

**Reserve Bank Of India Guidelines
regarding disqualification and
restrictions of Auditors.**

- I. Under Section 226 of the Companies Act, the following persons are disqualified for being appointed as auditor of a company. (Here the company means Bank.)
 - A. A body corporate
 - B. An officer or employee of the company,
 - C. A person who is a partner or who is in the employment of an officer or employee of the company.
 - D. A person who is indebted to the company for an amount exceeding Rs.1000/- or who has given a guarantee or provided any security in connection with the indebtedness of any third person to the company for an amount exceeding Rs.1000/-.

The section also provides that, if an auditor becomes subject to any of the above disqualification after his appointment, he shall be deemed to have vacated his office as such.

- II. Some of the audit firms appointed to carry out the audit of the Banks, subcontract the job to some other audit firms. Such a practice is not desirable as it tends to dilute the qualitative standards being adopted, in the matter of selection of auditors. The audit firm should therefore give an undertaking to the Bank, to the effect that, the firm will not subcontract the audit assignment.
- III. The audit firms which are entrusted with 'Statutory Audit' (Central or Branch) of a Bank, should not be considered for appointment as internal auditors or auditors for any special assignment in the same Bank. Similarly, Branch office of the Statutory Audit Firm (Central or Branch) should also not be considered for appointment as internal auditors of the same Bank. Likewise, associate firms or sister concerns should also be disqualified for any special assignments when their main firm/partners is allocated statutory audit of Bank/Branch in a particular year.

(Proforma Letter of acceptance to be obtained on firm's Letter head)

To,

The General Manager,
Central Audit & Inspection Dept.,
Union Bank Of India,
Earnest House, 7th Floor
No.194, NCPA Marg
Nariman Point,
Mumbai - 400 021.

Dear Sir,

Sub : **Concurrent Audit of your Branch(es)**

With reference to your letter No.CA&ID: _____ dated _____ on the subject matter, we do hereby convey our acceptance to undertake the audit of your above-mentioned branch on the terms and conditions mentioned therein.

As desired by you, we send herewith the Declaration of **Fidelity and Secrecy and Declaration regarding non-disqualification** etc., in the enclosed proforma.

Yours faithfully,

(Chartered Accountants)
Name of Signatory &
Rubber Stamp.

Encl : as above.

**Letter of confirmation regarding
Non-disqualification of Audit Firm/Consultant
(to be subitted on letter head)**

To,

The General Manager,
Central Audit & Inspection Dept.,
Union Bank Of India,
Earnest House, 7th Floor
No.194, NCPA Marg
Nariman Point,
Mumbai - 400 021.

Dear Sir,

With reference to your letter No. CA&ID: _____ dated _____
I/we confirm as follows:-

- i) I am/Any of our partners is not an officer/employee of your Bank.
- ii) I am/Any of our partners is not a partner or in employment of any office or employee of your Bank.
- iii) I am/Any of our partners or Associates firms or sister concern or Branch office, is not assigned with Statutory Audit of your Bank.
- iv) I am/We are not otherwise disqualified to accept the audit in terms of Section 141 of Companies Act-2013.
- v) I/We also confirm that I am/we are full time practising chartered accountants and am/are not employed elsewhere and do not have any other business interest.
- vi) I/We undertake not to subcontract the audit work assigned to me/us to any outsider.
- vii) I/We do/will not have any professional or commercial relationship with the borrowers of the branch/Department which we are auditing.
- viii) I/We also confirm that I/we will not give room for disqualification during the course of audit for any of the reasons mentioned above.

Yours faithfully,

Name of Signatory &
Rubber Stamp.

Declaration of Fidelity And Secrecy
(to be submitted on letter head)

I/We, _____ in the capacity of _____ do hereby declare that I/we will faithfully, truly and to the best of my/our skill and ability execute and perform the duties required of me/us as Consultant of Union Bank Of India and which properly relate to the office of position in the said Union Bank Of India held by me/us.

I/We further declare that I/we will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of Union Bank of India or the affairs of any person having any dealing with Union Bank Of India, nor will I/we allow any such person to inspect or have access to any books or documents belonging to or in the possession of Union Bank Of India and relating to the business of Union Bank Of India or to the business of any person having any dealing with Union Bank Of India.

Yours faithfully,

Name of Signatory &
Rubber Stamp.

DO'S AND DON'TS FOR CONCURRENT AUDITORS

Do's

The Inspecting Concurrent Auditors should

1. Pre-inspection study of the branch by going through the auditee related off site surveillance reports and pre requisites documents.
2. Prepare proper audit plan based on 1 above.
3. To maintain utmost secrecy with regard to inspection program and its findings.
4. Auditors to display team spirit and avoid misunderstandings / arguments in the presence of auditees.
5. Inspection of the branch has to be commenced before commencement of business hours to verify the physical cash, security arrangement etc.
6. To act in a normal friendly fashion and help to improve normal working of the branch.
7. Discuss his findings with branch officials on daily basis and try to rectify the defects then and there itself.
8. Give auditees a chance to express their opinion while discussing the issues. Getting proper explanation in a co-operative atmosphere will save precious time.
9. In case of difference of opinion with auditee, the auditor should first discuss with the leader of his team. Further discussion with head of Regional Audit Office / Zonal Audit Office level if required, may be made. Besides, discussion if required with GM (CA&ID) can also be made for guidance / instruction.
10. If the inspecting officer comes across any information which causes him to suspect any element of fraud, gross negligence, gross incompetence or similar unfavorable actions or tendencies, he should report the matter to the leader of the team immediately.
11. The members of the team should keep continuous dialogue with the leader of the team on important findings and be guided by his advice.
12. Auditor should maintain a neat appearance and a courteous manner.

1. Auditor need not act overly reserved or unfriendly in order to maintain his independence as an inspecting officer. A forbidding attitude on his part may well cause others to adopt the same attitude towards him. This can adversely affect the work entrusted to the inspecting officer.
2. Auditor should not get involved in heated argument with auditee.
3. Auditor should not give orders to auditee and seek requirements from the officer assigned to assist him on a particular job. The concerned officer would issue the necessary orders to their employees if he accepts inspector's suggestions and recommendations.
4. Auditor should not delay the submission of audit report.

Auditor should not discuss sensitive matters of the auditee with others.