

## **Annex II - 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). The [appendix](#) to 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**

|                  |
|------------------|
| <b>I. ASSETS</b> |
|------------------|

|                |   |   |
|----------------|---|---|
| <b>1. Cash</b> |   |   |
| <b>(a)</b>     | 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?   | : |
| <b>(b)</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?  | : |
| <b>(c)</b>     | (i) Does the branch generally maintain / carry cash balances, which vary significantly from the limits fixed by the controlling authorities of the bank?  | : |
|                | (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, same should be reported. | : |
| <b>(d)</b>     | Whether the insurance cover available with the branch adequately meets the requirement to cover the cash-in hand and cash-in transit?   | : |

|              |  |   |  |
|--------------|--|---|--|
|              |  |   |  |
| <b>2.</b>    | <b>Balances with Reserve Bank of India, State Bank of India and other banks (For branches with Treasury Operations)</b>  |   |  |
| <b>(a)</b>   | Were balance confirmation certificates obtained in respect of outstanding balances as at the year-end and whether the aforesaid balances have been reconciled? The nature and extent of differences should be reported.  | : |  |
| <b>(b)</b>   | Observations on the reconciliation statements may be reported in the following manner:   | : |  |
| <b>(i)</b>   | Cash transactions remaining un-responded (give details)  | : |  |
| <b>(ii)</b>  | Revenue items requiring adjustments / write-off (give details)   | : |  |
| <b>(iii)</b> | Other credit and debit entries originated in the statements provided by RBI/other banks, remaining un-responded for more than 15 days:   | : |  |
| <b>(iv)</b>  | Where the branch maintains an account with RBI, the following additional matter may be reported:<br>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) | : |  |
| <b>(c)</b>   | In case, any matter deserves special attention of the management, the same may be reported.  | : |  |
|              |  |   |  |
| <b>3.</b>    | <b>Money at Call and Short Notice</b>  |   |  |

|           |  |   |  |
|-----------|--|---|--|
| (a)       | Has the branch kept money-at-call and short notice during the year?  | : |  |
| (b)       | Has the year-end balance been duly confirmed and reconciled?   | : |  |
| (c)       | Has interest accrued up to the year-end been properly recorded?  | : |  |
| (d)       | Whether instructions/guidelines, if any, laid down by the controlling authorities of the bank have been complied with?   | : |  |
|           |  |   |  |
| <b>4.</b> | <b>Investments (for branches outside India)</b>  |   |  |
| (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?  | : |  |
| (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? | : |  |
| (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?   | : |  |
| (d)       | Whether there are any matured or overdue investments which have not been encashed and / or has not been serviced? If so, give details?   | : |  |
|           |  |   |  |

|            |  |   |  |
|------------|--|---|--|
| <b>5.</b>  | <b>Advances</b>  |   |  |
|            | <b>General Instructions</b>  |   |  |
|            | <p>(i) 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>(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.</p>   | : |  |
| <b>(a)</b> | <b><i>List of accounts examined for audit</i></b>  |   |  |

| <b>Account No.</b> | <b>Account Name</b> | <b>Balance as at year end – Funded</b> | <b>Balance as at year end – Non-funded</b> | <b>Total</b>     |
|--------------------|---------------------|--|--|------------------|
|                    |                     |  |  |                  |
|                    |                     |  |  |                  |
|                    |                     |  |  |                  |
| <b>Total</b>       |                     | <b>A</b>                               | <b>B</b>                                   | <b>C = A + B</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 |

|              |  |   |  |
|--------------|--|---|--|
| <b>(b)</b>   | <b><i>Credit Appraisal</i></b>   |   |  |
| <b>(i)</b>   | 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. What, in your opinion, are the major shortcomings in credit appraisal, etc. | : |  |
| <b>(ii)</b>  | 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:- <ul style="list-style-type: none"> <li>• Account No.</li> <li>• Account Name</li> <li>• Balance as at year end</li> </ul>                                     | : |  |
| <b>(iii)</b> | Whether in borrowal accounts the applicable interest rate is correctly fed into the system?  | : |  |
| <b>(iv)</b>  | Whether the interest rate is reviewed periodically as per the guidelines applicable to floating rate loans linked to   | : |  |

|       |   |   |  |
|-------|---|---|--|
|       | MCLR / EBLR (External Benchmark Lending Rate)?  |   |  |
| (v)   | Have you come across cases of frequent renewal / rollover of short-term loans? If yes, give the details of such accounts.   | : |  |
| (vi)  | 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?  | : |  |
| (c)   | <b><i>Sanctioning / Disbursement</i></b>  |   |  |
| (i)   | In the cases examined by you, have you come across instances of:<br>(a) credit facilities having been sanctioned beyond the delegated authority or limit fixed for the branch?<br>(b) Are such cases promptly reported to higher authorities? | : |  |
| (ii)  | Whether advances have been disbursed without complying with the terms and conditions of the sanction? If so, give details of such cases.  | : |  |
| (iii) | Did the bank provide loans to companies for buy-back of shares/securities?  | : |  |
| (d)   | <b><i>Documentation</i></b>   |   |  |
|       | 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.   | : |  |
| (ii)  | Deficiencies in documentation, including non-registration of charges,   | : |  |

|              |  |   |  |
|--------------|--|---|--|
|              | non-obtaining of guarantees, etc.? If so, give details of such cases.  |   |  |
| <b>(iii)</b> | 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.   | : |  |
| <b>(e)</b>   | <b><i>Review/Monitoring/Supervision</i></b>  |   |  |
| <b>(i)</b>   | 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.   | : |  |
|              | a) between 3 to 6 months, and  | : |  |
|              | b) over 6 months   | : |  |
| <b>(ii)</b>  | <p>a) Are the stock/book debt statements and other periodic operational 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> | : |  |

|              |   |   |  |
|--------------|---|---|--|
| <b>(iii)</b> | <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"> <li>➤ cases where stock audit was required but was not conducted</li> <li>➤ where stock audit was conducted but no action was taken on adverse features</li> </ul>   | : |  |
| <b>(iv)</b>  | <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>  | : |  |
| <b>(v)</b>   | <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. 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> | : |  |
| <b>(vi)</b>  | <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>  | : |  |

|               |  |   |
|---------------|--|---|
|               | 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?  |   |
| <b>(vii)</b>  | 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.?  | : |
| <b>(viii)</b> | 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?  | : |
| <b>(ix)</b>   | Comment on adverse features considered significant in top 5 standard large advances and which need management's attention.   | : |
| <b>(x)</b>    | 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? | : |

|     |   |   |
|-----|---|---|
| (f) | <b><i>Asset Classification, Provisioning of Advances and Resolution of Stressed Assets</i></b>  |   |
| (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 &amp; 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</p> | : |

|              |   |   |
|--------------|---|---|
|              | <p>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>  |   |
| <b>(ii)</b>  | <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> | : |
| <b>(iii)</b> | <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>  | : |
| <b>(iv)</b>  | <p>Have you come across cases where the relevant Controlling Authority of the bank has authorized legal action for recovery of advances or recalling of</p>   | : |

|                                      | advances, but no such action was taken by the branch? If so, give details of such cases.  |   |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |
|--------------------------------------|---|---|-------------|--------|--------|------------------------------------|--|--|--------------------------------------|--|--|---------|--|--|----------------------|--|--|-----------------------------|--|--|----------------------|--|--|
| (v)                                  | <p>Whether there are any accounts wherein process under IBC is mandated but not initiated by the branch?</p> <p>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?</p> | :   |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |
| (vi)                                 | <p>a) Have appropriate claims for credit guarantee (ECGC and others), if any, been duly lodged and 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>   | <table border="1"> <thead> <tr> <th>Particulars</th> <th>Number</th> <th>Amount</th> </tr> </thead> <tbody> <tr> <td>Claim at the 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) Claims accepted/settled</td> <td></td> <td></td> </tr> <tr> <td>(ii) Claims rejected</td> <td></td> <td></td> </tr> </tbody> </table> | Particulars | Number | Amount | Claim at the beginning of the year |  |  | Further claim lodged during the year |  |  | Total A |  |  | Amounts representing |  |  | (i) Claims accepted/settled |  |  | (ii) Claims rejected |  |  |
| Particulars                          | Number  | Amount  |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |
| Claim at the beginning of the year   |   |   |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |
| Further claim lodged during the year |   |   |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |
| Total A                              |   |   |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |
| Amounts representing                 |   |   |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |
| (i) Claims accepted/settled          |   |   |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |
| (ii) Claims rejected                 |   |   |             |        |        |                                    |  |  |                                      |  |  |         |  |  |                      |  |  |                             |  |  |                      |  |  |

|                              |   |   |  |         |  |  |                              |  |  |
|------------------------------|---|---|--|---------|--|--|------------------------------|--|--|
|                              |   |   | <table border="1"> <tr> <td>Total B</td> <td></td> <td></td> </tr> <tr> <td>Balance as at year end (A-B)</td> <td></td> <td></td> </tr> </table> | Total B |  |  | Balance as at year end (A-B) |  |  |
| Total B                      |   |   |  |         |  |  |                              |  |  |
| Balance as at year end (A-B) |   |   |  |         |  |  |                              |  |  |
| <b>(vii)</b>                 | 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?  | : |  |         |  |  |                              |  |  |
| <b>(viii)</b>                | 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. | : |  |         |  |  |                              |  |  |
| <b>(ix)</b>                  | 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.  | : |  |         |  |  |                              |  |  |
| <b>(x)</b>                   | Whether in the cases concluded the recoveries have been properly appropriated against the principal / interest as per the policy of the bank?   | : |  |         |  |  |                              |  |  |
| <b>(xi)</b>                  | In cases where documents are held at centralized processing centres / office, whether the auditor has received the  | : |  |         |  |  |                              |  |  |

|              | relevant documents as asked by them on test check basis and satisfied themselves. Report the exceptions, if any   |   |                  |                 |                        |                  |        |                        |  |  |  |  |  |  |
|--------------|---|---|------------------|-----------------|------------------------|------------------|--------|------------------------|--|--|--|--|--|--|
| <b>(xii)</b> | List the major deficiencies in credit review, monitoring and supervision.   |   |                  |                 |                        |                  |        |                        |  |  |  |  |  |  |
| <b>(g)</b>   | <b><i>Non-Fund Based facilities</i></b>   |   |                  |                 |                        |                  |        |                        |  |  |  |  |  |  |
| <b>(i)</b>   | List of borrowers with details of LCs devolved or guarantees invoked during the year.   | <table border="1"> <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          |                  |        |                        |  |  |  |  |  |  |
|              |   |   |                  |                 |                        |                  |        |                        |  |  |  |  |  |  |
| <b>(ii)</b>  | List of borrowers where the LCs have been devolved or guarantees have been invoked but not paid with amount thereof.  | <table border="1"> <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 |                  |        |                        |  |  |  |  |  |  |
|              |   |   |                  |                 |                        |                  |        |                        |  |  |  |  |  |  |
| <b>(iii)</b> | List of instances where interchangeability between fund based and non-fund-based facilities was allowed subsequent to devolvement of LC / invocation of BG. |   |                  |                 |                        |                  |        |                        |  |  |  |  |  |  |
| <b>6.</b>    | <b>Other Assets</b>   |   |                  |                 |                        |                  |        |                        |  |  |  |  |  |  |
| <b>(a)</b>   | <b>Suspense Accounts/Sundry Assets</b>  |   |                  |                 |                        |                  |        |                        |  |  |  |  |  |  |

|             |   |   |  |
|-------------|---|---|--|
| <b>(i)</b>  | 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. | : |  |
| <b>(ii)</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?  | : |  |

## II. LIABILITIES

|            |   |   |  |
|------------|---|---|--|
| <b>1.</b>  | <b>Deposits</b>   |   |  |
| <b>(a)</b> | 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. | : |  |
| <b>(b)</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.  |         |  |      |                 |         |         |  |  |  |  |
|-----------|---|---------|--|------|-----------------|---------|---------|--|--|--|--|
| (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. | :       |  |      |                 |         |         |  |  |  |  |
| (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?   | :       |  |      |                 |         |         |  |  |  |  |
|           |   |         |  |      |                 |         |         |  |  |  |  |
| <b>2.</b> | <b>Other Liabilities - Bills Payable, Sundry Deposits, etc.</b>   |         |  |      |                 |         |         |  |  |  |  |
| (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.   | :       | <table border="1"> <thead> <tr> <th>Year</th> <th>Number of Items</th> <th>Amounts</th> <th>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 or material withdrawals or debits in these accounts? If so, give details thereof.   | :       |  |      |                 |         |         |  |  |  |  |
|           |   |         |  |      |                 |         |         |  |  |  |  |

|           |  |   |  |
|-----------|--|---|--|
| <b>3.</b> | <b>Contingent Liabilities</b>  |   |  |
|           | 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? | : |  |

### III. PROFIT AND LOSS ACCOUNT

|            |   |   |  |
|------------|---|---|--|
| <b>(a)</b> | Has the test checking of interest/discount/ commission/ fees etc. revealed excess/short credit of a material amount? If so, give details thereof.   | : |  |
| <b>(b)</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). | : |  |
| <b>(c)</b> | Has the test check of interest on deposits revealed any excess/short debit of material amount? If so, give details thereof.   | : |  |
| <b>(d)</b> | 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?   | : |  |
| <b>(e)</b> | 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. |  |
|--|--|--|

#### IV. GENERAL

|           |   |   |
|-----------|---|---|
| <b>1.</b> | <b>GOLD/ BULLION / SECURITY ITEMS</b>   |   |
| (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?  | : |
| (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? | : |
| (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?         | : |
|           |   |   |
| <b>2.</b> | <b>Books and Records</b>  |   |
| (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.  | : |

|            |   |   |  |
|------------|---|---|--|
| <b>(b)</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.                              | : |  |
|            | ii) Whether branch is generating, and verifying exception reports at the periodicity as prescribed by the bank  | : |  |
|            | 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.  | : |  |
|            | 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. | : |  |
|            | 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.  | : |  |
|            |   |   |  |
| <b>3.</b>  | <b>Inter-Branch Accounts</b>  |   |  |
|            | 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?  |   |  |
|           |  |   |  |
| <b>4.</b> | <b>Frauds</b>  |   |  |
|           | Furnish particulars of:<br>(i) Frauds detected/classified but confirmation of reporting to RBI not available on record at branch.  | : |  |
|           | (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.  | : |  |
|           | (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.) |  |
|            | (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.   |  |
|            |   |  |
| <b>5.</b>  | <b>Implementation of KYCAML guidelines</b>  |  |
|            | 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  |  |
|            | Whether the branch followed the KYC/AML guidelines based on the test check carried out by the branch auditors   |  |
|            |   |  |
| <b>6.</b>  | <b>Management Information System</b>  |  |
| <b>(a)</b> | 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?  |   |  |
|            |  |   |  |
| <b>7.</b>  | <b>Miscellaneous</b>   |   |  |
| <b>(a)</b> | <p>In framing your audit report/LFAR, have you considered the major adverse comments arising out of the latest reports such as:</p> <ul style="list-style-type: none"> <li>i) Previous year's Branch Audit Report / LFAR;</li> <li>ii) Internal audit/ Snap Audit/ concurrent audit report(s);</li> <li>iii) Credit Audit Report;</li> <li>iv) Stock audit Report;</li> <li>v) RBI Inspection Report, if such inspection took place;</li> <li>vi) Income and Expenditure (Revenue) Audit;</li> <li>vii) IS/IT/Computer/Systems Audit; and</li> <li>viii) Any special inspection / investigation report?</li> </ul> | : |  |
| <b>(b)</b> | 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?  | : |  |

**Additional Questionnaire Applicable to Specialised Branches**

**A. For Branches dealing in Foreign Exchange Transactions**

1. Are there any material adverse features pointed out in the reports of concurrent auditors, internal auditors and/ or the Reserve Bank of India's inspection report which continue to persist in relation to NRE/ NRO/ FCNR-B/ EEFC/ RFC and other similar deposits accounts. If so, furnish the particulars of such adverse features.
2. Whether the branch has followed the instructions and guidelines of the controlling authorities of the bank with regard to the following in relation to the foreign exchange and, if not, state the irregularities.
  - (a) deposits
  - (b) advances
  - (c) export bills
  - (d) bills for collection
  - (e) dealing room operations (where a branch has one)
  - (f) any other area

**3. NOSTRO Accounts**

Obtain from the branch management, a list of all NOSTRO Accounts maintained/ operated by the branch.

- (a) Whether the bank has a system of periodic confirmation/ reconciliation of the balances in NOSTRO accounts maintained with each overseas bank/ correspondent? Has such confirmation been received and account reconciled at year end in each case. If not, give details.
- (b) Whether the system of the bank ensures that all entries originated by overseas banks/correspondents, have been duly responded promptly in the respective NOSTRO accounts maintained by the bank?
- (c) Are there any dormant/closed NOSTRO accounts in respect of which balances continue to exist in the books of the branch, at year end?
- (d) Have the NOSTRO balances been converted at year end at the rates of exchange as prescribed by controlling authorities?
- (e) In case, any matter deserves special attention of the management, the same may be reported

4. Does the branch follow the prescribed procedures in relation to maintenance of Vostro Accounts?

**B. For branches dealing in Clearing House Operations, normally referred to as Service Branches**

1. Does the branch have a system of periodic review of the outstanding entries in clearing adjustments accounts? In your view has the system generally been complied with?
2. Whether review of the clearing adjustments accounts (inwards/ outwards) reveals any old/ large/ unusual outstanding entries, which remain unexplained? Give year-wise break-up of outstanding in number and value.
3. Has the branch strictly followed the guidelines of the controlling authority of the bank with respect to operations related to clearing transactions? Comment on the systems and procedures followed by the branch in this regard.

**C. For branches dealing in recovery of Non-Performing Assets such as Asset Recovery Branches**

1. In respect of borrowers with outstanding of Rs. 10.00 Crores and above the information should be obtained from the Branch Management. Comments of the Branch Auditor on advances with significant adverse features and which might need the attention of the management / Statutory Central Auditors should be appended to the LFAR.
2. List the accounts with outstanding in excess of Rs. 10.00 Crores, which have been upgraded from Non-Performing to Standard during the year and the reasons thereof.

| Sr. No. | Name of the Unit / Account | Outstanding [Rs. in crore] | IRAC Status as on 31st March [Last Year] | IRAC Status as on 31st March [Current Year] | Reason/s |
|---------|----------------------------|----------------------------|--|---|----------|
| 1       |                            |                            |  |   |          |
| 2       |                            |                            |  |   |          |
| 3       |                            |                            |  |   |          |
| 4       |                            |                            |  |   |          |
| 5       |                            |                            |  |   |          |

3. Whether the branch has a system of updating periodically, the information relating to the valuation of security charged to the bank?
4. Age-wise analysis of the recovery suits filed and pending may be furnished, for the last three years along with latest status thereof.

| <u>Years</u>    | <u>No. of Accounts</u> | <u>Amount [Rs. in crore]</u> |
|-----------------|------------------------|------------------------------|
| Upto March 2018 |                        |                              |
| 2018-19         |                        |                              |
| 2019-20         |                        |                              |
| 2020-21         |                        |                              |

5. Is the branch prompt in ensuring execution of decrees obtained for recovery from the defaulting borrowers? Also list the time barred decrees, if any, and reasons thereof. Give age-wise analysis of decrees obtained and not executed.
6. List the recoveries and their appropriation against the interest and the principal and the accounts settled / written off / closed during the year as per the bank's policy. Give particulars of recoveries which are pending for appropriation as on year-end with reasons thereof.
7. List the new borrower accounts transferred to the branch during the year. Have all the relevant documents and records relating to these borrower accounts been transferred to the branch? Has the branch obtained confirmation that all the accounts of the borrower [including non-fund-based exposures and deposits pending adjustment / margin deposits] been transferred to the branch?

Signature of the Branch Auditor

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