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Market Watch

RBI ban on SR Batliboi & Co may impact audit of large lenders

BY REENA ZACHARIAH & SACHIN DAVE, ET BUREAU | JUN 05, 2019, 08.30 AM IST

Post a Comment

The Reserve Bank of India's one-year ban on audit firm [SR Batliboi & Co](#) could impact the audit of large lenders, including [HDFC Bank](#), [Kotak Mahindra Bank](#) and [IndusInd Bank](#).

Batliboi, an affiliate of global auditing firm EY, also audits [South Indian Bank](#), [Bandhan Bank](#) and [AU Small Finance Bank](#).

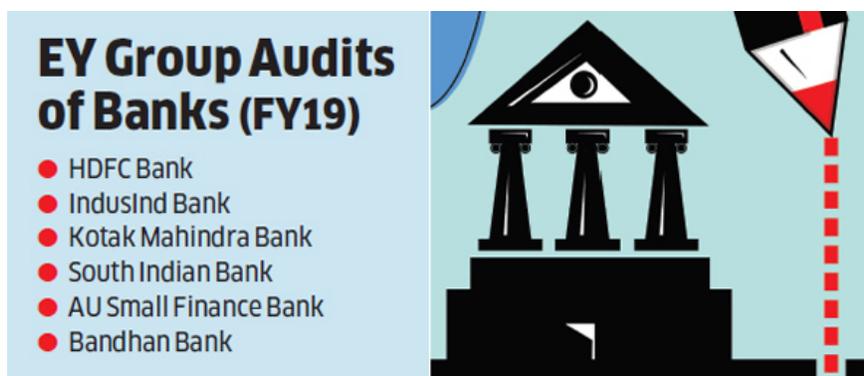
The central bank's action against Batliboi on Monday came after it found several lapses in the audit report of Yes Bank, said a person privy to the matter.

The action by the central bank was based on the enforcement action framework put out by the [RBI](#) last year in June which listed audit lapses resulting in errors in a bank's financial statement, wrong certifications and information given by auditors, misconduct of auditors and any other violations of RBI directions.

"The firm was asked to make some representations about a year back for the Yes Bank divergence issue. The representations and explanations regarding the divergence and other issues in the audit were explained to the RBI," the person said.

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The Securities and Exchange Board of India (Sebi) will seek details of the RBI report on Batliboi before deciding whether it can audit other listed companies. SR Batliboi also audits over 150 companies including Reliance Industries, Tata Power, Voltas, Vodafone Idea, Tata Communications and Vedanta. The market capitalisation of companies audited by EY group through its affiliate firms was about 24.1% of the total market value of all listed NSE companies in 2018-19.

An official spokesperson for SRBC & Co said, "We have learnt of this development from the press release issued by the RBI and are not aware of further details. Accordingly, we will be unable to comment further at this stage."

The RBI had not sent an official communication to EY regarding the ban.

"RBI has a hawk's view of the matter but as statutory auditors we don't have that view," said a senior chartered accountant.

This ban comes around the time when other two major multinational auditors — [Deloitte](#) and [KPMG](#) — are under scrutiny for their role in auditing IL&FS Financial Services.

SR Batliboi had ceased to be the auditor of Yes Bank from the fiscal ended March 2016 as part of the mandatory auditor rotation. BSR & Associates, a KPMG affiliate, took over as the auditor of Yes Bank thereafter.

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