

## **CORPORATION BANK**

### **Policy for selection and appointment of Statutory Central Auditors (SCAs)**

#### **1.0 Norms on eligibility, empanelment and selection of SCAs in PSBs-Eligibility Criteria**

The selection of SCA shall be from the list of Auditors empaneled as SCAs with C & AG for the relevant Financial Year and duly examined and forwarded by Reserve Bank of India to the banks for selection as SCAs. The SCAs so empanelled are meeting the following criteria :-

- a. 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 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.

**NOTE :** (In case the paid CA 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 partner will be counted from the date of his joining the firm as paid CA)

**Full time partner does not include a person who is :**

- 1) A Partner in other firms
  - 2) Employed full time / part time elsewhere, practicing in 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
- b. 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.
  - c. 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.
  - d. The firm should have minimum statutory central audit experience of 15 years of Public Sector Banks 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 Cr.

**NOTE :** 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 PSB then his/her such experience for a maximum period of 3 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 institution or RBI.

- e. The firm should have statutory audit experience of 5 years of the Public Sector Undertakings (either Central or State Government undertaking).
- f. At least two partners of the firm or its paid Chartered Accountants must possess CISA/ ISA qualification.

## **2.0 Number of SCAs**

- a. The Bank being classified under Category “B” Banks (Medium Banks) shall not have more than 5 SCAs. Actual numbers of SCAs to be appointed on an annual basis can be decided by the Board subject to the above limit. The SCAs presently permitted as per the Board approved Policy of the Bank shall not be more than FIVE.
- b. The audit firm selected for consideration of appointment can take up audit assignment ( central or branch ) in one PSB only their consent in writing should be obtained in this regard. Consent so given by them will be treated as irrevocable and the firm should be advised in this regard.

## **3.0 Procedure to be followed for selection of SCAs as per Circular number DBS ARS NO 9724/08.91.008/2014-15 dated February 6, 2015 :**

- a. The selection will be made from the eligible list of auditors provided by the RBI to the banks.
- b. Audit firms applying for empanelment as SCAs in PSBs will be required to give an undertaking that, in case of selection they would give up the existing assignment, if any, in Private Bank/ Foreign Bank/ RBI/ Financial Institutions such as National Housing Bank, EXIM Bank etc. and they cannot refuse appointment of PSB once selected.
- c. The allotment of vacancies of SCAs 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' is one who does not have any such experience.

- d. If the Audit firm selected by the Bank is from the list of "Experienced" audit firms, declaration to the effect that the Firm has previous experience of Statutory Central Audit of PSBs has to be obtained. If the Audit firm selected by the Bank is from the list of "New" audit firms, declaration to the effect that the Firm does not have previous experience of Statutory Central Audit of PSBs has to be obtained.
- e. 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.
- f. Audit firms are not selected if they have retired from the same bank before going under rest.
- g. The firms whose partner/s are on the Board of PSBs are not appointed as auditors for the same PSB.
- h. An audit firm is eligible to be appointed as a Central/ Branch auditor of only one PSB during a particular year.
- i. Audit firm 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 satisfaction of RBI.
- j. The list of firms selected for appointment as SCAs may be placed before the ACB for its concurrence.
- k. After selection, bank in turn, is required to forward the names of the selected SCAs to RBI for its prior approval before their actual appointment.
- l. It shall be ensured that the audit firms recommended by the Bank maintain confidentiality till the final approval is received / actual appointment is made.
- m. A feedback on the quality of audit of SCAs may be given by the bank to RBI after the annual audit of the Bank.

- n. In order to protect the independence of the auditors / audit firms, Bank will have to make appointments of SCA for a continuous period of three years 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 RBI.
- o. Board approved policy for appointment of statutory auditors should be hosted on the bank's web-site.

The eligibility criteria and general norms listed herein above are in line with RBI guidelines.

**4.0 Selection of SCAs from the list communicated by RBI.**

- a. The Reserve Bank of India will be providing to Public Sector Banks :
  - I. List of Continuing Firms (i.e. List of audit firms who have not completed three years of audit.
  - II. List of firms who are undergoing rest / cooling.
  - III. List of eligible, non-continuing audit firms in two parts viz. experienced audit firms and new audit firms.
- b. The selection of SCAs shall be made subject to complying with the RBI guidelines as per Para 3.0 above and as under:
  - i. A Committee of General Managers called " Selection Committee for appointment of auditors" would shortlist the audit firms from the list of audit firms provided by RBI based on the guidelines framed by ACB of the Bank within the framework of the RBI guidelines whenever a vacancy arises. The Committee would consist of :

General Manager- Financial Management Division	Chairman of the Committee
General Manager- Risk Management Division	Member
General Manager- Inspection and Audit Division	Member
General Manager- Credit Division	Member
General Manager- credit-Priority and SME	Member

- ii. In the absence of any member of the Committee due to leave or otherwise, the Alternate General Manager in charge shall be the member of the Committee. The quorum for the meeting is FOUR.
- iii. The identified audit firms would be contacted for their willingness to accept appointment as SCAs in case they are appointed. In case the identified audit firm refuses, then next audit firm in order to be contacted and so on.

- iv. A checklist to be prepared to confirm that the selected audit firm is conforming to the guidelines.
- v. The name/s of such identified audit firm/s would be placed before the Audit Committee of the Board for approval and to recommend such name(s) to Reserve Bank of India for their final approval before final appointment. This would be placed before the Board of Directors for information.
- vi. The said policy shall be in force till any new guidelines are issued by Reserve Bank of India/ other regulatory authorities. The policy shall be reviewed every year.

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