

Advisory for Statutory Bank Branch Auditors

Specific Considerations while conducting Distance Audit / Remote Audit / Online Audit of Bank Branch under current Covid-19 situation

Dear Professional Colleagues,

We hope this communicate will find you safe and healthy. We are sure that by now most of us must have received appointment letters for statutory bank branch audits indicating branches to be audited along with the timelines specified by the banks in certain cases, which may be a tough challenge in the present scenario.

ICAI has always remained at the helm of affairs relating to auditing and accounting profession and always lived with its motto to be partner in nation building. In the present challenging scenario, we are sure that all the members of ICAI would contribute to the noble cause of performing our functions and duties with utmost professionalism with pragmatic vision in our role as an auditor. Living up to these expectations, most of the Statutory Branch Auditors (SBAs) have already commenced the process of the bank branch statutory audits and rest are about to start off the said process.

This communication is to address certain vital aspects related to Statutory Bank Branch Audits in the form of "Specific Considerations while conducting Distance Audit / Remote Audit / Online Audit of Bank Branch under current Covid-19 situation". An illustrative list of such considerations is enumerated below.

In the present circumstances, where the world at large faces challenges due to Covid-19 pandemic, there is a sea change which is expected in the way businesses (including banking) is conducted and the way the audit profession would require to nurture itself to adopt the changed environment. Though the methodologies of conducting audit are likely to undergo a change, the objective of the audit does not change, which require the auditors to ensure that sufficient appropriate audit evidence is available with the auditor based on which he is able to express his opinion. Thus, it is advisable for the auditor that while planning and performing the alternative procedures, more professional skepticism may be exercised to ensure compliance with Standards on Auditing.

Specific Considerations while conducting Distance Audit / Remote Audit / Online Audit of Bank Branch under current Covid-19 situation:

1. On a broader basis, there is no change expected in the function of statutory audit as compared with the earlier years, thus, the compliance with the regulatory norms including compliance with Standards on Auditing,

Guidance Notes issued by ICAI on the subject matter remains unaltered. Thus, there is no dilution (in any form) of Standards on Auditing and / or any other mandatory guidelines issued by ICAI;

2. An auditor would thus take following steps on receipt of appointment letter for statutory bank audit:
 - a. Accept the appointment as branch auditors;
 - b. Plan and make available the requisite staff for conducting branch audits allotted to you;
 - c. Communicate with previous auditors via email (instead of by registered post as permitted by ESB advisory);
 - d. Use illustrative format as given in the PDC advisory to communicate with the respective branches;
3. The audit firm will enquire and adopt the SOPs adopted by the respective banks under Covid-19 situation and would strictly comply with the government regulatory guidelines issued in this regard without any deviation thereof;
4. The audit firm can opt for all the communications by email instead of physical mode wherever necessary and it is suggested that all the communications are initiated by the audit firm from a designated single email-id which will enable the firm to keep a tab on all the communications with the bank officials at the respective branches under audit. Further, the firm may consider to number such communications in chronological order for having better controls;
5. The audit firm can request the bank to provide the data / documents required for the purpose of conducting the audit in soft copy format at mutual convenience of the auditor and auditee. The audit firm will ensure strict compliance with the Non-Disclosure Agreement (NDA) terms with regards to such data / documents received and will ensure confidentiality of the data / documents;
6. In view of the present lockdown and government advisory, the audit firms are advised to co-ordinate with the concerned bank officials for necessary arrangements for movement and safety of staff of audit firm within and outside of red zone, depending on location of auditor and the branch;
7. The audit firm can ask the respective bank to provide an access for staff / partners at the nearest branch so as to enable to have delegation of work amongst them;

8. In case of non-availability of requisite files / documents at the branch, the audit firm may request either for arrangement of visit to Central Processing Cells (CPCs) or to make the files maintained at CPCs available at the branch;
9. An audit firm can seek support from the branches in following forms:
 - a. To ensure that the requisite bank officials are present at the branches who are able to give required information and explanations to the auditor;
 - b. To request the branch officials, that the branches to be kept open for entire day along with availability of CBS as per the requirements of the audit firm;
10. If sufficient appropriate audit evidence is not available, if need be, an auditor may include Emphasis of Matter / Key Audit Matters / Scope Limitations / Disclaimer of opinion, etc. in the audit report / certificates;
11. The Reserve Bank of India issued two circulars dated March 27, 2020 and April 17, 2020 resulting in changes in Asset Classification, and Provisioning norms to certain extent. It is suggested that the auditor should satisfy itself as regards compliance of the same by the bank;
12. You may also use the facility "Online Panel of Experts for answering the queries of Bank Branch Auditors" made available by the Auditing and Assurance Standards Board (AASB) of ICAI for responding queries related to statutory bank branch audit. With a view to support our members for fast resolution of such queries, the AASB has offered an online support to our members from May 02, 2020 for the bank branch audits for the year ended 31st March 2020. The queries can be sent at email id: **bankauditfaq@icai.in**

We once again assure you all that the forum of ICAI would be always available to each of its members to address any practical / professional issues arising while performing the function of statutory bank branch audits.

Best wishes, stay safe and healthy!

Chairman & Vice Chairman
Auditing and Assurance Standards Board of ICAI

Dated: May 06, 2020