BANK AUDIT 2022 – NON PERFORMING ASSETS - 24.03.2022

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Highlights of Attention of IRAC – From Bank Branch Audit Angle

1. Please refer the following RBI Circulars applicable for the Audit

a. Master Circular issued by RBI replacing Existing Circular issued on 1.7.2015

RBI/2021-2022/104 DOR.No.STR.REC.55/21.04.048/2021-22 dt October 1, 2021

b. Clarification circular issued to Master Circular dt 1.10.2021
RBI/2021-2022/125 DOR.STR.REC.68/21.04.048/2021-22 dt November 12, 2021

c. Clarification circular issued to Master Circular dt 1.10.2021
RBI/2021-2022/158 DOR.STR.REC.85/21.04.048/2021-22 dt February 15, 2022

2. An Account becomes NPA – More than 90 days **from the of the Due date of loan**
Example to calculate more than 90 days

Due Date	*Overdue from due date	90 Days working	90 days ends on	NPA Date
05.08.21	05.08.21	1(due date)+ 26(A)+ 30(S)+31(O)+2(N) = 90 days	02.11.21	03.11.21
04.06.21	04.06.21	1(due date)+26(J)+ 31(J)+31(A)+1(S)	01.09.21	02.09.21

*Please refer RBI/ 2021-2022/125 DOR.STR.REC.68/ 21.04.048/2021-22 dt November 12, 2021 (Para B -Point 4 Example)

3. The Auditor has to give separate certificate for the Classification for Special Mentioned Accounts i.e SMA 0 (upto 30 days) / SMA 1 (31 days to 60 days) / SMA 2 (61 days to 90 Days)

SMA	Applicable
SMA 0	Term Loan and not for CC
SMA 1	TL+CC
SMA 2	TL+CC

4. The Term "Overdue" is applicable for Term Loan and "Out of Order" is applicable for Cash Credit Loans
5. IRAC Classification are Standard / Substandard/Doutbtful/Loss Assets

6. Provisioning has to be made according to IRAC Classification
7. Any Loans due/sanctioned on or after 01.01.2022 will be treated as **"Standard" – NPA Cut off date. – 01.01.2022**

Due Date	***Overdue from due date**	**90 Days working**	**90 days ends on**	**NPA Date**
01.01.22	01.01.22	1(Due date)+30(J)+ 28(F)+31(M)	31.03.22	01.04.22
31.12.21	31.12.21	1(Due date)+31(J)+ 28(F)+30(M)	31.03.22	31.03.22

Please Refer Para 2 above

8. Upgradation of NPA account is possible only when the borrower paid the "Full amount" (Principle and Interest) due on the date of Upgradation.
9. The principle of arriving of NPA differs between Term Loan and Cash Credit Loan
10. Every thing is based on the Sanction letter – To arrive at No of Dues and Due date of instalment
11. NPA has to be calculated on "Borrowerwise" and not on "Facility wise"
12. Eliminate "unrealised interest" (URI)from the Interest when an account becomes NPA for the First time.

Particulars	**URI – Method 1**		**URI – Method 2**		**URI – Method 3**	
	2020-21 Rs.	**2021-22 Rs.**	**2020-21 Rs.**	**2021-22 Rs.**	**2020-21 Rs,**	**2021-22 Rs,**
Intt debited from April to March	48070	53078	48070	53078	48070	53078
Genuine credit from April to March	22640	30440	22640	85040	54080	30440
Deficit - URI	25430	22638	25430	--	--	22638
Surplus	--	--	--	31962	6010	--
URI to be deducted from Interest		48068		0		22638

Note: Surplus of 2021-22 one can adjust against deficit of 2020-21 and not vice versa.

13. No further interest has to be charged after that account becomes NPA, but the same can be kept in shadow balance of the Party account
14. Identification of NPA date is important – it can be on any date and need not be on month/qtr/HY/ Year end
15. Erosion in Property Value calculation : If the revised value of the property falls between 10% to 50% to the original value , then that account has to be

classified as "Doubtful 3" . If the revised value of the Property is less than 10% to the Original value, then that account has to be classified as "Loss Assets"

16. IRAC norms are not applicable for the Guarantees given by Central government but are applicable for State Government guarantees
17. NPA norms are not applicable upto the value of Deposits/NSC/NSS/IVP
18. For Direct Agricultural Advances an account will become NPA, if the dues have not been paid in Two Crop season from the end of the due date in case of Short term Crop and in One crop season in case of Loan term Crop.

    Crop Season and Due date of the loan you have to take from Sanction letter . Calculate Crop season after the Due date

Agriculture : Short Term Crop (Crop period is less than One year)

Crop Season	Due Date	Two Crop season	Pay on or before	NPA Date
22.3.2016 to 18.10.2016	31.10.2016	22.3.2017 to 18.10.2017 22.3.2018 to 18.10.2018	18.10.2018	19.10.2018
10.11.2017 to 05.06.2018	25.06.2018	10.11.2018 to 05.06.2019 10.11.2019 to 05.06.2020	05.06.2020	06.06.2020

Agriculture : Long Term Crop (Crop period is More than One year)

Crop Season	Due Date	One Crop season	Pay on or before	NPA Date
5.8.2018 to 6.9.2019	15.9.2019	5.8.2020 to 06.09.2021	06.09.2021	07.09.2021
13.4.2020 to 22.7.2021	15.8.2021	13.4.2022 to 22.7.2023	22.07.2023	23.07.2023

Disclaimer: The points here I prepared according to my understanding based on my experience and Reference to RBI circulars. I am not responsible for any wrong understanding . Please refer RBI Master circulars and other records and decide the Matter..

All the Best for your Successful Bank Audit – For Further clarification please call 7708404440 – or mail to vanakkamaudit@gmail.com