



**UNITED BANK OF INDIA
HEAD OFFICE
11, Hemanta Basu Sarani, Kolkata,700001**

Bank's policy on eligibility, empanelment and selection of Statutory Central Auditors from 2016-17 and onwards

C&AG will empanel the Audit Firms based on the specified parameters as on January 1st of the relevant year and send the panel to RBI. Reserve Bank of India, Department of Banking Supervision, Central Office, Mumbai through their letter DBS. ARS. No. 3554/08:01:03/2016-17 dated 28th October 2016 has laid down the guidelines to be adopted for appointment of Statutory Central Auditors (SCAs) in public sector banks as approved by Govt. of India from the year 2014-15.

Our Policy on appointment of Statutory Auditors is based on the guidelines issued by Govt. of India and Reserve Bank of India and is subject to changes, if any, made by GOI and/or RBI from time to time.

- **Eligibility**

The eligibility norms for empanelment of Statutory Central Auditors (SCAs) will be in accordance with Annex 1 of RBI letter no. DBS. ARS. No. 3554 / 08.01.003/2016-17 dated October 28, 2016 and as may be modified by RBI from time to time. Besides, one audit firm can act as SCA in only one PSB during a particular year.

The Norms on eligibility, empanelment and selection of Statutory Central Auditors;

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

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.

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 (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.)

e. 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.

f. At least two partners of the firm or its paid Chartered Accountants must possess CISA / ISA qualification.

- **No. of Statutory Central Auditors**

For the year 2016-17 and onwards, the Bank will appoint four (4) SCAs as prescribed by Govt. of India and actual number of SCAs to be appointed can be decided by the Board of Directors subject to the above limit.

- **Tenure**

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.

In order to protect the independence of the auditors/audit firms, bank will appoint the SCAs for a continuous period of three years subject to the firms satisfying the eligibility norms each year.

- **Selection**

The Government has decided that from the financial year 2016-17, selection and appointment of SCAs is delegated to individual Public Sector Banks. As a result our Bank will select the required number of SCAs from the list of eligible auditors sent by RBI in terms of Procedure for appointment of SCAs in Public Sector Banks annexed to the RBI letter no. DBS. ARS. No. 3554 / 08.01.003/2016-17 dated October 28, 2016.

The salient features are as under:

- 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.
- Audit firms are not selected if they have retired from the same Bank before going under rest.
- The firms whose partner/s are on the Boards of PSBs are not appointed as auditors for the same PSB.
- An audit firm is eligible to be appointed as a Central/ Branch Auditor of only one PSB during a particular year.

- 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.
- As per Board approved parameters, selection of Statutory Central Auditors will be made by the Bank in following order.
- Bank will prepare list of shortlisted audit firms in terms of Board approved parameters.
 - a) Bank will obtain the willingness in writing from the shortlisted audit firm(s) to accept the assignment of statutory central audit works with the clause that there is no commitment on the part of the PSB to allot the Statutory Central Audit work to auditors and the audit firms are free to give similar willingness to multiple PSBs, if approved by other PSBs.
 - b) The list of shortlisted audit firms will be placed before ACB . 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.
 - c) The Bank will approach the audit firms to obtain their consent in writing strictly in order of preference. 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 their fulfilling the eligibility norms prescribed by RBI from time to time. 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.
 - d) 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 having 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.

- e) 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.
- f) The list of such selected firms (i.e. the firms who have given consent in the manner as stated above) who have given consent for appointment as statutory central auditors in PSB may be placed before the ACB for its concurrence before it is forwarded to RBI for its prior approval before their actual appointment.
- g) Audit firm(s) selected by the PSBs 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.

- **Appointment**

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.

- **Removal**

Banks can remove the audit firms during the above period with the prior approval of the Reserve Bank of India.

- **Undertakings/ Declarations by the Audit firm/ firms:**

- In case of selection in our Bank, the firm(s) 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 our appointment once selected.
- The firm(s), after submitting the consent in writing will be debarred for a period of 3 years for selection if they refuse(s) to accept the appointment without a reasonable ground (that is ground not to the satisfaction of RBI).
- At the time of acceptance of appointment as SCA of our Bank, the firm(s) has to relinquish any internal assignment allotted to them in our Bank/ Subsidiary of our Bank. Their associate firms or

sister concerns are also disqualified for internal audit or for any special assignment of our Bank.

- A suitable undertaking from the firm(s) to the effect that the Audit will be carried by their own staff and they will not subcontract the Audit Work.
- None of the disqualifications under section 141 of the Companies Act, 2013 applies to them and they are qualified for appointment as Statutory Central Auditors of the Bank.
- 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.
- None of the partners of the audit firm or their spouse dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, OR the firm/ company in which they are partners/ directors are not indebted to our Bank. Further, they have not been declared as willful defaulters by any Bank or financial institution.
- Associate firms or sister concerns of statutory audit firm are disqualified for internal audit or for any special assignment where the main firm/partners are allotted Statutory Audit in a particular year.

- **General Conditions:**

1. The above described policy in the matter of selection of Auditors/audit firms for appointment of auditors will be followed strictly.
2. The General Manager & CFO and or any other official duly authorized by him will issue appointment letters to the SCAs and SBAs for the particular year.
3. A feedback on the quality of audit of SCAs will be given by our Bank to RBI after completion of the annual audit.
4. The above policy will be reviewed by the Bank every year or as may be deemed necessary.

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