

Policy for Appointment of Statutory Branch Auditors for FY 2018-19 onwards

- i. Statutory branch audit of PSBs may be carried out for all branches with advances of ₹ 20 crore & above and 1/5th of the remaining branches covering a representative cross section of rural/semi-urban/urban and metropolitan branches, predominantly including branches which are not subjected to concurrent audit, so as to cover 90% of advances of a bank. CPUs/LPUs/and other centralized hubs by whatever nomenclature called would be included in the one fifth of the remaining branches every year.
- ii. In respect of branches below the cut-off point, which are subject to concurrent audit by chartered accountants, henceforth, LFARs and other certifications done earlier by SBAs will now be submitted by the concurrent auditors to the Chairman of the bank and such branches may not generally be subject to statutory audit. The banks in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditor as an internal document of the bank.
- iii. Going forward, in mutual discussions with Gol and SCAs, based, inter alia, on the operational efficiency and robustness of CBS, system driven identification of NPAs, and integrity of MIS, managements of Bank may decide on the threshold level of advances for the purpose of selecting branches for statutory audit.
- iv. Progressively, the threshold level of advances may be increased so that the number of branches to be taken up for statutory audit is phased down over a period of time.

Selection Criteria:

1. Bank will appoint the existing Statutory Branch Auditors (SBAs) who are eligible to continue till the completion of 4 years term subject to the firms satisfying the eligibility norms each year or such other time frame that may be stipulated by RBI from time to time. Bank has received list of 193 audit firms, which are continuing Statutory Branch Auditors of our Bank and all are to be considered for audit assignment for FY 2018-19.

2. Bank will select audit firms for the vacancies arising on account of retiring branch auditors after considering, inter alia, increase in the number of branches, size of branches under audit, etc. from the list of eligible audit firms received from RBI. Bank has received separate list of 17,379 empaneled audit firms and RBI has asked us to select the audit firms for remaining vacancies for audit assignment for FY 2018-19 from this list.
3. Bank will have a mix of audit firms / auditors of various categories that have been informed by RBI depending on the size of the branches to be audited. In a particular place, depending upon the vacancies for the category of auditors, the following modalities shall be adopted:
 - i) In respect of Category I and II auditors, selection of such firms will be made, as far as possible, for the larger branches under audit in the particular year.
 - ii) In respect of Category III and IV auditors, selection of such firms will be made keeping in view the number of such smaller branches under audit in the particular year taking into consideration the location of principal office of the audit firms and also the location of such branches under audit.
4. A Selection Committee comprising the Bank's General Manager [Accounts], Dy. General Manager [Accounts] ; Dy. General Manager [Inspection & Audit] and Assistant General Manager [Accounts] will short-list the audit firms required considering the vacancy, number of branches under audit, size of the branches under audit, location of office of the audit firms, etc. An irrevocable consent letter will be obtained from the shortlisted audit firms.

Shortlisted firms of SBAs along with Branches Allotted to these firms will be put to the Audit Committee of the Board [ACB] for approval and recommending the same to RBI for final approval.

Tenure of appointment:

Though generally the tenure of the audit firms upon appointment as SBAs will be for 4 years or such other period as RBI may specify; the appointment will be made on annual basis based on the list given by RBI, or, as the case may be, by ICAI/CA&G. Bank will not have authority to remove the audit firms so appointed during the above period except with the prior approval of RBI.

Allotment of branches for audit:

The audit firms so selected & approved by RBI are eligible for appointment as Statutory Branch Auditors [SBAs] for audit of branches [except those under audit by SCAs] of the Bank anywhere in India, However, the following broad guidelines will be followed as far as possible:

- a) Top twenty Branches of the Bank shall be audited by the Statutory Central Auditors of the Bank.
- b) The Category I audit firms that are large firms will be appointed as SBAs in large branches as far as possible.
- c) The Category II audit firms will be appointed as SBAs in large branches other than those allotted as in (a) and (b) above.
- d) The Category III audit firms will be appointed as SBAs in smaller branches after completing allotment to the above two category of audit firms
- e) The Category IV audit firms will be appointed as SBAs in smaller branches after allotment to the above three category of audit firms is completed.
- f) Branches will be allotted, as far as possible as close as possible to the location of their principal office.
- g) Not more than three (3) branches (irrespective of the size) shall be allotted to each of the branch auditors.
- h) The policy of one audit firm for one PSB will be continued. Accordingly an audit firm will be eligible to be appointed as a central/branch auditor of only one PSB during a particular year.
- i) The firms whose partner/s are on the Boards of PSBs are not to be appointed as auditors of the same PSB. An undertaking to this effect shall be obtained from Audit firms while obtaining their consent.
- j) 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 consent given by an audit firm will be treated as irrevocable.

Appointment Letters:

The List of firms selected for appointment as Statutory Branch Auditors will be placed before the Audit Committee of the Board (ACB) for its concurrence and thereafter the same shall be sent to RBI for final approval. The appointment letter will be sent to the selected and approved audit firms as SBAs after getting approval of RBI.

Refusal of appointment by SBA

In case of refusal to appointment by an audit firm to accept the appointment or non approval of a firm by RBI, General Manager [Accounts] is empowered to re-allocate the branches to other Audit firms from the list provided by RBI. However, this reallocation of the branches done by General Manager [Accounts] will be put up to the Managing Director and CEO for ratification.

Remuneration:

The remuneration payable will be as per guidelines issued by RBI. In respect of other assignments, as may be applicable, the fee structure will be intimated to the SBAs. SBAs will be eligible for TA/DA [traveling and Diem allowance] as reimbursement of actual expenses incurred by them for the purpose of audit as per the extant guidelines issued by RBI and amendments therein from time to time. In respect of reimbursement of air fare to the audit assistants, qualified or otherwise [not being partners], of statutory branch audit firms, the same shall be decided by the Zonal Managers [Heads of the administrative Zones] of the Bank under whose jurisdiction the branch/es allotted to the SBAs fall/s, considering the exigencies of the situation and the genuineness of the requirement for such air travel.

Eligibility norms for appointment of audit firms as SBAs:

- i) The eligible Auditors / Audit Firms should be qualified under provisions of Section 141 of Companies Act, 2013 for appointment as auditors of the Bank. No adverse remarks / disciplinary proceedings shall be pending /initiated against the firms / any of the partners / proprietor on records of ICAI.
- ii) The Auditor should not be indebted to the Bank for amount exceeding the amount specified as per Companies Act.
- iii) The Auditors / Audit firms or their partners/proprietor or their close relatives should not be a willful defaulter of any other Bank / Financial Institutions.
- iv) The Auditors / Audit Firms should not carry out any assignment of the internal

audit of the Bank. In case the firms are associated with internal assignment, it should be ensured that they relinquish the internal assignment before accepting the statutory audit assignment during the year.

- v) However to maintain continuity of concurrent Audit, current concurrent auditors of the Bank shall not be considered for appointment as Statutory Branch Auditors.
- vi) The Auditors/ Audit firms should not enter into sub-contract of the Audit assigned to them.
- vii) An audit firm will be eligible to be appointed as a Central/ branch auditor of only once PSB during a particular year.

Any other guidelines:

Any other guidelines that may be issued by RBI or Government of India from time to time in this behalf (including in respect of eligibility criteria) will be followed as regards appointment, scope, remuneration, etc.

Based on the above Policy, the SBAs shall be appointed annually from the list of eligible audit firms received from RBI. The above Policy will be in vogue till next amendment.

Modification and Review

The Policy will be reviewed every year and also when needed to give effect to the guidelines that may be advised by the Reserve Bank of India and Government of India from time to time and the Policy will be modified accordingly.
