

## 'Improper' appointment of bank auditors causing rise in NPAs: ICAI chief

G Naga Sridhar

1

Best Investments for Retirement

2

Life Insurance for Seniors

3

Small Business Ideas

Hyderabad, Feb 17:

'Improper' appointment of statutory auditors by public sector banks is one of the reasons for mounting Non Performing Assets (NPAs), according to M Devaraja Reddy, President, Institute of Chartered Accountants of India (ICAI).

"The quality of auditing in banks has come down and NPAs could be lesser by 30 to 40 per cent if there is transparency," Reddy, who took over as the 64th president of ICAI recently, said at a press conference here on Wednesday.

Tacking exception to autonomy given to banks by RBI in appointment of statutory auditors, he said banks were managing with only one or two auditors for statutory purposes compared to the earlier practice of having six to eight auditors. "This is bringing down the element of collective wisdom," he said.

Alleging that bank managements were appointing auditors who will be 'favourable' to them, he also faulted the process of bank branch auditing.

"Only 20 per cent of branches are being audited and most of the advances are not scrutinised," he claimed, adding that banks were taking cover under core banking solutions when questioned.

### **RBI's role**

Reddy also expressed his displeasure over RBI 'not listening' to ICAI's requests to revert back to the old system of it appointing statutory auditors for banks.

"We even met present Governor Raghuram Rajan who only said he would look into the matter."

Under the autonomy package to banks, banks were empowered by the government to appoint their own statutory auditors in 2008-09.

(This article was published on February 17, 2016)

**MORE FROM BUSINESS LINE**