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**Chartered Accountants**

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## **INDEPENDENT AUDITORS' REPORT**

To the Members of Punjab & Sind Bank

Report on Audit of the Standalone Financial Statements

### **Opinion**

1. We have audited the accompanying standalone financial statements of Punjab & Sind Bank ('the Bank'), which comprise the Balance Sheet as at 31 March 2020, the Statement of Profit and Loss and the Statement of Cash Flows for the year then ended, and Notes to Standalone Financial Statements including Significant Accounting Policies and other explanatory information in which are included returns for the year ended on that date of 20 branches and 1 treasury division audited by us and 689 branches audited by statutory branch auditors. 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 included in the Balance Sheet, the Statement of Profit and Loss and Statement of Cash Flows are the returns from 817 branches of the bank which have not been subjected to audit. These unaudited branches account for 9.96 percent of advances, 27.44 per cent of deposits, 7.20 per cent of interest income and 22.48 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 financial statements give the information required by the Banking Regulation Act, 1949 (the 'Act') in the manner so required for bank and are in conformity with accounting principles generally accepted in India and give:

- a) true and fair view in case of the Balance sheet, of the state of affairs of the Bank as at 31st March, 2020;
- b) true balance of loss in case of Profit / loss account for the year ended on that date; and
- c) true and fair view in case of statement of 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 (CAI). Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the 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 ethical requirements that are relevant to our audit of the financial statements in India, 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.

## Emphasis of Matters

3. We draw your attention to Note No. 16 to the accompanying standalone financial results, which describes the uncertainties due to outbreak of Corona Virus (Covid-19) and the management's assessment of its impact on the business operations of the bank.

Our opinion is not modified in respect of the matter stated above.

## Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the 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:

Key Audit Matters	How the matter was addressed in our audit
<p data-bbox="199 750 746 817"><b><u>Advances - Classification and Provisioning</u></b></p> <p data-bbox="199 851 746 918">(Refer Schedule 9 to the financial statements)</p> <p data-bbox="199 952 746 1388">The advances are classified as performing and non-performing advances (NPA) and provisioning thereon is made in accordance with the prudential norms as prescribed by the Reserve Bank Of India (RBI).The classification and provisioning is done by the Bank's IT Software integrated with its Core Banking Solution (CBS). The extent of provisioning of NPA under the prudential norms are mainly based on its ageing and recoverability of the underlined security.</p> <p data-bbox="199 1422 746 1892">In the event of any improper application of the prudential norms or consideration of the incorrect value of the security, as the valuation of the security involves high degree of estimation and judgement, the carrying value of the advances could be materially misstated either individually or collectively, and in view of the significance of the amount of advances in the financial statements, the classification of the advances and provisioning thereon has been considered as Key Audit Matter in our audit.</p>	<p data-bbox="769 851 1444 1187">We obtained an understanding of the Bank's Software, circulars, guidelines and directives of the RBI and the Bank's internal instructions and procedures in respect of the asset's classification and its provisioning. Our audit approach consisted of testing the design of system for identification of Non – Performing assets to ensure conformity with the guidelines of the RBI in the matter and test checking identification and valuation of Non-performing assets.</p> <ul data-bbox="769 1220 1444 2049" style="list-style-type: none"><li data-bbox="769 1220 1444 1691">- We have reviewed the documentations, operations / performance and monitoring of the advance accounts, on test check basis of the large and stressed advances, to ascertain any overdue, unsatisfactory conduct or weakness in any advance account, to ensure that its classification is in accordance with the prudential norms of RBI, in respect of the branches audited by us. In respect of the branches, audited by the branch statutory auditors we have placed reliance on their reports and ensured that changes suggested by the Branch auditors were duly carried out wherever necessary.</li><li data-bbox="769 1724 1444 1982">- Further we have reviewed on test check basis the reports of the credit audit, inspection audit, risk based internal audit, concurrent audit, regulatory audit to ascertain the advances having any adverse features / comments, and reviewed the reports generated from the bank's system.</li><li data-bbox="769 2016 1444 2049">- Necessary changes were carried out during the</li></ul>

	<p>course of audit and the effect of same was duly accounted for in the Financial statements for the year ended 31<sup>st</sup> March, 2020.</p> <p><b><u>Our Results:</u></b></p> <p>The results of our audit process were observed to be adequate and satisfactory considering the materiality of the transactions.</p>
<p><b>Investments – Valuation, and identification and provisioning for Non-Performing Investments.</b></p> <p><b>(Refer Schedule 8 to the financial statements)</b></p> <p>Investment portfolio of the bank comprises of Investments in Government Securities, Bonds, Debentures, Shares, Security Receipts and other Approved Securities which are classified under three categories, Held to Maturity, Available for Sale and Held for trade.</p> <p>Valuation of investments, identification of Non-Performing Investments (NPI) and the corresponding non-recognition of income and provision thereon, is carried out in accordance with the relevant circulars / guidelines / directions of RBI.</p>	<p>Our Audit approach towards Investments with reference to the RBI circulars/directives included the review and testing of the design, operating effectiveness of internal controls and substantive audit procedures in relation to valuation, classification, identification of Non-Performing Investments, provisioning / depreciation related to Investments.</p> <p>We evaluated and understood the system and internal control as laid down by the Bank to comply with relevant RBI guidelines.</p> <p>We assessed and evaluated the process of identification of NPI's, and corresponding reversal of income and creation of provision.</p> <p>We carried out substantive audit procedures to re-compute independently the provision to be created. Necessary changes were carried out during the course of audit and the effect of same was duly accounted for in the Financial statements for the year ended 31<sup>st</sup> March, 2020.</p> <p><b><u>Our Results:</u></b></p> <p>The results of our audit process were observed to be adequate and satisfactory considering the materiality of the transactions.</p>
<p><b>Assessment of Information Technology (IT):</b></p> <p>IT controls with respect to recording of transactions, generating various reports in compliance with RBI guidelines/directions. Such reporting is dependent on working of Core Banking</p>	<p>We evaluated and understood the CBS system adopted by the Bank.</p> <p>-We assessed the feeding of the data in the</p>

<p>System in the Bank. Therefore any validation failures, incorrect input data and wrong extraction of data may result in wrong reporting of data to the management and regulators.</p>	<p>system and going through the extraction of the financial information and statements from the IT system existing in the bank.</p> <p>-Reviewed the output and reports generated by the system on sample basis.</p> <p><b>Our Result:</b></p> <p>The system needs to be further strengthened.</p>
<p><b><u>Recognition of Deferred Tax Assets</u></b></p> <p>Deferred income tax reflects the impact of timing difference between taxable income and accounting income. Deferred tax asset is not recognized unless there is a virtual certainty that sufficient future taxable income will be available against which such asset will be realized.</p>	<p>We have relied upon the management estimates regarding eligibility of carried forward tax losses for setoff against future taxable income and used our own internal expertise in evaluating the claims, assumptions and profitability forecasts and assertions of the management provided to us, that sufficient future taxable income will be available for set off against the tax losses carried forward.</p>
<p><b><u>Contingent Liabilities and Claims</u></b></p> <p>Contingent Liability is a possible obligation, outcome of which is contingent upon occurrence or non-occurrence of one or more uncertain future events. In the judgement of the management, such claims and litigations including tax demands against the bank would not eventually lead to a liability. However, should there be an adverse outcome, the bank will be liable to pay the disputed amounts with interest/penalty as may be decided by the competent authorities, the impact of which is uncertain/unascertainable at this stage.</p>	<p>We have relied upon the management note and legal opinions obtained by the bank regarding the claims and tax litigations and involved our internal team to review the nature of such litigations and claims, their current status, sustainability, examining recent orders and/or communication received from various tax authorities/judicial forums and follow up actions thereon and likelihood of claims/litigations materializing into eventual liability upon final resolution, from the available records and developments to date.</p>
<p><b>Modified Audit Procedures carried out in light of COVID-19 outbreak:</b></p> <p>COVID-19 pandemic induced restrictions on physical movement due to Nation-wide lockdown by Central/ State government/ Local Authorities during the period of our audit. RBI directions to the Bank to facilitate to carrying out audit remotely wherever physical access was not possible; audit could not be conducted by visiting the premises of certain Branches/ ZOs/various departments at Head Office of the Bank.</p> <p>As we could not gather audit evidence in person/ Physically and personal interaction with the officials at the</p>	<p>Wherever physical access was not possible, necessary records/ reports/ documents/ certificates were made available to us by the Bank through digital medium, emails and remote access to CBS. To this extent, the audit process was carried out on the basis of such documents, reports and records made available to us which were relied upon as audit evidence for conducting the audit and reporting for the current period.</p> <p>Accordingly, we modified our audit procedures as follows:</p> <p>a. Conducted verification of necessary records. Documents/ CBS electronically through remote</p>

<p>Branch/ Zonal/ Head Office we have identified such modified audit procedures as Key Audit Matter. Accordingly, our audit procedures were modified to carry out remotely.</p>	<p>access/ emails in respect of some of the Branches/ ZO and Head Office Departments of the Bank wherever physical access was not possible.</p> <p>b. Carried out verification of scanned copies of the documents, certificates and the related records made available to us through emails and CBS through remote access.</p> <p>c. Discussions and resolution of audit observations telephonically/through emails instead of face to face interaction with the concerned officials.</p>
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### **Other Matters**

5. We did not audit the financial statements / information of 689 branches included in the standalone financial statements of the Bank whose financial statements / financial information reflect total advances of Rs. 22481.54 Crore as at 31<sup>st</sup> March 2020 and total interest income of Rs. 2148.55 Crores for the year ended on that date, as considered in the standalone financial statements. The financial statements / information of these branches have been audited by the branch auditors whose reports have been furnished to us, and in 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.

### **Information Other than the Financial Statements and Auditor's Report thereon**

6. The Bank's Board of Directors is responsible for the other information. The other information comprises the Corporate Governance Report (but does not include the financial statements and our auditor's report thereon), which we obtained prior to the date of this auditor's report, and Directors' Report, including annexures, if any, thereon, which is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information and Pillar 3 disclosure under Basel II and we do not and will not express any form of assurance conclusion thereon.

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

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the Directors' Report, including annexure, if any, thereon, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

## **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 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 issued by ICAI, 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 financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the 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.

## **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, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- 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 Section 29 of the Banking Regulation Act, 1949;

Subject to the limitations of the audit indicated in paragraphs 6 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. 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
- 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;
- 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 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.

- e) There are no observations or comments on financial transactions or matters which have any adverse effect on the functioning of the bank.
- f) As confirmed by the management, none of the directors on the Board of the Bank have been debarred or disqualified as on March 31,2020 from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority.
- g) There are no qualifications, reservations or adverse remarks relating to the maintenance of accounts and other matters connected therewith.
- h) The bank has opted for deferment of reporting of Internal Financial Control as required by RBI and hence no reporting is required for the current year ended March 31,2020.

**For S. Mann & Co.**  
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**Place - New Delhi**

**For Baldev Kumar & Co.**  
**Chartered Accountants**  
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**Place - Chandigarh**

**CA Subhash Mann**  
**Partner**  
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**CA Baldev Garg**  
**Partner**  
**M.No. 092225**

**For Suresh Chandra & Associates**  
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**For Raj Gupta & Co.**  
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**CA Madhur Gupta**  
**Partner**  
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**CA Raj Gupta**  
**Partner**  
**M. No. 017039**

Place: New Delhi  
Date: 29.06.2020