



**POLICY ON APPOINTMENT OF STATUTORY CENTRAL AUDITORS
(SCA) FOR THE YEAR 2019-20 AND ONWARDS**

VERSION 1.0

ACCOUNTS DEPARTMENT

This Policy supersedes and replaces the "Policy on Appointment of Statutory Central Auditors (SCA) for the year 2019-20 and onwards" dated 27.11.2019. This Policy is the property of Indian Bank, and may not be reproduced or copied, in any form or by any means, in whole or in part, without prior permission of Indian Bank.



Title **Policy on appointment of Statutory Cenral Auditors (SCA) for the year 2019-20 and onwards**

Version **1.0**

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1. Purpose of the Policy

The purpose of the Policy on appointment of Statutory Central Auditors from 2019-20 and onwards is to provide guidance on eligibility and procedures to be applied for the appointment of SCAs to the bank in line with Guidelines issued by RBI.

2. Scope of Application

The policy is applicable for appointment of Statutory Central Auditors.

3. Objectives of the Policy

The purpose of the Policy document is to provide guidance on appointment of Statutory Central Auditors for the bank for the combined entity with effect from 01.04.2020 and onwards.

4. Regulatory Reference

1. RBI letter DBS.ARS.No.2435/08:01:003/2019-20 dated 24.10.2019 – for Policy on Appointment and List of Auditors to fill up the vacancies created in our bank due to the retirement of existing auditors if any.

5. Procedural Guidelines

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 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 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.

A full time partner does not include a person who is –

- a) A partner in other firms
- b) Employed full time/part time elsewhere, practicing in 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.

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 2019-20, 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 SCA 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. 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.
 - v) If any partner of a Chartered Accountant firm is a non-official director in any PSB, no partner of the same firm be appointed as Statutory Central Auditor of 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 (Accounts), 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.

6. Irrevocable Consent

Irrevocable consent is to be obtained from the Audit Firm in Writing for consideration of appointment in our bank for the particular year and for the subsequent continuing years.

7. Undertakings / Declarations to be obtained from the firm/firms

- a) At the time of acceptance of appointment of SCA of our Bank, the firm(s) has to relinquish any internal assignment allotted to them in our Bank/ Subsidiary of our Bank. Their associate firms or sister concerns are also disqualified for internal audit or for any special assignment of our Bank.
- b) A suitable undertaking from the firm(s) to the effect that the Audit will be carried by their own staff and they will not subcontract the Audit Work.
- c) None of the disqualifications under section 141 of the Companies Act, 2013 applies to them and they are qualified for appointment as Statutory Central Auditors of the Bank.
- d) None of the partners of the audit firm or their spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, Or the firm/ company in which they are partners/ directors are indebted to our Bank. Further, they have not been declared as willful defaulters by any Bank or financial institution.
- e) Associate firms or sister concerns of statutory audit firm are disqualified for internal audit or for any special assignment where the main firm/ partners are allotted Statutory Audit in a particular year.



8. Number of assignment

The firm appointed as SCA of the Bank will not be eligible for any Statutory Central Audit assignment in other PSBs/ Private Banks/ Foreign Banks/ RBI/ Financial Institutions such as National Housing Bank, EXIM Bank etc.

9. Number of branches to be audited by each SCAs

In accordance with our existing policy, Bank will allot the top 20 branches in terms of advances outstanding, including the Treasury Branch in such a manner as to cover a minimum of 15% of total gross advances of the Bank by SCAs.

10. Relinquish the Internal Assignments, if any

In the event of acceptance of the appointment a Statutory Central Auditor of the Bank all the internal assignments in our bank, if any, will stand withdrawn.

11. Removal

An audit firm appointed as Statutory Central Auditor may be removed during its tenure with the prior approval of the Reserve Bank of India.

12. Feedback on Quality of SCA & Protection of Indendence of SCA

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

In order to protect the independence of the auditors/audit firms, Bank will make the appointments of SCA for a continuous period of three years subject to the firms 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.

13. Review of the Policy

The policy is subject to review every year at the time of appointment of SCAs by the bank.