



ALLAHBAD BANK

HEAD OFFICE

2, NETAJI SUBHAS ROAD, KOLKATA, 700 001

Policy on Appointment of Statutory Auditors **For the year 2018-19 and onwards**

Appointment of Statutory Auditors (Statutory Central Auditors and Statutory Branch Auditors) is being done on the basis of guidelines issued by Government of India (GoI)/ Reserve Bank of India (RBI) from time to time.

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.

A. APPOINTMENT OF STATUTORY CENTRAL AUDITORS (SCAs):-

Govt. of India vide their letter No. F No. 1/14/2004-BOA dated 25/11/2014 issued by Ministry of Finance, Department of Financial Services, informed that the issue of appointment of Statutory Central Auditors (SCAs) in Public Sector Banks (PSBs) has been revisited. The Govt. has decided that the work of selection and appointment of SCAs will be delegated to individual PSBs for the year 2014-15 and onwards. Reserve Bank of India will provide criteria for selecting SCAs to PSBs, keeping in view the policy parameters in this regard. C & AG will provide the list of auditors available with them and PSBs can make selection out of the list with previous approval of RBI.

I. Number of Audit Firms

In terms of Reserve Bank of India letter No. DBS. ARS. No. 9724/ 08.91.008/ 2014-15 dated 06/02/2015, Allahabad Bank being a 'B' category Bank, is required to have not more than 5 (Five) SCAs from the year 2014-15 and onwards, and actual numbers of SCAs to be decided by Bank's board subject to the above limit.

As such, from the year 2014-15 and onwards our Bank will have 5 (five) Nos. of SCAs till further review by the Board. However the Board may review and decide on the number of SCAs any time if felt necessary.

II. Eligibility of Audit Firms

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 vide letter No. DBS.ARS. No. 9724/08.91.008/2014-15 dated February 6, 2015 advised the selection criteria to all Public Sector Banks, along with the norms on eligibility and empanelment of Statutory Auditors for the year 2014-15 and onwards.

Our Bank's Policy

From the year 2014-15 and onwards our Bank will have 5 (five) Nos. of SCAs till further review by the Board. However the Board may review and decide on the number of SCAs at any time if felt necessary.

In accordance with the guidelines of GOI and RBI, the policy of our Bank for appointment of Statutory Auditors for the year 2014-15 and onwards are given hereunder;

1. The Norms on eligibility, empanelment and selection of Statutory Central Auditors;

- a. The audit firm shall have a minimum 7 full time chartered accountants, of which at least 5 should be full time partners exclusively associated with the firm. The remaining 2 could be either exclusive partners or CA employees with a continuous association with the firm for a period of one year. 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.)
- b. 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.
- c. 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.

- d. 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.)
- e. 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.)
- f. At least two partners of the firm or its paid Chartered Accountants must possess CISA / ISA qualification.

2. Procedure for appointment of Statutory Central Auditors (SCAs)

- a) Bank will select the SCAs from **the eligible list of firms received from RBI**. In this connection, Bank will also examine the following lists provided by RBI.
 - i. List of Continuing Firms (i.e. the list of audit Firms who have not completed three years of audit)
 - ii. List of firms who are undergoing rest/ cooling.
 - iii. List of eligible, non continuing audit firms in two parts viz. experienced audit firms and new audit firms.
- b) 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.
- c) The cooling off period after completing the term of three years as SCA will be of three years.
- d) The audit firms applying for empanelment as SCAs in our Bank are required to give an undertaking that, in case of selection in our Bank, 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 our Bank, once selected.

- e) The allotment of vacancies of SCA's shall be in the ratio of 60:40 between 'Experienced ' and 'New' audit firms. As regards ratio of 60:40, the number will be rounded to the nearest round number and auditors from the 'Experienced' and 'New' firm list will be chosen. 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.
- f) While making final selection, our Bank will also take into consideration the following points:-
- i. As per RBI guidelines, PSBs are required to select SCAs to the extent possible, at least two Audit firms having their Head Office from the same place where the Banks' HO/CO is located. As such our Bank will select to the extent possible, at least two audit firms having their Head Office at Kolkata.
 - ii. Audit firms will not be selected if they have retired from our Bank before going under rest.
 - iii. The firms whose partner(s) is/ are on the Boards of our Bank will not be appointed as auditors of our Bank.
 - iv. An audit firm is eligible to be appointed as a Central/ Branch auditor of only one PSB during a particular year.
- g) Audit firm(s) selected by our Bank after submitting its consent in writing 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).
- h) After selection, as per the statutory requirement, our Bank will forward the names of the selected SCAs to RBI for its prior approval before their actual appointment.
- i) A feedback on the quality of audit of SCAs will be given by our Bank to RBI after completion of the annual audit.
- j) In order to protect the independence of the auditors/audit firms, Bank will make the appointments of SCAs for a continuous period of three years subject to the firms satisfying the eligibility norms each year. Bank will not remove the audit firms during the above period without the prior approval of the Reserve Bank of India.
- k) The list of firms selected for appointment as statutory central auditors will be placed either before the ACB or before the Board for their concurrence before it is forwarded to RBI for final approval.

- 1) The Board approved policy of our Bank for appointment of statutory auditors will be hosted on the Bank's web-site.

Note : A full time partner does not include a person who is :

1. A partner in other firms.
2. Employed full time/part time elsewhere, practicing in 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

3. Irrevocable consent :

Irrevocable consent is to be obtained from the Audit Firm in writing for consideration of appointment in our bank for the particular year and for the subsequent continuing years.

4. Undertakings/ Declarations to be obtained from the firm/ firms:

- a. In case of selection in our Bank, the firm(s) 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 our appointment once selected.
- 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 226 of the Companies Act, 1956 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.

5. Tenure:

SCA Firm will have tenure of three years subject to their eligibility for continuation for subsequent year/ years after first year. The appointment will be made on annual basis subject to their fulfilling the eligibility norms prescribed by Reserve Bank of India and also subject to their performance and suitability.

6. Number of assignment:

The firm appointed as SCA of the Bank will not be eligible for any Statutory Central Audit assignment in PSBs/Private Banks/ Foreign Banks/ RBI/ Financial Institutions such as National Housing Bank, EXIM Bank etc.

7. Number of branches to be audited by each SCAs:

In accordance with our existing policy, Bank will allot the top 20 branches in terms of advances out standing, including the Treasury Branch in such a manner as to cover a minimum of 15% of total gross advances of the Bank by SCAs.

8. Relinquishment of the internal assignments, if any:

In the event of acceptance of the appointment as Statutory Central Auditor of the Bank, all the internal assignments of the Auditor in our bank, if any, will stand withdrawn.

9. Remuneration:

The Remuneration to the SCAs for Audit, TA/DA and other incidental expenses will be paid as per the guidelines issued by RBI from time to time.

10. Removal:

An audit firm appointed as Statutory Central Auditor may be removed during its tenure with the prior approval of the Reserve Bank of India. The Board of Directors of the Bank will be the competent authority to recommend removal of any SCA to RBI.

B. APPOINTMENT OF STATUTORY BRANCH AUDITOR(SBA)

Eligible Audit Firms:

The list of eligible firms for appointment of Statutory Branch Auditors (SBAs) will be forwarded by RBI. However the Bank will be guided by the eligibility norms specified in Annex 2 of RBI letter DBS.ARS.No.16124/08.91.001/2012-13 dated 17.05.2013.

II. Selection of Branches:

- a. From the year 2013-14, statutory branch audit of PSBs may be carried out for all branches with advances of Rs 20 crore & above and 1/5th of the remaining branches covering a representative cross section of rural/semi-urban/urban and metropolitan branches, predominantly including branches which are not subjected to concurrent audit, so as to cover 90% of advances of a bank. CPUs/LPUs/and other centralized hubs by whatever nomenclature called would be included in the one fifth of the remaining branches every year.
- b. In respect of branches below the cut-off point, which are subject to concurrent audit by chartered accountants, henceforth, LFARs and other certifications done earlier by SBAs will now be submitted by the concurrent auditors and such branches may not generally be subject to statutory audit.
- c. Going forward, in mutual discussions with GoI and SCAs, based inter alia, on the operational efficiency and robustness of CBS, system driven identification of NPAs, and integrity of MIS, Bank may decide on the threshold level of advances for the purpose of selecting branches for statutory audit.
- d. Progressively, the threshold level of advances may be increased so that the number of branches to be taken up for statutory audit is phased down over a period of time.

III. Procedure for selection of Audit Firms for Branch Audit:

The Bank will select the names of the audit firms for Branch Audit from the list of eligible audit firms forwarded by the RBI. While selecting the names of Audit Firms, the following criteria will be considered:

- a. The office of the Audit Firm is to be preferably in or around the branches to be audited so as to keep close liaison & keep the expenditure on TA/DA at minimum level. In case local auditors are not available, auditors from the nearby districts/ States (As far as practicable) may be considered.
- b. The selection of Audit firms will be done taking into consideration of their category, location and the size of Branches selected for Audit to the extent possible.
- c. Any other criteria RBI may stipulate.

IV. Irrevocable consent:

Irrevocable consent to be obtained from the Audit Firm in writing for consideration of appointment in our bank for the particular year and for the subsequent continuing years.

V. Tenure:

SBA Firm will have tenure of four years. The appointment of SBA will be made on annual basis subject to their fulfilling the eligibility norms prescribed by RBI from time to time and subject to their performance and suitability. Further, the appointment will be made with prior approval of RBI.

VI. Number of Assignment:

One Audit firm can take up audit assignment in one Public Sector Bank only .

VII. Allocation of Branches:

- a. No distinction will be made between the continuing auditors and the fresh auditors.
- b. Bank will allot branches, to the extent possible, to the audit firms in the order of their category in such a way that larger branches are audited by bigger/experienced Audit Firms.
- c. Local auditors will be preferred for branch audit. Among local auditors preference will be given category wise. In case local auditors are not available, auditors from the nearby districts within the State/adjoining States/other States will be considered for audit.
- d. Bank will give assignment to all the auditors approved/considered for appointment.

VIII. Maximum Number of Branches to be Audited:

Not more than three (3) branches (irrespective of the size) will be allotted to each of the branch auditors.

IX. Relinquish the Internal Assignments, if any:

In the event of acceptance of the appointment a Statutory Auditor of the Bank all the internal assignments in our bank, if any, will stand withdrawn

X. Undertakings/ Declarations to be obtained from the firm/firms:

- a. A suitable undertaking would be obtained from the firm /firms to the effect that the Audit will be carried by their own staff and they will not subcontract the Audit Work.
- b. None of the disqualifications under section 226 of the Companies Act, 1956 applies to them and they are qualified for appointment as Statutory Branch Auditors of the Bank.
- c. 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.
- d. None of the partners of your firm or their spouse, depending children and wholly or mainly dependant 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 institute.

- e. 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.
- f. One audit firm will take up audit assignment in one PSB only during any financial year.

XI. Remuneration:

The Remuneration to the SBAs for Audit, TA/DA and other incidental expenses will be paid as per the guidelines issued by RBI from time to time.

XII. Removal/Discontinuation:

An audit firm appointed as Statutory Branch Auditor may be removed during its tenure with the prior approval of the Reserve Bank of India. The Board of Directors of the Bank will be the competent authority to recommend removal of any SCA to RBI.

C. Audit Of Foreign Branches:

As on date Bank is having one Foreign branch at Hong Kong. The Audit of existing Foreign Branch, and branches which may be opened in future will be governed by the Laws of that country as well as norms prescribed by RBI. Foreign Department, Head Office will ensure compliance with respect to Auditing, Selection of Auditors and payment of remuneration etc.

D. Audit of Other Offices:

All the Zonal Offices of the Bank will be Audited by the Statutory Central Auditors. Other offices like FIOs, Training Colleges, Stationery Depots, LBCs, etc will be considered as part of Head Office for the purpose of Audit.

Redressal of Grievances:

General Manager (Finance & Accounts) will dispose off grievances/complaints (if any) with regard to the selection of Statutory Central Auditors or Statutory Branch Auditors and allotment of Branches to them.

Bank reserves the right to amend the policy at any time.