

Appendix 1 - Acceptance letter

Acceptance letter as furnished in the banks format to be kept here. Format is as prescribed by the bank

Appendix 2 – Engagement Letter On letterhead of the firm

Illustrative Format of Engagement Letter to be sent to the Appointing Authority of the Nationalised Bank by Branch Auditor as per Guidance Note issued by ICAI

{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.}

[Date]

The Board of Directors (or the appropriate representative of senior management).

Subject: Engagement Letter Dear Sirs, I/We refer to the letter No. datedreceived from(Name of the relevant authority) informing me/us about my/our appointment to carry out the statutory audit of the (name of the branch) branches of your Bank for the financial year beginning April 1,20XX and ending 31st March 20YY, including Tax Audit, issuance of the Long Form Audit Report and, as a part of the audit, verification and/ or certification of certain specific aspects pertaining to these branches, as listed in your aforementioned letter.

1. Scope and Objective

We are pleased to confirm our acceptance for the aforementioned assignment through the Letter of Acceptance attached herewith and the following sets out the area of responsibility of the Branch Management and myself/ourselves subject to the following:

- i) Our audit of the financial statements of these branches will be conducted with the objective of our expressing an opinion on the truth and fairness of the financial statements of these branches. These financial statements include the Balance Sheet (Form A) and the Profit and Loss Account (Form B) (collectively referred as “Financial Statement”) for the year ended 31st March 20XX.
- ii) We will conduct our audit in accordance with the Standards on Auditing (SAs) and any other applicable pronouncement issued by Institute of Chartered Accountants of India (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.
- iii) An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend upon the auditor’s judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. An audit also includes evaluating the appropriateness of accounting principles used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.
- iv) Because of the inherent limitations of an audit, together with the inherent limitations of internal control, there is an unavoidable risk that some material misstatements may not be detected, even though the audit is properly planned and performed in accordance with SAs.

v) In making our risk assessments, we consider internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. However, we will communicate to you in writing concerning any significant deficiencies in internal control relevant to the audit of the financial statements that we have identified during the audit.

vi) We invite your attention to the fact that, in terms of RBI Circular No. DBS.FGV.(F).No. BC/ 23.08.001/2001-02 dated May 3, 2002 relating to implementation of recommendations of the Committee on Legal Aspects of Bank Frauds (Mitra Committee) and the recommendations of the High Level Group set-up by the Central Vigilance Commission applicable to all scheduled commercial banks (excluding RRBs) we are required to report to the RBI anything susceptible to fraud or fraudulent activity or any act of excess power or any foul play in any transaction.

2. Management's Responsibility

Our assignment will be conducted on the basis that the branch management and, where appropriate, those charged with governance of the bank acknowledge and understand that they have 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:

- the responsibility for the preparation of financial statements on a going concern basis;
- the responsibility for selection and consistent application of appropriate accounting policies, including implementation of applicable Accounting Standards, along with proper explanation relating to any material departures from those Accounting Standards;
- the responsibility for 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 branch at the end of the financial year and of the profit or loss of the branch for that period.

(b) for such internal controls, as the branch management determines, are necessary to enable the preparation of financial statements, that are free from material misstatement, whether due to fraud or error. The responsibility for internal controls also implicitly enshrines the responsibility for 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

(c) to provide us with:

(i) access to all information, including the books, account, vouchers and other records and documentation, of the branch, whether kept at the branch office or elsewhere, of which the branch management is aware, that is relevant to the preparation of the financial statements such as records, documentation and other matters;

(ii) additional information that we may request from the branch 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

(iii) unrestricted access to persons within the entity, from whom we determine it necessary to obtain audit evidence. This includes our entitlement to require from the officers of the branch such information and explanations, as we may think necessary for the performance of our duties as auditor.

3. Other Matters

As part of our assignment, we will request from the branch management, written confirmation concerning representations made to us in connection with the audit, in accordance with Standard on Auditing 580 – "Written Representations", issued by the ICAI including confirmations in respect of the balances held by the Branch with other banks, and such other items on the financial statements of the Branch, as may be considered necessary by us for the purpose of our assignment.

It may also be noted that non provision of any information/ confirmation, requested by us from the branch management, may result in limitation on the scope of our assignment. In terms of Standard on Auditing 720 – "The Auditor's Responsibility in Relation to Other Information in Documents Containing Audited Financial Statements" 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.

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 look forward to full cooperation from your staff during our audit. Our fees for the said audits (excluding fees for Tax Audit and the travelling expenses will be as specified by the Reserve Bank of India/ State Bank of India

Our fees for audit of Non Business Offices/ CMS Branches, as well as the tax audit fees of the branches, would be as specified in your aforementioned letter. 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.)

XYZ & Co. Chartered Accountants
..... (Signature) '
(Name of the Member)
Designation

Date:

Place:

Acknowledged on behalf of Branch ofBank

..... (Signature)

Name and Designation

Date

Attached: Letter of Acceptance duly signed by us.

Appendix 3 –Communication with the previous Auditor.

Date :

CA

Chartered Accountants

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Sub: Audit of Branch of Bank - N O C - Reg.

Ref : Letter of Appointment from Bank, dated.....

In connection with the above referred matter, we have received a letter of appointment as Branch Statutory Auditors of Branch of Bank for the year

We have been informed that you were the Statutory Auditors for the previous year ending on

Kindly request you to intimate us in writing as to whether you have any objection professional or otherwise, which might warrant us not to accept the appointment.

We would be very much obliged if you can let us know your objection or otherwise within days and oblige. Your early response will be highly appreciated.

Thanking You,

For

Chartered Accountants

CA.

Partner

Appendix 4 : DRAFT MANAGEMENT REPRESENTATION LETTER (based on Guidance Note issued by ICAI)

Management Representation Letter of _____ Branch of _____ Bank

* Kindly also refer Standard on Auditing (SA) 580, "Written Representations".

Date:

To

M/s.....

Chartered Accountants,

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Sub: Management Representation - Audit of Branch of Bank

This representation letter is provided in connection with your audit of the financial statements of _____ branch of _____ bank, for the year ended March 31, 20XX, for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the state of affairs of _____ branch of _____ bank as of March 31, 20XX, and of the results of operations for the year then ended. We acknowledge our responsibility for preparation of financial statements, in accordance with the financial reporting framework applicable to the Bank, including the regulatory requirements of the Reserve Bank of India. We confirm, to the best of our knowledge and belief, the following representations:

1. Accounting Policies

The accounting policies, as approved by the board of directors of the Bank, have been duly followed. There are no changes in the accounting policies followed by the branch during the current year.

2. Assets

2.1 All the assets owned by the bank and transferred to the branch and such other asset/s, as has/ have been acquired by the branch, has/have been duly accounted for, and none of the assets is encumbered.

2.2 Fixed assets held by branches have been properly accounted and have been physically verified at the year end. No discrepancies have been noticed on such verification. Depreciation on these assets has been adequately provided as per the policy of the bank.

2.3 In respect of assets other than fixed assets, the same have not been impaired and do not have a value lower than realizable value.

2.4 The branch is operating from a leased premises and there is no dispute with respect to the tenancy and lease charges.

2.5 The Branch has not got any notice from the landlord for evacuation or redevelopment of the premises which may possibly necessitate shifting the branch premises in the near future.

3. Capital Commitments

At the balance sheet date, outstanding commitments for capital expenditure have been duly depicted in the financial statements.

4. Cash and Bank Balances

The cash balance as on March 31, 20XX is Rs. _____, and has been verified by us. Internal guidelines on periodic cash verification have been duly followed. Fake notes received by the Bank have been duly impounded and relevant guidelines of RBI thereon have been complied. Effective Dual custody of Cash has been maintained at all times during the financial year.

5. Liabilities

The branch has recorded all known and anticipated liabilities in the financial statements.

6. Contingent Liabilities

6.1 The branch has fully disclosed in the notes to the financial statements; (a) guarantees that we have given to third parties; (b) Letters of Credits (Local/ Import); (c) Letters of Comfort (Local/ Import); (d) Deferred Payment Credits/ Guarantees (Local/ Import); and (e) Other contingent liabilities.

6.2 Other than for advances, there are no matters involving the branch in any claims in litigation, arbitration or other disputes, in which there may be some financial implications, including for staff claims, branch rentals, municipal taxes, local levies, etc., except for those which have been appropriately included under contingent liabilities.

6.3 None of the contingent liabilities disclosed are likely to result in a loss, requiring adjustment of assets or liabilities or provisions in the books of accounts.

6.4 Frivolous claims from Customers / third parties have not been included in Contingent liabilities. Provisions for Claims and Losses

7. Provision has been made in the accounts for all known losses and claims of material amounts.

8. There have been no events subsequent to the balance sheet date, that require adjustment of, or disclosure in, the financial statements or notes thereto.

9. We have made available to you all the following latest reports on the accounts of our branch, and compliance by the branch on the observations contained therein:

a) Previous year's branch audit report;

b) Internal inspection reports;

c) Report on any other Inspection Audit that has been conducted in the course of the year, relevant to the financial year 2015-16. Apart from the above, the branch has not received

any show cause notice, inspection advice, etc., from the Government of India, Reserve Bank of India or any other monitoring or regulatory authority of India that could have a material effect on the financial statements of the branch during the year.

10. Balancing of Books The books of the accounts are computerised and hence the subsidiary records are automatically balanced with the relevant control records. In the case of manual sub-ledgers maintained, we confirm that they duly match with the general ledger balances.

11. Overdue/Matured Term Deposits All overdue/ matured term deposits are held as matured term deposits.

12. Advances

In respect of the Advances and income thereon, the income recognition and asset classification norms prescribed by the Reserve Bank of India have been complied with.

13. Outstanding in Suspense/ Sundry Account The year-wise/ entry-wise break up of amounts outstanding in Sundry deposits/ Sundry assets, as on March 31, 2017 has already been submitted to you along with explanation of the nature of the amounts in brief, and supporting evidences relating to the existence of such amounts in the aforesaid accounts.

14. Interest Provisions Interest provision has been made on deposits, etc., in accordance with the extant instructions of the Head Office. The interest provision for Head Office Interest shall be made at the Head Office.

15. Long Form Audit Report–Branch Response to the Questionnaire In connection with the Long Form Audit Report, complete information (including all updated Internal Circulars issued till date, Receipt & disposal of Complaints & grievances) as regards each item in the questionnaire, has been made available to you in order to enable you to verify the same for the purpose of your audit.

16. Other Certification Duly authenticated, information along with necessary source documents as regards other matters which, as per the bank's letter of appointment, require certification, has been made available to you.

17. Demonetisation

a. The branch has complied with Notifications issued in respect of demonetization of Specified Bank Notes vide Official Gazette Notification No 2652 dated November 08, 2016.

b. Exchange facility was not misused.

c. The guidelines for withdrawal of legal tender for wedding celebration purpose were adhered to.

d. Transactions not belying the Income Profile of the Customer or his earlier transaction pattern, Multiple Transactions especially below threshold limit or/and immediate transfer thereafter to 3rd party accounts were reported in the Suspicious Transaction Report.

e. All deposits made on behalf of account holders are supported by Letter of Authority.

f. Counterfeit currency detected during exchange/ deposit exercise were promptly reported.

18. General

There is no enquiry going on or concluded during the year by the Central Bureau of Investigation (CBI), or any other vigilance or investigating agency, on the branch or on its employees and no cases of frauds or of misappropriation of assets of the branch have come to the notice of the Management during the year, other than for amounts for which provisions have already been made in the books of accounts.

19. The provision for non-performing assets, depreciation, provision for income tax, provision for bonus, gratuity, etc., is made at the Head Office. Therefore, the same has not been provided in the branch accounts.

20. FIMMDA guidelines have been followed, wherever applicable.

21. The branch 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 regulating authorities, that could have a material effect on the financial statements in the event of non-compliance.

22. The other particulars required, have already been given to you, and particulars and other representations made to you from time to time are true and correct in all respects. Thanking you,

Yours faithfully

For & on behalf of _____ branch of _____ bank

Authorised Signatory