



RBI/2004/ 117
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March 26, 2004

The Chairman, State Bank of India /
The Managing Directors, Associate Banks of SBI/
The Chairmen & Managing Directors of all nationalised Banks

Dear Sir,

Assessment of performance of statutory auditors

As you are aware, at present public sector banks are required to forward to RBI every year a report on the performance of their statutory central and branch auditors based on certain parameters such as general performance, delay in taking up audit work/submission of report/certification, wrong classification of assets, submission of fictitious bills etc. as soon as annual statutory audit is over. On a review of the existing system, it has been observed that the feedback received from banks on the quality of audit is very general and does not contain detailed observations/recommendations on continuance or otherwise of their auditors. With a view to assessing the performance of statutory central auditors of public sector banks more objectively, it has been decided, in consultation with a few public sector banks, to introduce a structured questionnaire eliciting information from the banks on the performance of their statutory central auditors. A copy of the questionnaire to be completed by banks for each of their statutory central auditors from the year 2003-04 is enclosed. We shall be glad if you will please forward to us the report on the performance of the statutory central auditors of your bank in the prescribed proforma immediately on finalization of the LFAR of the relevant year but not later than August 16, every year.

It has also been decided that the bank should collect similar data on performance of the statutory branch auditors in the said proforma as prescribed for the statutory central auditors for their internal use. Only adverse features, if any, observed against any statutory branch auditor may be communicated to RBI every year along with the report on the performance of their statutory central auditors.

Yours faithfully

(R.M. Thakkar)
General Manager

Encl: As above.

Report on performance of Statutory Central Auditors

- (i) Name of the bank
- (ii) Name of the audit firm
- (iii) Year of statutory audit
- (iv) Number of years completed with the bank
- (v) Areas of audit allotted during the year under report.
- (vi) Whether there is inordinate delay in
- taking up the statutory audit
 - completion of audit work
 - submission of audit report, LFAR and required various certificates
- (vii) Actual period of audit From To
- (viii) Details of visits undertaken by the partners during the course of statutory audit

Sr.No.	Names of the Partners	Dates of visit				Total Man days spent on statutory Audit in bank
		HO/ Controlling Offices		Branches allotted to the firm		
		From	To	From	To	

- (ix) Names of the paid CAs visited the bank during the course of statutory audit

Sr.No.	Names of the paid CAs who visited	Dates of visit				Total Man days spent on statutory Audit
		HO/ Controlling Offices		Branches allotted to the firm		
		From	To	From	To	

- (x) No. of unqualified assistants / articled clerks deployed for statutory audit of the bank with dates (HO/ Controlling Offices and branches separately)
- (xi) Give comments on quality of audit undertaken by the firm of the areas allotted to them, highlighting the weaknesses / drawbacks, if any, noticed in their performance with full details.
- (xii) Depth of the knowledge relating to audit practices, accounting standards, RBI instructions / guidelines etc. of the partners , paid chartered accountants and other audit staff.
- (xiii) How the staff of the audit firm was maintaining relations with officials of other audit firms of the audit team.

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- (xiv) Total amount of TA/HA/Hotel bills/conveyance etc. claimed by the firm, whether the same is reasonable, if not reasons therefor.
- (xv) Whether in your opinion, auditors can be considered for reappointment considering their performance with your bank, if not, reasons therefore may be indicated.
- (xvi) Divergence in the provisioning recommended by the SCAs in respect of branches audited by them as also in the areas allotted to them at HO level during their statutory central audit and those recommended by the RBI inspectors during the course of inspection of the relevant branches/HO/CO.
- (xvii) Others: Specific issues not included above but needs to be indicated for the performance appraisal.

Note :

- A separate report for each audit firm in the audit team may be prepared.
- The reports must be signed by the GM (Audit and Accounts) or (Inspection / Audit) or who is responsible for the liaison with the statutory central auditors and statutory audit work.
- This report must be perused by CMD or ED of the bank before forwarding to RBI.
- The assessment reports must be forwarded to RBI within one month from the date of finalisation of the LFAR of the relevant year but not later than 16th August every year.
- In case report in respect of Annual Financial Inspection of RBI for the relevant year has not been received, information on divergence in provisioning as per the Annual Financial Inspection of the previous year in respect of the continuing auditors may be indicated against item (xvi) above.

Report on performance of Statutory Central Auditors

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