

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:2130

ANSWERED ON:05.12.2014

FORENSIC AUDIT FOR BANKS

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**Will the Minister of FINANCE be pleased to state:**

- (a) whether the Reserve Bank of India (RBI) proposes to make forensic audit compulsory for major bank loans;
- (b) if so, the details thereof;
- (c) whether some banks have filed their forensic audit report;
- (d) if so, the details thereof and major findings of the report;
- (e) whether there is slow pace of forensic audit by banks for major bank loans; and
- (f) if so, the corrective measures taken by the banks in this regards?

**Answer**

FINANCE MINISTER (SHRI ARUN JAITLEY)

(a) & (b): Reserve Bank of India (RBI) has informed that when the amount involved in a fraud is more than Rs.1000 crore, RBI will be using a combination of its inspection process Annual Financial Inspection (AFI / Scrutinies) and Forensic Audit to bring out lapses in due diligence and determining if there have been fraudulent acts on the part of the borrowers/ fraudsters respectively.

(c) & (d): In order to have independent and objective audit of the accounts to verify the integrity and accuracy in classification of NPAs by United Bank of India, M/s Deloitte Haskins & Sells were appointed in terms of provisions of Section 30 (1B) of the Banking Regulation Act, 1949 to carry out a forensic audit of the all loan accounts of Rs. 10 lakhs and below.

Special Audit identified additional NPA as on 30 September, 2013 amounting to Rs.541 crore and additional provisioning of Rs. 86 crore.

(e) & (f): Forensic audit is carried out in selected cases for investigation in frauds, verification in classification of NPA etc. RBI has recently issued guidelines on Early Recognition of Financial Distress, Loan Steps for Resolution and Fair Recovery. In addition, RBI has also created a Central Repository of Information of Large Credits (CRILC). Management of NPAs and Restructuring also covered by RBI Master Circulars on Income Recognition and Asset Classification. RBI has moved to Risk Based Supervision (RBS) framework during 2013-14 and 28 Banks covering 60% of Assets of Indian Banking System have already been covered. By adopting RBS, RBI has shifted the focus from a compliance based and transaction testing approach to Risk Based Supervision.