

## **IDBI Bank Ltd.**

### **Policy for appointment of Statutory Central Auditors (SCA) for the year 2018-19 and onwards**

#### **1. Eligibility of Audit Firms to be appointed as SCA**

The Eligibility norms (as advised by Reserve Bank of India) are as under:-

- 1.1** As on 01<sup>st</sup> January of the relevant year audit firm should have a minimum of 7 full time chartered accountants, of which at least 5 should be full time partners exclusively associated with the firm. 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. The remaining two could be either exclusive partners or CA employees with a continuous association with the firm for a period 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).
- 1.2** The number of professional staff (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staff etc.), consisting of audit and articled clerks with knowledge in book-keeping and accountancy and are engaged in outdoor audit should be minimum 18.
- 1.3** 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.
- 1.4** 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.)

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**1.5** 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).*

**1.6** At least two full time partners of the firm or its paid full time Chartered Accountants must possess Certified Information Systems Auditor (CISA) /Information Systems Audit (ISA) qualification.

Apart from above,

a)The 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.

b) The Auditor should not be indebted to the Bank for an amount exceeding Rs 1000/-

c) The Auditors/ Audit Firms should not be a wilful defaulter of any other Bank / Financial Institutions.

d) The Auditors / Audit Firms should not carry out any assignment of the internal audit of the Bank.

e) The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.

**(A) Guidelines for Selection**

The procedure that will be followed for selection of SCAs is as under:

a) The audit firms applying for empanelment as SCAs in PSBs will be required to give an undertaking that, in case of selection in PSBs, 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 PSBs once selected.

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b) 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, bank 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.

c) While making final selection, the Bank will take into consideration the following:-

i) To the extent possible, at least two audit firms having their Head Office from the same place where the banks' Head office / Central Office is located, to be allocated.

ii) Audit firms will not be selected if they have retired from the Bank before going under rest.

iii) The firms whose partner/s are on the Board of our Bank are not appointed as auditors for the Bank.

iv) An audit firm is eligible to be appointed as a Central or Branch auditor of the Bank during a particular year i.e. a firm cannot be the Central / Branch auditor of other PSB both at the same time.

v) Other guidelines

- In order to protect the independence of the auditors/audit firms, bank will make the 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 Reserve Bank of India.

-The cooling off period after completing the term of three years as SCA will be of three years.

**(B) Procedure for Appointment**

a) Bank to obtain list of eligible Audit firms from RBI.

b) To shortlist suitable Audit firm/s from the list of experienced / new eligible firms provided by RBI based on vacancy/ies created due to retirement and keeping in view

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the required proportion amongst experienced and new firms as per RBI norms. (The required proportion is 60: 40 at present)

An Evaluation Committee, will shortlist the names from the list of Audit firms received from RBI. Composition of the Evaluation committee will be as follows:

1. ED CSPD, Chairman
2. CRO, Member
3. CFO, Member
4. CGM, Audit, Member

*(The quorum for the committee will be at least 3 members including the chairman).*

c) To obtain the willingness in writing from shortlisted audit firm(s) to accept the assignment of Statutory Central Audit work.

The Evaluation Committee will recommend to ACB shortlisted auditors who have given their willingness on the basis of zone of consideration at 1:3 between vacancies and eligible firms considering seniority of the firm.

d) The ACB will give approval for 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.

e) Thereafter, the Bank will approach the audit firms to obtain their irrevocable consent in writing strictly in order of preference. 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.

f) A list of selected firms (i.e. the firms who have given consent in the manner as stated above) for appointment as statutory central auditors in PSBs may be placed before the ACB for its concurrence before it is forwarded to RBI for final approval.

g) To recommend the names of SCAs (after obtaining concurrence of RBI) to Board of Directors for their approval.

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- h) 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, i.e ground not to the satisfaction of RBI.
- i) A feedback on the quality of SCAs will be given by the Bank to RBI after the annual audit.

**(C) Tenure of Appointment**

The tenure of the audit firm will be for 3 years, subject to annual approval by the Board and Reserve Bank of India.

**(D) Fees payable to Statutory Central Auditors**

The fees payable to Statutory Central Auditors will be as per Reserve Bank of India guidelines

Guidelines issued by RBI from time to time shall also apply.

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