

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

Account No.	Account Name	Balance as at year end – Funded	Balance as at year end – Non-funded	Total
Total		A	B	C = A + 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)	<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.	:	
(ii)	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"> • Account No. • Account Name • Balance as at year end 	:	
(iii)	Whether in borrowal accounts the applicable interest rate is correctly fed into the system?	:	
(iv)	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)	<i>Sanctioning / Disbursement</i>		
(i)	In the cases examined by you, have you come across instances of: (a) credit facilities having been sanctioned beyond the delegated authority or limit fixed for the branch? (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)	<i>Documentation</i>		
	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.		
(iii)	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.	:	
(e)	<i>Review/Monitoring/Supervision</i>		
(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.	:	
	a) between 3 to 6 months, and	:	
	b) over 6 months	:	
(ii)	<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>	:	

(iii)	<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"> ➤ cases where stock audit was required but was not conducted ➤ where stock audit was conducted but no action was taken on adverse features 	:	
(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>	:	
(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>(In case, the branch is not the lead bank, copy of certificate/report should be obtained from lead bank for review and record)</p>	:	
(vi)	<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?	
(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.?	:
(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?	:
(ix)	Comment on adverse features considered significant in top 5 standard large advances and which need management's attention.	:
(x)	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)	<i>Asset Classification, Provisioning of Advances and Resolution of Stressed Assets</i>	
(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 & 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>	
(ii)	<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>	:
(iii)	<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>	:
(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</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		
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(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?	:							
(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.	:							
(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.	:							
(x)	Whether in the cases concluded the recoveries have been properly appropriated against the principal / interest as per the policy of the bank?	:							
(xi)	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													
(xii)	List the major deficiencies in credit review, monitoring and supervision.													
(g)	<i>Non-Fund Based facilities</i>													
(i)	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						
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(ii)	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						
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(iii)	List of instances where interchangeability between fund based and non-fund-based facilities was allowed subsequent to devolvement of LC / invocation of BG.													
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.	:	
(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?	:	

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.	:	
(b)	After the balance sheet date and till the date of audit, whether there have been any unusual large movements (whether	:	