

## **1) List of various laws applicable to the branch**

**The principal legislations governing the functioning of the various types of banks are**

1) Banking Regulation Act, 1949 and

2) Reserve Bank of India Act, 1934

The other applicable laws include:

a. Banking Companies (Nationalization of Undertakings) Act, 1970

b. Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970

c. Banking Companies (Acquisition and Transfer of Undertakings) Act, 1980

d. Negotiable Instruments Act 1881

e. State Bank of India Act, 1955

f. State Bank of India (Subsidiary Banks) Act, 1959

g. Regional Rural Banks Act, 1976

h. Companies Act, 2013

i. Co-operative Societies Act, 1912 or the relevant state Co-operative

j. Information Technology Act, 2000

k. Prevention of Money Laundering Act, 2002

l. Credit Information Companies Regulation Act, 2005

m. Securitization and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002

## 2) Specimen Management Representation Letter

### On the letter Head of Branch

Date:

To,

(Name of the Auditor)

(Address of the Auditor)

Sub: Representation letter for statutory audit for the year from 1<sup>st</sup> April 2016 to 31<sup>st</sup> March 2017

Dear Sir,

This representation letter is provided in connection with your audit of the financial statements of (Name of the Bank) (Name of the Branch) Branch for the year ended 31st March, 2017 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 the (Name of the Bank), (Name of the Branch) Branch as of 31st March, 2017, Balance Sheet and Profit & Loss Account of the branch for the year ended 31st March, 2017.

We acknowledge our responsibility for preparation of financial statements in accordance with circular issued by Finance and Accounts Department, Head office and the guidelines issued by RBI/ICAI/ HO of Bank in accordance with applicable other pronouncements.

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

1. Interest and other income are recognized on accrual basis, except the following, which are recognized on cash basis

(A) Interest and other income on Non Performing Assets as per norms prescribed by the Head Office.

(B) Commission, Exchange on LC and BGs, Bills, Brokerage and locker rent.

(C) Interest on overdue bill purchased/discounted.

2. Interest on all advances up to March 31,2017 , has been properly applied and accounted for in the books of account of the Branch. Necessary provision has been made for debits and credits in borrowal accounts from the last application date i.e.-----

3. Revenue leakage as pointed out by the Statutory Auditors/Concurrent Auditors/Inspectors of inspection Department of the Bank has been collected /accounted for.

4. No income relating to future years, except commission on DPGs, BGs, Locker

Rent, as the case may be, have been credited to the Profit and Loss Account for the year ended on 31.03.2017

5. All income earned during the years, except as stated above in paragraphs 1 to 4 has been credited to the Profit and Loss Account and no unearned income has been credited to the Profit and Loss Account for the year ended on 31.03.2017

## **II ) EXPENDITURE:**

6. Revenue Expenditure is accounted on accrual basis, except Property Tax, insurance charges and interest on overdue deposits and leave encashment. Necessary provision is made for revenue items kept under Sundry Debtors Account.

7. Interest on Deposits is properly accounted for up to March 31, 2017 .Necessary provision is made for further deposits received/paid on or after.

8. Bonus had been paid to all eligible employees as per the instructions of Head Office.

9. No expenditure of personal nature has been debited to the Profit and Loss Account for the year ended on 31.03.2017, except those paid as per the rules and regulations of the Bank.

10. Payment towards expenditure in excess of Rs20, 000/- are effected through account payee Cheques / DDs / Pay Orders or credited to the Current/Savings Account of the Payee and no cash payment is made.

11. Liabilities of any contingent nature have not been debited to the Profit and Loss Account for the year ended on 31.03.2017.

12. No capital expenditure is debited to the Profit and Loss Account. As per the Bank's Policy depreciation is provided on fixed assets at H.O.

## **III) ASSETS**

13. Cash balances, Stamps and Stationery as on March 31, 2017 is physically verified and tallied with the amount stated in the Balance Sheet.

14. Cash and other valuable securities are adequately and comprehensively insured through a Blanket Policy taken by Head office

15. In respect of cash held in Chest for and behalf of RBI, the insurance is the responsibility of HO (Strike out if Not Applicable)

16. Balances with other Banks and The Reserve Bank of India as at March 31<sup>st</sup> 2017 were reconciled and no amount of revenue nature is kept under reconciliation.

(Strike out if Not Applicable)

17. All advances stated in the Balance Sheet as at 31.03.2017 are fully recoverable and good, except those stated in IRAC returns.

18. Drawing power has been reworked on receipt of monthly Stock statements certified by the borrower.

19. Security values recorded in Returns are as per the latest valuation reports received.

20. All advances have been properly classified as Performing Assets. All Non- Performing Assets have been correctly classified, further as Sub-standard, Doubtful, Loss assets and the provisions have been correctly worked out as per the norms prescribed by the Head Office and furnished in IRAC returns. We further certify that all Loss assets have been classified as Loss assets only and not otherwise. Provision for doubtful assets shown in the IRAC returns is sufficient and no further loss is expected on these accounts.

21. All Restructured accounts have been correctly and fully furnished in the Return of Restructured accounts including sacrifice made.

22. Fixed Asset Register has been properly maintained at the Branch. All Fixed assets have been physically verified and tallied with the Book Balances. All Fixed Assets shown in the Balance Sheet are in working condition and are put to use. Fixed Assets have been recorded on the date they are put to use and not from the date of payment.

23. Capital expenditure incurred only for the assets put to use have been fully capitalized and is not shown in Work in process/advances for capital works – Sundry Debtors.

24. All transfers-in and transfer-out of capital assets have been correctly accounted.

25. Only purchases of Fixed Assets have been shown as additions to Fixed Assets and no transfers - in of these Assets are included in the additions to Fixed Assets.

26. All sales of fixed assets are correctly shown in the return of Assets sold. No transfer-out of Fixed Assets is included in this return.

27. Depreciation on Fixed Assets has been correctly provided as per the guidelines of Head Office.

28. There has been no impairment loss on any assets as on 31.03.2017 necessitating recognition in the profit & loss account.

#### **IV) LIABILITIES**

29. All known and accrued liabilities have been provided for in the accounts, except property tax, insurance charges, interest on overdue deposits and leave encashment.

30. All Liabilities stated in the Balance Sheet as at 31st March 2017 are existing and no in fructuous Liabilities are included in the accounts.

31. There are no commitments on capital account which are not provided in the accounts.

#### **V) OTHER MATTERS**

32. The Branch was subjected to (a) Revenue Audits/Internal Inspection/RBI Inspection/Credit Audits and the reports with their compliance have been furnished. The previous Branch Auditors' Reports and LFAR and Compliance thereof are furnished to you during the course of Audit.

33. The effect of MOC, if any, for the year 2015-16 is incorporated in the accounts of 2016-17.

34. Information furnished in the annual closing returns is complete and correct.

35. No loans or advances or any other payment has been made to the directors/persons having substantial interest in the Bank or their relatives.

36. All documents relating to the advances of the Bank are properly filled up and not kept blank. All these documents are current and not barred by time. A list of borrowers whose documents are kept blank/time barred are as under.

Sl.No.	Loan No.	Name of the Borrower	Nature of advance	Amount Outstanding	Date of Expiry of Documents	Reasons for keeping documents blank

37. The branch has not made any claim under DICGC Scheme. Also it has not collected/recovered any dues in respect of advances covered earlier under DICGC Scheme.

38. The Branch is under Core banking Solutions system and all Books of Accounts and subsidiary records are balanced and there are no differences in any General Ledger Head.

39. The Branch has sanctioned loan within the permissible level of financial authority as per Head Office Circular on Delegation of Financial powers. All loans exceeding the permissible Branch limit are processed and sanctioned at appropriate levels. There has been no excess allowed during the year which requires reporting to controlling authorities.

40. Legal action has been initiated in all cases where the same has been approved by the controlling authorities except in the following cases

Units	Approval for legal action	Action directed	pending
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41. In all case of write off of advances, necessary approval has been obtained from controlling authorities. The details are:

Name of the customer	Amount	Action directed	Approval ref
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42. There has been no fraud at the branch during the year under audit.

43. There are no claims against the branch not acknowledged as debt.

Thanking You,

Yours Faithfully,

**For Branch Branch Head**

### 3) Specimen of No Objection Letter

#### On the letter head of the Auditor

Date:

To,

(Name of the Previous Auditor)

(Address of the Previous Auditor)

Dear Sir,

Sub. : Statutory Audit of (Name of the Bank), (Name of the Branch) branch for the year ended  
31/03/2017

We wish to inform you that we have been appointed as Statutory Auditors of (Name of the Bank), (Name of the Branch) Branch for the year ended 31/03/2017 .Since you were the previous auditors of the said branch for the year ended 31/03/2016 we would like to know whether you have any objections, professional or otherwise, on our accepting the said assignment. Kindly inform the same within 7 days from the date of receipt of this letter, failing which we shall treat that you have No Objection and proceed further.

Thanking You.

Yours Faithfully

For (Name of Firm)

Chartered Accountants,

(Name of the Auditor) Partner

#### 4) Specimen Checklist for Special Considerations in CBS environment

##### A) Bank Audit in Computerised Environment

		Yes	No
<b>1</b>	<b>Physical Security :</b>		
<b>A</b>	<b>Servers :</b>		
a)	Server room is securely located		
b)	Servers are installed in a separate server cabin		
c)	Server room is locked overnight and kept clean		
d)	Servers and electricity supply are secured from tampering		
e)	Server room access is controlled / monitored.		
f)	Server room is located not close to UPS room		
g)	Separate air-conditioner is provided for server room		
<b>B</b>	<b>Nodes :</b>		
a)	Administration node is securely located.		
b)	Administration node access is controlled / monitored		
<b>C</b>	<b>Printers and scanners</b>		
a)	Network printer is kept outside the server room and secured		
b)	Printers attached to nodes are securely located		
c)	Access to printer is monitored		
d)	Scanner is securely kept under lock and key		
<b>D</b>	<b>Uninterrupted Power Supply (UPS) System</b>		
a)	UPS system is securely installed / access restricted		
b)	UPS system is under AMC		
c)	No other load is connected to UPS system		
d)	UPS is tested periodically		
<b>2.</b>	<b>General :</b>		
a)	All computer hardware and software items are numbered.		
b)	Stationery register for valuable peripherals like printer ribbons, cartridge tapes etc is maintained		
c)	Computer assets are physically present as per records.		

d)	All computer hardware and software items appearing in the inventory register are covered under warranty / AMC.		
e)	Details of insurance policy are available and all computer hardware items appearing in inventory register are covered.		
f)	Fire Extinguishers are installed.		
g)	Anti – Virus software is loaded on the server & Nodes with hard disk		
h)	Network layout map is displayed in the server room.		
i)	Business continuity plan is documented and the staff concerned is aware of specific duties and responsibilities.		
j)	Telephone number of service contractors / contact persons are displayed in the server room		
<b>3.</b>	<b>Passwords</b>		
a)	Proper control over creation / addition / deletion of Users is exercised.	is	
b)	Password maintenance is taken care of		
c)	Passwords are changed at periodic intervals by the Users		
d)	User names are as per Bank's service records		
e)	Access levels of Users are based on a need to know, need to do basis		
f)	Each officer / staff has only one User-ID		
g)	Users log out when leaving the work table / node, each time.		
h)	User IDs of staff transferred, suspended or on long leave are disabled		
<b>4</b>	<b>Data Integrity :</b>		
a)	Proper system of input of data exists		
b)	Master printouts are complete, correct & bear authentication		
c)	Changes in Master data records are authenticated and filed along with source documentation for verification		
d)	Transactions are scrutinised with source documents & authorised.		
e)	Input source documents (e.g. cheques, vouchers, other instruments) bear initials for data entered / authorised.		



f)	Register is maintained up-to-date for input of sanctioned limits, drawing limits and interest rate slabs in advances accounts		
g)	Changes in sanctioned limits and interest rate slabs are input timely and confirmed immediately.		
h)	Total number of input source documents (vouchers) is tallied daily with cash book/ summary report.		
<b>5</b>	<b>Process Controls :</b>		
a)	Re-opening of days is recorded and controlled.		
b)	Release of clearing effects are done timely		
c)	Release of Transfer / Clearing / Remittance transactions is done as per guidelines.		
d)	Day-End is done on the same day		
e)	Consistency check is carried out daily		
f)	TOD charges calculation / application is carried out daily		
g)	WAE charges calculation / application is carried out daily on the next working day before opening a new day		
h)	Interest calculation / application in advance account is done timely		

i)	Minimum balance charges calculation / application in SB, CD accounts is done on regular basis, as prescribed.		
j)	Folio charges calculation / application is done regularly as prescribed		
k)	Scanning / confirmation of signatures in all operative accounts is timely and up to date		
l)	Control is exercised over postings and opening of new heads in GL Sundry Deposits, Sundry Credits and Suspense Debits		
m)	Transfer book is called with transfer vouchers of the day & tallied		
n)	Transfer book total is tallied with cash-book transfer column daily.		
<b>6</b>	<b>Output Controls :</b>		
a)	Following computer reports are generated, scrutinised and available: ledgers, consistency check reports, and exceptional transactions reports, audit trails, out of order position of advance accounts and debit balances in deposit accounts.		
b)	Interest applied reports, charges applied reports – inoperative accounts, minimum balance, folio, TOD are generated and available.		
c)	Monthly jottings of all on line sub-systems, General Ledger Balances Book, Cash book , Transfer book, Scrolls, Clearing, P&L and BDS statements are generated, scrutinised, authenticated and available		
d)	Passbooks, statement of accounts, advice of drawing, debit advice etc. are generated timely and sent wherever necessary		
e)	Out-put/reports are filed chronologically, bound, stacked and available		
f)	Daily vouchers are stitched: cash, clearing & transfer scroll-wise		
<b>7</b>	<b>Backups :</b>		
a)	Backups are taken as per Systems and Procedures Manual		

b)	Backup Control Register is maintained up-to-date		
c)	One set of backups is stored off-site regularly		
d)	Backups stored in-house are safe and under dual control		
<b>8</b>	<b>Revenue Recovery Controls :</b>		
a)	Revenue is recovered correctly and on time		
<b>9</b>	<b>Balancing of books of accounts :</b>		
a)	Savings bank accounts are balanced monthly, authenticated and jottings are available.		
b)	Current Deposit accounts including Sundries are balanced monthly, authenticated and jottings are available		
c)	Cash Credit accounts are balanced monthly, authenticated and jottings are available		
d)	Overdraft accounts are balanced monthly, authenticated and jottings are available		
e)	Payslip outstandings are balanced monthly, authenticated and jottings are available :		
f)	Following Term Deposit sub – systems are balanced regularly, authenticated and jottings are available :		
g)	Short Deposits		
h)	Recurring Deposits		
i)	Fixed deposits		
j)	Monthly income certificates		
k)	Double benefit deposits		
l)	Branch Performance Report statement reflects factual position of balancing.		
m)	P&L statements are generated monthly & authenticated copies available.		
n)	Balancing of sundry ledgers is regular and branch has taken due care to wipe out Suspense Debit entries timely.		
<b>10</b>	<b>System Effectiveness :</b>		

a)	Computer training is imparted to all concerned personnel		
b)	Pass-books are issued/updated instantly		
c)	Statements of accounts are made available to customers timely		
d)	Demand drafts/ payslips are issued within the prescribed time-frame		
e)	Cash dispensation is within the prescribed time-frame		
f)	Non-cash transaction services are provided even after normal business hours		

**5) Non corporate entities-**  
**W.C. limit exceeding Rs 20 lakh- RBI Audit Report Format**

I have examined Balance Sheet of M/s.....  
as at 31<sup>st</sup> March ..... and the Profit Loss Account and the Funds  
Flow Statement for the year ended on that date, which are in agreement with  
the Books of Account maintained at the Head office at .....  
and Branch at .....

- a) I have obtained all the information and explanations which to the best of my Knowledge and belief were necessary for the purpose of my audit.
- b) In my opinion, proper books of account have been kept by the Head Office and the branches of the entity so far as appears from my examination of such books, subject to the comments given below.
- c) In my opinion and to the best of my information and according to the explanations given to me, they said accounts and funds flow statement given a true and fair view:
  - 1) In the case of the Balance Sheet of the state of the affairs of the entity as at .....
  - 2) In the case of Profit and Loss Account of the Profit /Loss of entity for the accounting year ending on .....
  - 3) Insofar it relates to the funds flow statement of the movement of funds during the year ending on that date.

Place :

Date:

SIGNATURE