

**Policy for appointment of Statutory Central Auditors (SCA) for the  
year 2016-17 and onwards.**

**A. Norms for Statutory Central Auditors (SCAs)**

1. As on 1<sup>st</sup> January of the relevant year the firm should have minimum 7 full time chartered accountants, of which at least 5 should be full time partners exclusively associated \* with the firm. These partners should have minimum continuous association with the firm i.e. one each should have continuous association with the firm at least for 15 years and 10 years , two with a minimum of 5 years each and one with a minimum of one year. The remaining 2 could be either exclusive partners or CA employees with a continuous association with the firm for a period of one year. 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

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)

(ii) Other Places

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)



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(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.

2. The number of professional staff (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staff etc.), consisting of audit and articled clerks with the knowledge in book-keeping and accountancy and are engaged in outdoor audit should be 18.

3. 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.

4. The firm should have minimum statutory central audit experience of 15 years of public sector banks (before or after nationalisation) 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).

5. 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).

6. At least two partners of the firm or its paid Chartered Accountants must possess CISA/ISA qualification.



**B. Other procedural guidelines, in line with RBI guidelines:**

1. Indian Bank comes under Medium Bank Category, which shall not have more than 5 SCAs. For the year 2016-17, the bank shall have 5 SCAs and this shall be reviewed on an annual basis.

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.

2. The procedure that will be followed for selection of SCAs is as under :
  - a) The SCAs will be selected from the eligible list of firms as provided by RBI every year.
  - b) The audit firms will be required to give an undertaking that, in case of selection in Bank, they would give up the existing assignment/s, if any, in Private Banks/ Foreign Banks/RBI/Financial Institutions such as National Housing Bank, EXIM Bank etc. and they cannot refuse appointment of Bank once selected.
  - c) The allotment of vacancies of SCA's shall be in the ratio of 60:40 between 'Experienced' and 'New' audit firms. As regards ratio of 60:40, Bank will round the number to the nearest round number and choose auditors from the 'Experienced' and 'New' firm list as provided by RBI.
  - d) While making final selection, the Bank will take into consideration the following points :-
    - i) To the extent possible, at least two audit firms having their Head Office from the same place where our Bank HO/CO is located, to be allocated. The Bank shall endeavour to fill the remaining vacancies with firms representing from other parts of the country with equal distribution.
    - ii) Audit firms are not selected if they have retired from our bank before going under rest.
    - iii) The firms whose partner/s are on the Board of our Bank are not appointed as auditors.
    - iv) An audit firm is eligible to be appointed as a Central/Branch auditor of only one PSB during a particular year.



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3. Audit firm(s) selected by the Bank after obtaining consent in writing from the audit firm will be debarred for a period of 3 years for selection if the firm refuses to accept the appointment without a reasonable ground, i.e. ground not to the satisfaction of RBI.
4. The Bank would shortlist the SCAs from the list of Non - continuing auditors received from RBI and selection shall be made by the Evaluation Committee comprising of DGM (Accounts)/DH, GM (Inspection) and Chief Compliance Officer and recommend to ACB for its concurrence.
5. The Evaluation Committee will select SCAs based on:
  - a) The zone of consideration at 1:3 between vacancies and eligible firms considering seniority of the firm.
  - b) The number of ISAs / CISAs in the firm
  - c) The qualified partners and paid CAs in the firm and
  - d) Past track record
6. After concurrence of ACB on the selected list of SCAs, the same will be forwarded to RBI for its prior approval before their actual appointment.
7. A feedback on the quality of SCAs will be given by the Bank to RBI after the annual audit.
8. In order to protect the independence of the auditors/audit firms, Bank will make the appointments of SCA each year for a continuous period of three years subject to the firms satisfying the eligibility norms. Bank can remove the audit firms during the above period with the prior approval of the Reserve Bank of India.

Guidelines issued by RBI from time to time also shall apply.

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