



भारतीय रिज़र्व बैंक
RESERVE BANK OF INDIA
www.rbi.org.in

DBS.ARS.No.BC. 08/ 08.92.001/ 2012-13

June 25, 2013

**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 2012-13**

Please refer to instructions contained in our [circulars DBS.ARS.No.BC.08 / 08.92.001/ 2006-07 dated June 6, 2007](#), [DBS.ARS.BC. No. 3/ 08.92.001/ 2007-08 dated July 25, 2007](#), [DBS.ARS.BC. No. 07/ 08.92.001/ 2007-08 dated December 20, 2007](#) and [DBS.ARS.BC. No.09/ 08.92.001/ 2009-10 dated December 31, 2009](#) on the captioned subject. It has been decided to revise the remuneration payable to the statutory central and branch auditors of public sector banks from the year 2012-13.

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 ₹ 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 :

Department of Banking Supervision, Central Office, World Trade Centre 1, Cuffe Parade, Colaba,
Mumbai - 400 005, INDIA

Tele: (9122) 22189131 Fax: 022 22180157 e-mail: cgmicdbSCO@rbi.org.in

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Category of banks (on the basis of balance sheet size)	Rate of audit fees (₹)
Up to ₹ 50000 crore	706200/-
Above ₹ 50000 crore and up to Rs.100000 crore	783200/-
Above ₹ 100000 crore and up to Rs.200000 crore	842600/-
Above ₹ 200000 crore and up to ₹.500000 crore	902000/-
Above ₹ 500000 crore	961400/-

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 based on the quantum of advances.

B. Remuneration for Branch Audit work of the bank

Category of bank branch (on the basis of quantum of advances)	Rates of audit fees (₹)
Up to ₹ 10 crore	40250/-
Above ₹ 10 crore up to ₹ 20 crore	57500/-
Above ₹ 20 crore up to ₹ 30 crore	79350/-
Above ₹ 30 crore up to ₹ 50 crore	120750/-
Above ₹ 50 crore up to ₹ 75 crore	138000/-
Above ₹ 75 crore up to ₹ 125 crore	182850/-
Above ₹ 125 crore up to ₹ 175 crore	228850/-
Above ₹ 175 crore up to ₹ 300 crore	287500/-

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Above ₹ 300 crore up to ₹ 500 crore	324300/-
Above ₹ 500 crore up to ₹ 1000 crore	359950/-
Above ₹ 1000 crore up to ₹ 5000 crore	395600/-
Above ₹ 5000 crore	431250/-

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), CPUs/LPUs/and other centralized hubs by whatever nomenclature called which are taken up for the purpose of statutory branch audit during a particular year so as to cover 90% of advances of a bank will 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 fee excluding fee for scrutiny and incorporation of branch returns.
Branches	10% of the basic audit fee payable for audit of respective branch.

In respect of branches below the cut-off point of the threshold limit of branches to be taken up for statutory audit, as stipulated from time to time, which may not generally be subjected to statutory audit but are subjected to concurrent audit by chartered accountants and where LFARs and other

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certifications done earlier by SBAs are required to be submitted by the concurrent auditors, the fees payable to the concurrent auditors may be based on the above prescription.

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.20,625/- 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 2012-13 will be applicable for computing the fee for limited review from the quarters ending June 30, 2013 onwards and not for the review carried out during the quarters ended June 30 / September 30 / December 31, 2012.

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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

1. For reimbursement of the lodging & boarding charges, travelling allowance and daily conveyance payable to statutory auditors, the banks are given the discretion to decide the same in a cost effective manner in mutual consent with the auditors. Further, in no circumstances should the rate exceed the IBA prescription for the respective ceiling. The categories of officers linked for the purpose of deciding the ceiling limits are given below:

Sl. No.	Category of Audit officials	Equivalent scale of Bank officials (as per IBA)
1	Partners/proprietors	VII – General Manager
2	Qualified Assistants	III – Senior Manager
3	Un-Qualified Assistants	I - Officers

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

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

- iv) 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.
- v) The TA/HA should be kept to the minimum.
- vi) 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,

Sd/-

(R. K. Panda)
General Manager

Withdrawn w.e.f March 01, 2023