



**INDIAN OVERSEAS BANK
BALANCE SHEET MANAGEMENT DEPARTMENT
CENTRAL OFFICE, CHENNAI**

**POLICY FOR APPOINTMENT OF
STATUTORY CENTRAL AUDITORS AND STATUTORY BRANCH AUDITORS**

1. PREAMBLE

Government of India, Ministry of Finance vide its letter F.No.1/14/2004-BOA, dated 25.11.2014, addressed to Reserve Bank of India (RBI) under copy to all Public Sector Banks (PSBs), has advised that the work of selection and appointment of Statutory Central Auditors (SCAs) is delegated to individual PSBs for the year 2014-15 and onwards. Further, it has advised that RBI will provide the selection criteria for selecting SCAs to PSBs, in line with policy parameters in this regard.

RBI vide their letter Ref: DBS.ARS.No.9724/08.91.008/2014-15 dated 06.02.2015 has advised revised criteria for selection of SCAs, and has stated that Bank has to put in place Board approved Policy for Appointment of Statutory Auditors and display the same on Bank's Website.

2. NORMS FOR EMPANELMENT

Appointment of Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) is made in terms of various provisions of the Banking Companies (Acquisition and Transfer of Undertaking) Act, 1970/80.

The revised eligibility norms for empanelment of Statutory Auditors as prescribed by RBI in consultation with Ministry of Finance, Government of India have been incorporated in the Policy.

3. NUMBER OF SCAs AND THEIR TENURE

As per extant guidelines in force, for the Balance Sheet size of our bank ie. Category "B" Banks (Medium Banks viz. Indian Overseas Bank, Allahabad Bank, Corporation Bank, Indian Bank, Oriental Bank of Commerce, Syndicate Bank and UCO Bank) shall not have more than five (5) SCAs.

The tenure of SCAs will be for a period of three (3) years or such other period as may be notified by RBI / Gol from time to time. Their appointment 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.



4. (a) SELECTION OF STATUTORY CENTRAL AUDITORS (SCAs)

From the financial year 2014-15 and onwards, the selection of SCAs will be done based on the Norms prescribed by RBI as per Annexure I.

- RBI will advise the list of eligible audit firms viz: Continuing Audit Firms; and Eligible Non-continuing Audit Firms – Experienced and New, and also the vacancy position for SCAs in the Bank arising during the financial year, which needs to be filled up.
- Allotment of audit work from the RBI List of Eligible Auditors in the ratio of 60:40 among experienced and new audit firms for the fresh vacancies excluding continuing SCAs or any other criteria as per RBI guidelines issued from time to time.

General Norms Applicable for SCAs

- a) The audit firms applying for empanelment as SCAs in PSBs will be required to give an undertaking that, in case of selection by 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.
- b) To the extent possible, at least two audit firms having their Head Office from the same place where the bank's HO / CO is located (i.e. Chennai) to be allocated as SCA.
- c) Audit firms are not selected if they have retired from the same Bank before going under rest.
- d) The firms whose partner/s are on the Boards of PSBs are not appointed as auditors for the same PSB.
- e) An audit firm is eligible to be appointed as Central / Branch auditor of only one PSB during a particular year.
- f) Audit firm(s) selected by the PSBs after obtaining consent in writing from the audit firm will be debarred for a period of three years for selection if the firm refuses to accept the appointment without a reasonable ground, that is ground not to the satisfaction of RBI.
- g) Any change in the norms / guidelines / policy in regard to appointment, either by RBI / Gol or by the Bank will be put up in the Bank's Website.

Procedure to be followed for Appointment of SCAs

On receipt of the list of eligible audit firms for SCAs from RBI, the bank shall do the following:

- a) Short-list the names of the Audit Firms who wish to take-up Statutory Central Audit work from the RBI List of Eligible Auditors in the ratio of 60:40 among experienced and new audit firms for the fresh vacancies excluding continuing SCAs.



- b) Put-up the short-listed names of the audit firms to the committee of General Managers, comprising of senior most General Manager at Central Office, GM (Balance Sheet Management Department), GM(Risk Management Department) and GM(Inspection), for their vetting and recommendation based on the matrix to the Audit Committee of the Board (ACB) for its concurrence. The quorum for the GMs Committee meeting shall be three(3).
- c) Obtain Audit Committee of Board's (ACB) concurrence for appointment of SCAs short-listed by the General Managers' Committee (GMs Committee) and forward the same to the RBI for final approval, before their actual appointment.
- d) Bank shall obtain confirmation from the audit firms regarding the compliance of eligibility norms prescribed by RBI from time to time and also obtain copy of latest certificate on Constitution issued by the ICAI and other relevant documents as required.
- e) Upon obtention of RBI approval, issue formal appointment letter to the audit firms as per statutory requirement.

4. (b) SELECTION OF STATUTORY BRANCH AUDITORS (SBAs)

Selection and Appointment of SBAs

- a) Number of audit firms to be appointed depends on the number of branches to be covered under audit as per Gol / RBI policy in force.
- b) As per the extant RBI norms, branches having advance of Rs.20 crore and above and 1/5th of the remaining branches covering a representative cross section of rural / semi-urban / urban and metropolitan branches are subject to statutory branch audit.

Procedure to be followed for Appointment of SBAs

- a) RBI will forward the final list of all eligible auditors / audit firms to the Bank for selection.
- b) The bank will select the required number of branch auditors / audit firms. Bank will be required to clearly advise the audit firms selected for consideration of appointment that each audit firms can take up audit assignment (branch audit) in one PSB only.

The process of selection and appointment of SBAs will be system driven. 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.

- c) 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.



- d) SBAs will have a maximum tenure of four years. The appointment of SBAs will be made on annual basis, subject to their fulfilling the eligibility norms prescribed by RBI from time to time and also subject to their suitability.
- e) While allotting branches, Bank shall select auditors / audit firms which are close proximity to their offices / branches. Banks are also required to have a suitable mix of various categories of auditors / audit firms while selecting the branch auditors keeping in view the size of the branches to be audited.
- f) The maximum number of branches allotted to an audit firm shall be restricted to the RBI guidelines stipulated in this regard. At present not more than three (3) branches can be allotted to a Branch Auditor and the bank can allot less than three branches keeping in view the availability of the number of branches.
- g) As regards statutory branch audit to be carried out by SCAs, bank will allot the top 20 branches (to be selected strictly in order of the level of outstanding advances) in such a manner as to cover a minimum of 15% of total gross advances of the bank by SCAs.
- h) The appointment of SBAs as per the norms specified will be vetted by a committee of General Managers, comprising of senior most General Manager at Central Office, GM (Balance Sheet Management Department), GM(Risk Management Department) and GM(Inspection), for their vetting and recommendation to the Audit Committee of the Board (ACB) for its concurrence. The quorum for the GMs Committee meeting shall be three (3). Where upon the same will be placed before ACB / Board of Bank for its concurrence before it is forwarded to RBI for final approval.
- i) After the selection of branch auditors, the bank will place list of firms selected for appointment as SBAs before the ACB / Board of Bank for its concurrence.
- j) The Bank shall recommend the names of both continuing and selected branch auditors to RBI for seeking its prior approval before their actual appointment, as per statutory requirement.

5. REMOVAL OF AUDITORS

In order to protect the independence of the auditors / audit firms, Bank will make the appointments of SCAs / Branch auditors for continuous period of three and four years respectively subject to the firms satisfying the eligibility norms each year. Banks cannot remove the audit firms during the above period without prior approval of Reserve Bank of India.

6. REMUNERATION

The remuneration payable to Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) will be as per guidelines issued by Reserve Bank of India from time to time.



7. OTHERS

General Manager (Balance Sheet Management Department) will dispose of grievances / complaints, if any, with regard to selection of SCAs and SBAs and allotment of branches to them.

The Policy for Appointment of Statutory Auditors shall be in force for three years. Any changes, in future, in the norms for appointment of Statutory Central Auditors / Statutory Branch Auditors, prescribed by Reserve Bank of India / the Government of India, will automatically form part of the above policy and made applicable appropriately / and any significant changes interregnum will be placed before the Board.

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