‘NPAccurate’

An automated tool to identify vulnerabilities in the NPA identification process

Fraud Investigation & Dispute Services
Introduction

The banking industry is struggling under the pressure of the corporate loan ‘crisis’ as the number of non-performing assets (NPAs) continues to soar. Close scrutiny of loan sanctioning, disbursement and recovery processes have uncovered a number of gaps and inefficiencies including identification & reporting of NPAs. While regulators have taken note and are suggesting numerous steps to tackle this economic debacle; early identification, correct classification and reporting of NPAs requires greater focus and improvement.

The rise and rise of stressed assets (in %) *

(Source: Reserve Bank of India) * As percentage of total advances; GNPA stands for gross non-performing assets; NNPA stands for net non-performing assets
Key issues

- Inherent complexities around automated systems used by banks for NPA identification and provisioning
- Over dependence, on third party for managing and providing technical support for NPA system, resulting in lack of transparency and limited monitoring
- Unrestricted access to carry out changes in repayment schedule/adjustment entries in the customer accounts
- Lack of adequate audit trails around change management and access privileges leading to inadequate monitoring

Weaving a resilient thread – the EY solution ‘NPAccurate’

- An automated tool with a comprehensive dashboard and reporting facility
- Intelligent risk scoring mechanism to focus on the top branches and customer accounts
- Built-in red flag scenarios for identification of vulnerabilities
- Option to verify accuracy of asset classification as per Income Recognition and Asset Classification (IRAC) norms

How you benefit? ‘NPAccurate’ is a one stop solution

- Strengthens controls around NPA identification through regular monitoring
- Provides a comprehensive dashboard of NPA profiles to the senior management
- Internal audit/inspections teams can utilize it to identify fraud vulnerabilities in loan portfolios
- Assists in scientific sample selection for audit purposes using scoring methodology

Success stories

- Review of vulnerabilities in NPA identification mechanism for leading NBFCs in retail and corporate lending business
- Evaluating the NPA identification and classification system for a large bank and corroborating the occurrence of any unethical practices/adjustments

Expertise

- 650+ forensic professionals
- 31 Partners and Directors
About EY

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