

Policy for appointment of Statutory Central Auditors (SCAs) :

As on 1 January of the relative year the firm should have

Eligibility criteria :

- i. minimum 7 full time Chartered Accountants, of which at least 5 should be full time partners exclusively associated with the firm. These partners should have minimum continuous association with the firm i.e. one each should have continuous association with the firm at least for 15 years and 10 years, two with a minimum of 5 years each and one with a minimum of one year. The remaining 2 full time Chartered Accountants or partners, as the case may be, should also have a continuous association with the firm for a period of one year. Four of the partners should be FCAs. Also at least two of the partners should have minimum 15 and 10 years experience in practice. In case the paid Chartered Accountant available with the firm without any break was admitted as a partner of the said firm at a future date, his association with the firm as a partner will be counted from the date of his joining the firm as a paid Chartered Accountant.
- ii. The number of professional staff (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staff etc.) consisting of audit and articled clerks with the knowledge in book-keeping and accountancy and are engaged in outdoor audit should be 18.
- iii. The standing of the firm should be of at least 15 years which would be reckoned from the date of availability of one full time FCA continuously with the firm.
- iv. The firm should have minimum statutory central audit experience of 15 years of public sector banks (before or after nationalization) and/or by way of statutory branch audit thereof or that of statutory audit experience of a private sector bank. In case any of the partner of an audit firm is nominated/elected for a period of at least 3 years or more on the Board of any public sector bank then his/her such experience for a maximum period of three years will be considered as bank audit experience, provided such experience has not been earned by him/her concurrently i.e. when his/her firm was assigned statutory audit of any PSB, select all India financial Institutions or RBI.

- v. The firm should have statutory audit experience of 5 years of the public sector undertakings (either Central or State Government undertaking). While calculating such experience, more than one assignment given to a firm during a particular year or more than one year's statutory audit (audits in arrears) assigned to the firm will be reckoned, as one year experience only, for the purpose of counting such experience.
- vi. At least two partners of the firm or its paid Chartered Accountant must possess DISA/CISA or any other equivalent qualification.

General Norms applicable for SCAs :

The audit must be carried out by the firm's own staff and they should not sub-contract work in any manner whatsoever. A suitable undertaking would be obtained from the firm to that effect.

A declaration would be obtained from the auditors/audit firms that

- i. none of the disqualifications under section 226 of the Companies Act, 1956 applies to them and they are qualified for appointment as statutory auditors of the bank.
- ii. 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.
- iii. in addition to the requirements of section 226(3)(d) of the Companies Act 1956, in regard to indebtedness, the spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/proprietors of the firm or the firm/company in which their partners/directors are not indebted to the bank.
- iv. none of the partners/proprietor of the audit firm or their spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/proprietors of the firm or the firm/company in which their partners/directors have been declared as willful defaulters by any bank/financial institutions.

Audit firms cannot undertake statutory audit assignment while they are associated with internal assignments in the bank during the same year. In case the firms are associated with internal assignments, they should relinquish the internal assignments before accepting the statutory audit assignment during the year.

Associate firms or sister concerns of statutory audit firm are disqualified for internal audit or for any special assignment when the main firm/partners are allotted Statutory Audit in a particular year.

The concept of one audit firm for one PSB will continue. Accordingly an audit firm will be eligible to be appointed as a Central/Branch auditor of only one PSB during a particular year.

The audit firm which takes up statutory central audit assignment in a PSB will not be eligible to be appointed as a statutory central auditor in a private sector/foreign bank during that particular year and vice versa.

The appointment of SCA/branch auditors will be for a continuous period of three and four years respectively subject to the firms satisfying the eligibility norms each year. The SCA/branch auditors cannot be removed during the above period without prior approval of the Reserve Bank of India

The above norms are in line with RBI guidelines.

Annexure II**Policy for appointment of Statutory Branch Auditors (SBAs) :****Categorisation norms for the empanelment of audit firms to be appointed as Statutory Branch Auditors**

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 nationalized 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 nationalized bank or of a private sector bank	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 nationalized 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 nationalized 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).				

General Norms applicable for SBAs :

The audit must be carried out by the firms own staff and they should not sub-contract work in any manner whatsoever . A suitable undertaking would be obtained from the firm to that effect.

A declaration would be obtained from the auditors/audit firms that

- i. none of the disqualifications under section 226 of the Companies Act, 1956 applies to them and they are qualified for appointment as statutory auditors of the bank.
- ii. 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.
- iii. in additions to the requirements of section 226(3)(d) of the Companies Act 1956, in regard to indebtedness, the spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the

partners/proprietors of the firm or the firm/company in which their partners/directors are not indebted to the bank.

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- iv. none of the partners/proprietor of the audit firm or their spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/proprietors of the firm or the firm/company in which their partners/directors have been declared as willful defaulters by any bank/financial institutions.

Audit firms should not undertake statutory audit assignment while they are associated with internal assignments in the bank during the same year. In case the firms are associated with internal assignments, they should relinquish the internal assignments before accepting the statutory audit assignment during the year.

Associate firms or sister concerns of statutory audit firm are disqualified for internal audit or for any special assignment when the main firm/partners are allotted Statutory Audit in a particular year.

The concept of one audit firm for one PSB will continue. One audit firm will take up audit assignment in one PSB only.

The above norms are in line with RBI guidelines.

The following modifications have been made in the policy consequent to changes made by RBI in the procedure for appointment of Statutory Central Auditors for 2015-16 :

1. A graded panel of Audit firms (eligible for appointment as SCA), has been identified by CAG and made available to banks by RBI.
2. SCA firms would be identified from the list as per cut-off decided by RBI, depending on the category of the Bank. The cut-off would be on the basis of total vacancies (experienced firms and new firms) in a particular category.
3. Bank of India is in Category A and in respect of the Banks which are in Category A, the audit firms have to be chosen from the graded panel which is upto four times of the total vacancies in Category A (for all Banks) for the current year
4. A shortlist of audit firms would be identified by the Committee of General Managers constituted as per the policy for appointment of SCA.
5. The shortlisted firms would be asked to give their willingness in writing to accept the assignment of SCA work without any commitment on the part of the Bank as regards their appointment. The shortlisted firms to be given freedom to send their willingness to multiple Banks, if approached by them.
6. The shortlisted firms list would be placed before the ACB and adequate number of audit firms in order of preference, would be approved by the ACB to take care of the situation where some audit firms may not give consent.
7. The audit firms would be thereafter approached by the Bank to give their consent in writing strictly in the order of preference and the Bank would follow this order of preference and appoint the first Audit Firm which gave its consent. The audit firms giving consent would be equal to the number of vacancies in a year, subject to compliance with RBI norms on eligibility and empanelment.
8. On receipt of the consent from the audit firms, the list would be placed before the ACB for their concurrence, before being forwarded to RBI for final approval
9. The appointment would be formalized on receiving RBI approval.

