

Bank's Policy for Appointment of Statutory Auditors

- i) In terms of provision of State Bank of India (Subsidiary Banks) Act, 1959, the statutory auditors for the five subsidiaries Banks of SBI are to be appointed by SBI with the approval of RBI.
- ii) In respect of SCAs, Bank would have a suitable mix of audit firms meeting minimum eligibility criteria fixed by RBI (As per Annexure "A"). However, preference would be given to those firms having adequate seniority, audit exposure to large commercial Banks, partners having audit exposure under technological environment
- iii) In respect of SBAs, categories of audit firms/ auditors (as prescribed by RBI) would be considered while allotting branches in such a way that larger branches are audited by the bigger/ more experienced audit firms.
- iv) Local auditors would be preferred for Branch Audit. Among local auditors, preference would be given category wise. In case, local auditors are not available, auditors from the nearby districts with in the State/ adjoining States/ other States may be considered for audit.
- v) Only auditors duly qualified under the provisions of section 226 of Companies Act 1956 which deals with qualifications & disqualifications of auditor of a company and with no adverse remarks/ disciplinary proceeding pending/ initiated against the firm/ any of its partners/ proprietor on the records of ICAI would be considered as eligible for appointment as auditors.
- vi) In addition to the requirements of Section 226(3) of the Companies Act 1956, in regard to indebtedness, any audit firm selected for appointment would have to certify that none of the spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/ proprietor of the firm or the firm/company in which they are partners/ directors are indebted to the Bank.
- vii) A declaration as per the format prescribed by the RBI (As per Annexure "B") will be obtained that none of the partners/ proprietor of the audit firms, or their spouse, dependent children, wholly or mainly dependent parents, brothers, sisters or any of them , of any of the partners/ proprietor of the firm or the firm/company in which they are partners/ directors have been declared as willful defaulters by any Bank/ financial institutions. If any auditor/ audit firm refuses to give such declaration statutory audit assignment would not be allotted to them.
- viii) In order to protect the independence of the auditors/ audit firms, Bank would not remove any audit firm without prior concurrence of the RBI.
- ix) It would be ensured that the all approved auditors/ audit firms are allotted appropriate audit assignments and no distinction would be made between the continuing auditors and the fresh auditors in allotment of Branches.

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- x) A committee of senior officials comprising DGM (Accounts), GM(Try.) and CGM would be empowered to shortlist the names of SCAs forwarded by RBI/C&AG for final selection. Names of short listed SCAs with the approval of Managing Director will be sent to SBI for appointment & approval from the RBI and then the same will be put to Audit Committee of Board in its next meeting.
- xi) In case of grievances like non- appointment as auditor for the Bank, selection of Branches, number of Branches etc. the matter would be referred to Managing Director and his decision would be binding on the Bank/Auditor(s).

**Norms of empanelment for statutory Central auditors
of Public Sector Banks Select applicable from the year 2005-06**

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 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 atleast 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 atleast 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 Accountant must possess CISA / ISA or any other equivalent qualification.

**[Format of declaration from the main partner/proprietor
of audit firms before appointment as statutory auditors of banks
to be sent alongwith acceptance letter]**

Place :

Date :

DECLARATION

I _____ the proprietor / main partner of M/s. _____ situated at (complete address) hereby declare 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 / directors* have been declared as willful defaulter by any bank / financial institution.

2. In case the above declaration or any part thereof is proved to be incorrect, the bank is free to advise the details thereof to RBI and the institute of Chartered Accountants of India for initiating necessary action against me/us.

Signature of
the proprietor /
main partner

Seal of the
proprietary concern /
partnership firm

* For the purpose of this declaration, the credit facilities availed by companies where the partner / proprietor of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.

Note : The above declaration must be furnished on the letter head of the proprietary concern / audit firm alongwith the acceptance letter.