

**Appendices of Section B –
Bank Branch Audit of Guidance
Note on Audit of Banks 2020
Edition**

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APPENDIX I

Text of Section 6 of the Banking Regulation Act, 1949

- (1) In addition to the business of banking, banking company may engage in any one or more of the following forms of business, namely:
- (a) the borrowing, raising, or taking up of money; the lending or advancing of money either upon or without security; the drawing, making, accepting, discounting, buying, selling, collecting and dealing in bills of exchange, hundis, promissory notes, coupons, drafts, bills of lading, railway receipts, warrants, debentures, certificates, scripts and other instruments, and securities whether transferable or negotiable or not; the granting and issuing of letters of credit, traveller's cheques and circular notes; the buying, selling and dealing in bullion and specie; the buying and selling, of foreign exchange including foreign bank notes; the acquiring, holding, issuing on commission, underwriting and dealing in stock, funds, shares, debentures, debenture stock, bonds, obligations, securities and investments of all kinds; the purchasing and selling of bonds, scrips or other forms of securities on behalf of constituents or others, the negotiating of loans and advances; the receiving of all kinds of bonds, scrips or valuables on deposit or for safe custody or otherwise; the providing of safe deposit vaults; the collecting and transmitting of money and securities;
 - (b) acting as agents for any Government or local authority or any other person or persons; the carrying on of agency business of any description including the clearing and forwarding of goods, giving of receipts and discharges and otherwise acting as an attorney on behalf of customers, but excluding the business of a [managing agent or secretary and treasurer "managing agent" (w.e.f. 1st October, 1959)] of a company;
 - (c) contracting for public and private loans and negotiating and issuing the same;
 - (d) the effecting, insuring, guaranteeing, underwriting, participating in managing and carrying out of any issue, public or private, of State, municipal or other loans or of shares, stock, debentures, or debenture stock of any company, corporation or association and the lending of money for the purpose of any such issue;
 - (e) carrying on and transacting every kind of guarantee and indemnity business;

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- (f) managing, selling and realizing any property which may come into the possession of the company in satisfaction or part satisfaction of any of its claims;
 - (g) acquiring and holding and generally dealing with any property or any right, title or interest in any such property which may form the security or part of the security for any loans or advances or which may be connected with any such security;
 - (h) undertaking and executing trusts;
 - (i) undertaking the administration of estates as executor, trustee or otherwise;
 - (j) establishing and supporting or aiding in the establishment and support of association, institutions, funds, trusts and conveniences calculated to benefit employees or ex-employees of the company or the dependents or connections of such persons; granting pensions and allowances and making payments towards insurance; subscribing to or guaranteeing moneys for charitable or benevolent objects or for any exhibition or for any public, general or useful object;
 - (k) the acquisition, construction, maintenance and alteration of any building or works necessary or convenient for the purposes of the company;
 - (l) selling, improving, managing, developing, exchanging, leasing, mortgaging, disposing of or turning into account or otherwise dealing with all or any part of the property and rights of the company;
 - (m) acquiring and undertaking the whole or any part of the business of any person or company, when such business is of nature enumerated or described in this sub-section;
 - (n) doing all such other things as are incidental or conducive to the promotion or advancement of the business of the company;
 - (o) any other forms of business which the Central Government may by notification in the Official Gazette, specify as a form of business in which it is lawful for a banking company to engage.
- (2) No banking company shall engage in any form of business other than those referred to in sub-section (1).

APPENDIX II

The Third Schedule to the Banking Regulation Act, 1949

(See Section 29)

FORM 'A'

Form of Balance Sheet

Balance Sheet of _____ (here enter name of the Banking Company)

Balance Sheet as on 31st March – (Year) _____ (000's omitted)

	<i>Schedule</i>	<i>As on 31.3__ (current year)</i>	<i>As on 31.3__ (previous year)</i>
Capital & Liabilities			
Capital	1		
Reserves & Surplus	2		
Deposits	3		
Borrowings	4		
Other liabilities and provisions	5		
Total		_____	_____
Assets			
Cash and Balances with Reserve	6		
Bank of India			
Balances with banks and money at call and short notice	7		
Investments	8		
Advances	9		
Fixed Assets	10		
Other Assets	11		
Total		_____	_____
Contingent Liabilities	12		
Bills for Collection			

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**Schedule I
Capital**

	<i>As on 31.3__ (current year)</i>	<i>As on 31.3__ (previous year)</i>
I. For Nationalised Banks		
Capital (Fully owned by Central Government)		
II. For Banks Incorporated Outside India		
Capital (The amount brought in by banks by way of start-up capital as prescribed by RBI should be shown under this head.)		
Amount of deposit kept with RBI under section 11(2) of the Banking Regulation Act, 1949	_____	_____
Total	_____	_____
III. For Other Banks		
Authorised Capital (..... shares of Rs.... each)		
Issued Capital (..... shares of Rs..... each)		
Subscribed Capital (....shares of Rs..... each)		
Called-up Capital (..... shares of Rs... each)		
Less: Calls unpaid		
Add: Forfeited shares	_____	_____
Total	_____	_____

**Schedule 2
Reserves & Surplus**

	<i>As on 31.3__ (current year)</i>	<i>As on 31.3__ (previous year)</i>
I. Statutory Reserves		
Opening Balances		
Additions during the year		
Deductions during the year		
II. Capital Reserves		
Opening Balances		
Additions during the year		
Deductions during the year		
III. Share Premium		
Opening Balances		
Additions during the year		

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	Deductions during the year	
IV.	Revenue and Other Reserves	
	Opening Balance	
	Additions during the year	
	Deductions during the year	
V.	Balance in Profit and Loss Account	_____
	Total (I, II, III, IV and V)	_____

**Schedule 3
Deposits**

	As on 31.3__ (current year)	As on 31.3__ (previous year)
A. I. Demand Deposits		
(i) From banks		
(ii) From others		
II. Savings Bank Deposits		
III. Term Deposits		
(i) From banks		
(ii) From others		
Total (I, II and III)	_____	_____
B. (i) Deposits of branches in India		
(ii) Deposits of branches outside India		
Total	_____	_____

**Schedule 4
Borrowings**

	As on 31.3__ (current year)	As on 31.3__ (previous year)
I. Borrowings in India		
(i) Reserve Bank of India		
(ii) Other banks		
(iii) Other institutions and agencies		
II. Borrowings outside India		
Total (I & II)	_____	_____
Secured borrowings included in I & II above – Rs.		

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**Schedule 5
Other Liabilities and Provisions**

	As on 31.3__ (current year)	As on 31.3__ (previous year)
I. Bills payable		
II. Inter-office adjustments (net)		
III. Interest accrued		
IV. Others (including provisions)		
Total		

**Schedule 6
Cash and Balances with Reserve Bank of India**

	As on 31.3__ (current year)	As on 31.3__ (previous year)
I. Cash in hand (including foreign currency notes)		
II. Balances with Reserve Bank of India		
(i) in Current Account		
(ii) in Other Accounts		
Total (I & II)		

**Schedule 7
Balances with Banks and Money at Call & Short Notice**

	As on 31.3__ (current year)	As on 31.3__ (previous year)
I. In India		
(i) Balances with banks		
(a) in current accounts		
(b) in other deposit accounts		
(ii) Money at call and short notice		
(a) with banks		
(b) with other institutions		
Total (i & ii)		
II. Outside India		
(i) in current accounts		
(ii) in other deposit accounts		
(iii) Money at call and short notice		

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Total	_____	_____
Grand Total (I & II)	_____	_____

**Schedule 8
Investments**

	<i>As on 31.3__ (current year)</i>	<i>As on 31.3__ (previous year)</i>
I. Investments in India in		
(i) Government securities		
(ii) Other approved securities		
(iii) Shares		
(iv) Debentures and bonds		
(v) Subsidiaries and/or joint ventures		
(vi) Others (to be specified)		
Total	_____	_____
II. Investments Outside India in		
(i) Government securities (including local authorities)		
(ii) Subsidiaries and/or joint ventures abroad		
(iii) Other investments(to be specified)		
Total	_____	_____
Grand Total (I & II)	_____	_____

**Schedule 9
Advances**

	<i>As on 31.3__ (current year)</i>	<i>As on 31.3__ (previous year)</i>
A.		
(i) Bills purchased and discounted		
(ii) Cash credits, overdrafts and loans repayable on demand		
(iii) Term loans		
Total	_____	_____
B.		
(i) Secured by tangible assets		
(ii) Covered by bank/Government guarantees		
(iii) Unsecured		
Total	_____	_____
C. I. Advances in India		
	_____	_____

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	(i)	Priority sectors	_____	_____
	(ii)	Public sector		
	(iii)	Banks		
	(iv)	Others	_____	_____
		Total	_____	_____
II.		<i>Advances outside India</i>		
	(i)	Due from banks		
	(ii)	Due from others		
	(a)	Bills purchased and discounted		
	(b)	Syndicated loans		
	(c)	Others	_____	_____
		Total	_____	_____
		Grand Total (C.I. & C.II)	_____	_____

**Schedule 10
Fixed Assets**

	As on 31.3__ (current year)	As on 31.3__ (previous year)
I. Premises		
At cost as on 31 st March of the preceding year		
Additions during the year		
Deductions during the year		
Depreciation to date		
II. Other Fixed Assets (including furniture and fixtures)		
At cost as on 31 st March of the preceding year		
Additions during the year		
Deductions during the year		
Depreciation to date		
Total (I & II)	_____	_____

**Schedule 11
Other Assets**

	As on 31.3__ (current year)	As on 31.3__ (previous year)
I. Inter-office adjustments (net)		

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II.	Interest accrued		
III.	Tax paid in advance/tax deducted at source		
IV.	Stationery and stamps		
V.	Non-banking assets acquired in satisfaction of claims		
VI.	Others*		
	Total		

* In case there is any unadjusted balance of loss the same may be shown under this item with appropriate footnote.

**Schedule 12
Contingent Liabilities**

	<i>As on 31.3__ (current year)</i>	<i>As on 31.3__ (previous year)</i>
I.	Claims against the bank not acknowledged as debts	
II.	Liability for partly paid investments	
III.	Liability on account of outstanding forward exchange contracts	
IV.	Guarantees given on behalf of constituents	
	(a) In India	
	(b) Outside India	
V.	Acceptances, endorsements and other obligations	
VI.	Other items for which the bank is contingently liable	
	Total	

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Form 'B'
Form of Profit & Loss Account
for the year ended 31st March _____

(000's omitted)

	Schedule	Year ended 31.3__ (current year)	Year ended 31.3__ (previous year)
I. Income			
Interest earned	13		
Other income	14		
Total			
II. Expenditure			
Interest expended	15		
Operating expenses	16		
Provisions and contingencies			
Total			
III. Profit / Loss			
Net profit/loss (–) for the year			
Profit/loss (–) brought forward			
Total			
IV. Appropriations			
Transfer to statutory reserves			
Transfer to other reserves			
Transfer to -			
Government/Proposed dividend			
Balance carried over to balance-sheet			
Total			

Schedule 13
Interest Earned

	Year ended 31.3__ (current year)	Year ended 31.3__ (previous year)
I. Interest/discount on advances/bills		
II. Income on investments		
III. Interest on balances with Reserve Bank of India and other inter-bank funds		

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IV. Others	_____	_____
Total	_____	_____

**Schedule 14
Other Income**

	<i>Year ended</i> 31.3__ <i>(current year)</i>	<i>Year ended</i> 31.3__ <i>(previous year)</i>
I. Commission, exchange and brokerage		
II. Profit on sale of investments Less: Loss on sale of investments		
III. Profit on revaluation of investments Less: Loss on revaluation of investments		
IV. Profit on sale of land, buildings and other assets Less: Loss on sale of land, buildings and other assets		
V. Profit on exchange transactions Less: Loss on exchange transactions		
VI. Income earned by way of dividends etc. from subsidiaries, companies and/or joint ventures abroad/in India		
VII. Miscellaneous income		
Total	_____	_____

Note: Under items II to V, loss figures may be shown in brackets.

**Schedule 15
Interest Expended**

	<i>Year ended</i> 31.3__ <i>(current year)</i>	<i>Year ended</i> 31.3__ <i>(previous year)</i>
I. Interest on deposits		
II. Interest on Reserve Bank of India/inter-bank borrowings		
III. Others		
Total	_____	_____

Schedule 16
Operating Expenses

	<i>Year ended</i> 31.3__ <i>(current year)</i>	<i>Year ended</i> 31.3__ <i>(previous year)</i>
I. Payments to and provisions for employees		
II. Rent, taxes and lighting		
III. Printing and stationery		
IV. Advertisement and publicity		
V. Depreciation on bank's property		
VI. Directors' fees, allowances and expenses		
VII. Auditors' fees and expenses (including branch auditors' fees and expenses)		
VIII. Law charges		
IX. Postage, telegrams, telephones, etc.		
X. Repairs and maintenance		
XI. Insurance		
XII. Other expenditure		
Total	_____	_____
	_____	_____

APPENDIX III

Illustrative Format of Report of the Branch Auditor of a Nationalised Bank

Independent Branch Auditor's Report

To,
The Statutory Central Auditors
_____ Bank

Report on the Audit of the Financial Statements

Opinion

1. We have audited the Financial Statements of _____ Branch of _____ (*name of the Bank*) which comprise the Balance Sheet as at 31st March 20XX, the Statement of Profit and Loss for the year then ended and other explanatory information [*in which are included the Returns for the year ended on that date*].

2. In our opinion, and to the best of our information and according to the explanations given to us, read with the Memorandum of Changes (mentioned in paragraph 7 below), the aforesaid financial statements give the information required by the Banking Regulation Act, 1949, in the manner so required for bank and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs in case of the Balance Sheet of the branch as at March 31, 20XX and true balance of profit/loss for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by ICAI. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the bank in accordance with the code of ethics issued by the Institute of Chartered Accountants of India together with ethical requirements that are relevant to our audit of the financial statements, in [jurisdiction] and we have fulfilled our other ethical responsibilities in accordance with these requirements and the code of ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Management's Responsibilities for the Financial Statements

4. The Bank's management is responsible with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by ICAI, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

5. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

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- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Report that the audit at branch level is not be able to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained at branch, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

6. No adjustments/provisions have been made in the accounts of the Branch in respect of matters usually dealt with at Central Office, including in respect of:
- (a) Bonus, ex-gratia, and other similar expenditure and allowances to branch employees;
 - (b) Terminal permissible benefits to eligible employees on their retirement (including additional retirement benefits), Gratuity, Pension, liability for leave encashment benefits and other benefits covered in terms of 'AS 15 (Revised)–Employee Benefits' issued by the Institute of Chartered Accountants of India;
 - (c) Arrears of salary/wages/allowances, if any, payable to staff;
 - (d) Staff welfare contractual obligations;
 - (e) Old unreconciled/unlinked entries at debit under various heads comprising Inter branch/office Adjustments;
 - (f) Interest on overdue term deposits;
 - (g) Depreciation on fixed assets;

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- (h) Auditors' fees and expenses;
- (i) Taxation (Current Tax and Deferred Tax);
- (j) Any other provision made by Head Office.

7. The following is a summary of Memorandum of Changes submitted by us to the branch management¹.

Memorandum of Changes (summary)			
	No.	Increase	Decrease
a) In respect of Income			
b) In respect of expenditure			
c) In respect of Assets			
d) In respect of Liabilities			
e) In respect of Gross NPAs			
f) In respect of Provision on NPAs ²			
g) In respect of Classification of Advances			
h) In respect of Risk Weighted Assets			
i) Other items (if any)			

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with Section 29 of the Banking Regulation Act, 1949;

9. Subject to the limitations of the audit indicated in paragraphs 4 to 6 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of the audit and have found them to be satisfactory;
- b. The transactions of the branch which have come to our notice have been within the powers of the Bank.

¹Where Applicable.

²Applicable in cases where banks determine provision at Branch level.

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- c. the returns received from the branch have been found adequate for the purposes of our audit
- 10. We further report that:
 - a. in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books;
 - b. the Balance Sheet, and the Profit and Loss Account dealt with by this report are in agreement with the books of account;
 - c. In our opinion, the Balance Sheet, and the Profit and Loss Account comply with the applicable accounting standards, to the extent they are not inconsistent with the accounting policies prescribed by RBI.

For ABC and Co.
Chartered Accountants
Firm Registration No.

Signature
(Name of the Member Signing the Audit Report)
(Designation)³
Membership Number
UDIN

Place of Signature
Date

³Partner or proprietor as the case may be.

APPENDIX IV

Illustrative Format of Report of the Branch Auditor of a Banking Company

Independent Bank Branch Auditor's Report

To,
The Statutory Central Auditors
_____ Bank Limited

Report on the Audit of the Financial Statements

Opinion

1. We have audited the Financial Statements of _____ Branch of _____ (*name of the Bank*) which comprise the Balance Sheet as at 31st March 20XX, the Statement of Profit and Loss, and other explanatory information [*in which are included the Returns for the year ended on that date*].
2. In our opinion, and to the best of our information and according to the explanations given to us, read with the Memorandum of Changes (mentioned in paragraph 7 below), the aforesaid financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013, in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India of the state of affairs in case of the Balance Sheet of the branch as at March 31, 20XX and its profit/loss for the year ended on that date.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Companies Act, 2013 and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

4. Management of the Branch is responsible for the matters stated in section 134(5) of the Companies Act, 2013 ('the Act') with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Branch in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Branch and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Auditor's Responsibilities for the audit of the Financial Statements

5. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

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resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Report that the audit at branch level is not be able to conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained at branch, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Other Matter

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

- (a) Bonus, ex-gratia, and other similar expenditure and allowances to branch employees;
- (b) Terminal permissible benefits to eligible employees on their retirement (including additional retirement benefits), Gratuity, Pension, liability for leave encashment benefits and other benefits covered in terms of 'AS 15 (Revised)–Employee Benefits' issued by the Institute of Chartered Accountants of India;
- (c) Arrears of salary/wages/allowances, if any, payable to staff;
- (d) Staff welfare contractual obligations;

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- (e) Old unreconciled/unlinked entries at debit under various heads comprising Inter branch/office Adjustments;
- (f) Interest on overdue term deposits;
- (g) Depreciation on fixed assets;
- (h) Auditors' fees and expenses;
- (i) Taxation (Current Tax and Deferred Tax);
- (j) Any other provision made by Head Office.

7. The following is a summary of Memorandum of Changes submitted by us to the branch management⁴.

Memorandum of Changes (summary)			
	No.	Increase	Decrease
a) In respect of Income			
b) In respect of expenditure			
c) In respect of Assets			
d) In respect of Liabilities			
e) In respect of Gross NPAs			
f) In respect of Provision on NPAs ⁵			
g) In respect of Classification of Advances			
h) In respect of Risk Weighted Assets			
i) Other items (if any)			

Report on Other Legal and Regulatory Requirements

8. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provision of Section 29 of the Banking Regulation Act, 1949 read with Section 133 of the Act read with Rule 7 of the Companies (Accounts) Rules, 2014.

9. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

- a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit and have found them to be satisfactory.

⁴Where Applicable.

⁵Applicable in cases where banks determine provision at Branch level.

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- b. The transactions of the branch which have come to my/our notice have been within the powers of the Bank.
- c. The returns received from the branch have been found adequate for the purposes of our audit.
- 10. Further, as required by section 143(3) of the Act, we report that:
 - a. we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion, proper books of account as required by law have been kept by the branch so far as appears from our examination of those books;
 - c. the Balance Sheet, and the Statement of Profit and Loss, dealt with by this report are in agreement with the books of account;
 - d. in our opinion, the aforesaid financial statements comply with the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
 - e. with respect to the adequacy of the internal financial controls over financial reporting of the Branch and the operating effectiveness of such controls, refer to our separate Report in "Annexure A";
 - f. with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - a) the Branch has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule XX / Note XX to the financial statements; *(or the Branch does not have any pending litigations which would impact its financial position⁶)*
 - (b) the Branch has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts -Refer Schedule XX / Note XX to the financial statements; *(or the Branch did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses⁷)* and
 - (c) there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Branch *(or, following are the instances of delay in transferring*

⁶As may be applicable.

⁷As may be applicable.

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amounts, required to be transferred, to the Investor Education and Protection Fund by the Branch or there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Branch⁷).

For ABC and Co.
Chartered Accountants
Firm Registration No. _____

Signature
(Name of the Member Signing the Audit Report)
(Designation)⁸
Membership Number
UDIN

Place of Signature
Date

⁸ Partner or proprietor as the case may be.

Annexure A to the independent auditor's report of even date on the financial statements of _____ Branch of _____ Bank Limited [Referred to in Paragraph 10(e)]

Report on the Internal Financial Controls over Financial Reporting under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

1. We have audited the internal financial controls over financial reporting of _____ Branch of _____ Bank Limited ('the Branch') as at 31 March 20XX in conjunction with our audit of the financial statements of the Branch for the year ended on that date.

Management's Responsibility for Internal Financial Controls over Financial Reporting

2. The Management of the Branch is responsible for establishing and maintaining internal financial controls based on _____ [for example, "the internal control over financial reporting criteria established by the Branch considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI').] These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Branch's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

Auditor's Responsibility

3. Our responsibility is to express an opinion on the Branch's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls over financial reporting, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial

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reporting was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness. Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Branch's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

6. A branch's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A branch's internal financial control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the branch; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the branch are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the branch's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

7. Because of the inherent limitations of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the

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risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Branch has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at 31 March 201X, based on _____ [for example, “the internal control over financial reporting criteria established by the Branch considering the essential components of internal control stated in the Guidance Note issued by the ICAI”].

For ABC and Co.
Chartered Accountants
(Firm’s Registration No.)

Signature
(Name of the Member Signing the Audit Report)
(Designation)⁹
Membership Number
UDIN

Place of Signature

Date of Report

⁹Partner or proprietor, as the case may be.

APPENDIX V

Illustrative Format of Engagement Letter to be sent to the Appointing Authority of the Nationalised Bank by Branch Auditor

{The following letter is for use as a guide and will need to be varied according to individual requirements and circumstances relevant to the engagement.}

The Board of Directors

(or the appropriate representative of senior management).

[Date]

Subject: Engagement Letter

Dear Sirs,

I/We refer to the letter No. datedreceived from(Name of the relevant authority) informing me/us about my/our appointment to carry out the statutory audit of the (name of the branch) branches of your Bank for the financial year beginning April 1, 20XX and ending 31st March 20YY, including Tax Audit, issuance of the Long Form Audit Report and, as a part of the audit, verification and/ or certification of certain specific aspects pertaining to these branches, as listed in your aforementioned letter.

1. Scope and Objective

We are pleased to confirm our acceptance for the aforementioned assignment through the Letter of Acceptance attached herewith and the following sets out the area of responsibility of the Branch Management and myself/ourselves subject to the following:

- i) Our audit of the financial statements of these branches will be conducted with the objective of our expressing an opinion on the financial statements of these branches. These financial statements include the Balance Sheet (Form A), wherein we express our opinion on the true and fair view of the state of affairs and the Profit and Loss Account (Form B), wherein we express our opinion on the true balance of the profit/ loss for the year ended on 31st March 20XX.
- ii) We will conduct our audit in accordance with the Standards on Auditing (SAs) and any other applicable pronouncements issued by Institute of

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Chartered Accountants of India (ICAI), as well as the requirements of the Banking Regulation Act, 1949, and the guidelines/ directions issued by the Reserve Bank of India under the said statutes, from time to time. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements.

- iii) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- iv) Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with SAs.
- v) In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.
- vi) We invite your attention to the fact that, in terms of RBI Circular No. DBS.FGV.(F).No. BC/ 23.08.001/2001-02 dated May 3, 2002 relating to implementation of recommendations of the Committee on Legal Aspects of Bank Frauds (Mitra Committee) and the recommendations of the High Level Group set-up by the Central Vigilance Commission applicable to all scheduled commercial banks (excluding RRBs) we are required to report to the RBI anything susceptible to fraud or fraudulent activity or any act of excess power or any foul play in any transaction.

2. Management's Responsibility

Our assignment will be conducted on the basis that the branch management and, where appropriate, those charged with governance of the bank acknowledge and understand that they have responsibility:

- (a) For the preparation of financial statements that give a true and fair view in

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accordance with the applicable Financial Reporting Framework. This includes:

- the responsibility for the preparation of financial statements on a going concern basis;
 - the responsibility for selection and consistent application of appropriate accounting policies, including implementation of applicable Accounting Standards, along with proper explanation relating to any material departures from those Accounting Standards;
 - the responsibility for making judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the branch at the end of the financial year and true balance of the profit or loss of the branch for that period.
- (b) for such internal controls, as the branch management determines, are necessary to enable the preparation of financial statements, that are free from material misstatement, whether due to fraud or error. The responsibility for internal controls also implicitly enshrines the responsibility for compliance with the relevant directions/ circulars of the Reserve Bank of India, including for those aspects which have been specifically listed for verification/ certification by us in your aforementioned letter; and
- (c) to provide us with:
- (i) access to all information, including the books, account, vouchers, internal policies and circulars, and other records and documentation, of the branch, whether kept at the branch office or elsewhere, of which the branch management is aware, that is relevant to the preparation of the financial statements such as records, documentation and other matters;
 - (ii) additional information that we may request from the branch management for the purpose of the audit, including any internal audit, concurrent audit, revenue audit, stock audit, Reserve Bank of India's Inspection report; and their latest updated compliance position.
 - (iii) unrestricted access to persons within the entity, from whom we determine it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the branch such information and explanations, as we may think necessary for the performance of our duties as auditor.

3. Other Matters

As part of our assignment, we will request from the branch management, written confirmation concerning representations made to us in connection with the audit,

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in accordance with Standard on Auditing 580 – “Written Representations”, issued by the ICAI including confirmations in respect of the balances held by the Branch with other banks, and such other items on the financial statements of the Branch, as may be considered necessary by us for the purpose of our assignment.

It may also be noted that non-submission of the written confirmation to the representations asked for or non-provision of any information/ confirmation, requested by us from the branch management, may result in limitation on the scope of our assignment and possibly invite necessary qualification in our auditors report

In terms of Standard on Auditing 720(Revised) – “The Auditor’s Responsibilities Relating to Other Information” issued by the ICAI, we request you to provide to us a Draft of the Annual Report containing the audited financial statements so as to enable us to read the same and communicate material inconsistencies, if any, with the audited financial statements, before issuing the auditor’s report on the financial statements.

We also wish to invite your attention to the fact that, our audit process is subject to ‘peer review’/ ‘quality review’ under the Chartered Accountants Act, 1949, to be conducted by an independent reviewer. The reviewer may inspect, examine or take abstracts of our working papers, in the course of the peer review / quality review.

We look forward to full cooperation from your staff during our audit.

Our fees for the said audits (excluding fees for Tax Audit and the travelling expenses will be as specified by the Reserve Bank of India/ State Bank of India¹⁰.

Our fees for audit of Non Business Offices/ CMS Branches, as well as the tax audit fees of the branches, would be as specified in your aforementioned letter.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our aforementioned assignment/s including our respective responsibilities. (Kindly also mark a copy of such acknowledgement to the concerned official/s of the respective branch managements.)

XYZ & Co.
Chartered Accountants
.....
(Signature)
(Name of the Member)
Designation¹¹

Date:

¹⁰As may be appropriate.

¹¹Partner or proprietor, as the case may be.

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Place:

Acknowledged on behalf of Branch ofBank
.....

(Signature)

Name and Designation

Date

Attached: Letter of Acceptance duly signed by us.

APPENDIX VI

Illustrative Format of Written Representation Letter¹² to be obtained from the Branch Management

M/s XYZ & Co.,
Chartered Accountants,
Place

Dear Sir(s),

Sub.: Audit for the year ended March 31, 20XX

This representation letter is provided in connection with your audit of the financial statements of _____ branch of _____ bank, for the year ended March 31, 20XX, for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the state of affairs of _____ branch of _____ bank as of March 31, 20XX, and of the results of operations for the year then ended. We acknowledge our responsibility for preparation of financial statements, in accordance with the financial reporting framework applicable to the Bank, including the regulatory requirements of the Reserve Bank of India.

We confirm, to the best of our knowledge and belief, the following representations:

1. Accounting Policies

The accounting policies, as approved by the board of directors of the Bank, have been duly followed. There are no changes in the accounting policies followed by the branch during the current year.

2. Assets

- 2.1 All the assets owned by the bank and transferred to the branch and such other asset/s, as has/ have been acquired by the branch, has/have been duly accounted for, and none of the assets is encumbered.
- 2.2 Fixed assets held by branches have been properly accounted from the date the asset is purchased and put to use and have been physically verified at the year end. No discrepancies have been noticed on such verification. Depreciation on these assets has been adequately provided as per the policy of the bank.

¹² Kindly also refer Standard on Auditing (SA) 580, "Written Representations".

- 2.3 In respect of assets other than fixed assets, the same have not been impaired and do not have a value lower than realizable value.
- 2.4 The branch is operating from a leased premise and there is no dispute with respect to the tenancy and lease charges.
- 2.5 The Branch has not got any notice from the landlord for evacuation or redevelopment of the premises which may possibly necessitate shifting the branch premises in the near future.

3. Capital Commitments

At the balance sheet date, outstanding commitments for capital expenditure have been duly depicted in the financial statements.

4. Cash and Bank Balances

The cash balance as on March 31, 20XX is Rs. _____, and has been verified by us. Internal guidelines on periodic cash verification have been duly followed.

Fake notes received by the Bank have been duly impounded and relevant guidelines of RBI thereon have been complied.

Effective Dual custody of Cash has been maintained at all times during the financial year.

5. Liabilities

The branch has recorded all known and anticipated liabilities in the financial statements. Liabilities on account of GST have been correctly recorded.

6. Contingent Liabilities

- 6.1 The branch has fully disclosed in the notes to the financial statements;
 - (a) guarantees that we have given to third parties;
 - (b) Letters of Credits (Local/ Import);
 - (c) Letters of Comfort (Local/ Import);
 - (d) Deferred Payment Credits/ Guarantees (Local/ Import); and
 - (e) Other contingent liabilities.
- 6.2 Other than for advances, there are no matters involving the branch in any claims in litigation, arbitration or other disputes, in which there may be some financial implications, including for staff claims, branch rentals, municipal taxes, local levies, etc., except for those which have been appropriately included under contingent liabilities.
- 6.3 None of the contingent liabilities disclosed and other than provided for are likely to result in a further loss, requiring adjustment of assets or liabilities or provisions in the books of accounts.

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6.4 Frivolous claims from Customers / third parties have not been included in Contingent liabilities.

Provisions for Claims and Losses

7. Provision has been made in the accounts for all known losses and claims of material amounts.

8. There have been no events subsequent to the balance sheet date, that require adjustment of, or disclosure in, the financial statements or notes thereto.

9. We have made available to you all the following latest reports on the accounts of our branch, and updated compliance by the branch on the observations contained therein:

- a) Previous year's branch audit report and LFAR;
- b) Internal inspection reports;
- c) Report on any other Inspection Audit that has been conducted in the course of the year, relevant to the financial year 2017-18.

Apart from the above, the branch has not received any show cause notice, inspection advice, etc., from the Government of India, Reserve Bank of India or any other monitoring or regulatory authority of India that could have a material effect on the financial statements of the branch during the year.

10. Balancing of Books

The books of the accounts are computerised and hence the subsidiary records are automatically balanced with the relevant control records. In the case of manual sub-ledgers maintained, we confirm that they duly match with the general ledger balances.

11. Overdue/Matured Term Deposits

All overdue/ matured term deposits are held as matured term deposits.

12. Advances

In respect of the Advances and income thereon, the income recognition and asset classification norms prescribed by the Reserve Bank of India have been complied with.

13. Outstanding in Suspense/ Sundry Account

The year-wise/ entry-wise break up of amounts outstanding in Sundry deposits/ Sundry assets, as on March 31, 2017 has already been submitted to you along with explanation of the nature of the amounts in brief, and supporting evidences relating to the existence of such amounts in the aforesaid accounts.

14. Interest Provisions

Interest provision has been made on deposits, etc., in accordance with the extant instructions of the Head Office.

The interest provision for Head Office Interest shall be made at the Head Office.

15. Long Form Audit Report–Branch Response to the Questionnaire

In connection with the Long Form Audit Report, complete information (including all updated Internal Circulars issued till date, Receipt & disposal of Complaints & grievances) as regards each item in the questionnaire, has been made available to you in order to enable you to verify the same for the purpose of your audit.

16. Other Certification

Duly authenticated, information along with necessary source documents as regards other matters which, as per the bank's letter of appointment, require certification, has been made available to you.

17. On Demonetization is deleted as not applicable this year.

18. Information Provided

- We have provided you with:
 - Access to all information of which we are aware that is relevant to the preparation of the financial statements such as records, documentation, updated internal policies and circulars and other matters;
 - Additional information that you have requested from us for the purpose of the audit; and
 - Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
- All transactions have been recorded in the accounting records and are reflected in the financial statements.
- We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
- We have disclosed to you all information in relation to fraud or suspected fraud that we are aware of and that affects the entity and involves:
 - Management;
 - Employees who have significant roles in internal control; or
 - Others where the fraud could have a material effect on the financial statements.

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- We have disclosed to you all information in relation to allegations of fraud, or suspected fraud, affecting the entity's financial statements communicated by employees, former employees, analysts, regulators or others.
- We have disclosed to you all known instances of non-compliance or suspected non-compliance with laws and regulations whose effects should be considered when preparing financial statements.
- We have disclosed to you the identity of the entity's related parties and all the related party relationships and transactions of which we are aware.
- Any other matters that the auditor may consider necessary.

19. General

There is no enquiry going on or concluded during the year by the Central Bureau of Investigation (CBI), or any other vigilance or investigating agency, on the branch or on its employees and no cases of frauds or of misappropriation of assets of the branch have come to the notice of the Management during the year, other than for amounts for which provisions have already been made in the books of accounts.

20. The provision for non-performing assets, depreciation, provision for income tax, provision for bonus, gratuity, etc., is made at the Head Office. Therefore, the same has not been provided in the branch accounts. The branch has correctly deducted Tax at source and paid the same on time to the relevant authorities.

21. FIMMDA guidelines have been followed, wherever applicable.

22. The branch has complied with all aspects of contractual agreements, that could have a material effect on the financial statements in the event of non-compliance. There has not been non-compliance with requirements of regulating authorities, that could have a material effect on the financial statements in the event of non-compliance.

23. The other particulars required, have already been given to you, and particulars and other representations made to you from time to time are true and correct in all respects.

Thanking you,

Yours faithfully

For & on behalf of _____ branch of _____ bank

Authorised Signatory

APPENDIX VII

Features of the Gold Monetization Scheme

The Broad features of the Gold Monetization Scheme are summarised below:

Acceptance of Deposits and Interest accretion	<ol style="list-style-type: none">1. Deposits under the scheme are to be made at the<ol style="list-style-type: none">a. Collection and Purity Testing Centre (CPTC) -the collection and assaying centres certified by the Bureau of Indian Standards (BIS) and notified by the Central Government for the purpose of handling gold deposited and redeemed under the Scheme, orb. designated bank branches, where, at their discretion, banks may accept the deposit of gold.2. Minimum Deposits -With no maximum limit for deposit, the minimum deposit at any one time shall be raw gold (bars, coins, jewellery, excluding stones and other metals) equivalent to 30 grams of gold (of 995 fineness only).3. Assaying of Gold - All gold deposited under the scheme, whether tendered at the CPTC or designated bank branches, shall, (except standard good delivery gold accepted at the designated branches), be assayed at CPTC for fire assaying.4. Interest on such deposits accrues from the date of conversion of gold deposited into tradable gold bars after refinement or 30 days after the receipt of gold at the CPTC or the bank's designated branch, as the case may be, whichever is earlier.5. Gold deposited to be treated as an item in safe custody - Between the date of acceptance of the gold and till commencement of the date of accretion of interest, the gold deposited shall be treated as an item in safe custody held by the designated bank.
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<p>Valuation</p>	<p>On the day the gold deposited starts accruing interest, the designated banks shall translate the gold liabilities and assets in Indian Rupees*. The prevalent custom duty for import of gold will be added to the above value to arrive at the final value of gold. This methodology will also be followed for valuation of gold at any subsequent valuation date(s) and for the conversion of gold into Indian Rupees under the Scheme.</p> <p><i>(*by crossing the London AM fixing for Gold / USD rate with the Rupee-US Dollar reference rate announced by RBI on that day)</i></p>
<p>Reporting to RBI</p>	<p>The designated banks will be required to submit a monthly report on GMS to the RBI in the prescribed format.</p> <p>However, as per RBI Circular No. DGBA GAD No 2294/15.04.001/2016-17 dated March 6, 2017, in order to have uniformity in reporting, reconciliation and accounting, agency banks may report the Gold Monetisation Scheme transactions i.e., receipt, payment, penalty, interest, commission for mobilisation, handing charges, etc., directly through the government account maintained for the purpose at Central Accounts Section, Reserve Bank of India, Nagpur, on a daily basis.</p>
<p>Opening of Gold Deposit Account</p> <p><i>(opened with a designated bank under the Scheme and denominated in grams of gold)</i></p>	<p>Customer identification criteria as applicable to any other deposit accounts (<i>KYC norms</i>), shall apply and non-customers can open a gold deposit account with zero balance at any time prior to tendering gold at the CPTC.</p> <p>The designated banks will credit/record the STBD or MLTGD, as the case may be (with the amount of 995 fineness gold as indicated in the advice received from CPTC), after 30 days of receipt of gold at the CPTC, regardless of whether the depositor submits the receipt for issuance of the deposit certificate or not.</p> <p><u>Tendering of gold to CPTC</u></p> <p>Before tendering the raw gold to a CPTC, the depositor shall indicate the name of the designated bank with</p>

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	<p>whom he would like to place the deposit.</p> <p>After assaying the gold, the CPTC will issue a receipt signed by authorised signatories of the centre showing the standard gold of 995 fineness on behalf of the designated bank indicated by the depositor. Simultaneously, the CPTC will also send an advice to the designated bank regarding the acceptance of deposit.</p> <p><u>Fee to CPTC</u></p> <p>If in agreement with result of the fire assay test, the customer will exercise his option to deposit the gold with the bank and the fee charged by the CPTC will be borne by the bank. In case of any disagreement with the fire assay result, the customer will have the option to take back the melted gold after paying a nominal fee to the centre.</p> <p><u>Documentation</u></p> <p>Standard documentation (designed by IBA including application form for tendering raw gold to the assaying centers, the description of the physical appearance/ characteristics of gold, recording of the results of XRF by the assaying centre, customer's consent for melting the gold for fire-assaying and for making the final deposit, the final receipt to be issued to the depositor), are to be made known and available to the CPTCs and to the depositor upfront and should include all the terms and conditions of the Scheme including the schedule of charges.</p> <p>-----</p> <p><i>(The 995 fineness equivalent amount of gold as determined by the CPTC will be final and any difference in quantity or quality found after issuance of the receipt by the CPTC including at the level of the refinery due to refinement or any other reason shall be settled among the three parties viz., the CPTC, the refiner and the designated bank in accordance with the terms of the tripartite agreement to be entered into.)</i></p>
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<p>Types of deposits</p>	<p>1.Short Term Bank Deposit. (STBD) 2.Medium and Long Term Government Deposit. (MLTGD)</p>
<p>Short Term Bank Deposit (STBD)</p>	<p>Duration - for a short term period of 1-3 years (<i>with a roll over in multiples of one year</i>), to be treated by banks as their on-balance sheet liability; the duration being subject to such minimum lock-in period and penalties, if any, as may be determined by the banks as per their laid down policy.</p> <p>Interest-banks are free to fix the interest rates; and the interest shall be credited in the deposit accounts on the respective due dates and will be withdrawable periodically or at maturity as per the terms of the deposit.</p> <p>Redemption of principal and interest at maturity will, at the option of the depositor be either in Indian Rupee equivalent of the deposited gold and accrued interest based on the price of gold prevailing at the time of redemption, or in gold. The option in this regard shall be made in writing by the depositor at the time of making the deposit and shall be irrevocable:</p> <p>Premature redemption, if any, shall be in Indian Rupee equivalent or gold at the discretion of the designated bank.</p> <p><i>Imports permitted by designated banks for redemption</i></p> <p>The designated banks other than the nominated banks shall be eligible to import gold only for redemption of the gold deposits mobilised under the STBD.</p> <p><i>(Nominated bank – A Scheduled Commercial Bank authorized by RBI to import gold in terms of RBI circular A.P.(DIR Series) Circular No.79 dated February 18, 2015)</i></p> <p>CRR and SLR</p> <p>CRR and SLR requirements apply (as per instructions of RBI) from the date of credit of the amount to the deposit</p>

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	<p>account. However, the stock of gold held by banks in their books will be an eligible asset for meeting the SLR requirement in terms of RBI Master Circular - Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) dated 1 July 2015.</p> <p><u>End use</u></p> <p>In respect of gold mobilised under the STBD, the designated banks may:</p> <ul style="list-style-type: none"> ○ sell the gold to MMTC for minting India Gold Coins (IGC), to jewellers and to other designated banks participating in GMS; or ○ lend the gold under the GML scheme to MMTC for minting India Gold Coins (IGC) and to jewellers.
<p>Medium and Long Term Government Deposit (MLTGD)</p>	<p>Deposits shall be accepted by the designated banks on behalf of the Central Government <i>and shall constitute the liability of Central Government; and the receipts issued by the Collection and Purity Testing Centre (CPTC) -the collection and assaying centres certified by the Bureau of Indian Standards (BIS) and notified by the Central Government for the purpose of handling gold deposited and redeemed under the Scheme, and the deposit certificate issued by the designated banks shall clearly state this.</i></p> <p><i>Accordingly,</i> such deposits shall not be reflected in the balance sheet of the designated banks. Reserve Bank of India will maintain the Gold Deposit Accounts denominated in gold in the name of the designated banks that will in turn hold sub-accounts of individual depositors.</p> <p>Control over the gold deposited - The designated banks will hold the gold deposited on behalf of Central Government until it is transferred to such person as may be determined by the Central Government.</p> <p>The gold received under MLTGD will be auctioned by the agencies notified by Government and the sale proceeds will be credited to Government's account held with RBI.</p> <p>The details of auctioning and the accounting procedure</p>

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	<p>will be notified by Government of India.</p> <p>Duration - the deposit can be made for a medium term period of 5-7 years or a long term period of 12-15 years or for such period as may be decided from time to time by the Central Government. (<i>The designated banks may allow whole or part premature withdrawal of the deposit subject to such minimum lock-in period and penalties, if any, as determined by the Central Government.</i>)</p> <p>Redemption of the deposit including interest accrued - Redemption will be only in Indian Rupee equivalent of the value of the gold and accumulated interest as per the price of gold prevailing at the time of redemption.</p> <p>However, as per RBI Circular No. DGBA.GBD.No.1007/15.04.001/2017-18 dated October 17, 2017.</p> <ul style="list-style-type: none">- Reimbursement of payments made by banks, relating to Medium and Long Term Government Deposit (MLTGD), will be made by Central Account Section (CAS), Nagpur, RBI.- Accordingly, banks are advised to pay immediately the interest amount already due to the depositors and to take note that, in future, payment of interest to the depositors is to be made on the due dates. After making payments, the banks may raise claim to Government through RBI (CAS, Nagpur). <p><u>End Use:</u></p> <p>Gold accepted under MLTGD will be auctioned by MMTC or any other agency authorized by the Central Government and the sale proceeds credited to the Central Government's account with RBI.</p> <p>The entities participating in the auction may include RBI, MMTC, banks and any other entities notified by the Central Government in this regard.</p> <p>Gold purchased by designated bank under the auction may be utilized by them and they may :</p> <ul style="list-style-type: none">o sell the gold to MMTC for minting India Gold Coins (IGC), to jewellers and to other designated banks
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	<p>participating in GMS; or</p> <ul style="list-style-type: none"> ○ lend the gold under the Gold Metal Loan (GML) Scheme to MMTC for minting India Gold Coins (IGC) and to jewellers.
Tripartite agreement between the designated banks, refiners and CPTCs	<p>The designated bank shall enter into a legally binding tripartite agreement with the refiners and CPTCs with whom they tie up under the Scheme; the refiners being refineries accredited by the National Accreditation Board for Testing and Calibration Laboratories(NABL) and notified by the Central Government for the purpose of handling gold deposited and redeemed under GMS.</p> <p>The agreement shall cover nature of services to be provided, standards of service, arrangements regarding movement of gold, payment of fees and rights and obligations of the parties.</p>
Transfer of gold to the Refiners	<p>The CPTCs will transfer the gold to the refiners as per the terms and conditions set out in the tripartite agreement.</p> <p>The refined gold may, at the option of the designated bank, be kept in the vaults maintained by the refiners or at the branch itself.</p> <p>For the services provided by the refiners, the designated banks will pay a fee as decided mutually.</p> <p>The refiners shall not collect any charge from the depositor.</p>
Oversight over the CPTCs and Refineries	<ol style="list-style-type: none"> 1. The Central Government: <ul style="list-style-type: none"> ● in consultation with BIS, NABL, RBI and IBA, may put in place appropriate supervisory mechanism over the CPTCs and the refiners so as to ensure observance of the standards set out for these centres by Government (BIS and NABL). ● may take appropriate action including levy of penalties against the non-compliant CPTCs and refiners. ● may put in place appropriate grievance redress mechanism regarding any depositor's complaints against the CPTCs. 2. Complaints against the designated banks regarding any discrepancy in issuance of receipts and deposit

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	<p>certificates, redemption of deposits, payment of interest will be handled first by the bank's grievance redress process and then by the Banking Ombudsman of RBI.</p>
Risk management	<p>The designated banks should put in place suitable risk management mechanisms including appropriate limits to manage the risk arising from gold price movements in respect of their net exposure to gold.</p> <p>The designated banks are allowed to access the International Exchanges, London Bullion Market Association or make use of Over-the-counter contracts to hedge exposures to bullion prices subject to the guidelines issued by RBI.</p>

APPENDIX VIII

Suggested Abbreviations used in the Banking Industry

Abbreviations have often been found to be used by the banking industry and in the Circulars/ guidelines/directions of the Reserve Bank of India. It is appropriate to understand what these abbreviations are:

<u>Abbreviation</u>	<u>Expanded form</u>
AACS	As Applicable to Co-operative Societies
ACF	Auto-Correlation Function
AD	Authorised Dealer
ADB	Asian Development Bank
ADR	American Depository Receipt
AE	Aggregate exposure
AFS	Annual Financial Statement
AFS	Available For Sale
AGM	Annual General Meeting
AICCCA	Association of Independent Consumer Credit Counseling Agencies
AIFI	All-India Financial Institution
AIRCSC	All India Rural Credit Survey Committee
ALM	Asset-Liability Management
AMC	Asset Management Company
AML	Anti-Money Laundering
AO	Additive Outliers
AR	Auto Regression
ARC	Asset Reconstruction Company
ARCIL	Asset Reconstruction Company (India) Ltd.
ARIMA	Auto-Regressive Integrated Moving Average
ASSOCHAM	Associated Chambers of Commerce and Industry of India
ATM	Asynchronous Transfer Mode
ATM	Automated Teller Machine
BCBS	Basel Committee on Banking Supervision
BCP	Business Continuity Planning Process

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BCSBI	Banking Codes and Standards Board of India
BFS	Board for Financial Supervision
BG	Bank Guarantees
BIFR	Board for Industrial and Financial Reconstruction
BIS	Bank for International Settlements
BIS	Bureau of Indian Standards
B/L	Bill of Lading
BoE	Bill of Exchange
BoP	Balance of Payments
BOS	Banking Ombudsman Scheme
BOT	Build-Operate-Transfer
BPLR	Benchmark Prime Lending Rate
BPM5	Balance of Payments Manual, 5th edition
BPSD	Balance of Payments Division, DESACS, RBI
BPSS	Board for Payment and Settlement Systems
BR Act	Banking Regulation Act
BSC	Balanced Scorecard
BSCS	Basel Committee on Banking Supervision
BSE	Bombay Stock Exchange Ltd.
BSR	Basic Statistical Return
CAD	Capital Account Deficit
CAG	Controller and Auditor General of India
CALCS	Capital Adequacy, Asset Quality, Liquidity, Compliance and System
CAMELS	Capital Adequacy, Asset Quality, Management, Earnings, Liquidity, Systems and control
CAP	Corrective Action Plan
CBLO	Collateralised Borrowing and Lending Obligation
CBS	Core Banking Solutions
CBS	Consolidated Banking Statistics
CC	Cash Credit
CCCS	Consumer Credit Counselling Service
CCDM	Credit Counselling and Debt Management
CCIL	Clearing Corporation of India Ltd.
CCP	Central Counter Party

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CD Ratio	Credit Deposit Ratio
CD	Certificate of Deposit
CDBMS	Central Data-base Management System
CDBS	Committee of Direction on Banking Statistics
CDF	Co-operative Development Fund
CDR	Corporate Debt Restructuring
CDRM	Corporate Debt Restructuring Mechanism
CEO	Chief Executive Officer
CF	Company Finance
CFMS	Centralised Funds Management System
CFRA	Combined Finance and Revenue Accounts
CFS	Consolidated Financial Statements
CFT	Combating Financing of Terrorism
CGFT	Credit Guarantee Fund Trust
CGRA	Currency and Gold Revaluation Account
CGTSI	Credit Guarantee Trust for Small Industries
CRGFTLIH	Credit Risk Guarantee Fund Trust for Low Income Housing
CGTMSE	Credit Guarantee Fund Trust For Micro And Small Enterprises
CIBIL	Credit Information Bureau of India Limited
CII	Confederation of Indian Industries
CIN	Corporate Identity Number
CLCC	Central Labour Co-ordination Committee
CLF	Collateralised Lending Facility
CME	Capital Market Exposure
CMP	Conflict Management Policy
CO	Capital Outlay
COBIT	Control Objectives for Information and related Technology
CP	Commercial Paper
CPC	Cheque Processing Centre
CPI	Consumer Price Index
CPI-IW	Consumer Price Index for Industrial Workers
CPOS	Central Point of Supervision
CPPAPS	Committee on Procedures and Performance Audit on Public Services

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CPSS	Committee on Payment and Settlement System
CPTC	Collection and Purity Testing Centre
CR	Capital Receipts
CRAR	Capital to Risk-Weighted Asset Ratio
CRCS	Central Registrar of Co-operative Societies
CRE	Commercial Real Estate
CRE – RH	Commercial Real Estate – Residential Housing Sector
CRILC	Central Repository of Information on Large Credits
CRR	Cash Reserve Ratio
CSA	Co-operative Societies Act
CSD	Customer Service Department
CSGL	Constituent Subsidiary General Ledger
CSIR	Council of Scientific and Industrial Research
CSO	Central Statistical Organisation
CTR	Cash Transaction Report
CTS	Cheque Truncation System
CVC	Central Vigilance Commission
D&B	Dun & Bradstreet Information Services India (P) Ltd.
DAPs	Development Action Plans
DBOD	Department of Banking Operations and Development
DBS	Department of Banking Supervision
DCA	Debtor creditor agreement
DCB	Demand Collection and Balance
DCCB	District Central Co-operative Banks
DCCO	Date of Commencement of Commercial Operations
DCM	Department of Currency Management, RBI
DCRR	Department for Co-operative Revival and Reforms
DD	Demand Draft
DDS	Data Dissemination Standards
DEIO	Department of External Investments and Operations
DESACS	Department of Statistical Analysis & Computer Services, RBI
DFI	Development Finance Institution
DGBA	Department of Government and Bank Accounts, RBI
DGCI&S	Directorate General of Commercial Intelligence and

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	Statistics
DI	Direct Investment
DICGC	Deposit Insurance and Credit Guarantee Corporation of India
DID	Discharge of Internal Debt
DLIC	District Level Implementation and Monitoring Committee
DMA	Direct Marketing Agent
DNSS	Deferred Net Settlement System
DP	Drawing Power
DPN	Demand Promissory Note
DPSS	Department of Payment and Settlement Systems
DRI	Differential Rate of Interest
DRT	Debt Recovery Tribunal
DSA	Direct Sales Agent
DSBB	Dissemination Standards Bulletin Board
DSCR	Debt Service Coverage Ratio
DTL	Demand and Time Liability
DvP	Delivery <i>versus</i> Payment
EBR	Export Bills Rediscounted
ECB	External Commercial Borrowing
ECB	European Central Bank
ECGC	Export Credit and Guarantee Corporation
ECS	Electronic Clearing Service
EDI	Electronic Data Interchange
EDMU	External Debt Management Unit
EEA	Exchange Equalization Account
EEC	European Economic Community
EEFC	Exchange Earners Foreign Currency
EFR	Exchange Fluctuation Reserve
EFT	Electronic Funds Transfer
EME	Emerging Market Economy
EMI	Equated Monthly Installment
EPF	Employees Provident Fund
ESOP	Employee Stock Option Plans
ETF	Empowered Task Force

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EUR	Euro
EWS	Early Warning System
EXIM Bank	Export Import Bank of India
FAQs	Frequently Asked Questions
FBIL	Financial Benchmarks India Private Limited
FCA	Foreign Currency Assets
FCAC	Fuller Capital Account Convertibility
FCCB	Foreign Currency Convertible Bond
FC GPR	Foreign Collaboration- General Permission Route
FCNR (B)	Foreign Currency Non-Resident (Banks)
FCNR	Foreign Currency Non-Resident
FCNRA	Foreign Currency Non-resident Account
FCNRD	Foreign Currency Non-Repatriable Deposit
FC TRS	Foreign Currency Transfer of Shares
FDI	Foreign Direct Investment
FDIC	Federal Deposit Insurance Corporation
FEDAI	Foreign Exchange Dealers Association of India
FEMA	Foreign Exchange Management Act
FFI	Foreign Financial Institution
FFMC	Full Fledge Money Changer
FI	Financial Institution
FICCI	Federation of Indian Chambers of Commerce and Industry
FII	Foreign Institutional Investor
FIMMDA	Fixed Income Money Market and Derivatives Association of India
FIPB	Foreign Investment Promotion Board
FISIM	Financial Intermediation Services Indirectly Measured
FITL	Funded Interest Term Loan
FIU-IND	Financial Intelligence Unit – India
FLAS	Foreign Liabilities and Assets Survey
FMC	Forward Market Commission
FMD	Financial Markets Department
FoB	Free on Board
FOF	Flow Of Funds
FPI	Foreign Portfolio Investment

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FRA	Forward Rate Agreement
FRB	Floating Rate Bond
FRBM Act	Fiscal Responsibility and Budget Management Act
FRMS	Fraud Reporting and Monitoring System
FRN	Floating Rate Note
FSAP	Financial Sector Assessment Programme
FSR	Financial Stability Report
FSS	Farmers' Service Societies
FST	Financial Sector Technology
FWG	First Working Group on Money supply
GBP	Great Britain Pound
GCC	General Credit Card
GCS	Gold Card Scheme
GDCF	Gross Domestic Capital Formation
GDP	Gross Domestic Product
GDR	Global Depository Receipt
GFD	Gross Fiscal Deficit
GFS	Government Finance Statistics
GIC	General Insurance Corporation
GLS	Generalized Least Squares
GNIE	Government Not Included Elsewhere
GoI	Government of India
GPD	Gross Primary Deficit
G-Sec	Government Securities
HDFC	Housing Development Finance Corporation
HFT	Held For Trading
HICP	Harmonised Index of Consumer Prices
HO	Head Office
HTM	Held to maturity
HUDCO	Housing & Urban Development Corporation
IBA	Indian Bank's Association
IBRD	International Bank for Reconstruction and Development
IBS	International Banking Statistics
ICA	Inter creditor Agreement

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ICAR	Indian Council of Agricultural Research
ICMR	Indian Council of Medical Research
IDB	India Development Bonds
IDD	Industrial Development Department
IDR	Investment Depreciation Reserve
IEC	Independent Evaluation Committee
IFAD	International Fund for Agricultural Development
IFC	International Finance Corporation
IFC(W)	International Finance Corporation (Washington)
IFCI	Industrial Finance Corporation of India
IFSC	Indian Financial System Code
IFR	Investment Fluctuation Reserve Account
IFS	International Financial Statistics
IGC	India Gold Coins
IGLS	Iterative Generalized Least Squares
IIBI	Industrial Investment Bank of India
IIP	Index of Industrial Production
IIP/InIP	International Investment Position
IMD	India Millennium Deposits
IMF	International Monetary Fund
IMPS	Immediate Payment System
IN	India
INR	Indian Rupee
IOTT	Input-Output Transaction Table
IP	Interest Payment
IRAC (Norms)	Income Recognition, Asset Classification and Provisioning pertaining to Advances
IRBI	Industrial Reconstruction Bank of India
ISDA	International Swaps and Derivative Association
ISIC	International Standard Industrial Classification
ISO	International Standards Organization
IT	Information Technology
ITGGSM	Internal Technical Group on Government Securities Market
ITGI	IT Governance Institute
ITIL	IT Infrastructure Library

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ITRS	International Transaction Reporting System
IWGEDS	International Working Group on External Debt Statistics
JLF	Joint Lenders' Forum
JLG	Joint Liability Groups
JPC	Joint Parliamentary Committee
KCC	Kisan Credit Card
KVIB	Khadi and Village Industries Board
KVIC	Khadi & Village Industries Corporation
KYC	Know your Customer
LAB	Local Area Bank
LAF	Liquidity Adjustment Facility
LAMPS	Large-sized Adivasi Multipurpose Societies
LAS	Loan & Advances by States
LBD	Land Development Bank
LBS	Locational Banking Statistics
LC	Letter of credit
LERMS	Liberalised Exchange Rate Management System
LIBOR	London Inter-Bank Offer Rate
LIC	Life Insurance Corporation of India
LME	London Metal Exchange
LoC	Letters of comfort
LOLR	Lender of Last Resort
LoU	Letter of Undertaking
LS	Level Shift
LT	Long Term
LTCCS	Long-Term Co-operative Credit Structure
LTO	Long Term Operation
M1	Narrow Money
M3	Broad Money
MA	Moving Average
MAP	Monitorable Action Plan
MCA	Ministry of Corporate Affairs
MCAs	Model Concession Agreements
MEDP	Micro Enterprise Development Programme

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MFDEF	Micro Finance Development and Equity Fund
MFI	Micro Finance Institution
MIBOR	Mumbai Inter-Bank Offer Rate
MICR	Magnetic Ink Character Recognition
MIGA	Multilateral Investment Guarantee Agency
MIS	Management Information System
MLRO	Money Laundering Reporting Office
MLTGD	Medium and Long Term Government Deposit
MMBCS	Magnetic Media Based Clearing System
MMSE	Minimum Mean Squared Errors
MNBC	Miscellaneous Non-Banking Companies
MNSB	Multilateral Net Settlement Batch
MOF	Master Office File
MoF	Ministry of Finance
MoU	Memorandum of Understanding
MPLS	Multi-Protocol Layer Switching
MRM	Monitoring and Review Mechanism
MRR	Minimum Retention Requirement
MSF	Marginal Standing Facility
MSS	Market Stabilisation Scheme
MT	Mail Transfer
MTM	Mark-To-Market
NABARD	National Bank for Agriculture and Rural Development
NAC(LTO)	National Agricultural Credit (Long Term Operation)
NAFCUB	National Federation of Co-operative Urban Banks
NAIO	Non Administratively Independent Office
NAS	National Account Statistics
NASSCOM	National Association of Software and Services Companies
NAV	Net Asset Value
NBC	Net Bank Credit
NBC	Non-Banking Companies
NBFC	Non-Banking Financial Company
NBFI	Non-Banking Financial Institutions
NBV	Net Book Value

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NDS	Negotiated Dealing System
NDS-OM	NDS Order Matching
NDTL	Net Demand and Time Liability
NEC	Not Elsewhere Classified
NEDFi	North Eastern Development Finance Corporation Ltd.
NEER	Nominal Effective Exchange Rate
NEFT	National Electronic Fund Transfer
NFA	Non-Foreign Exchange Assets
NFCC	National Foundation for Credit Counselling
NFD	Net Fiscal Deficit
NFGBC	Non-food Gross Bank Credit
NFS	National Financial Switch
NGO	Non-Government Organisation
NHB	National Housing Bank
NHC	National Housing Credit
NIA	New India Assurance Company Limited
NIC	National Industrial Credit
NIC	National Industrial Classification
NIF	Note Issuance Facility
NIM	Net Interest Margin
NIMC	National Implementation Monitoring Committee
NNML	Net Non-Monetary Liabilities
NOC	No Objection Certificate
NOF	Net Owned Fund
NPA	Non-Performing Asset
NPD	Net Primary Deficit
NPFA	Non-Performing Financial Assets
NPL	Non-Performing Loan
NPRB	Net Primary Revenue Balance
NPV	Net Present Value
NR(E)RA	Non-Resident (External) Rupee Account
NR(NR)RA	Non-Resident (Non-Repatriable) Rupee Account
NRE	Non-Resident External
NRG	Non-Resident Government

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NRI	Non-Resident Indian
NRNR	Non Resident Non Repatriable (Account)
NRSR	Non Resident Special Rupee (Account)
NSC	National Statistical Commission
NSE	National Stock Exchange
NSSF	National Small Savings Fund
OBS	Off-balance Sheet
OBU	Off-Shore Banking Unit
OD	Over Draft
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OECO	Organisation for Economic Co-operation
OFI	Other Financial Institutions
OLRR	On-line Reject Repair
OLTAS	On-line Tax Accounting System
OMO	Open Market Operations
ORFS	On-line Returns Filing System
OSCB	Other Indian Scheduled Commercial Bank
OSMOS	Off-Site Monitoring and Surveillance System
OSS	Off-site Surveillance System
OTC	Over the Counter
OTS	One Time Settlement
OVD	Official Valid Documents
PACF	Partial Auto-Correlation Function
PACS	Primary Agricultural Credit Society
PAN	Permanent Account Number
PAIS	Personal Accident Insurance Scheme
PCARDB	Primary Co-operative Agriculture and Rural Development Bank
PCR	Provisioning Coverage Ratio
PD	Primary Dealer
PD	Primary Deficit
PDAI	Primary Dealers Association of India
PDO	Public Debt Office
PDO-NDS	Public Debt Office-cum-Negotiated Dealing System

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PES	Public Enterprises Survey
PF	Provident Fund
PIO	Persons of Indian Origin
PIO	Principal Inspection Officer
PKI	Public Key Infrastructure
PLR	Prime Lending Rate
PMLA	Prevention of Money Laundering Act
PMRY	Prime Minister Rojgar Yojna
PO	Principal Office
POS	Point of Sale
PPP	Public-Private Partnership
PRB	Primary Revenue Balance
PSB	Public Sector Bank
PSE	Public Sector Enterprise
PTC	Pass-through certificates
PUC	Paid Up Capital
QIS	Quantitative Impact Study
QRR	Quick Review Report
RBI	Reserve Bank of India
RBIA	Risk-Based Internal Audit
RBS	Risk-Based Supervision
RC	Reconstruction Company
RCS	Registrar of Co-operative Societies
RD	Revenue Deficit
RDBMS	Relational Database Management System
RE	Revenue Expenditure
REC	Rural Electrification Corporation
REER	Real Effective Exchange Rate
RERFA	Reserve for Exchange Rate Fluctuations Account
R-GDS	Revamped Gold Deposit Scheme
R-GML	Revamped Gold Metal Loan Scheme
RFC	Residents Foreign Currency
RIB	Resurgent India Bonds
RIDF	Rural Infrastructural Development Fund

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RLA	Recoveries of Loans & Advances
RLC	Repayment of Loans to Centre
RMB	Renminbi (Chinese)
RNBC	Residuary Non-Banking Company
RO	Regional Office
ROC	Registrar of Companies
RPA	Rupee Payment Area
RPCD	Rural Planning and Credit Department, RBI
RR	Revenue Receipts
RRB	Regional Rural Bank
RTGS	Real Time Gross Settlement System
RTP	Reserve Tranche Position
RUF	Revolving Underwriting Facility
RWA	Risk Weighted Asset
SAA	Service Area Approach
SACP	Special Agricultural Credit Plan
SAM	Social Accounting Matrix
SAO	Seasonal Agricultural Operations
SAR	Self-Assessment Report
SARFAESI	Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest
SARS	Severe Acute Respiratory Syndrome
SAS	Statistical Analysis System
SBI	State Bank of India
SBNs	Specified Bank Notes
SC	Securitisation Company
SCARDB	State Co-operative Agriculture and Rural Development Bank
SCB	Scheduled Commercial Bank
SCB	State Cooperative Bank
SCS	Size Class Strata
SDDS	Special Data Dissemination Standards
SDR	Special Drawing Right
SDS	Special Deposit Scheme
SEB	State Electricity Board

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SEBI	Securities and Exchange Board of India
SEEU	Self Employment for Educated Unemployed Youths
SEFCs	Small Enterprises Financial Centres
SEFT	Special Electronic Funds Transfer
SEZ	Special Economic Zones
SFAC	Small Farmers Agri-Business Consortium
SFC	State Financial Corporation
SFMS	Structured Financial Messaging System
SGL	Subsidiary General Ledger
SGSY	Swarn Jayanti Gram Swarajgar Yojna
SHG	Self-Help Group
SHPI	Self-Help Promoting Institutions
SIDBI	Small Industries Development Bank of India
SIDC	State Industrial Development Corporation
SIPS	Systemically Important Payment System
SI-SPA	Systems Improvement Scheme under Special Project Agriculture
SJSRY	Swarna Jayanti Shahari Rojgar Yojna
SLA	Service Level Agreement
SLAF	Second Liquidity Adjustment Facility
SLBCs	State Level Bankers' Committees
SLEPCS	State Level Export Promotion Committees
SLR	Statutory Liquidity Ratio
SLRS	Scheme for Liberalisation and Rehabilitation of Scavengers
SMA	Special Mention Account
SME	Small and Medium Enterprise
SMG	Standing Monitoring Group
SNA	System of National Accounts
SPV	Special Purpose Vehicle
SRWTO	Small Road & Water Transport Operators
SSC	Special Sub-Committees
SSI	Small Scale Industry
SSSBEs	Small Scale Service & Business Enterprises
ST	Scheduled Tribe

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STBD	Short Term Bank Deposit
StCB	State Co-operative Bank
STCCS	Short-Term Co-operative Credit Structure
STP	Straight Through Processing
STR	Suspicious Transaction Report
STRIPS	Separate Trading of Registered Interest and Principal of Securities
SWG	Second Working Group on Money Supply
SWIFT	Society for Worldwide Financial Telecommunication
TAFcUB	Task Force for Urban Co-operative Banks
TBs	Treasury Bills
TC	Temporary Change
TEV	Techno-Economic Viability
TFCI	Tourism Finance Corporation of India
TLI	Term Lending Institutions
TT	Telegraphic Transfer
UBB	Uniform Balance Book
UBD	Urban Banks Department
UCB	Urban Co-operative Bank
UCIC	Unique Customer Identification Code
UCN	Uniform Code Number
UIA	United India Assurance Company Ltd.
UIDAI	Unique Identification Authority of India
UPI	Unified Payments Interface
US	United States
USD	US Dollars
UTI	Unit Trust of India
UTLBC	Union Territory Level Bankers' Committee
VaR	Value at Risk
VC	Venture Capital
VCF	Venture Capital Fund
VKC	Village Knowledge Centre
VPN	Virtual Private Networks
VRS	Voluntary Retirement Scheme
VSAT	Very Small Aperture Terminal

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WADR	Weighted Average Discount Rate
WCDL	Working Capital Demand Loan
WCTL	Working capital term loan
WEO	World Economic Outlook
WGMS	Working Group on Money Supply: Analytics and Methodology of Compilation
WGRFIS	Working Group on Future Role of Financial Institutions
WPI	Wholesale Price Index
WSS	Weekly Statistical Supplement
YTM	Yield to Maturity
ZO	Zonal Office
XBRL	Extensible Business Reporting Language

APPENDIX IX

Illustrative list for Basis of Selection of Advance Accounts in case of Bank Branch Audit

The list given for Bank Branch Auditors is only illustrative in nature. Members are expected to exercise their professional judgment while using this list depending upon facts and circumstances of each case.

Basis of selection of Advances accounts to be examined by Branch Auditor	No. of Accounts
1. All Large accounts. (as defined- Rs. 2.00 crores or 5% of the Portfolio, whichever is less)	
2. Accounts wherein process under IBC is mandated but not initiated by branch	
3. Borrowers wherein process of IBC initiated by any of the creditors including bank	
4. NPA accounts upgraded to Standard during the year.	
5. Advances where Restructuring Proposals/ requests are pending approval/disposal at year end.	
6. Accounts Restructured in the earlier years to determine their year-end status, if in default or not classified as per RBI norms.	
7. Accounts Restructured during the year to determine their year-end classification.	
8. Restructured advances with moratorium of Interest where interest is accrued contrary to RBI applicable norms.	
9. FITL cases arising out of Restructuring where corresponding provisions are held in "Sundry Liabilities Account (Interest Capitalization)".	
10. Advances accounts where there is an initiation of proceedings involving Investigation, vigilance, enquiry and those where fraud is reported.	
11. Staff Advances – where the persons have ceased to be employees of the Bank; and accounts in default.	
12. BIFR cases classified as Standard.	

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13. SSI/SME cases under rehabilitation as at the year end.	
14. Standard advances in litigation.	
15. Central Government guaranteed cases which are Standard non-performing.	
16. Standard accounts where there is Interest Suspense/ Unapplied Interest.	
17. Advances in the list of willful defaulters of the RBI.	
18. Cases where one time settlement (OTS) has been sought; and those in which OTS was accepted but there is default in compliance.	
19. Advances subject to re-financing.	
20. Accounts which are not renewed regularly or adhoc not regularised for more than 180 days	
21. Accounts which are classified as NPAs and also upgraded during the year	
22. Accounts which are reported to CRILC during the year	
23. Fresh NPAs identified by the Branch.	
24. NPA cases where the assessed realizable value of the securities has a significant shortfall – 50% or more.	
25. NPA cases where the realizable value of the security as assessed by the Bank/approved valuers /RBI is less than 10% of the outstanding.	
26. Standard Accounts with temporary deficiencies as per Para 4.2.4 of Master Circular on Advances.	
27. Quick Mortality Cases.	
28. Advances comprising frauds detected. (Para 4.2.9.(ii) of the IRAC Master Circular dated 1.7.2015)	
29. Other Accounts, not covered above, with adverse comments in the existing/latest Reports. (as per Para 1 of Annexure I to the initial letter to Branch)	
30. Comments accounts as per latest RBI AFI Report	

APPENDIX X

Illustrative Bank Branch Audit Programme for the Year ended March 31, 2020

Introduction

In present scenario of audit of branches of banks, the most important aspect is proper planning. Planning means advance thinking and that should be done based on knowledge of branch business. It is important to have knowledge about Composition of Business of a particular branch which is under audit. Because of variety of products and diversified bank business, auditor cannot apply the same yardstick for the branches under audit. Today, the whole process of banking is computerized however; the Audit Report is required to be signed manually after physical checking of records, documents and accounts maintained under CBS.

Many of the Banks implemented a web application for posting & online submission of Branch Audit Report, Long Form Audit Report, Tax Audit Report and various certificates, therefore review the closing instruction of the Bank prior to commencement of the audit is utmost need to understand the manner and structure in which reporting is required to be made on online web base application. The report in these cases signed digitally.

In absence of clear understanding and the pre-requisite information like borrower account No/ Customer ID's details of the facility, security, sector etc. it would not be even possible to report any change in classification and any adverse finding in the main report as well as in Long Form Audit Report.

In view of this it is important to understand the reporting structure and auditor should prepare their comments / Memorandum of changes in the similar format and manner for reporting, by getting system format as circulated by the respective Banks with the closing instructions.

The branch audit generally may be bifurcated into following Components:

Type of Report	Coverage
Branch Statutory Audit	1. Audit of Advances and reporting on divergence in assets classification and income recognition, which is generally reported through Memorandum of Changes which form

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	part of Main Audit Report; 2. Audit of all other items of Assets and liabilities and Income and expenditure appearing in the financial statement.
Tax Audit Reports and Long Form Audit Report	These reports are separate from Branch Audit Report: 1. As per Section 44AB of Income Tax Act, 1961, the Bank is under statutory obligation to get the Tax Audit conducted by Chartered Accountant; and 2. Long Form Audit Report covers reporting on the operational aspects of the Branch working as per RBI requirements.
Certificates	Required to be verified as per respective Banks Closing Instruction keeping in view RBI Guidelines, Guidelines of the respective schemes notified by the Central / State Government.

Following are the generally followed steps for conducting of Branch audit:

1. Appointment / engagement letter for Branch Statutory audit, with closing circulars.
2. NOC from the previous auditor.
3. Pre-Audit discussion with branch.
4. Audit planning, to include Understanding of the Branch software and commands for view of borrower accounts and generation of various MIS / Critical / exceptional reports.
5. Execution of the audit as given in the **Annexure I**.
6. Discussion of the draft branch audit report with bank.
7. Preparation of Memorandum of Changes and effect of the same in books of account of bank.
8. Review of the Post Memorandum (Post MOC) trail balance and reconciliation with the pre memorandum (Pre MOC) trial balance to ensure the correct accounting effect of memorandum of changes, wherever applicable.
9. Submission of audit report to branch and copy to central statutory auditors.

Following are the area wise documents to be collected and reviewed for conducting branch audit:

1. Trial Balance as on 31st March.
2. Closing circular issued by Bank's head office for conducting branch audit – Every bank issued the closing circular which contain the concern areas and list of certificates required to be certified by the branch auditor.
3. Review of previous years auditor report / LFAR.
4. Latest RBI master circular for “Income recognition and assets classification” & other relevant circulars.
5. List of comments of RBI inspection report towards the branch.
6. Latest branch concurrent audit report /Internal inspection report/ Diligence Report / Credit Audit Report with their compliances.
7. Copy of vigilance enquiry or any special investigation reports.
8. Comparative analysis of the trial balance with the last year's audited trail balance.
9. Review of Ghosh and Jilani committee Recommendations.
10. Documents related to verification of advances –
 - List of stress advances (SMA-2) as on 15th March. (stress advances / SMA-2 report indicate the list of advances which are overdue for more than 60 days and if the same is not regularized before year end i.e. 31st march than the advance will become NPA)
 - List of new sanction made during the year.
 - List of account referred for Restructuring
 - Accounts wherein process under IBC is mandated but not initiated by branch
 - Borrowers wherein process of IBC initiated by any of the creditors including bank
 - List of Bank guarantee and Letter of credit.
11. Documents related to NPA's:
 - List of NPA accounts as on 31st March.
 - List of accounts upgraded during the financial year.
 - List of accounts downgraded during the year.
 - List of early mortality cases for the year under audit.
 - Details of the NPA classification with secured /unsecured details and NPA provision amount.

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- Review of the valuation report of loan account. Valuation report older than 3 years cannot be consider as security (1 year in case of stock) and 100% provision need to provide on the expired secured portion.
12. Fixed Assets:
- Fixed Assets register as on 31st March.
 - List of new assets purchased during the year.
 - List of fixed assets sold during the year.
 - Physical verification report of branch fixed assets if conducted during the year.
 - Depreciation working as on 31st March.
13. Bank reconciliation:
- List of bank account which branch maintained with other banks.
 - Reconciliation statement of all banks account as on 31st march.
14. Inter branch reconciliation:
- Inter branch reconciliation statement.
 - Provision for net outstanding debit balance for more than 6 months. (refer RBI circular DBOD No. BP.BC. 73 /21.04.018/2002-03)
15. Cash
- Physical cash balance verification during branch audit period (cash on hand as well as cash at ATM, if applicable).
 - Report of the physical cash verification conducted by branch on 31st March.

Audit of Advances

Audit of advances is discussed elsewhere in the ICAI's Journal under appropriate article. However from the angle of planning following aspects must be kept in mind:

1. **Obtain top exposure accounts:** It may be advisable for a branch auditor to ask the list accounts/ exposures along with all the details such as status, overdue amount and security etc. before starting of the audit.
2. **Obtain the list of stressed accounts:** The banks monitors stressed accounts on daily basis. The account that generally has overdue beyond 60 days or likely to slip to NPA at the quarter end is termed as stressed account (some banks may use different terminology). It is advisable to obtain such list of stressed accounts at least 15 days ahead of the closing date i.e. say stressed account list as on 15th March. This will

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provide the auditor a ready list of such accounts. The auditor then can scrutinise each to know whether the account has slipped or if not whether has been kept standard by unusual transaction that cannot be termed as business transaction. Like deposit and withdrawal of cash, just to show the credit turnover during the quarter in cash credit account.

3. **Obtain the list of restructured accounts:** Restructured account portfolio requires separate additional provisioning. It is necessary to obtain the list of such accounts and ensure whether the restructure is as per the RBI directives. As per latest RBI guidelines, all new restructure / CDR account will be classified as NPA.
4. **Obtain the list of accounts covered under revised framework for resolution of stressed assets:** As per latest RBI guidelines, all new restructure / CDR account will be classified as NPA. The accounts which have been covered under revised framework for resolution of stressed assets, the compliance with the terms of the revised framework needs to be verified
5. **Accounts referred to or directed to be referred under IBC**

Obtained list of Accounts wherein process under IBC is mandated but not initiated by branch and / or Borrowers wherein process of IBC initiated by any of the creditors including bank. Such accounts need to be reviewed carefully by the auditor and adequate provision needs to be made besides correct classification of such advances.
6. **Obtain the list of unsecured exposures above Rs. 25 Lacs.:** Unsecured exposure has significant impact on the bank, if slips to NPA. Many times such accounts are reviewed in the traditional manner. These require close monitoring not only from the perspective of financial parameters of the prudential guidelines but also non-financial parameters that give signals of the possible ill health. The banking industry has faced severe damages on account of non-identification of such non-financial parameters.
7. **Early mortality cases:** Any advance slippage to NPA within 12 months of its introduction is called early mortality case. Early mortality cases invoke penalty to the sanctioning authorities. This will have to be checked to understand the reason for such happening to avoid such cases in future and also to find out whether there are any cases classified as performing on some untenable ground to push it beyond early mortality.

8. **Upgraded accounts during the Year:** Review of the upgraded accounts is one of the important areas to be check during audit. As per RBI circular, the account will get upgraded when arrears of interest and principal are paid by the borrower. After recovery, the accounts will get upgraded to standard assets. There should not be any overdue in borrower accounts as on date of up-gradation. The recovery in the accounts needs to be reviewed specially in cash of cash credit accounts where the borrower rotates the fund just to keep the account as performing assets.
9. **Evergreening of accounts:** Evergreening refers to the practice of giving a fresh loan to repay an old one. Technically, evergreening refers to the practice of managing the balance sheet through means, which may not be violating banking laws in letter, but breaching them in spirit. To Illustrate and to make it more clear : say a bank disburse a loan of Rs. 10000 to a borrower and the account become overdue after a year or two, the same bank sanction a loan of Rs. 20000 or Rs. 30000 which enable borrower to repay first loan. Therefore, the source of recovery needs to be review in case of stress accounts.
10. **Other routine checks:** The auditor may engage into other routine check of advances to satisfy himself such as classification of advances, new sanctions during the year, monitoring mechanism and provisioning under prudential norms. It may be pertinent to mention here two broad aspects that are heavily dependent on the branch auditor relating to advances. Also, these are one of the most strongest argument, amongst many, why branch audits are necessary even in CBS environment:
 - **Checking of documentation:** Documentations for newly sanctioned advances along with their enforceability, review documents and its appropriate reflection in CBS;
 - **Security value for provisioning:** After classification, the most important aspect in presenting the true and fair view of the financial statements of a bank is correct provisioning amount. This highly depends on fair assessment of security value. The base documents relating to the valuation are usually available at the branches. Correct depiction thereof in the CBS is a crucial check.

Audit of other Items in Trial Balance

It may not be necessary to elaborate on this point as this has been basic skill of auditing profession. However, following aspects may require specific attention of a branch auditor:

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1. **Suspense, Inter Branch reconciliation and any other pending reconciliation item in Trial Balance:** As per the RBI guidelines, any debit entry in these accounts appearing for more than 6 months require 100% provision.
2. **Provisions other than relating to advances:** Year-end accounting provision that do not get generated through CBS require specific attention at the branch level. It may be advisable to do a comparative study of last year end, half year and current year end figure comparison. This throws lot of insights into the branch operations.

Ensuring various compliances:

Generally, the branch requires following various compliances in respect of audit:

1. **Concurrent Audit report:** Any comments or remarks in the concurrent audit report that the branch is required to comply with.
2. **Compliance to RBI Inspection report:** If RBI has conducted inspection in the branch, the comments in the report need compliance. Any non-compliance under the pretext that the bank has represented to RBI to reconsider the observation should not be accepted. RBI has clearly taken a stand that unless auditor is physically shown a letter of reversal from RBI comments in their report must be adhered to.
3. **Compliance to Internal audit report:** If the bank has conducted internal audit, which usually an internal exercise, obtain the report and check for the compliances thereof.
4. **Stock audit report:** Generally, an account having exposure of Rs. 5 Cr. and above requires stock audit, the compliance thereof should be commented upon. Also, any adverse comment in the report needs to be dealt with appropriately.
5. **Application of interest in CBS:** Generally, bankers always argue that the interest is calculated by the system and requires no cross verification. While this is true, the correct calculation by the system is subject to correct input by the branch staff relating to interest. Hence input of interest rates requires test check.

Annexure I

Details of the Authorised Persons of the bank	Branch Manager:
Others (Specify):	

Audit Aspects	Covered By Whom	Extent of Check
General		
1. Engagement letter to the appointing authority		
2. Letter for NOC to previous auditors		
3. Meeting and discussion with the bank branch management and understanding the profile of the branch and its business and take a note on the same.		
4. Letter of requirement to the Branch		
5. Review of <ul style="list-style-type: none"> • previous year's audit report/ LFAR; • current period's Internal Audit Report/ Concurrent Audit Report; • Revenue Audit Report; • RBI Inspection Report; • compliance of the branch to all of the above; and • any other special review report. 		
6. Physical verification of <ul style="list-style-type: none"> • cash; • Gold ;(for Gold loan) • and valuable securities. 		
7. Note down <ul style="list-style-type: none"> • Shortage of cash appearing in Trial Balance; • Difference in physical verification of gold. 		

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Audit Aspects	Covered By Whom	Extent of Check
8. Reconciliation of the current account maintained with other banks / Reserve Bank of India		
9. Reconciliation of NOSTRO account with Nostro Mirror Account		
10. Physical verification of Investments (obtain certificate from bank manager for the same). If investment is hold /done by the Branch.		
11. Understand the system in CBS at Branch <ul style="list-style-type: none"> • verify controls; • verify exceptional report; • understand the editable & uneditable fields at Branch; • system of downgrading & upgrading of accounts; • interest calculations; • Generation of reports relating to advances classification and Capital Adequacy calculation, etc. 		
12. Compliance of instructions issued by bank's year and closing circulars, other relevant internal instructions/circulars, Master circulars and other notifications issued by RBI, significant accounting policies of the bank Mandatory Accounting Standards/Auditing Standards and other notification.		
13. Prepare a list of various closing returns to be verified and certified, and then checking of the same during the audit.		
Checking of Balance Sheet Items		
1. Checking of the advances:		

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Audit Aspects	Covered By Whom	Extent of Check
<ul style="list-style-type: none"> • Take list of all advances along with facility wise limits, outstanding, Name of Lead bank, Credit Rating, Credit summations in the account, last date of submission of stock statement, date of review of account, etc. This shall help to select the accounts for scrutiny in detail. 		
<ul style="list-style-type: none"> • Critical review of all large advances and their reporting as per prescribed norms. 		
<ul style="list-style-type: none"> • Classification of advances as per IRAC norms. 		
<ul style="list-style-type: none"> • Latest valuation of security given against advances. 		
<ul style="list-style-type: none"> • Provisions on NPA as per IRAC norms. 		
<ul style="list-style-type: none"> • Review of all major restructured cases along with the compliance of norms as per RBI Guidelines. 		
<ul style="list-style-type: none"> • List of all SMA 2 accounts (and other accounts mandated for reporting) and reporting of the same to concerned authorities (CRILC). 		
Loan Accounts (Performing)		
I. Review of all large advances with balance of lower of 5 % or Rs. 2 crore of total advances.		
II. Review of loans sanctioned during the year.		
III. Review of other advances on test check basis.		
IV. Review of adverse comments by Concurrent auditors, RBI/internal inspectors and the reply given and corrective actions taken by the		

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Audit Aspects	Covered By Whom	Extent of Check
branch.		
V. Review of suit filed and decree accounts on sample basis with respect to provision thereon and progress of recovery thereof and Classification as per IRAC norms.		
VI. Review of accounts upgraded during the year from NPA to standard. and ensure full recovery of total overdues before upgradation.		
VII. Review of all accounts frequently exceeding limits/DP and watch-list accounts.		
VIII. Also verify all the credit card dues which are overdue & debit balances in SB A/c.		
IX. Check Drawing Power calculation in detail as per the norms of the bank.		
Loan Accounts (Non Performing)		
I. Review the accounts which are classified as NPA during the year w.r.t Security Value, Interest Reversed, Date of NPA, provisioning thereon etc.		
II. Review the annual stock audit report for the NPA with balance of Rs.5 cr. and above & latest valuation report for the immovable properties in case the valuation is older than 3 years.		
NOTE:		
(i) Following aspects of the advances to be verified:		
<ul style="list-style-type: none"> • Pre sanction: System of credit Appraisal and review/renewal. 		
<ul style="list-style-type: none"> • Post sanction: Compliance of terms of sanction, 		

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Audit Aspects	Covered By Whom	Extent of Check
documentation, end use of funds.		
<ul style="list-style-type: none"> • Monitoring: Stock and Book statements, drawing power, insurance, inspection of stock/security, operations in the account, etc. 		
(ii) All the accounts verified in category (i) to (ix) should be documented.		
<p>2. Verify controls in respect of the following important items of assets.</p> <ul style="list-style-type: none"> (i) Dual custody of cash; (ii) Custody and issue of /pay orders/other stationery items etc.; (iii) ATM cash as per books and actual balance tallied at year end. 		
3.Fixed Assets		
I. Checking of additions/deduction/transfers of fixed assets, supported by proper bills/invoices and confirmation of date put to use. Compliance of Accounting Standard related to fixed assets.		
II. Checking of Depreciation on additions, deduction during the year and on existing assets as per the policy of the bank.		
III. Verification of Fixed Assets Schedule for furniture & fixtures and other assets and reconciliation with figures appearing in the Balance Sheet and FA management software used by the bank (if any).		
4. Deposits		
a) Verification of Anti Money		

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Audit Aspects	Covered By Whom	Extent of Check
Laundering guidelines and Compliance with KYC norms on test check basis that overdue deposits;		
b) Check TDS compliance on the interest paid and on test check basis checking of Form 15G & 15H and confirm whether those forms are submitted with respective Income Tax Authority;		
c) Movement of Deposit vis-à-vis movement in interest expense.		
5. Inter-Office & Suspense A/c:		
1. Reconciliation of accounts with other banks, head office and inter branch adjustment accounts.		
2. Inter Office Reconciliation (IOR) Accounts: I. Verify Inter Branch Items In Transit (IBIT) account for old entries. II. Compare on test Check basis, the balance and the entries in IOR Accounts with the copies of the statements submitted to the IOR department/s. III. Old unreconciled entries are being provided/ reported to HO for provision.		
3. Detailed checking of suspense accounts – credit as well as debit schedules. i.e., Nominal ledger.		
Balance Sheet Finalisation		
1. Scrutiny of Balance Sheet, particularly –		
i) that all the balances are shown in proper heads and broadly compare previous year figure to understand material variance; ii) Check for any negative balance		

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Audit Aspects	Covered By Whom	Extent of Check
in the trial balance. (i.e. assets / expenses having credit balances and liability / income having debit balances)		
ii) check in case of advances that:		
a) interest accrued but not due on loans is not included in advances.		
b) credit balances in O/D, CC inoperative current accounts should not be netted off with advances and the same should be shown under demand deposits.		
c) Verification of Anti Money Laundering guidelines and Compliance with KYC norms on test check basis.		
2. Checking: (i) Liability under Bank Guarantee/ L/C and effects of expired BGs. (ii) Reconciliation of General Ledger and Subsidiary Ledger.		
Checking of Profit and Loss Items		
1. Test checking of interest on deposits, (particularly, Interest checking should be done on test basis for the period subsequent to the period of revenue/ concurrent audit). Ensure that interest provision on overdue F.D. has been made as per latest RBI guidelines. Check the system is properly configured to check the interest calculation and the changes in interest rate is changed in system on respective dates.		
2. Test checking of interest/commission on various advances, bills, L.C., Guarantees,		

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Audit Aspects	Covered By Whom	Extent of Check
etc.		
3. Test checking of discount/commission on bills discounted and others income like commitment charges, processing fees, recovery of insurance/ legal fees etc.		
4. Derive various ratios of items of income with comparable and related assets (like Avg. Interest Income to Average Advances etc.) and verify major movements or variances.		
5. Checking of interest in NOSTRO Accounts debit balances.		
6. Verification of recovery on account of locker rent, staff accommodation, etc., with details of arrears, if any.		
7. Commission income on account of Government Business, i.e., collection as well as remittance of Income tax, sales tax, excise duty, etc.,		
8. Details of Prior Period items of Income as well as expenses and complete details of provisions to be made, if any.		
9. Booking of Interest Income on account of partial recovery in NPA's.		
10 Note down the reasons for material variances, if any.		
Others		
1. Checking of statement of frauds adequacy of provision, timely reporting to competent authority, recovery and movement in balances.		
2. Checking of statement of claims		

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Audit Aspects	Covered By Whom	Extent of Check
against the bank not acknowledged as debt.		
3. Checking of Foreign Currency forward exchange contracts showing sales and purchase separately. Review of NRE and FCNR accounts, if any.		
4. Checking of Guarantees given on behalf of Constituents.		
5. Checking of Acceptance, endorsements and other obligations, i.e., L/C and bills accepted by the bank on behalf of customers.		
(Particularly check in case of Clause 4 and 5 above, whether the above guarantees and LC issued are within the powers of the authorised person and proper procedures have been followed for issuing the same. Review the position of the above as at the year-end)		
6. Other contingent liability, if any.		
7. Checking of and preparation of Interest Subsidy certificate (as per various RBI & Government schemes), correct accounting & whether the same are given to the eligible, borrowers.		
8. Checking of write off proposal and DICGC claims, sharing of recovery, etc.		
9. Checking of annual returns on protested bills/ recalled debt accounts (PB/RD).		
10. Checking of LFAR schedules and preparation of LFAR. (Detailed planning for preparation of LFAR be done at the time of commencement of audit).		
11. Checking of Tax Audit annexures and preparation of Tax Audit Report.		

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Audit Aspects	Covered By Whom	Extent of Check
Final Audit and Reporting		
1. Preparation of Audit Report as per format prescribed by ICAI under SA 700 (Revised) and under any other regulatory authority.		
2. Preparation of memorandum of changes for changes to be made in classification of advances and in any item of asset/liability and profit and loss account with other remarks and/ or information which requires further attention at Regional/Zonal Office level.		
3. Preparation of Tax Audit Report.		
4. Preparation of Long Form Audit Report (by giving annexures where ever necessary).		
To collect the following Certificates:		
1. Physical verification of the fixed assets carried out on March 31, 2020/During the year.		
2. Physical verification of Investment is carried out on March 31, 2020/ During the Year. If investment are held or appearing in the Trial Balance.		
3. Physical verification of the cash & other items as on March 31, 2020.		
4. Written Representation Letter.		
To verify and issue the certificates (as applicable): Illustrative list		
1. Certificate of Ghosh and Jilani committee Recommendations.		
2. Certificate giving details of claims lodged with DICGC / ECGC however, rejected by them.		
3. Risk weighted assets as per the capital adequacy report. (BASEL II & III)		

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Audit Aspects	Covered By Whom	Extent of Check
4. Certificate for treating an account as bad or doubtful of recovery as per the requirement of DI and CGC.		
5. Subsidy claim under Prime Minister Rojgar Yojna Or any other scheme of the Central/State Government.		
6. Certificate for Interest Subvention.		

Prepared by:

Reviewed by: