regional/zonal/head office level. However, some recommendations find applicability at both the branch office as well as the other levels. The recommendations of the Jilani Committee is given in the Annexure to this Chapter.

Responsibility of the Management

2.09 The RBI vide its subsequent Circular dated June 28, 2002 issued to the banks has required the concurrent auditors and inspectors of the bank branches/controlling offices to verify and comment in their reports as to the status of implementation of the recommendations of the Ghosh and Jilani Committees in the banks.

2.10 In terms of the letters issued to the banks regarding appointment of the statutory central auditors by the RBI, the auditors are also required to verify and comment upon the compliance by the bank in regard to the implementation of the status of the recommendations of the Ghosh and the Jilani Committees.

2.11 From the above it is clear that the responsibility for the implementation of the recommendations of the Ghosh and the Jilani Committees, is the responsibility of the management of the banks. The responsibility of the statutory auditors is to verify and report on the status of implementation of these recommendations, thus far and no further. The results of the verification carried out by the statutory auditor and his comments thereon would be given in a separate report.

2.12 In this regard, it may be noted that the RBI has also issued Master Circular on "Frauds- Classification and Reporting" (DBS.FrMC.BC.No.1/23.04.001/2006-07) dated July 2, 2007[@]. This circular deals with Classification of Frauds, Reporting of Frauds to RBI, Quarterly Returns, Reports to the Board, Fraud Monitoring Returns, etc.

2.13 The RBI has issued a Master Circular on "Wilful Defaulters" (DBOD.No.DL.BC.12928/20.16.003/2007-08) dated July 2, 2007[@] which also specifies the role of auditors. It states that in case any falsification of accounts on the part of the borrowers is observed by the banks/FIs and if it is observed that the auditors were negligent or deficient in conducting the audit, they should lodge a formal complaint against the auditors of the borrowers with the Institute of Chartered Accountants of India (ICAI) to enable the ICAI to examine and fix accountability of the auditors.

Audit Procedures

2.14 Since the responsibility of the statutory auditors is only to report upon the status of implementation of the recommendations of the Ghosh and Jilani Committees, his audit procedures would comprise mainly of inquiry and confirmation. Accordingly, the following procedures may be adopted by the statutory auditors of branches as well as the central statutory auditors for

[@] Revised in 2008 edition.