भारतीय रिज़र्व बैंक
Reserve Bank of India

RBI/DoS/2026-27/432
DoS.CO.ARG.26/08.91.001/2026-27 July 31, 2026

Reserve Bank of India (Payments Banks – Statutory Audit) Directions, 2026

Table of Contents

पर्यवेक्षण विभाग, भारतीय रिज़र्व बैंक, केंद्रीय कार्यालय, मेकर टावर-ई, 20वीं मंजिल, कफ परेड, कोलाबा, मुंबई-400 005
दूरभाष: 022-6989 2022 ई-मेल: argdosco@rbi.org.in
Department of Supervision, Reserve Bank of India, Central Office, Maker Tower-E, 20th floor, Cuffe Parade, Colaba, Mumbai- 400 005
Tel: 022-6989 2022 Email: argdosco@rbi.org.in

In exercise of powers conferred by Section 30(1A) of the Banking Regulation Act, 1949, and all other provisions / laws enabling the Reserve Bank of India (‘RBI’) in this regard, RBI being satisfied that it is necessary and expedient in the public interest so to do, hereby issues the Directions hereinafter specified.

Chapter I - Preliminary

A. Short Title and Commencement

1. These Directions shall be called the Reserve Bank of India (Payments Banks - Statutory Audit) Directions, 2026.

2. These Directions shall come into effect immediately upon issuance.

B. Applicability

3. These Directions shall be applicable to the Payments Banks (hereinafter collectively referred to as ‘banks’ and individually as ‘bank’) in respect of appointment / reappointment of their Statutory Central Auditors (SCAs) / Statutory Auditors (SAs).

   For the purpose of these Directions, the term SCAs is applicable to banks which appoint separate Statutory Branch Auditors (SBAs) whereas in all other cases, the term SAs shall be applicable.

C. Definitions

4. In these Directions, unless the context states otherwise, the terms herein shall bear the meaning assigned to them below:

   (1) *‘All India Financial Institutions’* (hereinafter collectively referred to as ‘AIFIs’) shall mean National Bank for Agriculture and Rural Development (NABARD), Small Industries Development Bank of India (SIDBI), National Housing Bank (NHB), Export-Import Bank of India (EXIM Bank) and National Bank for Financing Infrastructure and Development (NaBFID) as established under their respective statutes.

(2) *'Audit Firm'* shall mean a partnership firm or Limited Liability Partnership (LLP).

(3) *'Central Co-operative Bank (CCB)'* shall be as defined under Sub-Section (d) of Section 2 of National Bank for Agriculture and Rural Development Act, 1981.

(4) *'Commercial Banks'* means banking companies (other than Small Finance Banks, Payment Banks, and Local Area Banks), corresponding new banks, and the State Bank of India, as defined respectively under clauses (c), (da), and (nc) of Section 5 of the Banking Regulation Act, 1949.

(5) *'Group Entities'* shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary - parent [defined in terms of Accounting Standards (AS) 21], Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter Promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20 per cent and above.

(6) *'NBFCs [including Housing Finance Companies (HFCs)]'* shall mean such entities as defined in the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025.

(7) *'Primary (Urban) Co-operative Banks (UCB)'* shall mean entities as defined in Section 5 (ccv) read with Section 56 of the Banking Regulation Act, 1949.

(8) *'Public Sector Banks (PSBs)' (individually as a 'PSB')* shall refer to State Bank of India and corresponding new banks collectively.

(9) *'State Bank of India'* shall mean State Bank of India as defined in Section 5 (nc) of the Banking Regulation Act, 1949.

(10) *‘State Co-operative Bank (StCB)*’ shall be as defined under Sub-Section (u) of Section 2 of National Bank for Agriculture and Rural Development Act, 1981.

5. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949, the Companies Act, 2013, or any statutory modification or re-enactment thereto or other regulations issued by RBI or the Glossary of Terms published by RBI or as used in commercial parlance, as the case may be.

Chapter II - Governance and Oversight

A. Role of the Board and Senior Management

6. The bank shall decide on the number of SCAs / SAs based on a Board Approved Policy, *inter alia*, taking into account the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerisation, availability of other independent audit inputs, identified risks in financial reporting and any other relevant factors.

7. The Audit Committee of the Board (ACB) shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards, and best practices. Any concerns in this regard shall be flagged by the ACB to the Board of Directors of the bank and the concerned Senior Supervisory Manager (SSM), Department of Supervision (DoS), RBI.

8. The Board / ACB of the bank shall review the performance of SCAs / SAs on an annual basis. The bank shall report any serious lapses or negligence in audit responsibilities or conduct issues on part of the SCAs / SAs or any other matter considered as relevant to DoS, RBI within two months from completion of the annual audit. The bank shall send such reports with the approval / recommendation of the Board / ACB, with the full details of the audit firm. Board shall review the performance of SCAs / SAs in case ACB is non-existent in the bank.

9. The Board / ACB of the bank shall make recommendations to the competent authority as per the relevant statutory / regulatory instructions for fixing of audit fees of SCAs / SAs.

10. The bank shall formulate a Board approved policy to be hosted on its official website / public domain and formulate necessary procedure thereunder to be followed for appointment of SCAs / SAs. Apart from conforming to all relevant statutory / regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.

Chapter III - Guidelines for Appointment

A. Number of Statutory Central Auditors / Statutory Auditors

11. The banks with asset size of ₹15,000 crore and above as at the end of previous year, shall ensure to get their statutory audit conducted under joint audit by a minimum of two audit firms. *For the purpose of the Directions*, asset size means total assets. All other banks should appoint a minimum of one audit firm for conducting statutory audit. The bank shall ensure that the joint auditors of the bank do not have any common partners and they are not under the same network of audit firms as defined in Rule 6(3) of the Companies (Audit and Auditors) Rules, 2014. Further, the bank shall finalise the work allocation among SCAs / SAs, before the commencement of the statutory audit, in consultation with their SCAs / SAs.

12. Considering the above factors and the requirements of the bank, the Board shall decide the actual number of SCAs / SAs to be appointed, subject to the following limits:

Sr. No.	Asset Size of the Bank	Maximum Number of SCAs / SAs
1.	Up to ₹5,00,000 crore	4
2.	Above ₹5,00,000 crore and up to ₹10,00,000 crore	6
3.	Above ₹10,00,000 crore and up to ₹20,00,000 crore	8
4.	Above ₹20,00,000 crore	12

The above limits have been prescribed to ensure that the number of SCAs / SAs appointed by the bank are adequate, commensurate with the asset size and extent of operations of the bank, with a view to ensure that audits are conducted in a timely and effective manner.

13. In addition, the bank shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding the audit of accounts of all branches.

B. Eligibility Criteria of Auditors

14. The bank shall appoint audit firm(s) as its SCA(s) / SA(s) fulfilling the eligibility norms as prescribed below.

Asset Size of the bank as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the audit firm for a period of at least three (3) years Note 1	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the audit firm for a period of at least three (3) years	Minimum No. of Full Time Partners / Paid CAs with CISA / ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
Above ₹15,000 crore	5	4	2	15	18
Above ₹1,000 crore and up to ₹15,000 crore	3	2	1	8	12
Up to ₹1,000 crore	2	1	1	6	8

Note 1: There shall be at least one-year continuous association of partners with the audit firm as on the date of shortlisting by the bank for considering them as full-time partners. Further, for appointment as SCAs / SAs of the bank with an asset size above ₹1,000 crore, at least two partners of the firm shall have continuous association with the firm for at least 10 years. For the bank with an asset size above ₹1,000 crore, the full-time partner's association with the audit firm shall mean 'exclusive association'. The definition of 'exclusive association' will be based on the following criteria:

(1) The full-time partner should not be a partner in other audit firm(s).

(2) They should not be employed full time / part time elsewhere.

(3) They should not be practicing in their own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.

(4) The Board / ACB shall examine and ensure that the income of the partner from the firm / Limited Liability Partnership (LLP) is adequate for

considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

Note 2: Certified Information Systems Auditor (CISA) / Information Systems Audit (ISA) Qualification:

There shall be at least one-year continuous association of Paid CAs with CISA / ISA qualification with the firm as on the date of shortlisting by the bank for considering them as Paid CAs with CISA / ISA qualification for the purpose.

Note 3: Audit Experience:

Audit experience shall mean experience of the audit firm as Statutory Central / Branch Auditor of Commercial Banks, Small Finance Banks, Payment Banks, Local Area Banks, or AIFIs. In case of merger and demerger of audit firms, merger effect will be given after two years of merger while demerger will be effected immediately for this purpose.

Note 4: Professional Staff:

Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists / stenographers / computer operators / secretaries / subordinate staff. There should be at least one-year of continuous association of professional staff with the audit firm as on the date of shortlisting by the bank for considering them as professional staff for the purpose.

15. **Additional Consideration**

(1) The audit firm, proposed to be appointed as SCAs / SAs for the bank, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.

(2) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or other financial regulators.

(3) The bank shall ensure that appointment of SCAs / SAs is in line with the ICAI's Code of Ethics / any other such standards adopted and does not give rise to any conflict of interest.

(4) If any partner of an audit firm is a director in any bank, the said firm shall not be appointed as SCAs / SAs of any of the group entities of that bank.

Explanation: The Group Entities here refer to RBI regulated entities in the Group, which fulfil the definition of Group Entity, as provided in these Directions. Therefore, if any partner of an audit firm is a director in an RBI regulated entity in the Group, the said firm shall not be appointed as SCAs / SAs of any of the RBI regulated entities in the Group. However, if an audit firm is being considered by any of the RBI regulated entities in the Group for appointment as SCAs / SAs, whose partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as Board.

(5) The SCAs / SAs for the bank with asset size above ₹1,000 crore should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree / complexity of computer environment of the bank where the accounting and business data reside in order to achieve audit objectives.

16. **Continued Compliance with Basic Eligibility Criteria**

(1) In case an audit firm (after appointment) fails to comply with any of the eligibility norms (on account of reasons such as resignation or death of any of the partners/ employees, action by Government Agencies, NFRA, ICAI, RBI, and other financial regulators), it shall promptly approach the bank with full details. Further, the audit firm shall take all necessary steps to regain eligibility within a reasonable time and in any case, the audit firm must comply with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.

(2) In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees or any other reason, which makes the audit firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

C. Independence of Auditors

17. In case of any concern with the management of the bank such as non-availability of information / non-cooperation by the management, which may hamper the audit process, the SCAs / SAs shall approach the Board / ACB of the bank, under intimation to the concerned SSM of RBI. The SCAs / SAs shall directly approach the Board only when the bank does not have an ACB or when they notice a matter of concern involving any member of the ACB.

18. Concurrent auditors of the bank should not be considered for appointment as SCAs / SAs of the same bank. Before appointment or after completion of the audit assignment as SCAs / SAs, the time gap between any non-audit works (services mentioned in Section 144 of Companies Act, 2013, internal assignments or special assignments) by the SCAs / SAs for the bank or any audit / non-audit works for its group entities should be at least one year. However, during the tenure as SCA / SA, an audit firm may provide such services to the concerned bank which may not normally result in a conflict of interest, and bank shall take its own decision in this regard, in consultation with the Board / ACB. A conflict of interest would not normally arise in the case of following special assignments (indicative list):

(1) Tax audit, tax representation and advice on taxation maters

(2) Audit of interim financial statements

(3) Certificates required to be issued by the SCA / SA in compliance with statutory or regulatory requirements

(4) Reporting on financial information or segments thereof

Explanation: The Group Entities refer to RBI regulated entities in the Group, which fulfil the definition of Group Entity as provided in the directions. However, if an audit firm engaged with audit / non- audit works for the Group Entities (which are not regulated by RBI) is being considered by any of the RBI regulated entities in the Group for appointment as SCAs / SAs, it shall be the responsibility of the Board / ACB of the concerned RBI regulated entity to ensure that there is no conflict of interest and independence of auditors is ensured, and this should be suitably recorded in the minutes of the meetings of Board / ACB.

19. The restrictions as detailed in Paragraph 18 above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners, as defined in Rule 6(3) of the Companies (Audit and Auditors) Rules, 2014.

D. Professional Standards

20. The SCAs / SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

21. In the event of lapses in carrying out audit assignments resulting in misstatement of a bank's financial statements, and any violations / lapses vis-à-vis RBI's Directions regarding the role and responsibilities of the SCAs / SAs in relation to the bank, the SCAs / SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

E. Tenure and Rotation

22. In order to protect the independence of the auditors, the bank shall appoint the SCAs / SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. The audit firms which have already completed tenure of one year or two years with any bank may be permitted to complete the balance tenure only, i.e., two years and one year, respectively, if they fulfil the eligibility norms on an annual basis. Further, the bank can remove the audit firms during the above period only with the prior approval of DoS, RBI as applicable for prior approval for appointment, as mentioned at Paragraph 29 (1) of these

Directions. Upon completion of the prescribed tenure of three years of the SCA / SA and until appointment of the incoming SCAs / SAs for the relevant financial year, the outgoing SCAs / SAs of the bank may continue for the Limited Review of financial statements for ensuing quarter(s), in accordance with the provisions of this Direction and the applicable statutory requirements.

23. An audit firm shall not be eligible for reappointment in the same bank for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other Entities. In case an audit firm has conducted audit of any bank for part-tenure (one year or two years) and then not appointed for remainder tenure, then also it shall not be eligible for reappointment in the same bank for six years from completion of part-tenure.

24. One audit firm can concurrently take up statutory audit of a maximum of four Small Finance Banks, Payment Banks, Commercial Banks and Local Area Banks (but not more than one PSB or one AIFI or RBI), eight UCBs, eight NBFCs and five StCBs / CCBs (including not more than one StCB) during a particular year, subject to compliance with required eligibility criteria and other conditions for each bank and within overall ceiling prescribed by any other statutes or rules. For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm. These limits are applicable in respect of audit of all RBI regulated entities, irrespective of the asset size.

For the purpose of these Directions, a group of audit firms having common partners and / or under the same network, will be considered as one entity and they shall be considered for allotment of SCAs / SAs accordingly. Shared / Sub-contracted audit by any other / associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

25. If the bank is appointing separate branch auditors, then it shall ensure that there are no common partners between the retiring audit firm/s and proposed audit firm(s). If the retiring and proposed auditors are proprietary concerns, the firm in

which any proprietor or both is / are partner(s) should not be considered for audit. Further, the sister concerns or associate firms of rested auditors should also not be proposed for appointment till they complete the rest period.

26. Office of CAG will continue to appoint SAs of the Government Companies and Government Controlled Other Companies under Section 139 (5) and 139 (7) of the Companies Act, 2013. Such Companies are also subject to supplementary / test audit by the Office of CAG under Section 143 (6) and (7) of the said Act. Such entities will be guided by the CAG guidelines regarding tenure and rotation policy. However, such appointment for India Post Payments Bank Limited will be done by the Office of CAG with concurrence of RBI.

F. Audit Fees and Expenses

27. The audit fees for SCAs / SAs shall be decided in terms of the relevant statutory / regulatory provisions.

28. The audit fees for SCAs / SAs shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerisation and identified risks in financial reporting.

G. Appointment Procedure

29. The guidelines on minimum procedural requirements are given below:

    (1) The bank shall obtain prior approval of DoS, RBI for the appointment / reappointment of SCAs / SAs, on an annual basis in terms of the above-mentioned statutory provisions. For the purpose, the bank shall apply to DoS, RBI before 31st July of the reference year.

    (2) The bank shall shortlist minimum of two audit firms for every vacancy of SCAs / SAs so that even if the audit firm at first preference is found to be ineligible / refuses appointment, the audit firm at second preference can be appointed and the process of appointment of SCAs / SAs does not get delayed. However, in case of reappointment of SCAs / SAs by the bank till completion of tenure of continuous term of three years, there shall not be

any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.

(3) The bank shall continue to follow the existing procedure followed by them for selection of SCAs / SAs. They shall place the name of shortlisted audit firms, in order of preference, before their ACB for selection as SCAs / SAs. Upon selection of SCAs / SAs by the bank in consultation with their ACB and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SCAs / SAs.

(4) The bank shall obtain a certificate, along with relevant information as per **Annex I** **(Form B)**, from the audit firm(s) proposed to be appointed as SCAs / SAs by the bank to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate shall be signed by the main partner(s) of the audit firm proposed for appointment of SCAs / SAs of the bank, under the seal of the said audit firm.

(5) The bank shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, recommend the names along with a certificate, in the format as per **Annex II** **(Form C),** stating that the audit firm(s) proposed to be appointed as SCAs / SAs by it complies with all eligibility norms prescribed by RBI for the purpose.

(6) While approaching RBI for its prior approval for appointment of SCAs / SAs, the bank shall indicate its total asset size as on 31st March of the previous year (audited figures), forward a copy of Board / ACB Resolution recommending names of audit firms for appointment as SCAs / SAs in the order of preference and also furnish information as per **Annex I** **(Form B)** and **Annex II** **(Form C)**, as mentioned above, to facilitate expeditious approval of appointment / re-appointment of the concerned audit firm.

Chapter IV - Long Form Audit Report

A. Procedure and Timelines

30. The bank shall ensure timely receipt of Long Form Audit Report (LFAR) from the SCAs / SAs / SBAs.

31. The LFAR of the bank, after due examination, shall be placed before the ACB of the bank, indicating the action taken / proposed to be taken for rectification of the irregularities, if any, mentioned therein.

32. The bank shall forward a copy of the LFAR, for the bank as a whole, along with the related agenda notes and the Board's views or directions, to the concerned Senior Supervisory Manager (SSM), DoS, RBI, within 60 days from the date of submission of the same by the SCA / SA.

B. Long Form Audit Report by the Statutory Central Auditors

B.1 Objectives, Strategy, Scope and Coverage

33. The overall objective of the LFAR should be to identify and assess the gaps and vulnerable areas in the business operations, risk management, compliance and the efficacy of internal audit and provide an independent opinion on the same to the Board of the bank and provide the observations of SCAs.

34. This may also involve commenting on various risks to which the bank is exposed to such as credit, market, operational and liquidity risk and risk management efficacy, assessment of appropriateness of procedures for preparation of supervisory returns, Know Your Customer (KYC) / Anti-Money Laundering (AML) / Combating Financing of Terrorism (CFT) issues, cyber security, business performance, business strategy including very high growth / high return on equity (ROE) accompanied with high risks.

35. Some of the matters to be dealt with by the SCAs in their LFARs will be based on the LFARs received from the SBAs. In dealing with such matters, the SCAs should exercise their own judgement to make their observations based on review of LFARs from SBAs.

36. While deciding their audit strategy, the SCAs shall factor-in all material issues which are considered critical by looking at the size and complexity of the business operations, business strategy / models, internal controls including the control culture of the bank, structure and complexity of the IT systems, etc.

37. The scope and coverage of Statutory Audit and LFAR will broadly be as per the indicative areas given in Paragraphs 40 to 63. However, if the SCAs feel a need for some material additions in the scope, this shall be done by giving specific justification and with the prior intimation to the ACB of the bank.

38. SCAs may resort to need based limited transaction testing.

39. In deciding whether a qualification in the main report is necessary, the SCAs should use their judgement based on the available evidence / facts and circumstances of each case. The bank is expected to measure and monitor the accuracy of data and to develop appropriate escalation channels and action plans to rectify any deterioration in data quality.

B.2 Indicative Coverage

B.2.1 Credit Risk Areas

40. **Counterparty Credit Assessment**: Whether the credit assessment process is sufficiently placed to capture the risk as also the adequacy of information / data available with the bank.

41. **Sanctioning**: Policy relating to delegation of powers at various levels, appropriateness of checks and balances, adherence to authorised limits, etc.

42. **Review / Monitoring / Post Sanction Follow-up / Supervision**: Extent of coverage and effectiveness of credit monitoring system covering both on balance sheet and off-balance sheet exposures, along with the quality of reporting should be examined along with adherence to RBI instructions / bank's own policy. Special focus should be given on functioning and effectiveness of system of receipt of periodic confirmation / acknowledgement of balances, etc. System of scrutiny of the above information and follow-up by the bank should also be

examined to identify process gaps. Review / renewal / enhancement of limits, overall monitoring of balances should also be examined and suitably factored-in.

B.2.2 Market Risk Areas

43. **Investments including Derivatives**: The focus should be on the merit of investment policy and adherence to RBI guidelines. Any deviations to the RBI directions, and guidelines issued by Fixed Income Money Market and Derivatives Association of India / Financial Benchmarks India Private Limited / Foreign Exchange Dealers' Association of India should be suitably highlighted. Special focus should be given on system of purchase and sale of investments, delegation of powers, reporting systems, segregation of back, middle and front office functions, efficacy of control over investments, including periodic verification / reconciliation of investments with book records, valuation mode, changes in mode of valuation, system relating to inter-bank call money operations, system relating to unquoted investments in the portfolio, system of audit including periodic verification / verification of investment activities / portfolios, policies and systems for monitoring activities such as underwriting, derivatives, etc., among others. With respect to RBI directions, special focus should be given on compliance to exposure norms, classification of investments into Held to Maturity (HTM) / Available for Sale (AFS) / Fair Value through Profit and Loss (FVTPL) category and inter-category shifting of securities, compliance to valuation, asset classification and provisioning norms, along with deviation from accounting and disclosure norms, among others. Comments should also be made on the composition of investment portfolio as per RBI guidelines and the depreciations on investments, if not provided for. System of recording of income from investments, income accrued and due but not received, monitoring of mature investments and their timely encashment etc. should be examined and commented. The auditor shall also comment upon the veracity of liquidity characteristics of different investments in the books, as claimed by the bank in different regulatory / statutory statements. The internal control system, including all audits and inspections, IT and software being used by the bank for investment operations should be examined in detail.

44. **Statutory Liquidity Ratio (SLR) / Cash Reserve Ratio (CRR) Requirements**: Any discrepancies in the process of compilation and calculation of Net Demand and Time Liabilities (NDTL) by the bank should be highlighted in LFAR. It should be specifically commented whether the bank has complied with SLR / CRR requirements, with the instances of non-compliance, thereof.

45. **Asset Liability Management**: Existence of Policy on Asset-Liability Management and monitoring thereof, along with compliance with RBI guidelines and functioning of Asset Liability Management Committee should be examined.

B.2.3 Governance, Assurance Functions and Operational Risk Areas

46. **Governance and Assurance Functions**: Observations on governance, policy and implementation of business strategy and its adequacy vis-à-vis the risk appetite statement of the bank, effectiveness of assurance functions (risk management, compliance and internal audit) should be examined and suitably incorporated in the LFAR. Adequacy of risk-awareness, risk-taking and risk-management, risk and compliance culture per se, compliance testing, including the sustenance of the compliance, as also system of branch inspection, frequency, scope / coverage of inspection / internal audit, concurrent audit or revenue audit should also be examined along with the system of follow-up of these reports, position of compliance, corrective action taken by the bank among others.

47. **Balancing of Books / Reconciliation of Control and Subsidiary Records**: Special focus should be given on the system of control for internal accounts along with effectiveness of the system of monitoring the position of balancing of books / reconciliation of control and subsidiary records, with details of books not balanced, if any. The item wise details of system generated transitory accounts not nullified at the year-end should be given separately with ageing of such items.

48. **Inter-Branch Reconciliation**: The effectiveness of the system of inter-branch / inter-office reconciliation with respect to each type of entries, along with sufficiency of audit trail should be examined and commented upon. Age-wise analysis of unreconciled entries for each type of entry covered under inter-branch reconciliation, as on balance sheet date along with subsequent clearance,

thereof, if any, should be provided. Any unusual entries observed in the reconciliation process, along with procedure for auto and forced matching of entries, should be commented. Compliance with RBI guidelines with respect to provisioning for old outstanding entries, should be factored in the observations.

49. **Frauds / Vigilance**: Appropriateness of fraud risk management system and processes for early detection, timely reporting to RBI, investigation of frauds as also adequacy of provisioning with respect to reported frauds and deviations observed in compliance with directions issued by RBI should be examined and commented upon. Age-wise analysis of the cases / complaints investigated / under investigation of Vigilance Department along with observations on major frauds discovered during the year under audit should be provided. Special focus should be given on the potential risk areas which might lead to perpetuation of fraud.

50. **Suspense Accounts, Sundry Deposits, etc.**: System of clearance of items debited / credited to suspense / sundry accounts should be examined with the focus on audit trail, along with age-wise analysis of un-cleared entries of suspense accounts, sundry deposits, etc. as on balance sheet date along with subsequent clearance, thereof, if any. Any unusual entries observed in suspense accounts, sundry deposits etc. should be specifically commented. An examination of inactive / inoperative accounts may also be carried out, as it is a fraud prone area. It should also be examined whether the bank has made adequate provision with respect to un-cleared entries in suspense accounts, sundry deposits, etc. as per the RBI guidelines and to the satisfaction of the auditor.

51. **Know Your Customer (KYC) / Anti-Money Laundering (AML)**: It should be examined whether the bank has duly updated and approved KYC and AML policies in synchronization with RBI directions and whether the said policies are effectively implemented by the bank. Assessment of the effectiveness of provisions for preventing money laundering and terrorist financing may be provided for.

52. **Cash and Other Security Items**: System of monitoring of cash at branches, and management of cash through currency chest operations, including adequacy of insurance cover, system and procedure for physical custody of cash, systems and controls for procurement, issue and custody of valued stationary items such as Cheque Books, Demand Drafts, Pay Orders, Gold Coins etc., should be examined.

53. **Para-Banking Activities**: It should be examined whether the bank has effective internal control system with respect to para-banking activities undertaken by it. A list of para-banking activities undertaken by the bank should be provided.

54. **Management Information System (MIS)**: Existence and adequacy of MIS, method of compilation and accuracy of information, appropriateness of procedures for preparation of supervisory returns and their reliability under the Off-Site Surveillance System of RBI, reliability of information flow for the internal risk management system should be commented. Additionally, comments should also be provided on whether the bank has effective system of preparation and consolidation of branch returns and financial statements.

55. **Any Other Comments relating to People, Process and System Risks**: Any other concerns relating to people, process and system risks may be commented upon.

B.2.4 Capital Adequacy

56. **Capital Adequacy Certificate:** A copy of the capital adequacy certificate should be provided along with comments as to whether the bank has effective system of calculation of capital adequacy as per the directions of RBI. Any concerns which are considered material relating to the bank's solvency and capital may be commented upon.

B.2.5 Going Concern and Liquidity Risk Assessment

57. **Going Concern Assessment**: The auditor should comment whether the going concern basis of preparation of financial statements is appropriate; and auditor's evaluation of the bank's assessment of its ability to continue to meet its

obligations for the foreseeable future (for at least 12 months after the date of the financial statements) with reasonable assurance for the same. Any material uncertainties relating to going concern should be disclosed.

58. **Profitability**: Analysis of variation in major items of income and expenditure compared to previous year should be carried out along with important ratios such as Return on Assets (RoA), Return on Equity (RoE), etc.

59. **Liquidity Assessment**: As a part of assessment of the bank on going concern basis, the auditor should also consider the robustness of the bank's liquidity risk management systems and controls for managing liquidity, any external indicators that reveal liquidity or funding concerns, the availability of short-term liquidity support and compliance with norms relating to Liquidity Coverage Ratio (LCR) and Net Stability Funding Ratio (NSFR) among others.

B.2.6 Information Systems

60. **Robustness of Information Technology (IT) Systems**: Auditors should comment on the robustness of IT systems covering all the software used by the bank along with functions thereof, inter-linkage / interface between different IT Systems, Automated Teller Machine (ATM) network and its security, payment system products and services among others. It should be examined whether the software used by the bank were subjected to Information System (IS) Audit, Application function testing and any other audit mandated by RBI. Adequacy of IS Audit, migration audit (as and where applicable) and any other audit relating to IT and cyber security system and bank's compliance to the findings of those audits should be commented upon.

61. **IT Security and Information Security Policy**: Auditors should comment whether the bank has duly updated and approved IT Security and Information Security Policy and whether the bank has complied with RBI advisory / directives relating to IS environment / cyber security, issued from time-to-time.

62. **Critical Systems / Processes**: It should be examined whether there is an effective system of inter-linkage including seamless flow of data under Straight Through Process (STP) amongst various software / packages deployed. Special

emphasis should be placed on outsourced activities and bank's control over them, including bank's own internal policy for outsourced activities.

B.2.7 Other Matters

63. Comments on the following should also be provided:

(1) Accounting policies including changes in accounting policies made during the period.

(2) Adequacy of provisions made for statutory liabilities such as Income Tax, Gratuity, Pension, Provident Fund, etc.

(3) Adequacy of provisions made for off-balance sheet exposures and other claims against the bank.

(4) Balances with other banks - observations on outstanding items in reconciliation statements.

(5) Procedure for revaluation of NOSTRO accounts and outstanding forward exchange contracts.

(6) System related to compliance with Depositor Education and Awareness Fund (DEAF) norms.

(7) Compliance mechanism with regard to recommendations of specific committees appointed by RBI such as Ghosh, Jilani, Mitra, etc.

(8) Working of subsidiaries / associates / joint ventures of the bank.

(9) Reporting system to the holding bank.

(10) Major losses of the subsidiary, if any.

(11) Business conduct including customer service by the bank describing instances, if any, of wrong debit of charges from customer accounts, mis-selling, ineffective complaint disposal mechanism, etc.

(12) Any other matter, which the auditor considers should be brought to the

notice of the management.

C. Long Form Audit Report by the Statutory Branch Auditors

64. SBAs shall submit the LFAR to the SCAs of the bank. The overall objective of the audit of bank branch should be to have transaction testing and provide inputs to the SCAs on adequacy of implementation of various policy and regulatory requirements, including efficacy of the system and assurance functions (risk management, compliance and internal audit) at branch level.

65. The threshold fixed for different purposes for comments in the LFAR will decide that above the threshold, the transaction detailing needs to be seen and commented upon. However, below the threshold, the system and processes should be checked and commented upon.

66. Verification of data integrity and data related control systems and processes should be carried out and commented upon, with the special thrust on those data inputs which are to be used for MIS at corporate office level and for supervisory reporting purposes.

67. Indicative Format / Coverage in the LFAR by the SBAs is enclosed as **Annex III**. Additional Questionnaire applicable to Specialised Branches is enclosed as **Annex IV**. The questionnaire contains questions, which are relevant to the specialised branches dealing in foreign exchange transactions, and clearing house operations, if any.

Chapter V - Repeal and Other Provisions

A. Repeal and Saving

68. With the issue of these Directions, the existing directions, instructions, and guidelines relating to Statutory Audit as applicable to Payments Banks stand repealed, as communicated vide circular no.DoS.CO.PPG.66/11.01.005/2026-27 dated July 31, 2026. The directions, instructions and guidelines already repealed vide any of the directions, instructions, and guidelines listed in the above circular shall continue to remain repealed.

69. Notwithstanding such repeal, any action taken or purported to have been taken, or initiated under the repealed directions, instructions, or guidelines shall continue to be governed by the provisions thereof. All approvals or acknowledgments granted under these repealed lists shall be deemed as governed by these Directions. Further, the repeal of these directions, instructions, or guidelines shall not in any way prejudicially affect:

    (1) any right, obligation or liability acquired, accrued, or incurred thereunder;

    (2) any penalty, forfeiture, or punishment incurred in respect of any contravention committed thereunder;

    (3) any investigation, legal proceeding, or remedy in respect of any such right, privilege, obligation, liability, penalty, forfeiture, or punishment as aforesaid; and any such investigation, legal proceedings or remedy may be instituted, continued, or enforced and any such penalty, forfeiture or punishment may be imposed as if those directions, instructions, or guidelines had not been repealed.

B. Application of Other Laws Not barred

70. The provisions of these Directions shall be in addition to, and not in derogation of the provisions of any other laws, rules, regulations, or directions, for the time being in force.

C. Interpretations

71. For giving effect to the provisions of these Directions or to remove any difficulties in the application or interpretation of the provisions of these Directions, RBI may, if it considers necessary, issue necessary clarifications in respect of any matter covered herein and the interpretation of any provision of these Directions given by RBI shall be final and binding.

(C. Saravanan)
Chief General Manager

Annex I

(FORM B)

Eligibility Certificate from (Name and Registration Number of the Audit Firm)

A. Particulars of the Firm:

Asset Size of the bank as on 31st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

*Exclusively associated in case of Payments Bank with asset size of more than ₹1,000 crore

#Details may be furnished separately for experience as SCAs / SAs and SBAs

B. Additional Information:

(i) Copy of Constitution Certificate.

(ii) Whether the firm is a member of any network of audit firms, or any partner of the firm is a partner in any other audit firm? If yes, details thereof.

(iii) Whether the firm has been appointed as SCA / SA by any Other Commercial Bank, Small Finance Bank, Payments Bank, Local Area Bank, All India Financial Institution (AIFI), RBI, Non-Banking Financial Company, or Urban Co-operative Bank in the present financial year? If yes, details thereof.

(iv) Whether the firm has been debarred from taking up audit assignments by any regulator / Government agency? If yes, details thereof.

(v) Details of disciplinary proceedings against firm by any Financial Regulator / Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs / SAs of Payments Banks. It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters, or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors have been declared as wilful defaulter by any bank / financial institution. For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.

It is confirmed that the information provided above is true and correct.

Signature of the Partner
(Name of the Partner)
Date:

Annex II

(FORM C)

Certificate to be submitted by the Payments Banks regarding eligibility of audit firm proposed to be appointed as Statutory Central Auditor (SCA) / Statutory Auditor (SA)

1. The bank is desirous of appointing M/s ____________, Chartered Accountants (Firm Registration Number________________) as Statutory Central Auditor (SCA) / Statutory Auditor (SA) for the financial year __________ for their 1st / 2nd / 3rd term and therefore has sought the prior approval of RBI as per the section 30(1A) of the Banking Regulation Act, 1949.

2. The bank has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor (SCA) / Statutory Auditor (SA) of the bank for FY_______ along with relevant information (copy enclosed), in the format as prescribed by RBI.

3. The firm has no past association / association for_____ years with the bank as SCA / SA / SBA.

4. The bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs / SAs of Payments Banks.

Signature
(Name and Designation)
Date:

Annex III

Indicative Format / Coverage in the Long Form Audit Report (LFAR) by the Statutory Branch Auditors (SBAs)

Name of Bank:

Name of Branch:

Branch Code:

Zone / Circle Code:

Financial Year:

I. ASSETS			
1.	**Cash**		
(a)	Does the system ensure that cash maintained is in effective joint custody of two or more officials, as per the instructions of the controlling authorities of the bank?	:	
(b)	Have the cash balances at the branch / ATMs been checked at periodic intervals as per the procedure prescribed by the controlling authorities of the bank?	:	
(c)	(i) Does the branch generally maintain / carry cash balances, which vary significantly from the limits fixed by the controlling authorities of the bank?	:	
	(ii) Does the figure of the balance in the branch books in respect of cash with its ATMs tally with the amounts of balances with the respective ATMs, based on the year end scrolls generated by the ATMs? If there is any difference, same should be reported.	:	
(d)	Whether the insurance cover available with the branch adequately meets the requirement to cover the cash-in hand and cash-in transit?	:	
2.	**Balances with Reserve Bank of India, State Bank of India and other banks (For branches with Treasury Operations)**		
(a)	Were balance confirmation certificates obtained in respect of outstanding balances as at the year-end and whether the aforesaid balances have been reconciled? Nature and extent of differences should be reported.	:	

(b)	Observations on the reconciliation statements may be reported in the following manner:	:	
	(i) Cash transactions remaining un-responded (give details)	:	
	(ii) Revenue items requiring adjustments / write-off (give details)	:	
	(iii) Other credit and debit entries originated in the statements provided by RBI / other banks, remaining un-responded for more than 15 days:	:	
	(iv) Where the branch maintains an account with RBI, the following additional matter may be reported: Entries originated prior to, but communicated/ recorded after the year end in relation to currency chest operations at the branch / other link branches, involving deposits into / withdrawals from the currency chest attached to such branches (Give details)	:	
(c)	In case, any matter deserves special attention of the management, the same may be reported.	:	
3.	**Money at Call and Short Notice**		
(a)	Has the branch kept money-at-call and short notice during the year?	:	
(b)	Has the year-end balance been duly confirmed and reconciled?	:	
(c)	Has interest accrued up to the year-end been properly recorded?	:	
(d)	Whether instructions / guidelines, if any, laid down by the controlling authorities of the bank have been complied with?	:	
4.	**Investments (for branches outside India)**		
(a)	In respect of purchase and sale of investments, has the branch acted within its delegated authority, having regard to the instructions / guidelines in this behalf issued by the controlling authorities of the bank?	:	

(b)	Have the investments held by the branch whether on its own account or on behalf of the Head Office / other branches been made available for physical verification? Where the investments are not in the possession of the branch, whether evidence with regard to their physical verification have been produced?	:	
(c)	Is the mode of valuation of investments in accordance with the RBI guidelines or the norms prescribed by the relevant regulatory authority of the country in which the branch is located whichever are more stringent?	:	
(d)	Whether there are any matured or overdue investments which have not been encashed and / or has not been serviced? If so, give details?	:	
5.	**Other Assets**		
(a)	**Suspense Accounts / Sundry Assets**		
	(i) Does the system of the bank ensure expeditious clearance of items debited to Suspense Account? Details of outstanding entries in excess of 90 days may be obtained from the branch and the reasons for delay in adjusting the entries may be ascertained. Does your scrutiny of the accounts under various sub-heads reveal balances, which in your opinion are not recoverable and would require a provision/write-off? If so, give details.	:	
	(ii) Does your test check indicate any unusual items in these accounts? If so, report their nature and the amounts involved. Are there any intangible items under this head e.g. losses not provided / pending investigation?	:	
II.	**LIABILITIES**		
1.	**Deposits**		
(a)	Does the bank have a system of identification of dormant/ inoperative accounts and internal controls with regard to operations in such accounts? In the cases examined by you, have you come across instances where the guidelines laid down in this regard have not been followed? If yes, give details thereof.	:	

(b)	After the balance sheet date and till the date of audit, whether there have been any unusual large movements (whether increase or decrease) in the aggregate deposits held at the year-end? If so, obtain the clarifications from the branch and give your comments thereon.	:	
(c)	Is the branch complying with the regulations on minimum balance requirement and levy of charges on non-maintenance of minimum balance in individual savings accounts?	:	
2.	**Other Liabilities – *Bills Payable, Sundry Deposits, etc.***		
(a)	The number of items and the aggregate amount of old outstanding items pending for one years, or more be obtained from the branch and reported under appropriate heads. Give details thereof.	:	Year | Number of Items | Amounts | Remarks
(b)	Does your test check indicate any unusual items or material withdrawals or debits in these accounts? If so, give details thereof.	:	
3.	**Contingent Liabilities**		
	List of major items of the contingent liabilities (other than constituent's liabilities such as endorsements, etc.) not acknowledged by the branch?	:	
III.	**PROFIT AND LOSS ACCOUNT**		
(a)	Has the test checking of interest / discount / commission / fees etc. revealed excess/short credit of a material amount? If so, give details thereof.	:	
(b)	Has the test check of interest on deposits revealed any excess/short debit of material amount? If so, give details thereof.	:	
(c)	Does the bank have a system of estimating and providing interest accrued on overdue/matured/ unpaid/ unclaimed term deposits including in respect of deceased depositors?	:	
(d)	Are there any divergent trends in major items of income and expenditure, in comparison with corresponding previous year, which are not satisfactorily explained by the branch? If so, the same may be reported.	:	
IV.	**GENERAL**		
1.	**Gold/ Bullion / Security Items**		

(a)	Does the system ensure that gold/bullion is in effective joint custody of two or more officials, as per the instructions of the controlling authorities of the bank?	:	
(b)	Does the branch maintain adequate records for receipt, issues and balances of gold/bullion and updated regularly? Does the periodic verification reveal any excess/shortage of stocks as compared to book records and if any discrepancies observed have been promptly reported to controlling authorities of the bank?	:	
(c)	Does the system of the Bank ensure adequate internal control over issue and custody of security items (Term Deposit Receipts, Drafts, Pay Orders, Cheque Books, Traveller's Cheques, Gift Cheques, etc.)? Whether the system is being followed by the branch? Have you come across cases of missing/lost items?	:	
2.	**Books and Records**		
(a)	Whether there are any software / systems (manual or otherwise) used at the branch which are not integrated with the CBS? If yes, give details thereof.	:	
(b)	i) In case the branch has been subjected to IS Audit whether there are any adverse features reported and have a direct or indirect bearing on the branch accounts and are pending compliance? If yes give details.	:	
	ii) Whether branch is generating and verifying exception reports at the periodicity as prescribed by the bank.	:	
	iii) Whether the system of bank warrants expeditious compliance of daily exception reports and whether there are any major observations pending such compliance at the year end.	:	
	iv) Whether the bank has laid down procedures for manual intervention to system generated data and proper authentication of the related transactions arising there from along with proper audit trail of manual intervention has been obtained.	:	

	v) Furnish your comments on data integrity (including data entry, checking correctness/integrity of data, no back ended strategies etc.) which is used for MIS at HO / CO level.	:	
3.	**Inter-Branch Accounts**		
	Does the branch expeditiously comply with / respond to the communications from the designated cell / Head Office as regards unmatched transactions? As at the year-end are there any un-responded/un-complied queries or communications beyond 7 days? If so, give details?	:	
4.	**Frauds**		
	Furnish particulars of: (i) Frauds detected / classified but confirmation of reporting to RBI not available on record at branch.	:	
	(ii) Whether any suspected or likely fraud cases are reported by branch to higher office during the year? If yes, provide the details thereof related to status of investigation.	:	
	(iii) In respect of fraud, based on your overall observation, please provide your comments on the potential risk areas which might lead to perpetuation of fraud.	:	
	(iv) Whether the system of Early Warning Framework is working effectively and as required, the early warning signals form the basis for classifying an account as RFA.	:	
5.	**Implementation of KYC / AML guidelines**		
	Whether the branch has adequate systems and processes, as required, to ensure adherence to KYC / AML guidelines towards prevention of money laundering and terrorist financing?	:	
	Whether the branch followed the KYC / AML guidelines based on the test check carried out by the branch auditors?	:	
6.	**Management Information System**		

(a)	Whether the branch has the proper systems and procedures to ensure data integrity relating to all data inputs which are to be used for MIS at corporate office level and for supervisory reporting purposes. Have you come across any instances where data integrity was compromised?	:	
7.	**Miscellaneous**		
(a)	In framing your audit report / LFAR, have you considered the major adverse comments arising out of the latest reports such as: i) Previous year's Branch Audit Report / LFAR; ii) Internal audit / Snap Audit / concurrent audit report(s); iii) RBI Inspection Report, if such inspection took place; iv) Income and Expenditure (Revenue) Audit; v) IS / IT / Computer / Systems Audit; and vi) Any special inspection / investigation report?	:	
(b)	Are there any other matters, which you, as branch auditor, would like to bring to the notice of the management or the Statutory Central Auditors?	:	

Annex IV

Additional Questionnaire Applicable to Specialised Branches

A. For Branches dealing in Foreign Exchange Transactions

1. Are there any material adverse features pointed out in the reports of concurrent auditors, internal auditors, and / or the Reserve Bank of India's inspection report which continue to persist in relation to EEFC / RFC and other similar deposits accounts. If so, furnish the particulars of such adverse features.

2. Whether the branch has followed the instructions and guidelines of the controlling authorities of the bank with regard to the following in relation to the foreign exchange and, if not, state the irregularities.

   (a) Deposits
   (b) Export bills
   (c) Bills for collection
   (d) Dealing room operations (where a branch has one)
   (e) Any other area

3. NOSTRO Accounts (Obtain from the branch management, a list of all NOSTRO Accounts maintained / operated by the branch).

   (a) Whether the bank has a system of periodic confirmation / reconciliation of the balances in NOSTRO accounts maintained with each overseas bank / correspondent? Has such confirmation been received, and account reconciled at year end in each case? If not, give details.

   (b) Whether the system of the bank ensures that all entries originated by overseas banks / correspondents, have been duly responded promptly in the respective NOSTRO accounts maintained by the bank?

   (c) Are there any dormant / closed NOSTRO accounts in respect of which balances continue to exist in the books of the branch, at year end?

   (d) Have the NOSTRO balances been converted at year end at the rates of exchange as prescribed by the controlling authorities?

(e) In case, any matter deserves special attention of the management, the same may be reported

4. Does the branch follow the prescribed procedures in relation to maintenance of Vostro Accounts?

B. For branches dealing in Clearing House Operations, normally referred to as Service Branches

1. Does the branch have a system of periodic review of the outstanding entries in clearing adjustments accounts? In your view, has the system generally been complied with?

2. Whether review of the clearing adjustments accounts (inwards / outwards) reveals any old / large / unusual outstanding entries, which remain unexplained? Give year-wise break-up of outstanding in number and value.

3. Has the branch strictly followed the guidelines of the controlling authority of the bank with respect to operations related to clearing transactions? Comment on the systems and procedures followed by the branch in this regard.

Signature of the Branch Auditor