

**GOVERNMENT OF INDIA  
FINANCE  
LOK SABHA**

UNSTARRED QUESTION NO:797  
ANSWERED ON:24.02.2006  
POLICY FOR SELECTION OF AUDITORS IN PSBS  
Mehta Shri Bhubneshwar Prasad

**Will the Minister of FINANCE be pleased to state:**

- (a) whether a new policy in regard to the selection procedures of auditor in public sector banks is being formulated;
- (b) if so, the details thereof;
- (c) the manner in which new audit policy is likely to be different from the existing policy; and
- (d) the benefit likely to accrue to the country therefrom?

**Answer**

MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a), (b) & (c): Keeping in view the statutory provisions and also the practice being followed for appointment of Statutory Central Auditors and Branch Auditors in private sector banks, the Government has granted the following opttor.s to the Boards of Public Sector Banks for appointment of Statutory Central Auditors and Branch Auditors.:-

(i) Public Sector Banks may obtain the names of Statutory Central Auditors (SCAs) and Branch Auditors directly from the Comptroller and Auditor General of India (C & AG) and Institute of Chartered Accountants of India (ICAI) respectively and appoint them with the prior approval of Reserve Bank of India.

(ii) The present practice may be followed and the Reserve Bank of India may appoint the SCAs in consultation with the Government of India. However, the norms of remuneration and empanement of SCAs and Branch Auditors shall continue to be prescribed by the RBI.

(d) Greater managerial autonomy is being granted to the public sector banks to enable them to effectively compete with foreign and private sector banks, that are more nimble footed and have access to a wealth of technology, managerial resources and operational flexibility. The autonomy to public sector banks regarding appointment of SCAs and branch auditors is another step in that direction. There is no change in audit policy; the change is restricted to the procedure of appointment only.