



Indian Banks' Association
Corporate & International Banking
CIB-II/PSBs-SBAs Auditfees/2026-27/

September 15, 2026

ADVISORY

The Chairman, State Bank of India

&

MD & CEOs of All Public Sector Banks

Dear Sir/Madam,

IBA Advisory: Optimization of Statutory Branch Auditors (SBAs) Costs and Acceleration of Centralized Audit Frameworks

We invite your attention on the Banking Laws (Amendment) Act, 2025, notified on 15th April 2025, which now empowers **Public Sector Banks (PSBs)** and SBI to offer remuneration to statutory auditors, facilitating the engagement of high-quality audit professionals and enhancing audit standards. Necessary Gazette notifications for this have also been issued by the GoI. Amendments have also been made to the State bank of India Act, 1955.

2. Consequently, RBI has officially withdrawn its legacy instructions regarding auditor fee structures with immediate effect via its letter dated **April 17, 2026**, issued to the Chairman-SBI and MD&CEOs of all nationalised Banks.

The RBI letter states that the remunerations/fees shall be kept reasonable and commensurate with, including but not limited to,

- i. the scope and coverage of audit
- ii. the size and spread of assets, accounting and administrative units
- iii. the complexity of the business, financial and technology landscape of the bank etc

3. Following requests from member banks to review the pay structure for Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) at PSBs, the matter was deliberated by Internal Committees and further reviewed during the **IBA Managing Committee meeting on August 21, 2026**. Drawing from the low-cost centralised audit models of peer private banks, the Committee highlighted that PSBs need to expedite the roadmap for a centralised audit framework to ensure seamless transition, robust digital oversight, and enhanced cost efficiency in subsequent financial years. This would help in reducing overall costs.

4. In line with the Committee's directives, Member Banks are advised to consider implementing the following structural and policy measures:

- a) Audit Remuneration for FY 2027: In accordance with RBI instructions dated **March 1, 2023**, the audit remuneration for **FY 2026-27** will remain **unchanged** and be maintained at current levels.



- b) Reduction in Statutory Branch Audits: Member banks should target to enhance the centralised Audit framework and target a reduction in the coverage of physical statutory branch audits to cover **50% of total business apart from centralised treasury audits etc** due to the continuing digitisation achieved and planned going forward. This would help Member Banks reduce overall audit costs, which was felt to be extremely high.
- c) Alignment with Regulatory Standards: Audit coverage must be strategically aligned with **SEBI (Listing Obligations and Disclosure Requirements-LODR) Regulations** and **RBI guidelines** issued from time to time. This alignment will substantially optimize audit fees while maintaining comprehensive risk oversight.
- d) Adherence to Board Policies and RBI Mandates: Based on the advisory, a final, Board approved policy may be formulated by Member Banks to expedite the centralized audit roadmap, strictly aligning with extant SEBI (LODR) and RBI regulations issued from time to time.

5. This advisory is issued for necessary information and guidance, please.

Yours faithfully,



Gopal Murli Bhagat
Deputy Chief Executive

