



**UNITED BANK OF INDIA  
HEAD OFFICE  
11, Hemanta Basu Sarani, Kolkata-700 001**

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**Bank's policy on eligibility, empanelment and selection of Statutory Central Auditors from 2017-18 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. 2528 / 08:01:003 / 2017-18 dated 17<sup>th</sup> November 2017 has laid down the guidelines to be adopted for appointment of Statutory Central Auditors (SCAs) in public sector banks from the year 2017-18.

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. 2528 / 08:01:003 / 2017-18 dated 17<sup>th</sup> November 2017 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.

1. The Norms on eligibility, empanelment and selection of Statutory Central Auditors are given below:

i) The audit firm shall have a minimum of 7 full time chartered accountants, of which at least 5 should be full time partners exclusively associated\* with the firm. Of these five full time exclusively associated\* partners, one each should have minimum continuous association with the firm at least for 15 years and 10 years, two with a minimum continuous association of 5 years each and one with a minimum continuous association of one year. The remaining two could be either exclusively associated\* partners or CA employees. There should be at least one year continuous association for both exclusive partners and CA employees. 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.)

(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 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 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.)

(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 full time partners of the firm or its paid full time Chartered Accountants must possess CISA /ISA qualification.

(vii) In case of merger and demerger of firms, merger effect will be given after 2 years of merger while demerger will be effected immediately.

\* The definition of 'exclusive association' is given in Annexure I of letter DBS. ARS. No. 2528 / 08:01:003 / 2017-18 dated 17<sup>th</sup> November 2017.

- **No. of Statutory Central Auditors**

For the year 2017-18 and onwards, the Bank shall not have more than four (4) SCAs 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. The cooling off period after completing the term of three years as SCA will be of three years.

- **Selection**

The Government has decided that from the financial year 2014-15, 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. 2528 / 08:01:003 / 2017-18 dated 17<sup>th</sup> November 2017.

**The salient features are as under:**

- i. As far as possible, the bank should have at least two audit firms having their Head Office from the same place where the banks' HO/CO is located. This condition is applicable for the combined pool of continuing and fresh auditors.
- ii. Audit firms are not selected in the PSB from where they last retired (after completing the full term) before going under rest.
- iii. The firms whose partner/s are on the Boards of PSBs are not appointed as auditors for the same PSB.
- iv. An audit firm is eligible to be appointed as a Central/ Branch auditor of only one PSB during a particular year.
- v. PSBs will make parameters for short listing the audit firms which may be approved by the Board

While considering the order of preference for placing the Audit firms the following criteria may be considered :

- Location: Selection of firms among the experienced and new firms were made so as to ensure that at least two firms are from Kolkata, where the Head Office of Bank is located.
  - PSU Audit Experience : While selecting Audit firms from the experienced and new category emphasis is given to firms having PSU Experience .
  - Bank Audit Experience : While selecting Audit firms from the experienced category as provided by RBI relevant Bank Audit experience is taken care of.
  - Seniority: Selection of audit firms made based on ranking as per the list of audit firms provided by RBI.
- vi. The Chartered Accountant firm/s, whose partner/s are serving on the Board of any Nationalised banks/PSB as Part Time Non-

Official Director/s under CA Director category, are not to be appointed as Statutory Central Auditor in any PSB.

vii. An audit firm is eligible to be appointed as a Central/ Branch Auditor of only one PSB during a particular year.

viii. The allotment of vacancies of SCAs 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.

ix. 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 have 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 prior approval.
- 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:**

a. In case of selection in our Bank, the firm(s) would give up the existing SCA 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. This stipulation however, will not be applicable for the auditors of the Banks with no presence in India.

b. 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.

c. 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.

d. 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.

e. 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.

f. 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.

g. 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.

h. 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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