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# ICAI says banks selecting own auditors behind NPA mess

By PTI | Updated: Feb 17, 2016, 03.19 PM IST

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HYDERABAD: Amid worsening [bad loans](#) scenario at the lenders, Institute of Chartered Accountants of India (ICAI) today blamed the current system of banks appointing its own auditors for the rising [non performing assets](#).

The chartered accountants' apex body president M Devaraja Reddy, who assumed office on Friday, said the system, in which the management of a bank is authorised to select and appoint the auditor from a list provided by Reserve Bank, could have indirectly caused the NPA crisis.

"Chairman of a bank will search for a person who is comfortable to him where an auditor is not having much knowledge. Earlier, RBI used to select central statutory and joint auditors based on the advances of banks.

"Now, banks are taking their decisions and appoint auditors sometimes just two or three (where it is required to appoint five or six). Lack of proper appointment of auditors is one of the reasons in escalation of NPAs," Reddy told a press conference.

He said ICAI has submitted the pre-budget memorandum to the Ministry of [Finance](#) for Budget 2016-17. The suggestions given by the accountants' body do not only relate to fiscal laws and [taxation](#) but also pertain to overall economic development.

He said the body has received a Letter of Acceptance from Indian Railways for its technical and financial offer for the project on "Comprehensive study of the existing cash-based Government Accounting system in a production unit of Indian Railways and a pilot study for introduction of Accrual based Accounting on rail Coach Factory, Kapurthala as an additional set of Accounts".

Reddy further said ICAI recently undertook a pilot study on "Strengthening Compliance Framework" for Power Finance Corporation and its three subsidiaries.

Presently, ICAI has five regional offices and 153 branches across the country with 2.5 lakh members and 8.75 lakh students pursuing the course.

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