

June 6, 2007

CONFIDENTIAL

**The Chairman & Managing Director, all Nationalised Banks and
The Managing Director, Associate Banks of SBI**

Dear Sir,

**Remuneration payable to the Statutory Central and
Branch Auditors of Public Sector Banks from the year 2006-07**

Please refer to our instructions on the captioned subject, contained in our circular DBS.ARS.No.BC.7 / 08.92.001/ 2003-04 dated March 17, 2004. It has been decided to revise the remuneration payable to the statutory central and branch auditors of public sector banks from the year 2006-07.

A. Remuneration for Central Audit work of the bank

As hitherto, for fixing the remuneration, specific areas of work of the auditors, which have to be taken into account, shall continue to be :

- (a) scrutiny and incorporation of returns of branches and
- (b) audit of the Head/Central Office as an accounting unit.

Regarding (a) above, the fees admissible to the statutory central auditors has been fixed at Rs. 750/- per branch in respect of all the branches of the bank in existence as on the date of reference for the audit, irrespective of the fact whether the branches have been taken up for audit or not.

As regards (b) above, the fees admissible will be as under :

Category of banks (on the basis of total asset size)	Rate of audit fees (Rs.)
Upto Rs 24,000 crore	5,63,000/-
Above Rs.24,000 crore and upto Rs.30,000 crore	5,87,000/-
Above Rs.30,000 crore and upto Rs.40,000 crore	6,18,000/-
Above Rs 40,000 crore and upto Rs 50,000 crore	6,42,000/-
Above Rs. 50,000 crore and upto Rs 70,000 crore	6,72,500/-
Above Rs 70,000 crore and upto Rs 90,000 crore	7,04,000/-
Above Rs.90,000 crore and upto Rs.110,000 crore	7,35,000/-
Above Rs 110,000 crore	7,66,000/-

Note: The total remuneration arrived at for A (a) and A (b) above will be divided equally among all the statutory central auditors of the bank concerned.

As hitherto, no separate fee will be payable to the statutory central auditors in respect of Regional, Zonal or Divisional Offices or other Controlling Offices by whatever name they are called. In case the bank intends to appoint a separate auditor for the above offices, fee paid for such auditor should be deducted proportionately from the audit fee payable to Statutory Central Auditors.

B. Remuneration for Branch Audit work of the bank

Category of bank branch (on the basis of quantum of advances)	Rates of audit fees (Rs.)
Upto Rs.75 lakh	12,500/-
Above Rs.75 lakh and upto Rs.150 lakh	15,000/-
Above Rs.150 lakh and upto Rs.300 lakh	22,500/-
Above Rs.3 crore and upto Rs.5 crore	30,000/-
Above Rs.5 crore and upto Rs.10 crore	35,000/-
Above Rs.10 crore and upto Rs.20 crore	50,000/-
Above Rs.20 crore and upto Rs.30 crore	69,000/-
Above Rs.30 crore and upto Rs.50 crore	1,05,000/-
Above Rs.50 crore and upto Rs.75 crore	1,20,000/-
Above Rs.75 crore and upto Rs.125 crore	1,59,000/-
Above Rs.125 crore and upto Rs.175 crore	1,99,000/-
Above Rs.175 crore and upto Rs.300 crore	2,50,000/-
Above Rs.300 crore and upto Rs.500 crore	2,82,000/-
Above Rs.500 crore	3,13,000/-

As at present, the main operating office of the bank (irrespective of the fact whether it is attached to Head / Central Office of the bank or functions as a separate unit) may be treated as any other branch and the fees admissible for the audit work thereof will be on the basis of the above mentioned schedule.

For branches where there is no advances portfolio such as service branches, specialised branches etc., or those operating as NPA recovery branches the banks, in consultation with the Audit Committee of the Board, should propose the revised fees depending on the volume of business of the branches, existing fee, etc. for the approval of RBI on a case to case basis.

C. **Fees for LFAR**

The fees for LFAR are as under:

Fees for LFAR	Rate
Head Office / Controlling Offices	25% of the basic audit fees (excluding fees for scrutiny and incorporation of the Branch Returns) as indicated at paragraph A(b) above.
Branches	10% of the basic audit fees payable for audit of respective branch as indicated at paragraph B above.

No separate TA/HA shall be payable for LFAR / Tax Audit of Head / Controlling Offices and branches.

D. **Fees for additional certifications**

It has been decided that an additional remuneration @ 12% of the basic audit fees shall be payable for the following certifications/validations required to be made in terms of various circulars/guidelines issued by RBI and any other certification/validation included from time to time as per RBI requirements.

- i) Verification of SLR requirements under Section 24 of BR Act, 1949 on 12 odd dates in different months in a year, not being Fridays.
- ii) A certificate to the effect that the bank has been following RBI guidelines regarding (a) asset classification, (b) income recognition (c) provisioning, and also to the effect that the bank has followed RBI guidelines in regard to the investment transactions/treasury operations.
- iii) A certificate in respect of reconciliation of bank's investments (on own account as also under PMS).
- iv) A certificate for compliance in key areas by the banks.
- v) A certificate in respect of custody of unused BR forms.
- vi) Authentication of bank's assessment of Capital Adequacy Ratio in the 'Notes on Accounts' attached to the balance sheet and various other ratios / items to be disclosed in the 'Notes on Accounts'.
- vii) Certificate regarding loan portfolio review if the bank seeks World Bank assistance (Capital Restructuring Loan).
- viii) Certification regarding DICGC items.
- ix) Verification of SLR and CRR returns submitted by the bank to RBI during the period under audit and confirming the same to RBI and the bank under audit.
- x) To comment upon the status of compliance by the bank as regards the implementation of the recommendations of the Ghosh Committee and the Working Group on internal controls.

xi) Commenting upon the credit deposit ratio in the rural areas as per the instructions of Government of India.

xii) Reporting of instances of suspected fraud if any, noticed during the course of statutory audit as per Mitra Committee Recommendations.

As hitherto, no fee is payable to branch auditors for additional attestations.

**E. Fees for additional certifications required by
Securities and Exchange Board of India (SEBI)**

As regards fee for additional certificates / attestations prescribed by SEBI and other regulators, the banks may decide in consultation with the Audit Committee of the Board/ Board.

F. Fees for auditing of consolidated financial statements

For this purpose banks may pay a maximum of Rs.18,750/- only per subsidiary / associate whose accounts are to be consolidated in the balance-sheet of a bank. The banks have freedom to offer lesser fee if the subsidiary / associate concerned is not active or is dormant.

G. Fee for quarterly / half yearly limited review

The fee for carrying out quarterly / half yearly limited review to be paid to statutory central auditors may continue to be 20% of the basic audit fee. It is further clarified that revised basic audit fee payable from 2006-07 will be applicable for computing the fee for limited review from the quarters ending June 30, 2007 onwards and not to the review carried out for the quarters ended June 30 / September 30 / December 31, 2006.

The concurrent auditors assisting the review process may continue to be paid a reasonable token fee as advised in our circular letter DBS ARS.No.BC.17/ 08.91.001/2002-03 dated June 05, 2003.

H. Reimbursement of Travelling and Halting Allowances and Daily Conveyance Charges

a) The Lodging charges payable to the partners / proprietors of the audit firms may be paid, subject to the production of bills, linking the same to IBA approved rates for the bank officials, as under:

Category of audit officials	Scale & designation of bank officials (as per IBA)
Partners / proprietors of audit firms (central & branch audit firms)	VII – General Manager
Qualified Assistants	III – Senior manager
Unqualified assistants	I – Officers

Wherever banks have Guest House or Visiting Officers' Flats, the same may be utilized to cater to the needs of the auditors.

The boarding charges after increase of 25% across the board will be as follows :

	Major 'A' Class Cities (Rs.)	Area I (Rs.)	Other Places (Rs.)
Proprietors / Partners of the audit firm	500/-	400/-	325/-
Qualified Assistants	450/-	350/-	313/-
Unqualified Assistants	350/-	313/-	275/-

The above boarding charges are subject to the production of bills. Where no bills are produced, boarding charges @60% of the aforementioned rates may be paid as hitherto, to cover the boarding and other incidental charges.

b) Travelling allowance in respect of partners / proprietors is to be considered by allowing travel by air conditioned First class by rail or by air in economy class or actual cost of conveyance by other modes of transportation where the routes are not served by air / rail. The audit assistants are to be allowed to travel by First class / air conditioned II tier class by rail or to be reimbursed the actual cost of conveyance by other modes of transportation where the routes are not served by rail. Air fare by economy class can be considered in respect of the audit assistants as a special case, whenever considered necessary.

c) The rates for daily conveyance charges may be increased from the present level by 25% for the three categories of auditors, subject to the conditions prescribed hereunder, as hitherto.

i) The actual local conveyance charges incurred by auditors while working away from their headquarters for conducting the bank's audit, not exceeding Rs.188/- per day for proprietors/partners, Rs. 94/- and Rs.75/- per day for qualified and unqualified assistants respectively, may be reimbursed on the basis of self-declaration.

ii) In case of local auditors, if the distance between the auditor's office and bank's office/branch is beyond 8 kms, actual expenditure not exceeding Rs.188/- per day for proprietors/partners, Rs.94/- and Rs.75/- per day for qualified and unqualified assistants respectively, may be reimbursed on a self-declaration basis.

iii) However, the reimbursement of such expenses shall not exceed 10% of the audit fees payable to the respective auditors. It will be observed from the foregoing that there will be no distinction between statutory central auditors and branch auditors regarding payment of branch audit fees and reimbursement of traveling, halting allowance and daily conveyance charges.

2. With regard to the reimbursement of travelling, halting allowance and daily conveyance charges, following observations may be noted:

i) Banks should call for such details as are necessary for verification of bills in this regard and the statutory central auditors as well as branch auditors shall furnish such details for verification of the actual expenses.

ii) Where the statutory central auditors have their headquarters at a place different from that where the Head/Central Office of the bank is situated, but have an office at the same place as the Head/Central Office of the bank, the TA/HA, if any, should be nominal for the central audit. However, to ensure the quality of audit, there should be no objection to the partners of the firm visiting the Head/Central Office of the bank as and when they deem it necessary.

iii) Where the statutory central auditors or branch auditors have an office at the place where the branches/offices of the bank to be audited are situated, they will not be reimbursed TA/HA. However, local conveyance may be reimbursed as suggested at para H(c) above.

iv) The TA/HA should be kept to the minimum.

v) In case of dispute between the auditors and the bank regarding settlement of their bills, the CMD/MD of the bank shall be the final authority to decide the claims. The CMD/MD has to satisfy himself that the actual expenses have been incurred by a particular auditor and the claims are settled keeping in view the aforesaid RBI guidelines.

Please acknowledge receipt.

Yours faithfully,

(P.S. Sharma)
General Manager

Withdrawn w.e.f November 16, 2021