

**RBI | FAQs on appointment of auditors of Banks / NBFCs**

Pursuant to the newly issued guidelines for appointment of statutory central auditors/statutory auditors (SCA/SA) of commercial banks, urban co-operative banks and NBFCs, RBI recently posted few FAQs on its website. The main aim of the FAQs is to clarify certain practical aspects regarding eligibility and appointment of auditors of the group entities. We present a summary of those FAQs where independence of auditors is concerned.

- If a partner of a CA firm is a director in any RBI regulated entity, the said firm shall not be appointed as SCA/SA of any of the group entities. However, to mitigate practical difficulties in appointment of auditors, it is now clarified that the above said audit firm can be appointed as auditor in any non-RBI regulated entity of the same group. Also, if the concerned CA is already a director in any non-RBI regulated entity, the firm (in which he is a partner) can still be appointed as SCA/SA provided the audit firm makes an appropriate disclosure to the BOD of bank or NBFC before taking up its appointment as SCA/SA.
- There should be a minimum 1 year time gap before and after appointment by the SCA/CAS in respect of services rendered to the 'Entity' or its 'group entities.' Such a requirement may create genuine hardships on appointment of auditors who were providing certain services (within past 1 year) to non-RBI regulated entities of the same group. To eliminate such hardships, 1 year time gap with respect to non-RBI regulated entities has been waived off. Thus, having already rendered services to non-RBI regulated entities of the group in the past 1 year, the proposed auditor can still take up an appointment as SCA/SA in the RBI regulated entity, provided that BOD/ACB/LMC of the concerned RBI Regulated Entity ensures:
  - a. there is no conflict of interest;
  - b. there is no breach of auditor's independence; and
  - c. the same is appropriately documented in the minutes of the meetings of Board/ACB/LMC.
- Other FAQs are mostly operational / clarificatory in nature which can be accessed through the web link below.

**Weblink**

Original Circular: <https://rbi.org.in/scripts/NotificationUser.aspx?Mode=0&Id=12079#FT13>  
FAQs: <https://rbi.org.in/Scripts/FAQView.aspx?Id=141>

**Therefore**

The clarification on certain clauses regarding independence of auditors in the original guidelines should be taken positively by the Boards of financial entities as well as the auditors. While making waivers, RBI has put certain counterchecks in form of 'disclosures' and 'documentations' by the auditors as well as the BODs/ACBs/LMC of RBI regulated entities and this is a welcome move.