



**POLICY ON APPOINTMENT OF STATUTORY BRANCH
AUDITORS (SBAs) FOR THE YEAR 2020-21 AND ONWARDS
(DOMESTIC & OVERSEAS)**

VERSION 1.0

ACCOUNTS DEPARTMENT

This Policy supersedes and replaces the "Policy on Appointment of Statutory Branch Auditors (SBA) for the year 2019-20 and onwards (Domestic & Overseas)" dated 27.03.2020. This Policy is the property of Indian Bank, and may not be reproduced or copied, in any form or by any means, in whole or in part, without prior permission of Indian Bank.



**Title**

Policy on appointment of Statutory Branch Auditors (SBAs) for the year 2020-21 and onwards (DOMESTIC & OVERSEAS)

Version**1.0**

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1. Purpose of the Policy

The purpose of the Policy on appointment of Statutory Branch Auditors from 2020-21 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

RBI letter DOS. ARG.No 2160/08.08.003/2020-21 dated 15.03.2021 for Appointment of Statutory Branch Auditors (SBAs) in Public Sector Banks (PSBs) for the year 2020-21.

5. Procedural Guidelines:

A) Selection of Branches

1. Statutory branch audit of PSBs should be carried out so as to cover 90% of all funded and 90% of all non-funded credit exposure of a bank.
2. The selection of branches for statutory audit shall include a representative cross section of rural/semi-urban/urban and metropolitan branches , predominantly including branches which are not subjected to concurrent audit.
3. CPUs/ LPUs / and other centralised hubs, by whatever nomenclature called, would be included for branch audit every year.
4. The selection of branches shall be finalised with the consent of Statutory Central Auditor/s.
5. In respect of those branches, which are subject to concurrent audit by chartered accountants and not selected for branch audit, LFARs and other certifications done by concurrent auditors will be submitted to Managing Director & CEO of the bank. The banks in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditor/s as an internal document of the bank.



**B) Appointment of Auditors**

1. 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.
2. The above list will be subjected to scrutiny by RBI for identifying the continuing and rested firms and excluding audit firms who have been denied audit.
3. RBI will, thereafter, forward the final list of all eligible auditors/audit firms to the PSBs for selection of the required number of branch auditors/audit firms.
4. The selection of Audit firms will be done taking into consideration of their category, location and size of Branches selected for Audit to their extent possible.
5. The Bank will 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), DGM/AGM (Accounts) and is to be placed to GM-CFO for approval.
6. Bank will be required to clearly advise the selected audit firms that each audit firm can take up the audit assignment (branch audit) in one PSB only. The audit firm should give its consent in writing for consideration of appointment in the bank concerned for the particular year and the subsequent continuing years.
7. The consent given by an audit firm is irrevocable and no request from audit firms for changing the bank, after giving its consent will be entertained.
8. 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 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.

C) Eligibility Norms

The eligibility norms for the empanelment of audit firms to be appointed as statutory branch auditors for PSBs (2020-21 onwards) is given as annexure-A



D) Disqualification

1. The audit firms retiring as Statutory Central Auditors from a PSB shall not be eligible to be appointed as SBAs of the same PSB during the prescribed cooling period for SCAs from that particular PSB. In this connection, the banks shall ensure that such audit firms are not selected for fresh appointment even if they appear in their respective non-continuing list made available by RBI.
2. The firms whose partner/s is/are on the Boards of PSBs are not to be appointed as auditors of the same PSB

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. Allocation of Branches

While allotting branches, Bank is required to select auditors / audit firms which are in close proximity to the offices/branches. Banks are also advised to allot branches, to the extent possible to the audit firms taking into consideration their category and audit experience in such a way that specialized and large branches are audited by bigger/experienced audit firms.

8. Maximum Number 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.

9. 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

10. Cooling period

RBI has done away with the concept of compulsory rest for two years for audit firms located in the specified centres, after completion of four years of continuous branch audit, followed till FY 2019-20. Instead, the branch auditors across all the centres of the country, on completion of four years of continuous branch audit, will be subjected to the policy of rotation i.e they may be considered for appointment as SBAs of any other PSB. However, the audit firms will not be eligible to be re-appointed as SBAs, in the same bank where they completed their audit assignment prior to rest/rotation, at least for one cycle of four years.



11. Relinquish the Internal Assignments, if any

The audit firms associated with internal assignment, shall relinquish the same, before accepting the assignment for statutory audit for the particular year. Further, all the internal assignments in subsidiaries of the Bank, if any, shall also be stand withdrawn.

12. 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.

13. Removal / Discontinuation of Auditors/Audit firms

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.

14. Grievance Redressal

General Manager-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.

15. Audit of Foreign/Overseas Branches

As per RBI guidelines, in the case of public sector banks having overseas branches, 1/3rd 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, 3 branches in Sri Lanka 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.

16. 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.
- Guidelines issued by RBI from time to time also shall apply

17. Undertakings/Declarations to be obtained from audit firms.

- An 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.
- 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.
- 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.
- 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
- 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.
- 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.
- One audit firm will take up audit assignment in one PSB only during any financial year.
- 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

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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19. ANNEXURE-A

Eligibility norms for the empanelment of audit firms to be appointed as Statutory Branch Auditors for PSBs (2020-21 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)
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).		
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* 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, which is mentioned below:

a) 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) He should not be employed full time / part time elsewhere
- (c) He should not be practicing in his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2 (2) of the Chartered Accountants Act, 1949.
- (d) The total compensation@ of the partner from the firm should not be below the following limit.

In case the Head Office of the firms located in

- (i) Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad
 - ACA partner - Rs.1.80 lakh in a year (Rs.15000/- per month)
 - FCA partner - Rs. 3.00 lakh in a year (Rs.25000/- per month)
- (ii) Other Places
 - ACA partner - Rs.1.20 lakh in a year (Rs.10000/- per month)
 - FCA partner - Rs. 1.80 lakh in a year (Rs.15000/- per month)

(e) A partner whose total compensation@ from the firm is less than the following will not be treated as exclusively associated with the firm.

Firms having more than 14 partners	1%
Firms having 10 to 14 partners	3%
Firms having 5 to 9 partners	5%
Firms having less than 5 partners	8%

@Total Compensation = Sum total of share of profit, remuneration and interest on capital.



