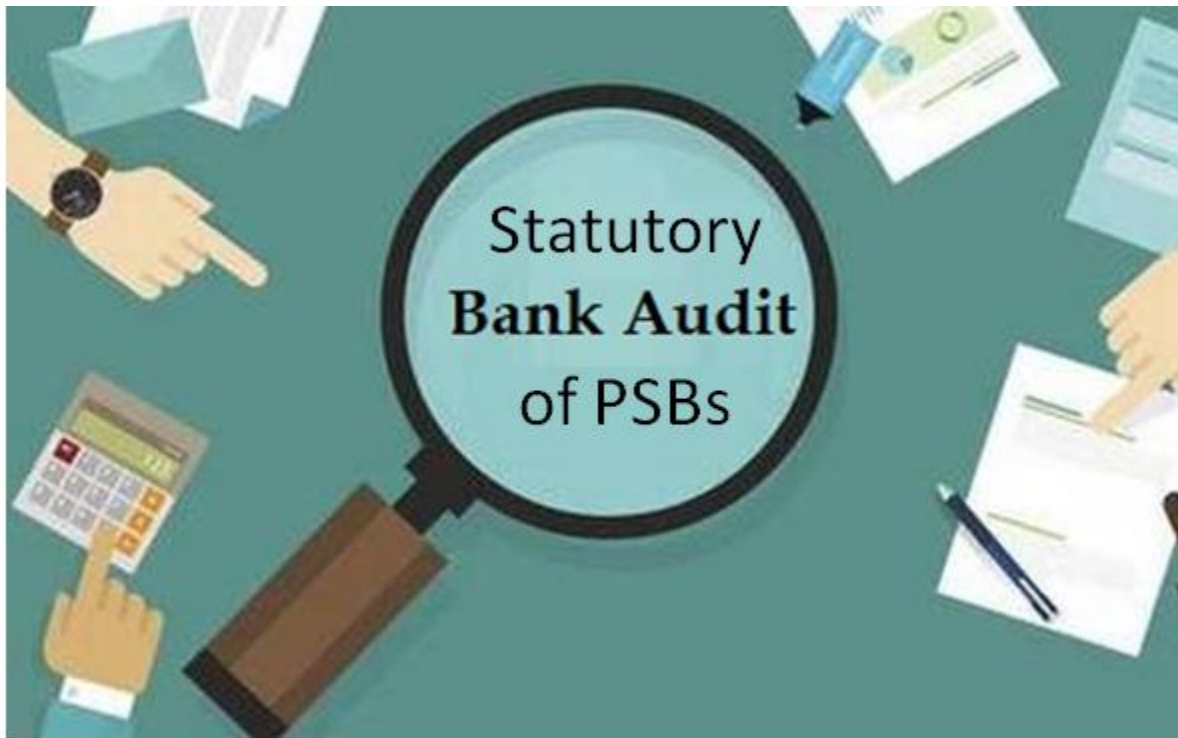


RBI Notifies 2 Changes in Norms for PSB Bank Branch Audit



The Reserve Bank of India (RBI) has notified the new norms for Statutory Branch Audit (SBA) of the Public Sector Banks (PSB). These SBA norms shall be applicable from FY 2020-21 onwards. The new SBA Policy of RBI has 2 major changes that will be applicable from this financial year. Rest all other norms are just the same.

Those 2 changes are in respect of **selection of branches of PSBs for Statutory Audit**, and **removal of cooling period for Bank branch Audit**.

We shall understand in detail these 2 major changes in the PSB Statutory Audit Norms.

I. Selection of Branches of PSBs for Statutory Audit

Here are the recently notified Norms for the selection of branches of Public Sector Banks (PSBs) for the Statutory Audit:

- (i.) Statutory audit of the PSBs should be conducted such that it covers 90% of all-funded and 90% of all non-funded credit exposures of that PSB bank. The selection of branches for statutory audit shall include a representative ranging from a rural, semi-urban or urban and the metropolitan branches, mainly considering the PSB branches that are not subject to concurrent audit. CPUs / LPUs, and other centralised hubs, by whatsoever term referred to, and would be considered for the bank branch audit every year. The selection of branches shall be finalised by each PSB with the consent of their Statutory Central Auditor/s.
- (ii.) In respect of those branches, which are subject to concurrent audit by chartered accountants and not selected for branch audit, LFARs and other certifications done by concurrent auditors will be submitted to the Managing Director & CEO of the bank. The banks in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditor/s as an internal document of the bank.

Impact of this norm: Removal of the mandatory statutory audit of 1/5 of the branch with loan size less than ₹20 crores.

II. Removal of the Cooling period for Bank branch Audit

The next most important change in the PSB Statutory Audit Norms is that the RBI has removed the cooling concept for the branch auditors.

Under the heading “General guidelines applicable to appointment of Statutory Branch Auditors” in the RBI notification, the 4th norm has been stated as under–

- The concept of compulsory rest of 2 years is now removed for the statutory audit firms situated in the specific centres, after they have completed 4 consecutive years of the branch audit till FY 2019-20.
- In its place, the branch auditors located across all the centres of India, on completion of 4 consecutive years of the branch audit, shall be subject to the rotation policy i.e. they may be considered for appointment as [Statutory Branch Auditors](#) (SBAs) of any other PSB.
- However, the audit firms shall not be eligible to be re-appointed as the SBAs in the same PSB where they have just completed their audit assignment prior to this rotation.

These rules shall apply at least for 1 cycle of every 4 years.

Impact of this norm: Henceforth, the cooling concept is removed. There will be no cooling (resting) after the end of 4 years period in all branches.

These are the new norms for the PSBs statutory audit applicable from the FY 2020-21 onwards.
