



EC No. 47 /DoS- 11 /2019-20

27 February 2020

Ref. No. NB. DoS/ POL/ 3437 /J-1/2019-20

The Chairman, All RRBs  
The Managing Director, All State Cooperative Banks  
The Managing Director / Chief Executive Officer,  
All District Central Cooperative Banks

Dear Sir/Madam

**Divergence in NPA classification observed  
by NABARD Inspection Team**

During the course of Statutory Inspection of Banks, the Inspection Team carries out test checks on compliance by banks to asset classification and provisioning as per the extant prudential norms. Wherever divergence is observed, the account-wise details of the same are recorded in Appendix IV to the Inspection Report (IR) issued to banks.

2. In this connection, it is observed that despite the divergence being pointed out in the IRs as above and despite the accounts continuing to remain non-performing at the end of the next financial year, some banks/Statutory Auditors have not been ensuring proper classification of such assets while finalising the books of accounts as at the end of next financial year.

3. Accordingly, with a view to ensuring that books of a bank reflect its true and fair financial position, we advise that the details of Divergence as brought out in Appendix IV of the Inspection Report of the Bank may be shared with Statutory Auditors of your bank. This would enable the Statutory Auditors to verify that the classification of such accounts **and similar other accounts in the same branch and in other branches of the bank** and provisioning thereon are correctly done in the bank's books as at the end of the financial year.

राष्ट्रीय कृषि और ग्रामीण विकास बैंक

National Bank for Agriculture and Rural Development

पर्यवेक्षण विभाग

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4. We request you to share a copy of this Circular with the Statutory Audit Team of your bank.
5. Please acknowledge the receipt of this circular to our Regional Office in your State/UT.

Yours faithfully

(K.S. Raghupathi)  
Chief General Manager