

The Quintessential Chartered Accountant – Who Needs Bank Audits ?

I chanced to see a letter written by a fellow member to the President of the ICAI. This letter was to implore the President to interfere to relax the bank audit ceiling limit from Rs 20 Crores to the previous limit of Rs 6 Crores.

I have to admit that the letter was absolutely well intended and would have been one of the many representations the President should have been receiving and reflects the general state of despondency on this issue, a mindset that I seek to challenge in this little write up of mine. I will leave you with a few thoughts on the why and the way forward as I see it

Let us first examine what led to this. The banking landscape has changed phenomenally in the last few decades with the advent of Core Banking and other like Systems which provide end to end (almost) banking solutions. This does not obviate the need for Bank Branch audits as audits are the best fraud deterrents in a banking system.

There was a recent press report on a CAG finding on the Rs 52000 crore farm loan waiver scheme where about 30% of the waiver amount in 700 branches was allegedly found to have been siphoned off by a nexus of bank managers and microfinance institutions (MFIs). Could we have offered a pre-audit support of the disbursement? Are we attempting to shut the stables after the horses have bolted.

A revenue substitution model could have been well envisaged in favour of pre disbursement audits, fraud detection audits, IT audits instead of waiting for this Damocles sword to fall and fall it did hard and swift!

I have seen several representations that are attempted to being made and it is quite disheartening to note that none of them contain hard data, facts or statistics on the impact we have made – in terms of the MoC's, period end adjustments, large audit

proposed adjustment entries etc. While Cost-Benefit may not be a relevant argument here, it most certainly would have helped continuance.

Next, let me come to the arguments put forth to the President. These include livelihoods of CA's and extinction of Small Practitioners. My strong view is that these are not reasons that should be discussed in the Public domain as **these would raise fundamental and misplaced concerns on the independence of our fraternity**. We cannot be perceived as running for life on this issue. It's just a dinner run. Bank audits are and should be one of the many things that we do!

I am yet to see one positive communication on this subject from any one to any one and hence this little missive. We should rise as a profession to identify newer services lines and more importantly **create** demand for our services. That is the need of the hour. We need to integrate as a community, share knowledge and enable our fellow brethren in the rural areas to thrive and prosper.

Bank Branch audits are absolutely necessary and the arguments are there for all to see. But it's the bank that needs it more than we do !

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