



Policy for appointment of Statutory Branch Auditors (SBAs) for the year FY2022-23

Reserve Bank of India has recently announced norms on eligibility, empanelment and selection of SBAs for the public sector banks (PSBs) vide their Circular DOS.CO.ARG.No.S8056/08.92.001/2022-23 dated 01.03.2023 and Circular DOS.CO.ARG.No.S8213/08.91.001/2022-23 dated 06.03.2023 for the year 2022-23. In terms of the extant guidelines, our bank has considered the Board approved policy for appointment of Statutory Branch Auditors (SBAs) vide Board approval dated 24.03.2023.

2. This time, based on the latest RBI guidelines dated 01.03.2023 and dated 06.03.2023, we have adopted the policy for appointment of SBAs, including the eligibility norms and general guidelines etc., after consultation with the Statutory Central Auditor.

3. The brief key highlights of the policy for appointment of Statutory Branch Auditor for the year FY2022-23 are reproduced as under:

- (a) As per the existing policy in vogue, the statutory branch audits of our Bank should be carried out so as to cover a minimum of 90% of all funded and 90% 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. However, the majority consent of the Statutory Central Auditors (SCAs) shall be considered to be final, while deciding the threshold limit of the branch audits by the Statutory Branch Auditors (SBAs).
- (b) For the branches operating as NPA Recovery Branches and Branches where there is no advance portfolio, such as Service Branches, Specialized Branches etc, the bank with the approval of the ACB, shall propose the audit fees and seek approval of RBI. Accordingly, the Processing Centres such as – (a) SME City Centres , (b) Agriculture Business Centres , (c) Retail Business Processing Centres and (d) 50% of the Z-CODs shall be under statutory audit. Since these Processing Centres and Z-CODs do not have any outstanding advances, the audit fees of Rs 22,000 per branch, in line with the last year, subject to approval of RBI.

- (c) Further, in respect of those branches, which are subject to concurrent audit by Chartered Accountants and not selected for branch audit, LFARs and other certifications done by concurrent auditors will be addressed to the bank which will be consolidated / compiled and other certifications submitted by the Concurrent Auditors and will be submitted to Statutory Central Auditor of the Bank, as per our Bank's existing policy.
- 4. The selection of Branches for Statutory Audit shall include the following:
 - (a) The Bank shall appoint the required number of auditors as Statutory Branch Auditors every year out of the approved names by RBI fulfilling the eligibility norms, and based on the expression of interest received from these auditors.
 - (b) We adopt the policy of one audit firm for one Bank. Accordingly, an audit firm shall be eligible to be appointed as a branch auditor of only one PSB during a particular year.
 - (c) The appointed statutory branch auditors will continue for 4 years term in the Bank subject to the firms satisfying the eligibility norms each year. The appointed SBA firms cannot be removed during the above period without the prior approval of the RBI.
 - (d) While allotting branches, the Bank shall normally select auditors / audit firms which are in close proximity to our offices / branches. Bank shall have a suitable mix of various categories of auditors / audit firms while selecting the branch auditors keeping in view the size of the branch to be audited. However, in case, sufficient number of local audit firms is not available from nearby place / state, Auditors from other state will be considered. Further, no TA / DA will be payable to the Audit Firms, if the allotted branches are within the 50 kms vicinity from their respected Head Office, mentioned as per the RBI list.
 - (e) The remuneration and other charges to SBAs will be paid as per Reserve Bank of India guidelines. In case of any disputes as regards the settlement of the bills, the decision of the MD & CEO or Executive Director (in case of non-availability of the MD & CEO) of the bank shall be regarded as the final authority.

5. The selection of SBAs will be made based on the following conditions, as under:
- (a) Eligible Auditors / Audit Firms should be qualified under provisions of Section 141 of Companies Act, 2013 for appointment as Auditors of the Bank. No adverse remarks / disciplinary proceedings pending / initiated against the Firms / any of its Partners / Proprietor on record of Institute of Chartered Accountants of India (ICAI) or National Financial Reporting Authority (NFRA). A self declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.
 - (b) The Auditors and their relatives (as per the definition given in the Companies Act, 2013) should not be indebted to any bank and their names should not appear as 'defaulter' in any of the credit information company data. A self declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.
 - (c) The Auditors / Audit Firms should not be a willful defaulter of other Banks / Financial Institutions. A self-declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.
 - (d) The Auditors / Audit Firms should not be carrying any assignment of Statutory Audit or acting as Consultants in any capacity in any of our Bank's subsidiary / associates, as on 15th March of the current financial year onwards. A self declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.
 - (e) The Audit Firm whose partner/s are on the Boards of our Bank or any of our Bank's subsidiary / associates, are not to be appointed as SBA of the Bank. A self-declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.
 - (f) The Auditors / Audit Firms should not be carrying any assignment of Concurrent Audit or ASM Audit of the Bank or any of our Bank's subsidiary / associates, as on 15th March of the current financial year onwards. A self-declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.
 - (g) The Auditors / Audit Firms should not be carrying any assignment as Consultant in the Bank or in any of our Bank's subsidiary / associates, as on 15th March of

the current financial year onwards. A self-declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.

- (h) The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.
- (i) The audit firms retiring as Statutory Central Auditors will not be eligible to be appointed as SBA during the prescribed cooling period for SCAs as per the RBI guidelines or 6 years, whichever is later, in our Bank. A self-declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.
- (j) The SBAs, continued for 4 years (and/or resigned before expiring 4 years) shall not be appointed as SBAs in our Bank for another term, unless completed another term of full or part tenure in any of the PSBs. A self-declaration, in this regard, shall be obtained from the Audit Firms, as per the bank accepted format or otherwise.
- (k) If any of the self-declarations, as above, is proved to be false, then the Bank shall report the same to RBI, CAG, NFRA and ICAI for initiating appropriate proceedings.

(Approved by the Board dated 24.03.2023)