

POLICY FOR APPOINTMENT OF STATUTORY CENTRAL AUDITORS (SCAs) AND STATUTORY BRANCH AUDITORS (SBAs)

Govt. of India, Ministry of Finance, had granted managerial autonomy to Public Sector Banks (PSBs) in the matter of appointment of Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) and a roadmap was rolled out to operationalize the same.

Based on the RBI guidelines and other statutory provisions, the following procedure will be followed for appointment of SCAs and SBAs:

- i) As per extant norms of Reserve Bank of India, fourteen SCAs can be appointed by our Bank.
- ii) In terms of section 41(1) of the SBI Act 1955, the appointment of Statutory Auditors of Bank will be done with the approval of RBI.
- iii) The Bank will select suitable SCAs/SBAs from the list provided by RBI/C&AG – as the case may be and after obtaining the consent of the audit firms in writing for consideration of appointment as SCA/SBAs, would recommend their names to RBI with the approval of the ACB.
- iv) In respect of SCA's, only experienced audit firms will be appointed. Preference would be given to those firms having adequate seniority, audit experience in PSBs and PSUs, number of partners, number of professional employees and partners having audit experience in the technology environment.
- v) The Bank would clearly advise the audit firms selected for consideration of appointment that one audit firm can take up audit assignment (SCA/SBA) in one PSB only and would obtain their consent in writing for consideration of appointment as SCA or SBA of the Bank for the particular year before recommending their names to RBI.
- vi) Local auditors would be preferred for branch audit. Among local auditors, preference would be given category-wise. In case local auditors are not available, auditors from the nearby districts within the State/adjoining States/other States may be considered for audit.



vii) Only audit firms duly qualified under the provisions of Section 141 of Companies Act 2013 and with no adverse remarks/disciplinary proceedings pending/initiated against the firm/any of its partners/proprietor on the records of ICAI would be considered as eligible for appointment as auditors.

viii) A declaration as per the format prescribed by RBI will be obtained that none of the partners/proprietors of the audit firms, or their spouse, dependent children, 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 their partners/directors have been declared as willful defaulters by any bank/financial institutions. If any auditor/audit firm refuses to give such declaration statutory audit assignment would not be allotted to them

ix) SCA firm would have maximum tenure of three years and each year the appointment of SCA would be subject to approval by the Bank's Board and RBI.

x) SBA firms would have maximum tenure of four years and not more than three branches would be allotted to each SBA firm.

xi) SCA firm, if appointed as Statutory Branch Auditors after completion of 3 years' tenure as SCA, would be eligible for appointment as SCA again only after completing assignment as SCA in another PSB and a cooling off period of 3 years thereafter.

xii) In order to protect the independence of the auditors/audit firms, Bank would not remove any audit firm without prior concurrence of the RBI.

xiii) It would be ensured that all approved auditors/audit firm are allotted appropriate audit assignments and no distinction would be made between the continuing auditors and the fresh auditors in allotment of Branches.

xiv) Audit firms would 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 would relinquish the internal assignments before accepting the statutory audit assignments during the year.



xv) Associate firms or sister concerns of statutory audit firm would be disqualified for internal audit or for any special assignment when the main firm/partners are allotted statutory audit in a particular year.

xvi) In respect of SBAs, the category (I, II , III & IV) of audit firms/auditors would be considered while allotting branches in such a way that as far as possible larger branches are audited by bigger/ more experienced audit firms.

xvii) Fee for Statutory Audit will be paid as per RBI guidelines. Audit firms would be eligible for TA/DA as per the extant guidelines issued by RBI and amendments therein from time to time.

xviii) A committee of senior officials comprising DMD & CFO, CGM(FR&T) and CGM (FC) would be empowered to shortlist the names of SCAs and SBAs forwarded by RBI/C&AG for selection. The same would be put up to the ACB before being forwarded to the RBI for appointment as SCA/SBA.

xix) In case of grievances like non appointment as auditors for the Bank, selection of branches, number of branches etc. the matter would be referred to the senior-most MD and his decision would be binding on the Bank's Auditors.

xx) The eligibility norms for SCAs and SBAs are enclosed as Annexure I and Annexure II respectively.



ELIGIBILITY NORMS FOR APPOINTMENT AS STATUTORY CENTRAL AUDITORS (SCAs) IN SBI

As on 1 January of the relative year the firm should have

(i) Minimum of 7 full time chartered accountants, of which at least 5 should be full time partners exclusively associated with the firm. Of these five full time exclusively associated partners, one each should have minimum continuous association with the firm at least for 15 years and 10 years, two with a minimum continuous association of 5 years each and one with a minimum continuous association of one year. The remaining two could be either exclusively associated partners or CA employees. There should be at least one year continuous association for both exclusive partners and CA employees. 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 at least 30.

(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 20 years) 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 full time partners of the firm or its paid full time Chartered Accountants must possess CISA/ISA qualification.

(vii) In terms of SEBI (Listing obligations and Disclosure Requirements) Regulations, 2015, Regulation 33 (1) (d), only those firms will be considered for appointment as SCAs, who has subjected themselves 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.

(viii) The Bank shall appoint at least one audit firm having their Head Office in Mumbai.

(ix) The Chartered Accountant firm/s, whose partner/s are serving on the Board of any Nationalized Banks/PSB as Part Time Non-Official Director/s under CA Director category, will not be appointed as Statutory Central Auditor in the Bank.



Annexure II

Eligibility Norms for appointment as Statutory Branch Auditors (SBAs)

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
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 for at least 5 years.	6 years (for the firm or at least one partner)
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.	Even proprietorship concern without bank audit experience may be considered. (The proprietary concerns of Chartered Accountants with 1 paid CA, 2 professional staff and not having any statutory branch audit experience of a nationalised bank or of a private sector bank will be treated at par with the partnership firm after deducting their 3 years seniority from the date of their establishment).			Not necessary	3 years

