



**POLICY ON APPOINTMENT OF STATUTORY BRANCH AUDITORS  
(SBAs) FOR THE YEAR 2019-20 AND ONWARDS  
(DOMESTIC & OVERSEAS)**

**VERSION 1.0**

**ACCOUNTS DEPARTMENT**

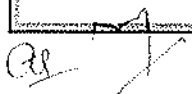
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**Title** **Policy on appointment of Statutory Branch Auditors (SBAs) for the year 2019-20 and onwards (DOMESTIC & OVERSEAS)**

**Version** **1.0**

<b>Owned By:</b>	<b>Accounts Department</b>
<b>Prepared By:</b>	<b>Accounts Department</b>
<b>Reviewed By:</b>	
<b>Approved By:</b>	<b>Board</b>
<b>Effective From:</b>	<b>From the date of Approval by the Board of the Bank</b>
<b>Validity</b>	<b>Till next appointment of SBAs by the bank.</b>



## Version Control

Version No.	Prepared By	Approved By	Effective Date
1	Accounts Department	Board	From date of approval

## Changes during the year:

Date of Issuance	Circular No.	Circular Name



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## 1. Purpose of the Policy

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

## 2. Scope of Application

The policy is applicable for appointment of Statutory Branch Auditors.

## 3. Objectives of the Policy

The objective of the Policy document is to provide guidance on appointment of Statutory Branch Auditors for the bank.

## 4. Regulatory Reference

1. RBI letter DOS.ARG.No.6026/08:08:003/2019-20 dated 13.03.2020 – for Appointment of Statutory Branch Auditors (SBAs) in Public Sector Banks (PSBs) for the year 2019-20.

## 5. Procedural Guidelines

### A. Norms for Statutory Branch Auditors (SBAs)

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 nationalised bank and/ or of a private sector bank .	8 years
II.	3	2	6	The firm or at least one of the partners should have preferably conducted branch audit of a nationalised bank or of a private sector bank for at least 5 years.	6 years (for the firm or at least one partner)

III.	2	1	4	The firm or at least one of the CAs should have preferably conducted branch audit of a nationalised bank or of a private sector bank for at least 3 years.	5 years (for the firm or at least one partner)
IV	2	2	2	Not necessary	3 years
	Even proprietorship concern without bank audit experience may be considered as hitherto. (The proprietary concerns of Chartered Accountants with 1 paid CA, 2 professional staff and not having any statutory branch audit experience of a nationalised bank or of a private sector bank will be treated at par with the partnership firm after deducting their 3 years seniority from the date of their establishment).				

**B. Procedure for Appointment of Statutory Branch Auditors in line with RBI guidelines:**

1. The following are the norms stipulated by RBI for selection of branches of PSBs for statutory audit from the year 2019-20 and onwards:
  - i) Statutory branch audit of PSBs may be carried out for all branches with advances of Rs. 20 crore & above and 1/5th of the remaining branches covering a representative cross section of rural/semi-urban/urban and metropolitan branches, predominantly including branches which are not subjected to concurrent audit, so as to cover 90% of advances of a bank. CPUs/LPUs/and other centralized hubs by whatever nomenclature called would be included in the one fifth of the remaining branches every year.
  - ii) In respect of branches below the cut-off point, which are subject to concurrent audit by chartered accountants, henceforth, LFARs and other certifications done earlier by SBAs will now be submitted by the concurrent auditors to the Chairman of the Bank and such branches may not generally be subject to statutory audit. The banks in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditor as an internal document of the bank.



- iii) Going forward, in mutual discussions with GOI and SCAs, based, inter alia, on the operational efficiency and robustness of CBS, system driven identification of NPAs, and integrity of MIS, managements of individual PSBs may decide on the threshold level of advances for the purpose of selecting branches for statutory audit.
- iv) Progressively, the threshold level of advances may be increased so that the number of branches to be taken up for statutory audit is phased down over a period of time.

For the year 2019-20, our Bank will adopt the threshold level of advances for the purpose of selecting branches at Rs. 20 Crore and above and it shall be reviewed on an annual basis.

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

- i) The list of eligible auditors/audit firms will be prepared by the Institute of Chartered Accounts of India (ICAI) as per the norms prescribed by RBI.
- ii) The above list will be subjected to scrutiny by RBI for identifying the continuing and rested firms and excluding audit firms against whom adverse remarks/disciplinary proceedings are pending or who have been denied audit.
- iii) RBI will, thereafter, forward the final list of all eligible auditors/audit firms to bank for selection.
- iv) The selection of Audit firms will be done taking into consideration of their category, location and the size of Branches selected for Audit to the extent possible.
- v) The office of the Audit firm is to be preferably in or around the branches to be audited so as to keep close liaison & keep the expenditure on TA/DA at minimum level.
- vi) The Bank would shortlist the SBAs from the list of continuing auditors and new auditors received from RBI and selection shall be made by the committee comprising of DGM (DBD), DGM (Inspection), AGM (Accounts) and placed to GM (Accounts) for approval.
- vii) Bank will be required to clearly advise the audit firms selected for consideration of appointment that each audit firm can take up audit assignment (branch audit)



in one PSB only. The audit firm should give their consent in writing for consideration of appointment in the bank concerned for the particular year and the subsequent continuing years.

- viii) The consent given by an audit firm will be treated as irrevocable and request if any, from audit firms for changing the bank, after giving its consent to the bank concerned will not be entertained.
- ix) After receipt of consent letter from SBAs, the list of firms of both continuing and newly selected branch auditors for appointment as statutory branch auditors is to be placed before the ACB/Board of the Bank for its concurrence and thereafter to be forwarded to RBI for final approval, before their actual appointment, as per statutory requirement.

## 6. Irrevocable Consent

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

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

- a) A suitable undertaking would be obtained from the firm / firms to the effect that the Audit will be carried by their own staff and they will not subcontract the Audit work and the partner/s in his/her/their individual capacity/ the other firms in which he/she/they may be partner/s have not/will not undertake audit of branches of the public sector banks for the current year.
- b) For Sole Proprietary firms, a declaration to the effect that they are full-time practicing Chartered Accountants, are not employed elsewhere and that they do not have any other business interest may be obtained from the proprietors before allowing them to take up audit assignments. The declaration should indicate the nature of other business interest of the sole proprietor, if any.
- c) None of the disqualifications under section 141 of the Companies Act, 2013 applies to them and they are qualified for appointment as Statutory Branch Auditors of the Bank.
- d) 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.
- e) None of the partners of the audit firm or their spouse, depending children and wholly or mainly dependent parents, brothers, sisters or any of them, or the firm/company in which they are partners/ directors are indebted to our Bank and





- they have not been declared as willful defaulters by any Bank or financial institutions.
- f) Associate firms or sister concerns of statutory audit firm are disqualified for internal audit or for any special assignment where the main firm/partners are allotted Statutory Audit in a particular year.
  - g) One audit firm will take up audit assignment in one PSB only during any financial year.
  - h) Irrevocable consent to be obtained from the Audit Firm in Writing for consideration of appointment in our bank for the particular year and for the subsequent continuing years.

### **8. Allocation of Branches**

While allotting branches, banks are required to select auditors / audit firms which are in close proximity to the offices/branches. Banks are also required to have a suitable mix of various categories of auditors / audit firms while selecting the branch auditors, keeping in view the size of the branches to be audited.

### **9. Maximum No of Branches to be Audited**

No auditor will be allotted more than 3 branches irrespective of the size of the branch. A branch will be allotted to an auditor if the auditor has not audited the same branch for in any one of the past 3 years. Bank shall ensure that the continuing auditors are considered first for allotment of branch audit.

### **10. Tenure**

SBAs will have a maximum tenure of four years. The appointment of SBAs will be made on an annual basis, subject to their fulfilling the eligibility norms prescribed by RBI from time to time and also subject to their suitability.

### **11. Cooling period**

The number of eligible auditors / audit firms is more than the number of branches to be audited at the following 33 centres (viz. Mumbai, Kolhapur, Pune, Solapur, Thane, Kolkata, Chennai, Coimbatore, Delhi/ New Delhi, Ajmer, Bikaner, Jaipur, Kota, Udaipur, Ahmedabad, Vadodara, Surat, Hyderabad, Chandigarh, Raipur, Faridabad, Gurgaon, Panchkula, Panipat, Sonipat, Bangalore, Ernakulam, Indore, Nagpur, Ludhiana, Jodhpur, Bhilwara, and Ghaziabad). In such centers, the auditors/ audit firms will be put to a period of compulsory rest for two years after completion of four years of continuous branch audit. In other centers, where the number of eligible auditors / audit firms is less than the number of branches to be

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audited, the branch auditors on completion of four years of continuous branch audit will be subjected to the policy of rotation.

## **12. Relinquish the Internal Assignments, if any**

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

## **13. Remuneration**

The Remuneration to the SBAs for Audit, TA/DA and other incidental expenses will be paid as per the guidelines issued by RBI from time to time and duly approved by board.

## **14. Removal / Discontinuation**

An auditor / audit firm appointed as Statutory Branch Auditor may be removed during their tenure with the prior approval of the Reserve Bank of India.

## **15. Grievance Redressal**

General Manager (Accounts)/CFO will dispose-off grievances/ complaints (if any) with regard to the selection of Statutory Central Auditors or Statutory Branch Auditors and allotment of Branches to them

## **16. Audit of Foreign Branches**

As per RBI guidelines, in the case of public sector banks having overseas branches, 1/3<sup>rd</sup> thereof (by rotation) be covered for review and the same may be got done through audit firms operating in the countries where such branches are functioning.

As on date Bank is having one branch in Singapore, 2 branches in Srilanka and one branch in Gift City, India. The Audit of existing Foreign Branch and branches which may be opened in future will be governed by the Laws of that country as well as norms prescribed by RBI. Accounts department, Corporate office will ensure compliance with respect to Auditing, Selection of Auditors and approval of remuneration etc.



## 17. General guidelines applicable to SBAs

- As regards statutory branch audit to be carried out by SCAs, bank will allot the top 20 branches (to be selected strictly in order of the level of outstanding advances) in such a manner so as to cover a minimum of 15% of total gross advances of the bank by SCAs.
- The list of firms selected for appointment as statutory branch auditors will be placed before the ACB/Board of bank for its concurrence before it is forwarded to RBI for final approval.
- The policy of one audit firm for one PSB will be continued. Accordingly an audit firm will be eligible to be appointed as a central/branch auditor of only one PSB during a particular year.
- In order to protect the independence of the auditors/audit firms, bank will make the appointment of branch auditors for a continuous period of four years, subject to the auditor's/audit firm's satisfying the eligibility norms each year.
- The firms whose partner/s is/are on the Boards of PSBs are not to be appointed as auditors of the same PSB.
- Guidelines issued by RBI from time to time also shall apply.

## 18. Review of the Policy

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

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