

LONG FORM AUDIT REPORT FORMAT FOR BANK BRANCHES FOR THE YEAR 2015-16

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

QUESTIONS

I. ASSETS

1. Cash

- a) Does the branch generally carry cash balances, which vary significantly from the limits fixed by the controlling authorities of the bank? Whether excess balances have been reported to the controlling authorities of the bank?
- b) Does the branch hold adequate insurance cover for cash-on-hand and cash-in-transit?
- c) Is cash maintained in effective joint custody of two or more officials, as per the instructions of the controlling authorities of the bank?
- d) Have the cash balances at the branch been checked at periodic intervals as per the procedure prescribed by the controlling authorities of the bank?

2. BALANCES WITH RESERVE BANK OF INDIA, STATE BANK OF INDIA AND OTHER BANKS

- a) Were balance confirmation certificates obtained in respect of outstanding balances as at the year-end and whether the aforesaid balances have been reconciled? If not, the nature and extent of differences should be reported.
- b) The observations on the reconciliation statements may be reported in the following manner
 - (i) Cash transactions remaining unresponded (give details)
 - (ii) Revenue items requiring adjustment/write-off(give details)
 - (iii) Old outstanding balances remaining unexplained / unadjusted. Give details for -
 - outstanding between six months to one year; and
 - one year and above
- c) In case any item deserves special attention of the management, the same may be reported

3. MONEY AT CALL AND SHORT NOTICE

Has the branch kept money-at-call and short notice during the year? If so, whether instructions / guidelines, if any, laid down by the controlling authorities of the bank have been complied with?

4. INVESTMENTS

(A) For Branches in India

- a) Are there any investments held by branches on behalf of head office/other offices of the bank? If so, whether these have been made available for physical verification or evidences have been produced with regard to the same where these are not in possession of the branch?
- b) Whether any amounts received as income on such investments have been reported to the Head Office?
- c) In respect of investments held by branches on behalf of head office/other offices of the bank whether any income is accrued/received and recognized as income of the branch contrary to the instructions of the controlling authorities of the bank?
- d) Whether there are any matured or overdue investments which have not been encashed? If so, give details
- e) Whether the guidelines of the Reserve Bank of India regarding transactions in securities have been complied with?
- f) Whether the guidelines of the Reserve Bank of India regarding valuation of investments have been complied with?

(B) For Branches Outside India

- 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 evidence 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? If so, give details

5. ADVANCES

(The answers to the following questions may be based on the auditor's examination of all large advances and a test check of other advances. In respect of large advances, all cases of major adverse features, deficiencies, etc., should be reported. In respect of other advances, the auditor may comment upon the relevant aspects generally, along with instances of situations giving rise to his reservations or adverse remarks. For this purpose large advances are those in respect of which the outstanding amount is in excess of 5% of the aggregate advance of the branch or Rs.2 crores, whichever is less).

a) CREDIT APPRAISAL

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.

b) SANCTIONING/DISBURSEMENT

- i) In the cases examined by you, have you come across instances of credit facilities having been sanctioned beyond the delegated authority or limit fixed for the branch? Are such cases promptly reported to higher authorities?
- ii) In the cases examined by you, have you come across instances where advances have been disbursed without complying with the terms and conditions of the sanction? If so, give details of such cases.

c) DOCUMENTATION

- i) In the cases examined by you, have you come across instances of credit facilities released by the branch without execution of all the necessary documents? If so, give details of such cases.
- ii) In respect of advances examined by you, have you come across instances of deficiencies in documentation, non-registration of charges, non-obtaining of guarantees, etc., If so, give details of such cases.
- iii) Whether advances against lien of deposits have been properly granted by marking a lien on the deposit in accordance with the guidelines of the controlling authorities of the bank

d) REVIEW/MONITORING/SUPERVISION

- i) Is the procedure laid down by the controlling authorities of the bank, for periodic review of advances including periodic balance confirmation / acknowledgement of debts, followed by the branch? Provide analysis of the accounts over due for review/ renewal.
 - between 6 months to 1 year, and
 - over 1 year

- ii) 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?
- iii) Whether there exists a system of obtaining reports on stock audits periodically? If so, whether the branch has complied with such system?
- iv) Indicate the cases of advances to non-corporate entities with limits beyond Rs.10 lakhs where the branch has not obtained the accounts of borrowers, duly audited under the RBI guidelines with regard to compulsory audit or under any other statute.
- v) 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?
- vi) In respect of advances examined by you, have you come across cases of deficiencies in value of securities and inspection thereof or any other adverse features such as frequent/unauthorized over drawing beyond limits, inadequate insurance coverage, etc.?
- vii) 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?
- viii) Are credit card dues recovered promptly?
- ix) Has the branch identified and classified advances into standard/sub-standard/doubtful/loss assets in line with the norms prescribed by the Reserve Bank of India?
- x) Where the auditor disagrees with branch classification of advances into standard/sub-standard/doubtful/loss assets, the details of such advances with reasons should be given. Also indicate whether suitable changes have been incorporated/suggested in the memorandum of changes.
- xi) Have you come across cases where the relevant controlling authority of the bank has authorised legal action for recovery of advances or recalling of advances but no such action was taken by the branch? If so, give details of such cases.
- xii) Have all non-performing advances been promptly reported to the relevant controlling authority of the bank? Also state whether any rehabilitation programme in respect of such advances has been undertaken, and if so, the status of such programme.

- xiii) Have appropriate claims for DICGC and export credit guarantee/insurance and subsidies, if any, been duly lodged and settled? The status of pending claims giving year wise break-up of number and amounts involved should be given in the following format.

Particulars	Number	Amount(Rs.)
Claims as at the beginning of the year (Give year-wise details)		
Further claims lodged during the year		
Total A		
Amount representing:		
(a) Claims accepted/settled (Give year-wise details)		
(b) Claims rejected (Give year-wise details)		
Total B		
Balance as at the year-end (Give year-wise details) A-B		

- xiv) In respect of non-performing assets, has the branch obtained valuation reports from approved valuers for the fixed assets charged to the bank, once in three years, unless the circumstances warrant a shorter duration?
- xv) 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
- xvi) List of major deficiencies in credit review, monitoring and supervision

e) GUARANTEES AND LETTERS OF CREDIT

- i) Details of outstanding amount of guarantees invoked and funded by the Branch at the end of the year may be obtained from the management and reported in the following format:
- a. Guarantees invoked, paid but not adjusted :

Sr. No	Date of Invocation	Name of the Party	Name of beneficiary	Amount	Date of Recovery	Remark
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b. Guarantees invoked but not paid

Sr. No.	Date of Invocation	Name of the Party	Name of beneficiary	Amount	Date of Recovery	Remark
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c. Details of the outstanding amounts of letters of credit and co-acceptances funded by the Branch at the end of the year may be obtained from the management and reported in the following format:

Sr. No	Date of Funding	Name of the party	Nature (LC/Co-acceptance etc.)	Amount	Date of Recovery	Remarks
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6. OTHER ASSETS

a) STATIONERY AND STAMPS

- Does the system of the bank ensure adequate internal control over issue and custody of stationery comprising 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 of such stationery?

b) SUSPENSE ACCOUNTS/ SUNDRY ASSETS

- Does the system of the bank ensure expeditious clearance of items debited to suspense accounts? Details of old outstanding entries 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 in the following format:

Year	Amount	Remark

- Does your test check indicate any unusual items in these accounts? If so, report their nature and the amounts involved.

II. LIABILITIES

1. DEPOSITS

- i) Have the controlling authorities of the bank laid down any guidelines with respect to conduct and operations of inoperative 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.
- ii) 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 management and give your comments thereon.
- iii) Are there any overdue/ matured term deposits at the end of the year? If so, amounts thereof should be indicated.

2. OTHER LIABILITIES – BILLS PAYABLE, SUNDRY DEPOSITS, ETC.,

- i) The number of items and the aggregate amount of old outstanding items pending for three years or more may be obtained from the branch and reported under appropriate heads. Does the scrutiny of the accounts under various sub-heads reveal old balances? If so, give details in the following format:

ii)

Year	No. of Items	Amount (Rs.)	Remark

- iii) Does your test check indicate any unusual items or material withdrawals or debits in these accounts? If so, report their nature and the amounts involved.

3. CONTINGENT LIABILITIES

List of major items of the contingent liabilities (other than constituent's liabilities such as guarantees, letters of credit, acceptances, endorsements, etc.) Not acknowledged by the branch?

III. PROFIT AND LOSS ACCOUNT

1. Whether the branch has a system to compute discrepancies in interest/discount and for timely adjustment thereof in accordance with the guidelines laid down in this regard by the controlling authorities of the bank? Has the test checking of interest revealed excess/short credit of a material amount? If so, give details thereof.
2. Has the branch complied with the income recognition norms prescribed by RBI?
3. Whether the branch has a system to compute discrepancies in interest on deposits and for timely adjustment of such discrepancies in accordance with the guidelines laid-down in this regard by the controlling authorities of the bank? Has the test check of interest on deposits revealed any excess/short debit of material amount? If so, give details thereof.

4. Does the bank have a system of estimating and providing interest accrued on overdue/matured term deposits?
5. Are there any divergent trends in major items of income and expenditure, which are not satisfactorily explained by the branch? If so, the same may be reported upon. For this purpose, an appropriate statement may be obtained from the branch management explaining the divergent trends in major items of income and expenditure.

IV.GENERAL

1.BOOKS AND RECORDS

- a) In case any books of accounts are maintained manually, does general scrutiny thereof indicate whether they have been properly maintained, with balances duly inked out and authenticated by the authorised signatories?
- b) In respect of Computerised branches:
 - Whether hard copies of accounts are printed regularly?
 - Indicate the extent of computerization and the areas of operation covered.
 - Are the access and data security measures and other internal controls adequate?
 - Whether regular back-ups of accounts and off-site storage are maintained as per the guidelines of the controlling authorities of the bank?
 - Whether adequate contingency and disaster recovery plans are in place for loss/encryption of data?
 - Do you have any suggestions for the improvement in the system with regard to Computerised operations of the branch?

2. RECONCILIATION OF CONTROL AND SUBSIDIARY RECORDS

Have the figures, as at the year end, in the control and subsidiary records been reconciled? If not, the last date upto which such figures have been reconciled should be given under the respective heads, preferably in the following format

A/C	Date	General ledger balance (Rs.)	Subsidiary balance (Rs.)	Last date on which balanced

4. INTER BRANCH ACCOUNTS

- i) Does the branch forward on a daily basis to a designated cell/head office, a statement of debit/credit transactions in relation to other branches?
- ii) Does a check of the balance in the head office account as shown in the said statement during and as at the year-end reveal that the same is in agreement with the head office account in the general ledger?
- iii) Are there any outstanding debits in the head office account in respect of inter – branch transactions?
- iv) 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 unresponded / uncomplied queries or communications? If so, give details
- v) Have you come across items of double responses in the head office account? If so, give details.
- vi) Are there any old/ large outstanding transactions/ entries as debits as at year end which remain unexplained in the accounts relatable to inter-branch adjustments?

4. AUDITS/INSPECTIONS

- i) Is the branch covered by concurrent audit or any other audit inspection during the year?
- ii) In framing your audit report, have you considered the major adverse comments arising out of the latest reports of the previous auditors, concurrent auditors, stock auditors, or internal auditors or in the special audit report or in the inspection report of the Reserve Bank of India? State the various adverse features persisting in the branch, though brought out in these audit /inspection reports.

5. FRAUDS

Furnish particulars of frauds discovered during the year under audit at the branch, together with your suggestions. If any, to minimise the possibilities of their occurrence.

6. MISCELLANEOUS

- i) Does the examination of the accounts indicate possible window dressing?
- ii) Does the branch maintain records of all the fixed assets acquired and held by it irrespective of whether the values thereof or depreciation thereon have been centralized? Where documents of title in relation to branch or other branches are available at the branch, whether same have been verified
- iii) Is the branch in compliance with Anti Money Laundering Laws
- iv) Is the branch in compliance with Know Your Customer (KYC) Norms
- v) Are there any other matter, which you as a branch auditor would like to bring to the notice of the management or the Central Statutory Auditors?
