

Ministry wants bank audit panels to get more time to vet earnings

The Union finance ministry has proposed that banks give their balance sheet to their respective audit committees at least two days before their boards of directors meet for finalising the results.

In a recent communication to banks, the proposal was suggested and feedback sought. The ministry feels giving the audit committee more time would enable the latter to do "value addition".

The audit committee is part of the bank board. At present, both the audit committee meet and the board meeting take place on the same day, because of the price-sensitive nature of the information. The bank management first presents the balance sheet to the audit committee, which then approves and gives it to the full board on the same day. The results are communicated to stock exchanges after the board approves these.

Since banks are listed entities and the information is price-sensitive, bankers fear giving these to the audit committee two days prior to the board meeting could increase the chance of leakage. The ministry, however, has proposed the balance sheet be given to the audit committee on weekdays, when the stock markets are closed. Bankers said the proposal was not practical.

The chairman of the audit committee, who is a chartered accountant, is appointed by the government. Other members include an executive director of the bank and a couple of other board members. The auditors are appointed by the bank.

The finance ministry has said the proposal has been forwarded after auditors gave feedback that they needed more time to scrutinise the numbers.

"The chairman of the audit committee, who is appointed by the government, is an outsider, while the auditors in the bank are appointed by the chairman. We are not comfortable with the idea of sharing price-sensitive information with the audit committee two days prior to the board meet," said the chairman and managing director of a public sector bank. In their feedback, some banks are likely to give a thumbs-down to the idea.

Bankers also pointed out that the auditors are not always above suspicion, as was evident from the bribe-for-loan scam in 2010, where the role of auditors of public sector banks came under the scanner of investigating agencies.

(Business Standard)