

Beware wilful defaulters! Now PSBs start forensic audit of ‘potential’ NPA accounts

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With an aim to identify possible non performing assets (NPAs), public sector banks have started carrying out audits on accounts which have loans of above Rs 50 crore registered against them. This comes after a directive issued from the Finance Ministry. Once the audit is completed, the banks will detect the accounts which have potential to become NPAs, according to The Indian Express report. Subsequently, the banks will send these reports to the central government and investigative agencies.

The agencies concerned will then take actions as per the report. If any fraud is detected in these accounts, chief vigilance officers of banks will brief the matter to Central Bureau of Investigation (CBI). CBI will take over the matter. “We are undertaking this challenging task of auditing all accounts above Rs 50 crore. These are forensic audits being done in line with the Government’s initiative to detect frauds. For any account that is turning into NPA, we are seeking a borrower status report from the Central Economic Intelligence Bureau. This will help us identify whether the NPA is due to genuine business issues or some fraudulent activity,” a top public sector bank official was quoted as saying by IE.

What is forensic audit?

A forensic audit is an examination of an entity or individual’s financial information . The outcome of this forensic audit can be submitted in court as evidence. This type of audit is quite handy to identify misreporting of accounts, fund diversion, fraud and wilful default.

“An across-the-board cleaning process is taking place in the (government) banks. Rs 250 crore and above accounts are being monitoring closely for any violation of loan conditions. Rs 50 crore and above accounts are being examined for wilful default and fraud. IBC (Insolvency and Bankruptcy Code) amendments are being moved. So the entire pain is front-loaded and the hope is that public sector banks will turn healthy in the near future,” a Financial Ministry official said. “There will be write backs, as the ongoing resolution of large loan accounts across various benches of the National Company Law Tribunal is expected to help banks to recover a significant portion. The ordinance on economic offenders should also work as a deterrent,” the official added.

(Financial Express)