Tamilnad Mercantile Bank Ltd

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[Stock Audit Policy : 2025-2026]

Version 15.0

DOCUMENT VERSION CONTROL

Document Title	Review of Stock Audit Policy
Document Version	Version 15.0
Prepared	Credit Monitoring Department
Verified by	Executive Vice President (CMD)
Recommended By	Audit Committee of the Board (ACB)
Approved by	Board on 20.08.2025
Validity Period	The policy shall be reviewed annually and remains valid from the date of approval by the board until the following review. Any regulatory or other changes in the intervening period will be implemented as and when the regulatory authority establishes the timeframe, and these updates will be reflected in the policy during the subsequent review.

Document History

Version No.	Date of Approval	Brief Description of Changes/ Board Directions
1.0	12.11.2007 (Audit Committee Of the Board)	**Newly Developed** Conditions:- Stock Audit should be completed within 30 days from the date of intimation sent to auditors as per the schedule given below: ➢ Commencement of audit work within 10 days from the date of intimation. ➢ Conclusion of audit work within 10 days from the date of commencement. ➢ Submission of the audit report within 10 days from the completion of the audit.
2.0	30.01.2009 (Board)	1. It should be ensured that there is no omission either in eligible accounts or in the area of coverage. 2. The stock audit, post credit supervision, etc., are carried out not simultaneously in a branch but within a reasonable time gap. 3. The Stock Audit for the eligible borrowers should be conducted once a year.
3.0	26.07.2012 (Audit Committee	1. The Stock Auditor is auditing only the stock, and the audit of receivables is not done.

	Of the Board)	2. In page 5, under the head "10. The Appointment Letter", change the word " controller " to " in-charge " so that the text would be read as " The appointment order will be signed and sent only by the in-charge of the Credit Monitoring Department".
4.0	28.10.2014 (Board)	The stock audit policy should be reviewed in September every year. Modification: The period of review of the Stock Audit Policy was changed from April to March of every year from 2015-16.
5.0	22.04.2015 (Board)	1. The status of the conduct of the stock audit should be furnished to the Audit Committee of the Board periodically (quarterly). 2. Conducting Stock Audit for all the borrowal accounts having working Capital limit of ₹5.00 crores (both Fund-based and Non-based limits) has been reduced from ₹5.00 crores to ₹3.00 crores. 3. Stock Audit may be conducted for the working capital limits below ₹3.00 crores based on a specific request of our Credit Department / Regional Office. 4. NPA borrowal accounts having working capital limits of ₹3.00 crores and above, where the primary security of stock/ book Debts are available, also come under the purview of Stock Audit. 5. In Page No. 8, Point No. 14, to incorporate the condition that the branches should submit the Final Certificate within one month from the date of receipt of the stock audit report by the concerned branch.
6.0	10.05.2016 (Board)	In Para no: 15 as below "The Credit Audit Monitoring Department should furnish the details to the Audit Committee of the Board regarding the conduct of Stock Audits in the Bank Branches, every quarter, i.e as on 31st March/30th June/30th September/31st December of every year.
7.0	28.02.2017 (Board)	The Stock Audit Policy is to be placed before our Board for approval after getting approval of the drafted Stock Audit Policy from the Audit Committee of the Board every year.
	04.05.2017 (Audit Committee of the Board)	In Page No. 6, Point No.8.6: The Concurrent Auditors can be appointed to conduct Stock Audit with a condition that they should not be the Concurrent Auditors for the same branch where they are appointed to conduct Stock Audit, and there should not be any negative remarks on the Concurrent Auditors.
8.0	01.03.2018	The Stock Audit Policy was reviewed and recommended to the Board for consideration.

	(Audit Committee of the Board)	
	16.05.2018 (Board)	The Stock Auditor should take up his assignment within 30 days of intimation. If not, another auditor (s) may be appointed in their place, and the same auditor should not be considered for the next/subsequent audit.
9.0	29.06.2019 (Audit Committee of the Board)	The stock audit fee should be rationalised after comparing the fee paid by the peer banks. The stock auditor should submit the stock audit report within 15 days of the completion of the stock audit; otherwise, a penalty of 10% of the audit fee may be levied.
	22.07.2019 (Board)	Stock Audit Policy was reviewed and approved.
10.0	29.05.2020 (Audit Committee of the Board)	The proposed fee increase for the stock auditors could be postponed. Sl. no.5- Point 10- Page no.8 - Penalty for non-submission of stock audit reports within 15 days of the completion of the audit can be levied only if the fault is on the part of the auditor.
	24.06.2020 (Board)	Stock Audit Policy was reviewed and approved.
11.0	05.06.2021 (Audit Committee of the Board)	The Stock Audit Policy was reviewed and recommended to the Board for consideration.
	16.07.2021 (Board)	Stock Audit Policy was reviewed and approved.
12.0	05.03.2022 (Audit Committee of the Board)	The Stock Audit Policy was reviewed and recommended to the Board for consideration.
	18.03.2023 (Board)	Stock Audit Policy was reviewed and approved.
13.0	2023-24 28.09.2023 (Board)	(i)The department name is changed to “Credit Monitoring Department” based on its key functions. (ii)The issuing authority for stock audit policy is the Risk Management Department. (iii) Included a point under the heading objectives “Stock Auditor has to check sales/purchase price and whether the declared price in the stock statement is correct.” (iv) Clauses on Reviewing / delisting of stock auditors from Bank’s Panel and reporting to ICAI have been incorporated.

		(v) The status of borrowal accounts reported with a deficit in Drawing Power of ₹1.00 crore and above in the Stock Audit Report should also be reported to the MD&CEO immediately for further action, and a quarterly note should be **placed to ACB.** **(vi) <u>Annexure Lump sum Fee Structure (No Boarding and Lodging Expenses</u>** **<u>For aggregate FB and NFB WC limits of ₹10 crore & above</u>** For Metro Centre ₹15,000/- For Non-Metro Centre ₹12,000/- **<u>For aggregate FB and NFB WC limits below ₹10 crore</u>** For Metro Centre ₹12,000/- For Non-Metro Centre ₹9,000/- (Irrespective of the number of days)
14.0	04.10.2024 (Board)	**<u>Stock Audit Policy was reviewed and approved with the following modifications/additions:</u>** (1) Sentence "moving forward from Credit Quality to Credit Excellence" is included in the introduction paragraph. (2) In page No.5, point (b) Review, the exercise shall be undertaken **before June** and shall be completed before **July every year**. (3) On page No.5, the word **CM** Department is corrected as **Credit** Monitoring Department. (4) On page No.7, point (10), The appointment of Stock Auditor. It should be appointed before **Septembe**r every year. (5) In page No.7, point (11) Remuneration of Stock Auditors, **the first two lines were deleted since the fee structure is fixed as a lump sum amount vide Board Permission dated 28.09.2023.** (6) On page No.8, monthly reporting to ACE was deleted. (7) In page No.8, an additional paragraph is included on the enablement of the Stock Audit Process from allotment of stock audit assignment to stock auditors till submission of the Final Rectification Report (FRC) by the branches for stock audit observations is enabled in Ethics Software w.e.f. 13.12.2022.

		(8) In page No.8, an additional paragraph on further course of action to be taken by the branches is included in case a deficit in drawing power is observed in stock audit reports.
15.0		**Proposed Modifications:** **Page No.1** **Introduction:** (1) A significant transformation from traditional lending methods towards a digitally focused approach and innovation is the implementation of the “Credit Management Centre (CMC)”. As per the CMC organisation structure, changes were made in the Scrutiny of Stock Audit, Empanelment of Stock Auditors & Assignment of Stock Audit work. (2) In page No.4, point (6) Engagement of stock Auditors: A) Empanelling: The Stock Auditor has to apply to the Regional Head(RH) in whose jurisdiction his office is situated for empanelling him as the Bank’s Stock Auditor. The Regional Head (RH) has to forward the request to the Head Office after satisfying the criteria mentioned in Point No.7 of this policy. (3) Selection of a Stock Auditor from the Stock Audit panel and the eligible Concurrent Auditors list from our Inspection Department and Statutory Auditors list from the Accounts Department, if necessary, every year to conduct the Stock Audit. (4) Page No:7 Point No:13. The Final Certificate should be submitted by the **Branches/Asset Servicing Branch** within one month from the date of receipt of the stock audit report by the Standard Asset Monitoring Team at CMC/RO, along with its replies to the comments of the stock auditor. The concerned Head of Monitoring should verify compliance and recommend to the Regional Head (RH) for permission to submit the Final Certificate by the respective Branches/Asset Servicing Branches.

		(5) Before restoring the drawing power, the Concurrent Auditor of the nearest branch or an Official from the Inspection Department should be engaged to assess the present chargeable current assets at the borrower’s cost to arrive at the correct drawing power. (6) The status of all the borrowal accounts reported with a deficit in the Stock Audit Report should also be reported to the MD&CEO immediately subsequently a note shall be placed before the Audit Committee of the Board (ACB). (7) Similarly, upon receiving notice of the stock auditor’s intimation regarding the borrower’s non-cooperation in conducting the stock audit, the branch head should escalate the matter to the CMC(Head)/Region Head/CMD and further drawings in the borrower’s account should be restricted. However, subsequent drawings and the drawing power shall be restored by engaging the Concurrent Auditor of the nearest branch or an official from the Inspection Department, who should be employed to assess the present chargeable current assets at the borrower’s cost to arrive at the correct drawing power.

STOCK AUDIT POLICY 2025-26

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1. INTRODUCTION

In the context of rapid growth of credit, adequate supervision and monitoring of advances have assumed considerable importance in moving forward from CREDIT QUALITY to CREDIT EXCELLENCE. In the case of working capital finance, one of the measures deployed by lenders to ensure the end use of funds and monitor the borrowal account is the system of periodic stock audits by an independent, qualified Stock Auditor.

The Stock Audit system was first introduced in the Bank in October 2002 to monitor borrowal accounts with working capital limits of ₹5.00 Crores and above.

To ensure uniform procedures and practices, and to regulate the stock audit process, a Policy document on Stock Audit was deemed necessary. The first such Policy was drafted and adopted by the Bank in 2007.

The present Bank's Loan policy stipulates as follows:

"Stock Audit should be conducted by appointing Chartered Accountants, who are in our panel as Stock Auditors, for Working Capital Limits of ₹3.00 Crores & above (both Fund-based and Non-Fund-based Limits), where the primary security is hypothecation of Stock and/or Book Debts once in a year".

With the implementation of the "Credit Management Centre (CMC)", necessary changes are made in Scrutiny of Stock Audit Report, Empanelment of Stock Auditors, Assignment of Stock Audit work and Submission of FRCs in parallel with the existing structure of Branch, RO and HO.

2. THE POLICY:

This document, termed "Stock Audit Policy", codifies the policy and the procedure involved in the Stock Audit function. This has been compiled after taking into account changes that have taken place in the lending scenario and monitoring systems.

3. OBJECTIVES:

The main objective of a stock audit is to ascertain whether the security (borrower's stock and debtors) against which working capital finance has been made is available and is valued correctly. The Stock auditor must verify the physical existence and absolute ownership of inventory / movable property charged to the bank and to examine the genuineness of the Sundry Debtors list submitted by the borrower.

The various purposes expected to be achieved through the stock audit may be summarised as follows –

(a) To physically verify the value of paid Stock (by excluding the total value of unpaid stock about the level of Trade Creditors and the total value of stock procured under the Non Fund based credit limits viz., FLC / ILC / BG) available in the borrower's location and confirm the same together with the eligible Book Debts are sufficient to cover the total amount outstanding in the Working Capital Limits (Fund based) along with the required level of margin.

(b) To ensure the timely submission of the Stock / Book Debts statement, QIS statement,

(c) To check sales/purchase price and whether the declared price in the stock statement is correct.

(d) To verify whether the value of stock (procured under Non-fund-based limits) available on the date of physical verification, along with the eligible Book Debts emanated from the sale of such goods, is sufficient to cover the total amount of Bill Liability under the Non-fund-based limits, including Bank Guarantee Limit for the Supply of Goods.

(e) To verify related records/registers/books of accounts such as Stock Register, Purchase Register, Sales Register, Purchase Invoices, Sales Invoices, Credit Notes, Debit Notes, etc., maintained by the borrower.

(f) To carry out physical examination of stock to ascertain the quality, value and age of the inventory, thereby identifying whether there exists any obsolete stock and if so, whether it has been segregated and written off and excluded while arriving at the drawing power.

(g) To ensure proper preservation/storage and handling of stock.

(h) To ensure the stock under hypothecation has not been hypothecated to other Banks.

(i) To examine the end use of the funds and verify whether any diversion of funds or interlocking of funds among sister concerns.

(j) To verify the operation of the accounts, such as cash withdrawal, cheque returns, clearing cheque outstanding, number of times the account remained overdrawn, adjustment of returned discounted cheques, PCL overdue, LC devolvement, and Invoked Bank Guarantees.

(k) To confirm whether all the sanction conditions are complied with.

(l) To verify whether the stock is adequately and appropriately insured with our bank hypothecation clause against fire and other natural calamities (in appropriate cases against other risks like theft, burglary, marine, riots, etc., as per sanction) and kept securely.

(m) To ascertain whether physical stock tallies with the stock statement submitted to the bank.

(n) To ascertain that the quarterly returns or statements submitted to the bank are in agreement with the books of accounts of the unit for the borrowal account having working capital limits of ₹3.00 crores and above.

(o) To ascertain whether hypothecated stock is realisable.

(p) To confirm that the borrower owns stock and finance is made against the value of the paid stock only.

(q) To examine the age-wise debtors outstanding as per books and as per the statement submitted by the borrower, steps taken for recovery of long-pending debtors and likely instances of debtors turning bad, if any.

4. Stock Audit coverage & applicability:

The borrowal accounts with working capital limits of ₹3.00 Crores and above (both Fund-based and Non-Fund-based Limits), where the primary security is hypothecation of Stock and/or Book Debts, fall under the purview of Stock Audit. In exceptional cases, Stock Audit may be conducted for the working capital limits below ₹3.00 Crores based on the specific request of the Credit Department/ Regional Office.

In the case of NPA borrowal accounts with working capital limits of ₹3.00 crores and above, where the primary security of stock and/or book debts is available, these also fall under the purview of Stock Audit. Suit filed accounts & HOT accounts will not come under the ambit of the Stock Audit.

Conducting a stock audit for a borrowing account can be waived if there is a valid reason, provided permission is obtained from the Managing Director and Chief Executive Officer, based on the merits of the case.

A stock audit should be conducted as part of the pre-disbursement audit for takeover working capital limits of ₹3.00 crores and above.

Fund-based limits:

Fund Based Limit includes all types of Working Capital Limits sanctioned such as Cash Credit (Stock), Cash Credit (Book Debts), Overdraft, Working Capital Term Loan / Working Capital Demand Loan/ Foreign Currency Loan/ Guaranteed Emergency Credit Line (GECL) - For Working Capital purpose, Bill limits, Packing Credit Limit, Key Loan, Warehouse Receipts Loan etc.

Non-Fund-Based limits

Non-Fund Based Limits are sanctioned for Working Capital purposes, such as Bank Guarantees, ILC (DA terms / FLC (DA terms), STTC, etc., for the supply of goods on credit terms.

Advances under the Consortium / Multiple Banking arrangement

In case of advances coming under a Consortium / Multiple Banking arrangement, the Bank may fall in line with the Leader of the Consortium or the Highest lender.

Stocks that are not easily verifiable:

In specific industries, business activities and projects, by the very nature of the business model, the primary security charged to the Bank is tangible, not easily verifiable. In such cases, the Stock Audit should be conducted by an outsourcing Stock Auditor who has specialised knowledge about the nature of the goods.

5. Periodicity of Stock Audit

A stock audit should be conducted annually for all eligible borrowing accounts. It should be ensured that there is no omission either in the eligible accounts or in the area of coverage.

6. Engagement of Stock Auditors:

a. Empanelling:

The Stock Auditor must apply to the Regional Head (RH) in whose jurisdiction his office is situated, for empanelling him as the Bank's Stock Auditor. The Regional Head (RH) has to forward the request to the Head Office after satisfying the criteria mentioned in Point No.7 of this policy.

A consolidated list will be prepared by the Head Office and presented to the Committee of Executives for empanelling them as the Bank's stock auditors at regular intervals. The permitted list will be placed before the Executive Director for his approval, who is authorised in this regard by the Board of Directors.

The Credit Monitoring Department will select the Stock Auditor from the Stock Audit panel and the eligible Concurrent Auditors list from our Inspection Department and Statutory Auditors list from the Accounts Department, if necessary, every year to conduct the Stock Audit. The Credit Monitoring Department - HO submits the list of Stock Auditors along with the borrowal accounts allotted to them to the Executive Director, for his prior permission.

b. Review:

The review of the auditors on the panel should be conducted annually. Credit Monitoring Department (CMD) shall undertake the review of stock auditors by obtaining the necessary particulars from RO/CMC. This exercise shall be conducted before June and shall be completed before July of every year.

c. Delisting

Delisting of the auditor shall be done in the following cases.

i) Delay in taking up assignment despite frequent reminders
ii) Quality of the report is unsatisfactory
iii) Not adhering to the terms of empanelment
iv) Falsification of reports with the intent of misleading the Bank

Credit Monitoring Department can delist the auditor from the panel after obtaining approval from the Committee of Executives, duly explaining the reason for delisting.

d. Reporting to ICAI

Any auditor who has given a False or inaccurate or negligently prepared report shall not be entrusted with any further work. Apart from delisting, the bank may take suitable action by filing a complaint with the ICAI.

7. Criteria for Engagement of Stock Auditor:

The following general criteria are applied while selecting the Stock Auditors: -

1) The firm of the Stock Auditor shall contain at least two Chartered Accountants, of whom one of the partners should have at least three years' experience. If the Chartered Accountant is an individual or a Sole proprietorship, they should have at least five years of experience.

2) The Chartered Accountant firm/proprietor/individual should have conducted a Bank Audit in any Commercial Bank for at least two years.

3) The Chartered Accountant firm/proprietor/individual should have an office as far as possible at the centre where the Bank's Branch is located for which the Stock Audit is to be conducted.

4) Specialised Auditors, i.e. auditors with knowledge/expertise of the industry, should be considered to the extent possible to achieve an efficient and effective stock audit mechanism.

5) It should be ensured that the auditor engaged to conduct the Stock Audit for the particular borrowal account is not the Auditor for the same borrower.

6) The Concurrent Auditors can be engaged to conduct a Stock Audit with the condition that they should not be the Concurrent Auditors for the same branch/

Asset Servicing Branch where they are engaged to conduct a Stock Audit, and there should not be any negative remarks on the Concurrent Auditors.

7) An auditor who has done a stock audit for the borrower in the previous year will not be assigned a stock audit for the same borrower in the current year.

8. Assignment of Stock Audit

The engagement letter will be signed and sent only by the person in charge of the Credit Monitoring Department – Head Office to ensure audit independence and integrity. The engagement letters will contain the name of borrower unit(s) to be inspected and the details of tasks to be performed such as carrying out physical verification of stock and to ascertain existence, ownership, quantum, value of different items of inventories such as raw materials, work in progress and finished stocks as per standard accounting practices and pointing variances, if any and verification of debtors etc.

The Auditors will be furnished with the necessary guidelines issued by the Bank and expected to have adequate knowledge of regulatory requirements.

In the engagement letter, the Auditor will be advised to take up his assignment within 10 days of intimation. If not, another auditor(s) may be engaged in their place, and the same auditor should not be considered for the next/subsequent audit. Moreover, non-submission of the stock audit report after completion of the stock audit is not acceptable. If the stock auditor does not submit the stock audit report within 15 days of the completion of the stock audit, a penalty of 10% of the audit fee may be levied.

The engagement letter should also contain a suitable confidentiality clause to the effect that the Auditor should not divulge any information/statements / particulars furnished to him by the bank and maintain them in strict confidence.

9. Period of Engagement:

The Engagement of the Stock Auditor shall be for up to three years. The Stock Auditor should be engaged before September every year. Any additional engagement/ cancellation of Stock Auditors should be done only after obtaining prior permission from the Executive Director, as and when needed. There should be a cooling-off period of at least one year for Stock Auditors, and thereafter, they can be assigned to another branch/ Asset Servicing Branch in the CMC/RO setup. Rotation of Stock Auditors should be made in such a way that the same auditors should not generally audit the same unit/sister/associate units next time or repetitively. The number of accounts to be allotted to a Stock Auditor should be done on a fair basis without any discrimination based on previous experience. A calendar of audit may be designed every FY.

10. Remuneration of Stock Auditors:

The fee structure, along with other terms and conditions for payment of the fee, is provided in Annexure.

11. Outsourcing by Stock Auditors:

Stock Auditors are engaged taking into consideration the firm's constitution, experience, etc. Some of the stock or goods may be graded depending on their composition, durability, and other technical specifications, which a layperson cannot assess. Stock Auditors may engage a Chartered Engineer who is technically / professionally qualified with prior permission. In such cases, if the Stock Auditor engages the services of a Chartered Engineer who is registered with the Institution of Engineers (India), such an engineer should possess exceptional knowledge / practical experience about the stock/ product, such as chemicals, oils, etc., with which the borrower is dealing. Before engaging the services of such outsourced personnel, clearance should be obtained from the Executive Director.

The outsourced Chartered Engineer will accompany the Stock Auditor during the Unit / Godown visit. The outsourced Chartered Engineer will certify the quality of the product and also provide the market rate (per unit) for the stock/ goods to the Stock Auditor. Based on the rate provided by the Chartered Engineer, the Stock Auditor will ascertain the quantity of stock and arrive at the total value of stock available.

The Regional Office concerned will fix the reimbursement of fees to such an outsourced Chartered Engineer in consultation with the Stock Auditor. The costs may vary from product to product and depend on the availability of testing centres/equipment, etc. However, the Bank's decision in this regard is final and binding on all parties.

12. Completion of Stock Audit

The Stock Audit should be completed within 30 days from the date of intimation to the Stock Auditor as per the schedule given below:

- Commencement of Audit work - Within 10 days from the date of intimation.
- Conclusion of Audit - Within 10 days from the date of commencement.
- Submission of Audit Report - Within 10 days from completion of the Audit.

13. Reporting System & Submission of Final Certificate:

The Stock Auditor should verify the borrower's unit/ godown as to their position on Stock / Book Debts and submit the report immediately in co-ordination with the Branch Heads/ Relationship Managers(RMs)/ Due Diligence Officer **triplicate (3 copies), at the Asset Servicing Branches,** one copy to Credit Monitoring Department Head

Office, one copy to the respective Regional Office/CMC through the Branch/ Asset Servicing Branch and one file copy to be retained in the Branch/ Asset Servicing Branch.

The Final Certificate should be submitted by the **Branches/Asset Servicing Branches within one month from the date of receipt of the stock audit report by the Standard Asset Monitoring Team at the CMC/RO,** along with their replies to the comments of the stock auditor. The concerned Head of Monitoring should verify compliance and recommend to the Regional Head (RH) for permission to submit the Final Certificate by the respective Branches/Asset Servicing Branches. The entire process, till the Obtention of the Final Certificate from the respective RO/CMC, shall be monitored at the Credit Monitoring Department Head Office and shall be completed within 45 days from the date of receipt of the stock audit report. Further, timeline for each action point from the receipt of stock audit report till submission of FRC is detailed under:

After completion of the Stock Audit and the Exit Meeting, both the BH & Stock Auditor shall wrap up the audit report in Ethic Software.

Action Points	Timeline
After the wrap-up, a physical copy of the Stock Audit Report duly signed by the Stock Auditor & the BH shall be forwarded to RO & HO.	Within **3 days** from the date of the wrap-up of the stock audit report
Final Report to be released by CMD along with observations.	Within **7 days** from the date of receipt of the physical stock audit report
Compliance to be submitted for the Stock Audit Report for the commented features by the concerned branch. (Maker & Checker)	Within **15 days**
FRC to be issued by RO/CMC	Within **5 days**
Compliance to be verified by RO/CMC (Maker & Checker)	Within **15 days**

In case of any Deficit reported in the Stock Audit Report noticed by CMD, the branch to reduce the Drawing power after notifying the borrower within **10 days** from the date of release of the stock audit final report by the CMD.

The manual process of Stock Audit is time-consuming and involves more physical labour and paperwork. To avoid these aspects and to expedite the audit process, the entire process of Stock Audit, from the allotment of stock audit to stock auditors in our panel, to the submission of the Final Rectification Certificate by the Branches/Asset Servicing Branches, is enabled in “Ethic Software” provided by the vendor, **M/s. NCS Soft Solutions P.Ltd, Chennai w.e.f. 11.10.2022**.

Wherever a shortfall in Drawing Power (DP) is identified in the stock audits of standard accounts, the DP should be reduced as per the stock audit report findings after giving due notice to the borrower. Similarly, upon receiving notice of the stock auditor’s intimation regarding the borrower’s non-cooperation in conducting the stock audit, the branch head should escalate the matter to the CMC(Head)/Region Head/CMD and further drawings in the borrower’s account should be restricted. However, subsequent drawings and the drawing power shall be restored by engaging the Concurrent Auditor of the nearest branch or an official from the Inspection Department, who should be employed to assess the present chargeable current assets at the borrower’s cost to arrive at the correct drawing power.

14. Reporting based on Stock Audit Reports:

1. The Credit Monitoring Department – Head Office should furnish the status of the Stock Audit Report to the Audit Committee of the Board every quarter.

2. The status of all the borrowal accounts reported with a deficit in the Stock Audit Report should also be reported to the MD&CEO immediately, subsequently a note shall be placed before the Audit Committee of the Board (ACB).

15. Validity/ Review of the Stock Audit Policy

The policy shall be reviewed annually and remains valid from the date of approval by the board until the following review. Any regulatory or other changes in the intervening period will be implemented as and when the regulatory authority establishes the timeframe, and these updates will be reflected in the policy during the subsequent review.

ANNEXURE

FEE STRUCTURE FOR CONDUCTING STOCK AUDIT

Stock Auditor Fees (per borrower) – Fixed Lump Sum

i. **Borrower enjoying working capital limits (Fund Based + Non-Fund Based) up to ₹10.00 Crore**

   a. **Metro Centre - ₹ 12,000/-**
   b. **Non-Metro Centre - ₹ 9,000/-**

ii. **Borrower enjoying working capital limits (Fund Based + Non-Fund Based) Above ₹10.00 Crore**

   a. **Metro Centre - ₹15,000/-**
   b. **Non-Metro Centre - ₹12,000/-**

iii. **In case of NPA accounts, 50% of the above applicable fee should be paid.**

Conditions:

1) A qualified Auditor/s should do the Stock Audit.

2) A vehicle may be provided for godown inspection by the Stock Auditor.

3) The branch must plan with the Stock Auditor to determine the sequence of the Stock Audit and conduct the Audit accordingly.

4) The Stock Audit fees with eligible GST, if any, after deducting the TDS payable at the Branch, by getting the necessary sanction from the Regional Head (RH).

5) The expenses for conducting a Stock Audit should be informed to the borrowers well in advance.

6) The branch should pay the stock audit fees by debiting the concerned Borrowal account(s) after obtaining approval and sanction from the Regional Office/CMC.