

## 'Post-asset quality review, bank audit to come under sharper focus'

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*Official warns against mounting NPAs*

Thiruvananthapuram, March 20:

Statutory auditors of banks and their top managements need to be on the same page to ensure full and fair disclosures in strict conformity with Reserve Bank norms, a top banking sector official has said.

A spike of Rs. 1 lakh crore in non-performing assets (NPAs) in one quarter is a sad comment on systemic oversight and audit coverage, according to S Adikesavan, Chief General Manager, State Bank of Travancore (SBT).

### **Asset quality**

With the recent asset quality review exercise of the RBI and the sharp spike in NPA levels across the banking system, bank audits will come under sharper focus.

He said this while inaugurating a seminar on bank audit organised here under the auspices of the local chapter of the Institute of Chartered Accountants of India (ICAI). The scope of bank audit is more complex and diverse than that of regular company audits, Adikesavan added.

Public sector banks are not covered by the Companies Act, 2013; the basic regulation for them continues to be the Banking Regulation Act of 1949.

### **Balance sheet**

Section 29 of the Act states that requirements relating to preparation of the balance sheet and P&L accounts of a company shall apply to banks in so far as they are not inconsistent with the Act, but there are variations in the applicability of the Companies Act to different banks.

Section 55 of the State Bank of India Subsidiary Banks Act expressly states that the Companies Act will not apply to subsidiary banks like SBT.

Given these, regulation and applicable statutes make for a complex mix. Closer monitoring of asset quality by RBI through 'moral suasion' and specific circulars has only added to the complexity of the problem.

### **Specialised task**

Balance sheet management of banks is currently a highly specialised task requiring constant attention to evolving regulations, progressive implementation of Basel III norms, and heightened stakeholder and public expectations, Adikesavan said.

The seminar also saw separate sessions on 'Bank branch audit,' 'Audit under core banking concept,' and 'Tax audit of bank branches' being handled by Naganathan (Chennai), Premnath Degala (Hyderabad) and Pattabhram (Chennai) respectively.

Srinivasan R, chairman of the local chapter of ICAI, welcomed the participants and Roopesh R, secretary, proposed a vote of thanks.

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