

**Appendices of Section A –  
Statutory Central Audit of the  
Guidance Note on Audit of Banks  
(2025 Edition)**

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# ***APPENDIX I***

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## **Illustrative Format of Report of the Auditor on the Standalone Financial Statements of a Nationalised Bank**

### **Independent Auditor's Report**

To the Members of \_\_\_\_\_ (Name of Bank)

### **Report on Audit of the Standalone Financial Statements**

#### **Opinion**

1. We have audited the accompanying standalone financial statements of XYZ Bank ('the Bank'), which comprise the Balance Sheet as at 31 March 20XX, the Profit and Loss Account and the Statement of Cash Flows for the year then ended, and notes to financial statements including a summary of significant accounting policies and other explanatory information in which are included the returns for the year ended on that date of the Central Office, XXX Zonal Offices and

- i) XXX\_\_\_\_ branches audited by us and
- ii) XXX\_\_\_\_ domestic branches audited by statutory branch auditors.
- iii) XXX\_\_\_\_ foreign branches audited by local auditors (if applicable)

The branches audited by us and those audited by other auditors have been selected by the Bank in accordance with the guidelines issued to the Bank by the Reserve Bank of India. Also incorporated in the Balance Sheet, the Profit and Loss Account and the Statement of Cash Flows are the returns from \_\_\_\_\_ branches which have not been subjected to audit. These unaudited branches account for \_\_\_\_\_ percent of advances, \_\_\_\_\_ per cent of deposits, \_\_\_\_\_ per cent of interest income and \_\_\_\_\_ per cent of interest expenses.

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 in the manner so required for the bank and are in conformity with accounting principles generally accepted in India and:

- a. the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of the state of affairs of the Bank as at 31<sup>st</sup> March, 20XX;

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- b. the Profit and Loss Account, read with the notes thereon shows a true balance of profit/loss (as applicable); and
- c. the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

**Basis for Opinion**

2. We conducted our audit in accordance with the Standards on Auditing (SAs) issued by the Institute of Chartered Accountants of India (ICAI). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the ICAI together with ethical requirements that are relevant to our audit of the financial statements prepared in accordance with the accounting principles generally accepted in India, including the Accounting Standards notified under the Companies (Accounting Standards) Rules, 2021, as amended from time to time subject to Directions/Guidelines issued by the Reserve Bank of India, and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ("RBI") from time to time and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**3. Emphasis of Matter (If applicable)**

[In accordance with SA 706(Revised)]

**Key Audit Matters**

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements for the year ended March 31 XXXX. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters prescribed below to be the key audit matters to be communicated in our report.

*(Description of each key audit matter in accordance with SA 701)*

**Other Matters**

5. We did not audit the financial statements / information of ..... (number) branches, (including ----foreign branches) included in the standalone financial statements of the Bank whose financial statements / financial information reflect total assets of Rs. ....as at 31<sup>st</sup> March 20XX and total

revenue of Rs. ....for the year ended on that date, as considered in the standalone financial statements. These branches and processing centers cover \_\_\_\_% of advances, \_\_\_\_% of deposits and \_\_\_\_% of Non-performing assets as at 31<sup>st</sup> March 20XX and \_\_\_\_% of revenue for the year ended 31<sup>st</sup> March 20XX. The financial statements / information of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of branches, is based solely on the report of such branch auditors.

Our opinion is not modified in respect of this matter.

**Other Information [or another title if appropriate, such as “Information Other than the Standalone Financial Statements and Auditor’s Report Thereon”]<sup>1</sup>**

6. The Bank’s Board of Directors is responsible for the other information. The other information comprises the [information included in the X report<sup>2</sup>, but does not include the standalone financial statements and our auditor’s report thereon.]

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

7. The Bank’s Board of Directors is responsible with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including

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<sup>1</sup> This para is required wherever SA 720(Revised), “The Auditor’s Responsibilities Relating to Other Information” is applicable. Wording is given in accordance with reporting requirements in Illustration 1 in Appendix 2 of SA 720(Revised). The Auditor may change the wording suitably as per facts and circumstances of the case.

<sup>2</sup> A more specific description of the other information, such as “the management report and chairman’s statement”, may be used to identify the other information.

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the applicable Accounting Standards, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

Those Board of Directors are also responsible for overseeing the bank's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### **Report on Other Legal and Regulatory Requirements**

9. The Balance Sheet and the Profit and Loss Account have been drawn up in

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accordance with Section 29 of the Banking Regulation Act, 1949;

Subject to the limitations of the audit indicated in paragraphs 5, 7 to 8 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980, and subject also to the limitations of disclosure required therein, we report that:

- a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory;
- b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
- c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.

10. As required by letter No. DOS.ARG.No.6270/08.91.001/2019- 20 dated March 17, 2020 on “Appointment of Statutory Central Auditors (SCAs) in Public Sector Banks – Reporting obligations for SCAs from FY 2019-20”, read with subsequent communication dated May 19, 2020 issued by the RBI, we further report on the matters specified in paragraph 2 of the aforesaid letter as under:

- (a) In our opinion, the aforesaid standalone financial statements comply with the applicable accounting standards, to the extent they are not inconsistent with the accounting policies prescribed by RBI.
- (b) <sup>3</sup>The observation or comments on financial transactions or matters which have any adverse effect on the functioning of the bank are as follows:
  - i. ....
  - ii. ....
- (c) As the bank is not registered under the Companies Act, 2013 the disqualifications from being a director of the bank under sub-section (2) of Section 164 of the Companies Act, 2013 do not apply to the bank.
- (d) <sup>4</sup>The qualification, reservation or adverse remarks relating to the maintenance of accounts and other matters connected therewith are as follows:
  - i. ....
  - ii.....
- (e) Our audit report on the adequacy and operating effectiveness of the Bank’s internal financial controls over financial reporting with reference to

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<sup>3</sup> In case if there are no such observations, the SCA would state the same accordingly.

<sup>4</sup> In case if there are no qualifications / reservations / adverse remarks, the SCA would state the same accordingly.



standalone financial statements is given in **Annexure A** to this report. Our report expresses an unmodified opinion on the Bank's internal financial controls over financial reporting with reference to standalone financial statements as at 31 March 20XX.

11. We further report that:

- a) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books *[and proper returns adequate for the purposes of our audit have been received from branches not visited by us]*<sup>5</sup>
- b) the Balance Sheet, the Profit and Loss Account and the Statement of Cash Flows dealt with by this report are in agreement with the books of account *[and with the returns received from the branches not visited by us]*<sup>6</sup>;
- c) the reports on the accounts of the branch offices audited by branch auditors of the Bank under section 29 of the Banking Regulation Act, 1949 have been sent to us and have been properly dealt with by us in preparing this report; and
- d) In our opinion, the Balance Sheet, the Statement of Profit and Loss Account and the Statement of Cash Flows comply with the applicable accounting standards, to the extent they are not inconsistent with the accounting policies prescribed by RBI.

For ABC and Co.  
Chartered Accountants  
Firm Registration No. \_\_\_\_\_

Signature  
(Name of the Member Signing the Audit Report)  
(Designation)<sup>7</sup>  
Membership Number  
UDIN

Place of Signature:

Date of Report:

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<sup>5</sup> Where applicable.

<sup>6</sup> Where applicable.

<sup>7</sup> Partner or proprietor as the case may be.

**ANNEXURE “A” TO THE INDEPENDENT AUDITOR’S REPORT**

**(Referred to in paragraph 9(e) under ‘Report on Other Legal and Regulatory Requirements’ section of our report of even date) Report on the Internal Financial Controls over Financial Reporting with reference to Standalone Financial Statements as required by the Reserve Bank of India (the “RBI”) Letter No. DOS.ARG.No.6270/08.91.001/2019-20 dated March 17, 2020 (as amended) (the “RBI communication”)**

**Opinion**

We have audited the internal financial controls over financial reporting with reference to standalone financial statements of \_\_\_\_ Bank (“the Bank”) as at March 31, 20XX in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date which includes internal financial controls over financial reporting with reference to standalone financial statements of the Bank’s branches.

In our opinion, and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the branch auditors referred to in the Other Matters paragraph below, the Bank has, in all material respects, adequate Internal Financial Controls over Financial Reporting with reference to Standalone Financial Statements and such Internal Financial Controls over Financial Reporting with reference to Standalone Financial Statements were operating effectively as at March 31, 20XX, based on \_\_\_\_\_ [for example, “the criteria for internal control over financial reporting established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India”].

**Management’s Responsibility for Internal Financial Controls**

The Bank’s management is responsible for establishing and maintaining internal financial controls based on \_\_\_\_\_ [for example, “the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India”]. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the Bank’s policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Banking Regulation Act, 1949 and the circulars and guidelines issued by the Reserve Bank of India.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI") and the Standards on Auditing (SAs) issued by the ICAI, to the extent applicable to an audit of internal financial controls. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to standalone financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting with reference to standalone financial statements included obtaining an understanding of internal financial controls over financial reporting with reference to standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal financial controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the branch auditors, in terms of their reports referred to in the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls over financial reporting with reference to standalone financial statements.

### **Meaning of Internal Financial Controls Over Financial Reporting with reference to Standalone Financial Statements**

A Bank's internal financial controls over financial reporting with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A Bank's internal financial controls over financial reporting with reference to standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with

generally accepted accounting principles, and that receipts and expenditures of the Bank are being made only in accordance with authorisations of management and directors of the Bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Bank's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls Over Financial Reporting with reference to Standalone Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

**Other Matters**

Our aforesaid report insofar as it relates to the operating effectiveness of internal financial controls over financial reporting with reference to standalone financial statements of \_\_ (number, specify scoped in / IFCoFR reporting branches / other units) branches and other units is based on the corresponding reports of the respective auditors of those branches / other units.

Our opinion is not modified in respect of this matter.

For ABC& Co  
Chartered Accountants  
(Firm's Registration No.)

Signature  
(Name of the Member Signing the Audit Report)  
(Designation<sup>8</sup>)  
(Membership No.)  
UDIN

Place of Signature:

Date:

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<sup>8</sup> Partner or Proprietor, as the case may be.

## ***APPENDIX II***

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### **Illustrative Format of Report of the Auditor on the Standalone Financial Statements of Banking Company**

#### **INDEPENDENT AUDITOR'S REPORT**

To the Members of \_\_\_\_\_ Bank Limited (*name of the Bank*)

#### **Report on Audit of the Standalone Financial Statements**

##### **Opinion**

1. We have audited the accompanying standalone financial statements of \_\_\_\_\_ Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31<sup>st</sup> March 20XX, the Statement of Profit and Loss and the Statement of Cash Flows for the year then ended, and notes to the financial statements including a summary of significant accounting policies and other explanatory information. [*in which are included the Returns<sup>9</sup> for the year ended on that date audited by the branch auditors of the Bank's branches located at (location of branches)]<sup>10</sup>*

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949 as well as the Companies Act, 2013 ('the Act') in the manner so required for banking Companies and are in conformity with accounting principles generally accepted in India and give a true and fair view of the state of affairs of the Bank as at 31<sup>st</sup> March 20XX, and its profit/loss and its cash flows for the year ended on that date.

##### **Basis for Opinion**

2. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Companies Act, 2013. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the standalone Financial Statements section of our report. We are independent of the Bank in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements

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<sup>9</sup> The auditors need to consider mentioning the coverage of branches based on directions, if any, provided by the RBI in their individual appointment letters issued to various Banks.

<sup>10</sup> Where applicable.

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that are relevant to our audit of the financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **3. Emphasis of Matter ( If applicable)**

(In accordance with SA 706)

#### **Key Audit Matters**

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements the year ended March 31 XXXX. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report.

*[Description of each key audit matter in accordance with SA 701]*

#### **Other Matters**

5. We did not audit the financial statements / information of ..... (number) branches and processing centres included in the standalone financial statements of the Bank whose financial statements / financial information reflect total assets of Rs. .... as at 31st March 20XX and total revenue of Rs. .... for the year ended on that date, as considered in the standalone financial statements. These branches and processing centers cover \_\_\_% of advances, \_\_\_% of deposits and \_\_\_% of Non-performing assets as at 31<sup>st</sup> March 20XX and \_\_\_% of revenue for the year ended 31<sup>st</sup> March 20XX. The financial statements / information of these branches have been audited by the branch auditors whose reports have been furnished to us, and our opinion in so far as it relates to the amounts and disclosures included in respect of branches, is based solely on the report of such branch auditors.

Our opinion is not modified in respect of this matter.

#### **Other Information [or another title if appropriate, such as “Information Other than the Standalone Financial Statements and Auditor’s Report Thereon”]<sup>11</sup>**

6. The Bank’s Board of Directors is responsible for the other information. The

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<sup>11</sup> This para is required wherever SA 720 (Revised), “The Auditor’s Responsibilities Relating to Other Information” is applicable. Wording is given in accordance with reporting requirements in Illustration 1 in Appendix 2 of SA 720 (Revised). The Auditor may change the wording suitably as per facts and circumstances of the case.

other information comprises the [information included in the X report<sup>12</sup>, but does not include the standalone financial statements and our auditor's report thereon.]

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### **Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements**

7. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Companies Act, 2013 with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act, and provisions of Section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by the Reserve Bank of India ('RBI') from time to time. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, Bank's Board of Directors is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless Bank's Board of Directors either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.

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<sup>12</sup> A more specific description of the other information, such as "the management report and chairman's statement", may be used to identify the other information.

The Board of Directors are also responsible for overseeing the Bank's financial reporting process.

### **Auditor's Responsibilities for the audit of the Financial Statements**

8. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Companies Act, 2013, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.



- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### **Report on Other Legal and Regulatory Requirements**

9. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of Section 29 of the Banking Regulation Act, 1949 and Section 133 of the Companies Act, 2013.

10. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, we report that:

- (a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
- (b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank;
- (c) the returns received from the offices; and branches of the Bank have been found adequate for the purposes of our audit;
- (d) the profit and loss account shows a true balance [of profit or loss] for the year then ended.

11. Further, as required by section 143(3) of the Act, we report that:

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- a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
- b) in our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books *[and proper returns adequate for the purposes of our audit have been received from branches not visited by us]*<sup>13</sup>;
- c) the reports on the accounts of the branch offices of the bank audited under section 143(8) of the Act by branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report<sup>14</sup>;
- d) the Balance Sheet, the Statement of Profit and Loss and the Statement of Cash Flows dealt with in this report are in agreement with the books of account *[and with the returns received from the branches not visited by us]*<sup>15</sup>;
- e) in our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act, to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- f) on the basis of written representations received from the directors as at 31 March 20XX and taken on record by the Board of Directors, none of the directors is disqualified as at 31 March 20XX from being appointed as a director in terms of Section 164(2) of the Act; *(or the requirements of section 164(2) of the Act are not applicable considering the Bank is a branch of \_\_\_\_\_, which is incorporated in \_\_\_\_\_)*;
- g) with respect to the adequacy of the internal financial controls over financial reporting with reference to standalone financial statements of the Bank and the operating effectiveness of such controls, refer to our separate Report in “Annexure A”;
- h) With respect to the other matters to be included in the Auditor’s Report in accordance with the requirements of section 197(16) of the Act, as amended<sup>16</sup>, Section 197(16) of the Companies Act, 2013 requires that - 'The auditor of the company shall, in his report under section 143, make a statement as to whether the remuneration paid by the company to its directors is in accordance with the provisions of this section, whether remuneration paid to any director is in excess of the limit laid down under this section and give such other details as may be prescribed.'

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<sup>13</sup> Where applicable.

<sup>14</sup> Where applicable.

<sup>15</sup> Where applicable.

<sup>16</sup> The reporting requirement is for auditors of public companies.

- i) with respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
- i. the Bank has disclosed the impact of pending litigations on its financial position in its financial statements - Refer Schedule XX / Note XX to the financial statements; *(or the Bank does not have any pending litigations which would impact its financial position<sup>17</sup>)*
  - ii. the Bank has made provision, as required under the applicable law or accounting standards, for material foreseeable losses, if any, on long-term contracts including derivative contracts - Refer Schedule XX / Note XX to the financial statements; *(or the Bank did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses<sup>18</sup>); and*
  - iii. there has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank *(or, following are the instances of delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank or there were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Bank<sup>19</sup>);*
  - iv. (a) The management has represented that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries<sup>20</sup>;  
(b) The management has represented, that, to the best of its knowledge and belief, other than as disclosed in the notes to the accounts, no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in

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<sup>17</sup> As may be applicable.

<sup>18</sup> As may be applicable.

<sup>19</sup> As may be applicable.

<sup>20</sup> To be commented as applicable.

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- any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries<sup>21</sup>; and
- (c) Based on such audit procedures that were considered reasonable and appropriate by us in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement<sup>22</sup>.
- v. The dividend declared or paid during the year by the Bank is in compliance with section 123 of the Companies Act, 2013<sup>23</sup>.
- vi. The Bank has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention<sup>24</sup>.

For ABC and Co.  
Chartered Accountants  
(Firm's Registration No.)

Signature  
(Name of the Member Signing the Audit Report)  
(Designation)<sup>25</sup>  
Membership Number  
UDIN

Place of Signature:  
Date of Report

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<sup>21</sup> To be commented as applicable.  
<sup>22</sup> To be commented as applicable.  
<sup>23</sup> To be commented as applicable.  
<sup>24</sup> To be commented as applicable.  
<sup>25</sup> Partner or proprietor, as the case may be.

**Annexure A to the independent auditor's report of even date on the standalone financial statements of \_\_\_\_\_ Bank Limited**

(Referred to in paragraph 10(g) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

**Report on the Internal Financial Controls Over Financial Reporting with reference to Standalone Financial Statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013**

**Opinion**

1. We have audited the internal financial controls over financial reporting with reference to standalone financial statements of \_\_\_\_\_ Bank Limited ('the Bank') as at 31 March 20XX in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.
2. In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 20XX, based on \_\_\_\_\_ [for example, "the internal control with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note issued by the ICAI"].

**Management's Responsibility for Internal Financial over Financial Reporting with reference to standalone financial statements**

3. The Bank's Board of Directors is responsible for establishing and maintaining internal financial controls based on \_\_\_\_\_ [for example, "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the Institute of Chartered Accountants of India ('the ICAI').] These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 ('the Act').

### **Auditor's Responsibility**

4. Our responsibility is to express an opinion on the Bank's internal financial controls over financial reporting with reference to standalone financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') and the Standards on Auditing ('the Standards'), issued by the ICAI and deemed to be prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting with reference to standalone financial statements was established and maintained and if such controls operated effectively in all material respects.
5. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting with reference to standalone financial statements and their operating effectiveness. Our audit of internal financial controls over financial reporting with reference to standalone financial statements included obtaining an understanding of internal financial controls over financial reporting with reference to standalone financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
6. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls system over financial reporting.

### **Meaning of Internal Financial Controls Over Financial Reporting with reference to Standalone Financial Statements**

7. A bank's internal financial controls over financial reporting with reference to standalone financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A bank's internal financial controls over financial reporting with reference to standalone financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and

dispositions of the assets of the bank; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the bank are being made only in accordance with authorizations of management and directors of the bank; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the bank's assets that could have a material effect on the financial statements.

**Inherent Limitations of Internal Financial Controls over Financial Reporting with reference to Standalone Financial Statements**

8. Because of the inherent limitations of internal financial controls over financial reporting with reference to standalone financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to standalone financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to standalone financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For ABC and Co.  
Chartered Accountants  
(Firm's Registration No.)

Signature  
(Name of the Member Signing the Audit Report)  
(Designation)<sup>26</sup>  
Membership Number  
UDIN

Place of Signature  
Date of Report

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<sup>26</sup> Partner or proprietor, as the case may be.

# ***APPENDIX III***

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## **Illustrative Format of Report of the Auditor on the Consolidated Financial Statements of a Nationalised Bank Independent Auditor's Report**

(Refer illustration 2 Guidance Note on Audit of Consolidated Financial Statements (Revised 2016). The format may be suitably modified in the case of other scenarios)

To

**The Members of XXX Bank**

**Report on the Audit of Consolidated Financial Statements**

### **Opinion**

1. We have audited the accompanying Consolidated Financial Statements of XXX Bank ("the Parent"/ "the Bank") and its subsidiaries (the Parent and its subsidiaries together referred to as "the Group"), its associates and joint ventures, which comprise the Consolidated Balance Sheet as at March 31, xxxx, the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year then ended, and notes to the Consolidated Financial Statements including a summary of significant Accounting Policies and other explanatory information (hereinafter referred to as "the Consolidated financial statements") which includes:
  - (a) Audited Standalone Financial Statements of the Bank;
  - (b) Audited Financial Statements of xx Foreign Subsidiaries, xx domestic Subsidiaries, xx domestic Joint Ventures, xx Foreign Joint Venture, xx Domestic Associates and xx Foreign Associate audited by respective other auditors; and
  - (c) Unaudited financial statements / financial information of xx Foreign Subsidiaries, xx domestic Subsidiaries, xx domestic Joint Ventures, xx Foreign Joint Venture, xx Domestic Associates and xx Foreign Associate<sup>27, 28</sup> as furnished by the respective managements.

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<sup>27</sup> As applicable.

<sup>28</sup> The Notes to consolidated financial statements contain particulars of subsidiaries, joint ventures and associates considered for consolidation and should segregate between the audited and unaudited components, in case such segregation is not done in the notes, a list of such components identifying audited and unaudited components may be included.



In our opinion and to the best of our information and according to explanations given to us and based on our consideration of the reports of the other auditors on separate financial statements of the subsidiaries, Joint Ventures and associates, the unaudited financial statements and other financial information of the subsidiaries, joint ventures and associates as furnished by the management, the aforesaid Consolidated Financial Statements give the information required by the Banking Regulation Act, 1949 (“the Act”), the circulars, guidelines and directions issued by the Reserve Bank of India (“RBI”) from time to time (“RBI Guidelines”) and the applicable Accounting Standards in the manner so required for the group, its associates & joint ventures and are in conformity with the accounting principles generally accepted in India and give :

- a) true and fair view in case of the Consolidated Balance sheet, of the state of affairs of the Group, and its associates and joint ventures as at March 31, xxxx;
- b) true balance of Profit/Loss of the group and its associates & joint ventures, in case of Consolidated Profit and Loss Account for the year ended on that date; and
- c) true and fair view of the cash flows of the group and its associates & joint ventures, in case of Consolidated Cash Flow Statement for the year ended on that date.

### **Basis for Opinion**

2. We conducted our audit in accordance with the Standards of Auditing (“SAs”) issued by the Institute of Chartered Accountants of India (“the ICAI”). Our responsibilities under those standards are further described in the Auditors’ Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group and its associates & joint ventures in accordance with the “Code of Ethics” issued by the ICAI together with the ethical requirements that are relevant to our audit of the Consolidated Financial Statements under the provisions of the Banking Regulation Act, 1949 and circulars and guidelines issued by Reserve Bank of India from time to time, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of other auditors referred to in the “Other Matters” paragraph below, is sufficient and appropriate to provide a basis for our audit opinion.

### **3. Emphasis of Matter**

(If applicable, in accordance with SA 706)

**4. Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We have determined the matters described below to be the key audit matters to be communicated in our report with reference to the Key Audit Matters identified by the auditors of the Bank along with the Key Audit Matters reported by the respective other auditors which, in our opinion, are material:

**5. Other Matters**

- a) We did not audit the Financial Statements/information of xx subsidiaries and xx jointly controlled entities, whose Financial Statements/ financial information reflect total assets of ₹ xxx, total revenue of ₹ xxx and net cash outflows of ₹ xxx as considered in the consolidated Financial Statements. The consolidated financial statements also include the Group's share of net profit/loss of ₹ xxx as considered in the Consolidated Financial Statements in respect of xx Associates, whose financial statements have not been audited by us. These financial statements/ financial information have been audited by other auditors whose reports have been furnished to us by the management and our opinion on the consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, joint ventures and associates is based solely on the report of such auditors.

In the case of xx foreign subsidiaries/associates /jointly controlled entities, the financial statements and other information has been prepared in accordance with accounting principles generally accepted in their respective countries and which has been audited by the other auditors under generally accepted Auditing standards as applicable in their respective countries. The management of such subsidiaries/ associates/jointly controlled entities has converted the financial information from accounting principles generally accepted in their respective countries to accounting principles generally accepted in India and these conversion adjustments have been audited by the other auditors.

Our opinion in so far as it relates to the balances of such xx foreign subsidiaries/associates /jointly controlled entities located outside India is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by the other auditors.

- b) We did not audit the Financial Statements of xx subsidiaries and xx jointly controlled entities whose Financial Statements/ financial information reflect total assets of ₹ XXX, total revenue of ₹ xxx and net cash outflows of ₹xxx as considered in the consolidated Financial Statements. The consolidated financial statements also include the Group's share of net profit/loss of ₹ xxx as considered in the Consolidated Financial Statements in respect of xx Associates, whose financial statements have not been audited by us. This financial statements / financial information are unaudited and have been furnished to us by the Management and our opinion on the consolidated Financial Statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, associates and joint ventures is based solely on such unaudited Financial Statements/financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/ financial information are not material to the Group.

Our opinion on the Consolidated Financial Statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

**Information Other than the Consolidated Financial Statements and Auditors' Report thereon<sup>29</sup>**

6. The Bank's Board of Directors is responsible for the other information. The other information comprises the [information included in the X report<sup>30</sup>, but does not include the consolidated financial statements and our auditor's report thereon.] Our opinion on the standalone financial statements does not

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<sup>29</sup> This para is required wherever SA 720(Revised), "The Auditor's Responsibilities Relating to Other Information" is applicable, wording is given in accordance with reporting requirements in Illustration 1 in Appendix 2 of SA 720(Revised). The Auditor may change the wording suitably as per facts and circumstances of the case.

<sup>30</sup> A more specific description of the other information, such as "the management report and chairman's statement", may be used to identify the other information.

cover the other information and we do not express any form of assurance or conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

7. The Bank's Board of Directors are responsible for the preparation of these Consolidated Financial Statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flow of the Group including its associates & joint ventures in accordance with the accounting principles generally accepted in India including the applicable Accounting Standards, provision of section 29 of the Banking Regulation Act, 1949 and the circulars and guidelines issued by RBI from time to time. The respective Board of Directors of the entities included in the Group and its associates and joint ventures are responsible for maintenance of adequate accounting records in accordance with the provisions of Respective Acts and applicable guidelines for safeguarding of the assets of the Group and its associates & joint ventures and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgements and estimate that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated Financial Statements that give true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Bank, as aforesaid.

In preparing the Consolidated Financial Statements, the respective Board of Directors of the entities included in the Group and its associates and joint ventures are responsible for assessing the ability of the Group and its associates and joint venture to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern

basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the entities included in the Group and its associates and joint ventures are responsible for overseeing the financial reporting process of the Group and its associates and joint ventures.

### **Auditors' Responsibilities for the Audit of the Consolidated Financial Statements**

8. Our objectives are to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these Consolidated Financial Statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group and its associates and joint ventures to continue as a going concern. If we conclude that a

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material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated Financial Statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associates and joint ventures to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the Consolidated Financial Statements, including the disclosures, and whether the Consolidated Financial Statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associates and joint ventures to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

We communicate with those charged with governance of the Bank and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the Consolidated Financial Statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of

doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**Report on other legal and regulatory requirements**

9. The Consolidated Balance Sheet, the Consolidated Profit and Loss Account and Consolidated Cash Flow of the Bank have been drawn up in accordance with the provisions of the Banking Regulation Act, 1949.
10. Subject to the limitations of the audit indicated in paragraph 5, 7 to 8 above and as required by the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970, based on our audit and on the consideration of report of the other auditors on separate financial statements and the other financial information of subsidiaries, associates and joint ventures, as noted in the 'other matter' paragraph, we report, to the extent applicable, that;
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief, were necessary for the purposes of our audit and have found them to be satisfactory;
  - b) The transactions of the Bank, which have come to our notice, have been within the powers of the Bank and
  - c) The returns received from the offices and branches of the Bank have been found adequate for the purposes of our audit.
11. As required under the provisions of Section 30(2) of the Banking Regulation Act 1949 and by the RBI letter No. DOS. ARG. No.6270/08.91.001/2019- 20 dated March 17, 2020 on "Appointment of Statutory Central Auditors (SCAs) in Public Sector Banks – Reporting obligations for SCAs from FY 2019-20", read with subsequent communication dated May 19, 2020 issued by the RBI, We further report that:
  - a) In our opinion, proper books of account as required by law have been kept by the Bank so far as it appears from our examination of those books and report of the other auditors and proper returns adequate for the purposes of our audit have been received from branches not visited by us;
  - b) The Consolidated Balance Sheet, Consolidated Profit and Loss account and Consolidated Cash flow statement dealt with by this report are in agreement with the relevant books of account and with the returns received from branches not visited by us;
  - c) The reports on the accounts of the branch offices audited by branch auditors of the Bank under section 29 of the Banking Regulation Act, 1949 have been sent to us and have been properly dealt with by us in preparing this report;

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- d) In our opinion, the Consolidated Balance Sheet, Consolidated Profit and Loss account and Consolidated Cash flow statement comply with the applicable accounting standards, to the extent they are not inconsistent with the accounting policies prescribed by the RBI.
- e) The observations or comments on financial transactions or matters which have any adverse effect on the functioning of the bank are as under:  
XXXX  
XXXX
- f) As the Bank is not registered under the Companies Act, 2013, the disqualifications from being a director of the bank under sub-section (2) of Section 164 of the Companies Act, 2013 do not apply to the bank.  
On the basis of the reports of the statutory auditors of subsidiaries, associate and joint ventures companies other than Government Company to the extent incorporated in India, none of the directors of the subsidiaries, associates & joint ventures companies incorporated in India is disqualified as on 31st March, 2023 from being appointed as a director in terms of Section 164(2) of the Companies Act, 2013.
- g) There are no qualification, reservation or adverse remarks relating to the maintenance of accounts and other matters connected therewith.
- h) As per para 1.14 of the “Technical guide on Audit of Internal Financial Controls in case of Public Sector Banks” issued by ICAI, the reporting requirement introduced by RBI regarding Internal Financial Reporting will apply to the Standalone financial statements of Public sector bank. Accordingly, reporting is not done on the Group’s Internal Financial Control over financial reporting with reference to Consolidated financial statements.

For ABC and Co.  
Chartered Accountants  
(Firm’s Registration No.)

Signature  
(Name of the Member Signing the Audit Report)  
(Designation)<sup>31</sup>  
Membership Number  
UDIN

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<sup>31</sup> Partner or proprietor, as the case may be.



## **APPENDIX IV**

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### **Illustrative Format of Engagement Letter in case of a Nationalised Bank**

*{The following letter is for use as a guide and will need to be varied according to individual requirements and circumstances relevant to the engagement.}*

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To the Board of Directors..... (name of the Bank).

(Address)

[Date]

Subject: Engagement Letter

Dear Sirs,

#### **1. The Objective and Scope of the Audit**

We refer to the letter No. .... dated .....received from .....(Name of the relevant authority) informing us about our (re)appointment as the statutory central auditor of the Bank to carry out the statutory audit of the balance sheet, profit and loss account and statement of cash flows ("financial statements) as per section 30 of the Banking Regulation Act, 1949 ("the Act") for the financial year(s) beginning April 1, 20XX and ending 31<sup>st</sup> March 20YY, including Tax Audit (delete if not applicable), issuance of the Long Form Audit Report and, as a part of the audit, verification and/ or certification of certain specific aspects, as listed in your aforementioned letter. The aforesaid financial statements of the Bank include, where applicable, consolidated financial statements of the Bank and all of its subsidiaries, step down subsidiaries, associate companies and joint ventures. We are pleased to confirm our acceptance and understating of this engagement by means of this letter.

Our audit of the financial statements will be conducted with the objective of our expressing an opinion if the aforesaid financial statements give the information required by the Act in the manner so required for bank and are in conformity with accounting principles generally accepted in India and:

- a. the Balance Sheet, read with the notes thereon is a full and fair Balance Sheet containing all the necessary particulars, is properly drawn up so as to exhibit a true and fair view of the state of affairs of the Bank as at 31<sup>st</sup> March, 20XX;

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- b. the Profit and Loss Account, read with the notes thereon shows a true balance of profit/loss (as applicable), in conformity with accounting principles generally accepted in India, for the year covered by the account; and
- c. the Cash Flow Statement gives a true and fair view of the cash flows for the year ended on that date.

The objective and scope of our audit, *inter alia*, includes reporting in conjunction whether the Bank has adequate internal financial controls over financial reporting with reference to financial statements in place and the operating effectiveness of such controls in terms of RBI's letter no. DOS.ARG.No.6270/08.91.001/2019-20 dated March 17, 2020 (as amended). In forming our opinion on the financial statements, we will rely on the work of branch auditors appointed by the Bank and our report would expressly state the fact of such reliance.

Further, the objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **2. The Responsibilities of the Auditor**

We will conduct our audit in accordance with the Standards on Auditing (SAs), issued by the Institute of Chartered Accountants of India (ICAI) and also in accordance with any other applicable pronouncement of the ICAI, as well as the requirements of the Banking Regulation Act, 1949, and the guidelines/ directions issued by the Reserve Bank of India under the said statutes, from time to time. Those Standards require that we comply with the ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit involves performing procedures, selected on the auditor's judgement, to obtain audit evidence about the amounts and the disclosures in the financial statements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one

resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. We are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because of the inherent limitations of an audit, including the possibility of collusion or improper management override of controls, there is an unavoidable risk that material misstatements due to fraud or error may occur and not be detected, even though the audit is properly planned and performed in accordance with SAs. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to financial statements may become inadequate because of changes in conditions or that the degree of compliance with the policies or procedures may deteriorate.

We invite your attention to the fact that in terms of RBI's letterno.DOS.ARG.No.6270/08.91.001/2019-20 dated March 17, 2020 (as amended), we are required to also report on the following matters in our report:

- i) Whether the financial statements comply with the applicable accounting standards.

- ii) The observations or comments on financial transactions or matters which have any adverse effect on the functioning of the bank.
- iii) Whether any director is disqualified from being a director of the bank under sub-section (2) of section 164 of the Companies Act, 2013.
- iv) Any qualification, reservation or adverse remark relating to the maintenance of accounts and other matters connected therewith.
- v) Whether the bank has adequate internal financial controls over financial reporting with reference to financial statements in place and the operating effectiveness of such controls (The terms of reference for our audit of the internal financial controls over financial reporting with reference to financial statements carried out in conjunction with our audit of the bank's financial statements will be as stated in the separate engagement letter for conducting such audit and should be read in conjunction with this letter).

### **3. The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our assignment will be conducted on the basis that the Management and, where appropriate, those charged with governance of the Bank (Audit Committee/Board) acknowledge and understand that they have the responsibility:

- (a) For the preparation of financial statements that give a true and fair view in accordance with the applicable Financial Reporting Framework. This includes:
  - Compliance with the applicable provisions of the Act;
  - Compliance with the orders/directions/ circulars issued by the Reserve Bank of India including the compliance of Disclosure Requirement of Reserve Bank of India vide circular "Master Direction on Financial Statements- Presentation and Disclosure" dated August 30, 2021 (Updated as on April 01, 2024)
  - Proper maintenance of accounts and other matters connected therewith;
  - Preparation of financial statements on a going concern basis;
  - Preparation of annual accounts in accordance with third schedule to the Banking Regulation Act, 1949, the applicable Accounting Standards and providing proper explanation relating to any material departures from those Accounting Standards;
  - Selection of accounting policies and applying them consistently and

making judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and true balance of profit or loss of the Bank for that period;

- Taking proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of assets of the Bank and preventing and detecting frauds and other irregularities;
  - Laying down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
  - Devising proper systems to ensure compliance with the provisions of all applicable laws including compliance with the relevant directions/ circulars of the Reserve Bank of India, including for those aspects which have been specifically listed for verification/ certification by us in your aforementioned letter and that such systems were adequate and operating effectively.
  - Providing us with any communication from Regulatory Agencies concerning non compliance with or deficiency in financial reporting practices.
  - Understanding and acknowledging that the electronic transmission of information via the internet or otherwise has inherent risks. Unless, otherwise agreed despite the inherent risks, the management authorizes us to communicate electronically with all the concerned parties on all matters related to the engagement
- (b) Identifying and informing us of financial transactions or matters that may have an adverse effect on the functioning of the Bank.
- (c) Identifying and informing us as to whether any director is disqualified as at March 31, 20YY from being appointed as a director in terms of Section 164(2) of the Companies Act, 2013. We understand that since the bank is not registered under the Companies Act, 2013 the disqualifications from being a director of the Bank under sub-section (2) of Section 164 of the Companies Act, 2013 do not apply to the Bank.
- (d) Informing us that any fraud or suspected fraud including suspicious activities, transactions or operating circumstances in the Bank that indicate reasons to believe that an offence is being or has been committed against the Bank by officers or employees of the Bank. Additionally, as per Circular No. NF-25013/2/2023 dated June 26,2023 by National Financial Reporting Authority in case of a fraud involving or expected to involve individually an

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amount of Rs. 1.00 crore or above, the management is responsible to provide any reply/ observations from the Board/Audit Committee within 45 days.

- (e) The Bank management is responsible for the availability and accuracy of the data, in such manner and form that the extracted data from the live server, represents the same form and manner and contains the same particulars as that of the live server
- (d) Informing us of facts that may affect the financial statements, of which Management may become aware during the period from the date of our report to the date the financial statements are issued.
- (e) To provide us with:
  - i. Access, at all times, to all information, including the books, accounts, vouchers, internal circulars and policies, and other records and documentation, of the Bank, whether kept at the Head office or elsewhere, of which the Management is aware, that are relevant to the preparation of the financial statements such as records, documentation and other matters. This will include books of account maintained in electronic mode;
  - ii. Access, at all times, to the records of all the subsidiaries (including associate companies and joint ventures);
  - iii. Access to reports, if any, relating to internal reporting on frauds (e.g., vigil mechanism reports etc.);
  - iv. Additional information that we may request from the management for the purpose of the audit, including any internal audit, concurrent audit, revenue audit, stock audit, Reserve Bank of India's Inspection report; and the latest updated compliance position therein;
  - v. Unrestricted access to persons within the Bank, from whom we determine it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the Bank such information and explanations, as we may think necessary for the performance of our duties as auditor of the Bank;
  - vi. All the required support to discharge our duties as the statutory central auditor as stipulated under the Act/ICAI standards on auditing and applicable guidance;
  - vii. All relevant circulars, guidelines, clarifications etc issued by RBI from time to time. This includes any communication through the "mail box" that would be relevant for financial audit
  - viii. As part of our audit process, we will request from the Management, written confirmation concerning representations made to us in

connection with the audit, including confirmations in respect of the balances held by the Bank with other banks, and such other items on the financial statements of the Bank, as may be considered necessary by us for the purpose of our assignment. It may also be noted that non-submission of a written confirmation containing representations asked for or non-provision of any information/ confirmation, requested by us from the management, may result in limitation on the scope of our assignment and may possibly invite qualifications in the auditor's report.

- ix. Unrestricted access of "view only" rights in respect of all functions in Core Banking Solution (CBS) environment and all other applicable IT applications in use in the Bank to enable us to perform the audit.

#### **4. Other Matters**

Our report prepared in accordance with relevant provisions of the Act would be addressed to the shareholders/members of the bank for adoption of the accounts at the Annual General Meeting. In respect of other services, our report would be addressed to the Board of Directors. The form and content of our report may need to be amended in the light of our audit findings.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review/ 'quality review' under the Chartered Accountants Act, 1949 to be conducted by an independent reviewer. The reviewer may inspect, examine or take abstracts of our working papers, in the course of the peer review/quality review.

We also wish to invite your attention to the fact that the above mentioned processes are subject to inspection by National Financial Reporting Authority (NFRA) under the Companies Act, 2013 to be conducted by independent reviewer(s). The reviewer(s) may inspect, examine or take abstract of our working papers during the course of the inspection.

We also wish to highlight that pursuant to the ICAI requirements, we are required to update certain relevant details of the operations of the Bank in the Unique Documentation Identification Number (UDIN) Portal of ICAI for Generating the UDIN reference number, which is required to be stated in the report/ certificates issued by us to / on behalf of the Bank.

We are also required to update certain relevant details of the Bank in Form NFRA 2, Annual Return to be filed by auditor with NFRA on annual basis.

We may involve specialists (auditor's expert) to perform certain specific audit procedures during the course of our audit.

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In terms of Standard on Auditing (SA) 720 (Revised) – “The Auditor’s Responsibilities Relating to Other Information” issued by the ICAI, we request you to provide to us a Draft of the Annual Report containing the audited financial statements so as to enable us to read the same and communicate material inconsistencies, if any, with the audited financial statements, before issuing the auditor’s report on the financial statements.

{Other relevant information}

{Insert Other information, such as fee arrangements, billings<sup>32</sup> and other specific terms, as appropriate.}

This letter should be read in conjunction with our letter dated \_\_\_ for the Audit of Internal Financial Controls Over Financial Reporting with reference to Financial Statements in terms of RBI’s letter no. DOS.ARG.No.6270/08.91.001/2019-20 dated March 17, 2020 (as amended), in respect of which separate fees have been fixed/will be mutually agreed.

We also invite your attention to the fact that in terms of RBI letter no -----for appointment of Statutory Central Auditors of Scheduled Commercial Banks , which contains the details of certificates on various matters to be issued by the Statutory Auditors, accordingly we will be required to carry out additional procedures in order to complete our verification in terms of the above said letter and the terms of those engagements may be communicated separately by way of a separate engagement letter.

We look forward to full cooperation from your staff during our audit.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our aforementioned assignment/s including our respective responsibilities (Kindly also mark a copy of such acknowledgement to the concerned official/s of the respective branch managements).

Date: \_\_\_\_\_ (name of the firm)  
Place: \_\_\_\_\_ Chartered Accountants  
.....

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<sup>32</sup>For example, “Our fees and out-of-pocket expenses for the audit of the financial statements for the year have been fixed by the members at the Annual General Meeting at Rs.\_\_\_\_\_, plus out-of-pocket expenses and indirect taxes/ will be mutually agreed between the Board of Directors of the Bank and ourselves. We will bill as the work progresses. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate of fees and discuss with you any additional fees, as necessary.”



(Signature)  
(name of the member)  
(Designation<sup>33</sup>)

Acknowledged on behalf of ..... Bank

.....

(Signature)

Name and Designation

Date

Copy to: Chairman, Audit Committee

Attached: Letter of Acceptance duly signed by us.

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<sup>33</sup> Partner or proprietor, as the case may be.

## ***APPENDIX V***

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### **Illustrative Format of Engagement Letter in case of Nationalised Banks (Separate only for Audit of Internal Financial Controls Over Financial Reporting with reference to Financial Statements)**

(Name of the Bank and Address)

Dear Sirs,

#### **The Objective and Scope of the Audit**

You have requested that we carry out an audit of the internal financial controls over financial reporting with reference to financial statements of \_\_\_\_\_ Bank (the 'Bank') as at March 31, 20YY [balance sheet date] in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date.

We are pleased to confirm our acceptance and our understanding of this audit engagement by means of this letter. Our audit will be conducted with the objective of expressing our opinion as required by letter no. DOS.ARG.No.6270/08.91.001/2019-20 dated March 17, 2020 on "Appointment of Statutory Central Auditors (SCAs) in Public Sector Banks – Reporting obligations for SCAs from FY 2019-20", read with subsequent communication dated May 19, 2020 issued by the RBI (the "RBI communication"), on the adequacy of internal financial controls over financial reporting with reference to financial statements and the operating effectiveness of such controls as at March 31, 20YY based on the internal control criteria established by you. In forming our opinion on the internal financial controls over financial reporting with reference to financial statements, we will rely on the work of branch auditors appointed by the Bank and our report would expressly state the fact of such reliance.

#### **Audit of Internal Financial Controls Over Financial Reporting with reference to Financial Statements**

We will conduct our audit of the internal financial controls over financial reporting with reference to financial statements in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ("the Guidance Note") issued by the Institute of Chartered Accountants of India (the "ICAI") and the Standards on Auditing (SAs) issued by the ICAI, to the extent applicable to

an audit of internal financial controls over financial reporting with reference to financial statements. The Guidance Note and Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about the adequacy of the internal financial controls over financial reporting with reference to financial statements and their operating effectiveness as at the balance sheet date.

An audit of internal financial controls over financial reporting with reference to financial statements involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls over financial reporting with reference to financial statements and their operating effectiveness.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

#### **Inherent limitations in an Audit of Internal Financial Controls Over Financial Reporting with reference to Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to the financial statements, including the possibility of collusion or improper Management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

#### **Management's Responsibility**

Our audit will be conducted on the basis that Management and those charged with governance (Audit Committee / Board) acknowledge and understand that they have responsibility:

- (a) For establishing and maintaining adequate and effective internal financial controls based on the [state criteria] [for example, "the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India"] for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the

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timely preparation of reliable financial information, as required under the Banking Regulation Act, 1949.

- (b) To provide us, *inter alia*, with:
- (i) Management's evaluation and assessment of the adequacy and effectiveness of the Bank's internal financial controls, based on the control criteria and all deficiencies, significant deficiencies and material weaknesses in the design or operations of internal financial controls identified as part of Management's evaluation;
  - (ii) Access, at all times, to all information, including the books, account, vouchers and other records and documentation, of the Bank, whether kept at the head office of the Bank or elsewhere, of which Management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
  - (iii) All information, such as records and documentation, and other matters that are relevant to our assessment of internal financial controls;
  - (iv) Additional information that we may request from Management for the purpose of the audit;
  - (v) Unrestricted access to persons within the Bank from whom we determine it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the Bank such information and explanations as we may think necessary for the performance of our duties as auditor;
  - (vi) Any communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices;
  - (vii) Management's conclusion over the Bank's internal financial controls based on the control criteria set above as at the balance sheet date [insert date];
  - (viii) Informing us of significant changes in the design or operation of the Bank's internal financial controls that occurred during or subsequent to the date being reported on, including proposed changes being considered;
  - (ix) All the required support to discharge our duties as the statutory auditors as stipulated under the Banking Regulation Act, 1949 / ICAI auditing standards and guidance;

- (x) Providing us with the auditor's report on internal financial controls over financial reporting with reference to financial statements of the Statutory Branch Auditors;
- (c) As part of our audit process, we will request from Management and those charged with governance, written confirmation concerning representations made to us in connection with the audit.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review' / 'quality review' under the Chartered Accountants Act, 1949 and in accordance with our Firm's policies to be conducted by independent reviewer(s). The reviewer(s) may inspect, examine or take abstract of our working papers during the course of the peer review/quality review.

We also wish to invite your attention to the fact that the above mentioned processes are subject to inspection by National Financial Reporting Authority (NFRA) under the Companies Act, 2013 to be conducted by independent reviewer(s). The reviewer(s) may inspect, examine or take abstract of our working papers during the course of the inspection.

### **Reporting**

Our reports will be issued pursuant to the requirements of the RBI communication. The form and content of our reports may need to be amended in the light of our audit findings.

### **Our Fees**

- Our fees for the audits of the internal financial controls over financial reporting with reference to financial statements as at [state Balance Sheet date] have been fixed by the RBI at Rs. \_\_\_\_\_ , plus out-of-pocket expenses and indirect taxes.

We will bill as the work progresses. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate of fees and discuss with you any additional fees, as necessary.

This letter should be read in conjunction with our letter dated \_\_\_ for the audit of financial statements of the Bank and the terms and conditions specified in the said letter will extend to this letter.

We look forward to full cooperation from your staff during our audit.

Please sign and return the attached copy of this letter after placing the same with the Audit Committee or the Board of Directors together with your acknowledgement of, and agreement with, the arrangements for our audit of the

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internal financial controls over financial reporting with reference to financial statements including our respective responsibilities.

Yours faithfully,

For \_\_\_\_\_  
Chartered Accountants  
(Firm Registration No. \_\_\_\_\_)

Xxxxxx  
Partner

Place:

Date:

Copy to: Chairman, Audit Committee

Acknowledged on behalf of <<Name of the Bank>>

Name and Designation: \_\_\_\_\_

Date: \_\_\_\_\_

## **APPENDIX VI**

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### **Illustrative Format of Engagement Letter to be sent to the Appointing Authority of the Banking Company<sup>34</sup>**

*{The following letter is for use as a guide and will need to be varied according to individual requirements and circumstances relevant to the engagement.}*

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To the Board of Directors..... (name of the Bank).

(Address)

[Date]

Subject: Engagement Letter

Dear Sirs,

#### **1. The Objective and Scope of the Audit**

We refer to the letter No. ....dated .....received from .....(Name of the relevant authority) informing us about our (re)appointment as the auditors of .....(Name of the Bank) (hereinafter "the Bank") to carry out the statutory audit of the financial statements of the Bank as defined in section 2(40) of the Companies Act, 2013 ("the Act") for the financial year(s) beginning April 1, 20XX and ending 31<sup>st</sup> March 20YY, including Tax Audit (delete if not applicable), issuance of the Long Form Audit Report and, as a part of the audit, verification and/ or certification of certain specific aspects, as listed in your aforementioned letter. The aforesaid financial statements of the Bank include, where applicable, consolidated financial statements of the Bank and all of its subsidiaries, associate companies and joint ventures. We are pleased to confirm our acceptance and understating of this engagement by means of this letter.

Our audit of the financial statements will be conducted with the objective of our expressing an opinion if the aforesaid financial statements give the information required by the Act in the manner so required, and give a true and fair view in

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<sup>34</sup> Presuming that there is/are no joint auditor/s and no separate branch auditors have been appointed.

conformity with the applicable accounting principles generally accepted in India, of the state of affairs of the Bank as at 31<sup>st</sup> March 20XX, and its profit/loss and its cash flows for the year ended on that date which, inter alia, includes reporting in conjunction whether the Bank has an adequate internal financial controls over financial reporting with reference to financial statements in place and the operating effectiveness of such controls.

Further, the objectives of our audit are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing (SAs) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **2. The Responsibilities of the Auditor**

We will conduct our audit in accordance with the Standards on Auditing (SAs), specified under section 143(10) of the Act and also in accordance with any other applicable pronouncements of the ICAI, as well as the requirements of the Banking Regulation Act, 1949, and the guidelines/ directions issued by the Reserve Bank of India under the said statutes, from time to time. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.



- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

<sup>35</sup>The terms of reference for our audit of internal financial controls over financial reporting with reference to financial statements carried out in conjunction with our audit of the Bank's financial statements will be as stated in the separate engagement letter for conducting such audit and should be read in conjunction with this letter.

Because of the inherent limitations of an audit, including the possibility of collusion or improper management override of controls, there is an unavoidable risk that material misstatements due to fraud or error may occur and not be detected, even though the audit is properly planned and performed in accordance with SAs. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to financial statements to future periods are subject to the risk that the internal financial controls over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

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<sup>35</sup>Members may refer Appendix VI- Illustrative Format of Engagement Letter to be Sent to the Appointing Authority of the Banking Company (Separate only for Audit of Internal Financial Controls over Financial Reporting with reference to Financial Statements under Section 143(3)(i) of Companies Act, 2013).

### **3. The Responsibilities of Management and Identification of the Applicable Financial Reporting Framework**

Our assignment will be conducted on the basis that the Management and, where appropriate, those charged with governance of the Bank (Audit Committee/Board) acknowledge and understand that they have the responsibility:

- (a) For the preparation of financial statements that give a true and fair view in accordance with the applicable Financial Reporting Framework. This includes:
- Compliance with the applicable provisions of the Act;
  - Proper maintenance of accounts and other matters connected therewith;
  - Preparation of financial statements on a going concern basis;
  - Preparation of annual accounts in accordance with the applicable Accounting Standards and providing proper explanation relating to any material departures from those Accounting Standards;
  - Selection of accounting policies and applying them consistently and making judgements and estimates that are reasonable and prudent, so as to give a true and fair view of the state of affairs of the Bank at the end of the financial year and profit or loss of the Bank for that period;
  - Taking proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of assets of the Bank and preventing and detecting frauds and other irregularities;
  - Laying down internal financial controls to be followed by the Bank and that such internal financial controls are adequate and were operating effectively; and
  - Devising proper systems to ensure compliance with the provisions of all applicable laws including compliance with the relevant directions/ circulars of the Reserve Bank of India, including for those aspects which have been specifically listed for verification/ certification by us in your aforementioned letter and that such systems were adequate and operating effectively.
- (b) Identifying and informing us of financial transactions or matters that may have an adverse effect on the functioning of the Bank.

- (c) Identifying, informing us and providing relevant records of:
- All the pending litigations and confirming that the impact of the pending litigations on the Bank's financial position has been correctly disclosed in its financial statements;
  - All material foreseeable losses, if any, on long term contracts including derivative contracts and the accrual for such losses as required under any law or accounting standards; and
  - Any delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Bank.
  - That no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
  - That no funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and
  - That the Bank has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.
- (d) Informing us of facts that may affect the financial statements, of which Management may become aware during the period from the date of our report to the date the financial statements are issued.
- (e) Identifying and informing us as to whether any director is disqualified as at March 31, 20YY from being appointed as a director in terms of Section 164(2) of the Act. This should be supported by written representations

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received from the directors as at March 31, 20YY and taken on record by the Board of Directors.

(f) To provide us with:

- Access, at all times, to all information, including the books, accounts, vouchers, internal policies and circulars, other records and documentation, of the Bank, whether kept at the Head office or elsewhere, of which the Management is aware, that are relevant to the preparation of the financial statements such as records, documentation and other matters. This will include books of account maintained in electronic mode;
- Access, at all times, to the records of all the subsidiaries (including associate companies and joint ventures as per Explanation to Section 129(3) of the Act) of the Bank in so far as it relates to the consolidation of its financial statements, as envisaged in the Act;
- Access to reports, if any, relating to internal reporting on frauds (e.g., vigil mechanism reports etc.), including those submitted by cost accountant or company secretary in practice to the extent it relates to their reporting on frauds in accordance with the requirements of Section 143(12) of the Act;
- Additional information that we may request from the management for the purpose of the audit, including any internal audit, concurrent audit, revenue audit, stock audit, Reserve Bank of India's Inspection report and the latest updated compliance position therein;
- Unrestricted access to persons within the Bank, from whom we determine it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the Bank such information and explanations, as we may think necessary for the performance of our duties as auditor of the Bank;
- All the required support to discharge our duties as the statutory auditor as stipulated under the Act/ICAI standards on auditing and applicable guidance;
- All relevant circulars, guidelines, clarifications etc. issued by RBI from time to time. This includes any communication through the "mail box" that would be relevant for financial audit;
- As part of our audit process, we will request from the Management, written confirmation concerning representations made to us in connection with the audit, including confirmations in respect of the balances held by the Bank with other banks, and such other items on the financial statements of the Bank, as may be considered necessary

by us for the purpose of our assignment. It may also be noted that non-submission of written confirmation to the representations asked for or non-provision of any information/ confirmation, requested by us from the branch management, may result in limitation on the scope of our assignment and may possibly invite necessary qualifications in the auditor's report.

#### 4. Other Matters

Our report prepared in accordance with relevant provisions of the Act would be addressed to the shareholders of the Bank for adoption of the accounts at the Annual General Meeting. In respect of other services, our report would be addressed to the Board of Directors. The form and content of our report may need to be amended in the light of our audit findings.

In accordance with the provisions of Section 143(12) and 143(13) of the Act, if in the course of performance of our duties as auditor, we have reason to believe that an offence involving fraud is being or has been committed against the Bank by officers or employees of the Bank, we will be required to report to the Central Government, in accordance with the rules prescribed in this regard which, *inter alia*, requires us to forward our report to the Board or Audit Committee, as the case may be, seeking their reply or observations, to enable us to forward the same to the Central Government. Such reporting will be made in good faith and, therefore, cannot be considered as breach of maintenance of client confidentiality requirements or be subject to any suit, prosecution or other legal proceeding since it is done in pursuance of the Act or of any rules or orders made thereunder.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review'/ 'quality review' under the Chartered Accountants Act, 1949 to be conducted by an independent reviewer. The reviewer may inspect, examine or take abstracts of our working papers, in the course of the peer review/quality review.

We also wish to invite your attention to the fact that the above mentioned processes are subject to inspection by National Financial Reporting Authority (NFRA) under the Companies Act, 2013 to be conducted by independent reviewer(s). The reviewer(s) may inspect, examine or take abstract of our working papers during the course of the inspection.

We may involve specialists and staff from our affiliated network firms to perform certain specific audit procedures during the course of our audit.

In terms of Standard on Auditing (SA) 720(Revised) – “The Auditor's Responsibilities Relating to Other Information” specified under Section 143(10) of the Act, we request you to provide to us a Draft of the Annual Report containing

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the audited financial statements so as to enable us to read the same and communicate material inconsistencies, if any, with the audited financial statements, before issuing the auditor's report on the financial statements.

*{Other relevant information}*

*{Insert Other information, such as fee arrangements, billings<sup>36</sup> and other specific terms, as appropriate.}*

This letter should be read in conjunction with our letter dated \_\_\_ for the Audit of Internal Financial Controls Over Financial Reporting with reference to Financial Statements under the Act, in respect of which separate fees have been fixed/will be mutually agreed.

We look forward to full cooperation from your staff during our audit.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our aforementioned assignment/s including our respective responsibilities (Kindly also mark a copy of such acknowledgement to the concerned official/s of the respective branch managements).

Date: \_\_\_\_\_ (Name of the firm)  
Chartered Accountants  
Place: \_\_\_\_\_  
.....  
(Signature)  
(name of the member)  
(Designation<sup>37</sup>)

Acknowledged on behalf of .....Bank

.....  
(Signature)  
Name and Designation  
Date

Copy to: Chairman, Audit Committee

Attached: Letter of Acceptance duly signed by us.

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<sup>36</sup>For example, "Our fees and out-of-pocket expenses for the audit of the financial statements for the year have been fixed by the members at the Annual General Meeting at Rs. \_\_\_\_\_, plus out-of-pocket expenses and indirect taxes/ will be mutually agreed between the Board of Directors of the Bank and ourselves. We will bill as the work progresses. We will notify you promptly of any circumstances we encounter that could significantly affect our estimate of fees and discuss with you any additional fees, as necessary."

<sup>37</sup> Partner or proprietor, as the case may be.

## ***APPENDIX VII***

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### **Illustrative Format of Engagement Letter to be sent to the Appointing Authority of the Banking Company (Separate only for Audit of Internal Financial Controls Over Financial Reporting with reference to Financial Statements under Section 143(3)(i) of Companies Act, 2013)**

Date:

The Board of Directors

\_\_\_\_\_ Bank Limited

(Address)

Dear Sirs,

As per requirement of Section 143(3)(i) of the Companies Act, 2013 (“the Act”), we have to express our opinion on internal financial controls over financial reporting with reference to financial statements of (Name of Bank) (the ‘Bank’) as at March 31, XXXX in conjunction with our audit of the standalone and consolidated financial statements of the Bank for the year ended on that date.

We are pleased to confirm our understanding of the audit engagement by means of this letter.

Our audit will be conducted with the objective of expressing our opinion under Section 143(3)(i) of the Companies Act, 2013 (“the Act”) on the adequacy of the internal financial controls system over financial reporting and the operating effectiveness of such controls as at March 31, 20X1 based on the internal control criteria established by you.

#### **Audit of Internal Financial Controls Over Financial Reporting with reference to Financial Statements**

We will conduct our audit of the internal financial controls over financial reporting with reference to financial statements in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (“the Guidance Note”) and the Standards on Auditing issued by the Institute of Chartered Accountants of India (ICAI) and deemed to be prescribed by the Central Government in accordance with Section 143(10) of the Act as well as the requirements of the Banking Regulation Act, 1949, and the guidelines/ directions issued by the Reserve Bank of India under the said statutes, from time to time, to the extent applicable to an audit of internal financial controls over financial

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reporting with reference to financial statements. The Guidance Note and Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness as at the balance sheet date.

An audit of internal financial controls over financial reporting with reference to financial statements involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

### **Inherent Limitations in an Audit of Internal Financial Controls Over Financial Reporting with reference to Financial Statements**

Because of the inherent limitations of internal financial controls over financial reporting with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls over financial reporting with reference to financial statements to future periods are subject to the risk that the internal financial controls over financial reporting with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### **Management's Responsibility**

Our audit will be conducted on the basis that [management and, where appropriate, those charged with governance] acknowledge and understand that they have responsibility:

- (a) For establishing and maintaining adequate and effective internal financial controls over financial reporting with reference to financial statements based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India for ensuring the orderly and efficient conduct of its business, including adherence to Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.
- (b) To provide us with:



- (i) Access, at all times, to all information, including the books, account, vouchers, internal policies and circulars and other records and documentation, of the Bank, whether kept at the head office of the Bank or elsewhere, of which management is aware that is relevant to the preparation of the financial statements such as records, documentation and other matters;
- (ii) All information, such as internal policies and circulars, records and documentation, and other matters that are relevant to our assessment of internal financial controls;
- (iii) Management's evaluation and assessment of the adequacy and effectiveness of the Bank's internal financial controls, based on the control criteria established by the management and all deficiencies, significant deficiencies and material weaknesses in the design or operations of internal financial controls identified as part of management's evaluation;
- (iv) Additional information that we may request from [management] for the purpose of the audit;
- (v) Unrestricted access to persons within the Bank from whom we determine it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the Bank such information and explanations as we may think necessary for the performance of our duties as auditor;
- (vi) Any communications from regulatory agencies concerning non-compliance with or deficiencies in financial reporting practices and the Bank's response thereon;
- (vii) Management's conclusion over the Bank's internal financial controls based on the control criteria set above as at the balance sheet date [insert date];
- (viii) Informing us of significant changes in the design or operation of the Bank's internal financial controls that occurred during or subsequent to the date being reported on, including proposed changes being considered;
- (ix) Providing us with the component auditors' report under section 143(3)(i) in the case of components that are companies covered under the Companies Act, 2013 for the purposes of our reporting in the case of the consolidated financial statements of the Bank.

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- (c) As part of our audit process, we will request from (management and, where appropriate, those charged with governance), written confirmation concerning representations made to us in connection with the audit. Non submission of written confirmation to the representations asked for or Non-provision of any information asked for could possibly invite issuance of necessary disclaimers or qualifications in the auditor's report on internal financial controls over financial reporting with reference to financial statements.

We also wish to invite your attention to the fact that our audit process is subject to 'peer review' / 'quality review' under the Chartered Accountants Act, 1949 to be conducted by an Independent reviewer. The reviewer may inspect, examine or take abstract of my / our working papers during the course of the peer review / quality review.

We also wish to invite your attention to the fact that the above mentioned processes are subject to inspection by National Financial Reporting Authority (NFRA) under the Companies Act, 2013 to be conducted by independent reviewer(s). The reviewer(s) may inspect, examine or take abstract of our working papers during the course of the inspection.

### **Reporting**

Our audit report will be issued pursuant to the requirements of Section 143(3)(i) of the Act. The form and content of our report may need to be amended in the light of our audit findings.

Our opinion on the adequacy and operating effectiveness of internal financial controls over financial reporting with reference to financial statements in the case of the consolidated financial statements of the Bank, in so far as it relates to subsidiary companies, jointly controlled companies and associate companies incorporated in India, will be based solely on the reports of the auditors of such companies.

This letter should be read in conjunction with our letter dated \_\_\_ for the audit of the standalone and consolidated financial statements of the Bank under the Act.

We look forward to full co-operation from your staff during our audit.

Please sign and return the attached copy of this letter to indicate your acknowledgement of, and agreement with, the arrangements for our audit of the internal financial controls over financial reporting with reference to financial statements including our respective responsibilities.

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Date: \_\_\_\_\_ (name of the firm)  
Place: \_\_\_\_\_ Chartered Accountants  
.....  
(Signature)  
(name of the member)  
(Designation<sup>38</sup>)

Acknowledged on behalf of \_\_\_\_\_ {Insert Bank Name} Limited

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Name and Designation:

Date:

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<sup>38</sup> Partner or proprietor, as the case may be.

## ***APPENDIX VIII***

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### **Illustrative Format of Management Representation Letter to be obtained from Bank Management in case of Statutory Central Audit**

To,

Statutory Central Auditors

\_\_\_\_\_ Bank

This representation letter is provided in connection with your audit of financial statements of \_\_\_\_\_ Bank as at \_\_\_\_\_ and for the year ended on that date for the purpose of your expressing an opinion as to whether the financial statements give a true and fair view, under the historical cost convention on the accrual basis of accounting, of the state of affairs of the Bank as at \_\_\_\_\_ and of its profit/loss and its cash flows for the year then ended, in accordance with the accounting principles generally accepted in India.

We acknowledge our responsibility for the preparation and fair presentation of the financial statements in accordance with the requirements of the provisions of:

- The Banking Regulation Act, 1949,
- Accounting Standards as notified under Companies Act, 2013/ Accounting Standards issued by ICAI,
- Directives, Circulars, Notifications issued by Reserve Bank of India,
- Companies Act, 2013, *[not applicable in case of nationalized banks]*
- Listing requirements of SEBI,
- Recognised Accounting Policies & practices.

We acknowledge our responsibility for the implementation and operations of accounting and internal control systems that are designed to prevent and detect fraud and error.

We have assessed the ability of the Bank to continue as a going concern and are satisfied that it will so continue. We have no knowledge of events or conditions and related business risks beyond the period of this assessment that may cast significant doubt on the Bank's ability to continue as a going concern.

We confirm, to the best of our knowledge and belief that the following representations are true and correct:

**1 ACCOUNTING POLICIES**

- a) The accounting policies are in accordance with the accounting standards and other recognized accounting practices and policies generally accepted in India.
- b) The accounting policies and practices which are material or critical in determining the results of operations for the period or financial position are consistent with those adopted in the financial statements for the previous year. The financial statements are prepared on accrual basis.
- c) We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities.

**2 REGISTERS, MINUTES AND CONTRACTS**

- a) All matters required to be recorded in the registers and minute books of the Bank have been, and are, recorded correctly.
- b) We have complied with all aspects of contractual agreements that would have a material effect on the financial statements in the event of non-compliance.
- c) We have submitted to your representatives, minutes covering the Audit Committee meetings, the Committee of Directors meetings and meetings of the Board of Directors. These minutes constitute a full and complete record of all meetings held and documented during the year.

**3 OWNERSHIP AND PLEDGING OF ASSETS**

The Bank has satisfactory title to all assets in its books, and there are no liens or encumbrances on such assets except the following:

- a) \_\_\_\_\_
- b) \_\_\_\_\_
- c) \_\_\_\_\_

(this section should include assets having encumbrances, for example, details of investments pledged for various facilities may be reported in this section)

**4 COMPLIANCE WITH LEGISLATION AND OTHER REQUIREMENTS**

We have no knowledge of any instances of non-compliance with laws and regulations, contracts or agreements involving management or employees who have significant roles in internal control.

We have no knowledge of any breaches or possible breaches with laws and regulations, contracts or agreements whose effects should be considered when preparing the financial statements, or as a basis for recording an expense.

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In respect to operations during the period, we have complied with:

- All Reserve Bank of India directives, including Circulars, Notifications issued under Banking Regulation Act
- Income recognition, asset classification and prudential norms laid down by the Reserve Bank of India from time to time.
- With the local laws and regulations and guidelines of the regulations of respective countries, in respect of operations of a foreign branch of the bank.

Treasury function of the bank are carried out in accordance with the RBI Circulars / notification and bank's own policy in this behalf.

Income recognition, asset classification and prudential norms applied in relation to the foreign branch of the bank also comply with the guidelines of the RBI.

There have been no communications from regulatory authorities concerning non-compliance with, or deficiencies in, financial reporting practices that could have a material effect on the financial statements. In preparing these financial statements, the Bank has adequately considered the Inspection Report issued by RBI for the year ended 31<sup>st</sup> March XXXX.

### **5 INTERNAL CONTROLS**

We have established and maintained adequate internal controls to ensure that we:

- prepare reliable financial statements.
- maintain adequate financial records.
- record all material transactions in the accounting records underlying the financial statements.
- minimise the risk of fraud and error occurring and are able to detect them should they occur.
- minimise the risk of significant breaches of legislation and other mandatory requirements occurring and detect significant breaches of legislation and other mandatory requirements should they occur.

### **6 FRAUD AND ERROR**

We acknowledge our responsibility for the design and implementation of internal controls to prevent and detect fraud and error.

We have disclosed to you the results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.

The frauds detected during the period involving employees or otherwise have been provided for to the satisfaction of the auditors. The accountability is being reviewed and internal controls have been strengthened.

We have no knowledge of any allegations of fraud, or suspected fraud, affecting the Bank's financial statements committed by employees, former employees, analysts, regulators or others other than those disclosed to you.

## **7 INTERNAL AND CONCURRENT AUDIT**

We operate an effective internal audit function and management promptly rectifies any shortcomings reported.

## **8 FIXED ASSETS**

As at \_\_\_\_\_ the bank is having satisfactory title to all assets appearing in the balance sheet. All assets to which the Bank has satisfactory title appear in the balance sheet at the respective net book values.

The additions during the period are stated at cost and include all capital expenditure to fixed assets, (including capital work in progress) but do not include expenditure chargeable to revenue. No amount representing additions or improvements of a capital nature have been charged to revenue. Fixed Assets do not include cost and accumulated depreciation relating to items sold, scrapped, demolished or destroyed.

We depreciate assets over their useful lives and we have adjusted depreciation charges for all abandoned or otherwise unusable items of property.

Depreciation rates have been reviewed against asset usage and against the rate of technical and commercial obsolescence. Any adjustment to reflect the most recent assessment of the useful lives of all non-current assets has been recognised in the financial statements.

Any impairment resulting in lower realisable value than the written down value is estimated and provided for.

The Bank has revalued its freehold land & residential/ office building based on valuations made by independent valuers during the year \_\_\_\_\_. The net appreciation of Rs \_\_\_\_\_ arising on revaluation, being the difference between the net book value of Rs \_\_\_\_\_ and revalued amount of Rs \_\_\_\_\_ as on \_\_\_\_\_, was credited to Revaluation Reserve.

## **9 INVESTMENTS**

All the investments portfolio which are produced at the time of audit for your verification belong to the bank and do not include any investment held on behalf of any other person.

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All investments are held in the subsidiary general ledger account of the RBI or the Bank's depository participant account.

The Bank has not entered into any ready forward or buy-back transactions during the year in securities in which such transactions are prohibited.

The bank has not undertaken reclassification of investments between categories except follows which was with prior approval of Department of Supervision (DoS) of RBI and subsequent to approval of board of directors of the bank:

- 1.
- 2.

The carrying value of investments sold out of HTM is Rs. \_\_\_\_\_/- which is not exceeding five per cent of the opening carrying value of the HTM portfolio.<sup>39</sup>

not exceed five per cent of the opening carrying value of the HTM portfolio

Appropriate provisions are made on Non-Performing Investments ('NPIs') based on the provisioning guidelines issued by the RBI. Provision of Rs. \_\_\_\_\_ was made on the Non-Performing Investments ('NPIs') of Rs. \_\_\_\_\_

As at \_\_\_\_\_, there are no ready forward transactions in securities outstanding in the books of the Bank.

As on \_\_\_\_\_, there was outstanding reverse repo transaction Rs. \_\_\_\_\_ with RBI.

All investments as at \_\_\_\_\_ have been valued as per Bank's accounting policy and as per applicable RBI regulations.

All other requirements of the RBI Master Direction - Classification, Valuation and Operation of Investment Portfolio of Commercial Banks (Directions), 2023 dated 12<sup>th</sup> September 2023 and any amendments thereto including the adjustments to be made to the valuation of investments on the transition date i.e. 1<sup>st</sup> April 2024.

### **10 CREDIT/ADVANCES**

We have adequate provisions for possible uncollectible advances given to customers. There are no factors like the current economic climate or specific customer situations that would indicate that the loan loss provisions are not adequate at \_\_\_\_\_. Further, other than those disclosed to you, there are no standard assets that need to be classified as non-performing as at \_\_\_\_\_.

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<sup>39</sup> If it is exceeding five per cent of the opening carrying value of the HTM portfolio, details of prior approval from DoS, RBI is to be specified.



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- a) Non-performing assets ('NPAs') system is automated and NPAs are identified by the system based on IRAC Norms on a real time basis at the end of every day, based on periodic appraisals of the portfolio by management and appropriate provisions are made based on the provisioning guidelines issued by the RBI.
- b) There were no standard accounts restructured during the year other than the ones disclosed to you. Further, the list of restructured assets as at \_\_\_\_\_ provided to you is complete.
- c) No material claims have arisen on guarantees issued by the Bank, other than those already invoked, which would require a provision or disclosure in the financial statements.
- d) All debit balances in cash credit/overdraft accounts overdue for a period of 90 days or more have been adequately provided for by the Bank.
- e) All uncollected interest and other charges on non-performing assets have been de-recognized in accordance with RBI norms on income recognition on NPAs.
- f) All loans with overdue bills of more than 90 days as on \_\_\_\_\_ have been classified as non-performing assets in the books of the Bank.
- g) There are no accounts for which the Bank has entered into any settlement with customers, where there has been a principal sacrifice which is not provided for as at \_\_\_\_\_. Further, in respect of compromise / settlement cases, the Bank has complied with RBI Framework for Compromise Settlements and Technical Write-offs dated 8<sup>th</sup> June 2023
- h) Provision for delinquencies and servicing cost, created on advances securitised is adequate to cover the future loss and cost that may be incurred on these advances.
- i) The list of letters of credit devolved, guarantees invoked and bills overdue, provided to you, is complete and there are no omissions in the same.
- j) Mandatory provisioning requirements of the year on non-performing advances of the Bank, as required under the RBI master circular on advance provisioning has been made under Provisions & Contingencies.
- k) Management to include a note on identification and correct classification of accounts covered under moratorium as part of the COVID-19 package announced by RBI and adequate provisioning thereon.
- l) Details of financial assets sold to Securitization/Reconstruction Company for Asset Reconstruction.

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(Rs. in crore)

<b>Sr.No.</b>	<b>Particulars</b>	<b>Amt (Rs.)</b>
(i)	No. of Accounts	
(ii)	Aggregate value (net of provisions ) of accounts sold to SC/RC	
(iii)	Aggregate Consideration	
(iv)	Additional consideration realized in respect of accounts transferred in earlier years	
(v)	Aggregate gain(loss) over net book value	

- m) The financial statements for the period ended \_\_\_\_\_ have been arrived at after considering provision for Non-Performing Assets, Standard Assets and depreciation/ provision for Investments on the basis of prudential norms issued by RBI. The Bank has made 100% provision towards erosion in the value of securities in case of doubtful assets.
- n) The bank has reviewed non-fund based exposures outstanding on case to case basis and there is no chance of devolvement of such liabilities and accordingly no provision has been made against the same.
- o) The Bank has not made any floating provision. [if a floating provision is made, the fact should be appropriately disclosed.]
- p) In respect of all the advances against tangible securities, the bank holds evidence of existence and market value of the relevant securities as at the period-end.
- q) All the borrowers' account have been categorised according to the prevalent RBI norms applicable for the year, into Standard, Sub-standard, Doubtful or Loss assets, with special emphasis on Non-Performing Assets (NPA).
- r) We have examined the accounts and applied the norms borrower-wise and not account-wise for categorising the accounts.
- s) No income has been adjusted/ recorded to revenue, contrary to the norms of income recognition notified by the Reserve Bank of India; and particularly where the chances of recovery/ realisability of the income are remote.
- t) No income has been recorded on Non-Performing Accounts other than on actual realization.

- u) Adequate provision has been made for erosion in value of sub-standard, doubtful and loss assets as per RBI regulations.
- v) In case of advance accounts where devolvement of Letters of Credits or invocation of Bank Guarantees is observed, the outstanding balance arising out of devolvement/invocation have been added to the main working capital facility for arriving at the overdue status with respect to Limit and Drawing Power available in the working capital accounts.
- w) The Bank has complied with all the applicable RBI guidelines for all advances restructured and accordingly classification of restructured advances has been done in compliance with RBI guidelines as at \_\_\_\_\_.
- x) All failures of restructuring or non-compliance with terms of restructuring have been dealt with properly and asset classification is changed as per RBI regulations.
- y) In case the restructured accounts where material terms of restructuring have not been complied within the period prescribed as per RBI guidelines and as per schedule laid down in terms, the restructuring has been treated as "failed" and IRAC classification has been done as per the pre-restructuring repayment schedule.
- z) For calculation of Provision on Standard Assets, the classification of standard advances has been made as per extant guidelines of RBI.
- aa) There have been no divergences observed by RBI in their report received during the year for which effects have not been given in the books.

## **11 OTHER CURRENT ASSETS**

In the opinion of the management, other current assets have a value on realization in the ordinary course of the bank's business which is at least equal to the amount at which they are stated in the balance sheet.

## **12 CASH & BANK BALANCES**

- (a) The Cash balance as on \_\_\_\_\_ is Rs. \_\_\_\_\_.
- (b) The Balance with RBI in Current Account as on \_\_\_\_\_ is Rs. \_\_\_\_\_.
- (c) The Balance with Banks and Money at Call and Short Notice as on \_\_\_\_\_ is Rs. \_\_\_\_\_.

Balance confirmation certificates have been obtained for all Bank balances and the same have been furnished to you for your record.

The bank has made adequate provision for the items pending in the inter-bank reconciliation, which, in the view of the management are uncollectable.

### **13 LIABILITIES AND DEPOSITS**

- We have recognised all liabilities including those arising under derivative financial instruments in the financial statements.
- All the borrowings and deposits have been correctly identified, measured, classified and disclosed and interest thereon have been correctly charged in the Profit and Loss
- The Bank has adequate monitoring and control process over dormant or in-operative accounts and re-activation of accounts is carried as per the approved process.
- The Bank has provided interest expenses as per approved interest rate applicable from time to time and credited to respective deposits/interest accrued till the reporting date for all the category of deposits.
- The Bank has charged interest from saving accounts wherein there is Debit Balance or in case of overdraft facility or any other specific circumstances.
- The Bank has deducted TDS on all interest credited/accrued for deposits as per the requirements of Income Tax Act, 1961, as applicable.
- All matured and unclaimed term deposits are classified as Demand Deposits. Further, interest has been accrued on the basis of Savings Accounts interest rate on such unclaimed deposits.
- All savings and current accounts having debit balances are shown as Advances.

### **14 FOREX AND DERIVATIVE PRODUCTS**

The Bank has recognized all its derivative instruments as assets or liabilities in the balance sheet and measured them at the market value as per the generally accepted practices prevalent in the industry. In respect of derivative contracts that are marked to market, changes in the market value have been recognized in the statement of profit and loss in the period of change.

The fair values of all derivatives have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate as at \_\_\_\_\_ .

Derivative deals which are classified as hedged deals for hedge items at inception of the deal by the Bank, are effective hedges as at \_\_\_\_\_ . Accordingly, there was no need to do mark-to-market on such deals.

## **15 PROVISIONS, CONTINGENT ASSETS AND CONTINGENT LIABILITIES**

We have properly recorded and/or disclosed in the financial statements:

- arrangements involving restrictions on cash balances, compensating balances and line-of-credit or similar arrangements.
- agreements or options to repurchase assets previously sold.
- Material or contingent liabilities or assets including those arising under derivative financial instruments.

## **16 EMPLOYEE BENEFITS**

All post-employment benefits have been identified and accounted for based on estimates and all events impacting the plans have been taken into consideration while arriving at the estimates.

(i) **Defined Contribution Schemes**

*[Bank to briefly describe the current arrangement]*

(ii) **Defined Benefit Schemes**

*[Bank to briefly describe the current arrangement]*

(iii) **Other long term benefits**

Employees of the Bank are entitled to accumulate their earned/ privilege leave up to a maximum of \_\_\_ days for officers and \_\_\_ days for other staff. A maximum of \_\_\_ days leave is eligible for encashment in each year.

Employees of the Bank are eligible for Disability Assistance which is borne by the Bank as and when the disability events occur.

Some employees of the Bank are eligible for Voluntary Health Scheme which is borne by the Bank as and when the liability events occur.

## **17 TAXATION**

We have calculated income tax expense, current tax liability according to the definitions of taxable income and allowable deductions contained under Income Tax Act, 1961.

We have calculated and recognized all other applicable taxes according to relevant tax legislation. Management should include a note on whether the bank has opted for the concessional tax regime as per section 115BAA of the Income Tax Act, 1961.

Timing difference for the purpose of calculation of deferred tax is correctly identified in accordance with Accounting Standard 22 notified under companies Act, 2013 or issued by ICAI as may be applicable in respect of deferred tax

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assets recognized in the accounts and we confirm that there is reasonable certainty that sufficient taxable income would be available in future periods to realize such deferred tax assets.

The Bank creates Special Reserve through appropriations of profits, in order to avail tax deductions as per section 36(1)(viii) of the Income Tax Act, 1961. The Reserve Bank of India, through its circular dated December 20, 2013, had advised banks to create deferred tax liability (DTL) on the amount outstanding in Special Reserve, as a matter of prudence. Necessary Liability is created in accordance with these RBI guidelines.

### **18 STATEMENT OF PROFIT AND LOSS**

All material transactions have been adequately disclosed and full provision has been made in the financial statements for all claims and losses of material amounts that have resulted or may be expected to result from events that occurred, or from commitments that were entered into on or before the date of balance sheet.

No personal expenses have been charged to the Profit and Loss Account of the Bank.

Except as recorded in the financial statements, the results for the year were not materially affected by:

- transactions of a nature not usually undertaken by the Bank;
- circumstances of an exceptional or non-recurring nature;
- charges or credits relating to prior years;
- changes in accounting policies.

### **19 BALANCING OF BOOKS**

The books of account are computerized and hence the subsidiary records are automatically balanced with the relevant control records.

### **20 RELATED PARTY TRANSACTIONS**

The following are the related parties:

<b>S.N.</b>	<b>Particulars</b>
<b>SUBSIDIARIES</b>	
1	
2	
<b>JOINT VENTURES</b>	

1	
2	
<b>KEY MANAGEMENT PERSONNEL OF THE BANK</b>	
1	
2	

We confirm that the transactions with the related parties have been entered on a 'arm's length price'.

**21 ACCOUNTING FOR INVESTMENTS IN ASSOCIATES**

We have made available to you details and records relating to the existence and ownership of all equity interests held in associates.

**22 CAPITAL ADEQUACY**

All the assets have been considered for the risk weighted assets. The classification of these assets is done properly.

All the notional principles of outstanding derivatives portfolio have been considered to calculate credit risk and market risk.

The Capital fund and ratios relating to Capital Adequacy have been computed as per guidelines issued by RBI.

**23 LITIGATION AND CLAIMS**

We have provided to you all information regarding material outstanding legal matters.

We have properly recorded and/or disclosed in the financial statements unasserted claims or assessments that our lawyer(s) has advised us are probable of becoming a legal matter.

*There is no pending litigation or unasserted claims against the Bank, other than disclosures made, which our legal advisors advise us, are probable of assertion and which require disclosure in the financial statements. Other than as provided to you, there are no cases pending with legal counsel either filed by the Bank or against the Bank on \_\_\_\_\_.*

**24 SEGMENT REPORTING**

The Bank has disclosed business segment as the primary segment. The Bank primarily operates in India, hence the Bank has considered that its operations are predominantly in the domestic segment and as such there are no reportable geographical segments.

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The ratios adopted for the allocation of operating expenses for segment reporting purposes are based on the management's judgment and perception of how the business is carried on by the Bank. Further, inter-segment income and expense has been determined using an internally developed transfer pricing rate and is based on the average cost of funds.

### **25 INTERNAL FINANCIAL CONTROLS STRUCTURE**

1. All material transactions have been recorded in the accounting records and are reflected in the financial statements.
2. There is an adequate internal control system commensurate with the size of the Bank and the nature of its business, for the advances of credit facilities, acceptance of deposits, its treasury operations, purchase of fixed assets, accounting for interest income and expenses, other expenses and the financial statement closure process. There is no failure to correct any major weakness in internal control system.
3. We are responsible for establishing and maintaining adequate and effective internal financial controls based on the internal control over financial reporting criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India ('ICAI') and the preparation and presentation of the financial statements as set out in the terms of the audit engagement dated XXXXXXXXXXXX and, in particular, the assertions to you on the internal financial controls in accordance with the criteria mentioned above.
4. We have performed an evaluation and made an assessment of the adequacy and effectiveness of the Bank's internal financial controls based on the criteria mentioned in Paragraph 3 above for the year ended March 31, 20XX. Those evaluations do not include the procedures performed by you during the audit of internal financial controls over financial reporting with reference to financial statements as part of the basis for our assessment of the effectiveness of internal financial controls. We will ensure that our inventory related systems and controls are strong and there are proper preventive and detective controls in place for a strong Core Banking Solution.
5. We had taken necessary steps to make IT System robust to block cyber-crime.

### **26. GENERAL**

The financial statements have been prepared in accordance with accounting standards and other recognised accounting practices and policies disclosing the information required to be disclosed in terms of Regulation 33 of the SEBI



(Listing Obligations and Disclosure Requirements) Regulations as issued and amended from time to time basis or other relevant laws and regulations including the manner in which it is to be disclosed.

We confirm that we have complied with the requirement of the coverage of advances and branches covered under review/audit as per the provisions of RBI/SEBI.

The Bank has complied with all aspects of contractual agreements that could have a material effect on the financial statements in the event of non-compliance. There has been no non-compliance with requirements of regulatory authorities that could have a material effect on the financial statements in the event of non-compliance.

Operating leases primarily comprise office premises, staff residences and ATMs, which are cancellable at the option of the Bank other than those disclosed in the notes to accounts.

The financial statements are free of material mis-statements, including omissions.

No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;

No funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

The Bank has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.

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For capital adequacy, margins deducted from assets to arrive at the risk-weighted assets have been appropriately computed.

[Penalty, if any levied on the bank: the fact of penalty along with the reasons should be briefly described].

Reconciliation/ balancing of debit and credit outstanding entries in various heads of accounts, included in Inter-Office Adjustments, NOSTRO, Drafts/ TTs payable, Clearing Adjustments, Dividend/ Interest/ Refund Orders Paid/ Payable, Other liabilities on account of foreign currency translation etc. is in progress. The impact, if any, on the financial statements will not be material.

The format, breakup/grouping of sub-heads of accounts adopted during the year are based on the regroupings done in the current year as per the details provided to you. Figures of the previous year are regrouped / rearranged, so as to confirm with the presentation made for the current year.

Non-banking assets acquired in satisfaction of claims have been valued at \_\_\_\_\_ [Basis of valuation should be provided].

Weighted average number of equity shares considered for Basic and Diluted EPS has been calculated as per the method prescribed in Accounting Standard-20.

Computation of values for disclosures related to the following have been done as per related guidelines issued by RBI and are in agreement with the books of account and other records maintained by the Bank:

- i. Capital
- ii. Investments
- iii. Repo transactions
- iv. Non-SLR Investment portfolio
- v. Non-performing Non-SLR investments
- vi. Sales and transfers of securities to/from Held to Maturity (HTM) category
- vii. Disclosure on instance of SGL bouncing
- viii. Forwards Rate Agreement/Interest Rate Swap
- ix. Exchange Traded Interest Rate Derivatives
- x. Currency Futures – Proprietary
- xi. Disclosures on risk exposure in derivatives- Qualitative disclosures
- xii. Disclosures on risk exposure in derivatives- Quantitative disclosures

- xiii. Non-Performing Assets ( Loans & Advances, interest accrued thereon )
- xiv. Details of financial assets sold to Securitisation/Reconstruction Company for Asset Reconstruction
- xv. Details of non-performing financial assets purchased
- xvi. Details of non-performing financial assets sold
- xvii. Provision on Standard Assets
- xviii. Business Ratios
- xix. Exposure to Real Estate Sector
- xx. Exposure to Capital Market
- xxi. Risk Category wise Country Exposure
- xxii. Prudential Exposure Limits
- xxiii. Break up of 'Provisions and Contingencies' shown under the head Expenditure in Profit and Loss Account
- xxiv. Unsecured Advances
- xxv. Floating Provisions
- xxvi. Draw Down from Reserves
- xxvii. Disclosure of Complaints/Awards
- xxviii. Awards passed by the Banking Ombudsman
- xxix. Customer Complaints on Account of ATM Transactions
- xxx. Securitisation
- xxxi. Fees and Remuneration Received in respect of Bancassurance Business
- xxxii. The bank has not issued any letter of comfort during the year
- xxxiii. Asset Liability Management
- xxxiv. Concentration of Deposits, Advances, Exposure and NPAs
- xxxv. Sector-wise NPAs
- xxxvi. Movement of NPAs
- xxxvii. Stock of technical write-offs and the recoveries made thereon .
- xxxviii. Overseas Assets, NPAs and Revenue
- xxxix. Off-Balance Sheet SPVs sponsored (which are required to be consolidated as per accounting norms)
  - xl. Credit Default Swaps
  - xli. Sugar Undertakings

- xlii. Employees' Stock Option Scheme (ESOS)
- xliii. Status for Extending Financial Assistance to Sugar Undertakings, 2007
- xliv. Dues to micro, small & medium enterprises
- xlvi. Estimated amount of contracts remaining to be executed on capital account
- xlvi. capital adequacy and other ratios along with other qualitative and quantitative disclosures
- xlvi. Restructuring and provisioning thereof
- xlvi. Proposed Dividend

[If the bank has proposed dividend, details thereof need to be disclosed.]

## **27 EVENTS AFTER BALANCE SHEET DATE**

No events have occurred between the financial reporting date to the date of this letter that would require adjustment to, or disclosure in, the financial statements.

## **28 CAPITAL INFUSION**

*[Details of capital infusion (if any) made during the audit period needs to be provided]*

We hereby agree to submit and make available copies of audited financials, auditors' reports, LFAR, Tax Audit Report, Annual Returns and other certifications by Branch Auditors to the SCAs, which are kept in our custody on behalf of SCA. We further confirm that we will be submitting the soft / scanned copies of the same for records of SCA to be retained as audit documentation to ensure the compliance of SA 230 and SA 600.

We confirm the above representations are made on the basis of adequate enquiries of management and staff (and where appropriate, inspection of evidence) sufficient to satisfy ourselves that we can properly make each of the above representations to you.

Thanking you

Yours Faithfully

(\_\_\_\_\_)

\_\_\_\_\_ Bank

Date:

Place:

# **APPENDIX IX**

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## **Illustrative Format of Management Representation Letter to be obtained from Bank Management in connection with the Limited Review**

[Date]

The Central Statutory Auditors

\_\_\_\_\_ Bank

Dear Sirs,

Sub: Management Representation in connection with the Limited Review for the period of \_\_\_\_\_ months ended on \_\_\_\_\_.

In connection with your limited review of the unaudited interim financial results of \_\_\_\_\_ ('the Bank') along with other information as prescribed under Regulation 33 and Regulation 52 (wherever applicable) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations as issued and amended on time to time basis or other relevant laws and regulations (hereinafter referred to as "interim financial information/results") for the period of \_\_\_\_\_ months ended as on \_\_\_\_\_, we recognise that making enquiries and obtaining representations from the management ("we", "us") in connection with limited review is a significant procedure. Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by omission or misstatement. The references to Accounting Standards (ASs) in this letter are to the Accounting Standards issued by the Institute of Chartered Accountants of India (ICAI) and applicable to us in a manner prescribed by the Reserve Bank of India (RBI). Accordingly, we make the following representations, which are true to the best of our knowledge and belief.

1. We acknowledge our responsibility for the preparation and presentation of the interim financial information in accordance with the Accounting Standard (AS) 25, 'Interim Financial Reporting' and other recognized accounting practices and policies and the Banking Regulation Act, 1949 and the

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Reserve Bank of India Act, 1934 and the guidelines issued under the said statutes from time to time.

2. We have fulfilled our responsibilities, as set out in the terms of Engagement Letter dated \_\_\_\_\_, with respect to the preparation of these financial statements that give a true and fair view of the financial position and financial performance of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards issued by the ICAI / specified under Section 133 of the Companies Act, 2013 ("the Act") read with relevant rules issued there under, provisions of section 29 of the Banking Regulation Act, 1949 and the circulars, guidelines and directions issued by the RBI from time to time and the listing requirements of SEBI.
3. We acknowledge responsibility for the design, implementation, and maintenance of adequate internal financial controls and ensuring their operating effectiveness and the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
4. Our responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies and making judgments and estimates that are reasonable and prudent.
5. We confirm that the accounting policies are in accordance with the accounting standards and other recognised accounting practices and policies generally accepted in India. The accounting policies and practices which are material or critical in determining the results of operations for the period or financial position are consistent with those adopted in the financial statements for the previous year. The financial results are prepared on accrual basis.
6. We have made available to you all books of account and supporting documentation, and all minutes of meetings of shareholders and the board of directors.
7. All matters required to be recorded in the registers and minute books of the Bank have been, and are, recorded correctly. We have complied with all aspects of contractual agreements that would have a material effect on the financial results in the event of non-compliance. We have submitted to your representatives, minutes covering the Audit Committee meetings, the Committee of Directors meetings and meetings of the Board of Directors. These minutes constitute a full and complete record of all meetings held and documented during the quarter.

8. We confirm that we have complied with the requirement of the coverage of advances and branches covered under review/audit as per the provisions of RBI/SEBI.
9. We have established and maintained adequate internal controls to ensure that we:
  - prepare reliable financial information/results.
  - maintain adequate financial records.
  - record all material transactions in the accounting records underlying the financial statements.
  - minimise the risk of fraud and error occurring and are able to detect them should they occur.
  - minimise the risk of significant breaches of legislation and other mandatory requirements occurring and detect significant breaches of legislation and other mandatory requirements should they occur.
10. There are no material transactions including known liabilities and losses that have not been properly recorded in the accounting records underlying the interim financial information.
11. There has been no known actual or possible non-compliance with laws and regulations that could have a material effect on the interim financial information in the event of non-compliance.
12. To the best of our knowledge, there have been no communications from regulatory agencies or government representatives concerning investigations or allegations of non-compliance with laws or regulations in any jurisdiction, or deficiencies in financial reporting practices or other matters that could have a material effect on the financial statements.
13. We have disclosed to you all significant facts relating to any known frauds or suspected frauds that may have affected the Bank including frauds involving officers or employees of the Bank.
14. We confirm the completeness of the information provided to you regarding the identification of related parties.
15. We have no plans or intentions that may materially affect the carrying value or classification of assets and liabilities reflected in the interim financial information.
16. We have satisfactory title to all assets and there are no liens or encumbrances on the Bank's assets, except those assets in respect of which appropriate disclosures are made in the interim financial information.
17. During the period, except as disclosed in the notes to the financial results for the period, there is no change in any accounting policies or practices as

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compared to the one followed for preparation of financial information of the previous year.

18. During the period, there are no material irregularities, such as thefts, frauds, or defalcations, involving management or employees who have significant roles in the internal control structure. Further, there are no unreported fraud involving others and all such reported frauds have been fully provided for except those informed to you.
19. During the period and till the date of this letter, there are no material events or transactions which need to be disclosed in the reviewed financial results.
20. During the period, except as disclosed in the notes to the financial results for the period, there are no material non-recurring/ exceptional income/ gain, expenditure /loss having impact on the financial results. Further, during the period, no exceptional event, as defined in AS 4 issued by the ICAI, have occurred.
21. During the period, there is no change in the composition of the Bank's ownership structure on account of business combinations, acquisitions or disposal of subsidiaries/ associates or increase/ decrease in our equity stake in them or restructuring of any business or discontinuance of any business other than those already informed to auditors.
22. As at the end of the period, there were no judgements/ decisions of any Court/ regulatory authority having adverse financial impact on the Bank and which remains un-provided other than those already informed to auditors.
23. During the period, the bank has complied with the prudential norms prescribed by the RBI on income recognition, asset classification and provisioning pertaining to advances.
24. We confirm that the relevant restructuring guidelines have been fully complied with in respect of advances restructured. We confirm that advances restructured during the period have been classified as NPAs unless the same is permitted as per extant RBI guidelines. We confirm that all restructuring cases involving conversion of debt into Equity/ other investments, have been accounted for in accordance with RBI norms.
25. We confirm that there is no account requiring provision to be made on accelerated basis as stipulated by RBI in Master Circular on IRAC norms except those already provided for.
26. We confirm that the parameters fixed for identification of NPAs by the system are in accordance with the various norms issued by RBI from time to time.
27. We have computed unhedged foreign currency exposure of our borrowers by including all exposures including off balance sheet exposure and required provision has been made.



28. We confirm that we have taken into consideration all the relevant circulars of RBI/SEBI guidelines/local regulations in respect of foreign branches in the preparation of the interim financial information.
29. We confirm that as at \_\_\_\_\_, there were no accounts which were pending review/renewal for a period of more than 180 days including at foreign branches.
30. During the course of compiling the accounts at the Head Office, we confirm that all MOC's passed at the Zones/Centre/HO have been duly incorporated.
31. We have ensured reconciliation of inter office/ inter branch balances with related details as at \_\_\_\_\_. We confirm that there is no material impact of the same on the interim financial information.
32. We have ensured that none of the securities in the nature of investments have been parked in the branches.
33. The bank has made adequate provision for taxes as on \_\_\_\_\_. The provision for taxes has been made after considering applicable Income Computation and Disclosure Standards ICDS and other regulatory pronouncements/ legal decisions. We have provided you with all communication/assessment orders/ demands/refunds made by Indian/ other revenue authorities. The effect of these has been fairly recorded in the results.
34. Timing differences for the purpose of calculation of deferred tax have been correctly identified in accordance with Accounting Standard 22 - 'Accounting for Taxes on Income' issued by the Institute of Chartered Accountants of India.
35. For the purpose of accounting and disclosures, all master circulars and master directions issued by RBI as well as Disclosure norms prescribed by SEBI (Listing Obligations and Disclosure Requirements) Regulations as issued and amended on time to time basis or other relevant laws and regulations are fully compiled with.
36. No funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Bank to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Bank ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries;
37. No funds have been received by the Bank from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Bank shall, whether,

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directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (“Ultimate Beneficiaries”) or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries; and

38. The Bank has used such accounting software for maintaining its books of account which has a feature of recording audit trail (edit log) facility and the same has been operated throughout the year for all transactions recorded in the software and the audit trail feature has not been tampered with and the audit trail has been preserved by the company as per the statutory requirements for record retention.
39. All material transactions have been adequately disclosed and full provision has been made in the interim financial information for all claims and losses of material amount that have resulted or may be expected to result from events that occurred or from commitments that were entered into on or before the date of balance sheet.
40. All transactions in financial instruments, including those with off-balance sheet risk (such as swaps and forward contracts), have been disclosed to you and properly recorded in the results. Further, they have been appropriately incorporated in the computation of the capital adequacy ratio.
41. We hereby agree to submit and make available copies of financial information relevant for your review from branches. to be retained as audit documentation to ensure the compliance of SA 230.

Thanking You,

(\_\_\_\_\_)

Authorised Signatory

\_\_\_\_\_ Bank