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1. INTRODUCTION:

Appointment of Statutory Central Auditor (hereinafter to be referred as SCA or SA), Statutory Branch Auditor (hereinafter to be referred as SBA) and coverage of branches under audit is being undertaken every year based on the policy approved by the Board which is framed in line with the latest guidelines issued by RBI.

2. PURPOSE:

The objective of this policy is to establish proper procedure for appointment of Statutory Central Auditor, Statutory Branch Auditors and establish guidelines regarding coverage of branches under audit, the same are in conformity with the extant norms of Reserve Bank of India and applicable provisions of Banking Regulation Act, 1949, and Companies Act, 2013.

3. DEFINITIONS:

a) Audit Committee means the Audit Committee of the Board.

b) Board means the Board of Directors of the Bank.

c) Statutory Central Auditor (SCA) means an auditor or auditors firm who are eligible for appointment as an auditor of bank in accordance with governing statute and has been appointed as per this policy with the prior approval from Reserve Bank of India and verification from Institute of Chartered Accountants of India/National Financial Reporting Authority and such appointment is duly authorised by the shareholders of the Bank.

SCA shall take up the Audit of the Head Office and Branches of the Bank.

d) Statutory Branch Auditor (SBA) means an auditor or auditor's firm, who is eligible for appointment as an auditor of Bank in accordance with governing statute and has been appointed as an Auditor of Branch or Branches as per this policy with the prior approval from Reserve Bank of India and verification from Institute of Chartered Accountants of India and National Financial Reporting Authority.

4. Basic Eligibility criteria of Statutory Central Auditor (SCA)/ Statutory Auditor (SA):

Eligibility Norms as advised by RBI vide Circular DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27th, 2021.

- The Audit firm shall have
 - i. Minimum 3 full time partners exclusively associated* with the firm for a period of at least three (3) years, out of which a minimum 2(Two) should be full time FCA associated with firm for a period of at least three (3) years.
 - ii. Out of the Partners/Paid CAs of the firm, at least 1 such partner/paid CA should be CISA/ISA qualified and he/she should have at least one-year continuous association with the firm as on date of empanelment.
 - iii. Audit experience of minimum 8 years (audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks. Further at least two partners of the firm shall have continuous association with the firm for at least 10 years.
 - iv. Minimum number of 12 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 on site audits, they must be associated for at least 1 year with the firm.



- v. In the case of a group of audit firms having common partners, only one firm will be considered for allotment of statutory audit. Accordingly, a group of firms having common partners will be considered as one entity.

* The definition of 'exclusive association' will be based on the following criteria:

(a) The full time partner should not be a partner in other firm/s

(b) He/she should not be employed full time / part time elsewhere

(c) He should not be practicing in his 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

An Audit firm, subject to its fulfilling the prescribed eligibility norms will be allowed to continue as the Statutory Central Auditor (SCA) for the Bank for a period of three years and thereafter the said firm will be compulsorily rested for a period of Six years.

Concurrent auditors of the Bank will not be considered for appointment either as Statutory Central Auditor or Branch Auditor of the Bank.

5. GENERAL ELIGIBILITY NORMS FOR AUDITORS:

- a. A person shall be eligible for appointment as auditor of the Bank only if he is a practicing Chartered Accountant, also a firm whereof majority of partners practising in India are qualified as aforesaid may be appointed by its firm name to be an auditor of the Bank.
- b. Where a firm including a limited liability partnership is appointed as an auditor of the Bank, only the partners who are chartered accountants shall be authorised to act and sign on behalf of the firm.
- c. The SCA shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- d. The Board/ACB shall review the performance of SCA on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCA or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Board/ACB, with the full details of the audit firm.
- e. In the event of lapses in carrying out audit assignments resulting in misstatement of financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SCA in relation to Bank, the SCA would be liable to be dealt with suitably under the relevant statutory/regulatory framework.
- f. The following persons shall not be eligible for appointment as an auditor of the Bank, namely: —
 - a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008 (6 of 2009);
 - an officer or employee of the Bank;
 - a person who is a partner, or who is in the employment, of an officer or employee of the Bank;
 - a person who, or his relative or partner —
 - ◆ is holding any security of or interest in the Bank or its subsidiary, or of its holding or associate company or a subsidiary of such holding company: Provided that the relative may hold security or interest in the company of face value not exceeding one thousand rupees or such sum as may be prescribed;



- ◆ is indebted to the Bank, or its subsidiary, or its holding or associate company or a subsidiary of such holding company, in excess of such amount as may be prescribed; or
- ◆ has given a guarantee or provided any security in connection with the indebtedness of any third person to the Bank or its subsidiary, or its holding or associate company or a subsidiary of such holding company, for such amount as may be prescribed;
- a person or a firm who, whether directly or indirectly, has business relationship with the Bank or its subsidiary or its holding or associate company or subsidiary of such holding company or associate company of such nature as may be prescribed;
- a person whose relative is a director or is in the employment of the Bank as a director or key managerial personnel;
- a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies;
- a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction;
- any person whose subsidiary or associate company or any other form of entity, is engaged as on the date of appointment in consulting and specialised services as provided in section 144.
- Where a person appointed as an auditor of the Bank incurs any of the disqualifications mentioned above after his appointment, he shall vacate his office as such auditor and such vacation shall be deemed to be a casual vacancy in the office of the auditor.
- The Auditors / Audit Firms should not be a wilful defaulter of other Banks / Financial institutions.
- The Auditors / Audit Firms should not carry out any assignment of the Internal Audit of the Bank.
- The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.
- The eligible Auditors / Audit Firms should be qualified under provisions of Section 141 of the Companies Act, 2013 for appointment as Auditors of the Bank. No adverse remarks / disciplinary proceedings pending / initiated against the firms / any of its Partners on the record of Institute of Chartered Accountants of India.

6. PROCEDURE FOR APPOINTMENT:

I. The appointment/re-appointment of Statutory Central Auditors will be made on an annual basis, subject to their fulfilling the eligibility norms prescribed by RBI, Approval of the name from RBI and verification from ICAI records, about having no disciplinary action against the said Auditor/Auditor firm, and complying to other applicable provisions of Companies Act, 2013 and also subject to their suitability.

II. in case an Auditor completing the tenure/removal of Auditor, the screening will be done of applications received, the shortlisted proposed names of SCA will be recommended to Audit Committee of Board (ACB) and Board of the Bank for Approval.

III. Once the approval is given by the Board, the bank will furnish the name to ICAI for ascertaining whether any disciplinary action is pending against them, also, an application with necessary enclosures will be furnished to the Reserve Bank of India for approval and to the effect that the audit firm proposed to be appointed as SCA comply with all the prescribed eligibility norms,

IV. The appointment of the Audit firm will be subject to the approval of Shareholders at the Annual General Meeting.



V. Process for reappointment of existing Auditors:

First preference will be given to existing SAs for their re-appointment subject to compliance of eligibility norms and satisfactory performance. The Bank shall obtain the willingness from the existing SAs for re-appointment. On receipt of the consent, Bank shall take steps for the reappointment of the firm as SA as detailed in paragraph above. In case such consent is not received from existing SA, Bank shall follow the process for appointment of New SA to fill that vacancy as detailed below.

Process for appointment of New firm as SA

Applications will be invited from the Audit firms / past auditors of the Bank / firms associated with Bank in past / firms having their Head Office or Branch in Uttarakhand/U.P./ N.C.R subject to fulfilling the eligibility criteria as mentioned above. A window of maximum of 2 weeks will be announced with prior approval from MD & CEO, for the firms to apply for expression of interest (EOI) for appointment of Statutory Auditors. The link for expression of Interest (EOI) will be published on Bank's website and.

The shortlisting of firms from applications received for EOI, will be done by an Evaluation Committee. The composition of Evaluation Committee will be finalized by MD & CEO. An Evaluation Committee will shortlist the firms, **thrice the number of vacancies** for making presentation to the ACB, by evaluating them on the important parameters.

ACB will select the firms for adequate number (twice the number of vacancies from the shortlisted firms) of audit firm(s) in order of preference indicating their names against the vacancy. ACB shall select minimum 2 audit firms for vacancy of SA so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SA does not get delayed. However, in case of reappointment of SAs by Banks till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.

Thereafter, 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.

Thereafter, the bank shall seek RBI's approval for appointment/ re-appointment of SA under Sections 30 (1-A) of the Banking Regulation Act, 1949.

After receipt of RBI approval, the list of approved SA shall be put to Board for recommendation to the Shareholders for their approval at the next Annual General Meeting.

General process to be followed

The Bank shall obtain a certificate, along with relevant information as per [Form B](#) (Annexure I), from the audit firm proposed to be appointed/ reappointed as SA, to the effect that the audit firm complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment/ reappointment of SA of the Bank, under the seal of the said audit firm. The Bank shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, recommend the names along with a certificate, in the format as per [Form C](#) (Annexure II), stating that the audit firm(s) proposed to be appointed as SA by them comply with all eligibility norms prescribed by RBI for the purpose.

SA is required to declare the list of their major corporate clients to avoid conflict of interest. In case any of the SAs is auditors of a corporate client who is assisted by the Bank, then files of such corporate client shall be audited by the other SA.



7. OTHER MATTERS

I. The consent letter/certificate should be signed by the main partner/s of the audit firm proposed for appointment of SCA of the Bank under the seal of the said audit firm. Once the consent is given by the audit firm the same will be treated as irrevocable.

II. In case the RBI is not approving any of the name/s recommended by the Bank, suitable audit firm from the standby list to be selected and recommended to Reserve Bank of India for Approval.

III. Banks will allot the top 20 branches (to be selected strictly in order of the level of outstanding advances) to SCA, so as to cover a minimum of 15% of total gross advances of the bank.

IV. Though the tenure of the audit firm will be for 3 years, the appointment will be made on annual basis with the approval of the Board, Reserve Bank of India/clearance from ICAI and ensuring that no disciplinary action has been taken by National Financial Reporting Authority (NFRA) and Shareholders of the Bank.

V. The matters related to fees / Remuneration etc. payable to the SCAs will be decided by the Board with the approval of the shareholders of the Bank.

VII. An audit firm would not be eligible for the reappointment in the same Entity for Six years (two tenures) after completion of full or part of one term of the audit tenure.

8. STATUTORY BRANCH AUDITORS (SBAs):

A. Coverage of branches for statutory audit:

a. Statutory branch audit should be carried out so as to cover at least 80% of all funded and 80% of all non-funded credit exposures of the Bank. The selection of branches for statutory audit shall include a representative cross section of rural/semi-urban/urban and metropolitan branches, predominantly including branches which are not subjected to concurrent audit. Remaining branches which are not covered under audit, may be audited by CIAD (Central Internal Audit Division) of the Bank as decided by the management.

B. Procedure for appointment of Statutory Branch Auditors

The following procedure will be followed for appointment of Statutory Branch Auditors (SBAs):

- i. The list of eligible auditor's/audit firms empanelled with the Bank shall be prepared.
- ii. After the selection of branch auditors, Bank will be required to 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 and also should obtain from ICAI a confirmation about no disciplinary action on the proposed audit firm.
- iii. Bank will be required to clearly advise the selected audit firms about their appointment. Further, the audit firm should provide its consent in writing for appointment to the Bank for the particular year.
- iv. The consent given by an audit firm is irrevocable and no request from audit firm for changing the branch after giving its consent will be entertained.
- v. In respect of those branches, which are subject to concurrent audit by chartered accountants and not selected for branch audit, LFARs and other certifications done by concurrent auditors will be submitted to the Managing Director & CEO of the bank. The banks in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditor/s as an internal document of the bank.



C. General guidelines applicable to appointment of Statutory Branch Auditors

1. SBAs will have a maximum tenure of three years in the Bank subject to annual review and satisfactory performance. After completion of the tenure, the audit firm shall be subjected to rest for at least one cycle of three years in the Bank.
2. The appointment of SBAs 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.
3. While allotting branches, preference will be given to auditors/audit firms which are in close proximity to the branch. Further, there shall be 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. It is to be ensured to allot branches, to the extent possible, to the audit firms taking into consideration their category and audit experience in such a way that specialised and larger branches are audited by bigger/experienced audit firms.
4. The firms whose partner/s are on the Board of the bank are not to be appointed as auditors of the Bank.

D. Eligibility norms for the empanelment of audit firms to be appointed as Statutory Branch Auditors in the bank.

- a) The audit entity satisfies all the criteria laid down in section 141 of the Companies Act, 2013.
- b) The audit entity or any of its partners have not been barred from exercising duties as auditor by any regulatory body including the RBI, Securities and Exchange Board of India, the Comptroller and Auditor General (C&AG), Government of India, the National Financial Reporting Authority (NFRA) and the ICAI.
- c) In case the auditor has been appointed as an SCA of the bank in the past, at least six years have elapsed after the completion of the last audit engagement as SCA of the same PSB (irrespective of tenure of previous engagement).
- d) None of the partners of the audit firm or the proprietor of the audit entity are Directors in the same PSB.
- e) The audit entity does not have any common partner(s) with any other SBA of the same PSB and that they are not under the same network of audit firms.

The audit entity meets the criteria for bank audit experience, number of partners, standing, etc., as laid down below:



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@
(1)	(2)	(3)	(4)	(5)	(6)
Category 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 public sector bank (PSB) or of a private sector bank (PVB).	8 years
Category II	3	2	6	The firm or at least one of the partners should have conducted branch audit of a PSB /PVB for at least 5 years.	6 years (for the firm or at least one partner)
Category III	2	2	4	The firm or at least one of the CAs should have conducted branch audit of a PSB /PVB for at least 3 years	5 years (for the firm or at least one partner)
Category IV					
Partnership firm	2	2	2	Not necessary	3 years
Proprietorship concern	2	1	2	Not necessary	6 years
Proprietorship concern	1	1	2	The proprietor should have conducted branch audit of a PSB /PVB for at least 3 years	6 years

* The definition of 'exclusive association' will be based on the following criteria:

- (a) The full-time partner should not be a partner in other firm/s
- (b) She/He should not be employed full time/ part time elsewhere
- (c) She/He should not be practising in her or his 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



Professional staff (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staff, etc.) implies audit and articled clerks with knowledge in book-keeping and accountancy and are engaged in audit

@ The standing of an audit firm would be reckoned from the date of its establishment. For a proprietorship, the period for which the proprietor has been holding a Certificate of Practice issued by the ICAI shall be reckoned for standing.

9. Limited Review of Selected Branches

For the purpose of quarterly financial results, a limited review shall be carried out in such a manner so that at least 50% of advance portfolio of the bank is covered under such review, further the review shall be carried out by the SCA and Branch auditors of the bank.

10. Remuneration

The remuneration for Central Statutory Audit and Branch Statutory Audit shall be decided on the basis of scope and coverage of audit and size and spread of assets, accounting and administrative units, complexity of transactions, identified risks etc, by the Board/ACB from time to time.

11. REVIEW OF THE POLICY

The Audit Committee of the Board and Board of the Bank may review the policy as and when required / need-based. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended. This policy shall remain valid for two years from the date of approval i.e. up to 31.03.2027. In case the Policy cannot be reviewed on or before the due date, the M.D & CEO of the Bank may allow continuation of the Policy for a maximum period of six months after the due date of review if there is no change in the policy.



Annexures:

FORM B

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff
*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore					
#Details may be furnished separately for experience as SCAs/SAs and SBAs					

B. Additional Information:

- i. Copy of Constitution Certificate.
- ii. Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- iii. Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- iv. Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- v. Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors¹⁵ have been declared as wilful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner
(Name of the Partner)
Date:



Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA

The bank/UCB is desirous of appointing M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Central Auditor (SCA)/ Statutory Auditor (SA) for the financial year _____ for their 1st/2nd/3rd term and therefore has sought the prior approval of RBI as per the section 30(1A) of the Banking Regulation Act, 1949/ Section 10 (1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980/ Section 41(1) of SBI Act, 1955.

2. The bank/UCB has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor (SCA)/Statutory Auditor of the bank/UCB for FY _____ along with relevant information (copy enclosed), in the format as prescribed by RBI.

3. The firm has no past association/association for _____ years with the bank/UCB as SCA/SA/SBA.

4. The bank/UCB has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature
(Name and Designation)

Date:

(Approved by the Board dated 26.03.2025)
