

POLICY ON APPOINTMENT / RE- APPOINTMENT OF STATUTORY AUDITORS (SCA & SBA) & NORMS OF BUSINESS COVERAGE / SELECTION OF BRANCHES FOR THE YEAR 2023-24 & ONWARDS

Central Bank of India (henceforth, the Bank) attaches the greatest importance to the independence and quality standards of the Statutory Audit (SA) function. Apart from being an essential balancing dimension in a Corporate's/ Bank's organizational structure, it constitutes a statutory and regulatory requirement for providing the final and omnibus assurance of corporate integrity to all internal and external stakeholders. The Bank is committed to fostering and upholding the highest standards of integrity and quality in Governance, Regulatory & Corporate reporting.

Objective:

To formulate and adopt a Board approved policy for the Bank, governing the appointment/ reappointment of Statutory Central/Branch Auditors, norms of business coverage (2023-24 & onwards) along with selection of branches for Statutory Audit, which would ensure transparency, objectivity, independence of the audit function and compliance with all statutory and regulatory stipulations.

Preamble:

Reserve Bank of India, by their circular RBI/2021-22/25- Ref. No. DoS. CO. ARG/SEC.01/08.91.001/2021-22 dated April 27th 2021 (Guidelines for Appointment of Statutory Central Auditors/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), hereinafter "Guidelines") issued guidelines in respect to appointment/ reappointment of SCAs/SAs.

The current policy document on appointment/ re-appointment of SBA/SCA is updated in accordance with the referred RBI circular and as per RBI communication DOS. CO. ARG. /S8213/08.91.001/2022-23 dated 6th March 2023 regarding revised guidelines for appointment/ reappointment of Statutory Branch Auditors & norms for Business Coverage under Statutory Branch Audit of Public Sector Banks.

Role of the Board and its Audit Committee:

For SCA Appointment:

Bank shall formulate a Board Approved Policy to be hosted on its official website/public domain and formulate necessary procedure thereunder to be followed for appointment of SCAs.

Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.

Bank should decide on the number of SCAs based on a Board approved Policy, inter alia, taking into account the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc.

For SBA Appointment:

The Board of the Bank has laid down a policy for engagement of SBAs covering their eligibility criteria, appointment, re-appointment, removal.

It shall be ensured by the ACB that the selection and allocation of branches to SBAs is made in a transparent, fair and judicious manner. Not more than two branches shall be allotted to each SBA.

Scope of the Policy:

<u>Annexure – A</u>	<u>Appointment of Statutory Central Auditors.</u>
<u>Annexure – B</u>	<u>Appointment of Statutory Branch Auditors.</u>
<u>Annexure – C</u>	<u>Norms of Business coverage under Statutory Branch Audit.</u>
<u>Annexure – D</u>	<u>Selection of Branches.</u>
<u>Annexure – E</u>	<u>Limited Review/Quarterly Audit</u>
<u>Annexure – F</u>	<u>Disclosure in Public Domain, thereof.</u>

Applicability/Validity of the Policy:

This policy is valid for the Financial Year 2023-24 & onwards. This policy shall be reviewed by the Board as and when any changes are to be incorporated in the Policy, due to change in applicable law or regulation, or at least once in every three years and updated accordingly.

Long Form Audit Report by Concurrent Auditors:

The Long Form Audit Reports (LFAR) prepared by concurrent auditors, who are practicing Chartered Accountants, shall be consolidated and submitted by the bank to their SCAs for branches that are not subject to Statutory Branch Audit. Any Other certificates and reports prepared by the concurrent auditors for such branches shall also be submitted to the SCAs.

Conflict in Policy:

In the event of a conflict between this Policy and the extant regulations or laws or Reserve Bank of India directives (as may be amended, replaced, restated, from time to time) the regulations and laws shall prevail.

The modification/changes, if any, made by RBI in norms/criteria/procedure from time to time shall construe to be part of our policy and supersede the existing guidelines available at Banks website automatically.

Statutory Obligation of the firm(s) on Disclosure:

The verification of the credentials of the SCA firms shall be based on the information available in the list provided by Reserve Bank of India and the details furnished by the firms. Bank shall verify the details to the possible extent and shall not be liable for any factual incorrect information/ concealment of facts provided/ made by the firms, during appointment/ during their tenure.

Firms, which are willing to apply for Statutory Central Auditor are required to desist from accepting any assignment from the Bank &/or its group entities, as mentioned in section 144 of Companies Act 2013 (including Concurrent Audit, ASM, Revenue Audit, Legal Audit, Stock Audit, TEV, IFCO-FR, Forensic Audit, RP/IRP etc.).

A time gap of one year from the date of release of list by Reserve Bank of India (Calendar year) has to be explicitly maintained in this regard, before accepting SCA.

Failure to satisfy the above stipulation shall lead to non-selection/ cancellation of appointment. This clause shall be effective for all new selection made after this policy date.

Redressal of Grievances:

The Bank will have a Grievance Redressal Committee at Central Office constituting of 4 General Managers (CRO, GM- Treasury, GM-BSD), out of which, one shall be General Manager- F & A/CFO. Deputy General Manager (F & A) / Assistant General Manager (F & A) shall be the conveyer of the meeting.

Quorum shall be any two members present, apart from General Manager- F & A/ CFO, out of above. In case of absence of the committee member, alternate GM (as designated by HCM Department) shall act as committee member.

The Committee will dispose of grievances/complaints (if any) with regard to the selection of Statutory Central Auditors or Statutory Branch Auditors and allotment of Branches to them.

The timeline for Redressal of such grievances shall be 15 working days.

In case of any difference in opinion/ dispute, Bank shall be following the best practices of the industry.

Annexure – A- Appointment of Statutory Central Auditors.

1. Prior Approval from Reserve Bank of India:
The Bank is required to take prior approval of RBI (Department of Supervision) for appointment / reappointment of SCAs/SAs, on an annual basis in compliance with statutory provisions of the Regulator.
Bank shall approach Reserve Bank of India, for approval, within a month's time / or any shorter/longer timeframe, as prescribed by Reserve Bank of India, after receipt of the list of auditors (from which the selection of SCAs to be made) from Reserve Bank of India.

2. Number of SCAs & Branch Coverage:
The no of permissible SCAs, as per the guidelines issues by Reserve Bank of India, are as under:

Asset Size of Entity*	No of SCA (maximum)
Up to 500000 crore.	4
Above 500000 crore & up to 1000000 crore.	6
Above 1000000 crore & up to 1000000 crore.	8
Above 2000000 crore	12
* As per published Balance Sheet	

Further, the Bank may finalize the work allocation among SCAs, before the commencement of the statutory audit, in consultation with their SCAs. Based on the relevant factors such as the size and spread of assets (up to 5 lakh crore), accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc. and as approved by the Board of Directors, the maximum permissible number of SCA firms for the Bank is 4.

Board is empowered to allow conducting statutory audit with a panel of lower strength, within the permissible/stipulated strength of panel.

It shall also be ensured that joint auditors of the Entity do not have any common partners and they are not under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms. Bank will solely rely on the declarations submitted by the firms.

Further, in terms of Reserve Bank of India guidelines Bank shall allot the Top 20 branches* (to be selected strictly in order of the level of outstanding advances / date of selection appended at Annexure D) to SCAs in such a manner as to cover a minimum of 15% of total gross advances (i.e. before deduction of Technical Write Off) of the bank by SCAs.

Eligibility Criteria of Auditors:

Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years	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	Minimum No. of years of Audit Experience of the firm	Minimum No. of Professional staff
5	4	2	15	18
Note 1		Note 2	Note 3	Note 4

Note 1: Association of Partner:

3. ❖ There should be at least one-year continuous association of partners with the firm as on the date of empanelment (for Bank) for considering them as full time partners. Further, for appointment as SCAs to Bank, at least two partners of the firm shall have continuous association with the firm for at least 10 years.
- ❖ For Bank, 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.

(RBI Clarification-11/06/2021- As per Para B (IV) of Annex I, 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. Whether this stipulation is applicable to all the Entities in the Group or the RBI Regulated Entities in the Group?

The Group Entities here refer to the RBI Regulated Entities in the Group, which fulfil the definition of Group Entity, as provided in the Circular. 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.)

- ❖ 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.
- ❖ For Bank, 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:

- ❖ For Bank, 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 considering them as Paid CAs with CISA/ISA qualification.

Note 3: Audit Experience:

- ❖ For Bank, 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 affected 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 considering them as professional staff for the purpose.

Additional Consideration:

4.

- ❖ 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.
- ❖ The Bank shall ensure that appointment of SCAs 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/SA 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. For this purpose, Group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promote [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.
- ❖ The auditors for Bank should preferably have 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 Entities where the accounting and business data reside in order to achieve audit objectives.

<p>5.</p>	<p>Continued Compliance with some eligibility criteria:</p> <ul style="list-style-type: none"> ❖ 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. <p>(RBI Clarification-11/06/2021- Can the existing SCAs/SAs continue if they do not fulfil the eligibility criteria but are yet to complete their original tenure of appointment? Are the Entities required to appoint SCAs/SAs (including as Joint Auditors) immediately or they can be appointed in the ensuing Annual General Meeting (AGM)?)</p> <p>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. Till the appointment of SCAs/SAs for FY 2021-22, as per the requirements of the Circular and applicable statutory provisions, the SCAs/SAs for FY 2020-21 can continue for the Limited Review for Q1, Q2, etc.)</p> <ul style="list-style-type: none"> ❖ 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, the discretion to allow the concerned audit firm to complete the audit, as a special case, will lie with Reserve Bank of India.
<p>6.</p>	<p>Independence of Auditors:</p> <ul style="list-style-type: none"> ⇒ The 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 of the Bank & concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI. ⇒ 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 the Entity, under intimation to the concerned SSM/RO of RBI. ⇒ Ongoing Concurrent auditors of the Bank should not be considered for appointment as SCAs of the Bank. <p>Note: Ongoing Concurrent Auditors of our Bank / resigned within a years' time (Calendar year) are not eligible to apply. Firm's relinquished/ completed their tenure, before the time gap of one year (as above) are eligible to apply. In this instant case, Concurrent Audit shall be treated at par with Internal Audit function, as mentioned in Section 144 of Companies Act 2013.</p> <p>The audit of the Bank and any entity with large exposure (As defined in Reserve Bank of India in their instructions on Large Exposure Framework) to the Bank for the same reference year should also be explicitly factored in while assessing independence of the auditor.</p> <p>Note: The RBI circular doesn't prohibit an audit firm from doing audit of any</p>

company / entity with large exposure to the entity, from which it is being appointed as SCA. It only stipulates that, this aspect should also be explicitly factored while assessing the independence of the auditor. In this regard, the ACB/Board shall oversee the “Conflict of Interest” / “Independence of Auditor”.

(RBI Clarification- FAQ dated 11/06/2021- As per Para 6.3, whether an audit firm doing audit of any Company/Entity with Large Exposure to the Entity is prohibited from being appointed as SCA/SA of the Entity?)

The Circular does not prohibit an audit firm from doing audit of any Company/Entity with Large Exposure to the Entity from being appointed as SCA/SA of the Entity. It only stipulates that this aspect should also be explicitly factored 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.)

- ⇒ 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 Subsidiaries/ Associates 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 may take their own decision in this regard, in consultation with the Board/ACB.

Note: For the subjectivity in the matter and to ensure the “Independence of Auditors” and to avoid any “Conflict of Interest”, it has also been proposed to include the following activities, apart from the activities mentioned at Section 144 of Companies Act 2013, as under:

- Concurrent Audit.
- Stock Audit.
- Revenue Audit.
- Statutory Branch Audit.
- Forensic Audit.
- Legal Audit.
- ASM.
- IFCO-FR.
- TEV Study.
- IRP/RP.
- Any Other assignment on or behalf of the Bank, which may give rise to “Conflict of Interest” & / or may curb the “Independence of Auditors”.

Note: A conflict would not normally be created in the case of the following special assignments (indicative list):

- ❖ Tax audit, tax representation and advice on taxation matters,
- ❖ Audit of interim financial statements.
- ❖ Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements.
- ❖ Reporting on financial information or segments thereof.
- ⇒ The restrictions as detailed 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. The firm, applying for Statutory Central Auditor, should ensure compliance of this aspect, before applying.

(RBI Clarification-11/06/2021- As per Para 6.4, whether the time gap of one year between any non-audit works by the SCAs/SAs for the Entities or any audit/non-audit works for its Group Entities has to be ensured for all the Entities in the Group or the RBI Regulated Entities in the Group?)

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.)

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(As per Para 6.4, whether the Entities are required to look back for one year (regarding any non-audit works for the Entities or any audit/non-audit works for the Group Entities) before appointment of an audit firm as SCAs/SAs for FY 2021-22?)

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. Therefore, if an audit firm is involved in some non-audit work with the Entity and/or any audit/non-audit work in other RBI Regulated Entities in the Group and completes or relinquishes the said assignment prior to the date of appointment as SCA/SA of the Entity for FY 2021-22, the said audit firm would be eligible for appointment as SCA/SA of the Entity for FY 2021-22.

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.)

7.

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 Bank 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/SAs or any other matter considered as relevant shall 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, 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 Bank, the SCAs would be liable to be dealt with

	suitably under the relevant statutory/regulatory framework.
8.	<p>Tenure and Rotation:</p> <ul style="list-style-type: none"> ❖ 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. 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. ❖ 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. In case an audit firm has conducted audit of any Entity for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the same Entity for six years from completion of part-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, irrespective of asset size 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 this purpose, 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. <p>(RBI Clarification- As per Para 8.3, whether the limit of audit of four commercial banks, eight UCBs and eight NBFCs for an audit firm in a year is applicable to audit of NBFCs with asset size below Rs. 1,000 crore also?) These limits are applicable in respect of audit of all RBI Regulated Entities, irrespective of the asset size.)</p>
9.	The remuneration to the SCAs for Audit will be paid as per Reserve Bank of India, circular Dos.CO.ARG.No.S8056/08.92.001/2022-23 dated 1 st March 2023. Other permissible expenses shall be paid as per Banks approved Policy. Efforts must be made to keep expenses at minimum possible in line with RBI guidelines instructions in the matter.
10	<p>Statutory Central Auditor Appointment Procedure:</p> <ul style="list-style-type: none"> ❖ Reserve Bank of India will provide a single list of all eligible audit firms. The firms in the said list will not be ranked in any order and all firms would be eligible for selection by the Bank. ❖ Bank shall shortlist the firms from the said list of eligible audit firms as received from Reserve Bank of India, based on certain objective criteria (like no of full time partners, number of professional staff, number of CISA/ISA qualified partners/paid CAs, number of FCAs, etc.), location, experience,

previous clientele. The Firms, who has contacted the bank for assignment of SCA, may be given preference.

- ❖ A selection committee of General Managers will be formed consisting of the following members, who will shortlist the number of firms, in order of preference, for placing before ACB.

The members of the committee will be as under:

General Manager (F &A. CA & ID, SAM & Recovery, Cr. Monitoring, Chief Risk Officer & **CCO in advisory role, only**). **The quorum of the committee will be of all participating General Managers.** In case of absence of any member, the alternate General Manager will be a member of the committee. The meeting of the members shall be convened by Dy. General Manager- F & A/ Asst. General Manager- F & A.

- ❖ 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 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.

Bank shall be relying on the declarations provided by the firms. Any unearthing/ revelation of falsified / factual incorrect information will lead to cancellation/ revocation of appointment / disqualification.

- ❖ Bank shall continue to follow the existing procedure followed by them for selection of SCAs by placing the name of shortlisted audit firms, in order of preference, before their ACB for selection as SCAs. Upon selection of SCAs by the bank in consultation with ACB and verifying compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SCAs.
- ❖ 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. Bank shall be receiving 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 (like number of full time partners, number of professional staff, number of CISA/ISA qualified partners/paid CAs, number of FCAs, etc.) as laid down in the bank's policy for appointment of statutory auditors. Further, the 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 by the

Bank in consultation with their ACB and verifying their compliance with the eligibility norms prescribed by RBI, the PSBs shall seek RBI's prior approval for appointment of SCAs.

Note: Bank will receive a single list of eligible audit firms from Reserve Bank of India, the firms in said list would not be ranked in any order and all firms would be eligible for selection by all PSBs.

- ❖ While shortlisting the names, it will be given priority, that the main office of the firm is situated in or around the city where Corporate Office/Zonal Office/Regional Office or concentration of branches / business of the Bank is situated for better coordination with the Audit Firm. The discrete enquiries about the credentials/ antecedents of the audit firms will be made, as per regulatory requirement.
- ❖ Bank will obtain a certificate, along with relevant information as per SCA-1, 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/SAs of the Entities, under the seal of the said audit firm.
- ❖ Bank will obtain declaration in SCA-3 from CA firms. It is the primary responsibility of the CA firms, to provide the declaration in a true and fair manner.
- ❖ Further, 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 SCA-2, 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.
- ❖ Final appointment shall be issued, only after receipt of approval from Reserve Bank of India.

Any other terms & conditions, as prescribed by Regulator &/or law of the land, shall be applicable with their effective date and form a part of this policy, till amendment. Any operation issue/ deviation/ modification over and above this policy will be approved by MD & CEO.

Annexure – B- Appointment of Statutory Branch Auditors.

1.	Reserve Bank of India, vide their communication DOS/CO/ARG/S8213/08.91.001/2022-23 dated 6th March 2023 & Ref. DOS. CO. ARG. No. 10136/08.15.008/2023-24 dated 15 th March 2024, addressed to all Public Sector Banks, issued the revised guidelines for (1) Appointment / Reappointment of Statutory Branch Auditors of Public Sector Banks Accordingly, the policy was amended and updated accordingly, in terms of the said Reserve Bank of India, circular.
2.	Presently, the Reserve Bank of India accords prior approval for the appointment/ re-appointment of Statutory Branch Auditors (SBAs) of Public Sector Banks, as required by various applicable statutes. Based on a review of the matter, it has now been decided by RBI to grant general permission to PSBs for appointment/ re-appointment of SBAs subject to the requirements mentioned herein.
3.	Eligibility Criteria: In order to be eligible for appointment/ re-appointment as SBA, and Audit entity (i.e. audit firms or sole proprietorship auditors) shall meet the following conditions: <ul style="list-style-type: none">❖ The audit entity satisfies all the criteria laid down in section 141 of the Companies Act, 2013.❖ The audit entity or any of its partners have not been barred from exercising duties as auditor by any regulatory body, including the RBI, Securities and Exchange Board of India, the Comptroller and Auditor General (C & A G), Government of India, the National Financial Reporting Authority (NFRA) and the Institutes of Chartered Accountant of India (ICAI).❖ The audit entity is not undertaking audit engagements, either as SBA or Statutory Central Auditor (SCA), of any other PSB for the period of appointment.❖ In case the auditor has previously completed four consecutive years as SBA of the bank, at least four years (one tenure) have elapsed after the completion of the last audit engagement as SBA of the same PSB.❖ In case the auditor has been appointed as an SCA of the Bank in the past, at least six years (two tenures) have elapsed after the completion of the last audit engagement as SCA of the same PSB (irrespective of tenure of previous engagement).❖ None of the partners of the audit firm or the proprietor of the audit entity are Directors in the same PSB.❖ The audit entity does not have any common partner(s) with any other SBA of the same PSB and they are not under the same network (As defined in rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms.❖ The audit entity meets the criteria for bank audit experience, number of partners, standing, etc., as laid down in SBA-1 for the audit engagements for the year ending March 31, 2024, an onwards.
4.	As hitherto, the ICAI shall forward a list of eligible audit entities as per norms prescribed by RBI. The same shall be reviewed to identify continuing/ non-continuing auditors, etc., and forwarded by the RBI to PSBs for selection.
5.	The bank shall satisfy itself (on the basis of unconditional, irrevocable undertaking furnished by the SBA entities, as per SBA-2)) that the audit entity meets the requirements of above paragraph (read Eligibility Criteria) before making any appointment/ re-appointment as well as during the engagement. Further, the audit entity shall also undertake not to accept appointment as SCA or SBA of any other PSB, if appointed.

6.	<p>Appointment/ Re-appointment and Removal: Prior to appointment/ re-appointment, the names of the audit entities selected shall be uploaded to the RBI's Auditor Allocation System (AAS) to ensure that any audit entity which is preferred by multiple PSBs is allocated only to one PSB on "first – come, first – served" basis by the AAS. Post appointment/ re-appointment, the bank shall report to RBI (through AAS) the list of SBAs appointed, along with the details of branches thereof.</p>
7.	<p>The bank shall appoint the SBA for a period of one year at a time up to a period of 4 (four) consecutive years as per the reviewed list of Continuing / Non Continuing Auditor forwarded by RBI to PSBs for selection, subject to the audit firm meeting the eligibility criteria laid down in point 3 above. The names of the SBAs appointed shall be reported to RBI.</p>
8.	<p>The Bank shall ensure that as a part of the terms of engagement, the SBA shall report any fraud entailing an amount of ₹ 1 crore or more directly to the Fraud Monitoring Group, Department of Supervision, Reserve Bank of India. Further, the terms of engagement shall require all material irregularities, including fraud, concurrently to the Chairman of the ACB as well as Managing Director & Chief Executive Officer of the Bank.</p>
9.	<p>The ACB of the Bank shall review the performance of SBAs on an annual basis. Any serious lapses, negligence in audit responsibilities, conduct issues or any other matter considered as relevant as observed by the ACB shall be reported to the RBI within two month from the completion of annual audit, with the full details of the audit firm.</p>
10.	<p>Non-re-appointment/removal of SBAs by Banks before completion of audit tenure of four years will continue to be subject to RBI's prior approval. Such request for prior approval shall be forwarded to RBI with the approval of Board/ ACB.</p>
11.	<p>Process of Identification/ appointment of Statutory Branch Auditors:</p> <ul style="list-style-type: none"> ❖ The Bank will receive the list of Auditors for Statutory Branch Audit (Continuing & Fresh/ Non Continuing) forwarded by RBI to PSB for selection. ❖ Bank will prepare the list of branches (as per Policy) to be covered under Statutory Audit (Excluding Top 20). ❖ The district wise vacancy will be worked out, keeping in view of the "minimum displacement" clause, to the extent possible, for identification/ selection of auditors against the vacancies arisen, from the Non-continuing auditors list. ❖ The existing Concurrent Auditors of the Bank, if any & Statutory Branch Auditors retired in past 4 years & SCA firms retired in past 6 years from our Bank will be removed from the List mentioned in point no (i) Bank will use the ICAI portal &/or manual process for filling up the vacancy arising out of retiring firms/ inclusion of new branches, if any. ❖ For giving a fair scope to all the SBA available at the pool of Non Continuing Auditors, the vacancy may be distributed among ICAI portal &/or Manual Process, on need basis, with the prior approval of ED in Charge. However, Bank may go for any of the process, or both, as per the exigency. ❖ Bank, at its discretion, may identify some of the firms, who have submitted their profile/ contacted the Bank on their own, subject to fulfilment of all eligibility criteria. ❖ A selection committee of General Managers will be formed consisting of the following members, who will oversee the identification of branches as per Reserve Bank of India guidelines, finalization of vacancy & and allotment of

	<p>branches to CA Firms, as worked out by F & A Department, for placing before ACB. The members of the committee are as under: General Manager (F & A. CA & ID, SAM & Recovery, Cr. Monitoring, Chief Risk Officer & CCO in advisory role, only). The quorum of the committee will be of all participating General Managers. In case of absence of any member, the alternate General Manager will be a member of the committee. The meeting of the members shall be convened by Dy. General Manager- F & A/ Asst. General Manager- F & A.</p> <ul style="list-style-type: none"> ❖ The panel of SBA identified will be forwarded to RBI, for confirmation, in AAS application. ❖ Any appointment will be finalized after clearance from RBI AAS application, to avoid any rejection through the portal (on the basis of selection of a single auditor by multiple PSB). ❖ Discretion available to Top Management: In case the option/s of CA firms identified by the software is not found suitable to the bank on account of followings, the discretion for selection will lie with ED in charge: <ul style="list-style-type: none"> ✓ The past experience of the audit firm was not satisfactory with the bank either as statutory auditor/Concurrent auditor/stock auditor. ✓ The bank comes to know about the non-satisfactory experience with other bank/s. ✓ In case the identified firm is already engaged by the bank as Concurrent auditor. ❖ Any operational deviation arising out of exigency during the process, (such as prioritizing manual process over ICAI portal) on need basis, will be done with prior approval of ED in Charge. ❖ It is to be clarified that a CA firm will not be entitled for appointment, merely on the ground of being identified by the software. ❖ The Bank reserves the right, in its sole discretion, to appoint any eligible firm as SBA. <p>Any other terms & conditions, as prescribed by Regulator &/or law of the land, shall be applicable with their effective date and form a part of this policy, till amendment. Note: During the process of identification of fresh firms (if any), Bank shall entertain the email mode only. Bank shall not be responsible for non-delivery of email to the addressed CA Firm due to any reason, what so ever. The cut off time, for a selection cycle will not be extended in any case. Any operation issue/ deviation/ modification over and above this policy will be approved by MD & CEO.</p>
<p><u>Annexure – C- Norms of Business coverage under Statutory Branch Audit.</u> <u>&</u> <u>Annexure – D - Selection of Branches.</u></p>	
<p>1.</p>	<p>Reserve Bank of India, vide their communication DOS/CO/ARG/S8213/08.91.001/2022-23 dated 6th March 2023, addressed to all Public Sector Banks, issued the revised guidelines for Norms on Business Coverage under Statutory Branch Audit of Public Sector Banks. Accordingly, the policy was amended and updated accordingly, in terms of the said Reserve Bank of India, circular.</p>
<p>2.</p>	<p>The Board of the Bank has laid down a policy for business coverage and selection of branches for statutory branch audit. The methodology approved by the Board for business coverage and selection of branches shall, inter-alia, consider bank-specific characteristics, degree of</p>

	centralization of processes, 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. It should also ensure that a representative cross section of rural, semi-urban, urban and metropolitan branches are covered, including branches that are not subject to concurrent audit. This methodology shall be reviewed and updated regularly.								
3.	The actual selection of branches as well as allocation of SBAs shall be done as per the Board approved methodology and approved by the Audit Committee of the Board (ACB). For FY 2023-24 and onwards, Bank shall have the discretion to determine the business coverage under statutory branch audit, as per Board approved policy, after considering Bank specific aspects relating to business and financial risks, including guidelines contained above.								
4.	Bank shall allot the Top 20 Branches (to be selected strictly in descending order of outstanding advances) to the SCAs and shall ensure that at least 15 percent of the gross advance of the Bank are covered by branches under the SCAs. The cutoff date to decide the Top 20 branch shall be first Friday of the last month of the 4th / Other quarter, or RBI intimation on List of Continuing/ Non Continuing Auditor (SBA), whichever is earlier/ or as per Management decision, envisaging the level of advance as of 31st March of that year to cover 15% of gross advance. The same timeframe, may be followed for identification of branches, for Statutory Branch Audit.								
5.	Business Coverage: <ul style="list-style-type: none"> ❖ As the system level granular data is available to SCAs through CBS, along with continuous IFCO-FR testing, Bank shall stick to coverage of a minimum 70% fund based and non-fund based exposure. ❖ Bank shall ensure to cover a considerable amount of Agriculture, MSME, Retail portfolio, along with NPA. ❖ Bank shall ensure to cover, a considerable amount of Deposit (CASA). ❖ All the above figures shall be calculated on the basis of Total Advance/ NPA (i.e. including / not excluding Technical Write Off). 								
6.	Selection of Branch: Since our Bank is on Core Banking Solution, all data is available at a single point, by way of reports/ statements/ data dump etc. Further, a robust internal audit system, concurrent audit system & continuous Limited Review by SCAs & IFCO-FR testing, encompasses majority of the risk component. For addressing the various parameters, in the referred RBI circular, inclusion of the following items are ensured, while selecting the branches: <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center;">Parameter</th> </tr> </thead> <tbody> <tr> <td>Fraud Risk & Credit Risk / High Risk Branches</td> </tr> <tr> <td>Adverse remarks from Internal & Concurrent Auditors</td> </tr> <tr> <td>Whistle Blower Complaints</td> </tr> <tr> <td>Unusual Activity / spurt of Business.</td> </tr> <tr> <td>Representative cross section of Rural, Semi Urban, Urban & Metro Branches.</td> </tr> <tr> <td>Non Concurrent Audit Branches.</td> </tr> <tr> <td>Branches, which are not subject to Statutory Audit in past 5 years.</td> </tr> </tbody> </table> <p>In case of shortfall, in any parameter, ED (in charge of F & A) have the authority to</p>	Parameter	Fraud Risk & Credit Risk / High Risk Branches	Adverse remarks from Internal & Concurrent Auditors	Whistle Blower Complaints	Unusual Activity / spurt of Business.	Representative cross section of Rural, Semi Urban, Urban & Metro Branches.	Non Concurrent Audit Branches.	Branches, which are not subject to Statutory Audit in past 5 years.
Parameter									
Fraud Risk & Credit Risk / High Risk Branches									
Adverse remarks from Internal & Concurrent Auditors									
Whistle Blower Complaints									
Unusual Activity / spurt of Business.									
Representative cross section of Rural, Semi Urban, Urban & Metro Branches.									
Non Concurrent Audit Branches.									
Branches, which are not subject to Statutory Audit in past 5 years.									

	<p>increase number of branches.</p> <p>Any other terms & conditions, as prescribed by Regulator &/or law of the land, shall be applicable with their effective date and form a part of this policy, till amendment.</p>
7.	<p>A selection committee of General Managers will be formed consisting of the following members, who will oversee/ verify the identification of branches as per Reserve Bank of India guidelines, finalization of vacancy & allotment of branches to CA Firms, as worked out by F & A Department, for placing before ACB.</p> <p>The members of the committee are as under:</p> <p>General Manager (F &A. CA & ID, SAM & Recovery, Cr. Monitoring, Chief Risk Officer & CCO in advisory role, only). The quorum of the committee will be of all participating General Managers. In case of absence of any member, the alternate General Manager will be a member of the committee. The meeting of the members shall be convened by Dy. General Manager- F & A/ Asst. General Manager- F & A.</p>

Annexure – E- LIMITED REVIEW/QUARTERLY REVIEW

1.	<p>As instructed in DBS. ARS. No. BC. 17/08.001/2002-03 dated 5th June 20023, RBI/2015-16/186, DBS. ARS. No. BC. 5/08.91.001/2015-16 dated 23rd September 2015 & RBI/2016-17/29- Ref. DBS. ARS. No. BC.2/08.91.001/2016-17 dated 28th July 2016, the limited review of the Bank is carried out by the SCAs, while reviewing the Top 20 branches. The stipulated percentage of 50% of total advance (excluding food credit & advance of Stressed Asset Management Branches) & 50% of total NPA is achieved by reviewing other branches through Concurrent Auditors, addressed to Management.</p>
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Annexure – F- Disclosure in Public Domain:

1.	<p>The Board approved policy for selection and appointment of auditors shall be available the official website of the bank.</p> <p>Further, a disclosure on the extent of business coverage under statutory branch audit for the respective year and previous year with effect from FY 2023-24, will be made available in public domain.</p>
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FORM SCA-1 - Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31st March 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

B. Additional Information:

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

C. 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 / directors have been declared as willful defaulter by any bank / financial institution.

Note: For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.

It is confirmed that the information provided above is true and correct.

Signature of the Partner

(Name of the Partner)

Date:

MRN:

FRN:

UCN:

FORM SCA-2

Certificate to be submitted by the Bank regarding eligibility of audit firm proposed to be appointed as SCA 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.

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.

The firm has no past association/association for _____ years with the bank/UCB as SCA/SA/SBA.

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:

FORM-SCA-3 - Declaration to be submitted by CA firms, applying /shortlisted to be appointed as SCA-

PARAMETER	YES	NO
1. A. Whether working as a Concurrent Auditor in our Bank. B. Whether resigned the assignment of Concurrent Auditor (within a period of one year) from the date of issuance of list by Reserve Bank of India.		
2. Compliance with minimum number of Full- Time partners (FTPs) associated with the firm for a period of three (3) years.		
3. Compliance with exclusive association of Full- Time partners.		
4. Compliance of out of total FTPs, minimum number of FCA partners associated with the firm for a period of three (3) years.		
5. Compliance of minimum number of FTP/Paid CAs with CISA/ISA qualification.		
6. Compliance of minimum number of FTP/Paid CAs with CISA/ISA qualification of paid CAs with minimum one year.		
7. Compliance of minimum number of Years of Audit Experience.		
8. Compliance with minimum number of Professional Staff.		
9. Compliance with minimum number of Year's Audit Experience.		
10. Firm is qualified for appointment as auditor of a Company in terms of Section 141 of the Companies Act 2013.		
11. Firm is qualified for appointment as auditor of a Company in terms of Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014 of audit firms or any other audit firm having common partners.		
12. Firm should not be under debarment by any Government Agency, NFRA, and ICAI, RBI or other financial regulators.		
13. Appointment 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".		
14. Any Partner of audit firm is a director in any PSBs.		
15. Capability and Experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and General Audit Software.		
16. Audit firms 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, NABFID or RBI), eight UCB and eight NBFC during a particular year.		
17. As per section 144 of Companies Act, whether the firm is associated with Bank, in any of the following activities Auditor (within a period of one year) from the date of issuance of list by Reserve Bank of India: <ul style="list-style-type: none"> • Accounting and book keeping services. • Internal audit. • Design and implementation of any financial information system. • Actuarial services. • Investment advisory services. • Investment banking services. • Rendering of outsourced financial services. • Management services. • Any other kind of services. 		

<p>Or</p> <ul style="list-style-type: none"> • Had been associated with the bank, in the specified period. 		
<p>18. As per section 144 of Companies Act, whether the firm is associated with Subsidiary/ Associate of the parent Bank, in any of the following activities Auditor (within a period of one year) from the date of issuance of list by Reserve Bank of India:</p> <ul style="list-style-type: none"> • Accounting and book keeping services. • Internal audit. • Design and implementation of any financial information system. • Actuarial services. • Investment advisory services. • Investment banking services. • Rendering of outsourced financial services. • Management services. • Any other kind of services. <p>Or</p> <ul style="list-style-type: none"> • Had been associated with the bank, in the specified period. 		
<p>19. As per section 144 of Companies Act, whether the firm is associated with listed /unlisted companies, having exposure to/from the parent Bank, in any of the following activities Auditor (within a period of one year) from the date of issuance of list by Reserve Bank of India:</p> <ul style="list-style-type: none"> • Accounting and book keeping services. • Internal audit. • Design and implementation of any financial information system. • Actuarial services. • Investment advisory services. • Investment banking services. • Rendering of outsourced financial services. • Management services. • Any other kind of services. <p>Or</p> <ul style="list-style-type: none"> • Had been associated with the bank, in the specified period. 		
<p>20. Whether the audit firm under the same network of audit firms or any other audit firm having common partners, engaged in activities mentioned in point no 2, 3 & 4. (In the specified period). (Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014). ##</p>		
<p>21. Whether the application by the SCA firm is in accordance with ICAI code of Ethics/ Guidelines for Bank Statutory Audit. Further, we confirm, the prohibitions (indicative & exhaustive) mentioned at ICAIs, CODE OF ETHICS (PART 4A – INDEPENDENCE FOR AUDIT AND REVIEW ENGAGEMENTS) are complied with, during submission of this irrevocable consent to be appointed as Statutory Central Auditor.</p>		
<p>22. The firm was a SCA of the Bank in preceding six years (Financial Year).</p>		
<p>23. Present Audit assignments, in terms of the following organizations. (in the specified period)</p> <ul style="list-style-type: none"> • PSB / All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) / RBI. • UCB/NBFC. 		

24. Eligibility Criteria:

A. BASIC ELIGIBILITY:

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/SAs of all Commercial Banks (excluding RRBs), and other Entities 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 (excluding RRBs), and UCBs/NBFCs 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:

- (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/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) 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. For other Entities, the Board/ACB/LMC shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering

<p>them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.</p> <p>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.</p> <p>Note 3: Audit Experience: 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. For UCBs and NBFCs, audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ 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.</p> <p>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.</p>		
B. ADDITIONAL CONSIDERATION:		
25. 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.		
26. 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.		
27. The Entities 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.		
28. 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/SA 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 ¹³ of that Entity.		
29. The auditors for Entities with asset size above ₹1,000 crore should preferably have 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 Entities where the accounting and business data reside in order to achieve audit objectives.		
30. The firm complies with point no 6.3, 6.4, 8.3, Annexure I-B (iv) with clarification 13 of Reserve Bank of India circular RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27 th April 2021.		

Details of Assignments undertaken from (In the specified period)-

1. Statutory Audit (Both PSB (of &/or behalf) & Other Organizations*).
2. Concurrent Audit (Both PSB (of &/or behalf) & Other Organizations*).
3. ASM. (Both PSB (of &/or behalf) & Other Organizations*).
4. Revenue Audit. (Both PSB (of &/or behalf) & Other Organizations*).
5. Stock Audit. (Both PSB (of &/or behalf) & Other Organizations*).
6. Any Other Assignment. (Both PSB (of &/or behalf) & Other Organizations*).
7. Forensic Audit.
8. Any Other Assignment.
9. IRP/RP.

* The LEI no must be quoted, if the company falls under LEF framework.

Details of Network firms / Partners (if any) may be furnished with the details of the assignments handled by the firm/ partner, which qualifies to be an assignment of Central Bank of India, Its associates, subsidiaries, JV, Exposure qualifying under LEF.

The above furnished information is true and best to our knowledge.

Signature of the Partner

(Name of the Partner)

Date:

MRN: FRN: UCN:

FORM-SBA-1 - Eligibility norms for the empanelment of audit firms to be appointed as Statutory Branch Auditors in Public Sector Banks for audits of the year ending March 31st 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
Category I	5	3	8	The firms or at least one of the partners should have a minimum of 8 years' experience of branch audit of a Public Sector bank (PSB) or of a Private Sector Bank (PVB).	8 years
Category II	3	2	6	The firm or at least one of the partners should have conducted branch audit of a PSB/PVB for at least 5 years.	6 years (for the firm, or at least one partner)
Category III	2	2	4	The firm or at least one of the CAs should have conducted branch audit of a PSB / PVB for at least 3 years.	5 years (for the firm or at least one partner)
Category IV					
Partnership Firm	2	2	2	Not Necessary	3 years
Partnership Concern	2	1	2	Not Necessary	6 years
Partnership Concern	1	1	2	The proprietor should have conducted branch audit of a PSB/ PVB 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 otherwise 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 typists, Stenographers, Computer Operators, Secretary/ies, and subordinate 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.

FORM-SBA-2 - Unconditional, Irrevocable Undertaking by the SBA Firm (to be submitted with the primary consent): (Strikethrough whichever is not applicable)

We, the firm (firm Name, UCN, FRN) hereby unconditionally, irrevocably, undertake that:

- a) We/the Firm satisfies all the criteria laid down in section 141 of the Companies Act, 2013.
- b) We/the Firm or any of its partners have not been barred from exercising duties as auditor by any regulatory body, including the RBI, Securities and Exchange Board of India, the Comptroller and Auditor General (C & A G), Government of India, the National Financial Reporting Authority (NFRA) and the Institutes of Chartered Accountant of India (ICAI).
- c) We/the Firm is not undertaking audit engagements, either as SBA or Statutory Central Auditor (SCA), of any other PSB for the period of appointment.
- d) We have previously completed four years at your Bank as SBA four year ago and We/the Firm satisfy the cooling period criteria of 4 years.
- e) We have previously completed three years at your Bank as SCA four year ago and We/the Firm satisfy the cooling period criteria of 6 years.
- f) None of the partners of the audit firm or the proprietor of the audit entity are Directors in the same Bank.
- g) We have previously completed four years at your Bank four year ago and We/the Firm satisfy the cooling period criteria.
- h) We/ the firm does not have any common partner(s) with any other SBA of the same PSB and they are not under the same network (As defined in rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms.
- i) We/ the firm meets the criteria for bank audit experience, number of partners, standing, etc., as laid down in Annex I for the audit engagements for the year ending March 31, 2023, and Annex II for the audit engagements for the year ending March 31, 2024, an onwards.
- j) We/ the firm shall report any fraud entailing an amount of ₹ 1 crore or more directly to the Fraud Monitoring Group, Department of Supervision, Reserve Bank of India. Further, the terms of engagement shall require all material

irregularities, including fraud, concurrently to the Chairman of the ACB as well as Managing Director & Chief Executive Officer of the Bank.

- k) We acknowledge that, the ACB of the Bank shall review the performance of SBAs on an annual basis. Any serious lapses, negligence in audit responsibilities, conduct issues or any other matter considered as relevant as observed by the ACB shall be reported to the RBI within two month from the completion of annual audit, with the full details of the audit firm.
- l) The audit entity is not undertaking any audit engagements, either as SBA or Statutory Central Auditor (SCA), of any other PSB for the period of appointment.

Further, we / the firm also state/ states that:

1. We / the firm will have to give irrevocable consent in writing for consideration of appointment in our bank for the current year and for subsequent continuing years.
2. A suitable undertaking from the firm(s) to the effect that the Audit will be carried out by their own staff and they will not subcontract the audit work.
3. None of the partners 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 not indebted to our Bank. Further, they have not been declared as wilful defaulters by any Bank or financial institution.
4. In the event of acceptance of the appointment as a statutory branch auditor of the Bank, the audit firm will have to relinquish all the internal assignments in our Bank.
5. There are no adverse remarks/disciplinary proceedings pending/initiated against the firm/any of its partners/proprietor on the records of ICAI, which would make them ineligible for appointment as auditors.
6. Associate firms or sister concerns of statutory audit firm are not disqualified for any internal assignment where the main firm/partners are allotted Statutory Audit in a particular year.

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