

SEMINAR ON BANK BRANCH AUDIT VASAI BRANCH OF WIRC OF ICAI

LFAR AND VERIFICATION OF ADVANCES

BY CA. GIRIRAJ SONI

INTRODUCTION TO LFAR

- INTRODUCED IN 1985 BY RBI
- REPORT ON ADHERENCE TO INTERNAL CONTROL MEASURES
- REVISED IN 2003 AND IN 2020
- STUDY LFAR QUESTIONNAIRE AND SUBMIT ANSWERS
 - ANSWERS BASED ON OPINION
 - ANSWERS BASED ON TEST CHECKS
 - ANSWERS BASED ON SYSTEM IN OPERATION
- LFAR QUESTIONS ARE ONLY INDICATIVE IN NATURE.

APPROACH TO L FAR

- DISCUSS CONTENTS WITH BRANCH HEAD
- MAKE CORRECT REPRESENTATION OF FACTS
- GIVE BANK'S POINT OF VIEW
- GIVE SPECIFIC DISCLOSURES ON NATURE AND EXTENT OF WORK DONE AND LIMITATIONS
- GIVE DISCLAIMER FOR NON-AVAILABILITY OF RECORDS

IMPORTANT ASPECTS

- FOCUS ON CONTROLS – SYSTEM BASED OR MANUAL
- APPROACH TOWARDS BANK AS A WHOLE AND NOT BRANCH SPECIFIC
- SIMILAR INSTANCE IF NOTICED BY CONCURRENT / OTHER AUDITOR MAY BE CONSOLIDATED
- ADVANCES VERIFICATION TO BE AS PER THE L FAR - CREDIT APPRAISAL - SANCTION – DOCUMENTS – REVIEW / MONITORING / ASSET CLASSIFICATIONS
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LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

Particulars		Methodology to be adopted	
I	Assets	Particulars	
1.	Cash		
(a)	Does the system ensure that cash maintained is in effective joint custody of two or more officials, as per the instructions of the controlling authorities of the bank?	<ul style="list-style-type: none"> • Check Banks Policy for joint custody of cash chest and ATM. • Verify the operations during your presence whether joint custody is effective. • Verify whether the cash vaults are opened / closed / operated jointly by two officials and comment (Comment on Key Register, if any) 	

LFAR (REVISED FOR BRANCH AUDIT (Questionnaire with suggested reply)

(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?	<ul style="list-style-type: none"> • Check Insurance Policy for Cash (including cash in hand, cash in ATM, cash in transit). Verify whether the limits fixed are adequately covered by the Policy. • Check the date of the Policy for validity during the FY. If the policy not available, ask the branch to provide from H.O. 	
(c)	Does the branch generally maintain / carry cash balances, which vary significantly from the limits fixed by the controlling authorities of the bank?	<ul style="list-style-type: none"> • Obtain Cash Retention Limit of the Branch. • Verify the Cash Ledger throughout the year and comment on the status of cash retained by the branch. • Verify whether the instances of excess cash balances are being reported to the Controlling Office from time to time from correspondence. 	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

	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	<ul style="list-style-type: none"> Go through the monthly Concurrent Audit Report and check whether the exercise of tallying ATM (s) cash balance with the books are being carried out. If not, to report the same. check the year end scrolls generated by ATM and difference, if any, to be reported.
(d)	Whether the insurance cover available with the branch adequately meets the requirement to cover the cash-in hand and cash-in transit?	Check Insurance Policy for Cash (including cash in hand, cash in ATM, cash in transit). Verify whether the limits fixed are adequately covered.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

2.	Balances with Reserve Bank of India, State Bank of India, and other banks (For branches with Treasury Operations)	
(a)	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.	<ul style="list-style-type: none"> Identify from GL whether the branch maintains accounts with RBI or SBI or any other bank. If yes, then verify the Account Statement with Ledger. Also verify the Closing Balance with Balance Confirmation Certificate Received by the branch with Ledger balance.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(b)	Observations on the reconciliation statements may be reported in the following manner:	
(i)	Cash transactions remaining un-responded (give details)	Generally, not Applicable.
(ii)	Revenue items requiring adjustments / write-off (give details)	Generally, not Applicable.
(iii)	Other credit and debit entries originated in the statements provided by RBI/other banks, remaining un-responded for more than 15 days:	<ul style="list-style-type: none"> • Check the statement and verify the details of outstanding transactions in reconciliation statements along with appropriate narrations. • Collect age wise un-responded items.

LFAR (REVISED FOR BRANCH AUDIT (Questionnaire with suggested reply)

(iv)	Where the branch maintains an account with RBI, the following additional matter may be reported: Entries originated prior to but communicated/ recorded after the year end in relation to currency chest operations at the branch/other link branches, involving deposits into/withdrawals from the currency chest attached to such branches (Give details)	Not applicable to branches other than Currency Chest Branches.
3. Money at Call and Short Notice		
(a)	Has the branch kept money-at-call and short notice during the year?	The Branch has not kept money-at-call and short notice during the year
(b)	Has the year-end balance been duly confirmed and reconciled?	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(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?	
4.	Investments (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?	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(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?	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(d)	Whether there are any matured or overdue investments which have not been encased and / or have not been serviced? If so, give details?	
5.	Advances (General Instructions)	
	<p>The answers to the following questions may be based on the auditor's examination of all large advances.</p> <p>For this purpose, large advances are those in respect of which the outstanding amount is in excess of 10% of outstanding aggregate balance of fund based and non-fund-based advances of the branch or Rs.10 crores, whichever is less.</p>	<p>For the purpose of identification of large borrowers, both Fund Based and Non-fund based limits to be considered in excess of 10% of outstanding aggregate balance of fund based and non-fund based advances of the branch. It is mentioned that care to be taken for all accounts above the threshold, the transaction audit/account specific details to be seen and commented on, whereas below the threshold, the process needs to be checked and commented upon.</p>

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

	<p>For all accounts above the threshold, the transaction audit/account specific details to be seen and commented on, 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>Comments of the branch auditor on advances with significant adverse features. A new word "Transaction Audit" has been inserted, which in my opinion includes checking of interest, valuation of securities, Account specific details etc and branch has to furnish the details, which we have to check.</p>
	<p>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>	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

Provide the following table to the branch before commencement of the audit and ask the branch to provide the details as stated hereunder:

Account No.	Account Name	Balance as at year end 31st March 2024 Funded	Balance as at year end 31st March 2024– Non-funded	Total
(a) Total		A	B	$C = A + B$
(b) Total Outstanding of the branch		X	Y	$Z = X + Y$
(c) Percentage examined		A as % of X	B as % of Y	C as % of Z

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(b)	<i>Credit Appraisal</i>	
(i)	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.	<p>To call for the fresh loan sanctioned and renewed during the year. On receipt of the required details, examine whether.</p> <ul style="list-style-type: none"> • The loan applications have been obtained in the format designed by the bank. • Whether in respect sanction of fresh loan or renewal of the account, enhancement of the limit etc, instruction of the controlling office has been complied with.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

	<p>To call for the fresh loan sanctioned and renewed during the year. On receipt of the required details, examine whether.</p> <ul style="list-style-type: none"> ➤ The loan applications have been obtained in the format designed by the bank. ➤ Whether in respect sanction of fresh loan or renewal of the account, enhancement of the limit etc, instruction of the controlling office has been complied with. ➤ Also collect the comment, if any of the Concurrent Auditors in respect of fresh loan sanctioned/ renewal of the account. ➤ Check whether the proposal for new/renewal has been recommended based on latest financial statements, past dealings with bank, repayment capacity of borrower, value of security in compliance with Head Office Guidelines. ➤ Check comments of Branch while proposing the credit facilities such as - unit is functioning properly, pre sanction visit report, satisfaction in case of value of security etc.
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LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

<p>(ii) <u>Quick Mortality</u></p> <p>Have you come across cases of quick mortality in accounts, where the facility became non-performing within a period of 12 months from the date of first sanction? Details of such accounts may be provided in following manner: -</p> <ul style="list-style-type: none"> • Account No. • Account Name • Balance as at year end 	<p>Prepare an Annexure incorporating the information obtained from the branch.</p>
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LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(iii)	Whether in the borrower accounts, the applicable interest rate is correctly fed into the system?	To call for the circulars received from H.O for revision in the rate of interest and to check on sample basis from the system whether revised interest has been applied. The adverse cases to tabulate in Annexure.
(iv)	Whether the interest rate is reviewed periodically as per the guidelines applicable to floating rate loans linked to MCLR / EBLR (External Benchmark Rates Lending Rate)?	Obtain the guidelines and ensure whether applicable to floating rate loans linked to MCLR / EBLR
(v)	Have you come across cases of frequent renewal / rollover of short-term loans? If yes, give the details of such accounts.	Ask from the branch the cases of frequent renewal / rollover of short-term loans.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(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?	For the assessment of working capital limit of borrowers, find out the policy of the bank where credit rating is required before sanction of the limit. In cases of renewal of working capital limit of the borrower, beside checking of validity of the credit rating agency, also to call for downgrading of credit rating from earlier assessment. In some banks, for AAA+ category of credit rating of borrowers, Stock Audit is exempted.
(c)	<i>Sanctioning / Disbursement</i>	
(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?	Check of sample on the basis the following: <ul style="list-style-type: none"> • Check whether delegation of power has been exercised as per manual of instruction while sanctioning the credit facilities. • Check the acceptance of Terms of Sanction by borrowers. It is very important to obtain acknowledgement of the borrowers.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

		<ul style="list-style-type: none"> • Check operations permitted beyond sanctioned limits, ad hoc loans, short term loans. Report instances. • Cases are to be checked where existing borrowers are allowed to overdraw for a period beyond permissible time, such cases need to be reported.
(ii)	Whether advances have been disbursed without complying with the terms and conditions of the sanction? If so, give details of such cases.	<ul style="list-style-type: none"> • Check the new cases of advances sanctioned/ renewals and find out whether terms and conditions are fulfilled before disbursement, whether appropriate documentations such as EM of properties, pollution control certificate, obtaining of guarantee etc before sanction/ renewal of the limits. . Report instances.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

		Obtain original title deed, Execution of documents, vetting of document by legal department. In the case of Large Borrowers, whether "Legal Audit" has been conducted. Also check the concurrent audit report in this regard.
(iii)	Did the bank provide loans to companies for buy-back of shares/securities?	Before commencement of Audit at the branch, called for the information.
D)	<i>Documentation</i>	
	In the cases examined by you, have you come across instances of:	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(i)	Credit facilities released by the branch without execution of all the necessary documents. If so, give details of such cases.	Concurrent Audit Report/Inspection Report may be referred for identification of the cases.
(ii)	Deficiencies in documentation, including non-registration of charges, non-obtaining guarantees etc.	Concurrent Audit Report/Inspection Report may be referred for identification of the cases.
(iii)	Advances against lien of deposits have been granted without marking a lien on the bank's deposit receipts or other documents like LIC, NSC etc, in accordance with the guidelines of the controlling authorities. (if so details of the Accounts)of the bank.	Concurrent Audit Report/Inspection Report may be referred for identification of the cases.
(e)	Review/Monitoring/Supervision	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(i)	Is the procedure laid down by the controlling authorities of the bank, for periodic review of advances, including periodic balance confirmation/ acknowledgement of debts, followed by the branch? Provide analysis of the accounts overdue for review/renewal. What, in your opinion, are major shortcomings in monitoring, etc.	<ul style="list-style-type: none"> • Check whether the branch has followed operating instructions for monitoring of advances issued by H.O • Check adverse remarks of auditors / inspectors are rectified /complied before renewal. The latest Financial Statements, Stock Statements, Insurance Policies etc are available in the file. • Balance Confirmation / Acknowledgement of Debt is not time barred. • Check prints from CBS regarding noncompliance and verify. • Date/Month on which the review was done may be obtained.(If renewal is due over 180 days, the A/C to be classified as NPA.)
	a) between 3 to 6 months, and	
	b) over 6 months	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(ii)	<ul style="list-style-type: none"> • 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 based on such scrutiny in appropriate cases? • Is the DP properly computed? • Whether the latest audited financial statements are obtained for accounts reviewed / renewed during the year? 	<ul style="list-style-type: none"> ▪ Dates of submission of various periodic data like monthly stock statement, Quarterly information system etc are mentioned in the Sanctioned letters. Stipulation of penalty for delay in submission is also mentioned in the sanctioned letter. Check for delay in submission of periodic data, whether system is automatically imposed penalty or manually fed in the system. ▪ For D.P calculation, check whether sundry credit balance, Debtors over 90 days etc, as per terms of sanction, have been considered.
(iii)	<ul style="list-style-type: none"> • Whether there exists a system of obtaining reports on stock audits periodically? • If so, whether the branch has complied with such system? 	<p>Stock Audit is applicable for the borrowers availing working capital facilities Rs 5 crore and above. Also, for Loan above Rs 250 Crore, ASM is appointed. To collect the required information from the branch and review those reports.</p>

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

	<ul style="list-style-type: none"> • Details of: • cases where stock audit was required but was not conducted • where stock audit was conducted but no action was taken on adverse features 	<p>Call for the list of the borrowers where stock audit conducted in writing and find out whether all the reports received by the branch. If not, report the cases in LFAR. Also report the cases no action was taken for the adverse features reported in report and effect on the accounts of the borrower.</p>
(iv)	<p>Indicate the cases of advances to non-corporate entities with limits beyond that is set by the bank where the branch has not obtained the duly audited accounts of borrowers.</p>	<p>Call for the cases of loan to non-corporate entities with limits beyond that is set by the bank and whether branch has obtained audited financials of those non-corporate borrowers. If not to report.</p>
(v)	<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>Call for the list of such cases where borrowers are availing finance from the branch under consortium arrangement or under multiple banking. Find out whether due diligence report has been obtained as per requirement of RBI. If not, list the cases</p>

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

	(In case, the branch is not the lead bank, copy of certificate/report should be obtained from lead bank for review and record)	If the branch is not lead bank, then obtain the certificate from the branch.
(vi)	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?	Call for the “Unit Visit Records” , which detailed the units visited by the branch officials.
	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?	Such cases to be reported .

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(vii)	In respect of advances examined by you, have you come across cases of deficiencies, including in value of securities and inspection thereof or any other adverse features such as frequent/ unauthorized overdrawing beyond limits, inadequate insurance coverage, etc.?	As per Para 4.2.9(a) of Master Circular issued by RBI, erosion in the value of security can be reckoned as significant when the realizable value of the security is less than 50 per cent of the value assessed by the bank or accepted by RBI at the time of last inspection. Such NPAs may be straightaway classified under doubtful category.
(viii)	Whether the branch has any red-flagged account? If yes, whether any deviations were observed related to compliance of bank's policy related with Red Flag Accounts?	Collect the information about the Red Flagged account in the branch, if any in writing and if so, check whether the red flag has been removed by the bank.
(ix)	Comment on adverse features considered significant in top 5 standard large advances and which need management's attention.	Call for the large borrowers' details from the branch in the specified format, which is called LFAR –II by some banks. Comment on those borrowers.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(X)	<p>System based asset classification Has the branch identified and classified advances into standard /substandard / doubtful / loss assets through the computer system, without manual intervention?</p>	
	<p>RBI has been insisting and has also issued circulars for implementation of Straight Through Process (STP) of NPA identification and asset classification –Systemic risk’ Each bank has different set of processes followed for identifying and marking of NPA Understand the process of marking NPAs at branches; verify if any access rights given to branch officials regarding NPA identification process</p> <ul style="list-style-type: none"> • Repeated restructuring: To be classified as NPA. • Non-commencement of projects as per DCCO – various dates (Refer Master Circular for details and RBI Circular dated 7 th June 2019. • Percolation effect – One borrower one classification, Frauds <p>Any such cases need to be thoroughly audited and reported wherever manual intervention is involved – Obtain MRL</p>	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(x)	<p>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?</p>	<p>Check prescribed guidelines by the bank and report exceptions. Also in the requisition to be send to branch before commencement of audit, ask for the cases of leasing finance, if any.</p>
F.	<p>Asset Classification, Provisioning of Advances and Resolution of Stressed Assets</p>	<p>To give the comment in Annexure based on study of advances.</p>
(i)	<p>Has the branch identified and classified advances into standard / substandard / doubtful/loss assets through the computer system, without manual intervention?</p>	<p>The Bank shall recognise incipient stress in loan accounts, immediately on default, by classifying such assets as special mention accounts (SMA) as per the following categories.</p>

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

<ul style="list-style-type: none"> • Is this identification & classification in line with the norms prescribed by the Reserve Bank of India • Whether the branch is following the system of classifying the account into SMA-0, SMA-1, and SMA-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. • Also indicate whether required changes have been incorporated/ suggested in the Memorandum of Changes. • 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>SMA-1 Principal or interest payment or any other amount wholly or partly overdue between 31 to 60 days</p> <p>SMA-2 Principal or interest payment or any other amount wholly or partly overdue between 61 to 90 days Please refer to RBI Circular 7 th June 2019 in respect of Resolution of Stressed Assts.</p> <p>RBI has constituted a Central Repository of Information on Large Credits (CRILC) and all Banks have to provide credit information to CRILC about their borrowers with an aggregate fund-based and non-fund based exposure of and over Rs.5 Crores. Banks should also report the SMA status of their borrowers to CRILIC. Hence, the auditors should ask for CRILIC Report from the branch, if any.</p>
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LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(ii)	<p>Upgradations in NPAs Whether the upgradations in non-performing advances is in line with the norms of Reserve Bank of India</p>		
<ul style="list-style-type: none"> ▪ Obtain the list of NPA Accounts upgraded during the year • Compare the list of NPA accounts as at the end of Previous Year and as at the end of Current Year Movement analysis & completeness check ▪ Quarterly reporting of NPA accounts may be reviewed ▪ Verify that the entire overdoes have been repaid and the source of funds (genuine recovery) have also been verified by the branch before upgrading the account ▪ In case of discrepancies noted, the same should be reported and the account may be downgraded by way of MOC ▪ Whether in the cases concluded the recoveries have been properly appropriated against the principal / interest as per the policy of the bank? For this purpose, one must refer to the Accounting Policies of the Bank. 			

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

	<p>Asset or Standard Asset during the year and the reason thereof.</p> <ul style="list-style-type: none"> Whether RBI guidelines on income recognition and provisioning have been followed. 	
(iii)	<ul style="list-style-type: none"> Whether the branch has reported accounts restructured or rephased during the year to Controlling Authority of the bank? Whether the RBI Guidelines for restructuring on all such cases have been followed. 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>Obtain in writing from the branch, the cases restructured during the year. Ensure that the branch has complied with resolution of stressed assets as per RBI Circular on Prudential Framework for Resolution of Stressed Assets dated June 7, 2019</p>

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(iii)	<ul style="list-style-type: none"> Whether the upgradation in non-performing advances is in line with the norms of Reserve Bank of India Where the auditor disagrees with upgradation of accounts? If yes, give reasons thereof. 	<ul style="list-style-type: none"> Obtain the list of NPA Accounts upgraded during the year Compare the list of NPA accounts as at the end of Previous Year and as at the end of Current Year Movement analysis & completeness check
(iv)	<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 advances, but no such action was taken by the branch? If so, give details of such cases.</p>	<p>Obtain the list of such cases from the branch in writing and give comment on study of those cases.</p>

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(v)	<p>Whether there are any accounts wherein the 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</p>	<p>To obtain the list of accounts herein process under IBC is mandated but not initiated by the branch. In this connection, please go through the RBI Circular on Prudential Framework for Resolution of Stressed Assets dated 7 th June, 2019.</p>
(vi)	<p>Have appropriate claims for credit guarantee (ECGC and others), if any, been duly lodged and settled?</p> <p>Give details of claims rejected? (As per the given table)</p> <p>Whether the claim rejection is appropriately considered while determining the provisioning</p>	<p>Check whether there are any claims pending with ECGC & others, any claims sent during the year, or any payments received during the year. After verification of statements prepared by the branch comment accordingly.</p>

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(v)		<table border="1"> <thead> <tr> <th data-bbox="831 1283 1133 1318">Particulars</th> <th data-bbox="1140 1283 1221 1318">Number</th> <th data-bbox="1227 1283 1338 1318">Amount/Rs</th> </tr> </thead> <tbody> <tr> <td data-bbox="831 1327 1133 1404">Claim at the beginning of the year</td> <td data-bbox="1140 1327 1221 1404"></td> <td data-bbox="1227 1327 1338 1404"></td> </tr> <tr> <td data-bbox="831 1413 1133 1486">Further claim lodged during the Year</td> <td data-bbox="1140 1413 1221 1486"></td> <td data-bbox="1227 1413 1338 1486"></td> </tr> <tr> <td data-bbox="831 1495 1133 1530">Total A</td> <td data-bbox="1140 1495 1221 1530"></td> <td data-bbox="1227 1495 1338 1530"></td> </tr> <tr> <td data-bbox="831 1539 1133 1575">Amounts representing</td> <td data-bbox="1140 1539 1221 1575"></td> <td data-bbox="1227 1539 1338 1575"></td> </tr> <tr> <td data-bbox="831 1583 1133 1619">(i) Claims accepted/ settled</td> <td data-bbox="1140 1583 1221 1619"></td> <td data-bbox="1227 1583 1338 1619"></td> </tr> <tr> <td data-bbox="831 1627 1133 1663">(ii) Claims rejected</td> <td data-bbox="1140 1627 1221 1663"></td> <td data-bbox="1227 1627 1338 1663"></td> </tr> <tr> <td data-bbox="831 1671 1133 1707">Total B</td> <td data-bbox="1140 1671 1221 1707"></td> <td data-bbox="1227 1671 1338 1707"></td> </tr> <tr> <td data-bbox="831 1715 1133 1751">Balance as at year end (A-B)</td> <td data-bbox="1140 1715 1221 1751"></td> <td data-bbox="1227 1715 1338 1751"></td> </tr> </tbody> </table>	Particulars	Number	Amount/Rs	Claim at the beginning of the year			Further claim lodged during the Year			Total A			Amounts representing			(i) Claims accepted/ settled			(ii) Claims rejected			Total B			Balance as at year end (A-B)		
Particulars	Number	Amount/Rs																											
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Amounts representing																													
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(ii) Claims rejected																													
Total B																													
Balance as at year end (A-B)																													

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(vii)	In respect of non-performing assets, has the branch obtained valuation reports from approved valuers for the immovables charged to the bank, once in three years , unless the circumstances warrant a shorter duration?	If the valuation is more than 3 years old in NPA A/C , then for the purpose of provision, the value should be considered as "Zero". Consequently, due to that if the security value is coming down below 10% of the outstanding balance, then A/C should be classified as Loss.
(viii)	In the cases examined by you, has the branch complied with the Recovery Policy prescribed by the controlling authorities of the bank with respect to compromise/ settlement and write-off cases? Details of the cases of compromise/settlement and write-off cases involving write-offs/waivers in excess of Rs. 50.00 lakhs may be given.	For the Prudential write off (PWO) or write off, call for the approval of the competent authority. Of the Bank.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(ix)	Is the branch prompt in ensuring execution of decrees obtained for recovery from the defaulting borrowers? Give Age-wise analysis of decrees obtained and pending execution.	Obtain the details from the branch and age-wise analysis of decrees obtained and pending execution.
(x)	Whether in the cases concluded the recoveries have been properly appropriated against the principal / interest as per the policy of the bank?	For appropriation of recoveries first against principal or interest, we have to refer to the accounting policies of the bank. In absence of any policy, obtain in writing the policy followed by bank in this regard.
(xi)	In cases where documents are held at centralized processing centers / 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	In several banks, documents relating to loan sanctioned are held centrally at Central Processing Centre (CPC). The branch auditors should either call for the relevant documents or visit CPC for examination of those documents and issue comment, if any.

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(xii)	List the major deficiencies in credit review, monitoring and supervision.											
(g)	Non-Fund Based facilities											
(i)	List of borrowers with details of LCs devolved or guarantees invoked during the year.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Invocation Date</th> <th style="width: 15%;">Party Name</th> <th style="width: 15%;">Beneficiary Name</th> <th style="width: 15%;">Amt/Rs</th> <th style="width: 15%;">Recovery Date</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Invocation Date	Party Name	Beneficiary Name	Amt/Rs	Recovery Date					
Invocation Date	Party Name	Beneficiary Name	Amt/Rs	Recovery Date								
(ii)	List of borrowers where the LCs have been devolved or guarantees have been invoked but not paid with amount thereof.	<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 15%;">Invocation Date</th> <th style="width: 15%;">Party Name</th> <th style="width: 15%;">Beneficiary Name</th> <th style="width: 15%;">Amt/Rs</th> <th style="width: 15%;">Reason for non Payment</th> </tr> </thead> <tbody> <tr> <td> </td> <td> </td> <td> </td> <td> </td> <td> </td> </tr> </tbody> </table>	Invocation Date	Party Name	Beneficiary Name	Amt/Rs	Reason for non Payment					
Invocation Date	Party Name	Beneficiary Name	Amt/Rs	Reason for non Payment								
(iii)	List of instances where interchangeability between fund based and non-fund-based facilities was allowed subsequent to devolvement of LC / invocation of BG.	List of cases where interchangeability between funded and non-funded facilities have been sanctioned to be obtained from the branch. To report the cases where owing to interchangeability from Non-funded to Funded Facilities, the A/C of the borrower became regular.										

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

6.	Other Assets	
(a)	Suspense Accounts/Sundry Assets	
(i)	Does the system of the bank ensure expeditious clearance of items debited to Suspense Account? Details of outstanding entries in excess of 90 days may be obtained from the branch and the reasons for delay in adjusting the entries may be ascertained. Does your scrutiny of the accounts under various sub-heads reveal balances, which in your opinion are not recoverable and would require a provision/ write-off? If so, give details.	Ask the branch in writing for providing the age wise details of Suspense A/C. Audit trail may be called for.
(ii)	Does your test check indicate any unusual items in these accounts? If so, report their nature and the amounts involved. Are there any intangible items under this head e.g. losses not provided / pending investigation?	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

II.	LIABILITIES	
(1)	Deposits	
(a)	Does the bank have a system of identification of dormant/ inoperative accounts and internal controls with regard to operations in such accounts? In the cases examined by you, have you come across instances where the guidelines laid down in this regard have not been followed? If yes, give details thereof.	In writing the branch should be asked to furnish the list of dormant inoperative account with the date since the account is inoperative. Also the branch should provide the guidelines, if any, for the inoperative accounts.
(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.	Ask the branch in writing for proving GLB (General Ledger Balance) for the 1 st week of April'24

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

(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.	In cases of renewal of deposits applies to FCNR(B) deposits, to ensure branch has satisfied itself as to the 'non-resident status' of the depositor.
(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?	

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

2.	Other Liabilities - Bills Payable, Sundry Deposits, etc.				
(a)	The number of items and the aggregate amount of old outstanding items pending for one years or more be obtained from the branch and reported under appropriate heads. Give details thereof.	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.				
3.	Contingent Liabilities				
	List of major items of the contingent liabilities (other than constituent's liabilities such as guarantees, letter of credit, acceptances, endorsements, etc.) not acknowledged by the branch?				

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

III.	PROFIT AND LOSS ACCOUNT			
(a)	Has the test checking of interest/discount/commission/ fees etc. revealed excess/short credit of a material amount? If so, give details thereof.	May refer the concurrent audit report for "Revenue leakages" detected by them and ensure whether corrective action has been taken. If not give MOC.		
(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).			
(c)	Has the test check of interest on deposits revealed any excess/short debit of material amount? If so, give details thereof.			

LFAR FOR BRANCH AUDIT (Questionnaire with suggested reply)

III.	PROFIT AND LOSS ACCOUNT	
(d)	Does the bank have a system of estimating and providing interest accrued on overdue/ matured/ unpaid/ unclaimed term deposits including in respect of deceased depositors?	
(e)	<p>Are there any divergent trends in major items of income and expenditure, in comparison with corresponding previous year, which are not satisfactorily explained by the branch. If so, the same may be reported.</p> <p>Are there any other matters, which you, as branch auditor, would like to bring to the notice of the management or the Statutory Central Auditors?</p>	<p>Please mention any important matter on which you like to draw attention of the Statutory Central Auditors.</p> <p>Please don't mention on any aspect, MOC should be passed but as branch auditor, not given relevant MOC.</p>

TIPS FOR REPORTING

- DESCRIPTIVE ANSWERS
- EVIDENCE FOR OBSERVATION
- EVIDENCE FOR SAMPLES TESTED
- REVIEW OF TRIAL BALANCES / GL SUCH AS OFFICE ACCOUNTS
- MASTER DATA VERIFICATION
- MIS REPORTS REVIEW
- ANNEXURE ON LARGE ADVANCES

Questions if any

