

**Policy for Selection and appointment of Statutory Branch Auditors (SBAs) of Bank-
F.Y. 2024-25**

As per RBI guidelines, Bank shall have Board approved policy for appointment of Statutory Branch Auditors and Bank shall also disclose on their website the extent of business coverage under statutory branch audit for the respective year and the previous year with effect from FY 2023-24 and onwards.

As per RBI guidelines dated 06th March 2023, from FY 2023-24 and onwards, the PSBs have been given the discretion to determine business coverage under Statutory Branch Audit, as per their Board approved policy, after considering bank-specific aspects relating to business and financial risk.

Further for FY 2023-24 and onwards RBI has given general permission to Public Sector Banks (PSBs) for appointment/reappointment of SBAs, that means RBI will not accords prior approval for appointment of SBAs of PSBs.

As per RBI guidelines, 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 policy, inter-alia, should consider bank-specific characteristic, degree of centralization of processes, need to address fraud risk and credit risk, adverse reports from internal/concurrent auditors, whistle blower complaints and unusual pattern/activity shown by internal MIS reports.

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 1A** of RBI letter DOS.CO.ARG/S8213/08.91.001/2022-23 dated 06th 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. Methodology for Selection of Branches:

- Statutory branch audit of the Bank should be carried out so as to cover a minimum of 78% of all funded and 78 % of all non-funded credit exposures of the bank.



Financial Year	Audit Coverage (in % of credit exposure)
2023-24 (As per last approved Policy)	Bank covered 78% of all funded and 78% of all non-funded credit exposure for FY 2023-24.
2024-25	Minimum coverage of 78% of all funded and 78% of all non-funded credit exposure of the Bank.

- The selection of branches for statutory audit shall include a representative cross section of rural/semi-urban/urban and metropolitan branches including branches which are not subjected to concurrent audit within a minimum of 78% of all funded and 78% of all non-funded credit exposures of the bank.
- RLH/MSME/Agri/Integrated hubs which have separate sol ids would be included for Branch Audit. (RLH/MSME/Agri hubs which don't have separate sol ids, they are generally working as separate department in zonal offices and already Included In the annual audit of zonal offices by central statutory auditors every year).
- Centralized hubs like service branches and CPPC Nagpur would be included for branch audit.
- Category B Branches, AMB (Asset Management Branches) would be included for Branch Audit.
- Branches having fraud detected and reported during the FY 2024-25 by Fraud Management Cell, Risk Management Department
- High risk Branches /Special report Branches identified by the Audit & Inspection Department.
- Up to 20% of the Branches will be covered which were not under Statutory Branch Audit in the last 5 years within a minimum of 78% of all funded and 78% of all non-funded credit exposures of the bank.
- 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,



selection of firms will be done taking into consideration of their category, location and the size of Branches selected for Audit to the extent possible.

- b. The names of firms selected from non-continuing list together with the names of continuing Branch Auditors will be reported to RBI (through AAS) along with details of allocation of branches thereof by uploading in RBI AAS applications.
- c. The actual selection of Branches as well as the allocation of SBAs will be done as per the Board approved methodology and approved by the Audit Committee of the Board (ACB).
- d. The Audit entity satisfies all criteria laid down in section 141 of the Companies Act, 2013.
- e. 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).
- f. 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.
- g. 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.
- h. 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).
- i. None of the partners of the Audit firm or the proprietor of the audit entity are director in the same PSB.
- j. 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.
- k. The audit entity meets the criteria for the bank audit experience, number of partners, standing, etc., as laid down in Annex 1A for the audit engagements for the year ending March 31, 2024.

I. **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:**

Before appointing the audit entity, Irrevocable consent will be obtained from the Audit Firm in writing for consideration of appointment/re-appointment as SBA for the particular year and during the subsequent continuing years, respectively, and not to take up Statutory Branch Audit engagement with any other PSB during such period. The Audit entity will be eligible for appointment/re-appointment as a SCA or as SBA of only one PSB during a particular year.

V. **Tenure:**

SBA Firm will be appointed as SBA for a period of one year at a time up to a period of four consecutive years, subject to the audit firm meeting the eligibility criteria. 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. In case the audit firm has previously completed four consecutive years as SBA of our bank, 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:**

- No distinction will be made between the continuing auditors and the fresh auditors.
- 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.
- Bank will give assignment to all the auditors approved/considered for appointment.



- d. 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 Statutory 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:

- e. 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, 2013 applies to them and they are qualified for appointment as Statutory Branch Auditors of the Bank.

- f. 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.

- g. 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.

- h. 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. '

- i. Audit firm will take up only one audit assignment in our Bank during any financial year.
- j. The firms whose partner/s is on the Board of the Bank are not eligible to be appointed as auditor of the Bank.
- k. A suitable undertaking would be obtained from firms/partners for fulfilment of eligibility criteria.

- I. 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.

XII. 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 Department, Head Office will ensure compliance with respect to Auditing, Selection of Auditors and payment of remuneration etc.

Audit Fees and Expenses:

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 1st March 2023. In this said guideline, RBI has given fee structure in respect of basic Audit fee only for Head office (based on balance sheet size) and Branches (based on quantum of Advance). Bank will decide fees of all other items of work (such as additional certifications required by SEBI, preparation of LFAR, Scrutiny and incorporation of returns of Branches, auditing of consolidated financial statements, quarterly/half-yearly limited review, other additional certifications/reporting required by RBI etc.) done by Statutory Auditors with the approval of their Board/ACB. Further, the Bank has been given discretion to decide for reimbursement of lodging & boarding charges, travelling charges, halting allowances and daily conveyance payable to Statutory Auditors in a cost-effective manner in mutual consent with Auditors.

1. 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 L**) [as on the date with reference to which the audit is conducted] will be as under:



Category of bank branches (on the basis of quantum of advances)	Rates of Audit fees (Amount in Rs.)
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/-

2. Fees for others works/Certification:

Sl No	Particulars	Fee Structure
i	Service Branches/Specialized branches i.e. City Back Offices and Central Pension Processing Cell branches RLH/ALH/ILH/MSME hub which are working as separate sol id and not linked with any zone/Branch	44,250 /- (As minimum fee prescribed by RBI for the branches having advances)
ii	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
iii	Preparation of Long Form Audit Report	10% of basic audit fees of the Branch



iv	Preparation of Long Form Audit Report and other certification by Concurrent Auditors of those Branches not selected for Statutory Branch Audit	15000/- plus applicable taxes per Branch to Concurrent Auditor
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- a. No fee is payable to Branch Auditors for additional attestation
b. No separate TA/HA shall be payable for LFAR.

4. Reimbursement of Travelling and Halting Allowances and Daily Conveyance Charges

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.

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

With regard to the reimbursement of travelling, halting allowance and daily conveyance charges, the Bank shall consider as under:

- Wherever the Bank has Guest House or Visiting Officers' Flats, the same may be utilized to cater to the needs of the auditors.
- Bank will call for such details as are necessary for verification of bills in this regard and the statutory auditors shall furnish such details for verification of the actual expenses.
- 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) All expense bills where GST is charged should have Bank GSTN mentioned on the Invoice. Expenses will be reimbursed on actual basis within the maximum ceiling.
- vi) 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.

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Annex 1 A

Eligibility Norms advised by Reserve Bank of India for appointment of Statutory Branch Auditors (SBAs) for the FY March 31,2024, and 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 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 public sector bank /private sector bank 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 public sector bank/private sector bank 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 public sector bank /private sector bank for at least 3 years	6 years

* 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 or his own name or engaged in practice elsewhere 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 typist, stenographers, computer operators, secretary/ies and sub-ordinate 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.