

PRACTICAL APPROACH ON STATUTORY BANK AUDIT

COMMENCEMENT OF AUDIT

PLANNING THE AUDIT

- ◆ **Communication with previous auditor.**
- ◆ **Accept the assignment.**
- ◆ **Depute the Audit team.**
- ◆ **Check the Deadline of Audit and allocation of time between the branches allotted.**
- ◆ **Obtained management representation letter from branch as prescribed in guidance note.**

PLANNING THE AUDIT

- * Prepare Audit Program**
- * Obtained closing Circulars and instructions received from the Bank;**
- * Maintain working paper file for each branch.**

What's New This Year

- * **Latest RBI Circulars**
- * **REVISED LFAR DATED 05/09/2020, many amendments and need more time**
- * **Certificate on Internal Financial Control**
- * **Restructuring of Advances**
- * **Revised Definition of MSME**
- * **Supreme Court order dated 23rd march 2021**
- * **Funded Interest Term Loan.(FITL)**

Latest Circular of RBI

- * COVID19 Regulatory package _ assets classification and Provisioning dated 17/04/2020**
- * COVID-19 Regulatory Package—Review of Resolution Time lines under the Prudential Framework on Resolution of Stressed Assets dated 17/04/2020**
- * Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances - Projects under Implementation dated April 17,2020**
- * Loans against Gold Ornaments and Jewellery for Non-Agricultural End-uses dated August 6, 2020.**

Latest Circular of RBI

- * Micro, Small and Medium Enterprises (MSME) sector- Restructuring of Advances dated January 1, 2019**
- * “Micro, Small and Medium Enterprises (MSME) sector – Restructuring of Advances” dated August 6, 2020**
- * Prudential Framework for Resolution of Stressed Assets dated June 7, 2019**
- * COVID-19 Regulatory Package dated March 27, 2020**
- * Resolution Framework for COVID-19-related Stress-Financial Parameters” dated September 7, 2020**

Latest Circular of RBI

- * **Credit flow to Micro small and medium enterprises sector dated 02/07/2020:**
- * **Resolution Framework for COVID19-related stress dated 06/08/2020**
- * **Ad-hoc/short Review /Renewal of Credit Facilities dated 21/08/2020. Ask board approved policy /loan policy**
- * **RBI/2019-20/216 DoR. NBFC (PD).CC.No.110/03.10.001/2019-20 dated April 17,2020 on “Prudential Norms on Income Recognition, Asset Classification and Provisioning Pertaining to Advances - Projects under Implementation”**

Certificate on Internal Financial Control

- * Under sec 143(3)(i) of Companies Act 2013**
- * An Auditor of the Company is required to state in his audit report**
- * Whether the company has adequate internal financial control system in place and**
- * The operative effectiveness of such controls.**
- * It was first introduced for all Companies in the 1st Phase,**
- * Later this became applicable in all the Public Sector Banks from this year.**

IFC- Points to be Verified

- * Look into the internal controls in place at branch level,**
- * House keepings issues**
- * further in case of any deficiencies both related to IT and other operational issues at Branch,**
- * report appropriately in the Long Form Audit Report as well as in the IFC reporting at the branch reporting to the extent possible.**

Restructuring of Advances

- MSME accounts that have become stressed, to permit a one-time restructuring of existing loans to MSMEs classified as 'standard' without a downgrade in the asset classification, subject to the following conditions:
 - i. The aggregate exposure, including non-fund based facilities, of banks and NBFCs to the borrower **does not exceed Rs.25 crore as on March 1, 2020.**
 - ii. The Borrowers account was in "Default" but was a **Standard Asset as on 1st March, 2020.**
 - iii. Restructuring must be **implemented by 31st march, 2021.**
 - iv. Borrowing Entity is **GST Registered** on the date of implementation of Restructuring.
 - v. GST Registration is not mandatory to unit that are exempted to GST Registration.
 - vi. **All the accounts which have been slipped to NPA between 2nd March, 2020 to Date of Implementation of Restructuring will be classified as Standard Asset.**
 - vii. **Additional Provision of 5% .**



RESTRUCTURING/RESHEDULEMENT /REPHASEMENT- DIFFERENCE

Restructuring of Loans

Restructuring of loans means

- * changing the type or structure of the existing loan**
- * to help the borrower improve their current cash flow.**
- * An example of this can be converting an CC/overdraft into term loans.**
- * Restructuring is more of a prominent change in the terms and conditions of the existing loan when compared to rescheduling.**
- * Borrower may also incur additional administrative and legal cost on top of the usual interest charges.**

Rescheduling of Loans

Rescheduling of loans means original arrangement for repayments is altered

- * to extend or add extra time to your existing loan tenure,
- * resulting in a revision of your monthly instalment amount
- * so that you may be able to pay a lesser amount each month.
- * This can help the borrower buy some time to adjust the repayment plan and
- * also not default on their loans.
- * But this could result in the borrower paying more in interest as they will have to service the loan for a longer time.
- * On the other hand, restructuring of loans means changing the type or structure of the existing loan to help the borrower improve their current cash flow.
- * It must be **With the permission of Higher authority**

Rescheduling Vs. Rephasement of Repayment Schedule

- * Rescheduling and Rephasement of Repayment Schedule are interchangeably used and also inter linked with each other.**
- * But there is a little difference between these two terms in practice.**
- * Loan Rescheduling are mostly performed by Higher Authorities i.e. by Zonal Office or Regional Office as the case may be.**
- * Bank Manager has no authority to reschedule any loan.**
- * Also Loan Rescheduling is done in case of Loans having high exposures.**
- * Whereas the Rephasement of Repayment Schedule is done at Branch incharge itself by recording the facts and reasons for rephasing of repayment schedule.**

Revised Definition of MSME

- * **Micro : Plant and machinery up to 1 crore + turnover up to 5 crore.**
- * **Small : Plant and machinery up to 10 crore +turnover up to 50 crore.**
- * **Medium : Plant and machinery up to 50 crore +turnover up to 250 crore.**

Other Points : MSME

- * Value of P&M as per last audited balance sheet.(excluding GST)**
- * In case of new unit , self declaration of promoter (for value of P&M) is enough till the date of next 31st march 2021.**
- * Turnover **excludes** export turnover**

SUPREME COURT INTERIM ORDER

- **The Hon'ble Supreme Court has, by its Interim Order dated 03rd September 2020**
- **directed that accounts which were Not Declared NPA till 31/08/2020**
- **shall not be declared NPA till further order.**
- **But no words for provision ...**

SUPREME COURT FINAL ORDER DATED 23/03/2021

- * NO COMPOUND INTT ON LOAN (irrespective on quantum)
- * No intt waiver
- * No extension in moratorium period .
- * Account may be NPA After 31/08/2020

BURNING ISSUE

- * LIMITED REVIEW OR**
- * SHORT REVIEW OR**
- * TECHNICAL REVIEW OR**
- * BY ANY NOMENCLATURE.**

GUIDANCE NOTE ON BANK AUDIT- LIMITED REVIEW/ RENEWAL

- * Regular and ad hoc credit limits need**
- * to be reviewed/ regularized not later than three months from the due date/date of ad hoc sanction.**
- * In case of constraints such as non-availability of financial statements and other data from the borrowers, the branch should furnish evidence to show that renewal/ review of credit limits is underway and would be completed soon.**
- * In any case, delay beyond six months is not considered desirable as a general discipline.**

GUIDANCE NOTE ON BANK AUDIT- LIMITED REVIEW/ RENEWAL

- * Hence, an account where the regular/ adhoc credit limits have not been reviewed/ renewed within 180 days from the due date/ date of adhoc sanction will be treated as NPA.**
- * It would be pertinent to note that the counting of 180 days would be required to be done from the date of original due date for renewal and not from the date of expiry of short reviews / technical reviews**
- * Page number 392 point 11.281(d)**

RBI CIRCULAR ON SHORT REVIEW

- * As per RBI Circular dated 21st August 2020 on Adhoc / short review / renewal of credit facilities expected to have a**
- * detailed Board Approved Policy**
- * on Methodology and Periodicity of Renewal/Review.**
- * Bank should avoid frequent and repeated Adhoc/Short Review/Renewal without reasonable justification.**

BANK IN PCA (Prompt Corrective Action) FRAME WORK

- * Indian Overseas Bank**
- * UCO bank**
- * Central Bank of India**



NOW START THE ADUIT

PRE AUDIT REVIEW

- * Size of the Branch**
- * Total business**
- * Total Advances**
- * Types of Advances**
- * No. of Advance Accounts**
- * Amount and % of NPA**

UPDATE BEFORE THE EXECUTION

- * Latest Internal Audit report**
- * Concurrent Audit report**
- * RBI inspection report**
- * Last year's Statutory– LFAR audit report**
- * RBI Master circular**
- * Closing circular**

Most Important document to be obtained

- * Stock Audit Report**
- * Forensic Audit Report of All NPA accounts having bank exposure of Rs. 50 Crore or more.**
- * List of accounts of MSME which are restructured after during the year.**
- * Minute of consortium meeting**
- * Preparation of annexure of LFAR for Large Advances by bank staff**
- * Print out of ledger of all large term loan from date of sanction to till date.**
- * Sanction letter of all large accounts.**
- * List and status of red flag accounts.**

Red Flag Accounts

- * The **red-flag account** concept was
- * introduced by the RBI
- * To get banks to act on early warning signals,
- * Once an **account** is **red flagged**, banks are mandated to complete its forensic audit within six months and
- * decide whether it is fraudulent or not

Example of Early Warning System

Some wrong doings in the loan accounts which may turn out to be fraudulent :

There are indicative list of 45 items of EWS given by RBI in the following link

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=9713&Mode=#AP1>

VERIFICATION OF ADVANCES

SELECTION OF THE ADVANCES A/C

- * LFAR Requirement :
- * All large advances of the branch and random selection of advances :-
 - * Large advances are those :
 - * Outstanding amount is in excess of 10% of **outstanding advances of the branch** **or**
 - * **RS. 10 crore**
 - * **Whichever is lower**

SELECTION OF THE ADVANCES A/C

- * Major accounts identified as NPA**
- * Irregular accounts likely to be NPA. (SMA 2)**
- * Accounts adversely commented by concurrent/ internal/ inspection**
- * Fraud A/c, erosion in value of security etc.**
- * Red flag accounts.**
- * Complete List of accounts examined during the audit will be provide in LFAR**

Required comment on Selected advances : LFAR NEW POINT

- * For all accounts above the 10%/10cr limit
 - * the **transaction audit** is required
 - * account specific details to be seen and commented,
- * For other selected accounts , the process needs to be checked and commented upon.
- * Comments of the branch auditor on **advances with significant adverse features**, which might need the attention of the management / SCA , should be appended to the LFAR.
- * Comment on adverse features considered significant in **top 5 standard large advances** and which need management's attention.

ROUTINE CHECKING IN ALL ADAVANCES

Quick Mortality: LFAR new Point

- * **Quick Mortality accounts are defined as:**
- * **Loan accounts which become NPA within 1 year of original Sanction or first disbursement, &**
- * **In case of housing loans: within one year of date of commencement of installment.**

Rate of Interest : LFAR NEW POINT

- * Applicable Interest rate is correctly fed into the system?**
- * The interest rate is reviewed periodically ,as per the guidelines applicable to floating rate loans linked to MCLR / EBLR? (External Benchmark Lending Rate)**

TYPE OF CREDIT RATING

- * **INTERNAL RATING : For all advances**
- * **EXTERNAL RATING : For advance more than the limit prescribed by the bank in their respective credit/loan policy. (Normally say 5 crore and above)**
- * **If External credit rating is not found for eligible borrower account , it seems not compliance of terms of sanction and penal in it with be charged.**
- * **There are 6 credit rating companies in India namely CARE , CRISIL, FITCH, ICRA, BRAICKWORK AND SMERA**

Credit Rating : LFAR NEW POINT

- * Whether correct and valid credit rating if available, of the credit facilities of bank's borrowers**
- * From RBI accredited Credit Rating Agencies has been fed into the system?**

OTHER POINTS

- * **Cases of frequent renewal / rollover of short-term loans.**
Details of such accounts
- * **Did the bank provide loans to companies for buy-back of shares/securities?**
- * **If the branch has any red-flagged account**
 - * **and any deviations were observed**
 - * **related to compliance of bank's policy**
 - * **will be inform in LFAR**

VALUE OF SECURITY

- * Whether there is a substantial deterioration**
- * in value of security**
- * during financial year**
- * as per latest valuation report**
- * in comparison with earlier valuation report on record**
- * will be informed through LFAR.**

Due Diligence Report : LFAR NEW POINT

- * Does the branch have on its record,**
- * A due diligence report in the form and manner required by the Reserve Bank of India**
- * In respect of advances under consortium and multiple banking arrangements.**
- * Give the list of accounts where such certificate/report is not obtained or not available on record.**
- * In case, the branch is not the lead bank, copy of certificate/report should be obtained from lead bank for review and record**

Due Diligence Report: 4 RBI Circular

- * Required in all Borrowers who are enjoying multiple/consortium credit facility .**
- * Due diligence by whole time practicing CS,**
- * Alternatively by CA/CMA**

VERIFICATION OF ADVANCES - cash credit account

- * Renewal**
- * Balance Confirmation**
- * Audited Accounts obtained and verified.**
- * Stock as per Balance Sheet – Statement**
- * Insurance**

VERIFICATION OF ADVANCES - Cash Credit Account

- * Credit sum(DP wrongly calculated / debtors are old)
- * Ad-hoc/short Review /Renewal of Credit Facilities: **RBI Circular dated 21/08/2020. Ask board approved policy /loan policy**
- * Only Interest serving account
- * Regular TOD Habit
- * Unit visit
- * Revenue leakage
- * CA certified debtors statement

Review / Monitoring / Supervision: LFAR NEW POINT

- * Is the **DP** properly computed?
 - * **STOCK STATEMENT NOT RECEIVED**
 - * **LEVEL OF CREDITORS ISSUE**
- * Latest **audited** financial statements are obtained for accounts reviewed or renewed
- * cases where stock audit was required but was not conducted
- * where **stock audit** was conducted but no action was taken on adverse features
- * Indicate the cases of advances to non-corporate entities with limits **beyond that is set by (i.e. 10/25 lakhs)** the bank where the branch has not obtained the duly audited accounts of borrowers.

Asset Classification, Provisioning of Advances and Resolution of Stressed Assets

- * Branch identified and classified advances into standard / substandard / doubtful / loss assets through the computer system, **without manual intervention?**
- * Classifying the account into **SMA-0, SMA-1, and SMA-2**. Whether Auditor disagrees with the branch classification, details with reasons to be given
- * SMA-0 means Accounts overdue upto 30 days.
- * SMA-1 means Accounts overdue between 31 to 60 days.
- * SMA-2 means Accounts overdue between 61 to 90 days.

Resolution of Stressed Assets - LFAR New Point

- * Branch complies with**
- * the regulatory stance for resolution of stressed assets,**
- * compliance with board approved policies,**
- * tracking/reporting of defaults.**

How to Check

- * To enquire about account that has exposure of Rs.2000 Crore and above**
- * -If yes, ensure prompt reporting under CRILC (Central Repository of Information on Large Credits).**
- * -To report in case such account is under SMA category for 180 days continuously.**

VERIFICATION OF ADAVANCES- Term Loan Accounts

- * Deed of mortgage / hypothecation is obtained.**
- * Valuation report of machineries , Building is obtained from the Bank's panel valuer in case of standard as well as NPA accounts.**
- * Properties mortgage are adequately insured .**
- * Charges Created with ROC .**

VERIFICATION OF ADVANCES – Bills purchased

- **USSANGE BILL: just like hundi...NPA after 90 days from due date of payment.**
- **SITE BILL(Bank bilty)**
 - **Document will release after payment**
 - **Verification is required if the party does not arrive to take the documents in reasonable time.**
 - **Normally secured loan but may be converted into unsecured.**

VERIFICATION OF ADVANCES – Bills discount

- **Its panic issue in some banks**

NON PERFORMING ASSETS

DEFINATION OF NON-PERFORMING ASSETS (NPA)

- **An asset becomes non-performing when it ceases to generate income for the bank.**
- **A non-performing asset (NPA) is defined generally as a credit facility where**
 - **Interest and / or installment of principal remain overdue for more than 90 days in respect of a term-loan.**
 - **In respect of overdraft/ cash credit (OD/ CC): The account remains 'out of order' for more than 90 days,**

DEFINATION OF NON-PERFORMING ASSETS (NPA)

- **The bill remains overdue for more than 90 days in the case of bill purchased and discounted.**
- **Interest and / or installment of principal remains overdue for two harvest seasons, but for a period not exceeding two half years in the case of an advance granted for agricultural purposes.**
- **any amount to be received remains overdue for more than 90 days in respect of other accounts.**

CHANGES IN COVID SCENARIO

- .
- **So, Total Moratorium Granted by RBI is 5 months i.e. till 31st August, 2021.**
- **CUT OFF DATE FOR NPA WILL BE 30th NOV,2019.**

INCOME RECOGNITION

- **The policy of income recognition has to be objective and based on the record of recovery. income from NPA is not recognized on accrual basis but is booked as income only when it is actually received.**
- **Therefore, the banks should not charge and take to income account interest on any NPA.**
- **This will apply to Government guaranteed accounts also**

GOVERNMENT GUARANTEED ACCOUNT

- **CENTRAL GOVT GUARANTEED ACCOUNTS**

Such accounts are classified as NPA only if the central government rejects its guarantee when invoked.

Normally Central Govt. Guaranteed Accounts are classified as Standard.

If such account is overdue for more than 90 days, then No interest will be charged in such account.

This exemption is not available to accounts backed by state government guarantees.

ASSET CLASSIFICATION

- * **Categories of NPAs**
- * **Substandard Assets**
- * **Doubtful Assets**
- * **Loss Assets**

Substandard Assets

- **A substandard asset would be one,**
- **which has remained NPA for a period less than or equal to 12 months.**

Substandard Assets

- **A substandard asset would be one,**
- **which has remained NPA for a period less than or equal to 12 months.**

Doubtful Assets

- **an asset would be classified as doubtful if**
- **it has remained in the substandard category for a period of 12 months.**

Loss Assets

A loss asset is one where loss has been identified

- **by the bank**
- **or internal auditor**
- **or external auditors**
- **or the RBI inspectors**
- **but the amount has not been written off wholly.**

Accounts regularised near about the balance sheet date

- **The asset classification of borrowal accounts where**
 - **a solitary or a few credits are recorded before the balance sheet date**
 - **should be handled with care and without scope for subjectivity.**
 - **Where the account indicates inherent weakness on the basis of the data available,**
 - **the account should be deemed as a NPA.**
 - **In other genuine cases, the banks must furnish satisfactory evidence to the Statutory Auditors/Inspecting Officers about the manner of regularisation of the account to eliminate doubts on their performing status.**

CONSORTIUM ADVANCES

Classification of such advances should be based on record of recovery by each member Bank.

OTHER ISSUE

- * **NPA norms must be borrower wise.**
- * **Income recognition is based on recoveries, net worth of the borrower/ guarantor is irrelevant.**
- * **Outstanding's in devolved L/Cs / Invoked B/G**
If parked in a separate account, same should be clubbed with o/s in CC account for determining asset classification.
- * **Date of NPA is more important**

DCCO

*** Date of commencement of commercial operations (DCCO) to be spelt out at the time of financial closure.**

□ Deferment of DCCO/consequential shift in repayment schedule for equal or shorter duration (including start/end date of revised repayment schedule) will not be treated as restructuring provided:

(a) Revised DCCO falls within a period of 2 years and 1 year from original DCCO stipulated at the time of financial closure for infrastructure/non-infrastructure projects respectively (including commercial real estate projects)respectively and

(b) All other terms and conditions of the loan remain unchanged.

□ As such project loans will be treated as standard assets in all respects, they will attract standard asset provision of 0.40 %.

Projects under implementation- project loans deferment of DCCO

Banks can extend DCCO For infrastructure projects

up to additional 2 years (Addl. 2+ original 2 years) in case delays are due to court /arbitration cases

up to additional 1 year (Addl. 1+ original 2 years) in case delays are due to factors beyond control of promoters.

For non infrastructure projects (other than commercial real estate exposure)

up to additional 12 months (Addl. 1 year + original 1 year

Projects under implementation- project loans deferment of DCCO

•In cases where there is moratorium for payment of interest, income should not be booked on accrual basis beyond the 2 years/1 year from original DCCO, considering high risk involved in such accounts

□ Mere extension of DCCO will not be treated as restructuring, even if all other terms and conditions remain the same. Application for extension of DCCO to be received before expiry of 2 years/1 year from original DCCO and when account is still standard as per record of recovery.

*** Projects under Implementation**

Infrastructure sector	Provisions to be made for standard accounts
If revised DCCO is within 2 years from the original DCCO	0.40%
If revised DCCO is extended beyond 2 years and up to 4 years /3 years from the original DCCO- project loans restructured	5% from date of restructuring till the revised DCCO or 2 years from date of restructuring, whichever is later
Non infrastructure sector	
If revised DCCO is within 1 year from the original DCCO	0.40%
If revised DCCO is extended beyond 1 year and up to 2 years from the original	5% from date of restructuring for 2 years

Projects under implementation- project loans deferment of DCCO

•In case of infrastructure projects under implementation, where Appointed Date (as defined in the concession agreement) is shifted due to inability of Concession Authority to comply with the requisite conditions, change in DCCO need not be treated as ‘restructuring’, subject to:-

- a) The project is an infrastructure project under PPP model awarded by a public authority;**
- b) The loan disbursement is yet to begin;**
- c) The revised DCCO is documented and**
- d) Project viability has been reassessed & sanction from appropriate authority obtained.**

Projects under implementation - project loan change in ownership

•To facilitate revival of projects stalled primarily due to inadequacies of current promoters, if a change of ownership takes place before original DCCO, banks may permit additional extension of DCCO up to 2 years, without any change in AC.

In cases where change in ownership/extension of DCCO takes place before original DCCO, and if project fails to commence commercial operations by extended DCCO, project eligible for further extension of DCCO in terms of earlier guidelines. Holds good when change in ownership/extension of DCCO takes place during period quoted earlier.

Projects under implementation- project loans change in ownership- conditions

•Banks to be satisfied that implementation was affected primarily due to inadequacies of current promoters /management & with a change in ownership there is good probability of CCO within extended period;

□ New promoters to own at least 51% of paid up capital of acquired project. If new promoter is a non-resident (NR), and in sectors where ceiling on FDI is less than 51%, new promoter to own at least 26% of paid up capital or up to applicable FDI limit, whichever is higher; bank to be satisfied that with this stake, new promoter controls management of project;

□ Intra-group business restructuring of project by other entities belonging to existing promoter will not qualify for this facility.

Projects under implementation- project loans change in ownership- conditions

• AC of account as on 'reference date' would continue during extended preference date is date of execution of preliminary period. binding agreement (PBA) between parties to transaction, provided that takeover as per the provisions of law is completed within 90 days from date of execution of PBA. During intervening period, usual AC norms would apply. If change in ownership is not completed within 90 days from PBA, reference date will be effective date of acquisition/takeover as per provisions of applicable law.

Projects under implementation- project loans change in ownership- conditions

New owners to bring in substantial portion of additional monies required to complete project within extended time period. Financing of cost overruns to be subject to guidelines. Financing of cost overruns beyond ceiling to be treated as restructuring even if extension of DCCO is within limits prescribed.

- ☐ **Repayment schedule not to extend beyond 85 % of economic life/concession period of project.**
- ☐ **Facility available to a project only once- not available during subsequent change in ownership.**
- ☐ **Loans would attract provisioning as per extant IRAC norms depending upon asset classification status.**

Projects under Implementation

•Restructuring of project loans after commencement of commercial operations will be governed by instructions Change in repayment schedule of a project loan due to an increase in project outlay on account of increase in scope and size of the project, would not be treated as restructuring if

a) Increase in scope/size of project takes place before commencement of commercial operations of existing project

b) Raise in cost excluding any cost overrun in respect of the original project is 25% or more of the original outlay

Projects Under Implementation

- c) Viability of project is reassessed before approving the enhancement of scope and fixing a fresh DCCO.**
- d) On re rating (if already rated), the new rating is not below the previous rating by more than one notch.**



AGRICULTURE ADVANCES

*** AGRICULTURE ADVANCE : some Important points**

- **Kharif crop means water based crop like paddy.**
- **Loan to be disburse for this crop between 01/04 to 30/09**
- **Rabi Crop means non water based crop like wheat, Gram, Jwar, Bajara, Potato etc.: loan to disburse between 01/10 to 31/03**
- **Long term crop like sugar cane, Bamboo, Rubber, Jute* : loan to be disburse any time in year.**

*** AGRICULTURE ADVANCE : some Important points**

- **Due date of Instalment in short term crop (as per NABARD circular) exact 1 yrs from the date of disbursement**
- **Date of NPA : 2 Crop Season from due date**
- **Length of crop season will be decide by SLBC (state level bankers committee.)**

*** AGRICULTURE ADVANCE : DUE DATE CONCEPT**

- **All agriculture term loan like medium term and long term loan : due date is one yr from disbursement**
- **All agro allied activity like fishery, goitre, piggery, poultry and dairy : due date will be date of commencement of production.**
- **If borrower enjoying both the facility in a single account : the due date is one year from the first disbursement.**
- **Separate accounts should be open for Rabi and kharif.**

AGRICULTURE ADVANCE WHEN NPA

Particulars	Kharif Season	Rabi/ Summer Season
Year of sanction of loan	2018-19	2018-19
Month of sanction	April to June 2018	Oct. to Nov. 2018
Season Start	June to July 2018	Nov. to Dec.18
Harvest Type	Oct-Nov. 2018	Feb-March 2019
Due Date for repayment	31.03.2019 (or 1 year from the date of Disbursement)	30.06.2020 (or 1 year from the date of Disbursement)
First Crop Season	June to Dec.2019	Oct 18 to March 2020
Second Corp Season	June 2020 to Dec.2020	Oct. 2020 to March 2021
Date of NPA	31.03.2021	30.06.2021
*Subject to SC Guidelines dated 3 rd September 2020		

MULTIPLE/ DOUBLE CROPPING

Particulars	Kharif Season	Rabi/ Summer Season
Year of sanction of loan	2018-19	2018-19
Month of sanction	April to June 2018	Oct. to Nov. 2018
Season Start	June to July 2018	Nov. to Dec.18
Harvest Time	Oct-Nov. 2018	Feb-March 2019
Second Crop Start	Nov. – Dec. 2018 (Rabi)	June- July 2019 (Kharif)
Harvest Time for Second Crop	Feb.- March 2019	Oct. – Nov. 2019
Due Date for repayment	30.06.2019	31.03.2020
First Crop Season	June to Dec.2019 (Kharif)	Oct 19 to March 2020 (Rabi)
Second Corp Season	Oct 2019 to March 2020 (Rabi)	June 2020 to Dec. 2021 (Kharif)
Date of NPA *Subject to SC Guidelines dated 3rd September 2020	30.06.2020	31.03.2021

LONG DURATION CROP

Particulars	Long Term Crop like Sugar Cane
Year of sanction of loan	2018-19
Month of sanction	Oct. to Nov. 2018
Season Start	Oct. to Nov. 2018
Harvest Time	December 2019
Due Date for repayment	31.03.2020
First Crop Season	Oct 2019 to Dec. 2020
Date of NPA *Subject to SC Guidelines dated 3 rd September 2020	31.03.2021

*** RESTRUCTURING OF AGRICULTURE LOAN**

- **Restructuring of Agriculture Loan is possible**
 - **Only on due to Natural Calamities**
 - **In the year of loan obtained.**

Auditor should satisfied with the list of effected villages as may have been issued by the local administration.

Bank can convert KCC to TL or continue as KCC.

*** RESTRUCTURING OF AGRICULTURE LOAN**

Restructure period may be fixed as 3 to 5 years, but bank can be extant up to 7 years in case of severe calamity.

It may be extant up to 10 year by SLBC (state level banker's committee)

Additional finance if any may be treated as standard assets.

NPA READY RECKONER

- ▶ **Last stock statement – 30th September 2020.**
- ▶ **Interest serves on Cash credit account - 30th Nov 2020**
- ▶ **Last Instalment received on all EMI based accounts - 30th Nov 2020**
- ▶ **Last instalment received on non EMI based accounts – 30th Nov 2020**

MINIMUM BALANCE CHARGES : LFAR NEW POINT

*** RBI CIRCULAR of 20/11/ 2014 TO BE REFERRED**

<https://rbidocs.rbi.org.in/rdocs/notification/PDFs/MBLRDC201114.PDF>

*** 30 DAYS NOTICE IS REQUIRED**

*** Only Proportionate charges to be recovered**

MEMORANDUM OF CHANGES (MOC)

- * NPA not declared by branch.**
- * NPA declared by branch but interest not reversed.**
- * Multiple account of borrower but Customer identification folio are different and some accounts are NPA.**
- * CA certified debtors statement not obtained.**
- * QIS/QMS/FFR (for advance 5* crore and above) not obtained/irregular.**
- * BG invoked but not adjusted/ adjusted in at the year end.**
- * Agriculture advance.**
- * Education Loan.**

MEMORANDUM OF CHANGES (MOC)

- * Revenue Leakage detected. Specially on processing fees inspection charges and commission on bill discount for extended period.**
- * Mudra Loan -no recovery no security direct write off.**
- * Stand up India- Processing Fees (Pls. refer bank circular)**
- * Od against PMJDY- no recovery direct write off.**
- * Short review with out financial paper**
 - 1. check the authenticity of information.**
 - 2. penal interest.**

KAM- Meaning

- * **Key audit matters are those matters that,**
- * **in the auditor's professional judgment,**
- * **were of *most significance in the audit of the financial statements of the current period.***
- * **Key audit matters are selected from matters communicated with those charged with governance.**

Potential Examples of Key Audit Matters

- * **1. Certain complex areas relating to revenue recognition**
- * **2. Provisions and contingencies**
- * **3. Taxation matters (multiple tax jurisdictions, uncertain tax positions, deferred tax assets)**
- * **4. Assessment of impairment**
- * **5. Put arrangements over non-controlling interests**
- * **6. IT systems and controls**
- * **Effect of covid-19**
- * **Man ki baat ?**

Before concluding my session

- * **Please note my contact details**
- * **Mobile : 9425834567 / 8462033333**
- * **Email : ho@laxmitripti.com**



THANK YOU