

Taking Bank Audit as Challenge, Opportunity & Service to the Nation

India, which is the fastest growing economy of the world, is projected to grow next year at 7.5%, and it may possibly be the fifth largest economy of the world in not a distant future. This projected growth curve is not possible without availability of adequate finances. In the light of this fact, there is no denying that as the custodian of finances, a healthy banking industry is the backbone of economy and its financial stability. A stable banking sector is a pre-requisite to sustainable socio-economic growth. It is only a vibrant and robust banking sector that facilitates inclusion of all layers of society in financial mainstream. As such banking sector has always been a priority of the Government, more so in recent years with the sector grappling with challenges like the burden of distressed assets and stagnant loan growth.

With RBI's revival strategy for the banking sector asset quality has improved in 2018-19. As per the RBI, India's banking sector is well-regulated and sufficiently-capitalised. According to RBI's annual banking report and the latest Financial Stability Report, released in December 2018, banking sector recovery is already under way, and signs of improvement could already be witnessed in credit growth and asset quality in the recent period. Moreover, a stronger and more resilient trajectory of balance sheet expansion for the banks is not far away considering the RBI's revised *prompt corrective action* framework along with the resolution process under the Insolvency and Bankruptcy Code. Though NPA write-offs have increased leading to absorption of losses into the banks' balance sheets, NPA recovery through various channels in the last four years has increased, i.e. from ₹ 3.2 trillion in the previous five years to ₹ 4.2 trillion.

To maintain the momentum of economic growth in India, it is of utmost importance to ensure that banking sector stays healthy, safe and sound. For safe and sound banking sector, one of the most important factors is reliable financial information supported by quality bank audits. And here comes the very important role of Chartered Accountants as bank auditors. The present scenario requires special and added attention of bank auditors who are entrusted with the responsibility of bank audits as their professional and national duty.

Bank auditors focus on the accuracy, completeness and legitimacy of the financial activities of banks and eventually lend credibility to the banks' financial statements, thereby pushing forward the resilience, sustainability and stability of banking sector. Bank audit enables the banking institutions to ensure that their accounting records are up-to-date and their financial information is reliable. As such, bank audit is of paramount importance for the banking sector and banking regulator, as well as our members and for our nation as a whole.

Maintaining audit quality in bank audits is of great significance. To help the members in this regard, ICAI has released the revised 2019 edition of the "Guidance Note on Audit of Banks". The Guidance Note provides detailed guidance on various important aspects of bank audits that the members need to be aware of while conducting bank audits. The Guidance Note contains a separate section on audit of advances and NPAs which provides detailed and focused guidance on this most important aspect of bank audits. The Guidance Note also provides guidance on application of various Standards on Auditing in bank audits which are a pre-requisite for ensuring audit quality. Obtaining adequate understanding about the risks present in the banking system is essential. The Guidance Note also provides guidance on these aspects.

ICAI is also organising a series of CPE programs on bank audits to update the members. Auditors are expected to carry out these assignments with utmost sincerity keeping the broader national vision in mind, while strictly abiding by the relevant standards and guidelines as issued by ICAI as well as RBI to achieve the ultimate purpose of attest function. Compliance with the Standards on Auditing not only particularly helps ensure quality in audits, but also helps the audits transform from a mere statutory compliance function into a real value-add function. In fact, these can help build a stronger symbiotic between the statutory auditors and audit committees and contribute to effective governance.

Indeed, the stakeholders in the society have high expectations from Indian CAs in their role of auditors of banks. Let's keep the tradition of societal trust in us intact.

—Editorial Board (ICAI – Partner in Nation Building)