

“Policy for Selection and appointment of Statutory Central Auditors of Bank- F.Y. 2024-25”

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

Our Policy on appointment of Statutory Auditors is based on the guidelines issued by Govt. of India and Reserve Bank of India and is subject to changes, if any, made by GOI and/or RBI from time to time.

Govt. of India vide their letter No. F No. 1/14/2004-BOA dated 25/11/2014 issued by Ministry of Finance, Department of Financial Services, the appointment of Statutory Central Auditors (SCAs) in Public Sector Banks (PSBs) had been revisited. The power of selection and appointment of SCAs had been delegated to individual PSBs from the year 2014-15 and onwards. Reserve Bank of India provides criteria for selecting SCAs to PSBs, keeping in view the policy parameters in this regard from time to time. The recent guidelines for appointment of Statutory Central Auditors issued by RBI vide Ref. RBI/2021-22/25. Ref No DoS/CO.ARG/SEC.01/08.91.001/2021-22 dated 27th April 2021.

I. Number of Audit Firms

In terms of Reserve Bank of India revised guideline dated 27th April 2021, Banks are required to maximum no of Statutory Central Auditor based on Asset size as under:

SN	Asset Size	Maximum no 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

As per the above-mentioned RBI circular dated 27th April 2021, The Board of the Bank is empowered to decide the number of SCAs to be appointed subject to the above maximum number. Our Bank having assets size of less than 5 lakh crore is eligible to appoint maximum 4 number of Statutory Central Auditors.

At present, we have four audit firms as Statutory Central Auditors of our Bank which was appointed last year in FY 2023-24 for the period of 3 years subject to review of firms satisfying the eligibility norms each year as per extant guidelines of Reserve Bank of India.



II. Eligibility of Audit Firms

In accordance with RBI guidelines, Bank is required to appoint Statutory Central Audit firms fulfilling the criteria mentioned hereunder which is based on asset size of Bank. Since our Bank is having asset size of above Rs 15000 cr, Our Statutory Central Auditors should fulfil following minimum criteria:

SN	Eligibility Criteria	Requirement
1	Minimum no of Full time partners (FTPs) associated with the firm for a period of at least three years	5 (Note A)
2	Out of Total full time partners, minimum no of fellow Chartered Account (FCA) partners associated with the firm for a period of at least three years	4
3	Minimum No of fulltime Partners/Paid CAs with CISA/ISA qualification	2
4	Minimum No of years of Audit Experience of the firm	15 (Note B)
5	Minimum no of Professional Staff	18 (Note C)

Note A:

- For Partner to be classified as Full Time partner at least one year continuous association with the firms as on date of empanelment is mandatory
- Minimum 2 partners of the firm should have continuous association with the firm for at least 10 years
- 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.
 - 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 B:

- Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ All India Financial Institution (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 C:

- 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.

III. Additional Consideration

- 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.
- 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.
- Bank 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.
- 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 of any PSB.
- The auditors 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 Entities where the accounting and business data reside in order to achieve audit objectives.

IV. Allotment of Branches to Statutory Central Auditor

Bank will allot top 20 branches to Statutory Central Auditors for Half yearly/Quarterly review of accounts as per extant RBI guidelines.

V. 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 to 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, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

VI. Procedure for Appointment of SCAs

1. Empanelment of audit firms eligible for appointment as SCAs will be done by the Office of C&AG, based on the norms prescribed by RBI, as on January 1 of the relevant year.
2. 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. Bank shall shortlist audit firms from the said list of eligible audit firms as received from RBI, based on certain



objective criteria as laid down in the bank's policy for appointment of statutory auditors. Further, Bank shall place the list of shortlisted firms, in order of preference, before the ACB for selection of SCAs in a transparent manner. Upon selection of SCAs Bank in consultation with ACB and verifying their compliance with the eligibility norms prescribed by RBI, the PSBs shall seek RBI's prior approval for appointment of SCAs.

3. 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.
4. Bank will 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 reappointment of SCAs by banks 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.
5. The Bank shall obtain a certificate, along with relevant information as per **Form B** (Enclosed), from the audit firm(s) proposed to be appointed as SCAs by the Bank 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 Entities, under the seal of the said audit firm.
6. 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** (Enclosed), 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.
7. Bank while approaching to RBI for prior approval for appointment of SCAs will indicate total asset size as on March 31st of the previous year (audited figures) and 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.



8. Preference may be given to audit firms, who have satisfactory performance /experience as SCAs/SBAs/PSUs/Listed enterprise, certification like CISA/DISA, approached Bank for appointment as SCAs in our Bank.

9. Committee Approach

Depending upon the vacancies, a selection committee comprising of GM Risk Management/CRO, GM/in charge International Department, GM/In charge Audit & Inspection Department and GM Credit monitoring Departments shall be formed for shortlisting / selection of SCAs. Senior most GM amongst the members shall be the Head of this Committee. AGM/DGM Finance Department shall be the convenor of the committee. This committee may fix additional criteria as may deemed fit apart from the basic selection criteria as enumerated in the RBI circular. After considering the same, this Committee will identify the proposed SCAs and recommend the names to the Audit Committee of the Board.

10. Committee will shortlist 2 audit firms for every vacancy of SCA(s) (In case of new appointment only) . The Shortlisted firm names, in order of preference, shall be placed before ACBs for selection of SCAs. Upon selection of SCA(s) by Bank in consultation with ACB and verifying their compliance with eligibility norms prescribed by RBI, Bank shall seek RBI's prior approval for appointment as SCA(s).

11. On receipt of list from RBI and based on number of vacancies of the Bank, Finance Department will shortlist audit firms based on eligibility criteria of RBI, Bank objective criteria like Experience/satisfactory performance in PSBs/PSUs/Listed Companies, Locations of Audit firm, Audit firms showing willingness for being appointed as SCAs in the Bank etc. Finance Department will prepare list of firms for each vacancy and place before Committee for their consideration.

12. Finance Department shall ensure that shortlisted firms meet the RBI eligibility criteria and necessary certificate/Consent letter is obtained from shortlisted firms before placing to ACB.

13. In accordance with RBI guidelines, Bank will submit list of Audit firms for appointment as SCAs in the Bank to RBI, within one month from the date of receipt of letter from RBI .

14. Upon receipt of approval of SCAs firm from RBI, the same shall be placed before ACB for their information.



VII. Independence of Auditors

- I. 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 may be flagged by the ACB to the Board of Directors and concerned Senior Supervisory Manager (SSM).
- II. 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 shall approach the Board /ACB of Bank, under intimation to the concerned SSM
- III. Concurrent auditors of the Bank will not be considered for appointment as SCAs. The audit of the Bank and any entity with large exposure to the Bank for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- IV. 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 Bank which may not normally result in a conflict of interest, and Bank will take own decision in this regard, in consultation with the Board/ACB.
- V. The restrictions as detailed in para III and IV 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

ACB 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 or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports will be sent with the approval/recommendation of the ACB with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of Bank 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



Bank, the SCAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

IX. Tenure and Rotation

In order to protect the independence of the auditors/audit firms, Bank will appoint the **SCAs for a continuous period of three years**, subject to the firms satisfying the eligibility norms each year.

Banks can remove the audit firms during the three-year period only with the prior approval of the RBI, Department of Supervision. The Board of Directors of the Bank will be the competent authority to recommend removal of any SCA to RBI

An audit firm would not be eligible for re-appointment in the Bank for six years (two tenures) after completion of full or part of one term of the audit tenure.

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. For the purpose of this circular, 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. 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.

X. Tax Audit:

The tax audit shall be done centrally at head office either by the SCAs or any other independent CA firm (RBI category-I) to be appointed specifically for this purpose. Fees for tax audit shall be fixed on basis of negotiation with CA firms.

Xi. Audit Fees and Expenses:

Statutory Auditors will be paid fees for audit as per extant RBI guidelines Ref No. Dos.CO.ARG.NO.S8056/08.92.001/2022-23 dated 1st March 2023. In this said guideline, RBI has given fee structure in respect of basic Audit fee only for Head office (based on balance sheet size) and Branches (based on quantum of Advance). Bank will decide fees of all other items of work (such as additional certifications required by SEBI, preparation of LFAR, Scrutiny and incorporation of returns of Branches, auditing of consolidated financial statements, quarterly/half-yearly limited review, other additional certifications/reporting required by RBI etc.) done by Statutory Auditors with the approval of their Board/ACB. Further, the Bank has been given discretion to decide for reimbursement of lodging & boarding charges, travelling charges, halting allowances and daily conveyance payable to Statutory Auditors in a cost-effective manner in mutual consent with Auditors.

1. Audit of the Head/Central Office as an accounting unit:

Category of banks (On the basis of balance sheet size)	Rate of audit fees (₹)
up to ₹200000 crore	8,42,600/-
Above ₹2,00,000 crore and up to ₹5,00,000 crore	9,02,000/-
Above ₹5,00,000 crore and up to ₹10,00,000 crore	9,61,400/-
Above ₹10,00,000 crore and up to ₹15,00,000 crore	10,20,800/-
Above ₹15,00,000 crore	10,80,200/-

Size of our Balance Sheet falls between ₹2,00,000 crore and ₹ 5,00,000 crore. Hence the fees for Audit of the Head/Central Office as an accounting unit shall stand at ₹ 9,02,000/-.

2. Fees for Statutory Branch Audit work: The Schedule of audit fees admissible to the auditors for the audit work of the branch, depending upon the quantum of total advances **(a to L)** [as on the date with reference to which the audit is conducted] will be as under:

Category of bank branches (on the basis of quantum of advances)	Rates of Audit fees (Amount in Rs.)
a) Up to Rs. 10 crore	44,250/-
b) Above Rs. 10 crore up to Rs. 20 crore	63,250/-
c) Above Rs. 20 crore up to Rs. 30 crore	87,300/-
d) Above Rs. 30 crore up to Rs. 50 crore	1,32,800/-
e) Above Rs. 50 crore up to Rs. 75 crore	1,51,800/-

f) Above Rs. 75 crore up to Rs. 125 crore	2,01,150/-
g) Above Rs. 125 crore up to Rs. 175 crore	2,51,750/-
h) Above Rs. 175 crore up to Rs. 300 crore	3,16,250/-
i) Above Rs. 300 crore up to Rs. 500 crore	3,56,750/-
j) Above Rs. 500 crore up to Rs. 1000 crore	3,95,950/-
k) Above Rs. 1000 crore up to Rs. 5000 crore	4,35,150/-
L) Above Rs. 5000 crore	4,74,350/-

3. Fees for others works/Certification:

Sl No	Particulars	Fee Structure
i	Preparation of Long Form Audit Report	10% of basic audit fees of the Branch 25% of basic audit fees of Head office
ii	Scrutiny & incorporation of return of branches by SCAs	Rs. 850/- per branch
iii	Quarterly / Half yearly review by SCAs	20% of the following: - - Basic audit fee of HO - Audit fee of Top 20 branches - Scrutiny & incorporation of return of branches @ Rs.850/- per branch.
iv	Tax Audit Fee	NA (Since Tax Audit discontinued)
v	Audit of Treasury	NIL being part of Head Office
vi	Fees for Auditing of consolidated financial statement	Rs. 75000 /-
vii	Fees for additional certifications	20% of Basic Head Office Audit fee
viii	Additional certificate required by SEBI	Rs. 35,000/- per certificate quarterly



ix	Other compliance certificate e.g. utilization, Security Cover etc.	Rs. 15,000/-
x	Certificate for AT-1 Bonds	Rs. 50,000/- (up to issue size of Rs. 5000 cr.) Rs. 1,00,000/- (issue size above Rs. 5000 cr.)

4. Reimbursement of Travelling and Halting Allowances and Daily Conveyance Charges

For reimbursement of the lodging & boarding charges, travelling allowance and daily conveyance to statutory auditors, the Banks has been given the discretion to decide the same in a cost effective manner in mutual consent with the auditors. Further, in no circumstances should the rate exceed the IBA prescription for the respective ceiling. The categories of officers linked for the purpose of deciding the ceiling limits are given below.

Category of audit Officials	Equivalent scale of Bank Officials (as per IBA)
Partners/Proprietors	VII – General Manager
Qualified Assistants	III – Senior Manager
Unqualified Assistants	I – Officers

With regard to the reimbursement of travelling, halting allowance and daily conveyance charges, the Bank shall consider as under:

- i) Wherever the Bank has Guest House or Visiting Officers' Flats, the same may be utilized to cater to the needs of the auditors.
- ii) Bank will call for such details as are necessary for verification of bills in this regard and the statutory auditors shall furnish such details for verification of the actual expenses.
- iii) Where the statutory auditors have their headquarters at a place different from that where the Head/Central Office of the bank is situated, but have an office at the same place as the Head/Central Office of the bank, the TA/HA, if any, should be nominal for the audit. However, to ensure the quality of audit, there will be no objection to the partners of the firm visiting the Head/Central Office of the bank as and when they deem it necessary.



- iv) Where the statutory central auditors or branch auditors have an office at the place where the branches/offices of the bank to be audited are situated, they will not be reimbursed TA/HA. However, local conveyance will be reimbursed.
- v) All expense bills where GST is charged should have Bank GSTN mentioned on the Invoice. Expenses will be reimbursed on actual basis within the maximum ceiling.
- vi) In case of dispute between the auditors and the bank regarding settlement of their bills, the MD& CEO of the Bank shall be the final authority to decide the claims satisfying himself that the actual expenses have been incurred by a particular auditor and the claims are settled keeping in view the aforesaid RBI guidelines.

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

1. Particulars of the firm:

Asset Size of Entity as on 31st 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/SAs and SBAs

2. Additional Information:

- Copy of Constitution Certificate.
- 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.
- 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.
- Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

3. 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 / directors¹⁵ 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:



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/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 1st/2nd/3rd 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/SA/SBA.

4. The bank/UCB 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: