Reserve Bank Of India (Commercial Banks – Concurrent Audit) Directions, 2026

RBI has notified the Reserve Bank of India (Commercial Banks – Concurrent Audit) Directions, 2026, which came into effect from July 31, 2026. In accordance with these Directions:

- Banks shall formulate a Board-approved policy specifying whether concurrent audits will be conducted by internal staff or external auditors, including retired employees where considered appropriate.
- The Head of Internal Audit (HIA) shall participate in the selection of external concurrent auditors, oversee the quality of their work, and ensure auditor independence. Audit firms where a partner is a director on the bank's Board shall not be appointed as concurrent auditors.
- Banks shall establish a policy for fixing accountability in cases of serious omissions or commissions by concurrent auditors. In the case of external audit firms, established deficiencies shall be reported to the Audit Committee of the Board (ACB), RBI and the Institute of Chartered Accountants of India (ICAI), after providing the auditor an opportunity of being heard.
- The continuous tenure of an external concurrent auditor with a bank shall not exceed five years, while no concurrent auditor shall remain assigned to the same branch or business unit for more than three years. Retired employees engaged as concurrent auditors shall not exceed the age of 70 years.
- Banks shall establish a structured reporting framework for concurrent auditors, ensure prompt rectification of deficiencies, report significant observations to the Head Office and Audit Committee, and immediately report suspected fraudulent transactions to the Internal Audit Department and Chief Vigilance Officer.

As immediate action points banks should:

- revise the Board-approved concurrent-audit policy;
- replace the fixed 50% coverage approach with a documented risk-based methodology;
- ensure every Centralised Processing Centre is included;
- define the respective responsibilities of the HIA and ACB/Local Management ('LM');
- establish bank-level and branch-level auditor-tenure registers;
- obtain declarations concerning partner directorships and conflicts;
- prescribe minimum qualifications and skills for deployed audit personnel;
- establish a formal quality-review framework under the HIA;
- add employee conduct and mis-selling to audit programmes;
- document sampling standards for random transaction testing;
- introduce due-process and escalation procedures for auditor lapses; and
- revise quarterly reporting formats for zone-wise presentation to the ACB/LM.

Similar amendments are introduced for Small Finance Banks, Payment Banks, Urban Co-operative Banks and Local Area Banks.

For practicing chartered accountants engaged in Bank Branch Concurrent Audits, this circular has some important implications, and they will possibly need to review their audit effort, fees charged and terms of engagement entered with the Banks.

Kindly refer to the RBI Notification – Reserve Bank of India (Commercial Banks – Concurrent Audit) Directions, 2026 (RBI/DoS/2026-27/409 dated July 31, 2026) for further details.