

**Policy for Selection and appointment of Statutory Branch Auditors in the Bank-2022-23**

Appointment of Statutory Branch Auditors is being done on the basis of guidelines issued by Government of India (GOI)/ Reserve Bank of India (RBI) from time to time. Present Policy guidelines is based on RBI recent guidelines Ref **DOS.CO.ARG/S8213/08.91.001/2022-23 dated 06<sup>th</sup> March 2023 and DoS.CO.ARG.No.S8056/08.92.001/2022-23 dated 01<sup>st</sup> March 2023.**

**A. APPOINTMENT OF STATUTORY BRANCH AUDITOR (SBA)**

**I. Eligible Audit Firms:**

The list of eligible firms for appointment of Statutory Branch Auditors (SBAs) will be forwarded by RBI. However, the Bank will be guided by the eligibility norms specified in Annex 1 of RBI letter DOS.CO.ARG/S8213/08.91.001/2022-23 dated 06<sup>th</sup> March 2023. RBI will provide two list of Auditors one containing name of continuing Auditors and other will contain name of Audit firms who are eligible for appointment.

**II. Selection of Branches:**

**Statutory branch audit of the Bank should 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. 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. RLH/SME/Agri hubs don't have separate sol ids rather they are working as separate department in zonal offices hence are Included In the annual audit of zonal offices by central auditors every year. Centralized hubs like service branches and CPPC Nagpur would also be included for branch audit every year.**

In respect of branches which are subject to concurrent audit by chartered accountants and not selected for Branch Audit, LFARs and other certifications done by the concurrent auditors, shall be consolidated and submitted by the bank to Statutory Central Auditors.

**III. Procedure for selection of Audit Firms & eligibility criteria for Branch Audit:**

- a. The Bank will select the names of the audit firms for Branch Audit from the list of eligible audit firms forwarded by the RBI. While selecting the names of Audit Firms, the following criteria will be considered:
  - The office of the Audit Firm is to be preferably in or around the branches to be audited so as to keep close liaison and keep the expenditure on TA/DA at minimum level. In case local auditors are not available, auditors from the nearby districts/States (As far as practicable) may be considered.
  - 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.
  - Any other criteria RBI may stipulate.
- b. The names of firms selected from non-continuing list together with the names of continuing Branch Auditors will be recommended to RBI for their approval by uploading the names of firm in RBI AAS applications
- c. The Audit entity satisfies all criteria laid down in section 141 of the Companies Act,2013.
- d. The Audit entity or any of its partners have not been barred from exercising duties as auditor by any regulatory body including the RBI, SEBI, the comptroller and auditor general (C&AG), Government of India, the national financial reporting authority (NFRA) and the institute of chartered accountants of India (ICAI).
- e. The audit entity is not undertaking audit engagement, either as SBA or Statutory Central Auditor (SCA), of any other PSB for the period of appointment.
- f. 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.
- g. In case of 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).
- h. None of the partners of the Audit firm or the proprietor of the audit entity are director in the same PSB.

- i. The audit entity does not have any common partner(s) with any other SBA of the same PSB and that they are not under the same network of the Audit firms.
- j. The audit entity meets the criteria for the 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.

k. **Committee Approach**

A committee of General Managers/Departmental Head from Risk Management, Credit monitoring, Audit & inspection and Finance Department would shortlist & finalize firms for statutory branch Audit from the list of audit firms provided by Reserve Bank of India for Statutory Branch Audit and shall be placed before the Audit Committee of the Board for its approval.

**IV. Irrevocable consent:**

Irrevocable consent will 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.

**V. Tenure:**

SBA Firm will have tenure of four years. The appointment of SBA will be made on annual basis subject to their fulfilling the eligibility norms prescribed by RBI from time to time and subject to their performance and suitability. Further, the concept of compulsory rest for two years for audit firms located in the specified centers after completion of four years of continuous Branch audit in our Bank is done away with. However, the same audit firms will not be eligible to be re-appointed as SBAs in our Bank after completion of four years tenure at least for one cycle of four years.

**VI. Number of Assignment:**

One Audit firm can take up audit assignment in one Public Sector Bank only

**VII. Allocation of Branches:**

- a. No distinction will be made between the continuing auditors and the fresh auditors.
- b. Bank will allot branches, to the extent possible, to the audit firms in the order of their category in such a way that larger branches are audited by bigger/experienced Audit Firms.
- c. Local auditors will be preferred for branch audit. Among local auditors preference will be given category wise. In case local auditors are not available, auditors from the nearby districts within the State/adjoining

States/other States will be considered for audit.

- d. Bank will give assignment to all the auditors approved/considered for appointment.
- e. Allocation of Top 20 Branches shall be allocated to Statutory Central Auditors strictly based on outstanding Advances in such a manner so as to cover minimum 15% of total gross Advances of the Bank

**VIII. Maximum Number of Branches to be Audited:**

Not more than two (2) branches (irrespective of the size) will be allotted to each of the branch auditors.

**IX. 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.

**X. 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.

None of the disqualifications under section 226 of the Companies Act, 1956 applies to them and they are qualified for appointment as Statutory Branch Auditors of the Bank.

- b. 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.
- c. None of the partners of your 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. Further, they have not been declared as wilful defaulters by any Bank or financial institute.
- d. 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. '
- e. One audit firm will take up audit assignment in our Bank only during any financial year.
- f. The firms whose partner/s is on the Board of the Bank are not eligible to be appointed as auditor of the Bank.
- g. A suitable undertaking would be obtained from firms/partners for fulfillment of

eligibility criteria.

- h. The SBA shall report any fraud entailing an amount of Rs. 1 crore or more directly to the Fraud Monitoring Group, Department of Supervision, RBI. Further, the terms of engagement shall require reporting of all material irregularities, including frauds, concurrently to the chairman of the ACB as well as the MD & CEO of the Bank.

**XI. Removal/Discontinuation:**

An audit firm appointed as Statutory Branch Auditor may be removed during its tenure with the prior approval of the Reserve Bank of India. The Board of Directors of the Bank/ACB will be the competent authority to recommend removal of any SBA to RBI.

**B. Audit Of Foreign Branches:**

As on date Bank is having two foreign branches at Singapore and Hong Kong. The Audit of existing Foreign Branches and branches which may be opened in future will be governed by the Laws of that country as well as norms prescribed by RBI. International Wing, Head Office will ensure compliance with respect to Auditing, Selection of Auditors and payment of remuneration etc.

**C. Structure for Payment of Fees:**

**(i) Audit Fees**

Statutory Auditors will be paid fees for audit as per extant RBI guidelines Ref No. Dos.CO.ARG.NO.S8056/08.92.001/2022-23 dated 1<sup>st</sup> March 2023. The Schedule of audit fees admissible to the auditors for the audit work of the branch, depending upon the quantum of total advances (**a to I**) [as on the date with reference to which the audit is conducted] will be as under:

<b>Category of bank branches (on the basis of quantum of advances)</b>	<b>Rates of Audit fees (Amount in Rs.)</b>
a) Up to Rs. 10 crore	44,250/-
b) Above Rs. 10 crore up to Rs. 20 crore	63,250/-
c) Above Rs. 20 crore up to Rs. 30 crore	87,300/-
d) Above Rs. 30 crore up to Rs. 50 crore	1,32,800/-
e) Above Rs. 50 crore up to Rs. 75 crore	1,51,800/-
f) Above Rs. 75 crore up to Rs. 125 crore	2,01,150/-
g) Above Rs. 125 crore up to Rs. 175 crore	2,51,750/-

h) Above Rs. 175 crore up to Rs. 300 crore	3,16,250/-
i) Above Rs. 300 crore up to Rs. 500 crore	3,56,750/-
j) Above Rs. 500 crore up to Rs. 1000 crore	3,95,950/-
k) Above Rs. 1000 crore up to Rs. 5000 crore	4,35,150/-
l) Above Rs. 5000 crore	4,74,350/-
m) Service Branches/Specialized branches i.e. City Back Offices and Central Pension Processing Cell branches will be paid audit fees of Rs. 30,000/-	30,000 /-
n) Asset Management Branches/Asset Recovery Branches	25% of the Audit fee payable on the size of the advance portfolio (NPA) of that Asset Management Branch/Asset Recovery Branch

**(ii) Fees for LFAR**

Particulars	Fees for LFAR
HO/Controlling Offices	25% of basic audit fees
Branches	10% of basic audit fees

- a. No fee is payable to Branch Auditors for additional attestation  
b. No separate TA/HA shall be payable for LFAR.

- (iii)** Tax Audit: Tax Audit in accordance with Income Tax Act shall be conducted at head office level, hence No tax Audit requirement will be at Branch.
- (iv)** Branches below the cut-off point of annual audit which are subject to Concurrent Audit by Chartered Accountants, Concurrent Auditor will submit LFAR for that branch and will get the remuneration equal to the fees received by Concurrent Auditors for one month.

**D. Reimbursement of Travelling and Halting Allowances and Daily Conveyance Charges**

1. For reimbursement of the lodging & boarding charges, travelling allowance and daily conveyance to statutory auditors, the Banks has been given the discretion to decide the same in a cost effective manner in mutual consent with the auditors. Further, in no circumstances should the rate exceed the IBA prescription for the respective ceiling. The categories of officers linked for the purpose of deciding the ceiling limits are given below.

<b>Category of audit Officials</b>	<b>Equivalent scale of Bank Officials(as per IBA)</b>
Partners/Proprietors	VII – General Manager
Qualified Assistants	III – Senior Manager
Unqualified Assistants	I – Officers

2. With regard to the reimbursement of travelling, halting allowance and daily conveyance charges, the Bank shall consider as under:
- i) Wherever the Bank has Guest House or Visiting Officers' Flats, the same may be utilized to cater to the needs of the auditors.
  - ii) Bank will call for such details as are necessary for verification of bills in this regard and the statutory central auditors shall furnish such details for verification of the actual expenses.
  - iii) Where the statutory auditors have their headquarters at a place different from that where the Head/Central Office of the bank is situated, but have an office at the same place as the Head/Central Office of the bank, the TA/HA, if any, should be nominal for the audit. However, to ensure the quality of audit, there will be no objection to the partners of the firm visiting the Head/Central Office of the bank as and when they deem it necessary.
  - iv) Where the statutory central auditors or branch auditors have an office at the place where the branches/offices of the bank to be audited are situated, they will not be reimbursed TA/HA. However, local conveyance will be reimbursed.
  - v) In case of dispute between the auditors and the bank regarding settlement of their bills, the MD& CEO of the Bank shall be the final authority to decide the claims satisfying himself that the actual expenses have been incurred by a particular auditor and the claims are settled keeping in view the aforesaid RBI guidelines.

**The policy contained hereinabove is in conformity with the guidelines issued by RBI.**

We enclose herewith:

(a) Gist of Changes in the Policy

(b) Revised Policy-For Selection and appointment of Statutory Branch Auditors in the Bank-2022-23

We recommend for approval of the policy for the current financial year 2022-23.

**(Shelesh Navlakha)**  
**Assistant General Manager**

**(Sujoy Dutta)**  
**Deputy General Manager**

Encl: As stated Above

RESOLUTION

" Board of Directors considered Memorandum no HO/FIN/ /2022-23 dated 08<sup>th</sup> March 2023 and resolved that the Policy for Selection and appointment of Statutory Branch Auditors in the Bank-2022-23