

POLICY ON APPOINTMENT / RE- APPOINTMENT OF STATUTORY AUDITORS (SCA & SBA) & NORMS OF BUSINESS COVERAGE / SELECTION OF BRANCHES FOR THE YEAR 2022-23, 2023-24 & ONWARDS.

This Policy encompasses the following items:

- A. Appointment of Statutory Central Auditors.
- B. Appointment of Statutory Branch Auditors.
- C. Norms of Business Coverage under Statutory Branch Audit/ Statutory Central Audit.
- D. Disclosure in Public Domain, thereof.

A. Appointment of Statutory Central Auditors:

Government of India by their letter No. F No. 1/14/2004-BOA dated 25/11/2014 issued by Ministry of Finance, Department of Financial Services, informed that the work of selection and appointment of SCAs is delegated to individual PSBs for the year 2014-15 and onwards. The Categorization of various Public Sector Banks (under Category A, B , and C), selection criteria along with norms on eligibility and empanelment of audit firms are being received from Reserve Bank of India every year, along with the list of Continuing Audit Firms, and Eligible Non-Continuing Firms (separately for Experienced and New Firms).

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).) has instructed all Commercial Banks (excluding RRB) to implement the guidelines with immediate effect with respect to appointment/ reappointment of SCAs/SAs. The current policy document on appointment/ re-appointment of SCAs is amended 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 norms for selection of branches for statutory Audit

Applicability of the Policy:

The policy is implemented with immediate effect, i.e. for FY 2023-24.

Central Bank of India, hereinafter mentioned as the Bank, throughout the policy document.

The details of the policy is appended below:

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.

2. Number of SCAs & Branch Coverage:

As per Reserve Bank of India guidelines, Entities with asset size of ₹15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. All other Entities should appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit. It shall 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. Further, the Entity 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 (upto 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.

Further, in terms of Reserve Bank of India guidelines on ‘Norms on eligibility, empanelment and selection of Statutory Branch Auditors in Public Sector Banks (PSBs)’, Bank shall allot the Top 20 branches (to be selected strictly in order of the level of outstanding advances) to SCAs in such a manner as to cover a minimum of 15% of total gross advances of the bank by SCAs.

3. 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:

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:

- 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. 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:

- a. For Bank, audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ AIFIs.
- b. 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

- a. 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.
- b. 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.

4. Additional Consideration:

- I. 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.
- II. The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- III. The Bank 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.
- IV. If any partner of a Chartered Accountant firm is a director in any Public Sector Bank (PSB), the said firm shall not be appointed as SCA/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-promotee [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.

- V. 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.

5. Continued Compliance with some eligibility criteria:

- I. 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.
- II. 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.

6. Independence of Auditors:

- I. The Audit Committee of the Board (ACB)/ LMC 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.
- II. In case of any concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SCAs shall approach the Board/ACB of the Entity, under intimation to the concerned SSM/RO of RBI.
- III. Concurrent auditors of the Entity should not be considered for appointment as SCAs of the Bank. The audit of the Bank and any entity with large exposure (As defined in Reserve Bank of India 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.
- IV. 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: A conflict would not normally be created in the case of the following special assignments (indicative list):

- I. Tax audit, tax representation and advice on taxation matters,
- II. Audit of interim financial statements.
- III. Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements.
- IV. Reporting on financial information or segments thereof.

- V. 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.

7. Professional Standards of SCAs:

- I. The SCAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- II. 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.
- III. 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. Tenure and Rotation:

- I. 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.
- II. An audit firm would not be eligible for reappointment in the same Entity for six years (two tenures) after completion of full or part of one term of the audit tenure. 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.
- III. One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules. For 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.

9. Audit Fees and Expenses:

- I. The remuneration to the SCAs for Audit will be paid as per the guidelines issued by RBI from time to time. 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. Statutory Audit Policy and Appointment Procedure:

- I. 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.
- II. 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.
- III. Empanelment of audit firms eligible for appointment as SCAs will continue to be done by the Office of C&AG, based on the norms prescribed by RBI, as on January 1 of the relevant year.
The list of firms as furnished by C&AG to RBI will be subjected to scrutiny by RBI for identifying the eligible firms and excluding audit firms who have been denied audit by C&AG/RBI. RBI will forward a single list of all audit firms eligible for appointment as SCAs to 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: RBI will provide a single list of eligible audit firms to PSBs as the requirement of mandatory cooling of three years and allotment of vacancies in the ratio of 60:40 between 'Experienced ' and 'New' audit firms has been

done away with from FY 2021-22. The firms in said list would not be ranked in any order and all firms would be eligible for selection by all PSBs.

- IV. Bank will obtain a certificate, along with relevant information as per Form B, 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.
- V. 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 Form C, 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.

B. Appointment of Statutory Branch Auditors:

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 (1) Appointment / Reappointment of Statutory Branch Auditors of Public Sector Banks & (2) Norms on Business Coverage under Statutory Branch Audit of Public Sector Banks.

The policy available in the public domain was approved by the Board for the FY 2022-23, which is superseded by this policy, as RBI revised the guidelines, with immediate effect. Accordingly, the policy on Appointment of Statutory Branch Auditors is revised/ realigned and presented as under:

1. 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 to grant general permission to PSBs for appointment/ re-appointment of SBAs subject to the requirements mentioned herein.

Eligibility Criteria:

2. 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:
 - a) The audit entity satisfies all the criteria laid down in section 141 of the Companies Act, 2013.
 - b) 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).

- c) 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.
 - d) In case the auditor has previously completed four consecutive years as SBA of the bank, at least four years have elapsed after the completion of the last audit engagement as SBA of the same PSB.
 - e) In case the auditor has been appointed as an SCA of the Bank in the past, at least six years have elapsed after the completion of the last audit engagement as SCA of the same PSB (irrespective of tenure of previous engagement).
 - f) None of the partners of the audit firm or the proprietor of the audit entity are Directors in the same PSB.
 - g) 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.
 - h) The audit entity meets the criteria for bank audit experience, number of partners, standing, etc., as laid down in Annex 1 for the audit engagements for the year ending March 31, 2023, and Annex 2 for the audit engagements for the year ending March 31, 2024, and onwards.
3. 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.
 4. The bank shall satisfy itself (on the basis of unconditional, irrevocable undertaking furnished by the SBA entities, as per Annexure III) 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.

Role of the Board and its Audit Committee:

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

6. PSBs 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.

7. 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).
8. It shall be ensured 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.
9. The Board approved policy for selection and appointment of auditors shall be placed on the official website of the bank. Bank shall also disclose on their website the extent of business coverage under statutory branch audit for the respective year and previous year with effect from FY 2023-24.

Appointment/ Re-appointment and Removal:

10. 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.
11. The bank shall appoint the SBA for a period of one year at a time up to a period of 4 (four) consecutive years, subject to the audit firm meeting the eligibility criteria laid down in paragraph 2 above. The names of the SBAs appointed shall be reported to RBI.
12. 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.
13. 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.
14. 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.

Consolidation of reports of branches not subject to Statutory Branch Audit:

15. 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.

Business Coverage:

16. For FY 2022-23, Statutory Branch Audit of Bank shall be carried out so as to cover a minimum of 70 % of all funded and 70 % of all non – funded credit exposures of the Bank.
17. 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.

C. Norms of Business Coverage under Statutory Branch Audit/ Statutory Central Audit:

For FY 2022-23, Statutory Branch Audit of Bank shall be carried out so as to cover a minimum of 70 % of all funded and 70 % of all non – funded credit exposures of the Bank.

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 specific aspects relating to business and financial risks, including other guidelines contained above.

The 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 quarter, or RBI intimation on List of Continuing/ Non Continuing Auditor, or as per Management decision, envisaging the level of advance as of 31st March of that year to cover 15% of gross advance.

The methodology approved by the Board for business coverage and selection of branches shall, inter-alia, consider bank-specific characteristics, degree of 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.

D. Disclosure in Public Domain, thereof.

The Board approved policy for selection and appointment of auditors shall be available the official website of the bank. 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.

Redressal of Grievances:

The Bank will have a Grievance Redressal Committee at Central Office constituting of 3 General Managers, out of which, one shall be General Manager- F &A. Deputy General Manager (F & A) / Assistant General Manager (F & A) shall be the conveyer of the meeting.

Quorum shall be any three members present out of which one member from F & A is must.

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 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.

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31st March of 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:

FORM C

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.

2. 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.

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

4. 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:

Annex- 1

Eligibility norms for the empanelment of audit firms to appointed as Statutory Branch Auditors of Public Sector Banks for Audit Engagements for the year ending March 31st 2023.

Category	No. of CAs exclusively associated* with the firm (Full time)	No. of partners exclusively associated*with the firm (full time) (Out of 2)	Professional staff*	Bank audit experience	Standing of the audit firm*
(1)	(2)	(3)	(4)	(5)	(6)
I.	5	3	8	The firm or at least one of the partners should have a minimum of 8 years' experience of branch audit of a PSB 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 PSB or of a private sector bank for at least 3 years	5 years (for the firm or at least one partner)
IV.	2	2	2	Not necessary	3 years
<p>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 PSB 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).</p>					
<p>* The definition of 'exclusive association', 'professional staff', and 'standing of the audit firm' will be the same as defined in the norms for empanelment of Statutory Central Auditors of Public Sector Banks.</p>					

Annex II

Eligibility norms for the empanelment of audit firms to be appointed as Statutory Branch Auditor of Public Sector Banks for audits of the year ending March 31, 2024, 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 firm 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
Proprietorship concern	2	1	2	Not necessary	6 years
Proprietorship 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:

- The full-time partner should not be a partner in other firm/s
- She/He should not be employed full time / part time elsewhere
- She/He should not be practising 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 articled 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.

Annexure III-

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.

Annexure IV- Process of Identification/ appointment of Statutory Branch Auditors:

- i) RBI will forward the list of Auditors for Statutory Branch Audit (Continuing & Fresh/ Non Continuing).
- ii) Bank will prepare the list of branches to be covered under Statutory Audit (Excluding Top 20).
- iii) The district wise vacancy will be worked out, keeping in view of the “minimum displacement” clause, to the extent possible.
- iv) The existing Concurrent Auditors of the Bank, if any, will be removed from the List mentioned in point no (i) Bank will use the ICAI portal & manual process for filling up the vacancy arising out of retiring firms/ inclusion of new branches, if any.
- v) For giving a fair scope to all the SBA available at the pool of Non Continuing Auditors, the vacancy shall be distributed among ICAI portal & Manual Process, on need basis, with the prior approval of ED in Charge.
- vi) The panel of SBA identified will be forwarded to RBI, for confirmation, in AAS application.
- vii) 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:

- i) The past experience of the audit firm was not satisfactory with the bank either as statutory auditor/Concurrent auditor/stock auditor.
- ii) The bank comes to know about the non-satisfactory experience with other bank/s.
- iii) 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. Central Bank of India reserves the right, in its sole discretion, to appoint any firm as SBA.

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