



**POLICY FOR APPOINTMENT OF STATUTORY CENTRAL AUDITORS (SCAs) AND
STATUTORY BRANCH AUDITORS (SBAs).**

2024-25

**BALANCE SHEET AND CENTRAL ACCOUNTS SECTION
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LIST OF RBI CIRCULARS/GOI COMMUNICATION COVERED IN THE POLICY:

SI No	Circular/Communication No	Subject
1	ARG No. 1063/08:01:003/2021-21 dated 08.12.2020	Norms on eligibility, empanelment and appointment of Statutory Central Auditors in Public Sector Banks.
2	ARG No. 2160/08.05.003/2021-21 dated 15.03.2021	Norms on eligibility, empanelment and appointment of Statutory Branch Auditors in Public Sector Banks.
3	Norms hosted in RBI Website	Norms on eligibility, empanelment and appointment of Statutory Branch Auditors in Public Sector Banks from the year 2020-21 and onwards
4	RBI letter Ref DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27.04.2021	Norms on eligibility, empanelment and appointment of Statutory Central Auditors in Public Sector Banks.
5	FAQ issued by RBI dated 11.06.2021	Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs).
6	RBI letter Ref CO.DOS.RPD.No.S1028/08-02-003/2021-22 dated 30.08.2021	Appointment of Statutory Central Auditors (SCAs) in Public Sector Banks (PSBs) for the year 2021-22.
7	RBI letter Ref. DOS.CO.ARG.No.S3954/08.15.008/2021-22 dated 17.03.2022	Appointment of Statutory Branch Auditors (SBAs) in Public Sector Banks (PSBs) for the year 2021-22
8	RBI letter Ref. DoS.CO.ARG.No.S8056/08.92.001/2022-23 dated March 01, 2023	Remuneration payable to the Statutory Central Auditors & Statutory Branch Auditors of Nationalized Banks from FY 2022-23
8	RBI letter Ref. DoS.CO.ARG/S8213/08.91.001/2022-23 dated 06.03.2023	<ol style="list-style-type: none"> 1. Revised Guidelines for Appointment/ Re-appointment of Statutory Branch Auditors of Public Sector Banks. 2. Norms on Business Coverage under Statutory Branch Audit of Public Sector Banks.

SUB: POLICY FOR APPOINTMENT OF STATUTORY CENTRAL AUDITORS (SCAs) AND STATUTORY BRANCH AUDITORS (SBAs).

I. STATUTORY CENTRAL AUDITORS (SCA):

ELIGIBILITY CRITERIA

A. Basic Eligibility Norms as advised by RBI:

Eligibility criteria of SCA/SA for the Financial Year 2024-25 is as follows:

Asset Size of Entity 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 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 Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
Above ₹15,000 crore	5	4	2	15	18

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 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 all Commercial Banks with asset size above ₹ 1,000 crore, 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 PSBs)/ shortlisting (for other Entities) for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3: Audit Experience:

For Auditing PSB minimum 15 Year Experience required. For Commercial Banks (excluding RRBs), 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 PSBs)/ shortlisting (for other Entities) for considering them as professional staff for the purpose.

B. Additional Consideration

- i) The audit firm, proposed to be appointed as SCAs/SAs for Entities, 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 Bank will 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) 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. Further, if any partner of a Chartered Accountant firm is a director in any Entity, the said firm shall not be appointed as SCA/SA of any of the group entities (*) of that Entity.

(*) The Group Entities here refer to the RBI Regulated Entities in the Group, which fulfill the definition of Group Entity. Therefore, if any partner of a Chartered Accountant firm is a director in an RBI Regulated Entity in the Group, the said firm shall not be appointed as SCA/SA of any of the RBI Regulated Entities in the Group. However, if an audit firm is being considered by any of the RBI Regulated Entities in the Group for appointment as SCAs/SAs, whose partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as Board /LMC (Local Management Committee).
- v) The proposed auditors of the Bank should have preferably 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.

Therefore, the existing SCAs/SAs of the Entity can continue (including as Joint Auditors) only if they fulfil the eligibility criteria and have not completed the stipulated tenure of three years as SCAs/SAs of the Entity.

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.

POLICY FOR APPOINTMENT:

POLICY

1. The number of audit firms to be allotted to each public sector bank (excluding SBI) for appointment of SCAs is calculated based on the Bank's (audited) assets and liabilities as on 31st March of the previous year, as under:

No.	Asset Size of the Entity	Maximum number of SCAs/SAs
1.	Upto ₹5,00,000 crore	4
2.	Above ₹ 5,00,000 crore and Upto ₹ 10,00,000 crore	6
3.	Above ₹ 10,00,000 crore and Upto ₹ 20,00,000 crore	8
4.	Above ₹ 20,00,000 crore	12

As per the asset size, our Bank shall have minimum 2 audit firms and should not have more than 8 SCAs. The actual number of SCAs to be appointed can be decided by the Board subject to the above limit. Bank is having Board Approved Policy to have 5 SCAs from the Financial Year 2021-22 onwards.

2. The practice of appointing one statutory audit firm (SCA) to one PSB to continue.
3. The eligible list of firms furnished by C&AG every year will be subjected to scrutiny by RBI;
4. The appointment of Statutory Central Auditors 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;
5. For Bank, 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.

6. While making final selection, the Bank will take into consideration the following points:
 - i) To the extent possible, at least one audit firm having their Head Office at Bangalore would be selected/preferred. Further, the remaining auditors will be selected from any of the other regions. However, more than two auditors cannot be selected from any of the single region (North, South, East, West and Central).
 - ii) An audit firm would not be eligible for reappointment in the same Entity for six years (two tenures) after completion of full or part of one term of the audit tenure
 - iii) SCAs will be selected from the list provided by RBI after obtaining the consent of the audit firms in writing for appointment as SCAs and recommend their names to RBI with the concurrence of the respective Audit Committee of the Board before it is forwarded to RBI for final approval.
7. Banks to clearly advise the audit firms selected for consideration of appointment that one audit firm can take up audit assignment either as SCA or SBA in one PSB only and should obtain their consent in writing for consideration of appointment as SCA of the bank concerned for the particular year before recommending their names to Reserve Bank of India. The consent given by an audit firm will be treated as irrevocable.
8. Banks will have to make the appointments of SCA for a continuous period of three years' subject to the firms satisfying the eligibility norms each year. Banks cannot remove the audit firms during the above period without the prior approval of the Reserve Bank of India.
9. Top 20 branches shall be audited by the Statutory Central Auditors (to be selected strictly in order of the level of outstanding advances) to cover a minimum of 15% of total gross advances of the bank by SCAs
10. The Board/ACB of Entities 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 as per the timeline given by them. Such reports should be sent with the approval/recommendation of the Board/ACB, with the full details of the audit firm.

INDEPENDENCE OF AUDITOTRS

1. The Audit Committee of the Board (ACB) will 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 of the Bank and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
2. In case of any concern 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/SAs shall approach the Board/ACB of the Entity, under intimation to the concerned SSM/RO of RBI.
3. Concurrent auditors of the Bank will not be considered for appointment as SCAs. The auditor of the Bank and any entity having large exposure to the Bank for the same reference year should also to be explicitly factored in while assessing independence



of the auditor. In this regard, the Board/ACB/LMC shall see that there is no conflict of interest and the independence of auditors is ensured.

4. 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 Bank 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/LMC.

(*) The Group Entities refer to the RBI Regulated Entities in the Group, which fulfill the definition of Group Entity, as provided in the Circular. 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/SAs, it would be the responsibility of the Board/ACB/LMC 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/LMC.

(**) Before appointment of an audit firm as SCA/SA 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.

(***)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 thereof

It is reiterated that the time gap between any non-audit works by the SCAs/SAs 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/SA.

5. The restrictions as detailed in para 3 and 4 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.

(* "same network" as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014 includes, the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control.)

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 will 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 should 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/LMC, 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/SAs in relation to Entities, the SCAs/SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

TENURE & 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, as mentioned at Para 3.2 of this circular.

An audit firm would not be eligible for reappointment 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 appointment, 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 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.

(*) These limits are applicable in respect of audit of all RBI Regulated Entities, irrespective of the asset size.

Procedure for Appointment of SCAs

1. The Bank will 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. However, in case of reappointment of SCAs by bank until 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. For 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 the Bank on an annual basis. Bank will shortlist audit firms from the said list of eligible audit firms as received from RBI, based on certain objective criteria (like no of full time partners, no of professional staff, no of CISA/ISA qualified partners/paid CAs, no of FCAs etc.) as laid down in the bank's



policy for appointment of statutory auditors. Further, the Bank will 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 by the Bank in consultation with their ACB and verifying their compliance with eligibility norms prescribed by RBI, the PSBs shall seek RBIs prior approval for appointment of SCAs.

RBI will provide a single list of eligible audit firms to Bank as the requirement of mandatory cooling period 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 the Bank.

3. The Bank will obtain a certificate, along with relevant information as per prescribed format of RBI, from the audit firm(s) proposed to be appointed as SCAs by the Entity 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.

In tune with Reserve Bank of India's guidelines on empanelment / eligibility norms and selection of audit firms by the selection committee constituted by GOI – MOF, the Bank has adopted the following factors for appointment of Statutory Central Auditors.

- a. *Depending on the vacancies, a Committee headed by the Managing Director & CEO/ Executive Director overseeing FM Wing, CGM/CFO of FM Wing, R M Wing and Inspection Wing, HO may fix additional factors as decided by the Committee for the shortlist apart from the basic selection criteria as enumerated in the RBI Circular. After considering the same, Committee will identify the proposed SCA/s and recommend the name/s to the Audit Committee of the Board.*

The following additional factors apart from the basic selection criteria by RBI may be the basis for Selection by the Shortlisting Committee:

1. *The Firm shall have Bank Audit experience of more than 25 years.*
2. *The Firm shall have PSU Audit experience of more than 20 years.*
3. *The Firm shall have FCA Partners more than 7.*
4. *The Firm shall have staffs more than 30 for the audit work.*
5. *Out of the FCA Partners, minimum 3 partners shall have ISA/CISA Qualification.*

The above selection criteria are applicable only for the new SCA firms to be appointed. Existing SCA firms will continue for a total period of 3 years from the date of their first appointment as per the terms of appointment and as per the policy prevailing at the time of their first appointment

- b. To the extent possible, at least one audit firm having their Head Office at Bangalore would be selected/preferred. Further, the remaining auditors will be selected from any of the other regions. However, more than two auditors cannot be selected from any of the single region (North, South, East, West and Central).
- c. The Auditors / their close relatives should not be indebted to the Bank.



- d. The Auditors / Audit Firms should not be a willful defaulter of other Banks / Financial Institutions.
- e. The Auditors / Audit Firms should not carry out any internal assignment of the Bank.
- f. The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.
- g. The audit of various functions of the Bank will be allocated among the Statutory Central Auditors after discussion with the audit firms.
- h. The fees payable to Statutory Central Auditors will be as per Reserve Bank of India guidelines and same will be shared by them equally.
- i. Reserve Bank of India will be providing the selection criteria for selection of Statutory Central Auditors in Public Sector Banks and any change advised by Reserve Bank of India would be complied with and would form part of this policy automatically.
- j. There shall be a Quarterly Review of the accounts of the Bank as at 30th June, 30th September and 31st December by the Statutory Central Auditors.
- k. Statutory Central Auditors will scrutinize and incorporate the returns in respect of all the branches of the bank in existence as on the date of reference for the audit, irrespective of the fact whether the branches have been taken up for audit or not.

II. STATUTORY BRANCH AUDITORS (SBAs):

A. ELIGIBILITY NORMS:

a. Eligibility Norms advised by Reserve Bank of India for appointment of Statutory Branch Auditors (SBAs) for the FY 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 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 or of a private sector bank	8 years
II.	3	2	6	The firm or at least one of the partners should have conducted branch audit of a public sector bank /private sector bank for at least 5 years.	6 years (for the firm or at least one partner)
III.	2	2	4	The firm or at least one of the CAs should have conducted branch audit of a public sector bank/private sector bank for at least 3 years.	5 years (for the firm or at least one partner)
IV.					
Partnership Firm	2	2	2	Not necessary	3 years
Proprietors hip concern	2	1	2	Not necessary	6 years
Proprietors hip concern	1	1	2	The proprietor should have conducted branch audit of a public sector bank /private sector bank for at least 3 years	6 years

* 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 or his own name or engaged in practice elsewhere 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 typist, stenographers, computer operators, secretary/ies and sub-ordinate staff etc) implies audit and articulated 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.

- b. The audit firm or nay of its partners have not been barred by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI, SEBI, C & AG or Other Financial Regulators.

B. POLICY FOR APPOINTMENT:

1. The Bank will strictly adhere to the guidelines / directives / norms of the Reserve Bank of India in the matters of appointment of the Statutory Branch Auditors of the Bank.
2. FY 2022-23, RBI had prescribed a minimum coverage of 70% of all funded and 70% of all non-funded credit exposure of the Bank. For FY 2023-24 onwards, the PSBs are being given the discretion to determine business coverage under statutory branch audit, as per their Board approved policy after considering the bank-specific aspects relating to business and financial risks. Till Although there is no minimum coverage prescribed for FY 2023-24 onwards, Bank continues with the last prescribed coverage of minimum of 70% for both fund based and non-fund based exposure.

The Reserve Bank of India directed the Bank to have Board approved policy for engagement of SBAs covering their eligibility criteria, appointment, re-appointment, removal, business coverage and selection of branches for Statutory Branch Audit. The policy, inter alia, should consider bank-specific characteristics, degree of centralization of processes and 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 etc.

It should also ensure that a representative cross section of rural, semi-urban, urban and metropolitan branches is covered, including the branches that are not subjected to concurrent audit.

The methodology shall be reviewed and updated regularly. Bank will also disclose on their website the extent of business coverage under Statutory Branch Audit for the respective year and the previous year with effect from FY 2023-24.

Financial Year	Audit Coverage (in % of Advances)
2022-23	Complied with the regulatory minimum coverage of 70% of all funded and 70% of all non-funded credit exposure of the Bank

2023-24	Coverage of 70% of all funded and 70% of all non-funded credit exposure of the Bank.
2024-25	Coverage of 70% of all funded and 70% of all non-funded credit exposure of the Bank.

3. In respect of those branches, which are subject to concurrent audit by chartered accountants and not selected for branch audit, LFARs and other certifications done by concurrent auditors will be submitted to the Statutory Central Auditors of the Bank.
4. Bank shall appoint the required number of auditors as Statutory Branch Auditors every year out of the names approved by RBI fulfilling the eligibility norms prepared by Institute of Chartered Accountants (ICAI). Not more than two branches (irrespective of the Size) shall be allotted to each SBA.
5. The firms shall be selected as per the selection procedure given in para A above.
6. The firms so appointed shall satisfy the conditions specified in para A above.
7. The Bank shall adopt the policy of one audit firm for one Bank. Accordingly, an audit firm shall be eligible to be appointed as a branch auditor of only one PSB during a particular year. The audit firm should give its irrevocable consent for consideration of appointment/re-appointment as SBA for the particular year and during the subsequent continuing years respectively. Further, the audit entity shall also undertake not to accept appointment as SCA or SBA of any other PSB, during such period. The consent given by an audit firm is irrevocable and no request from audit firms for changing the bank, after giving its consent will be entertained.
8. The bank shall appoint the SBA for a period of one year up to a period of four consecutive years, subject to the audit firm meeting the eligibility norms prescribed by RBI from time to time and also subject to approval of RBI before their appointment. While advising the SBAs about the work to be carried out, Bank shall take into account the guidelines issued by Regulatory Authorities and other requirements of the Bank. Prior approval of Non-reappointment /removal of SBAs by PSBs before completion of audit tenure of four years shall be forwarded to RBI with the prior approval of Board/ACB.
9. The audit firms retiring as Statutory Central Auditors from a PSB shall not be eligible to be appointed as SBAs of the same PSB **for at least six years after the completion of the last audit engagement as SCA of the same PSB (irrespective of tenure of previous engagement). The firms whose partner/s or Proprietor are Director of the Bank are not to be appointed as auditors of the Bank.**
10. 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.
(* "same network" as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014 includes, the firms operating or functioning, hitherto or in future, under the same brand name, trade name or common control.)
11. While allotting branches, Bank shall normally select auditors'/audit firms which are in close proximity to our offices / branches. Bank shall have a suitable mix of various categories of auditors / audit firms while selecting the branch auditors keeping in view the size of the branches to be audited. However, in exceptional cases, audit firms under Category I & II may be considered for allotment of Branches anywhere in India depending on the contingencies.
12. The remuneration payable will be as per Reserve Bank of India guidelines.

13. RBI has removed the concept of compulsory rest for two years for audit firms located in the specified centers, after completion of four years of continuous branch audit, followed till FY 2019-20. The branch auditors across all the centers of the country, on completion of four years of continuous branch audit, will be subjected to the policy of rotation i.e. they may be considered for appointment as SBAs of any other PSB. However, the audit firms will not be eligible to be re-appointed as SBAs, in the same bank where they completed their audit assignment prior to rest/rotation, at least for one cycle of four years.
14. A suitable package has already been implemented for selection of SBAs. The package has been developed taking into the guidelines issued by RBI with regard to selection of SBAs.
15. Identification of Branches will be made in tune with the requirement of Reserve Bank of India guidelines and Board approved Bank Policy on Appointment of SCAs and SBAs.
16. List of fraud observed Branches during the year and List of concurrent Audit Branches will also be considered for Branch Audit.

Based on the Branches identified as above, total requirement of Statutory Branch Auditors is being arrived.

The Bank shall appoint the existing Branch Auditors who are eligible to continue till the completion of four years' term in the Bank as per list of continuing audit firms provided by Reserve Bank of India/Institute of Chartered Accountants of India.

17. 1/5th of the unaudited branches in last five financial years (including present financial year) should also be audited every year. Any modification to the said clause shall require approval of MD&CEO before finalizing the selection of the SBAs which will be subsequently approved by the Audit Committee of the Board.
18. The ACB of the Bank will review the Performance of SBAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues or any other matter considered as relevant as observed by the ACB will be reported to the RBI within two months from the completion of the annual audit, with the full details of the audit firm.

C. PROCEDURE FOR APPOINTMENT:

1. Selection of SBAs under Category I, II, III and IV is being done through the package based on the below parameters:
 - Advances size of the branches;
 - Selection of SBAs is based on the following priorities: Same District, Nearby District and within the same state;
 - Selection of Auditors are being made on random basis;
2. A note will be placed to the Audit Committee of the Board for the actual selection of branches as per the Board approved methodology and approved by the Audit Committee of the Board (ACB).
3. After obtaining the concurrence of the Audit Committee of the Board, the list containing new audit firms who have given consent and continuing audit firms shall be uploaded to the RBI's Auditor Allocation System (AAS).

4. Appointment letters shall be issued to the auditors after getting approval of RBI.
5. A note will be placed to the Audit Committee of the Board for the allocation of SBAs as per the Board approved methodology and approved by the Audit Committee of the Board (ACB).
6. Post appointment/re appointment, the bank will report to RBI (through AAS) the list of SBAs appointed, along with the details of allocation of branches thereof.
In extraordinary situations like Pandemic, Bank to adopt changes conveyed by regulators from time to time. Also, any revised guidelines issued by regulators viz. RBI/MOF/GOI/SEBI/NFRA etc. till next review will be adopted along with the current policy for 'Appointment of SCA & SBA' and the same will be included in the next year policy.
In case of shortfall in achieving the mandated/decided Advances / NPA coverage ratio, Executive Director is authorized to identify Statutory Branch Auditors for conducting Audit of branches.

D. CONDITIONS:

The selected audit firms/auditors should satisfy the following conditions:

1. 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 pending / initiated against the Firms / any of its Partners / Proprietor on record of Institute of Chartered Accountants of India.
2. The Auditors / their relatives should not be indebted to the Bank.
3. The Auditors / Audit Firms should not be a willful defaulter of other Banks / Financial Institutions.
4. The Auditors / Audit Firms should not carry out any internal assignments of the Bank/ any of its subsidiaries.
5. The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.

General Guidelines applicable to both SCAs and SBAs

- i. Empanelment of Statutory Central Auditors and Statutory Branch Auditors as per the prescribed eligibility norms will be done by Reserve Bank of India only.
- ii. The list of firms selected for appointment as statutory branch auditors shall be placed before the Audit Committee of the Board for its approval before the same is forwarded to RBI for final approval.
- iii. The policy of one audit firm for one Bank 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.
- iv. Bank shall make the appointments of SCAs and SBAs for a continuous period of three and four years respectively, however, subject to the firms satisfying the eligibility norms each year.

All Regulatory Guidelines have been included and Complied in the Policy.
