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**POLICY TO APPOINT STATUTORY CENTRAL AUDITORS [SCAs] TO  
CONDUCT AUDIT FOR THE YEAR 2018- 19**

Norms on eligibility, empanelment and selection of Statutory Central Auditors:

1 (i) The audit firm shall have a minimum of 7 full time chartered accountants, of which at least 5 should be full time partners exclusively associated\* with the firm. Of these five full time exclusively associated\* partners, one each should have minimum continuous association with the firm at least for 15 years and 10 years, two with a minimum continuous association of 5 years each and one with a minimum continuous association of one year. The remaining two could be either exclusively associated\* partners or CA employees. There should be at least one year continuous association for both exclusive partners and CA employees. Four of the partners should be FCAs. Also, at least two of the partners should have minimum 15 and 10 years' experience in practice. (In case the paid Chartered Accountant available with the firm without any break was admitted as a partner of the said firm at a future date, his association with the firm as a partner will be counted from the date of his joining the firm as a paid Chartered Accountant.)

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) He should not be employed full time / part time elsewhere
- (c) He should not be practicing in 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
- (d) The total compensation of the partner from the firm should not be below the following limit:

In case the Head office of the firms located in

- (I) Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad

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ACA partner	Rs. 1.80 lakh in a year	(Rs.15000/- per month)
FCA partner	RS. 3.00 lakh in a year	(Rs. 25000/- per month)
<u>Other places</u>		
ACA partner	Rs. 1.20 lakh in a year	(RS.10000/- per month)
FCA partner	Rs. 1.80 lakh in a year	(Rs.15000/- per month)

e) A partner whose total compensation from the firm is less than the following will not be treated as exclusively associated with the firm:

Firms having more than 14 partners	1%
Firms having 10 to 14 partners	3%
Firms having 5 to 9 partners	5%
Firms having less than 5 partners	8%

(Total compensation =Sum total of share of profit, remuneration and interest on capital

- (ii) The number of professional staff (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staff etc.), consisting of audit and articled clerks with knowledge in book-keeping and accountancy and are engaged in outdoor audit should be 18.
- (iii) The standing of the firm should be of at least 15 years which would be reckoned from the date of availability of one full time FCA continuously with the firm.
- (iv) The firm should have minimum statutory central audit experience of 15 years of Public Sector Banks (before or after nationalization) and/ or by way of statutory branch audit thereof or that of statutory audit experience of a private sector bank with deposits resources of not less than Rs.500 crore. (In case any of the partner of an audit firm is nominated / elected for a period of at least 3 years or more on the Board of any public sector bank then his / her such experience for a maximum period of three years will be considered as bank audit experience, provided such experience has not been earned by him/ her concurrently i.e. when his / her firm was assigned statutory audit of any PSB,

select all India financial Institutions or RBI.)

- (v) The firm should have statutory audit experience of 5 years of the Public Sector Undertakings (either Central or State Government undertaking).

(While calculating such experience, more than one assignment given to a firm during a particular year or more than one year's statutory audit (audits in arrears) assigned to the firm will be reckoned, as one year experience only, for the purpose of counting such experience.)

- (vi) At least two full time partners of the firm or its paid full time Chartered Accountants must possess CISA /ISA qualification.

- (vii) In case of merger and demerger of firms, merger effect will be given after 2 years of merger while demerger will be effected immediately.

**Note-**

1. C&AG will empanel the Audit Firms based on the above parameters as on January 1 of the relevant year and send the panel to RBI.
2. If any audit firm empaneled by C&AG with the position as on January 1 undergoes change in its constitution after empanelment date, the audit firm will take all necessary steps to become eligible within a reasonable time and in any case, audit firm should be complying with above norms [Para 1 (i) to (v)] on eligibility, empanelment and selection of Statutory Central Auditors in Public Sector Banks hosted on RBI web site before the following events:
  - a) Appointment of the audit firms by the PSBs as SCAs. For this, the audit firm while giving consent to PSB for appointment may ensure that it complies with the norms.
  - b) Before commencement of Annual Statutory Audit for Financial Year ending

31st March and till the completion of annual audit.

- c) Quarterly Review of Accounts as on June 30, September 30 and December 31 every year till its completion.

In case any audit firm (after appointment) does not comply with any one of the norms (on account of resignation, death etc. of any of the partners, employees etc), it may promptly approach the PSB with full details. The PSB in turn may approach RBI.

#### **PROCEDURE FOR APPOINTMENT OF SCAs:-**

- 1 Dena Bank is classified as small Bank (category C Bank) and required to have a maximum of four Audit Firms as SCAs. Actual numbers of SCAs to be appointed can be decided by the Board of Directors subjected to the above limit.

2. **Selection & approval:**

RBI has provided separate list of rested, continuing and non-continuing eligible audit firms. The list of non-continuing eligible audit firms has further been split up into list of experienced audit firms and new audit firms.

A Committee consisting of four General Managers i.e. General Manager [Financial Management], General Manager [Corporate Credit], General Manager [Recovery Management] and General Manager [Inspection & Audit] will shortlist the names from the list of eligible Statutory Central Audit firms provided by RBI. While short listing, the Committee will take into consideration the following points/guidelines:

- a. Selection shall be made in the ratio of 60:40 between experienced and new audit firms (to be rounded off to the nearest whole number) from the separate lists provided by RBI for the categories.
- b. As far as possible the Bank should have atleast two Audit Firms having their head Office from the same place where the Bank's HO/Co is located. This

condition is applicable for the combined pool of continuing and fresh Auditors.

- c. RBI has provided a graded panel for selection of Audit Firms with ranking from Highest to lowest. Whereas Category A and B Banks can select the Audit Firms only as per the grading, Category C Banks have been allowed to choose the Audit Firm from entire Panel.
- d. It shall be ensured that the Audit Firms are not selected if they have retired from the Bank before going under rest.
- e. It shall be ensured, to the extent possible, that at least two audit firms having their Head Office at Mumbai ( place where the Bank's HO/CO is located ) are appointed.
- f. The firms whose partner/s are on the Board of Bank shall not be appointed as auditor/s.
- g. An Audit Firm is eligible to be appointed as a Central/ Branch auditor of only one PSB during a particular year.
- h. The Appointment of SCAs will be made on an annual basis, subject to their fulfilling the eligibility norms prescribed by RBI from time to time and also subject to their suitability.
- i. The Chartered Accountant firm/s, whose partner/s are serving on the Board of any Nationalized banks/PSB as Part Time Non-Official Director/s under CA Director category, are not to be appointed as Statutory Central Auditor in any PSB.
- j. The Audit Firms shall be evaluated on the basis of following parameters:
  - i) Past experience of the Audit Firm in Audit of Scheduled Banks
  - ii) Number of partners
  - iii) Number of Qualified Assistants (CA Employees)
  - iv) No of other Staff
  - v) No. of Branches

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vi) Credentials of the firm etc

The above parameters shall be given due weightage while making the short listing the firms Such shortlisted Audit Firms will be approached to get their willingness in writing to accept the assignment of Statutory Central Audit Work, In the willingness letter it should be clearly mentioned that there is non commitment on part of Bank to allot the Statutory Central Audit Work to the auditors and audit firms are free to give similar willingness to other PSBs.

The List of Shortlisted Audit Firms will be placed before ACB. The ACB will approve adequate number of audit firms in order of preference. The number of audit firms approved should be adequate enough to take care of the situation where some firms may not give consent.

The shortlisted Audit Firm will also give an undertaking that, in case of selection in Bank, they would give up the existing assignment, if any, in Private Banks/Foreign Banks/RBI/Financial Institutions such as National Housing bank, EXIM Bank etc. and they cannot refuse appointment of PSBs once selected. If the Audit Firm(s) selected by the Bank refuses to accept the appointment without a reasonable ground, the matter shall be reported to RBI, who will debar the Audit Firm for a period of 3 years for selection if the grounds given by the firm are not found to the satisfaction of RBI.

Thereafter the Bank shall approach the audit firms to obtain their consent in writing strictly in order of preference. The audit firm shall give their consent in writing for consideration of appointment in the Bank for FY 2018-19 and subsequent continuing years subject to complying with the Para 2 (g) above. If approached audit firm does not give consent, the bank will approach the next audit firm in order of preference for obtaining consent till the time the number of audit firms who have given consent equals to the number of vacancies. The consent given by Audit Firm will be final and irrevocable. Moreover, Audit Firm can give such consent only to one PSB.

As the Broad guidelines issued by RBI states that concurrence of the ACB may be

taken on the Final selection of SCAs before recommendations to RBI, Accordingly, on receipt of consent/undertaking from required number of Audit Firm/s, their name/s will be put up to the ACB for recommending the names to RBI for final approval to fill up the required vacancies for the year.

A feedback on the quality of audit of SCAs shall be given by the Bank to RBI after the annual audit.

**3. Appointment:**

On receipt of approval from RBI, Bank will appoint said firm/s as SCA/s of the Bank for that particular year.

**4. Tenure of appointment:**

SCA/s will be appointed for the period of 3 years subject to firms satisfying the eligibility norms each year and subject to annual re-appointment. Bank cannot remove the audit firms during the above period without prior approval of the Reserve Bank of India.

**5. Remuneration:**

Fee for Statutory Audit will be paid as per RBI guidelines. Audit firms will be eligible for HA/TA as per the extant guidelines issued by RBI and amendments therein from time to time.

**6. Scope of the audit:**

Scope of the audit will be strictly as per RBI guidelines. These audit firms shall also be required to conduct Limited Review as required SEBI (LODR) regulations 2015 and subject to RBI guidelines