



# **The Chamber of Tax Consultants**

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## **Seminar on Responsibilities of Bank Auditors and Regulatory Perspective**

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# Bank Audits

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- Statutory
- Concurrent
- Internal – not out-sourced to CA firms
- Revenue
- System
- Special
  - Management
  - Credit

# Statutory Audits

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- Segregated into
  - Public Sector Banks
  - Private & Foreign Banks
- PSBs
  - Central Statutory Auditors
    - A firm of CAs can conduct only such audit and cannot conduct a private sector & foreign bank audit simultaneously
  - Branch Auditors
- Private & Foreign
  - Handful old private sector banks still have branch auditors concept
    - Upto 4 bank audits of each can be conducted simultaneously

# Concurrent Audits

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- Commenced post the securities scam of 1992
- Coverage
  - 50% of credit operations to be covered by concurrent audit process
  - Treasury operations
  - Other significant centralised operations
- Can be conducted by CA firms as well as non CA but experienced in audit bankers

# Regulatory Guidelines

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- RBI has issued guidelines and circulars from time to time on the coverage and expectancy of these audits
- Report formats and contents spelt out
  - Communications as per SAs too
  - Updated LFAR – submitted to RBI for approval
- Financial statements
  - Enhanced disclosure requirements
- Reporting lines are drawn up
  - To shareholders
  - To the management including the Audit Committee
  - To the RBI

# Interaction with RBI

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- RBI generally interacts with auditors from time to time
- Statutory Audits
  - Pre-commencement of audit meeting with Central Statutory Auditors
  - Meetings Post audits
  - During AFI
- Concurrent Audits
  - Specific interaction for critical banking operations

# Auditors Roles & Responsibilities

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- Apart from audit execution as per standards, guidelines and good practices:-
  - Up-skilling
    - Up-to-date with business trends & practices
      - New instruments
      - New processes
    - Technology
      - New methods of delivery of banking services
      - New manner of record keeping
  - Discussions with management
    - Observations, findings and recommendations
  - Reporting
    - As required by statute, SAs, regulatory prescriptions



# Auditors Roles & Responsibilities...

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- Events (the bad as well as the good) that shook audit processes:-
  - Capital market boom and bust of mid to late 1980s – culminated with creation of SEBI
  - Securities Scam of 1992
  - BCCI crisis – early 1990s
  - South East Asian crisis – late 1990s
  - Madhavpura Mercantile Coop bank – 2000s
  - Derivatives and the US crisis – 2008
  - Computerisation
  - Core banking solutions
  - Straight through processing
  - Multiple banking channels

# Auditors Roles & Responsibilities...

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- Every time an event has happened
  - Audit process has been challenged
  - Regulations have been modified to tighten controls
  - Expectancy from audits have increased
  - Scope of audits have increased
- Audits have delivered, time and again

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# *Thank you*

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