

PD/A-32/2009

9th September, 2009

Smt. Usha Thorat
Deputy Governor
Reserve Bank of India
Central Office Building
18th Floor, Shahid Bhagat Singh Road
Mumbai-400 001.

Madam,

Sub: Procedure for allocation of Central Statutory Audits of Public Sector Banks

As you are already aware that we have been expressing our serious reservations and concern in respect of managerial autonomy granted to the Board of Public Sector Banks in the matter of appointment of auditors since 2005. In this regard, we would like to share some recent developments which took place during the last few days.

The Chairman, Professional Development Committee met Mr. A. Udgata, Chief General Manager, Department of Banking Supervision, Reserve Bank of India on 6th August, 2009 and also discussed the issue relating to the procedure for allocation of central statutory audits of public sector banks apart from various other issues of mutual interest. Through our other telephonic communications/correspondence, we had requested the concerned officials (vide our letter of even number dated 25th August, 2009) to share with us the criteria, first, for selection of requisite number of firms out of the panel and secondly, allocation of firms for each bank exercising autonomy. I may reiterate that this issue assumes specific importance in view of the fact that 2009 being the first year when RBI was required to forward names of twice the number of vacancies being created for central statutory auditors of public sector banks.

Despite our continuous follow up, we were kept in complete dark about the panel finalized by RBI, dispatched to the banks early last week. Further, the lightning speed at which the appointments are being finalized by various banks signifies the subjectivity element involved in the entire process. You will appreciate that sharing of criteria with the ICAI, the regulator of the accountancy profession in India would have acted as a catalyst in reinforcing the faith of the society in the appointment of auditors in an independent manner.

I may also state that despite our several requests, the list forwarded to various banks for appointment of Central Statutory Auditors for the year 2009-10 has not been made available till date. May I request you to look into the matter and give us an appointment where the said matter can be discussed in detail.

With kind regards,

Yours sincerely,

(Uttam Prakash Agarwal)