

If data is not shared however has allowed auditor to use the bank system to perform analysis on the data generated at the bank while allowing auditor to take the screenshots of the final analysis:

Prompt




I have analysed branch data using Excel formulas and functions on the branch manager's system. I am providing screenshots of the output containing key financial and transactional data related to advances, NPAs, and compliance checks. Please analyse the screenshots and identify anomalies, patterns, or potential Early Warning Signals (EWS) as per RBI guidelines. Highlight any irregularities in loan repayment trends, frequent loan renewals, quick mortality NPAs, incorrect interest rate applications, or documentation deficiencies. Also, suggest any further tests or insights that could help refine my observations for LFAR compliance. Don't generate the data which is not available in the information provided by me. Instead you may further suggest what information you need to continue with the missing information.

- Ensure that column headers and key numbers in the screenshots are clear.
- Capture details such as overdue accounts, interest application, stock audits, valuation reports, and NPA movements.
- Provide a brief description of the context of each screenshot (e.g., "This screenshot shows the list of loans where interest rates were manually adjusted").





If neither data is shared nor is allowed to be captured as screenshots:

DATA POINTS TO CAPTURE FOR ANALYSIS





1. Loan Account Details

-  Sanction Date & Disbursement Date
-  Loan Type (Term Loan, CC, OD, etc.)
-  Loan Amount Sanctioned vs. Outstanding





2. Interest & Repayment Analysis

-  Interest Rate Applied (vs. Sanctioned Rate)
-  Frequency of Interest Rate Changes
-  EMI / Instalment Amount vs. Actual Payments Made
-  Delays in Payment (Days Past Due – DPD)






3. NPA & SMA Classification

-  Account Status (Standard, SMA-0/1/2, NPA – Substandard/Doubtful/Loss)
-  Date of Classification as NPA/SMA
-  Restructuring Date (if applicable)
-  Movement between classifications (Upgrades/Downgrades)

4. Credit Review & Monitoring


-  Stock Statement Submission Status (Timely/Delayed/Not Submitted)
-  Latest Financial Statement Submission (Y/N, Date of last available)
-  Due Diligence Report Status (Available/Missing)
-  Security Valuation Report Date & Value

5. Early Warning Signals (EWS)

-  Frequent Overdrawing beyond Sanctioned Limits
-  Quick Mortality Cases (NPA within 12 months)
-  Repeated Loan Rollovers/Renewals
-  Continuous Decline in Credit Rating
-  Unusual Transactions (e.g., large cash deposits, sudden withdrawals)

ADVANCES-RELATED DOCUMENT INFORMATION


1. Sanction Letters & Loan Agreements

-  Compare sanctioned terms with system implementation (interest rate, tenure, EMI).

2. Stock & Book Debt Statements

-  Check for missing, inconsistent, or outdated statements.


3. Charge Registration & Security Documentation

-  Verify that charges on collateral are properly registered and up to date.

4. Valuation Reports of Securities





-  Compare past and current valuations to detect major drops in security value.

5. Audit Reports & Inspection Findings




-  Note any past remarks on advances-related irregularities.

SYSTEM FIELDS TO NOTE WHILE OBSERVING DATA




1. Account Master Fields

-  Account Status (Standard, SMA, NPA)
-  Last Renewal Date & Next Renewal Due Date
-  Interest Rate Field (Manually entered or system-generated?)
-  Borrower Rating (Internal and External)




2. Transaction Monitoring Fields

-  Overdraft Limit vs. Utilization
-  Loan Repayment History (Missed EMIs, Partial Payments)
-  Unusual Adjustments (Reversal of Charges, Interest Waivers)

3. Collateral & Security Details

-  Security Type (Movable, Immovable, Bank Guarantees)
-  Latest Valuation Report Date & Amount
-  Lien Marking (Properly done or missing?)

4. Provisioning & Recovery Fields

-  Provision Amount Allocated (Adequate as per RBI norms?)
-  Legal Action Status (Filed/Pending/Not Initiated)
-  IBC Process Status (Initiated or overdue for initiation?)

PROMPT FOR SHARING MANUAL NOTES WITH GEN AI Ex. ChatGPT

Prompt

"I have manually noted key observations from the branch's system and documents. The notes include loan account details, repayment history, interest rate anomalies, NPA classification movements, stock and financial statement submission status, security valuation changes, and instances of repeated rollovers or irregular transactions. Based on these details, please analyse and identify patterns, anomalies, potential Early Warning Signals, and any compliance issues as per RBI guidelines for LFAR reporting. Highlight any areas requiring further scrutiny and provide insights into risk factors for asset quality assessment."

Output (that may be expected)

When the auditor provides the structured data, observations, and system field notes, it may generate the following outputs to assist in **forming an opinion for LFAR** and assessing the **overall quality of advances**:

1. Anomaly Detection & Red Flags

- ✔ Identifying accounts with **incorrectly applied interest rates** or **frequent rate changes**.
- ✔ Highlighting **frequent rollovers, evergreening, and quick mortality NPAs**.
- ✔ Detecting **missing stock statements, financials, or overdue account reviews**.
- ✔ Flagging **discrepancies in security valuation, charge registration, or lien marking**.
- ✔ Identifying **accounts upgraded from NPA to Standard without valid justification**.

2. Early Warning Signals (EWS) as per RBI Guidelines

- ✔ Highlighting accounts with **frequent unauthorized overdrawings**.
- ✔ Identifying cases of **non-receipt of stock and debt statements**.
- ✔ Detecting **sudden large withdrawals or unusual transactions**.
- ✔ Flagging accounts where **DP calculations seem manipulated**.
- ✔ Identifying any **downward trend in borrower credit ratings**.

3. Compliance & Documentation Gaps

- ✔ Identifying **cases where sanction conditions were not adhered to**.
- ✔ Highlighting **advances sanctioned beyond discretionary powers**.
- ✔ Listing **accounts where stock audits were required but not conducted**.
- ✔ Flagging **missing due diligence reports in consortium/multiple banking cases**.
- ✔ Identifying accounts where **valuation reports are outdated or missing**.

4. Provisioning Adequacy & Asset Quality

- ✔ Verifying whether **NPA classification aligns with system-generated reports.**
- ✔ Assessing whether **provisioning follows RBI norms** and if any shortfall exists.
- ✔ Identifying accounts where **IBC proceedings were required but not initiated.**
- ✔ Detecting **incorrect classification of accounts under SMA/NPA.**
- ✔ Providing an overall **branch-level asset quality rating** based on trends observed.

5. Summary for LFAR Reporting

- ✔ Providing a **structured draft** of key LFAR responses, including:
 - ✔ **Advances with significant adverse features.**
 - ✔ **Major deviations from sanction terms.**
 - ✔ **Cases of non-compliance with RBI norms.**
 - ✔ **Instances requiring management's urgent attention.**
- ✔ Offering **recommendations** for risk mitigation and process improvements.

Final Output for Auditor's Use:

1. **Detailed analysis of anomalies & risk indicators.**
2. **List of EWS accounts needing closer monitoring.**
3. **Provisioning shortfall & NPA classification accuracy report.**
4. **Draft summary of LFAR findings for direct incorporation.**
5. **Final branch-level opinion on credit quality, risk, and compliance gaps.**