

(ILLUSTRATIVE FORM OF MAIN REPORT... TO BE ON THE LETTER HEAD OF THE FIRM)

REPORT OF THE BRANCH AUDITOR TO THE STATUTORY AUDITORS ON THE AUDIT OF ACCOUNTS OF _____ BRANCH OF _____ BANK FOR THE YEAR ENDED 31.03.2008

We have audited the attached Balance Sheet of the _____, Branch of _____(Bank) as at 31.3.2008 and the Profit and Loss Account of the said Branch for the year ended on that date, which statements have been prepared in the formats recommended by the Central/Head Office and disclose the information as may be necessary to conform to Forms 'A' and 'B' respectively of the Third Schedule to the Banking Regulation Act,1949. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements, based on our Audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material mis-statement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

On the basis of the audit indicated herein, and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, and subject to the limitations of disclosures required therein, we report as under:

(Refer Annexure D.Q for illustrative observations(S.Nos.1 to 15), and these may be incorporated based on audit conducted and for which evidence is kept on the record, as part of documentation)

16. Provisions / Adjustments

No adjustments/provisions have been made in the accounts of the Branch in respect of matters usually dealt with at Central/Head Office, including in respect of :

- a) Bonus, ex-gratia, and other similar expenditure and allowances to branch employees;
- b) Terminal permissible benefits to eligible employees on their retirement (including additional retirement benefits), Gratuity, Pension, liability for leave encashment benefits and other benefits covered in terms of 'AS 15 – Employee Benefits' issued by the Institute of Chartered Accountants of India, including under VRS, net of amounts paid/ debited in the Branch Profit & Loss Account, as per the system followed at branches;
- c) Arrears of salary/wages/allowances, if any, payable to staff;
- d) Staff welfare contractual obligations;
- e) Old unreconciled/unlinked entries at debit under various heads comprising Inter branch/office Adjustments,
- f) *Depreciation on fixed assets;
- g) *effect of conversion of outstanding Branch balances in foreign exchange as per the system followed ;
- h) Auditors' fees and expenses;

BANK BRANCH AUDIT (2007-2008)

- i) Items in Suspense, clearing Differences, Credit Cards, Frauds/ vigilance cases involving claims/ liability or loss to the Bank and other provisions on behalf of the Branches;
- j) Provisions in respect of advances as per the applicable prudential norms and Guidelines of the Reserve Bank of India and the Bank's policy in line therewith (including on standard advances, floating, ad hoc/generic provisions covering weak standard advances; and
- k) Taxation (subject to adjustments for deferred tax upto 31.3.2008).

Subject to what is stated above, the Memorandum of Changes (**Annexure(s)***), having effect on the financial statements to the extent as quantified as above and to the extent not ascertained at the Branch, including subject to other adjustments usually made at the Central/Head Office of the Bank, in our opinion and to the best of our information and according to the explanations given to us, and as shown by the books of the Branch and read with the Accounting Policies of the Bank (to the extent made known to us and as applicable to the Branch), we have to report that:

- a) the Balance Sheet as at 31.3.2008 of the said Branch of the Bank, as authenticated by us, is a full and fair Balance Sheet of the Branch containing the necessary particulars and is drawn up so as to exhibit a true and fair view of the affairs of the Branch as at 31.3.2008.
- b) the Profit and Loss Account authenticated by us, shows a true and fair view of the **profit/loss** @ of the Branch for the year ended 31.3.2008 (after adjustment of interest as per Head Office Communications).
- c) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit and have found them to be satisfactory.
- d) transactions of the Branch which have come to our notice have been within the powers of the Bank.
- e) the Balance Sheet and Profit and Loss Account of the Branch are in agreement with the Books of Accounts.

For _____

CHARTERED ACCOUNTANTS

(Partner)

Place:

Date:

*** Refer Annexures for recommended formats of reporting, particularly the MOCs for matters affecting the annual financial statements.**

Notes:

1. @ Delete what is inapplicable.

2. The concept of “materiality” needs to be kept in mind while reporting.

FOR BANKING COMPANIES

DD

(ILLUSTRATIVE FORM OF MAIN REPORT... TO BE ON THE LETTER HEAD OF THE FIRM)

REPORT OF BRANCH AUDITOR TO THE STATUTORY AUDITORS ON THE AUDIT OF ACCOUNTS OF _____ BRANCH OF (name of the Banking company) FOR THE YEAR ENDED 31-3-2008

_____ We have audited the attached Balance Sheet of the _____, Branch of _____ (Banking Company) as at 31.3.2008 and the Profit and Loss Account of the said Branch for the year ended on that date. These financial statements are the responsibility of the Bank's management. Our responsibility is to express an opinion on these financial statements, based on our Audit.

We conducted our audit in accordance with auditing standards generally accepted in India. These Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The statements have been prepared in the formats recommended by the Central/Head Office and disclose the information as may be necessary to conform to Forms 'A' and 'B' respectively of the Third Schedule, as per Section 29 of the Banking Regulation Act, 1949, read with Section 211 of the Companies Act, 1956, and we report as under:

(Refer Annexure D.Q for illustrative observations(S.Nos.1 to 15), and these may be incorporated based on audit conducted and for which evidence is kept on the record, as part of documentation)

16. Provisions / Adjustments

No adjustments/provisions have been made in the accounts of the Branch in respect of matters usually dealt with at Central/Head Office, including in respect of :

- a) Bonus, ex-gratia, and other similar expenditure and allowances to branch employees;
- b) Terminal permissible benefits to eligible employees on their retirement (including additional retirement benefits), Gratuity, Pension, liability for leave encashment benefits and other benefits covered in terms of 'AS 15 – Employee Benefits' issued by the Institute of Chartered Accountants of India, including under VRS, net of amounts paid/ debited in the Branch Profit & Loss Account, as per the system followed at branches;
- c) Arrears of salary/wages/allowances, if any, payable to staff;
- d) Staff welfare contractual obligations;
- e) Old unreconciled/unlinked entries at debit under various heads comprising Inter branch/office Adjustments,
- f) *Depreciation on fixed assets;
- g) *effect of conversion of outstanding Branch balances in foreign exchange as per the system followed ;
- h) Auditors' fees and expenses;
- i) Items in Suspense, clearing Differences, Credit Cards, Frauds/ vigilance cases involving claims/ liability or loss to the Bank and other provisions on behalf of the Branches;
- j) provisions in respect of advances as per the applicable prudential norms and Guidelines

of the Reserve Bank of India and the Bank's policy in line therewith (including on standard advances, floating, ad hoc/generic provisions covering weak standard advances; and

k) Taxation (subject to adjustments for deferred tax up to 31.3.2008).

3. We report that:

- a) we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of audit and have found them to be satisfactory;
- b) transactions of the Branch which have come to our notice have been within the powers of the Banking Company;
- c) the Balance Sheet and Profit and Loss Account of the Branch are in agreement with the Books of Accounts;
- d) in our opinion, proper books of account as required by law have been kept by the Branch so far as appears from our examination of the books;
- e) As per information and explanations given to us and having regard to the Accounting Policies of the Banking Company as made available to us and to the extent applicable to the Branch, the accounts have been drawn up in accordance with The Companies (Accounting Standards) Rules, 2006 notified by the Central Government, in consultation with National Advisory Committee on Accounting Standards in terms of clause (a) of sub-section (1) of section 642 read with sub-section (3C) of section 211 and sub-section (1) of section 210A of the Companies Act 1956;
- f) As per information and explanations given to us, the Central Govt. has not prescribed any cess payable under section 441A of the Companies Act, 1956;

Subject to what is stated above, the Memorandum of Changes (**Annexure(s)***), having effect on the financial statements to the extent as quantified as above and to the extent not ascertained at the Branch, including subject to other adjustments usually made at the Central/Head Office of the Bank, in our opinion and to the best of our information and according to the explanations given to us, and as shown by the books of the Branch and read with the Accounting Policies of the Bank (to the extent made known to us and as applicable to the Branch), give the information required by the Companies Act 1956 in the manner so required for banking companies and on such basis,

- a) the Balance Sheet as at 31.3.2008 of the said Branch of the Banking Company, as authenticated by us, is a full and fair Balance Sheet of the Branch containing the necessary particulars and is drawn up so as to exhibit a true and fair view of the affairs of the Branch as at 31.3.2008;
- b) the Profit and Loss Account authenticated by us, shows a true and fair view of the **profit/loss @** of the Branch for the year ended 31.3.2008;

For _____
CHARTERED ACCOUNTANTS
(Partner)

Place:

Date:

*** Refer Annexures for recommended formats of reporting, particularly the MOCs for matters affecting the annual financial statements.**

Notes: 1@ Delete what is inapplicable.

2. The concept of “materiality” needs to be kept in mind while reporting.

3. Paras relating to Cash Flows Statements have not been incorporated here as these will be done by the Main Auditors for the bank as a whole

BANK AUDIT

ANNEXURE D.Q

ILLUSTRATIVE AUDIT OBSERVATIONS REFERRED TO IN THE FORM OF REPORT OF THE BRANCH AUDITOR TO THE STATUTORY AUDITORS ON THE AUDIT OF ACCOUNTS OF THE BRANCH FOR THE YEAR ENDED 31.03.2008

1. There are unreconciled differences between the control accounts and the subsidiary records (Schedule ____)

2. Deposits:

- a) Overdue/matured Term Deposits amounting to Rs._____ continue to be included under “Term Deposits” instead of the same being treated as “Demand Deposits” as per the disclosure requirements.
- b) Interest provision of Rs._____ made at the Branch since the date of its last application to various Savings Bank Deposits, in our view, comprises “Interest Accrued and due” rather than “Interest Accrued but not due”, and considering the nature thereof, should form part of Deposits under the sub-head “Savings Bank Deposits.”
- c) Interest has not been provided on current deposits till the year-end in respect of:
 - deceased constituents (from the date of death)
 - RRBs(Schedule ____)
- d) Interest on Overdue/matured Deposits required to be provided up to the year-end has been wrongly provided in excess/short by Rs._____(Schedule).
- e) Interest has not been provided/short provided/excess provided on various other deposits to the extent of Rs._____ (Net) as per Schedule ____.

3. Interest on Advances:

- a) Interest has been excess/short charged on Advances to the extent of Rs.....(Net) as per Schedule____
- b) Interest income has been recovered out of fresh facilities to the extent of Rs._____(Schedule____)

4. Advances:

On the basis of our examination of the Advances accounts we observe that:

- a) Advances have not been classified as per the prudential norms, having effect on provisioning and income recognition as under:
 - Accounts classified as standard should have been in the Sub-Standard category (Schedule____)
 - Income accrued on the above needs to be:
 - derecognised to the extent of Rs._____ (being interest accrued up to the previous year-end not realised till the year-end).
 - reversed and not recognised for the year under audit to the extent of Rs._____

(Income reversal would have corresponding effect on Interest Suspense to the extent of Rs._____):and correspondingly income and advances would get reduced to the extent of Rs..... In the accounts of the Branch.

- Accounts classified as Sub-Standard need to be classified as in
 - Doubtful category (Schedule____). These include the acceleration from Sub Standard to Doubtful category by reduction of the period from 18 to 12 months.
 - Loss category (Schedule____)
- b) Recoveries in NPAs have not been appropriated to revenue where such recoveries are in excess of “Interest Suspense”;
Advances and Income have been accordingly understated to the extent of Rs._____
(Schedule__).
- c) While classifying the restructured accounts in the sub-standard category, the existing facilities comprising NPAs prior to restructuring have been wrongly categorised as “Standard” (Schedule__)
- d) Sub-standard Accounts where restructuring / rehabilitation was allowed but default continued for one year thereafter, have been wrongly classified partially as “Standard” (Schedule__)
- e) The branch continues to grant / issue fresh L/Cs to certain parities, notwithstanding that earlier ones have devolved. Devolved L/Cs in default for a period of over 90 days amount to Rs._____
(Schedule__).
Provision on these on the basis of the Borrower’s classification needs to be made at Head Office.
- f) Due to the system followed for appropriation of recoveries in NPAs, accounts have been reclassified as Standard without recoveries being made in respect of unapplied interest.
Such Accounts need to be downgraded to NPAs till so long as there is unrealized income including on account of ‘Right of Recompense’ and ‘ unapplied interest’.
Due to this, there is change in classification, affecting provisioning and income to the extent of Rs._____
(Schedule__)
- g) Unapplied Interest has not been computed upto the year-end in NPAs at the applicable contractual rates for the time being in force; the records of the Bank are incomplete on this account.
On account of this, the interest is short waived by Rs._____
(Schedule __) in accounts compromised/settled.

5. Commission on Govt. business

In respect of Govt. business done upto the year-end, income to the extent of Rs._____ has not been accrued.

Locker rents, and Commission:

6. The Bank has accounted on cash basis, income by way of Locker rents, and Commission, contrary to the concept of accrual, one of the basic accounting assumptions as per AS I of ICAI. The amount of the same and the amount accrued upto the year-end, have not been computed at the Branch.

7. Reconciliation of Accounts with other Banks

- a) Bank confirmation certificates have not been made available in respect of balances with banks as per Schedule____
- b) Adjustments are required to be made in respect of entries arising in bank reconciliation

statements

- as affecting other heads of accounts upto the year-end (Schedule___)
- as affecting expenditure / income items (Schedule___)

8. Fixed Assets

- a) Capitalisation has not been made in respect of assets acquired upto the year-end to the extent of Rs._____(Schedule___)
- b) Depreciation has been excess / short provided at the Branch to the extent of Rs._____(Schedule___)
- c) Renovation expenses at the Branch have been wrongly capitalized, although amounts aggregating to Rs._____ pertain to Repairs and Maintenance.

9. Other Assets:

- a) Provision has not been made in respect of expenditure incurred upto the year-end, including non-adjustment of advances thereagainst to the extent of Rs._____(Annexure___)
- b) In respect of old/unadjusted/unexplained entries outstanding in "Other Assets"/ suspense, provision is recommended at Rs._____(Schedule___)

10. Guarantees, L/Cs

- a) Obligations under Letters of Comfort, amounting to Rs._____have not been considered as part of Contingent Liabilities as at the year end (Schedule___).
- b) Expired Guarantees and L/Cs where the claim period has expired and obligations have been confirmed as ceased, continue to be on the record of the Branch to the extent of Rs._____(Schedule___)

11. There are claims against the Bank at the branch level which have not been disclosed to the extent of Rs._____(Schedule___)

12. Other Off - balance sheet items:

Outstanding balances of items expressed in foreign currencies have not been converted and restated at the applicable year-end rates of exchange (Schedule___)

13. Inter branch Adjustments (HO balance:Rs._____)

Effect needs to be given to known entries originated prior to the year-end but responded after that date till the completion of the audit at the Branch (Schedule___).

Statements (Daily HO summaries) have not been forwarded for matching of entries to the Central Reconciliation cell.

Entries at debit outstanding under various sub heads since over 6 months as at 31.3.2005 and remaining unadjusted require to be provided for to the extent of Rs._____(Schedule___).

14. Bills for Collection

These include old entries (over six months old) amounting to Rs._____ reasons for retention of which remain unexplained at the Branch (Schedule___).

15. Rebate on Bills Discounted

Adjustments have not been made to the extent of Rs._____ in respect of rebate on bills discounted for income attributable to the period beyond the year-end.

RECOMMENDED ANNEXURE TO AUDITORS REPORT

ANNEXURE-D.1.2 TO AUDIT REPORT DATED.....

Statement showing summary of Memorandum of Changes affecting Advances as at 31.3.2008

Particulars	Code	Secured Add/(Deduct)	Bank/Govt Guaranteed Add/(Deduct)	Unsecured Add/(Deduct)	Doubtful Add/(Deduct)	Remarks
I Bills Purchased: Priority Sector Public Sector Banks Others						
Total I						
II. Cash Credits, Overdrafts, Demand Loans etc: Priority Sector Public Sector Banks Others						
Total II						
III. Term Loans: Priority Sector Public Sector Banks Others						
Total III						
Grand Total (I+II+III)						

NOTES/INSTRUCTIONS: 1. Only one figure must appear against each item & deductions/negative figures must be shown in brackets
2. Reasons for changes must be given in the proforma as per Annexure D.1.2

RECOMMENDED ANNEXURE TO AUDITORS REPORT

ANNEXURE-D.1.2 TO AUDIT REPORT DATED.....

STATEMENT OF REASONS FOR CHANGES RECOMMENDED IN ANNEXURE D.1 TO THE REPORT

PARTICULARS	CHANGES IN CLASSIFICATION								
	Name of the Party Remarks	Secured	Govt./Bank Unsecured	Additional					
		Guarantees	Provision Recommended	Priority Sector	Public Sector	Banks	Others	Additional Provision	Existing Provision
I. Bills Purchased									
II. Cash Credits, Overdrafts, Demand Loans etc.:									
Total									
III. Term Loans									
Total									

List of advances Accounts for which interest calculations checked for the year 2006-07

Nature of Account _____

Name of the Borrower	Account No.	Credit Rating		Period of Checking	Interest Charged	Correct Interest	Excess charged	Short Charged	Remarks
		Applicable	Actually applied	Rs.	Rs.	Rs.	Rs.		

Signatures