

DIRECTORATE OF COOPERATIVE AUDIT: ODISHA: BHUBANESWAR.

No. VI(4)122/13 26/2 / Audit-2/ Dated:- 19/04/17

To

All Asst. Auditor General of C. S. of
Circles.

Sub:- Format for final Con-Current Audit Report
of branches of DCCB.

Ref:- Letter No. 1680 dt. 4.3.16 of this Office.

Sir/Madam,

In inviting your attention on the subject
cited above, enclosed please find herewith the Format
for preparing Final Con-Current Audit Report of branches
of D.C.C.B, under your jurisdiction with some modification
and addition in PART-III.

This may please be circulated among all auditors
with an instruction to adopt the same hence forth i.e from
the year 2016-17 and onwards. It is incumbent upon all the
Asst. A.G.C.S. of Circles to transmit the Final Con-current
Audit Reports complete in all respect by 15.5.17 after due
scrutiny at their level.

Yours faithfully,

Prabhu
Auditor General of C.S., Odisha.

Copy to All Dist. Central
Cooperative Banks C.E.O./
Secretaries.

FORMAT FOR FINAL CONCURRENT AUDIT REPORT

PART – I

1. Name of the Central Cooperative Bank :
2. Name of the Branch with address :
3. (a) Area of operation of the Branch :
(b) Date of the starting of the Branch:
(c) Name of other commercial Banks
Operating in the area of operation of
Branch:
4. Name of the branch manager with his tenure :
5. Name of the auditor with designation :
6. Authority of audit :
7. Name and designation of previous auditor :
8. Days taken for completion of audit :
9. Days taken by previous auditor for completion of audit :
10. Name and designation of other staff of the Branch & their tenure :
11. Verification at the commencement of Audit :
 - i. Cash Balance
 - ii. Postage.
 - iii. Securities if any
 - iv. Share Certificates if any
 - v. Other investments if any
 - vi. Bank balances.
 - vii. Bill if any
 - viii. Insurance coverage of Cash in Safe,
Cash in Counter, Cash in transit,
Building, Vehicles with amount
Insured for each, Policy No. and
Date of Expiry:

Observation:

N.B. : These information should be furnished first, then the information as per LFAR (PART-II) prescribed by NABARD. Lastly the audit will narrate the defects pointed out along with the suggestions if any, with reference to instruction given vide this office letter No-909 dtd-06.02.2017.

Part II

CHECK LIST FOR PREPARATION OF LONG FORM AUDIT REPORT IN CASE OF BANK BRANCHES

The following paragraphs list the matters, which the branch auditors of banks are expected to comment upon in their long form audit reports. The list is illustrative and not exhaustive.

1. ASSETS

a. Cash

Cash balances at branches and whether the same exceeded the limits fixed by H.O significantly. Does the branch hold adequate insurance cover for cash and cash in-transit? Is cash maintained in effective joint custody of two or more officials, as per instructions of the Head Office? Have the authorised officials of the bank checked the cash balances at the branch at periodic intervals?

b. Balances with Banks

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

c. Investments

Has the Branch kept money at call and short notice or purchased/ sold investments during the year? If so, whether instructions/ guidelines, if any, laid down by Head Office/Controlling Authority have been complied with? Whether the securities held in the books of the branch are physically held by it?

d. Advances

(The answers to the following questions may be based on the auditor's examination of all large advances and a test check of other advances. In respect of large advances, all cases of major adverse features, deficiencies, etc., should be reported. In respect of other advances, the auditor may comment upon the relevant aspects generally, along with instances of situations giving rise to his reservations or adverse remarks. For purposes of the above, large

advances are those in respect of which the outstanding is in excess of 1% of the aggregate advances of the branch or Rs. 1 lakh, whichever is less).

a) Credit Appraisal

(i) Whether in any cases the branch has not obtained loan applications in appropriate forms prescribed by the Head office during the year?

(ii) Has the branch complied with the procedures / instructions of Head Office regarding preparation of proposals for grant/ renewal of advances, enhancement of limits, etc.?

(iii) What are the major shortcomings in credit appraisals?

b) Sanctioning / Disbursement

i) Any cases of credit facilities having been sanctioned beyond the delegated authority or limit of the branch? Are such cases reported to higher authorities?

ii) Whether disbursements made under credit limits without complying with the terms and conditions of the sanction?

c) Documentation

i. Whether credit facilities were released by the branch without execution of all the necessary documents? If so, give details of such cases.

ii. Whether deficiencies in documentation, value of security and inspection thereof or any other adverse features such as frequent/ unauthorized overdrawn beyond limits, inadequate insurance coverage, non-registration of charge, etc. were noticed?

d) Review/ monitoring/ supervision

(i) Whether the branch followed the procedure laid down by the Head Office for periodic review of advances including periodic balance confirmation / acknowledgment of debts?

(ii) Method of charging interest in respect of agricultural advances- whether interest is capitalised and if so, at what periodicity

(iii) Are the stock/ book debt statements and other periodic operational data and financial statements, etc., received regularly from the borrowers and duly scrutinized? Is suitable action taken on the basis of such scrutiny in appropriate cases?

(iv) Indicate the cases of advances to non-corporate entities with limits beyond Rs. 1 to 10 lakh where the Reserve Bank of India guidelines with regard to compulsory audit have not been complied with.

- (v) Has the inspection or physical verification of security charged to the Bank been carried out by the branch as per the procedure laid down by the Head office? Whether securities and documents have been received and properly charged/registered?
- (vi) Has the branch identified and classified advances into Standard / Sub-standard / Doubtful/ Loss Assets in line with the norms prescribed by RBI/NABARD? (The auditor may refer to the relevant Head Office instructions for identification of non-performing assets and classification of advances).

If disagreed with the branch classification, give details of such advances with reasons.

- (vii) Whether cases where the Board or Controlling Authority has authorised legal action for recovery of advances or discontinuance of application of interest on doubtful advances or recalling of advances but no such action was taken by the branch were noticed?
- (viii) Have all irregular, sticky/ sick advances been reported to the Controlling Authority promptly? Also state whether any rehabilitation programme in respect of such advances has been undertaken, and if so, the status of such programme.
- (ix) Are appropriate claims for insurance and subsidies, if any, duly lodged and settled? If not, indicate the number of cases and the amounts involved. Also check whether the branch has credited the amounts to the concerned
- (x) Check whether the letters of credit issued by the branch are within the delegated power and whether they are for genuine trade transactions,
- (xi) Check the bank guarantees issued, whether the same have been properly worded and recorded in the register of the bank. Whether they have been promptly renewed on the due dates
- (xii) List the major deficiencies in credit supervision.

5. Other Assets

a) Stationery and Stamps

Does the system of the bank ensure adequate internal control over issue and custody of stationery comprising of security items (Term Deposit Receipts, Drafts, Pay Orders, Cheque Books, Traveller's Cheques, Gift Cheques, etc.)?

b) Suspense Accounts/ Sundry Assets and other items

(i) Does the system of the bank ensure expeditious clearance of items debited to Suspense Account? Details of old outstanding entries and the reasons for delay in adjusting the entries may be ascertained?

ii). Does the scrutiny of the accounts under various sub-heads reveal balances; which are not recoverable in the opinion of auditor and would require a provision / write-off? If so, give details thereof.

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

II. LIABILITIES

1. Deposits

- (i) Check the transactions about deposits received and repaid.
- (ii) Percentage check of interest paid on deposits, including calculation of interest on large deposits. Also check the deposits made by PACS and calculation of interest thereon.
- (iii) Whether the procedures connected with the opening of new accounts have been followed as per RBI instructions?

2. Bill payable, Sundry Deposits, etc.

- (i) The number of items and the aggregate amount of old outstanding items pending for three years or more may be obtained and reported under appropriate heads. Does the scrutiny of the accounts under various sub-heads reveal old balances? If so, give details thereof.
- (ii) Does test check indicate any unusual items in these accounts? If so, report their nature and the amounts involved.
- (iii) Check cheques returned/bills returned register and look into reasons for return of those instruments. Checking of inward and outward remittances (DDs, MTs and TTs).
- (iv) Verify cheques purchased/discounted beyond the sanctioned limit on a sample basis.

III. FOREIGN EXCHANGE TRANSACTIONS

Foreign bills negotiated under Letters of Credit (LCs), FCNR and other non-resident accounts, whether the debits and credits are permissible under the rules, whether inward/outward remittance have been properly accounted for. Ensure adherence to the guidelines issued by RBI regarding the above operations, statements to be submitted, etc.

IV. PROFIT AND LOSS ACCOUNT

- i. Has the test-checking of interest revealed excess/ short credit of material amount? If so, give details thereof.
- ii. Has the branch complied with the Income Recognition norms prescribed by RBI? (The auditor may refer to the Head Office instructions regarding charging of interest on non-performing assets).

iii. Has the test check of interest on deposits revealed any material discrepancies?

iv. Are there any divergent trends in major items of income and expenditure, which are not satisfactorily explained by the branch? If so, the same may be reported. For this purpose, an appropriate statement may be obtained from the branch manager explaining the divergent trends in major items of income and expenditure.

v. Indicate the effect of changes, if any, in accounting policies on the items of income and expenditure. (The auditor may refer to the instructions of the Head Office regarding changes in accounting policies).

V. INTERNAL CONTROLS

1. Books and Records

- Does general scrutiny of the books of accounts indicate whether the same have been properly maintained, with balances duly inked out and authenticated by the authorised signatories?
- Indicate the position relating to balancing of the books examined- maintenance and balancing of accounts, Ledgers and registers including Clean Cash and General Ledger

2. Reconciliation of Control and Subsidiary Records

Have the figures of the control and subsidiary records been reconciled as at the year-end? If not, the last date up to which such figures have been reconciled should be given under the respective heads, preferably in the following proforma:

| Head of Account | | Balance as at 31.3.... (specify date) | Reconciled upto |
|--------------------------|-----------------------------|--|-----------------|
| As per General Ledger | As per Subsidiary Ledger | | |

3. Inter-branch Accounts

a) Indicate the date upto which reconciliation in various accounts pertaining to inter-branch transactions (e.g. Demand Drafts paid/ payable) is available with the branch. A year-wise break-up of outstanding entries in the inter-branch accounts, together with a statement of the reason for their remaining outstanding and the steps being taken by the management in respect thereof, should be obtained from the management and reported in the following format :

| Year | <u>Debits</u> | | <u>Credits</u> | |
|------|----------------|--------|----------------|--------|
| | No. of entries | Amount | No. of entries | Amount |
| | | | | |

| | | | | |
|--|--|-------|--|-------|
| | | (Rs.) | | (Rs.) |
|--|--|-------|--|-------|

State each of reasons:

Statement of steps being taken by the management:

- b) Does your test check indicate any unusual entries put through inter-branch/ Head Office accounts? If so, report their nature and the amounts involved.
- c) Are long outstanding items of high value identified regularly and action taken thereon?
- d) Reconciliation of entries outstanding in the inter-branch and inter-bank accounts, Suspense Accounts, Sundry Deposits Account, Drafts Accounts, etc.

4. Frauds

Furnish particulars of frauds discovered during the year under audit at the branch, modus operandi together with your suggestions, if any, to minimise their recurrence.

5. Previous inspection/audit Reports

In framing the audit report, whether the major adverse comments arising out of the latest reports of the previous auditors, concurrent auditors or internal auditors/inspections, or in inspection report of NABARD have been considered? State various adverse features persisting in the branch though brought out in these audit/ inspection reports.

VI. MISCELLANEOUS

- a) Does the examination of the accounts indicate possible window dressing?
- b) Comment on clearing operations
- c) Details of off-balance sheet transactions and whether they are properly followed by all branches. Also comment on Non-fund based business undertaken by branch.
- d) Supervision arrangement- extent of supervision of PACS by the branch
- e) Are there any other matters, which could be brought to the notice of the management or the central statutory auditors?
- f) Auditors may themselves identify problem areas at branch level/bank and offer their suggestions to overcome them.

FINAL CONCURRENT AUDIT
(STATEMENTS TO BE ENCLOSED)

PART-III

A. Financial statement

1. Trial Balance
2. Profit & Loss Account
3. Balance Sheet

B. Statements

1. Statement showing Cash balance, postage, Bills and saleable forms etc.
2. Statement showing Cash retention beyond limit on different dates.
3. (a) Statement on DCB of Principal.
(b) Statement on DCB of Interest.
4. (a) Statement on NPA, Classification of Assets(Loans and advances only).
(b) Statement on NPA(Other Assets).
5. Statement on NPA provisioning.
6. List of Loss Assets.
7. Statement on depreciation on Assets.
8. Statement showing loan wise investment, recovery and balance.
9. (a) Statement showing periodical classification of overdue loans(Other than Cash Credit).
(b) Periodical classification of overdue on Cash Credit.
10. Statement showing bank balance and its reconciliation.
11. Statement showing reconciliation of Deposits.
12. Statement showing reconciliation of loans and advances.
13. Statement showing Bills for collection.(OBC & IBC)
14. Statement showing Debit balance in current and savings accounts.
15. List of Suspense payable account/ Sundry Creditor /Outstanding Charges Payable.
16. List of Suspense Recoverable account/ Sundry Debtors account with date of effect.
17. List of outstanding pay orders with period of outstanding (issued but not cleared).
18. Details of un-renewed cash credit A/Cs.
19. DCB of locker rent.
20. Position of legal action taken by the Bank (EP & Dispute)
21. OTS Statement
22. Statement showing no. of affiliated, indebted and defaulted Societies.
23. List of top twenty defaulters.
24. List of defaulted Govt. employees.

25. Staff position of branches.
26. Annual Budget vis a vis expenditure incurred alongwith comments of Auditor.
27. Statement of imbalance.
28. DCB on cadre fund.
29. List of Books of accounts and Registers maintained.
30. Cash & Stock Verification Report.
31. List of Audit Recoveries.
32. Xerox copies of Certified Bank balances.
33. Reconciliation statements of Bank balance, where G.L. balance is not agreed with the Bank balance.
34. Detail list of Gold Loan Accounts having balances after auction sale.

| Sl. No. | Account No. | Name of the Loanee | Date of Auction | Amount outstanding as on year ending after auction sale. |
|---------|-------------|--------------------|-----------------|--|
| 1 | 2 | 3 | 4 | 5 |
| | | | | |

NB: - (i) NPA (Other Assets):-

The amount assessed as Bad & doubtful Assets as on year ending under each head of Accounts, other than Loan & advances will be placed first under column of amount outstanding and then to be placed under NPA unsecured column and finally to be mentioned under column of Loss or Bad assets without keeping under standard Sub-standard and doubtful column.

(ii) List of Loss Assets:-

The detail list of Assets under each head of account other than Loan & Advances, assessed as bad & doubtful assets to be given.

**IMPORTANT POINTS TO BE DEALT IN THE FINAL CONCURRENT AUDIT REPORT OF
BRANCHES OF DCCB.**

| Sl. No | Particulars |
|--------|---|
| 1 | Number of defaulting societies. (Information should be furnished : Number of defaulted PACS/WCS/ECS & Other Societies out of total number of societies in that category.) |
| 2 | Excess Cash balance more than 7 days if any. |
| 3 | Whether bank accounts are reconciled periodically or not with difference. |
| 4 | Comments on SBD A/C in Post Office & Other Institutions , dormant or active. |
| 5 | Comments on non coverage of notified crops under NAIC & Insurance policy as a whole. |
| 6 | Calculation of interest subvention and records maintained thereof. |
| 7 | Maintenance of loan application register & other irregularities in sanction of loan. |
| 8 | Credit appraisal of loan application. |
| 9 | Issue of sanction order of loan. |
| 10 | Whether fair practice code has been displayed or not. |
| 11 | Maintenance of documentation register & safe keeping of documents. |
| 12 | Whether documents are properly filled up or not. |
| 13 | Operation of CC loan without renewal. |
| 14 | Insurance of Assets in case of hypothecation loans. |
| 15 | Post sanction monitoring visit. |
| 16 | Maintenance of land register. |
| 17 | Whether periodical stock statement have been obtained or not in case of hypothecated loans. |
| 18 | Whether sanction of loans are within the exposure limit or not/over drawal if any. |
| 19 | Is there any loan outstanding beyond the maturity date of FD, NSC & Others in case of Loan Against Deposit. |
| 20 | Is there any system for intimating the depositors after maturity of their deposit. |
| 21 | Amount of Gold Loan outstanding since long and action taken by bank. |
| 22 | Number of indebted societies under liquidation and amount outstanding. |
| 23 | Whether DCB Register is properly maintained or not. |
| 24 | Number of dispute and EP cases pending since long for disposal and amount involved. |
| 25 | Balancing of Accounts/Inoperative Accounts. |
| 26 | Reconciliation of Accounts. (Specify the account not balanced and the account remained unreconciled.) |
| 27 | Income leakage. |
| 28 | Interest paid & payable. |
| 29 | Interest received & receivable. |
| 30 | Sundry Debtor & Sundry Creditor. |
| 31 | Reason of loss with list of loss Assets. |
| 32 | Imbalance (Amount & Number) with names of C.S. |
| 33 | Whether separate head of Account has been maintained for computer and computer peripherals or not. |

| | |
|----|---|
| 34 | Whether Dead Stock verification has been made or not. |
| 35 | Whether Dead Stock register is maintained indicating the name of the article, date of purchase and its value. |
| 36 | Violation of KYC, AML & CFT principles if any. |
| 37 | Maintenance of Complaint register. |
| 38 | Outstanding amount for more than 3 years in case of Suspense Recoverable & Branch Adjustment A/C. |
| 39 | Payment of premium to DICGC in time or not. |
| 40 | Mini Bank deposit with DCCB. Whether it is more than 92.50 % of the Deposits tapped by Mini Bank. |
| 41 | Monthly review of Sundry Creditor and Sundry Debtor. |
| 42 | Submission of controlled returns . |
| 43 | Violation of BR Act, RBI Act, OCS Act & Rules and Other Laws. |
| 44 | Board members from defaulted societies and non borrowing societies. |
| 45 | Periodic Branch inspection/society visit . |
| 46 | Whether monthly Trial Balance is prepared or not. |
| 47 | Frauds if any. |
| 48 | Appointment of staff if any along with its mode of appointment and salary structure. Is there any irregularities. |
| 49 | Disciplinary action taken against the employees of the Bank and procedural irregularity in disposal of the same & its present status. |
| 50 | Observations of auditors on software adopted by Bank. Specify if it is performing properly so as to cater to the actual need. |
| 51 | Comment on NPA. |
| 52 | Third party Cheques/ Bills/Drafts-violation of guideline of RBI (No-18/07.38.23/2009-10/6.9.2009) |
| 53 | Comment on off Balance Sheet items if any. |
| 54 | Comment on KCC. |
| 55 | MIS. |
| 56 | Inspection. |
| 57 | Staff Deposits. |
| 58 | Internal control. |
| 59 | Staff Advances. |