



बैंक ऑफ महाराष्ट्र
Bank of Maharashtra
भारत सरकार का उद्योग
एक परिवार एक बैंक

Policy for appointment of Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) for the year 2013-14 and onwards.

PREAMBLE:

Public sector banks (PSBs) have been granted managerial autonomy for appointment of Statutory Central Auditors (SCAs) from the year 2008-09 and for that of Statutory Branch Auditors (SBAs) from the year 2010-11, as advised by Government of India, Ministry of Finance. In terms of RBI guidelines, Bank of Maharashtra ("the Bank") opted for managerial autonomy for appointment of SCAs from FY 2008-09 and SBAs from FY 2010-11. Thus, the Bank appoints audit firms as SCAs and as SBAs as per guidelines of Reserve Bank of India (RBI). However, before giving offer of appointment, RBI's approval is required for each audit firm. RBI has informed that though the autonomy is given to PSBs, the norms for empanelment and remuneration of auditors shall continue to be as prescribed by them.

However, procedure for appointment of SCAs has been changed from FY 2012-13. RBI has advised the revised procedure in respect of appointment of SCAs and SBAs to all PSBs. A Working Group, comprising officials from Government of India (GOI), Office of the Controller & Auditor General of India, select PSBs, ICAI, IBA and RBI, has been set up in December 2011 to review the norms for empanelment of statutory auditors for PSBs and other related issues. RBI has also advised all PSBs to frame their policy for appointment of SCAs and SBAs. In this background, the policy for appointment of SCAs and SBAs is approved by the Board of Directors (Board) in its meeting held on June 14, 2013 and the same is given below :

POLICY FOR APPOINTMENT OF STATUTORY CENTRAL AUDITRS (SCAs) :

RBI has advised that the Bank shall not have more than **4 SCAs.**



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Selection Procedure :

1. From the financial year 2013-14, GOI will advise the bank the names of new SCA firm / firms as per the available vacancy of SCAs in the Bank.
2. The Bank will obtain confidential irrevocable letter of consent from the said audit firm / firms and recommend to the Bank's Audit Committee of the Board of Directors (ACB) and to the Board.

Approval of RBI :

1. Upon approval by ACB & Board, the Bank shall forward the list of new audit firm / firms and the continuing SCA firms to RBI for approval to appoint the said firm/s as SCAs of the Bank, subject to compliance with the conditions as may be stipulated by RBI from time to time.
2. In case of RBI not approving any firm / firms recommended, the Bank will approach GOI, who in turn will advise the Bank another audit firm / firms to be appointed. After approval of appointment of such firm / firms from ACB and Board, the Bank will again refer the firm / firms to RBI for approval to appoint the firm / firms as SCA of the Bank.
3. As per revised clause 49 in respect of listed entities which are not companies, but body corporate (for example private and public sector banks, Financial institutions, insurance companies etc.) incorporated under other statutes (other than as per Companies Act, 1956,), the revised clause 49 will apply to the extent that it does not violate their respective statutes and guidelines or directives issued by the relevant regulatory authorities. Accordingly, the Bank follows the guidelines issued by GOI and RBI in the matter of appointment of Auditors.

Tenure of appointment :

Though the tenure of the audit firm will be for 3 years or such other period as RBI may specify, the appointment will be made on annual basis with the approval of ACB, Board and RBI. The Bank will not have any authority to remove the audit firms during the above period except with the prior approval of RBI.



Appointment Letters :

On receipt of approval from RBI, appointment letters will be issued to the audit firms by the Bank appointing the said audit firm/s as SCAs for that particular year.

Remuneration :

The fees payable to SCAs will be as per RBI guidelines and in matters where ACB / Board have been authorized, the same shall be as approved by ACB / Board, All fees will be shared by SCAs equally.

Audit firms will be eligible for TA/DA (Travelling and Diem Allowance) by way of reimbursement of actual expenses incurred by the audit firms upon appointing them as SCAs in the Bank, as per the extant guidelines issued by RBI and approved by the ACB / Board, wherever applicable, and amendments therein from time to time.

Scope of Audit :

Top 20 branches, or such number of branches as may be stipulated by RBI, selected in the order of level of advances shall be audited by the SCAs. The audit of various functions / portfolio of the Bank (including Treasury & International Banking Branch, Mumbai, i.e. Domestic and Forex Treasury)) and also Zonal / Administrative Offices will be allocated among the SCAs by the Bank's management after discussion with the audit firms. The scope of audit will be as per guidelines of RBI and ICAI.

Norms for empanelment of audit firms to be appointed as SCAs for PSBs – 2013-14 :

As on 1 January of the relative year the firm should have

- (i) Minimum 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. 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



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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.

- (ii) 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.
- (iii) 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.
- (iv) 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. 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.
- (v) 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.
- (vi) at least one partner of the firm or its paid Chartered Accountants must possess DISA/CISA or any other equivalent qualification.



Norms for empanelment of audit firms to be appointed as SCAs for PSBs – 2014-15 :

As on 1 January of the relative year the firm should have

- (i) minimum 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 2 full-time chartered accountants or partners, as the case may be, should also have 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.

***Note:**

1. 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 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.
(d) The **total compensation @** of the partner from the firm should not be below the following limit:

In case the Head office of the firms located in

- (i) Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad

ACA partner ₹ 1.80 lakh in a year (₹ 15000/- per month)

FCA partner ₹ 3.00 lakh in a year (₹ 25000/- per month)

- (ii) Other places:

ACA partner ₹ 1.20 lakh in a year ₹ 10000/- per month)



FCA partner ₹ 1.80 lakh in a year (₹ 15000/- per month)

(e) A partner whose total compensation@ from the firm is less than the following will not be treated as exclusively associated with the firm :

Firms having more than 14 partners	1%
Firms having 10 to 14 partners	3%
Firms having 5 to 9 partners	5%
Firms having less than 5 partners	8%

@Total compensation =Sum total of share of profit, remuneration and interest on capital.

2. Out of the 7 full-time chartered accountants, the remaining two chartered accountants/partners (besides the 5 exclusively associated partners) will be treated to be exclusively associated with the firm only if they are continuously associated with the firm for a period of one year as on January 1 of the relevant year. These norms will be made applicable from the financial year 2014-15 i.e. the chartered accountants/partners will have to comply with the norms as on January 1, 2014.

- (ii) 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.
- (iii) 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.
- (iv) 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. 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.

- (v) 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.
- (vi) at least two partners of the firm or its paid Chartered Accountants must possess DISA/CISA or any other equivalent qualification.

Eligibility norms for appointment of audit firms as SCAs :

1. An audit firm will be eligible to be appointed as SCA or SBA of only one PSB during a particular year.
2. An audit firm which takes up statutory central audit assignment in a PSB will not be eligible to be appointed as a SCA in a private sector / foreign bank during that particular year and vice versa.
3. The auditors / audit firms should be qualified under provisions of Section 226 of Companies Act, 1956 for appointment as auditors of the Bank. No adverse remarks / disciplinary proceedings pending / initiated against the firms / any of the partners on records of ICAI.
4. The auditor should not be indebted to the Bank for amount exceeding the amount specified in the Companies Act.
5. The auditors / audit firms or their partners / close relatives should not be a willful defaulter of any other Bank / Financial Institutions.
6. The auditors / audit firms should not carry out any assignment of the internal audit of the Bank.
7. The auditors / audit firms should not enter into sub-contract of the audit assigned to them.



Any other guidelines :

Any other guidelines that may be issued by RBI or GOI from time to time in this behalf (including in respect of eligibility criteria) will be followed as regards appointment, scope, remuneration etc.

The above policy will be in vogue till next amendment.

POLICY FOR APPOINTMENT OF STATUTORY BRANCH AUDITORS:

Selection Criteria :

1. The Bank will select the required number of branch auditors / audit firms from the lists forwarded by RBI, due to the vacancies caused on account of retiring branch auditors after considering, inter alia, the number of branches under audit.
2. The Bank will appoint the existing Statutory Branch Auditors who are eligible to continue till the completion of 4 years term, or such other time frame that may be stipulated by RBI, in the Bank as per list of continuing audit firms provided by RBI.
3. The Bank will have a mix of Audit Firms / Auditors of various categories that may be informed by RBI depending on the size of the branches to be audited. In a particular place, depending upon the vacancies for the category of auditors, the following modalities shall be adopted :
 - i) In respect of Category I and II auditors, selection of such senior firms may be made on random basis, as far as possible, in equal proportion vis-à-vis the larger branches under audit in the particular year and considering their location, i.e. proximity of location of office of the firm to the branches that are to be audited.
 - ii) In respect of Category III and IV auditors, selection of such junior firms may be made on random basis in equal proportion vis-à-vis the smaller branches under audit in the particular year and considering their location, i.e. proximity of location of office of the firm to the branches that are to be audited.



4. A committee comprising Assistant General Manager, Deputy General Manager, General Manager, Financial Management & Accounts and General Manager, Inspection & Audit as members, where committee meeting will be chaired by senior-most official who is a member with the quorum of three, will shortlist the new audit firms, and recommend to the Executive Director and/or the Chairman & Managing Director for approval.
5. On getting the permission of the Executive Director and/or Chairman & Managing Director for selection of Audit Firms / Auditors, an irrevocable consent letter will be obtained from them.

Approval of RBI :

The list containing audit firms who have given consent will be sent to RBI for their final approval. The list of audit firms approved for appointment as Statutory Branch Auditors shall be placed before the Audit Committee of the Board that may be held immediately succeeding the date of approval by RBI as aforesaid. Pending approval from ACB, appointment may be made with the approval of Executive Director/Chairman & Managing Director.

Tenure of appointment :

Though the tenure of the audit firm will be up to 4 years or such other period as RBI may specify; the appointment will be made on annual basis based on list given by RBI, or, as the case may be, by ICAI. The Bank may remove the audit firms during the above period with the prior approval of RBI.

Allotment of branches for audit :

The audit firms so selected & approved by RBI are eligible for appointment as Statutory Branch Auditors (SBAs) anywhere in India. However, the following broad guidelines may be followed as far as possible:



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- a. The Category I audit firms that are large firms may be appointed as SBAs in large branches as far as possible and they are eligible to be appointed for audit of any of the branches in India other than those under audit by the Statutory Central Auditors;
- b. The Category II audit firms may be appointed as SBAs in large branches other than those allotted as in (a) above and they may, as far as possible, be appointed to conduct the audit of the branches situated within the state or the adjoining state/s in which their principal/ branch office of the audit firm is situated.
- c. The Category III audit firms may be appointed as SBAs in smaller branches after completing allotment to the above two category of audit firms and they may be allotted branches generally within the state in which their principal/branch office is situated; and
- d. The Category IV audit firms may be appointed as SBAs in smaller branches after allotment to the above three category of audit firms is complete and they may be allotted branches generally within the district or adjoining two/three districts and as close as possible to the location of their principal office.
- e. Notwithstanding above, any audit firm may be appointed for audit of branches situated anywhere in India depending upon the exigencies.

Appointment Letters :

The allotment of branches will then be approved by the Executive Director and the offer of appointment letter will be sent to the auditor / Audit Firms.

Remuneration :

The remuneration payable will be as per guidelines issued by RBI. Audit firms will be eligible for TA/DA as per the extant guidelines issued by RBI and amendments therein from time to time. In respect of reimbursement of air fare to the audit assistants (not being



partners) of statutory branch audit firms, the same shall be decided by the Zonal Managers considering the exigencies of the situation and the genuineness of the requirement for such air travel.

Scope of audit :

The branches allotted to the Statutory Branch Auditors – minimum 1 or 2 branch/es and maximum 3 branches per auditor – shall be audited by the SBAs. Scope of audit shall be in accordance with RBI guidelines.

Norms for empanelment of audit firms to be appointed as SBAs for PSBs:

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)
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 nationalized bank and/ or of a private sector bank.	8 years
II.	3	2	6	The firm or at least one of the partners should have preferably conducted branch audit of a nationalized bank or of a private sector bank.	6 years (for the firm or at least one partner)



III.	2	1	4	The firm or at least one of the CAs should have preferably conducted branch audit of a nationalized bank or of a private sector bank for at least 3 years	5 years (for the firm or at least one partner)
IV.	2	Even proprietorship concern without bank audit experience may be considered as hitherto. (The proprietary concerns of Chartered Accountants with 1 paid CA, 2 professional staff and not having any statutory branch audit experience of a nationalized bank or of a private sector bank will be treated at par with the partnership firm after deducting their 3 years seniority from the date of their establishment).	2	Not necessary	3 years

Eligibility norms for appointment of audit firms as SBAs :

1. An audit firm will be eligible to be appointed as SCA or SBA of only one PSB during a particular year.
2. The auditors / audit firms should be qualified under provisions of Section 226 of Companies Act, 1956 for appointment as auditors of the Bank. No adverse remarks / disciplinary proceedings pending / initiated against the firms / any of the partners on records of ICAI.
3. The auditor should not be indebted to the Bank for amount exceeding the amount specified in the Companies Act/
4. The auditors / audit firms or their partners / close relatives should not be a willful defaulter of any other Bank / Financial Institutions.
5. The auditors / audit firms should not carry out any assignment of the internal audit of the Bank.
6. The auditors / audit firms should not enter into sub-contract of the audit assigned to them.



Any other guidelines :

Any other guidelines that may be issued by RBI or GOI from time to time in this behalf (including in respect of eligibility criteria) will be followed as regards appointment, scope, remuneration etc.

Based on the above policy, the SBAs shall be appointed annually from the list of eligible audit firms received from RBI / CAG / ICAI.

The above policy will be in vogue till next amendment.

