

**POLICY ON**  
**APPOINTMENT OF STATUTORY CENTRAL AUDITORS**  
**(From 2022-23 and Onwards)**  
**Version 1.0**  
**DOCUMENT VERSION CONTROL**

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## I. Preamble

This policy on appointment of Statutory Central Auditors is framed based on the Guidelines issued by the Reserve Bank of India vide Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27-04-2021 in respect of appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs).

## II. Applicability

The Policy shall be applicable for appointment of Statutory Central Auditors by the Bank for the financial year 2022-23 and onwards including any amendments, if any made from time to time by the Regulator.

## III. Basic Eligibility norms, Empanelment and Selection of SCAs

The Bank shall adhere to the norms given in Annexure 1 before proceeding to appoint SCAs and/ or amended by RBI from time to time.

## IV. Number of SCAs

- i. Taking into account 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. the Audit Committee and the Board of the Bank shall decide on the number of Auditors to be appointed over and above minimum applicable auditors. However, the actual number of SCAs/SAs to be appointed shall be decided by the ACB /Board, subject to the following limits prescribed by RBI:

S.No	Asset size of the Bank	Maximum number of SCAs
1.	Upto Rs.5,00,000 crore	4
2.	Above Rs. 5,00,000 crore and Upto Rs. 10,00,000 crore	6
3.	Above Rs. 10,00,000 crore and Upto Rs. 20,00,000 crore	8
4.	Above Rs. 20,00,000 crore	12

- ii. Considering the asset size of the Bank stated above, **the statutory central audit of the Bank shall be conducted under joint audit of 2 (two) audit firms** [Partnership firms/Limited Liability Partnerships (LLPs)]. The Bank shall ensure that the joint auditors do not have any common partners and they are not under the same network of audit firms. The Bank shall finalise the work allocation among SCAs/SAs, before the commencement of the statutory audit, in consultation with their SCAs/SAs.

## **V. Procedure for Appointment of SCAs/SAs**

i. The Bank shall shortlist minimum of 2 audit firms for every vacancy of SCAs/SAs 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/SAs does not get delayed. In case of reappointment of SCAs/SAs 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.

ii. The Committee of General Managers of the bank shall place the name of shortlisted audit firms, in order of preference, before the ACB for selection & recommendation to the Bank's Board. Upon selection of SCAs/SAs by the bank in consultation with their ACB and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek prior approval of RBI (Department of Supervision) for appointment/ re-appointment of SCAs/SAs, on an annual basis. For the purpose the Bank shall approach RBI before 31st July of the reference year.

iii. The bank shall obtain the following documents from the shortlisted firms:

- a. Written Consent / willingness to act as SCAs of the Bank pursuant to Section 139 of the Companies Act, 2013.
- b. Complete profile of the firm
- c. Certificate of Membership and Practice of Individual partners issued by ICAI.
- d. Certificate referred under Regulation 33(d) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015.
- e. Certificate pursuant to Section 141 of the Companies Act, 2013.
- f. Certificate under Rule 4 of Companies (Audit and Auditors) Rules, 2014 as amended from time to time.
- g. Compliance of Regulation 9A(3) read with 9(1)&(2) of the SEBI (Prohibition of Insider Trading) Regulations, 2015, as amended from time to time.

- h. **Form B** to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. The format prescribed by RBI is enclosed at the end of this policy as Annexure 2.

The above certificates should be signed by the main partner/s of the audit firm proposed for appointment of SCAs/SAs of the Entities, under the seal of the said audit firm.

iv. The Banks shall verify the compliance of audit firm(s) to the eligibility norms as 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/SA comply with all eligibility norms prescribed by RBI for the purpose. The format of Form C prescribed by RBI is enclosed at the end of this policy as Annexure 3.

v. While approaching the RBI for its prior approval for appointment of SCAs/SAs, following shall be provided to RBI along with the application:

- a. total asset size of the Bank as on March 31st of the previous year (audited figures).
- b. A certified copy of Board / ACB Resolution recommending names of audit firms for appointment as SCAs/SAs in the order of preference.
- c. Information as per **Form B** and **Form C**.

## **VI. Allotment of Branches to SCAs**

The bank shall allot at least Top 20 branches of the Bank (selected in order of the level of outstanding advances), to SCAs in such a manner as to cover a minimum of 15% of total gross advances of the Bank. In addition, the bank shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

## **VII. Independence of Auditors**

- a. 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 in this regard shall be flagged by the ACB to the Board of Directors of the Bank and concerned Senior Supervisory Manager (SSM) / Regional Office (RO) of RBI.

- b. In case of any concern with the Management of the Bank such as non-availability of information / non-cooperation by the Management, which may hamper the audit process, the SCAs / SAs shall approach the Board / ACB under intimation to the concerned SSM / RO of RBI.
- c. Concurrent auditors of the Bank shall not be considered for appointment as SCAs/SAs of the Bank. The audit of the Bank and also of any entity with large exposure to the Bank for the same reference year shall also be explicitly factored in while assessing independence of the auditor.
- d. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013 mentioned hereunder) by the SCAs/SAs for the Bank or any audit should be at least one year, before or after its appointment as SCAs / SAs.
  - i. Accounting and book keeping services
  - ii. Internal audit
  - iii. Design and implementation of any financial information system.
  - iv. Actuarial services
  - v. Investment advisory services
  - vi. Investment banking services
  - vii. Rendering of outsourced financial services
  - viii. Management services
  - ix. Any other services as may be prescribed by regulators / statutory authorities
- e. However, during the tenure as SCA / SA, an audit firm may provide such services to the Bank which may not normally result in a conflict of interest, as may be decided by the Board / ACB. A conflict 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 thereto
- f. The restrictions as detailed in sub para c & d above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

#### **VIII. Professional Standards of SCAs / SAs**

- i. The SCAs/SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- ii. The ACB shall review the performance of SCAs / SAs 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 ACB, with the full details of the audit firm.
- iii. In the event of lapses in carrying out audit assignments resulting in misstatement of the Bank's financial statements, and any violations / lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SCAs / SAs, the SCAs / SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

#### **IX. Tenure and Rotation**

- i. In order to protect the independence of the auditors/audit firms, the Bank shall appoint the SCAs/SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.
- ii. The Bank can remove the audit firms during the above period only with the prior approval of the concerned Regional office of RBI (Department of Supervision) under whose jurisdiction the Bank's Head Office is located, as applicable for prior approval for appointment, as mentioned at Para 3.2 of RBI circular dated 27.04.2021 on guidelines for the appointment of Statutory Central Auditors of Commercial Banks.
- iii. An audit firm would not be eligible for reappointment in the Bank for six years (two tenures) after completion of full or part of one term of the audit tenure

- iv. 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 clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm.
- v. A group of audit firms having common partners and/or under the same network will be considered as one entity and they will be considered for allotment of SCA/SA accordingly.
- vi. Shared / Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible.
- vii. 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.

#### **X. Audit Fees and Expenses**

- i. The audit fees for SCAs/SAs of the Bank 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.
- ii. Based on the recommendations of ACB, the Board of the Bank shall decide the Audit fees and expenses which would be subject to the approval of shareholders in their meetings pursuant to Regulation 36(5) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

#### **XI. Disclosure**

This policy shall be hosted in the website of the Bank and that the appointment(s) made shall be disclosed to concerned authorities as per relevant regulatory / statutory provisions.



## Annexure 1

### Basic Eligibility norms, Empanelment and Selection of SCAs

- a. The Bank shall adhere to the following norms before proceeding to appoint SCAs and/ or amended by RBI from time to time.

Category	Asset Size of Bank as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTP) associated with the firm for a period of at least 3 years <b>Note 1</b>	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least 3 years	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification <b>Note 2</b>	Minimum No. of years of Audit Experience of the firm <b>Note 3</b>	Minimum No. of Professional staff <b>Note 4</b>
A	Above Rs.15000 crore	5	4	2	15	18
B	Above Rs.1000 crore and up to Rs.15000 crore	3	2	1	8	12
C	Up to Rs. 1000 crore	2	1	1	6	8

As on 31st March 2022, the asset size of the Bank is Rs.52,858 crore as per which the Bank is required to comply with category "A" in the above slab for appointment of SCAs/SAs for FY 2022-23 onwards. Further, at least two partners of such firm shall have continuous association with the firm for at least 10 years.

#### **Note 1: Full Time Partners:**

There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full time partners. Further, for appointment as SCAs/SAs at least two partners of the firm shall have continuous association with the firm for at least 10 years. 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

- (a) The full-time partner should not be a partner in other firm/s.
- (b) She/He should not be employed full time / part time elsewhere.

(c) 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.

The Board/ACB shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

**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 shortlisting 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)/ AIFs. 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 shortlisting for considering them as professional staff for the purpose.

**b. Additional Consideration:**

(i) The audit firm, proposed to be appointed as SCAs/SAs for the Bank, 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) The Entities shall ensure that appointment of SCAs/SAs 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) The auditors for Bank should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) 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.

**c. 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 31st 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, the Bank shall make an application to RBI along with the relevant documents submitted by the Auditors to allow the concerned audit firm to complete the audit, as a special case.

## Annexure 2

### Form B

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

##### A. Particulars of the firm:

Asset Size of Bank as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, No. of FCA Partners associated with the firm for a period of three (3) years	No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	No. of years of Audit Experience#	No. 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/SAs 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<sup>15</sup> 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)

### **Annexure 3**

#### **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**

The Bank is desirous of appointing M/s\_\_\_\_\_, Chartered Accountants, (Firm Registration Number\_\_\_\_\_) as Statutory Central Auditor 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 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) of the bank for the 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 as SCA/SA/SBA.

4. The Bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature :  
(Name and Designation)  
Date :