

Re: FAQs relating to professional ethics of members pertaining to Bank Assignments

Q.1 Whether a Firm of Chartered Accountants can accept Audit of a branch of a bank, while one of the partners of the said firm has taken loan from a different branch of the Bank ?

A. No, the Firm of Chartered Accountants cannot accept branch Audit of the Bank if one of the partners has taken the loan from any branch of that bank. The members should not place themselves in position which would either compromise or jeopardize their independence.

Q.2 Whether a member can accept appointment as Statutory Auditor of certain branch(es) of a Bank, while he is the Revenue Auditor of different branch(es) of the same Bank ?

A. No, a member is not permitted to accept the appointment as Statutory Auditor of certain branch(es) of a Bank while he is the Revenue Auditor of different branch(es) of the same Bank.

Q.3 Whether a member being a Concurrent auditor of a Bank can undertake (quarterly) limited review of the same Bank?

A. Concurrent Audit and the assignment of (quarterly) limited review of the same Bank cannot be undertaken simultaneously as the concurrent audit being a kind of internal audit and the quarterly limited review being a kind of statutory audit undertaken simultaneously are prohibited under the provisions of Code of Ethics .

It may however be noted that the Concurrent Auditor of a Branch of a Bank may be required to submit a specific Review Report to the Management on quarterly basis. Such assignment of specific review may be undertaken by the Concurrent auditor of the Bank.

Q.4 Whether it is permissible to accept Concurrent Audit of a Bank branch by the Statutory Auditor of different Branches of the same Bank?

A. In line with the principle of strict independence, it is not permissible to accept Concurrent Audit of one of the branches of a bank by the Statutory auditor of different branches of the same bank.

Q.5 Whether the Internal Auditor of a Bank can undertake Consultancy work of the same Bank?

A. There is no restriction for the consultancy work if it is undertaken by a member along with the assignment of Internal Audit.

Q.6 Whether the Statutory Auditor of a Bank can undertake Concurrent audit of its Sponsor Bank?

A. No, the Statutory Auditor of a Bank cannot be the Concurrent Auditor of its Sponsor Bank, since the relationship between them may be likened to Holding and subsidiary companies under Companies Act, 2013.

Q.7 Whether the Statutory Auditor of a Bank can accept Stock audit or Inspection Audit of the same branch or different branch of the same Bank?

A. The Stock Audit or Inspection Audit and Statutory Audit are not permissible to be done simultaneously since Stock Audit or Inspection Audit are kind of management function, which cannot be undertaken simultaneously alongwith the Statutory Audit (whether pertaining to the same branch of different branch).

Q.8 Whether the Concurrent Auditor of a Bank can accept Tax audit of the same Bank?

A. No, the Concurrent Auditor of a Bank cannot accept the Tax audit assignment of the same Bank, as it would affect independence in terms of the provisions of Code of Ethics that Statutory Audit and Internal Audit cannot be done together, as also in terms of the provisions of Section 288 of the Income Tax Act, 1961 which prohibits undertaking Concurrent Audit and Tax Audit simultaneously.

Q.9 Whether the Concurrent Auditor of a Bank can accept Revenue Audit of the Same Bank?

A. Yes, the Concurrent Auditor of a Bank can accept Revenue Audit of the same Bank since both the Audits are of the nature of management function.

Q.10 Whether a member can simultaneously be the Information System Auditor and Credit Appraiser of the same Bank?

A. A member can simultaneously be the Information system Auditor and Credit Appraiser of the same Bank except in case where appointment as Information system Auditor has been made under a statutory or regulatory requirement. However, he should ensure at his end that there is no conflict of interest involved.

Q.11 Whether the Auditor of a Bank can hold Credit card of the same Bank?

A. There is no prohibition in holding credit card of bank, where a CA Firm is Auditor of the Bank. Indebtedness will apply if there is outstanding balance of Rs. 1,00,000*/- beyond prescribed credit period given to holder of credit card.

* As per the limit of indebtedness existing as on date.

Q.12 Whether the Concurrent Auditor of a Bank can accept the assignment of its Statutory Audit, after relinquishing the assignment of the Concurrent Audit of the Bank?

A. The Concurrent Auditor of a Bank, only after he relinquishes the assignment of Concurrent Audit, may accept the assignment of Statutory Audit; provided, where the Concurrent Audit Assignment for the relevant year has already been commenced at the time of acceptance of Statutory Audit, the Statutory Audit for the said year should not be accepted.

Q. 13 Whether the Concurrent Auditor of a Branch of a Bank can undertake the assignment of LFAR of the same Branch?

A. The concurrent Auditor of a Branch can undertake the assignment of LFAR only with respect to Branches which are not subject to Statutory Audit.

With respect to Branches which are subject to Statutory Audit, the LFAR assignment shall be undertaken by the Statutory Auditor.

Q.14 Whether a member in practice can accept statutory audit of a bank in case if he has taken loan from the bank against Fixed Deposit?

A. No, "Indebtedness" would include loan taken by a member against Fixed Deposit or any other security. It is the Indebtedness beyond the existing limit of Rs.1,00,000/- is in question and not the type of security against such Indebtedness. Thus, a member is not permitted to accept audit assignment of a bank in case he has taken loan against a Fixed Deposit held by him in that bank beyond the existing indebtedness limit.

Q.15 Whether a current assets auditor for borrower accounts of a bank can also be the statutory auditor of a branch of the same bank ?

A. There is no conflict of interest where the current asset auditor of borrower accounts of a branch of a bank, is the statutory auditor of another branch of the bank.

Q.16 Whether the issue of independence of Auditor is linked with the Performance Certificate of Branch Auditors required from Branch Managers of a Bank?

A. The "Performance Certificate" appears to be something of internal use of Banks also apparent that the said report is confidential.

There is nothing to be done by auditor or ICAI is in this regard. Since it is something in domain of client only, no independence issue is involved.

Q.17 Whether the Incoming Auditor of an entity can communicate with

the retiring auditor vide email?

A. Yes, the Incoming Auditor of an entity can communicate with the retiring auditor vide email. However, the positive proof of delivery of email to the previous auditor will be reckoned on the receipt of acknowledgement of the communication from retiring auditor's by email address registered with the Institute or his last known official email address.

Q.18 Whether communication with previous auditor is necessary in case of appointment as statutory auditor by nationalized and other Banks?

A. Yes, communication with previous auditor is applicable in case of appointment made by nationalized and other Banks.

Q.19 Whether communication by the Incoming auditor is mandatory with the previous auditor in respect of various audit assignments, like the concurrent audit, revenue audit, stock audit and special audits etc.?

A. Yes, the requirement for communicating with the previous auditor would apply to all types of audits viz., statutory audit, tax audit, concurrent audit, Stock Audit or any other kind of audit.

Q.20 Whether Auditor of a bank can commence audit immediate after communication with previous Auditor and without waiting for reasonable time?

A. In the case of audit of government Companies/ banks or their branches, the time schedule given for the assignment is such that there is no time to wait for the reply from the outgoing auditor, the incoming auditor may give a conditional acceptance of the appointment and commence the work which needs to be attended to immediately after he has sent the communication to the previous auditor in accordance with this clause. In his acceptance letter, he should make clear to the client that his acceptance of appointment is subject to professional objections, if any, from the previous auditors and that he will decide about his final acceptance after taking into account the information received from the previous auditor.

Q.21 Whether a member in practice can be a Director in Cooperative Bank?

A. Yes, a member in practice may be a Director- Simplicitor in a Co-operative Bank not in charge of the executive functions. He, or Chartered Accountancy Firm wherein he is a partner, or any of the partner of the said firm are not involved in the Bank as an auditor.
