

ANALYSIS OF AUDITED & UN-AUDITED BRANCHES DURING 2012-13

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Total Bank Branches of following 25 banks was 72563 as on 31-3-2013 and number Audited Branches by Statutory Auditors were 32006 (44.1% only) and Un-Audited Branches 40557 (55.9%) yet Auditors were certifying that financial statements gave true & fair view without bringing this fact in the knowledge of Bank's shareholders/users of financial statement. It is pertinent to note that number of Branches was 67682 as on 31-3-2012 and number of Audited Branches were 49330 (72.9%) and Un-Audited Branches 18352 (27.1% only) during that year.

❖ **% of Audited Branches during 2012-13**

Below 30%	1	UCO Bank	28.9%
Between 30% to 40%	8		
		Central Bank Of India	32.1%
		Allahabad Bank	33.1%
		Punjab & Sind Bank	35.8%
		Dena Bank	36.3%
		Vijaya Bank	37.2%
		Union Bank of India	39.4%
		Bank of India	40.0%
		Punjab National Bank	40.0%
Above 40 to 50%	9		
		United Bank of India	40.4%
		Bank of Maharashtra	42.3%
		Syndicate Bank	43.6%
		Bank of Baroda	43.7%
		Andhra Bank	44.3%
		Corporation Bank	45.3%
		Indian Overseas Bank	46.0%
		State Bank of Mysore	49.6%
		Oriental Bank of Commerce	49.8%
Above 50%	7		
		State Bank of Patiala	50.2%
		State Bank of India	50.8%
		Canara Bank	50.9%
		State Bank of Bikaner & Jaipur	51.2%
		Indian Bank	52.8%
		State Bank of Hyderabad	52.9%
		State Bank of Travancore	67.1%

MATTERS FOR CONSIDERATION

Whether Users/Shareholders can rely on the financial statement of the banks where Auditors are expressing opinion on financial statements of those banks whose % of Audited Branches are below 50%, 40% or 30%?

(PARTICULARLY, UCO BANK WHOSE % OF AUDITED BRANCHES WAS 28.9 ONLY)

- a) Whether there is violation of any law
- b) **Whether Auditor's Report gives misleading information to the users/Shareholders of Financial Statements particularly to the shareholders of the banks as it did not inform about:**
 - I. **GUIDELINES OF RBI ON THE BASIS OF WHICH BANKS HAVE SELECTED BRANCHES FOR AUDIT FOR CURRENT YEAR AS WELL AS PREVIOUS YEAR.**
 - II. **% OF AUDITED AND UN-AUDITED BRANCHES AS COMPARED TO TOTAL BRANCHES OF THE BANK FOR CURRENT YEAR AND PREVIOUS YEAR.**

(Now, Users/Shareholders can't know about the truth that financial statements have been certified on the basis of meager number of Audited Branches while they are under an impression that these have been certified on the basis of substantial number of Audited Branches).

Extract of Auditor's Report of UCO bank for the year ended 31-3-2013

Incorporated in these financial statements are the returns of 21 branches inclusive of one treasury branch audited by us and 734 branches (including Service branches) audited by branch auditors and 4 foreign branches audited by overseas local auditors. The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from 1849 branches which have not been subjected to audit. These unaudited branches account for 10.56 per cent of advances, 34.42 per cent of deposits, 5.41 per cent of interest income and 18.40 per cent of interest expenses.

While Transparent Auditor's Report for users/shareholders may be as under:

Incorporated in these financial statements are the returns of 21 branches inclusive of one treasury branch audited by us and 734 branches (including Service branches) audited by branch auditors and 4 foreign branches audited by overseas local auditors. Also incorporated in the Balance Sheet and the Profit and Loss Account are the returns from 1849 branches which have not been subjected to audit. ***The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Accordingly, Branches having Advances of Rs.20 Crores and above have been selected for Audit during Current year as compared to Rs.5 crore and above during previous year. The branches Audited works out to 28.9% only during the current year as compared to 64.1% during previous year.***

WHY RBI SHOULD CONSIDER TO AUDIT EVERY BRANCH

Presently, every Branch is not subject to external Audit on the plea that All Branches are under Core Banking System and there is no need to Audit every Branch but this fact has shattered keeping in view of recent Fraud at ICICI Branch as per following news item:-

ICICI बैंक के कर्मचारियों ने ही ग्राहकों को ठगा

[आईबीएन-7](#) | Oct 02, 2013 at 11:23pm | Updated Oct 02, 2013 at 11:34pm

रांची। झारखंड के गोड्डा में ICICI बैंक में करोड़ों के फर्जीवाड़े की बात सामने आई है। आरोप है कि बैंक के कुछ कर्मचारियों ने गलत तरीके से ग्राहकों के पैसे निकाल लिए। पुलिस ने बैंक के पूर्व मैनेजर, असिस्टेंट अकाउंटेंट समेत पांच लोगों को गिरफ्तार किया है। उधर, बैंक ने सभी आरोपियों के खिलाफ कार्रवाई और पुलिस जांच में मदद का भरोसा दिलाया है।

इसका खुलासा तब हुआ जब कोलकाता के एक व्यापारी दिनेश अग्रवाल ने करीब सवा तीन करोड़ रुपये फ्रॉड की शिकायत दर्ज कराई। उसके बाद कई जमाकर्ताओं ने अपने रकम की पड़ताल की तो उनका रिकॉर्ड गायब पाया। अब तक करीब सात करोड़ फ्रॉड की प्राथमिकी दर्ज की जा चुकी है। यहां तक कि बैंक के कुछ ग्राहकों ने आईसीआईसीआई बैंक की सीईओ चंदा कोचर के खिलाफ भी मामला दर्ज कराया है। सूत्रों की माने तो फ्रॉड की यह रकम कई गुना बढ़ सकती है। लोग आक्रोशित हैं और उन्होंने जिलाधिकारी से मिलकर रुपये वापस करने की मांग भी की है।

Plea for lesser Audit cannot be considered as tenable due to following reasons:-

- 1) Though Branches are under Core Banking System yet Computer gives output as per input provided by the human beings which is lying with the Branch.
- 2) Physical Security of loan can't be checked online through computer.
- 3) External Audit is essential to safeguard the interest of customers as internal Audits done by bank's own staff cannot give complete assurance of transparency /safety to customers as is evident from ICICI news clipping.

HENCE, RBI SHOULD RECONSIDER ITS DECISION.

WHY IN INDIA FRAUDS ARE INCREASING?

ACTUALLY, REGULATORS ARE WEAKENING THE STATUTORY AUDIT PROCESS DAY BY DAY WITHOUT ANY ACCOUNTIBILITY OF DECISION MAKERS AND ARE NOT WILLING TO BRING TRANSPARENCY FOR BETTER REPORTING TO THE USERS OF THE FINANCIAL STATEMENT/SHAREHOLDERS OF THE BANKS.