

**Policy for appointment of Statutory Central Auditors (SCA) for the  
year 2017-18 and onwards.**

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

1. The Audit firm shall have minimum 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 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 exclusive 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

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)

(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 full time partners of the firm or its paid full time Chartered Accountants must possess CISA/ISA qualification.

7. In case of merger and demerger of firms, merger effect will be given after 2 years of merger while demerger will be effected immediately.

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

1. Indian Bank comes under Medium Bank Category ('B' Category, which shall not have more than 5 SCAs. For the year 2017-18, 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) As far as possible, the bank should have at least 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.
    - 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.
    - v) The Chartered Accountant firm/s, whose partner/s are serving on the Board of any Nationalised 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.

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 GM (ITD/DBD) Concurrent (Accounts)/DH, GM (Inspection) and DGM (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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**ANNEXURE – A**

**Policy for appointment of Statutory Branch Auditors (SBAs) for 2017-18  
and onwards**

**Norms for Statutory Branch Auditors (SBAs)**

<b>Cate - gory</b>	<b>No. of CAs exclusively associated with the firm (Full time)</b>	<b>No. of partners exclusively associated with the firm (full time) (Out of 2)</b>	<b>Profe- sion al staff</b>	<b>Bank audit experience</b>	<b>Standing of the audit firm</b>
<b>(1)</b>	<b>(2)</b>	<b>(3)</b>	<b>(4)</b>	<b>(5)</b>	<b>(6)</b>
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 nationalised bank and/ or of a private sector bank .	8 years
II.	3	2	6	The firm or at least one of the partners should have preferably conducted branch audit of a nationalised bank or of a private sector bank for at least 5 years.	6 years (for the firm or at least one partner)
III.	2	1	4	The firm or at least one of the CAs should have preferably conducted branch audit of a nationalised bank or of a private sector bank for at least 3 years.	5 years (for the firm or at least one partner)

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Category	No. of CAs exclusively associated with firm (Full time)	No. of partners exclusively associated with the firm (full time)	Professional staff	Bank audit experience	Standing of the audit firm
(1)	(2)	(3)	(4)	(5)	(6)
IV	2	2	2	Not necessary	3 years
	Even proprietorship concern without bank audit experience may be considered as hitherto. (The proprietary concerns of Chartered Accountants with 1 paid CA, 2 professional staff and not having any statutory branch audit experience of a nationalised bank or of a private sector bank will be treated at par with the partnership firm after deducting their 3 years seniority from the date of their establishment).				

The following norms in line with RBI stipulation will be followed by the Bank for appointment of Statutory Branch Auditor from the year 2017-18 and onwards:

1. For the year 2017-18, our Bank will adopt the threshold level of advances for the purpose of selecting branches at Rs. 20 Crore and above and it shall be reviewed on an annual basis.
2. As regards statutory branch audit to be carried out by SCAs, bank will allot the top 20 branches (to be selected strictly in order of the level of outstanding advances) in such a manner so as to cover a minimum of 15% of total gross advances of the bank by SCAs.
3. After considering the Top 20, Statutory branch audit will be undertaken for all branches with advances of Rs. 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 the bank . CPUs/LPUs/and other centralized hubs by whatever nomenclature called would be included in the one fifth of the remaining branches every year.

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4. 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 bank 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.

The following procedure will be followed for appointment of statutory branch auditors.

- a) The Bank would shortlist the SBAs from the list of continuing auditors and new auditors received from RBI and selection shall be made by the committee comprising of DGM (DBD), DGM (Credit), AGM (Accounts) and placed to GM ( IED / Accounts) for approval.
- b) The audit firms selected for consideration of appointment can take up audit assignment (branch audit) in one PSB only. 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.
- c) The consent given by an audit firm will be treated as irrevocable and request if any, from audit firms for changing the bank, after giving its consent to the bank concerned will not be entertained.
- d) After receipt of consent letter from SBAs, the list of firms of both continuing and selected branch auditors for appointment as statutory branch auditors to be placed before the ACB/Board of the Bank for its concurrence and thereafter to be forwarded to RBI for final approval, before their actual appointment, as per statutory requirement.
- e) SBAs will have a maximum tenure of four years. The appointment of SBAs 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.
- f) No auditor will be allotted more than 3 branches irrespective of the size of the branch.
- g) A branch will be allotted to an auditor if he has not audited the same branch for in any one of the past 3 years.
- h) Bank shall ensure that the continuing auditors are considered first for allotment of branch audit. Also, Bank will monitor to ensure no instances of sub par performance or conduct issues occur.

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- i) While allotting branches, bank will select auditors / audit firms which are in close proximity to the offices/branches.
- j) The selected Audit firm should not have any direct /indirect liability to the Bank and also should not have any other internal assignment with the Bank or its Subsidiary. Suitable declaration should be given by the Firm at the time of giving consent during the process of selection.
- k) The Firm should also submit a declaration of Fidelity and Secrecy at the time of appointment as SBA by the Bank.

#### **General guidelines applicable to SBAs**

- The firms whose partner/s is/are on the Boards of PSBs are not to be appointed as auditors of the same PSB.
- The list of firms selected for appointment as statutory branch auditors will be placed before the ACB/Board of bank for its concurrence before it is forwarded to RBI for final approval.
- 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.
- In order to protect the independence of the auditors/audit firms, bank will make the appointment of branch auditors for a continuous period of four years, subject to the auditor's/audit firm's satisfying the eligibility norms each year. 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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