATMs if operated by the Branch, and report unrecorded cash operations upto the * day-end as at the year-end, as affecting:</p> <ul style="list-style-type: none"> - cash in hand - Accounts of constituents - Other Banks, if any, <p>(* Note: This can be done with reference to the year-end scrolls / tapes generated by the ATM and subsequent entries)</p> <p>2 Balances with Reserve Bank of India:</p> <p>2.1 Where Branch maintains RBI Account(s):</p> <p>a) Obtain balance confirmation certificate(s) for balance(s) as at the year-end in the account(s) of the Reserve Bank of India, for:</p> <ul style="list-style-type: none"> - Current Account, and - other accounts, <p>and verify whether the book balance(s) as per the ledger agree with those as per confirmation(s).</p>	

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<p>b) Obtain and check bank reconciliation statements as at the year-end and report:</p> <ul style="list-style-type: none"> - large/old unadjusted entries, - cash transactions remaining unresponded, and - revenue items included in reconciliation statements remaining unadjusted, <p>and having effect on other heads and sub-heads in the Branch Accounts.</p> <p>b) Check whether interest accrued to the Bank upto the year-end has been adjusted (including where formal entries in RBI statements are made after the year-end).</p> <p>c) Check and report on a value-date basis, transactions and entries originating prior to, but responded after the year-end in R.B.I. Account (including entries for currency chest operations, originating at other Branches / Offices), particularly where such entries appear in nominal heads of accounts.</p> <p>d) Report old debits in Reconciliation statement requiring provision.</p> <p>2.2 Whether Branch does not maintain RBI Account but has a Currency Chest:</p> <p>Check whether all deposits/ withdrawals to/from Currency chest upto the year-end have been reported to the link Branch maintaining RBI Accounts.</p> <p>(Report entries pertaining upto the year-end communicated after the year-end)</p> <p>2.3 Report if there are any penalties for default in operation of the Currency chest or otherwise have been claimed by or paid to RBI</p> <p>3. Additional Procedures: (if any)</p>	

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**BALANCES WITH BANKS AND MONEY AT CALL AND
 SHORT NOTICE:**

1. Balances with Banks:

- a) Obtain in evidence of the year-end balances, the relevant bank confirmation certificates for balances in:
 - Current accounts
 - Deposit accounts
- b) Verify whether any balances with Banks on "Deposit" Account are in odd (**and not round**) figures and enquire as to whether any such amounts are really of the nature of deposits, or otherwise comprise only Current Account balances.
- c) Scrutinize outstandings in the bank reconciliation statements and **report**:
 - i) old/large unadjusted outstanding entries particularly at debit;
 - ii) cash transactions remaining unresponded; and
 - iii) items of revenue nature not adjusted.
- d) Check and **report** the effect of entries (originated overseas – whether debit/credit) in NOSTRO Accounts, and **report** whether :
 - the balances are as corrected and updated in foreign currencies.
 - the profit / loss on valuation is correctly accounted.
- e) Ascertain whether and the extent to which provision is required for outstanding debit entries which are old/large (over one year) and which remain unexplained.

Report outstanding entries over one year as under in the Audit Report:

	No. of Entries	Amount(Rs.)
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- **Debit**
- **Credit**

- e) Check whether the year-end rates of exchange are applied to outstanding balances in foreign currencies (keep evidence on record)

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<p>2. Money at Call and Short Notice: [APPLICABLE ONLY TO DESIGNATED BRANCHES]</p> <p>a) Verify the general or specific authority from Head Office/ controlling authority for keeping moneys at call and short notice:</p> <ul style="list-style-type: none"> - with Banks, and/or - with other institutions. <p>b) Verify the year-end balances under the relevant sub-heads, with reference to</p> <ul style="list-style-type: none"> - the relevant Deposit Receipts; - the relevant correspondence (in case of subsequent squared- up transactions); <p style="padding-left: 40px;">and ascertain whether the aggregate balances comprising these as shown in the relevant register, tally with the control account as per the general ledger.</p> <p>c) check interest adjustments made upto the year-end based on the terms on which moneys were placed.</p> <p>3. Additional Procedures:(if any)</p>	

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<p>INVESTMENTS:</p> <p>[NOTES: 1. <i>Generally investments are dealt with on a centralised basis and verification procedures on behalf of the centralised office may be restricted to certain branches only.</i></p> <p>2. <i>If the above procedures are not applicable at the Branch, if may be so indicated.]</i></p> <p>A. WHETHER INVESTMENTS ARE HELD AT BRANCH:</p> <p>1. Obtain a list of investments held by the Branch on behalf of the Head Office/Central Investment Cell and verify the contents thereof by conducting a physical verification of:</p> <p>a) Securities of the nature required to be disclosed in the Bank's annual accounts.</p> <p>b) allotment letters/other documentary evidence held, where the securities are not available with the Branch.</p> <p>Report results of the verification in the manner required by the Head Office/Central Statutory auditors.</p> <p>2. Verify and report whether income collected on such investments has been recorded as income of the Branch contrary to instructions of the Bank.</p> <p>B. WHERE VALUE OF INVESTMENTS IS RECORDED AT THE BRANCH:</p> <p>3. In case value of investments is recorded in the books of the Branch:</p> <p>a) verify authority for acquiring/holding such investments;</p> <p>b) vouch all transactions relating to acquisition/disposal of investments;</p> <p>c) Physically verify the investments with reference to documentary evidence; and</p> <p>d) Verify whether legal requirements of disclosure have been complied with.</p> <p>Report adverse observations</p> <p>4. Additional Procedures: (if any)</p>	

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<p>*ADVANCES:</p> <ol style="list-style-type: none"> 1. Verify whether the control and subsidiary ledger accounts have been reconciled and that the Branch has prepared for audit verification: <ol style="list-style-type: none"> i) party-wise statements of advances keeping in view the classification as required by law; and ii) break-up of advances which reconciles with the figures of advances in the final statements as at the year-end. 2. Check the year-end balances of Advances with reference to the sub-ledgers for each category of advances, in respect of: <ol style="list-style-type: none"> a) Bills Purchased and Discounted b) - Cash Credits - Overdrafts - Demand Loans - Overdrawn balances in Deposit Accounts c) Term Loans <p>*(report advances to willful defaulters on the list of RBI)</p> 3. Bills purchased and discounted: <ol style="list-style-type: none"> a) Check closing balances as at the year-end in the accounts of the parties. b) Conduct physical verification of bills in hand as at the year-end, and on any other date in the course of audit and tally the same with the book records. (Date of verification _____) c) Check and report on: <ul style="list-style-type: none"> - Bills not supported by relevant documents, or where these have been parted with in favour of drawees, - Advances in excess of limits to any party, - Old outstanding balances, - Bills which are overdue/matured but not adjusted, - Frequent returning of bills, and account where old bills are replaced by new ones to accommodate borrowers, - Bills drawn on "self" or on associate or inter-connected concerns, - Bills drawn on unauthorised parties - adjustments not made for rediscounting of bills, and - Bills shown at inflated figures with corresponding book adjustment towards margin money. - any other adverse features observed. 	

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<p>4. Cash credits, overdrafts, demand loans and Term Loans: Select Advances (preferably as per Annexure C.I) and check in depth all advances accounts in each category/sub-head as under:</p> <ol style="list-style-type: none"> a) all large accounts i.e., those which are in excess of 5% of the aggregate advances portfolio of the branch or Rs.200 lakhs whichever is less(Section A III). b) all accounts where provision for doubtful debts has been considered/ made/recommended upto the previous year end / half year-end/last quarter. c) all accounts adversely commented upon in the latest reports of the Branch auditors, RBI/ internal inspection/audit reports, concurrent audit reports etc. d) accounts, where Branch Management has initiated/ recommended to the higher authorities, action, if warranted, for recoveries. e) 3 of the largest) other than per (a) accounts) above - for each) category of 3 accounts at) advances random) f) grouped accounts-one/two accounts per ledger. <p>5. Record list of accounts checked in the audit note file based on examination of and observations on accounts with reference to:</p> <ol style="list-style-type: none"> a) documentation, b) security (of tangible assets), c) classification (-Secured, guaranteed by Bank/Govt., Unsecured; and further break-up into Sector-wise classification for advances in India). <p>6. Check that adverse or overdrawn balances in Deposit, Savings and Current Accounts have been shown as clean/unsecured advances.</p> <p>7. Check Status report and brief history of each advance account for advances accounts being reported upon-particularly for major adverse features. Observations should be in Annexure C.II. {These status reports (preferably prepared as per Annexure III) should be kept on the Audit file and a copy to be annexed to the LFAR}</p> <p>8. ● Report advances accounts identified as having adverse features not transferred/categorised as per the new norms into:</p> <ol style="list-style-type: none"> (a) SUB-STANDARD (b) DOUBTFUL; and (c) LOSS ASSETS. 	

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<ul style="list-style-type: none"> ● Report borrowal accounts where the facilities have not been reviewed/renewed or stock statements not received for a period of 180 days and where accounts continue to be classified as “Standard” ● check whether income accrued has been reversed in all accounts classified as other than “Standard” unless such income is realised. ● Report income accrued / recorded in NPAs where credits have been given to Income out of fresh facilities. <p>9. Check and report whether there are advances as at the year end, against;</p> <p>a) Shares,</p> <p>b) Debentures, and</p> <p>c) Margin Trading</p> <p>Whether these are disclosed separately</p> <p>10. Report sacrifice/provisions not made in borrowal accounts involving:</p> <p>a) Restructuring:</p> <ul style="list-style-type: none"> - under corporate Debt Restructuring (CDR) <ul style="list-style-type: none"> ● Standard ● Sub Standard ● Doubtful - Other Restructuring (separately for projects in category I,II,III) <ul style="list-style-type: none"> ● Standard ● Sub Standard <p>b) Rehabilitation</p> <p>(Refer Section A IV)</p> <p>11. Additional Procedures: (if any)</p>	

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<p>FIXED ASSETS:</p> <p>1. PREMISES:</p> <p>a) Check opening figures of cost from the earlier year's statements/ records.</p> <p>b) Vouch additions upto the year-end.</p> <p>c) Vouch deductions upto the year-end.</p> <p>d) Check depreciation/lease money written off upto the year-end based on the rates prescribed and the basis communicated by the controlling authority. (Reference may be made to the Bank's Accounting Policy)</p> <p>e) Inspect documents of title to each property, and report:</p> <ul style="list-style-type: none"> - documents of title not made available - capitalisation not made in respect of properties where though documentation has not been formally completed but substantial risks and rewards of ownership vest in the bank. <p>f) Check whether the balance in the control account in the General Ledger tallies with that as per the subsidiary records and fixed Assets Register.</p>	

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<p>2. OTHER FIXED ASSETS: (including furniture and fixtures):</p> <ol style="list-style-type: none"> a) Check opening figures of cost from the earlier year's statements/ records. b) Vouch additions upto the year-end. c) Vouch deductions upto the year-end. d) Check depreciation written off upto the year-end based on the rates prescribed and the basis communicated by the controlling authority. e) Inspect Head Office/Controlling Authority sanctions with regard to additions/deductions of assets f) Examine nominal heads of account, like «SUSPENSE» or other similar accounts, where debits may comprise amounts paid towards acquisition of motor vehicles, computers, furniture and other items of fixed assets pending capitalisation and report whether and the extent to which capitalisation required has not been made. g) Inspect the relevant registration books and check whether insurance covers are in force for vehicles. h) Vouch disposals of assets shown under the above sub-head and the consequent profit/loss thereon. i) In case of renovation of branch, verify whether capital and revenue expenditure has been appropriately bifurcated and correctly accounted, on the basis of liability incurred and not on cash basis. j) Check whether the balance in the control account in the General Ledger tallies with that as per the subsidiary records and Fixed Assets Registers. k) Ascertain the frequency of physical verification of assets at the branch and review the discrepancies recorded between the book records and such verification. l) Check adequacy or otherwise of insurance cover to assets. m) In respect of Computers, check whether depreciation is being charged off to the extent of 1/3rd of the cost each year. <p>3. Additional Procedures: (if any)</p> <p>OTHER ASSETS</p> <ol style="list-style-type: none"> 1. Inter-Office Adjustments (net) <ol style="list-style-type: none"> a) Check whether Head Office Summaries have been prepared on a daily basis, as per the laid down system, and whether these have been expeditiously dispatched to the Head Office/designated office as required. 	

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<p>b) Check whether the closing balance in Head Office summary tallies with that as per the General Ledger balance as at the year-end.</p> <p>c) Examine inward communications from the Head Office/Central Computer Cell and check compliance thereof for adjustments required to be made. (Report non-compliance having effect on the accounts of the Branch)</p> <p>d) Examine old/large entries outstanding debits in the inter-branch/office accounts and vouch large entries, particularly towards the year-end. (Ascertain reasons for such entries remaining pending and report adverse features)</p> <p>e) Examine and report inward communications from other branches/offices originating prior to but not responded upto the year-end. (Adjustments made after the year-end based on entries originating prior to the year-end, should be examined and effect thereof reported-Refer Section A VI)</p> <p>f) Obtain reasons for outward remittance unresponded by other branches, if these have been outstanding since long.</p> <p>g) Examine and report on originating debits in Head Office Account, not satisfactorily explained.</p> <p>h) Report, in respect of the Branch, all debit entries which are over one year old as at the Balance Sheet date under each Sub-head comprising Inter-branch Adjustments.</p> <p>2 Interest Accrued: (Comprises not due)</p> <p>a) *Check basis and verify income on investments for the broken period upto the year-end with break-up for interest: - accrued but not due; - due but not collected. (* if applicable at the branch)</p> <p>b) Check income accrued but not due on advances which has accrued but is not due as per arrangements/documentation (mainly for Term Loans with due dates not coinciding with year-end)</p> <p>c) Report interest accrued other than on Investments/advances to the extent included under the above sub-head.</p> <p>d) Report income accrued on assets identified as non-performing (including on Advances).</p> <p>3. Stationery and Stamps:</p> <p>a) Conduct physical verification of items of security paper stationery</p>	

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<p>and report discrepancies between such inventories and book records.</p> <p>b) Check whether internal controls laid down for receipts/issue and holding of stationery comprising security paper, are being followed; particularly as regards issue of stationery in proper sequential order in respect of numbered forms.</p> <p>c) Check whether internal controls are strictly enforced for withdrawal slips, and cheque books. Examine whether unused cheque books are returned upon closure of their accounts constituents.</p> <p>d) Report security paper stationery comprising inward despatches from other offices not physically received or short received.</p> <p>e) Check and report whether the Branch is holding large stationery stocks, over a long period of time.</p> <p>f) Check whether stock of unused stamps/ stamp paper is intact and tallies with the relevant register.</p> <p>g) Examine large withdrawals from Accounts (particularly newly opened) if made by other than cheques issued by the Account holder.</p> <p>(Report unusual items)</p> <p><i>Examine and enquire into reasons for frequent use of Withdrawal Slips /Bankers cheques by Account holders. (This may be done with reference to consumption of such slips at the Branch)</i></p> <p>4. Others:</p> <p>a) Suspense, Sundries (or other similar heads of account):</p> <ul style="list-style-type: none"> - Obtain year-wise break-up of entries outstanding as at the year-end for scrutiny; and <ul style="list-style-type: none"> • report provisions required for old outstanding unadjusted amounts, • report year-wise summary in the long form audit report. - check entries (at debit) relating to clearing transactions outstanding and ascertain reasons for old entries, to examine if these require to be provided for. <p>[Report items requiring provision]</p> <p>b) Staff advances (Non-interest bearing):</p> <p>Ascertain the types of advances to staff requiring disclosure under this sub-head and the normal terms on which such advances are made and</p> <ul style="list-style-type: none"> • check balancing of the relevant ledgers, 	

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<ul style="list-style-type: none"> • test 5% of the advances on account of housing loans with reference to the relevant documentation. • test 5% of the other advances(at least 3 Accounts). (Note down the particulars of the accounts tested) • Check whether in the cases tested whether the bank has obtained documents (including the letter of lien on terminal benefits) relevant to the type of advances. <p>c) Security Deposits:</p> <ul style="list-style-type: none"> - Vouch deposits made during the year - Check whether any adjustments are pending for old/existing deposits (e.g. OYT Deposits, Rent Deposits) <p>d) Prepaid Discount on Bills Rediscounted:</p> <p>In respect of Bills Rediscounted as at the year-end, check calculation of prepaid discount attributable to the period beyond the year-end.</p> <p>e) Premises under Construction:</p> <ul style="list-style-type: none"> - Check adjustments upto the year-end of progress bills vis-à-vis the relevant contracts/controlling authority. - Check whether capitalisation, where required, has been made so that depreciation thereon can be considered. <p>f) Other Fixed Assets pending Capitalisation:</p> <ul style="list-style-type: none"> - Check whether capitalisation, where required, has been made, so that depreciation thereon can be considered. - Ascertain reasons for old outstanding balances in Advances relating to acquisition of fixed assets to ensure that these do not require adjustments. <p>g) Others:</p> <ul style="list-style-type: none"> - Generally scrutinise old/large entries outstanding in accounts falling under any sub-head relating to the above head, to ensure that: - adjustments, if any, required are reported, - provisions, if any, are made for amounts considered doubtful of recovery. - Scrutinise and report whether any outstanding entries relate to any other specific head of account (particularly "Advances" - in case any debit relates to the account of any borrower). <p>5. Additional Procedures : (if any)</p>	

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<p>CONTINGENT LIABILITIES:</p> <p>1. a) Claims against the bank not acknowledged as debts: Obtain a list of updated claims lodged against the bank and check status thereof based on correspondence /communications and whether the claims have been contested/not acknowledged.</p> <p>b) Scrutinise details of law charges to ascertain whether any expenditure has been incurred/recorded in connection with or relate to any claims/ disputes/litigation matters having financial implications involving possible liability not acknowledged.</p> <p>c) Check whether any claims outstanding as at the previous year-end have been omitted/ignored unless liability in respect thereof has ceased.</p> <p>Check correspondence/claims recorded in the post-balance sheet period to ensure that no items relating to the year under audit have been ignored.</p> <p>2. Liability for partly paid investments: (if applicable) In case any investments are held at the Branch and value thereof appears in the Branch balance sheet, check whether liability on account of partly paid investments has been disclosed at correct figures.</p> <p>3. Liability on account of outstanding forward exchange contracts: (if applicable)</p> <p>a) Check register(s) relating to the outstanding forward exchange contracts to ensure that all transactions contracted for upto the year-end have been correctly recorded.</p> <p>b) Check basis of year-end foreign currency translation with reference to Head Office/controlling authority communications.</p> <p>c) Check whether the Branch has recorded the net profit/loss upto the year-end as per R.B.I./FEDAI instructions for the time being in force.</p> <p>4. Guarantees given on behalf of constituents:</p> <p>a) Generally scrutinise the guarantee register(s) to ensure that guarantee documents* issued are sequentially and expeditiously recorded *(includes letters of comfort).</p> <p>b) Check the list of outstanding guarantees with the relevant registers to ascertain whether all outstanding amounts are included as at the year-end.</p> <p>c) Check whether the amount of expired guarantees, where the claim period has also expired, is not included; and if included, whether the bank has recovered the commission thereon upto the year- end.</p> <p>d) Check whether contingent liability includes liability in respect of invoked guarantees where action was warranted by the Management(to invoke counter-guarantees, appropriation of securities/margins/marketing lien on accounts to protect the interest of the Bank).</p>	

AUDIT PROGRAMME [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>e) Ascertain whether the Branch has disclosed contingent liability net/ gross of cash margins/security available, contrary to HO instructions</p> <p>f) In case of guarantee obligations involving foreign currencies, check whether liability is based on translation of foreign currencies at correct rates applicable.</p> <p>5. Acceptances, endorsements and other obligations:</p> <p>a) Letters of credit:</p> <ul style="list-style-type: none"> - check outstanding Letters of credit balances with reference to the relevant L.C. Registers maintained; - check whether margins/security obtained is as per the terms and conditions in the cases examined. <p>(keep record of cases tested in the work papers).</p> <p>b) Bills accepted:</p> <ul style="list-style-type: none"> - check whether recoveries are being made from customers upon the maturity of the bills accepted by the Bank to provide assurance to the payees <p>6 Other Items:</p> <p>Bills rediscounted:</p> <ul style="list-style-type: none"> - Verify whether contingent liability is shown only on account of outstanding bills rediscounted and where upon maturity of bills adjustments were not made. - Examine entries recorded in the post balance sheet period as regards reversal adjustments of bills rediscounted to the extent these relate back to adjustments for the year under audit. - Obtain and check confirmation certificates from the parties rediscounting the bills (R.B.I./ I.D.B.I./D.F.H.I. and other institutions/banks) - Check inter-branch transactions towards the year-end to ensure that items relating to bills rediscounted are adjusted to the extent included therein. <p>7. General:</p> <p>Obtain from the Branch Management a representation to the effect that all known liabilities have been duly incorporated upto the year-end and that there are no contingent liabilities except to the extent disclosed in the branch returns submitted for audit.</p> <p>Review major contingent liabilities recorded at the Branch and report any discrepancies affecting the disclosure in the Balance Sheet. In view of the recently announced Govt. Scheme for awareness of Farmers loan, presence of contingent Liabilities to be examined.</p> <p>8 Additional Procedures : (if any)</p>	

AUDIT PROGRAMME [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>BILLS FOR COLLECTION:</p> <ol style="list-style-type: none"> 1. Check whether bills in hand as physically verified as at the year-end and/or at a subsequent date(.....): <ol style="list-style-type: none"> a) are complete in all respects and duly supported by the relevant documents as required; and b) that particulars thereof tally with the those entered in the relevant Bills Register(s) maintained for the purpose. 2. Scrutinize the age-wise details of the pending bills, and ascertain reasons for retaining bills: <ol style="list-style-type: none"> a) beyond the normal dates of retention; or b) contrary to instructions of the constituents; or c) which have been frequently returned, and for which the customers have not been charged. 3. Check in the post-balance sheet period, whether entries have been marked-off based on collections made in respect of bills under collection as at the year-end: and enquire into outstanding entries not squared up on due dates 4. Check and report whether bills under collection include amounts comprising bills drawn on other branches of the bank (i.e. inter-branch bills). 5. Check whether year-end bills expressed in foreign currencies have been converted at rates as stipulated by Head Office/controlling authority. 6. Check totals in the Bills Register(s) and ensure that correct figures appear against the above head in the Balance Sheet. 	

AUDIT PROGRAMME - INCOME [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>INTEREST EARNED:</p> <p>1 Interest/discount on Advances/Bills:</p> <p>a) Large Advances: (with balances above 5% of the aggregate branch advances as at the year-end): Check interest charged in borrowers' accounts: - for one quarter (ended 31.3.2008) - for the balance three quarters, in case major differences are observed in the accounts checked. (Accounts must be listed in the audit notes)</p> <p>b) Other Advances:</p> <p>i) Term Loans: Check interest for two quarters(ended 31.12.2007 and 31.3.2008) - 2 of the largest accounts - 3 accounts at random [List out names of the Accounts checked]</p> <p>ii) Cash credits, overdrafts, demand loans etc. Check interest charged in each category of advances covered by the above sub –head for two months(December 2007 and March 2008) - 2 accounts (largest advances) - 3 accounts at random Report whether interest has been short charged from borrowers based on application of wrong credit rating- List such Accounts (Prepare a list of accounts and periods for which interest has been checked - as per the recommended proforma for Report –Section D I.4)</p> <p>c) Check whether interest adjustments required upto the year-end, and arising from income audit/inspection audit and/or similar audit reports, have been made.</p> <p>d) Check whether Interest accrued includes income in respect of accounts classified as NPAs (including those classified during audit).</p> <p>e) Check whether, in the accounts examined interest has been recorded as income on Non-Performing Accounts contrary to RBI norms Adverse observations must be incorporated in the Report stating the unrealised amount recognised as income in NPAs.</p>	

AUDIT PROGRAMME - INCOME [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>f) Examine nature of debits in Income account to check whether these are appropriate. (Vouch all large debits and record the same in the Audit Notes)</p> <p>2 Income on Investments: Check authority/basis for recording income on investments, in the branch returns, and if authorized, vouch the same in-depth.</p> <p>3 Interest on balances with Reserve Bank of India and other inter-bank funds: Check authority/basis for recording income on investments, in the branch returns, and if authorised, vouch the same in-depth.</p> <p>4 Others: Test check interest on : - staff advances (given by the bank as employer/banker), - security deposits, - other claims, - other items, which comprise assets recorded under the head «OTHER ASSETS» in the Balance sheet. (Record must be kept for items tested)</p> <p>5 Check inter-branch interest with reference to HO advice(s).</p> <p>6 Other Procedures : (if any)</p>	

AUDIT PROGRAMME - INCOME [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>OTHER INCOME:</p> <p>1 Commission, exchange and brokerage:</p> <p>a) Test check commission on:</p> <ul style="list-style-type: none"> - Bills for collection - for bills in hand as at the year-end - Letters of credit (those current - 10% of the largest ones in value) - Guarantees (those current - 10% of the largest ones in value) <p>b) Vouch entries each in excess of 2% of the aggregate in each income head in which commission, exchange and brokerage, is recorded. (Details of work done must be kept on the audit file)</p> <p>c) Ascertain reasons for major discrepancies between locker rent collected and that normally due on the basis of lockers let out.</p> <p>d) Check that adjustments to the extent required, have been made in the accounts in compliance of the latest reports of: - the Branch inspection audit,</p> <ul style="list-style-type: none"> - Income/Revenue audit, - concurrent audit, and - any special audit. <p>2 Profit on sale of investments (less Loss): Check authority/basis for recording in the Branch returns, the profit/loss on sale of investments- and vouch the transactions in depth.</p> <p>3 Profit on sale of land, buildings and other assets (less Loss):</p> <p>a) Check authority for disposal of:</p> <ul style="list-style-type: none"> - fixed assets, if any, sold during the year under audit; and - non-banking assets acquired in satisfaction of claims. <p>b) Vouch transactions in evidence of profit/loss recorded by the Branch in respect of assets, as aforesaid.</p> <p>c) Report if any assets have been revalued and entries recorded in respect thereof at the Branch level.</p> <p>4 Profit on exchange transactions (less Loss):</p> <p>a) Check that the year-end outstanding entries are converted at appropriate rates of exchange as communicated by the Controlling authority, for recording profit/loss on exchange transactions.</p> <p>b) Test large transactions(each in excess of 2% of the aggregate in the ledger), and check whether these are recorded in compliance with the directions of the controlling authority.</p>	

AUDIT PROGRAMME - INCOME [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>c) Scrutinize the transactions recorded in the post-Balance sheet period to ensure that no material items have been ignored upto the year-end.</p> <p>d) Enquire into unusually large entries involving huge gains/losses for the year (and whether these pertain to the Branch or another linked office).</p> <p>5 Miscellaneous Income:</p> <p>a) Ascertain whether any premises or part thereof is let out, and if so, whether rent recoveries are recorded upto the year-end at the rates as applicable.</p> <p>b) Check items, each in excess of 5% of the aggregate amount in the income sub-heads relating to "Miscellaneous income". (Take note of work done, in the audit file)</p>	

AUDIT PROGRAMME - EXPENDITURE
[Bank Branch Audit 2007-08]
*Signature of the
Audit Assistant*
INTEREST EXPENDED:
1 Interest on deposits:

Test check for each category of deposits, interest as under:

a) Savings Bank Deposits:

- (i) In case interest test is applied at periodic intervals at the Branch, check whether the excess/short adjustment upto the date the last application was so made, has been adjusted.
- (ii) Check compliance of Head Office instructions as to the date upto which interest is required to be adjusted to the savings bank accounts and the manner/basis of further provision/accrual of interest upto the year-end.
- (iii) Test 2 accounts per ledger (and list out the accounts checked in the audit notes).
- (iv) Ascertain whether an over-all check of interest calculations (based on the control account in the General ledger for the year) reveals any major variation in the expenditure recorded.

b) Term Loans:

- (i) Check interest on Term Loans from Banks/institutions (100%).
- (ii) Check that interest provision is made on each category of term deposits.
- (iii) Check one account in each subsidiary ledger in-depth.
- (iv) Check on an over-all basis the computation of interest with reference to the average balances in the Term deposits in each category-enquire into major variances.
- (v) Check whether interest is provided on matured/overdue deposits upto the year-end, and if so, the basis thereof.

c) General:

Check compliance of reports relating to Income/expenditure control audit in Relation to interest on deposits.

d) Report Interest, if paid, on any Current Account balances (and authority to pay the same).
2 Interest on R.B.I./inter-bank borrowings:

Check authority/basis on which the branch has recorded interest on the above.

3 Others:

Check interest /discount (100%) on borrowing/refinance from financial institutions (if borrowings are authorised by Head Office).

Check interest on non-risk bearing participation certificates(100%). **(if participation is authorised by H.O.)**

AUDIT PROGRAMME - OPERATING EXPENSES [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>OPERATING EXPENSES:</p> <p>1 Payments to and Provisions for employees:</p> <p>a) Check salaries/allowances for one month (Month_____)</p> <p>b) Check major variances in such salaries, allowances in any month; and enquire into reasons for the same.</p> <p>c) Check whether pursuant to any award/settlement or otherwise any arrears of remuneration are due but not adjusted.</p> <p>2 Rent, taxes and Lighting:</p> <p>a) Check rent for 1 month and verify whether adjustments have been made for the full year on account of rent at the rates as applicable and as per agreement in force.</p> <p>b) Check that Rent does not include House Rent Allowance to employees.</p> <p>c) Check whether municipal rates/taxes are duly paid/adjusted in respect of the Branch, for the year under audit</p> <p>d) Enquire whether any disputed liability exists on this account upto the year-end.</p> <p>3 Printing and Stationery: Check items, each in excess of 5% of the total expenditure recorded at the branch.</p> <p>4 Advertisement and Publicity: Check items, each in excess of 5% of the total expenditure recorded at the branch.</p> <p>5 Depreciation on Bank's Property:</p> <p>a) Check H.O. instructions as regards adjustment of depreciation on the fixed assets of the Branch.</p> <p>b) Check whether depreciation on fixed assets, has been adjusted at the rates and in the manner required by Head Office.</p> <p>c) Report unadjusted depreciation on assets acquired but not capitalized.</p> <p>6 Law Charges: Check items, each in excess of 5% of the total expenditure recorded at the branch.</p> <p>7 Postage, Telegrams, Telephones etc.</p> <p>a) Check items, each in excess of 5% of the total expenditure recorded at the branch.</p> <p>b) Check whether OYT deposits have been written off in accordance with the system in force.</p>	

AUDIT PROGRAMME - OPERATING EXPENSES [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
8 Repairs and Maintenance Check items, each in excess of 5% of the total expenditure recorded at the branch.	
AUDIT PROGRAMME [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>GENERAL:</p> <p>1 General Ledger:</p> <ol style="list-style-type: none"> a) Check all opening balances in the General ledger. b) Review the ledger accounts and enquire into any large transactions or those as may appear to be unusual under any head of account. Transactions checked on the basis of such review must be listed in the work papers. c) Test totals of a few accounts in the general ledger(say one account in a block of 40 accounts). d) Check all closing balances [after ensuring that those have been inked, and initialed by the authorized signatory in case of manual accounts], and see that the final statements are in agreement with the books. <p>2 Safe Custody:</p> <ol style="list-style-type: none"> a) Test whether securities/parcels/packages of the customers kept in safe custody with the branch are intact and as per entries made in the Safe Custody Register maintained. b) Check whether the seals are intact in respect of sealed covers of customers (The contents of such covers are not required to be verified by opening the seals). c) Test check whether safe custody items are returned with proper acknowledgements from the recipients. d) Test check income on account of safe custody charges. (Note must be kept in the audit file for work executed) <p>3 a) Frauds/Vigilance Cases:</p> <p>Scrutinise the list of cases recorded at the Branch including those reported/recorded after the year-end for considering in the long form audit report, any major items.</p> <ul style="list-style-type: none"> - For frauds - For Vigilance cases - Customers' complaints for unauthorized debits to their accounts pending enquiry (not covered by the above) 	

AUDIT PROGRAMME [Bank Branch Audit 2007-08]	<i>Signature of the Audit Assistant</i>
<p>b) Ascertain whether adequate provision has been made/recommended for debits arising at the branch on account of frauds reported/recorded.</p> <p>5 Corresponding Comparative Figures:</p> <p>a) Enquire from the Branch Management the reasons for disproportionate unusual/large variations under income or expenditure heads as compared to the corresponding financial figures of the earlier year.</p> <p>b) Broadly review the trends between:</p> <ul style="list-style-type: none"> - the interest earned in relation to advances and outlay of funds; and - expenditure by way of interest vis-a-vis the Deposits and other liabilities, - current and preceding year's aggregate of <ul style="list-style-type: none"> . Interest Suspense . Unapplied Interest <p>and ascertain from the management, reasons for divergent trends. Report results of enquiry/ review, if not satisfactorily explained. <i>(These matters are more relevant to the long form audit report).</i></p> <p>6 Additional Procedures: (if any)</p>	

**SPECIAL ATTENTION NEEDS TO BE PAID TO ADVANCES OF THE NATURE
GIVEN BELOW (FOR PROVISIONING AND INCOME RECOGNITION/
DERECOGNITION) Year 2007-08**

		Refer also to Para 7 Annexure I in Section A	WHETHER EXAMINED		REMARKS (for report)
			YES	NO	
1	*	Loss Assets			
2		BIFR cases classified as Standard			
3	XX	Accounts upgraded to standard			
	a)	BIFR cases upgraded to Standard since the previous year-end			
	b)	Other accounts upgraded			
4		Restructured Accounts			
		a) under CDR			
		b) others			
5		FITL in Restructured Accounts requiring provision to be made or retained in terms of the RBI Master Circular			
6		Restructured/rescheduled/renewed accounts resulting in WCTL/FITL/sacrifice, requiring provision			
7		Adversely commented accounts in latest reports of:			
		RBI			
		Concurrent Auditors			
		Inspection			
		Statutory Auditors (including LFAR)			
		Lastest Quarterly review			
		Other Reports, including Credit Audit Reports			
8		Fresh NPAs during the year as identified at the Branch			
9		Major problem accounts (Standard Accounts in default)			
10		Accounts in which there is divergence with RBI			
11		Wilful defaulters in advances lists			
12		Critical amounts due as identified			
13		Quick Mortality Cases (accounts becoming NPA within 12 -24 months of sanction)			
14		Accounts upgraded or where (in restructured accounts) Provisions as at 31.3.2007 are written back			

BANK BRANCH AUDIT (2007-2008)

	Refer also to Para 7 Annexure I in Section A	WHETHER EXAMINED		REMARKS (for report)
		YES	NO	
15	Accounts becoming irregular due to non submission of stock statements for 3 months and such irregularity persisting for 90 days thereafter			
16	Accounts where limits are not renewed/reviewed within 180 days of the due dates			
17	Accounts with adverse features in stock audit reports			
18	Standard/sub standard Accounts in litigation/dispute			
19	One time settlement' Accounts in default			

* Where erosion in value of security is over 90%.

XX Report Standard Accounts where there are arrears of Interest/income

(Part of audit working papers on Audit File)

C1.1

NORTHERN INDIA REGIONAL COUNCIL (NIRC)

_____ BANK ZONE: _____ REGION : _____ BRANCH : _____

**OBSERVATIONS/STATUS REVIEW ON MAJOR ADVANCES ACCOUNTS FOR THE YEAR ENDED 31.3.2008
(based on analysis of Annexure III and for purpose of reporting)**

OBSERVATIONS OF BRANCH AUDITOR

1. Whether the Borrower requires reclassification
2. Has these been frequent devolvement of LCs
3. @Justification/observations requiring change in classification:

Yes@	No	Whether reported in MOC // whether reported in LFAR					
Yes	No	Yes	No	//	Yes	/	No

BANK BRANCH AUDIT (2007-2008)

Signature of Audit Assistant

ANNEXURE - C II.1.1 1

SUMMARY OF ADVERSE OBSERVATIONS ON ADVANCES ACCOUNTS AS AT 31.3.2008 (Illustrative)

Name of the Borrower	Type of Facility	Account No.	Year End Balance (Rs.)	Remarks- Adverse Code @	Classification Code*		Valuation of security @@		Financial Effect of observations		Remarks
					By Bank	Recommended by Auditor	By Bank (Rs.)	As per Auditor (Rs.)	Provision (Rs) (+) (-)	Income (Rs.) (+) (-)	
ABC	TL	140	59,783	1.5,1.6.3 1.10(b)	A	C		12,000 for all facilities	(+)	(-)	Doubtful over 3 years since 31-3-2004
	CC	234	28,733	1.11,1.13	B	C			(+)	(-)	
	Bills	38/04	1,05,734	2.2,2.4,3.1	B	C			(+)	(-)	
			<u>1,94,250</u>								
DEF	TL	45	68,528	2.2,2.4,3.4	B	B.1		55,00,000 for all exposures	(+)	(-)	Realisable security is less than 10% of total exposure
	PC	2013	2,01,05,273	3.10,3.11,4.4	B	B.1			(+)	(-)	
	CC	5231	5,07,83,724	4.6,4.17	B	B.1			(+)	(-)	
			<u>7,09,57,525</u>								

@ Refer to description of Coded Adverse Features{ Annexure C II.1.1 (PAGES 2 - 6)}

@@ Wherever the auditor disagrees with the Bank

*CLASSIFICATION A. STANDARD B. SUB-STANDARD; C. DOUBTFUL(100%) D. LOSS
B.1 SUBSTANDARD(20%) C.1 DOUBTFUL(OTHERS)

BANK BRANCH AUDIT (2007-2008)

NIRC OF THE ICAI