



# **EXPECTATIONS OF CENTRAL STATUTORY AUDITORS FROM BRANCH AUDITORs**

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Presented by –

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# GENERAL

- Bank Audit – Very challenging task
- RBI Monitoring through Notifications and Circulars.
- Highly controlled environment.

## GENERAL ... CONTD..

- Challenges in the form of –
  - ✓ Keeping cost of operation low
  - ✓ Keep the NPA in limit
  - ✓ Improve fee income,
  - ✓ Check the frauds,
  - ✓ Improve upon new age banking

## GENERAL ... CONTD..

- ✓ Stringent capital adequacy Norms
- ✓ High Customer expectations,
- ✓ Need for improving credit appraisal and post sanction monitoring
- ✓ National and International competition
- ✓ Inclusive growth policy

## GENERAL ..... CONTD..

- Audit is a part of Internal Control Mechanism
- Replacement of Annual Financial Inspection by RBI (AFI) by Risk Based Audit

## EXPECTATIONS OF RESERVE BANK OF INDIA FROM AUDITORS

- Gap in subjective judgement in interpretation of Master Circular on NPA
- Challenges in identification of NPA through system driven process.
- Early Upgradation of accounts.

## EXPECTATIONS OF RESERVE BANK OF INDIA FROM AUDITORS

- Dependence on Concurrent Audit
- Inherent weakness in accounts
- Change in the value of security not done by bank.
- Change in business strategy by banks to concentrate on small loans

# EXPECTATIONS OF RESERVE BANK OF INDIA FROM AUDITORS

- Use of CAAT by Auditors
- KYC, Asset Liability Management
- Forensic Audit
- Multiple Unique Identification Codes (UIC)



## ROLE OF CENTRAL STATUTORY AUDITORS V/S ROLE OF BRANCH AUDITORS

- **Branch Auditor's Role –**
  - More of a Field Work
  - Looking at individual balances closely
  - Suggesting changes in classification of Advances
  - Identify new NPAs

# ROLE OF CENTRAL STATUTORY AUDITORS V/S ROLE OF BRANCH AUDITORS

## ○ Branch Auditor's Role – Contd...

### Certification at branch level -

- Claim under DICGC/CGC.
- Ghosh and Jillani,
- Interest Subvention,
- Statement of Capital Adequacy,
- Statement of Liquidity,

## ROLE OF CENTRAL STATUTORY AUDITORS V/S ROLE OF BRANCH AUDITORS

### ○ Branch Auditor's Role – Contd...

Certification at branch level –  
contd..

- Classification of Advances,
- PMRY,
- Interest Subvention
- LFAR
- Tax Audit Report

## ROLE OF CENTRAL STATUTORY AUDITORS V/S ROLE OF BRANCH AUDITORS

- **Central Statutory Auditors Role**
  - Top 20 Branches Audit
  - Consolidation of Branches, H O, Divisions, Circles
  - Provision for NPA/Depreciation/Tax/Employee Benefits

## ROLE OF CENTRAL STATUTORY AUDITORS V/S ROLE OF BRANCH AUDITORS

- **Central Statutory Auditors Role**
  - **Contd..**
    - CRAR, CRR, SLR,
    - Corporate Governance, Net worth, Compliance with key areas by Bank
    - Maturity pattern of Foreign Currency Assets and Liabilities

## ROLE OF CENTRAL STATUTORY AUDITORS V/S ROLE OF BRANCH AUDITORS

- **Central Statutory Auditors Role – Contd..**
  - Reconciliation of Banks investments
  - Compilation of all certificates issued by the Branch Auditors
  - Data received from unaudited branches

## ROLE OF CENTRAL STATUTORY AUDITORS V/S ROLE OF BRANCH AUDITORS

- **Central Statutory Auditors Role**
  - **Contd..**
    - Branch Auditor is the eyes and ears of the Statutory Auditor.
    - The Financial Result of the bank largely depends on performance of Branch Auditors.
    - Roles are different but are complimentary to each other.

## CHALLENGES BEFORE CENTRAL AUDITOR

- Not all branches are audited
- Branch Auditors do not complete work in time
- Casual approach
- No proper explanation for MOC
- No guidance on generic queries to CSA



## CHALLENGES BEFORE CENTRAL AUDITOR

- No contact with SCA for difficulties faced
- No advantage taken of online query module of ICAI
- No contact with SCA for discussion on major findings including fraud.
- No observations in Statutory Audit Report but only in LFAR

# EXPECTATIONS FROM BRANCH AUDITORS

- ❑ To be updated on RBI Circulars
- ❑ To read ICAI Guidance Note
- ❑ To read the internal circulars and closing circulars of the Bank
- ❑ To understand relevant internal control including manual control
- ❑ To do the important work by Partner rather than Articles

# EXPECTATIONS FROM BRANCH AUDITORS

- ❑ To be diligent in signing the certificates
- ❑ To identify NPAs not disclosed by the Bank
- ❑ To read concurrent Audit/Inspection Report and point out major weaknesses in Internal control for SCA to write in LFAR

## EXPECTATIONS FROM BRANCH AUDITORS

- ❑ To give detailed and meaningful answers in LFAR
- ❑ To train Articles on niceties in Bank Audit
- ❑ To plan audit properly
- ❑ To discuss the qualification with Management.

# **EXPECTATIONS OF CENTRAL STATUTORY AUDITORS FROM BRANCH AUDITORS**

**Thank You**