Policy for appointment of Statutory Central Auditors (SCAs):

I. **Number of Audit Firms:**

   As per RBI guidelines, the number of Audit Firms to be appointed as SCAs is determined on the basis of Balance Sheet size (assets and liabilities) of the Bank as at the end of the previous financial year. As per extant guidelines of RBI, 6 SCAs are required for our Bank.

II. **Eligible Audit Firms:**

   From the year 2010-11 onwards, Bank will obtain the names of eligible Audit Firms directly from the Reserve Bank of India/ Office of the Comptrollers & Auditor General of India (C&AG), as the case may be, as per norms of empanelment for SCAs of the Bank stipulated by RBI/SEBI, as detailed below:

   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. 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 with deposits resources of not less than Rs. 500 crore. 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 one partner of the firm or its paid Chartered Accountant must possess CISA/ISA or any other equivalent qualification.

vii. The firm should subject itself to the peer review process of Institute of Chartered Accountants of India (ICAI) and hold a valid certificate issued by the Peer Review Board of the ICAI.

III. Procedure for selection of Audit Firms for SCAs:

A committee consisting of General Manager – Comptroller’s Department and General Manager – Inspection and Audit Department, will select the name(s) of the Audit Firm(s) from the list of eligible audit firms obtained from the office of RBI/C&AG and after obtaining their consent in writing for consideration for appointment as SCAs, their names will be recommended to RBI after taking approval of ACB/Board. The following criteria will be adopted in selection of audit firm for Statutory Central Auditors:
a. Sufficient manpower is available with the firm to carry out the audit at more than one place at a time; and

b. Discreet enquiries about the credentials of the audit firms will be made by us.

IV. Irrevocable consent:

Irrevocable consent will be obtained from the Audit Firm in writing for consideration of appointment as SCA for the particular year and for the subsequent continuing years. The consent given by an audit firm will be treated as irrevocable and request, if any, from Audit Firms for changing the Bank, after having given its consent is not to be entertained.

V. Tenure:

SCA firm will have maximum tenure of 3 years and each year the appointment of the SCA firm will be subject to approval by the Bank’s Board and RBI.

VI. General Norms applicable for SCAs:

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

2. 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 they are 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 they are partners/directors, have been declared as willful defaulters by any bank/financial institutions.

3. 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.

4. 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.

5. The concept of one audit firm for one PSB will apply. The audit firm will not take up audit assignment of any other PSB.

The above norms are in line with RBI guidelines.

VI. Redressal of grievances:

General Manager (Comptroller’s) will dispose off grievance/complaints (if any) with regard to the selection of Statutory Central Auditors.
Policy for appointment of Statutory Branch Auditors (SBAs):

I. Eligible Audit Firms:

From the year 2010-11 and onwards, Banks will obtain the names of eligible audit firms directly from the RBI/ C&AG/ Office of the Institute of Chartered Accountants of India (ICAI), as the case may be, as per norms of empanelment for Statutory Branch Auditors, as detailed below:

<table>
<thead>
<tr>
<th>Category</th>
<th>No. of CAs exclusively associated with the firm (Full time)</th>
<th>No. of partners exclusively associated with the firm (Full time) (Out of 2)</th>
<th>Professional staff</th>
<th>Bank audit experience</th>
<th>Standing of the audit firm</th>
</tr>
</thead>
<tbody>
<tr>
<td>I.</td>
<td>5</td>
<td>3</td>
<td>8</td>
<td>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 with deposits of not less than Rs. 500 crore.</td>
<td>8 years</td>
</tr>
<tr>
<td>II.</td>
<td>3</td>
<td>2</td>
<td>6</td>
<td>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 with deposits not less than Rs. 500 cr. for at least 5 years</td>
<td>6 years (for the firm or at least one partner)</td>
</tr>
<tr>
<td>III.</td>
<td>2</td>
<td>1</td>
<td>4</td>
<td>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 with deposits not less than Rs.500 cr. for at least 3 years</td>
<td></td>
</tr>
<tr>
<td>IV.</td>
<td>2</td>
<td>2</td>
<td>2</td>
<td>Not necessary</td>
<td>3 years</td>
</tr>
</tbody>
</table>

|   |   |   |   |   |
|---|---|---|---|
| II. **Procedure for selection of Audit Firms for SBAs** |   |   |   |
|   | A committee consisting of Zonal Manager and two Officials of Zonal Office will select the name(s) of the Audit Firms(s) from the list of eligible audit firms to be forwarded by Head Office, Comptroller’s Department as per requirement of their Zone. The Zonal Offices will obtain their consent in writing and send their names to Comptrollers’ Department, Head Office, who will recommend the names to RBI for their approval. |

The following criteria will be adopted in selection of audit firms for Statutory Branch Auditors:
a. To the extent possible, the office of Audit Firms 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 within the State/adjoin States/other States will be considered;

b. To the extent possible, there should be a suitable mix of various categories of Auditors/Audit Firms keeping in view the size of the branches to be audited;

III. Irrevocable consent:

Irrevocable consent will be obtained from the Audit Firm in writing for consideration of appointment as SBA in our Bank for the particular year and for the subsequent continuing years. The consent given by an Audit Firm will be treated as irrevocable and request, if any, from Audit Firms for changing the Bank, after having given its consent is not to be entertained.

IV. Tenure:

SBA firm will have maximum tenure of 4 years and each year the appointment of SBA will be subject to approval by RBI.

V. Allocation of branches:

i. No distinction will be made between the continuing auditors and the fresh auditors;

ii. Bank will allot branches, to the extent possible, to the audit firms taking consideration their category of the firm;

iii. 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;

iv. Bank will give assignment to all the auditors approved / considered for a appointment.

VI. Maximum Number of branches to be audited:

Not more than three (3) branches (irrespective of the size) will be allotted to each of the branch auditors.
VII. **General Norms applicable for SBAs**:

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

2. 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 they are 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 they are partners/directors, have been declared as willful defaulters by any bank/financial institutions.

3. 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.

4. 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.

5. The concept of one audit firm for one PSB will apply. The audit firm will not take up audit assignment of any other PSB. The above norms are in line with RBI guidelines.
VIII. **Redressal of grievances**:

General Manager (Comptroller’s) will dispose off grievance/complaints (if any) with regard to the selection of Statutory Central Auditors or Statutory Branch Auditors.