

# POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

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## 1.Preamble

Appointment of Statutory Auditors (Statutory Central and Statutory Branch Auditors) by our Bank is being done on the basis of guidelines issued by Government of India/ Reserve Bank of India from time to time.

The policy was last renewed and approved by the Audit Committee Board vide Agenda Item No.: K-03 on 9<sup>th</sup> November 2021 subject to review from time to time in accordance with changes/modifications notified by GOI/RBI.

## 2.Scope & Applicability

This modified policy of appointment of Statutory Central & Branch Auditors is put in place pursuant to the changes in the guidelines issued by the Reserve Bank of India for the year 2022-23 & onwards vide their circular no DoS.CO.ARG/S8213/08.91.001/2022-23 dated 6<sup>th</sup> March 2023. These revised guidelines specifically deal with the appointment of Statutory Branch Auditors while the guidelines for Statutory Central Auditors remain unaltered. The policy as a whole is applicable to the Standalone operations of the Bank.

## 3.Appointment of Statutory Central Auditors (SCAs):

### 3.1 Number of Audit Firms

As per the guidelines, maximum number of SCAs suggested is based on total asset size of the entity as below.

| Sl. No. | Asset Size of the Entity                            | Maximum number of SCAs |
|---------|---|------------------------|
| 1.      | Up to ₹5,00,000 crore                               | 4                      |
| 2.      | Above ₹ 5,00,000 crore and Up to ₹ 10,00,000 crore  | 6                      |
| 3.      | Above ₹ 10,00,000 crore and Up to ₹ 20,00,000 crore | 8                      |
| 4.      | Above ₹ 20,00,000 crore                             | 12                     |

The Board of the Bank is empowered to decide the number of SCAs to be appointed subject to the above maximum number. As per the extant guidelines in place, there is no restriction from selecting SCAs within the given list and without any compulsion to maintain the 60:40 ratio of experienced & new category of SCAs. The Bank's Board has been empowered to select and appoint from the list provided by RBI subject to maximum ceiling of number of auditors defined in the guideline.

### 3.2 Procedure for selection of Audit Firms

Bank to obtain list of eligible audit firms from the office of Reserve Bank of India (RBI) which is based on the panel of CA firms provided by the office of the Comptroller & Auditor General of India (C&AG).

To select suitable Audit firm/s from the list of firms provided by RBI based on vacancies created due to retirement/otherwise.

A team of three Executives from Corporate Accounts & Taxation Department (GM/DGM/AGM/CM) under the guidance of Chief Financial Officer, will shortlist the names from the list of Audit firms received from RBI. The Bank to select two firms against each vacancies proposed to be filled up to avoid any exigencies due to disqualification of the firm or any other reasons. The shortlisted names of SCAs shall be recommended to ACB for approval.

While shortlisting the names, it should be preferred that the main office of the firm is situated in or around the city where Corporate Office/Head Office/Zonal Office/Regional Office or concentration of branches/business of the Bank is situated for better coordination with the Audit Firm. The CA firm with more number of years of bank audit experience (preferably having experience as SCA of Peer Bank), more number of qualified staffs and

multi-city branches would be given preference for flexibility of audit team deployment and better professional guidance/advice. The discreet enquiries about the audit firms professional credentials to be made informally from the available sources.

After obtaining the approval from ACB, the name of SCAs firm (Continuing/New) will be recommended to RBI for final approval for appointment for the financial year and shall continue for the each financial year. After receiving RBI approval, a note shall be placed to Board informing the names of newly appointed SCAs. The same shall also be informed to the Company Secretary for onward submission to Stock Exchanges.

#### **4.Appointment of Statutory Branch Auditors:**

The number of Statutory Branch Auditors (SBAs) required each year would be decided based on the advances/exposure to be covered by Statutory Audit each year. The minimum coverage of advances/ Fund and Non-fund based exposure of the Bank to be achieved every year would be proposed to Audit Committee of Board (based on the factors as mentioned in point no 9 of this policy on Pg no 18) which shall approve the same with or without modification.

##### **4.1 Procedure for selection:**

- Corporate Accounts & Taxation Department will finalize the Zone wise / Category wise number of vacancies of SBAs for the Bank as a whole, for each financial year. While determining the category wise requirement of SBA for each zone, the size of the branch and the category of audit firm will be taken into consideration in such a way that as far as possible, bigger branches are allotted to higher category of audit firms. Bank would consider all the continuing SBAs list given by the RBI. Remaining audit firms required for meeting the statutory obligation shall be met from the list provided by RBI through hybrid system of selection process which is enumerated in subsequent paras of the policy.
- Corporate Accounts & Taxation Department shall approach ICAI for a demo of web portal for Auditors selection basis of previous year data. Basis satisfaction of the Bank, it shall send requisition to ICAI for the use of web based portal service and upload the number of auditors required under Category 3 and 4 for selection of audit firm. The ICAI web based portal is having inbuilt capability to identify the audit firm(s) which are having close proximity to branch locations. Some peer Banks have given preference to ICAI web based portal for selecting SBAs in addition to the preference by the Regulator. In case , the ICAI web portal is unable to allocate audit firms due to some technical reason or non-availability of audit firm near to the branch location, Corporate Account & Taxation department shall select auditors from the RBI List considering all aspects e.g., proximity to branches, Zone, experience etc.
- For the branches which are required to be audited by Category 1 and 2 audit firms, Committee of executives comprising of Assistant General Manager and Dy General Manager of Corporate Accounts department headed by GM/CFO shall select audit firms basis the experience & professional expertise of the firm.
- Corporate Accounts & Taxation Department to provide list of newly selected SBAs of Category 3 & 4 to the Zones, having office in their respective Zone for allocation of branches based on geographical area and obtain irrevocable consent from such identified firms.
- Corporate Accounts & Taxation department to allot Category 1 & 2 audit firms basis of branch exposure, experience of audit firm and geographical proximity etc.
- In case sufficient number of local audit firms is not available, auditors from nearby place within the State / adjoining State / other State may be considered.
- Zones to submit the allocation of branches to SBAs done by them to Corporate Accounts & Taxation Department for its concurrence.

On finalization of the SBAs to be appointed, Corporate Accounts & Taxation Department to place a Note before Managing Director & CEO/Executive Director for recommending to ACB for approval of names and number of SBAs as well as the branch allocation.

After obtaining the approval from ACB / Board, the selected names of SBAs should be reported to RBI along with the branch allocation.

#### **5.Fees payable to Statutory Branch/Central Auditors**

The fees payable to the Statutory Branch/Central Auditors would be as per the guidelines of the RBI and Audit Committee of Board. As per the latest RBI guidelines dated 1<sup>st</sup> March 2023, the audit fees for the branches and Head Office has been prescribed by RBI while other components of the auditors' remuneration has been left to the Audit Committee of Board of the Bank.

For branches operating as NPA recovery branches, or branches where there is no advances portfolio, such as service branches, specialized branches, etc., the Bank with the approval of the Audit Committee of the Board (ACB), shall propose the audit fees (arrived on the basis of volume of business of the branch, existing fee, etc.) and seek approval of RBI on a case-to-case basis.

In case of any dispute between the Statutory Auditors and the bank regarding settlement of their bills, the MD & CEO of the Bank shall be the final authority to decide the claims.

#### **6.Redressal of grievances**

Chief Financial Officer will dispose of grievances/ complaints (if any) with regard to the selection of Statutory Central Auditors and Statutory Branch Auditors. In case an escalation is needed then the Executive Director of Finance Vertical would be final authority for taking decision in the matter.

#### **Validity of Policy**

Policy will remain valid up to 30<sup>th</sup> June 2026 with a scope to introduce any change/modification introduced by GOI/RBI through notification/circular/advisory applicable to banking industry.

**Encl :-** a. Annexure I containing RBI guidelines on appointment of SCAs.

b Annexure II containing RBI guidelines on appointment of SBAs

## Annexure I

### 7.Guidelines of GOI/Reserve Bank of India with regard to the appointment of SCAs Of PSBs

#### Appointment of Statutory Central Auditors

Government of India has allowed autonomy to the Public Sector Banks to appoint the Statutory Central Auditors from the financial year ended 2014-15 onwards.

Bank will be required to take prior approval of RBI (Department of Supervision) for appointment/re-appointment of SCAs, on an annual basis in terms of the above-mentioned statutory provisions. For the purpose, they should apply to Department of Supervision, RBI.-The Public Sector Banks (PSBs) shall approach RBI within one month of receipt of list of eligible audit firms from RBI.

For the purpose, Bank shall approach the Central Office of RBI (Department of Supervision).

#### Number of SCAs and Branch Coverage

For Entities with asset size of ₹15,000 crore and above as at the end of previous year, the Statutory audit should be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. All other entities should appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit. It shall be ensured that joint auditors of the Entity do not have any common partners and they are not under the same network of audit firms. Further, the entity may finalize the work allocation among SCAs, before the commencement of the statutory audit, in consultation with all joint auditors.

The Entities should decide on the number of SCAs based on a Board Approved Policy, inter alia, taking into account the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc.

Considering the above factors and the requirements of the Entity, the actual number of SCAs to be appointed shall be decided subject to the following limits:

| Sl. No. | Asset Size* of the Entity                           | Maximum number of SCAs |
|---------|---|------------------------|
| 1.      | Up to ₹5,00,000 crore                               | 4                      |
| 2.      | Above ₹ 5,00,000 crore and Up to ₹ 10,00,000 crore  | 6                      |
| 3.      | Above ₹ 10,00,000 crore and Up to ₹ 20,00,000 crore | 8                      |
| 4.      | Above ₹ 20,00,000 crore                             | 12                     |

\*Asset size means Total Assets

The above limits have been prescribed to ensure that the number of SCAs appointed by the Entities are adequate, commensurate with the asset size and extent of operations of the Entities, with a view to ensure that audits are conducted in a timely and effective manner. This will be subject to review in future based on the experience.

As per the above criteria our Bank is eligible to appoint maximum -8- SCAs as against the previous eligibility to select maximum 6 SCAs. The Bank's Board has decided to have -5- SCAs with effect from FY ended 2019.

In terms of RBI guidelines on 'Norms on eligibility, empanelment and selection of Statutory Branch Auditors in Public Sector Banks (PSBs)', PSBs shall allot the Top 20 branches (to be selected strictly in descending order of the outstanding advances) to SCAs in such a manner as to cover a minimum of 15% of total gross advances of the bank by SCAs. Bank shall also adhere to the provisions of section 143(8) of the Companies Act 2013 regarding audit of accounts of all branches.

**Eligibility of audit firms to be appointed as SCAs as advised by Reserve Bank of India:**

| Asset Size of Entity audited as on 31st March of Previous Year | Minimum No. of Full-Time partners (FTPs) Associated with the firm for a period of at least three (3) years<br>Note 1 | Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years | Minimum No. of FullTime Partners/ Paid CAs with CISA/ISA Qualification<br>Note 2 | Minimum No. of years of Audit Experience of the firm<br>Note 3 | Minimum No. of Professionalstaff<br>Note 4 |
|--|--|--|--|--|--|
| Above ₹15,000 crore  | 5  | 4  | 2  | 15   | 18   |
| Above ₹ 1,000 crore and Up to ₹15,000 crore                    | 3  | 2  | 1  | 8  | 12   |
| Upto ₹1,000 crore  | 2  | 1  | 1  | 6  | 8  |

**Note 1:** There should be at least one-year continuous association of partners with the firm as on the date of empanelment (for PSBs)/ shortlisting (for other Entities) for considering them as full time partners. Further, for appointment as SCAs of all Commercial Banks (excluding RRBs), and other Entities with asset size above ₹ 1,000 crore, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

For our Bank, the full-time partner's association with the firm would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:

- The full-time partner should not be a partner in other firm/s.
- She / He should not be employed full time / part time elsewhere.
- She / He should not be practicing in her/his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.
- In case of PSBs, the income of the partner from the firm/LLP should not be below the threshold limits prescribed by the Office of C&AG for the purpose of consideration as full-time partners for appointment as auditors of Public Sector Undertakings.

**Note 2: CISA/ISA Qualification:**

There should be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of empanelment for considering them as Paid CAs with CISA/ISA qualification for the purpose.

**Note 3: Audit Experience:**

Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

**Note 4: Professional Staff:**

Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists/stenos/computer operators/ secretaries/subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of empanelment for considering them as professional staff for the purpose

**Apart from the above,**

- (i) The audit firm, proposed to be appointed as SCAs should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- (ii) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- (iii) Bank shall ensure that appointment of SCAs is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- (iv) If any partner of a Chartered Accountant firm is a director in any Public Sector Bank (PSB), the said firm shall not be appointed as SCA. Further, if any partner of a Chartered Accountant firm is a director in the Bank, the said firm shall not be appointed as SCA of any of the group entities of the Bank.
- (v) The auditors of the Bank should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Bank where the accounting and business data reside in order to achieve audit objectives.

**Continued Compliance with basic eligibility criteria**

In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it may promptly approach the Bank with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31<sup>st</sup> March and till the completion of annual audit.

In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.



## Independence of Auditors

The Audit Committee of the Board (ACB) shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices.

Any concerns with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SCAs shall approach the Board/ACB of the Entity, under intimation to the concerned SSM/RO of RBI.

Concurrent auditors of the Entity should not be considered for appointment as SCAs of the same Entity. The audit of the Entity and any entity with large exposure to the Entity for the same reference year should also be explicitly factored in while assessing independence of the auditor.

The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SCAs for the Entities or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SCAs. However, during the tenure as SCA, an audit firm may provide such services to the concerned Entities which may not normally result in a conflict of interest, and Entities may take their own decision in this regard, in consultation with the Board/ACB.

The restrictions as detailed in the two paras above, should also apply to an audit firm under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014 ) of audit firms or any other audit firm having common partners.

**Clarification 1-** The Group Entities refer to the RBI Regulated Entities in the Group, which fulfil the definition of Group Entity, as explained in the following para. However, if an audit firm engaged with audit/non-audit works for the Group Entities (which are not regulated by RBI) is being considered by any of the RBI Regulated Entities in the Group for appointment as SCAs, it would be the responsibility of the Board/ACB of the concerned RBI Regulated Entity to ensure that there is no conflict of interest and independence of auditors is ensured, and this should be suitably recorded in the minutes of the meetings of Board/ACB.

Group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.

**Clarification 2-** Before appointment of an audit firm as SCA of the RBI Regulated Entity, there should be a time gap of minimum one year between this appointment and completion of the assignment of any non-audit works given to the same audit firm in that RBI Regulated Entity or completion of any audit/non-audit works in other RBI Regulated Entities in the Group. This stipulation shall be applicable prospectively, i.e. from FY 2022-23. Therefore, if an audit firm is involved in some non-audit work with the Entity and/or any audit/non-audit work in other RBI Regulated Entities in the Group and completes or relinquishes the said assignment prior to the date of appointment as SCA of the Entity for FY 2021-22, the said audit firm would be eligible for appointment as SCA of the Entity for FY 2021-22.

It is reiterated that the time gap between any non-audit works by the SCAs for the Entities or any audit/non-audit works for its Group Entities should be at least one year after completion of the audit assignment as SCA.

**Clarification 3** - A conflict of Interest would not normally be created in the case of the following special assignments (indicative list):

(i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements.

(iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements. (iv) reporting on financial information or segments thereof

### **Professional Standards of SCAs**

The SCAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The Board/ACB of the Bank shall review the performance of SCAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs/SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Board/ACB, with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of an Entity's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SCAs in relation to Entities, the SCAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

### **Tenure and Rotation**

In order to protect the independence of the auditors/audit firms, Bank will have to appoint the SCAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, Bank can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision), as applicable for prior approval for appointment.

An audit firm would not be eligible for re-appointment in the same Entity for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other Entities.

One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBS and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules.

For the purpose of this circular, a group of audit firms having common partners and/or under the same network as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014, will be considered as one entity and they will be considered for allotment of SCA accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

### **Audit Fees and Expenses**

The audit fees for SCAs shall be decided in terms of the relevant statutory/regulatory provisions. Bank will continue to be guided by relevant RBI instructions in the matter, dated 1<sup>st</sup> March 2023 as well as in terms of approval of Bank's Audit Committee of Board.

The audit fees for SCAs shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.

The recommendations for fixing audit fees (including other components viz fees for CFS, LFAR etc) of SCAs as per the relevant statutory/regulatory instructions shall be put up to ACB who is the competent authority to approve the same.

## Procedure of Selection

1. As per the RBI guidelines, Bank shall shortlist minimum of 2 audit firms for every vacancy of SCAs so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SCAs does not get delayed. However, in case of re-appointment of SCAs till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.
2. The Bank shall continue to follow the existing procedure followed hitherto for selection of SCAs. The names of shortlisted audit firms, shall be placed, in order of preference, before the ACB in transparent manner for selection as SCAs. Upon selection of SCAs by the Bank in consultation with the ACB and verifying their compliance with the eligibility norms prescribed by RBI, the Bank shall seek RBI's prior approval for appointment of SCAs.
3. For PSBs, empanelment of audit firms eligible for appointment as SCAs will continue to be done by the Office of C&AG, based on the norms prescribed by RBI, as on January 1 of the relevant year.

The list of firms as furnished by C&AG to RBI will be subjected to scrutiny by RBI for identifying the eligible firms and excluding audit firms who have been denied audit by C&AG/RBI. RBI will forward a single list of all audit firms eligible for appointment as SCAs to all PSBs on an annual basis, as the requirement of mandatory cooling of three years and allotment of vacancies in the ratio of 60:40 between 'Experienced ' and 'New' audit firms has been done away with from FY 2021-22. The firms in said list would not be ranked in any order and all firms would be eligible for selection by all PSBs. PSBs shall shortlist audit firms from the said list of eligible audit firms as received from RBI, based on certain objective criteria (like number of full time partners, number of professional staff, number of CISA/ISA qualified partners/paid CAs, number of FCAs, etc.) as laid down in the Bank's policy for appointment of statutory auditors.

The Bank shall obtain a certificate, along with relevant information as per **Form B**, from the audit firm(s) proposed to be appointed as SCAs to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of SCAs of the Bank, under the seal of the said audit firm.

The Bank shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, recommend the names along with a certificate, in the format as per **Form C**, stating that the audit firm(s) proposed to be appointed as SCA by them comply with all eligibility norms prescribed by RBI for the purpose.

While approaching the RBI for its prior approval for appointment of SCAs, Bank shall indicate the total asset size as on March 31st of the previous year (audited figures), forward a copy of Board/ACB Resolution recommending names of audit firms for appointment as SCAs in the order of preference and also furnish information as per Form B and Form C as mentioned above, to facilitate expeditious approval of appointment/re-appointment of the concerned audit firm

FORM B

**Eligibility Certificate from (Name and Firm Registration Number of the firm)**

**A. Particulars of the firm:**

| Asset Size of Entity audited as on 31 <sup>st</sup> March of Previous Year | Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years | Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years | Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification | Number of Years of Audit Experience# | Number of Professional staff |
|--|---|--|--|--------------------------------------|------------------------------|
|  |   |  |  |                                      |                              |

\*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBS/NBFCs with asset size of more than ₹ 1,000 crore

**#Details may be furnished separately for experience as SCAs and SBAs**

**B. Additional Information:**

- (i) Copy of Constitution Certificate.
- (ii) Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- (iii) Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- (iv) Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- (v) Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

**C. Declaration from the firm**

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors have been declared as wilful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner(Name of the Partner)

Date:

## **FORM C**

### **Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA**

1. The Bank/UCB is desirous of appointing M/s\_\_\_\_\_, Chartered Accountants (Firm Registration Number\_\_\_\_\_) as Statutory Central Auditor (SCA)/ Statutory Auditor (SA) for the financial year \_\_\_\_\_for their 1<sup>st</sup>/2<sup>nd</sup>/3<sup>rd</sup> term and therefore has sought the prior approval of RBI as per the section 30(1A) of the Banking Regulation Act, 1949/ Section 10 (1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980/ Section 41(1) of SBI Act, 1955.
2. The bank/UCB has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor (SCA)/Statutory Auditor of the bank/UCB for FY----- along with relevant information (copy enclosed) in the format as prescribed by RBI.
3. The firm has no past association/association for ----- years with the Bank/UCB as SCA/SBA
4. The bank/UCB has verified the said firm's compliance with all eligibility norms prescribed byRBI for appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

**Signature**

**(Name and Designation)**

Date

## Annexure -II

### 8. Appointment of Statutory Branch Auditors (SBAs):

#### No of Audit Firms

No. of audit firms depends on number of branches to be covered under audit as per RBI policy and the allotment criteria advised by RBI from time to time.

As per the latest guidelines of RBI, not more than 2 branches may be allotted to each of the Statutory Branch Auditors. The Statutory Central Auditors to be assigned top 20 branches of the Bank (in descending order of outstanding advances) ensuring at least 15 per cent of the gross advances of the bank are covered by branches under SCAs for the purpose of Statutory Audit .

#### 9. Selection of branches for Statutory Audit:

While selecting the branches for Statutory Audit, the Corporate Accounts and Taxation Dept shall take in to consideration, degree of centralization of processes, need to address fraud risk and credit risk, adverse reports from internal/ concurrent auditors, whistle blower complaints and unusual patterns/ activity shown by internal MIS reports. It should also ensure that a representative cross section of rural, semi-urban, urban and metropolitan branches are covered, including branches that are not subjected to concurrent audit. Further, endeavor should be made to include those branches for Statutory Audit which are not audited in last five years as well as those which are deposit oriented.

#### 10. Eligibility Criteria:

In order to be eligible for appointment/ re-appointment as SBA, an audit entity (i.e., audit firms or sole proprietorship auditors) shall meet all the following conditions:

- a) The audit entity satisfies all the criteria laid down in section 141 of the Companies Act, 2013.
- b) The audit entity or any of its partners have not been barred from exercising duties as auditor by any regulatory body including the RBI, Securities and Exchange Board of India, the Comptroller and Auditor General (C&AG), Government of India, the National Financial Reporting Authority (NFRA) and the Institute of Chartered Accountants of India (ICAI).
- c) The audit entity is not undertaking audit engagements, either as SBA or Statutory Central Auditor (SCA), of any other PSB for the period of appointment.
- d) In case the auditor has previously completed four consecutive years as SBA of the bank, at least four years have elapsed after the completion of the last audit engagement as SBA of the same PSB.
- e) In case the auditor has been appointed as an SCA of the bank in the past, at least six years have elapsed after the completion of the last audit engagement as SCA of the same PSB (irrespective

of tenure of previous engagement).

- f) None of the partners of the audit firm or the proprietor of the audit entity are Directors in the same PSB.
- g) The audit entity does not have any common partner(s) with any other SBA of the same PSB and that they are not under the same network of audit firms.
- h) The audit entity meets the criteria for bank audit experience, number of partners, standing, etc., as laid down in in the table below for the audit engagements for the year ending March 31, 2023.

**11 Eligibility norms for the empanelment of audit firms to be appointed as Statutory Branch Auditors of Public Sector Banks for audit engagements for the year ending March 31, 2023.**

| Category  | No. of CAs exclusively associated' with the firm (Full time) | No. of partners exclusively associated'with the firm (full time) (Out of 2) | Professional staff' | Bank audit experience   | Standing of the audit firm'                       |
|---|--|---|---------------------|---|---|
| (1)   | (2)  | (3)   | (4)                 | (5)   | (6)   |
| I.  | 5  | 3   | 8                   | The firm or at least one of the partners should have a minimum of 8 years' experience of branch audit of a Public Sector Bank (PSB) or of a Private Sector Bank (PVB) | 8 years   |
| II.   | 3  | 2   | 6                   | The firm or at least one of the partners should have preferably conducted branch audit of a PSB/PVB for at least 5 years.   | 6 years<br>(for the firm or at least one partner) |
| III.  | 2  | 1   | 4                   | The firm or at least one of the CAs should have preferably conducted branch audit of a PSB/PVB for at least 3 years   | 5 years<br>(for the firm or at least one partner) |
| IV.   | 2  | 2   | 2                   | Not necessary   | 3 years   |
| <p>Even proprietorship concern without bank audit experience may be considered as hitherto.<br/>(The proprietary concerns of Chartered Accountants with 1 paid CA, 2 professional staff and not having any statutory branch audit experience of a PSB/PVB will be treated at par with the partnership firm after deducting their 3 years seniority from the date of their establishment).</p> |  |   |                     |   |   |

**12 Eligibility norms for the empanelment of audit firms to be appointed as Statutory Branch Auditor of Public Sector Banks for audits of the year ending March 31, 2024, and onwards**

| Category               | No. of CAs exclusively associated* with the firm (Full time) | No. of partners exclusively associated*with the firm (full time) (Out of 2) | Professional staff# | Bank audit experience  | Standing of the audit firms@                   |
|------------------------|--|---|---------------------|--|--|
| (1)                    | (2)  | (3)   | (4)                 | (5)  | (6)  |
| Category I             | 5  | 3   | 8                   | The firm or at least one of the partners should have a minimum of 8 years' experience of branch audit of a public sector bank (PSB) or of a private sector bank (PVB). | 8 years  |
| Category II            | 3  | 2   | 6                   | The firm or at least one of the partners should have conducted branch audit of a PSB /PVB for at least 5 years.  | 6 years (for the firm or at least one partner) |
| Category III           | 2  | 2   | 4                   | The firm or at least one of the CAs should have conducted branch audit of a PSB /PVB for at least 3 years  | 5 years (for the firm or at least one partner) |
| Category IV            |  |   |                     |  |  |
| Partnership firm       | 2  | 2   | 2                   | Not necessary  | 3 years  |
| Proprietorship concern | 2  | 1   | 2                   | Not necessary  | 6 years  |
| Proprietorship concern | 1  | 1   | 2                   | The proprietor should have conducted branch audit of a PSB/PVB for at least 3 years  | 6 years  |

The definition of 'exclusive association' will be based on the following criteria:

- The full-time partner should not be a partner in other firm/s
- She/He should not be employed full time / part time elsewhere
- She/He should not be practising in her or his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949

# Professional staff (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staff, etc.) implies audit and articled clerks with knowledge in book-keeping and accountancy and are engaged in audit



@ The standing of an audit firm would be reckoned from the date of its establishment. For a proprietorship, the period for which the proprietor has been holding a Certificate of Practice issued by the ICAI shall be reckoned for standing.



The selected audit firms should also satisfy the following conditions:

The Auditors / Audit Firms should not be a willful defaulter of any Bank / Financial Institutions.

The Auditors / Audit Firms should not enter into sub-contract of the Audit Work assigned to them.

Audit firms should not undertake statutory audit assignment while they are associated with internal assignments in the bank during the same year. In case the firms are associated with internal assignment, they relinquish the internal assignment before accepting the statutory audit assignment during the year."

### **13 Procedure for appointment:**

The list of eligible auditors/audit firms will be prepared by the Institute of Chartered Accountants of India (ICAI) as per the norms prescribed by RBI.

The above list shall be reviewed by RBI to identify continuing / non-continuing auditors, excluding audit firms against whom adverse remarks/disciplinary proceedings are pending or who have been denied audit.

RBI will, thereafter, forward the final list of all eligible auditors/audit firms to PSBs for selection.

Bank to select the audit firm to the extent possible taking in to consideration their category and size of the branches in such a way that there is proper mix of audit firms from all the categories and bigger branches are allotted to higher category of audit firms

To shortlist the audit firms from the list of new auditors and take consent / undertaking from the firm for appointment as SBA. The consent given by an audit firm are treated as irrevocable and request, if any, from the audit firm for changing the Bank after giving the consent are not entertained.

The Bank will select the required number of branch auditors/audit firms. Bank will clearly advise the audit firms selected for consideration of appointment that each audit firm can take up audit assignment as an SBA or SCA in one PSB only. The audit firm should give their consent in writing for consideration of appointment in the bank concerned for the particular year and the subsequent continuing years.

The firms whose partner/s are on the Boards of PSBs are not to be appointed as auditors of the same PSB.



To recommend the total number of SBAs and their name to Managing Director & CEO/ ACB/ Board for approval.

Prior to appointment/ re-appointment, the names of the audit entities selected shall be uploaded to the RBI's Auditor Allocation System (AAS) to ensure that any audit entity which is preferred by multiple PSBs is allocated only to one PSB on 'first- come, first-served' basis by the AAS. Post appointment/ re-appointment, the banks shall report to RBI (through AAS) the list of SBAs appointed, along with details of allocation of branches thereof.

To issue appointment letters on receipt of approval from Audit Committee of Board,

#### **14 Tenure of Statutory Branch Auditors**

The tenure of the audit firm will. be for a period of one year at a time up to a period of four consecutive years, subject to the audit firm meeting the eligibility criteria laid down and also subject to their suitability & subject to annual approval by the Audit Committee of Board.

#### **15 Non-appointment/Removal of SBAs**

Non-reappointment / removal of SBAs before completion of audit tenure of four years will continue to be subject to RBI's prior approval. Bank shall forward such request for prior approval to RBI with the approval of ACB.