

GOVERNMENT OF INDIA  
MINISTRY OF FINANCE  
DEPARTMENT OF FINANCIAL SERVICES  
LOK SABHA

UNSTARRED QUESTION NO. 6483

TO BE ANSWERED ON THE 6<sup>TH</sup> APRIL 2018/ CHAITRA 16, 1940 (SAKA)

Appointment of Statutory Auditors

6483. SHRI KAUSHALENDRAKUMAR:

Will the Minister of FINANCE be pleased to state:

- (a) whether the banks are appointing auditors in the month of March ending of the financial year, if so, the details thereof and the reasons therefor along with the number of auditors appointed in March during the financial year 2017-18;
- (b) whether branch auditors are supposed to generate their reports and cover full year transactions for checking the records in the branches or there is any limit imposed, if so, the details thereof;
- (c) whether there are any regulations for newly appointed auditors to obtain No Objection Certificate from previous auditors of the branch before accepting the appointment, if so, the details thereof and the compliance in this regard; and
- (d) whether any disciplinary action has been taken by the Government against the auditors for non-compliance and if so, the details thereof?

ANSWER

The Minister of State in the Ministry of Finance  
(SHRISHIV PRATAPSHUKLA)

- (a): As per Reserve Bank of India (RBI) inputs, Statutory Central Auditors (SCAs) of Public Sector Banks (PSBs) are generally appointed in the third quarter of a financial year (October to December) whereas SCAs and Statutory Branch Auditors (SBAs) of Private Banks and Foreign Banks are appointed by the banks throughout the year. RBI approves eligible SCAs/SBAs of Private Sector Banks, and SCAs of Foreign Banks as per the timeline for regulatory approval. RBI has apprised that PSBs appoint SBAs in the month of March since the final panel of eligible audit firms is received by RBI from the Institute of Chartered Accountants of India in the month of February/March of every year. RBI has further apprised that the number of SBAs approved for appointment to PSBs by RBI in March 2018 (for audit of branches for the Financial Year 2017-18) is 18,672 firms.
- (b): RBI has informed that Statutory Branch Auditors are expected to certify the financial statements of branches pertaining to the entire financial year. Auditors are expected to select appropriate sample size for branch audit in accordance with Standard on Auditing issued by the Institute of Chartered Accountants of India.
- (c): RBI has apprised that there is no regulation by RBI mandating newly appointed auditors to obtain No Objection Certificate from previous auditors of a branch before accepting the appointment.
- (d): RBI has informed that it debars audit firms from bank statutory audit assignments/ issues cautionary advice to audit firms for lapses in bank audit assignments, such as divergence observed in asset classification and provisioning observed between RBI's assessment during inspection *vis-à-vis* audited financial statements, any other material misstatement in audited financial statements, issues related to corruption and professional misconduct etc. RBI also debars audit firms, who have been blacklisted by Government agencies such as Office of the Controller & Audit General, Central Bureau of Investigation, Central Vigilance Commission, etc. for various reasons.

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