

POLICY FOR SELECTION AND APPOINTMENT OF STATUTORY CENTRAL AUDITORS (SCAs):

Norms on eligibility, empanelment and selection of Statutory Central Auditors:

- i) The audit firm shall have a minimum 7 full time chartered accountants, of which at least 5 should be full time partners exclusively associated with the firm. The remaining 2 could be either exclusive partners or CA employees with a continuous association with the firm for a period of one year. 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.)

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.

- ii) The number of professional staf (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staf etc.), consisting of audit and articed 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 nationalisation) 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 two partners of the firm or its paid Chartered Accountants must possess CISA / ISA qualification.

Note: C &AG will empanel the Audit Firms based on the above parameters as on Jan 1st of the relevant year and send the panel to RBI.

Procedure for Appointment of Statutory Central Auditors (SCAs):

- 1) Syndicate Bank being a Medium Bank (Category "B"), shall not have more than 5 SCAs. However, the actual number of SCAs to be appointed can be decided by the Bank's Board as per the norms approved by the Government of India, subject to the above limit.
- 2) The cooling period after completing the term of three years as SCA will be of three years.
- 3) The appointment of SCAs 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.
- 4) From the financial year 2014-15, selection and appointment of SCAs will be done by the Bank with the approval of RBI.
- 5) The procedure for selection of SCAs is as under:

- a) The eligible list of firms as furnished by C&AG every year will be examined by RBI.
- b) RBI will verify that the firm has minimum bank audit experience of 15 years from its records.
- c) A graded panel (done by C&AG) of the audit firms is provided by RBI, segregated to two categories 'Experienced' and 'New' audit firms. Both the panels i.e. experienced as well as new firms are ranked (highest to lowest) based on the points given by C&AG. The banks will select the statutory auditors as per norms from the two panels.
- d) Further, within the graded panel, there will be cut off for Category 'A' banks, limited to audit firms ranked up to the number in the C & AG that is FOUR times the number of total vacancy in that category (Category A) for the relevant year. Similarly for Category 'B' Banks (including our Bank) it is limited to audit firms ranked up to the number in the C & AG, that is Eight times the number of total vacancy in that category (Category A) for the relevant year.
- e) The cut offs for each category of Banks, both for experienced as well as new firms, will be indicated by RBI at the time of forwarding of the panels to banks.
- f) RBI will prepare separate list of rested, continuing and non-continuing eligible audit firms after excluding the name of firms who have been denied audit by RBI / C&AG and the firms who have declined the offer of appointment given by Public Sector Banks. The list of non continuing eligible audit firms will be further split up into list of experienced audit firms and new audit firms. Reserve bank will be giving Public Sector Banks i) List of Continuing Firms (i.e. the list of audit Firms who have not completed three years of audit ii) List of eligible, non continuing audit firms in two parts viz. experienced audit firms and new audit firms.
- g) The allotment of vacancies of SCA's shall be in the ratio of 60:40 between 'Experienced 'and 'New' audit firms. As regards ratio of 60:40, banks will round the number to the nearest round number and choose auditors from the 'Experienced' and 'New' firm list. For this purpose, an 'Experienced' firm is one which has a Statutory Central Audit experience of any of the Public Sector Banks and 'New Firm' is one who does not have such experience.
- h) While making final selection, the Bank will take into consideration the following points:
 - a. To the extent possible, at least two audit firms having their Head Office from the same place where the banks' HO / CO is located, to be allocated.
 - b. Audit firms are not selected if they have retired from the Syndicate-Bank before going under rest.
 - c. The firms whose partner/s are on the Board of PSBs are not appointed as auditors for the same PSB.
 - d. An audit firm is eligible to be appointed as a Central/ Branch auditor of only one PSB during a particular year.
 - e. For our Bank, discreet enquiries about the credentials of the audit firm to be made informally to maintain the secrecy as desired by RBI for short listing of

audit firms. For this GM Committee will be formed, consisting any three of the following:

1. General Manager (Central Accounts Department),
 2. General Manager (Credit),
 3. General Manager (Recovery).
- f. Bank will obtain the willingness in writing from above shortlisted audit firm(s) to accept the assignment of Statutory Central Audit work. In the willingness letter, it should be clearly mentioned that there is no commitment on the part of PSBs to allot the Statutory Central Audit work to the auditors and the audit firms are free to give similar willingness to multiple PSBs, if approached by other PSBs
- g. The shortlist will be placed before Audit Committee of the Board for deciding order of preference for seeking consent letter to appoint as SCAs. The ACB will approve adequate number of audit firm (s) in order of preference. The number of audit firms approved should be adequate enough to take care of the situation where some firms may not give consent.
- h. Thereafter, Bank, Bank will approach the audit firms to obtain their consent in writing strictly in order of preference.
- i. The audit firm should give their consent in writing for consideration of appointment in the bank concerned for the particular year and the subsequent continuing years subject to complying with certain conditions. If the approached audit firm does not give consent, the bank will approach the next audit firm in order of preference for obtaining consent till the time the number of audit firms who have given the consent equals to number of vacancies for the particular year.
- j. The consent letter may clearly state that this selection of the audit firms as Statutory Central Auditor is subject to approval of RBI and any force majeure events and, in such cases, the audit firms will not have any claim against the PSBs and RBI. The PSBs may also clearly mention in the consent letter that appointment is subject to complying with the stipulated norms on eligibility and empanelment issued by RBI from time to time. In the consent letter, the audit firm should declare that consent is given to one PSB only.
- k. It may also be incorporated in the consent letter that the consent given by an audit firm will be treated as irrevocable and request, if any, from audit firms for changing the bank, after giving its consent to the bank concerned will not be entertained.
- l. The list of selected firms who have given consent for appointment as statutory auditors in Syndicate Bank, in the manner as above, be placed before the ACB for its concurrence before it is forwarded to RBI for its prior approval before their actual appointment.

6) Audit firm(s) selected by the Bank after obtaining consent in writing from the audit firm will be debarred for a period of 3 years for selection if the firm refuses to accept the appointment without a reasonable ground, that is ground not to the satisfaction of RBI.

7) After selection, as per the statutory requirement, banks, in turn, are required to forward the names of the selected SCAs to RBI for its prior approval before their actual appointment.

8) The audit firms selected as SCAs by Syndicate Bank will be required to give an undertaking that, in case of selection in Syndicate Bank, they would give up the existing assignment, if any, in Private Banks / Foreign Banks / RBI / Financial Institutions such as National Housing Bank, EXIM Bank etc. and they cannot refuse appointment of Syndicate Bank once selected.

9) A feedback on the quality of audit of SCAs may be given by PSBs to RBI after the annual audit of banks.

POLICY FOR SELECTION OF STATUTORY BRANCH AUDITORS (SBAs):

Norms for the empanelment of audit firms to be appointed as Statutory Branch Auditors for Public Sector Banks:

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.	6 years (for the firm or at least one partner)

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
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

Procedure for Appointment of Statutory Branch Auditors (SBAs):

The revised norms for selection of Branches for Statutory Branch Audit for the year 2017-18 will be as under:

- (a) Statutory branch audit may be carried out for all Branches with advances of Rs. 20 Crore & above and 1/5th of the remaining Branches covering a representative cross section of rural / semi-urban / urban and metropolitan Branches predominantly including Branches which are not subjected to concurrent audit, so as to cover 90% of advances of the Bank. CPUs / LPUs / and other centralized hubs by whatever nomenclature called would be included in the one-fifth of the remaining Branches every year.

- (b) The selection of Statutory Branch Auditors (SBAs) is based on the following criteria:
- The selection of firm will be in a manner to ensure logistical advantage to save time and cost in audit program. In case local auditors are not available, auditors from nearby districts /states (as far as practicable) may be considered.
 - The number of Branch Auditors required in each District based on the number of Branches selected as per the above RBI Guidelines has to be identified and the availability of continuing auditors in that District has to be considered.
 - Based on this criteria, A Committee consisting of four Executives; namely General Manager (Central Accounts Department), General Manager (Recoveries), General Manager (Credit) and Deputy General Manager / Asst. General Manager (Central Accounts Department) may select for appointment the required Branch Auditors for the respective Districts. The Committee may take assistance of ICAI developed software also for selecting branch auditors.
- (c) In respect of Branches below the cut-off point, which are subject to concurrent audit by Chartered Accountants, henceforth, LFARs and other certifications done earlier by SBAs will now be submitted by the concurrent auditors to the Chairman of the bank and such branches may not generally be subject to statutory audit. The bank in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditor as an internal document of the bank.
- (d) Any other Branches that may be required to be taken up for audit for any special reasons like fraud, embezzlement of funds etc., or where transactions of suspicious nature were observed.
- (e) Norms regarding rest and rotation of firms for branch audit would continue to be as per present prescription.

2. The following procedure will be followed for appointment of Statutory Branch Auditors (SBAs):

- i. The list of eligible auditors / audit firms will be prepared by the Institute of Chartered Accountants of India (ICAI) as per the norms prescribed by RBI.
- ii. The above list will be subjected to scrutiny by RBI for identifying the continuing and rested firms and excluding audit firms against whom adverse remarks / disciplinary proceedings are pending or who have been denied audit.
- iii. RBI will, thereafter, forward the final list of all eligible auditors / audit firms to PSBs for selection.

- iv. Bank will select the required number branch auditors / audit firms. Banks will clearly advise the audit firms selected for consideration of appointment that each audit firm can take up audit assignment (branch audit) in one PSB only. The audit firm should give their consent in writing for consideration of appointment in the bank concerned for the particular year and the subsequent continuing years.
 - v. The consent given by an audit firm will be treated as irrevocable and request, if any, from audit firms for changing the bank, after giving its consent to the bank concerned will not be entertained.
 - vi. After the selection of branch auditors, Bank will be required to recommend the names of both continuing and selected branch auditors to RBI for seeking its prior approval before their actual appointment, as per statutory requirement.
3. 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.
 4. The number of eligible auditors / audit firms is more than the number of branches to be audited at the following 33 centres (viz. Mumbai, Kolhapur, Pune, Solapur, Thane, Kolkata, Chennai, Coimbatore, Delhi / New Delhi, Ajmer, Bikaner, Jaipur, Kota, Udaipur, Ahmedabad, Vadodara, Surat, Hyderabad, Chandigarh, Raipur, Faridabad, Gurgaon, Panchkula, Panipat, Sonapat, Bangalore, Ernakulam, Indore, Nagpur, Ludhiana, Jodhpur, Bhilwara, and Ghaziabad). In such centres, the auditors / audit firms will be put to a period of compulsory rest for two years after completion of four years of continuous branch audit. In other centres, where the number of eligible auditors / audit firms is less than the number of branches to be audited, the branch auditors on completion of four years of continuous branch audit will be subjected to the policy of rotation.
 5. While allotting branches, bank will select auditors / audit firms which are in close proximity to our offices / branches. There will be a suitable mix of various categories of auditors / audit firms while selecting the Branch Auditors keeping in view the size of the Branches to be audited.
 6. 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 as to cover a minimum of 15% of total gross advances of the Bank by SCAs.

GENERAL GUIDELINES APPLICABLE TO BOTH SCAS AND SBAS:

- (i) All PSBs are required to have a Board approved policy for appointment of statutory auditors and the same may be hosted on the bank's web-site. Banks are also required to ensure that the policy framed by the Board in the matter of selection of auditors / audit firms for appointment of auditors is strictly adhered to. Further, the

list of firms selected for appointment as statutory auditors may be placed before the ACB for its concurrence before it is forwarded to RBI for final approval.

- (ii) 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.
- (iii) Further, an 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.
- (iv) In order to protect the independence of the auditors / audit firms, banks will have to make the appointments of SCA / branch auditors for a continuous period of three and four years respectively subject to the firms satisfying the eligibility norms each year. Banks cannot remove the audit firms during the above period without the prior approval of the Reserve Bank of India.
- (v) Irrevocable consent is to be obtained from the Audit Firm in writing for consideration of appointment in the 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.