



Oriental Bank of Commerce

Policy regarding appointment of SCAs and SBAs for FY 2019-20 (Version 7.0)

**Policy regarding Appointment of
Statutory Central Auditors (SCAs)
and
Statutory Branch Auditors (SBAs)
by the Bank
for the financial year 2019-20**

(Version 7.0)



Oriental Bank of Commerce

POLICY REGARDING APPOINTMENT OF STATUTORY CENTRAL AUDITORS (SCAs) AND STATUTORY BRANCH AUDITORS (SBAs) FOR THE YEAR 2019-20

1. Appointment of Statutory Central Auditors (SCAs)

1.1 Methodology for selection of SCAs

The selection and appointment of Statutory Central Auditors (SCAs) has been delegated to the Bank for the year 2014-15 and onwards. As per selection criteria/ procedure, Reserve Bank of India (RBI) will provide the selection criteria for selecting SCAs to PSBs, keeping in view the policy parameters in this regard. The C&AG will provide the panel of auditors available with them which shall be forwarded by the RBI to the Bank for making selection and appointment out of the list, with prior approval of the Reserve Bank of India.

1.2 The norms on eligibility, empanelment and selection of Statutory Central Auditors (as advised by the RBI) are as under:

1.2.1 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).

* *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.*



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- 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 Rs.1.80 lakh in a year (Rs.15000/- per month)
FCA partner Rs.3.00 lakh in a year (Rs.25000/- per month)
- (ii) Other places:*
ACA partner Rs.1.20 lakh in a year (Rs.10000/- per month)
FCA partner Rs.1.80 lakh in a year (Rs.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.

- 1.2.2 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.
- 1.2.3 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.
- 1.2.4 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.)
- 1.2.5 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.]



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- 1.2.6 At least two partners of the firm or its paid Chartered Accountants must possess CISA / ISA qualification.
- 1.2.7 In case of merger and demerger of firms, merger effect will be given after 2 years of merger while demerger will be effected immediately.
- 1.2.8 The C&AG will empanel the audit firm based on the above parameters as on January 1, of the relevant year and send the panel to the Reserve Bank of India.
- 1.2.9 If any audit firm empanelled by C&AG with the position as on January 1 undergoes change in its constitution after empanelment date, the audit firm will take all necessary steps to become eligible within a reasonable time and in any case, audit firm should be complying with above norms [para (i) to (vii)] on eligibility, empanelment and selection of Statutory Central Auditors in Public Sector Banks hosted on RBI website before the following events:
 - a) Appointment of the audit firms by the Bank as SCAs. For this, the audit firm while giving consent to the Bank for appointment may ensure that it complies with the norms.
 - b) Before commencement of Annual Statutory Audit for financial Year ending 31st March and till the completion of annual audit.
 - c) Quarterly Review of Accounts as on June 30, September 30 and December 31 every year till its completion.

In case any audit firm (after appointment) does not comply with any one of the norms (on account of resignation, death etc. of any of the partners, employees etc.), it may promptly approach the Bank with full details. The Bank in turn will approach RBI.

1.3 Procedure for appointment of Statutory Central Auditors in Public Sector Banks-

- 1.3.1 The Bank being a “Category B Bank (Medium Bank)”, the number of Statutory Central Auditors to be appointed shall not be more than 5 (five).
- 1.3.2 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.
- 1.3.3 The procedure that will be followed for selection of SCAs by the Bank is as under:
 - a) Reserve Bank will be providing the bank-
 - i. List of continuing firms (i.e. the list of audit firms who have not completed three years of audit and
 - ii. List of eligible, non continuing audit firms in two parts viz. experienced audit firms and new audit firms.



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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, the bank will round the number to the nearest round number and choose auditors from the 'Experienced' and 'New' firm list for fresh appointment as per RBI guidelines. 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.

- b) The Bank will take into consideration the following points while shortlisting the audit firms, as per RBI guidelines:-
 - i. As far as possible, the Bank shall have at least two audit firms having their Head Office from the same place where the banks' Head Office/Corporate Office is located. This condition is applicable for the combined pool of continuing and fresh auditors.
 - ii. Audit firms shall not be selected if they are last retired (after completing the full term) before going under rest from our Bank.
 - iii. The firms whose partner/s are on the Boards of our Bank shall not be appointed as auditors for our Bank.
 - iv. An audit firm is eligible to be appointed as a Central/ Branch auditor of only one PSB during a particular year.
 - v. Shortlisted firms shall be adequate enough to take care of the situation where some firms may not give consent.
- c) The Bank will prepare list of shortlisted audit firms in terms of above parameters. The Bank will obtain the willingness in writing from audit firm(s) shortlisted as above to accept the assignment of Statutory Central Audit work. However, there will be no commitment on the part of the Bank to allot the Statutory Central Audit work to the audit firms submitting their willingness to the Bank and such audit firms shall be free to give similar willingness to multiple PSBs, if approached by other PSBs.
- d) After obtaining approval from the Audit Committee of the Board for adequate number of audit firm(s) in order of preference, the Bank shall approach such audit firms to obtain their irrevocable consent in writing strictly in order of preference. The audit firm should give their consent in writing for consideration of appointment in the bank for the particular year and the subsequent continuing years subject to their fulfilling the eligibility norms prescribed by the Reserve Bank of India as amended 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 in our Bank for the particular year.



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The consent letter should clearly state that the 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 any claim against our Bank and the RBI. The appointment shall be 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 shall declare that consent is given to one PSB only.

The consent letter shall contain that the consent given by them will be treated as irrevocable and request, if any, from them for changing the bank, after giving its consent to our bank will not be entertained.

- e) 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 our Bank shall be placed before the Audit Committee of the Board again for their concurrence before it is forwarded to RBI for final approval.
- f) Audit firm(s) selected by the Bank 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.
- g) After selection, as per the statutory requirement, the Bank, in turn, shall forward the name(s) of the selected audit firms to RBI for their prior approval before their actual appointment.
- h) A feedback on the quality of audit of SCAs shall be given by the Bank to RBI after the annual audit.

1.4 Other guidelines-

- 1.4.1 In order to protect the independence of the auditors/audit firms, the Bank shall make appointment of SCA for a continuous period of three years subject to the firms satisfying the eligibility norms each year. The Bank shall not remove the audit firms during the above period without the prior approval of the Reserve Bank of India.
- 1.4.2 The audit firms applying for empanelment as SCAs in the Bank will be required to give an undertaking that, in case of selection in our Bank, they 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 appointment of our Bank, once selected. This stipulation however, will not be applicable for the auditors of the banks with no presence in India.



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1.4.3 The Bank shall comply with the guidelines issued by the Ministry of Finance, Govt. of India/Reserve Bank of India in this regard as amended from time to time.

1.4.4 Bank shall allot top 20 branches (to be selected strictly in order of the level of outstanding advances as at the end of the March 31 of the previous year) to cover a minimum of 15% of total gross advances of the Bank or shall comply any such guidelines received from RBI/MoF from time to time.

1.5 Composition of the Selection Committee and Grievance Redressal Committee at Corporate Office regarding SCAs appointment and their functions-

The Bank is having two Committees regarding SCAs appointment i.e (i) Selection Committee and (ii) Grievance Redressal Committee comprising General Managers as its members, as under-

1.5.1 Selection Committee

- i. General Manager (HRD)
- ii. General Manager (Accounts) & CFO
- iii. General Manager (I&C)

Further, the Dy.General Manager(Accounts)-Functional Head/Asstt.General Manager (Accounts)-Functional Head, shall act as the Member Secretary of the said Committee.

1.5.2 Grievance Redressal Committee

- i. General Manager (Large Corp Credit)
- ii. General Manager (Resolution, Recovery & Law)
- iii. General Manager (Treasury & Investment)

1.5.3 Recommendation of names of SCAs to the Audit Committee of the Board

The audit firms shortlisted each from the lists containing names of **Experienced Non Continuing** audit firms and **New Non Continuing** audit firms shall be recommended for appointment as Statutory Central Auditors of the Bank by the Selection Committee to the ACB for their approval, as part of procedure mentioned in para 1.3 above.



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2 Appointment of Statutory Branch Auditors (SBAs)

2.1 The RBI will provide the list of category-wise eligible auditors/audit firms for selection as Statutory Branch Auditors of the Bank. The Bank will be guided by the eligibility norms prescribed by the Reserve Bank of India.

2.2 Selection of Branches for statutory audit-

2.2.1 Statutory branch audit of the Bank shall 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.

2.2.2 In respect of branches below the cut-off point, which are subject to concurrent audit by chartered accountants, LFARs and other certifications done earlier by SBAs will be submitted by the concurrent auditors to the Chairman of the bank and such branches may not generally be subject to statutory audit. The Bank in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditor as an internal document of the bank.

2.2.3 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, managements of individual PSBs may decide on the threshold level of advances for the purpose of selecting branches for statutory audit.

2.2.4 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.

2.3 Procedure for selection of audit firms for statutory branch audit of the bank-

2.3.1 The Bank's Committee for Selection of SBAs at Corporate Office will approve selection of auditors/audit firms, out of the list provided by the RBI for appointment as SBAs through software provided by the Institute of Chartered Accountants of India (ICAI), in such a manner to fill up the vacancies for required number of branch auditors to carry out the statutory audit of branches during the relevant year. However, to avoid any delay in submission of list of statutory branch audit firms selected by the Bank to RBI, the ICAI software shall be run maximum 3 times and thereafter to fill the gap, if any, arisen due to rejections/non-selection of SBAs through ICAI software, the selection of remaining number of SBAs may be done manually. As heitherfore, required number of auditors shall be assessed inter-alia keeping in



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view the number of auditors retired and auditors required based on criteria/guidelines issued by RBI for selection of branches to be audited and number of branches to be allotted to SBAs (category-wise). While selecting the names of audit firms, the selection Committee at Corporate Office shall consider the following criteria which is parameterized in the ICAI software-

- a) The software has functionality to select audit firms having their offices in the district where the branches under statutory audit are situated and the proximity shall be preferred, as far as possible so as to keep close monitoring and expenditure on TA/DA at minimum level. In case, local audit firms are not available, audit firms of requisite category, from the RBI's list, from nearby areas/districts/states may be considered through ICAI software.
- b) The Bank shall have a suitable mix of various categories of auditors/audit firms while selecting the SBAs keeping in view the size of the branches to be audited in respective Circle Offices.
- c) A list of non-continuing audit firms received from the RBI shall be provided to the ICAI for uploading the same in the software.
- d) The maximum number of branches to be allotted to an audit firm shall be restricted in accordance with the RBI guidelines/stipulation in this regard issued from time to time. At present, not more than 3 (three) branches (irrespective of the size) can be allotted to a statutory branch auditor, based on the availability of number of audit firms, timely completion of audit and the fee payable based on the size of advances of the branch in respective Circle Offices. However, 2 or 1 branch may be given to one audit firm depending upon size of the branch, category of audit firm, availability of the branches and audit firms in a Circle Office.
- e) While allotting the number of branches to the statutory branch auditors, the Committee at Corporate Office shall take into account exceptional circumstances e.g. refusal of statutory audit assignment by the approved audit firm, rejection of firm by the Reserve Bank of India, death/non-availability of an audit firm or any other exigency. However, in no case the number of branches to one SBA shall exceed 3 (three) i.e. maximum as prescribed by the RBI from time to time.
- f) The statutory audit assignment may be given for any location of the branch(es) of the Bank depending upon the availability of SBAs/requirement of the Bank.
- g) Modalitily of branch audit exercise subject to RBI guidelines, shall be decided by the Committee for Selection of SBAs at Corporate Office level, e.g. category-wise allotment of number of branches etc.

2.3.2 The names of audit firms selected shall be recommended by the Bank to RBI for prior approval, in the prescribed format, if any.



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- 2.3.3 The tenure of statutory branch auditors shall be as per RBI guidelines issued from time to time.
- 2.3.4 The concept of one audit firm for one Public Sector Bank to continue. The consent given by audit firm shall be treated as irrevocable.
- 2.3.5 The Bank shall comply with the guidelines issued by the Ministry of Finance, Govt. of India/Reserve Bank of India in this regard as amended from time to time.

2.4 Committee for Selection of SBAs and allocation of branches after receipt of approval for non-continuing audit firms from RBI at Corporate Office -

The Committee for selection of Statutory Branch Auditors at Corporate Office is consisting of undernoted officials -

Committee at Corporate Office for selection of audit firms for statutory branch audit and allocation of branches after receipt of approval for non-continuing audit firms from RBI
1. General Manager (Accounts) & CFO –Head of the Committee
2. General Manager (Inspection & Control) - Member
3. General Manager (HRD) - Member
4. General Manager (RMD) - Member
5. General Manager (Large Corporate Credit) - Member
6. General Manager (RRL) - Member
DGM (Accounts)/AGM (Accounts)- Member Secretary

The minimum quorum of the Committee to conduct the business shall be 4 (four).

The Committee shall approve the selection audit firms as Statutory Branch Auditors through ICAI software. However, to avoid any delay in submission of list of statutory branch audit firms selected by the Bank to RBI, the ICAI software shall be run maximum 3 times and thereafter to fill the gap, if any, arisen due to rejections/non-selection of SBAs through ICAI software, the selection of remaining number of SBAs may be done manually. An irrevocable consent from the selected audit firms, as per software functionality devised by the ICAI, shall be obtained. The Committee shall ensure that in case the firm is associated with internal assignment they must relinquish such internal assignment before accepting the statutory audit. After receipt of approval from the RBI, the Committee shall approve the allocation of branches to the statutory branch auditors.



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2.5 Committee for Grievance Redressal relating to selection of SBAs

The Bank is having a Committee for Grievance Redressal consisting of undernoted officials to examine the grievances, if any, relating to appointment of SBAs from the panel provided by RBI/MoF/CAG-

- i. General Manager (Operations) or in his absence by the Alternate General Manager,
- ii. General Manager (CS&P) or in his absence by the Alternate General Manager,
- iii. General Manager (Compliance) or in his absence by the Alternate General Manager,

3. Remuneration & Reimbursement of TA Bills to SCAs/SBAs

Remuneration/Audit Fee/Travelling Allowance/Halting Allowance etc. shall be payable to SCAs/SBAs as per RBI guidelines conveyed to the Bank from time to time.

3.1 Fees for signing annual audited results as per listing agreement , Cash Flow, abridged balance sheet and profit and loss account

A consolidated fee of ₹ 4,80,000/- (Rupees Four Lacs Eighty Thousand Only) plus service tax shall be paid for the entire team of Statutory Central Auditors.

3.2 Fees for concurrent auditors in respect of branches below the cut-off point (₹ 20 crore) which are not subjected to statutory branch audit -

In respect of branches below the cut-off point (₹ 20 crore), which are not under statutory branch audit but are subjected to concurrent audit by respective chartered accountants, the fees for issuance of LFAR and other certification earlier done by SBAs are required to be submitted by the concurrent auditors. The fees payable to the concurrent auditors shall be 10% of the basic audit fee payable for statutory audit of respective branch.

3.3 Reimbursement of travelling and halting allowances and daily conveyance charges

For reimbursement of the lodging & boarding charges, travelling allowance and daily conveyance payable to statutory auditors, the banks are given the discretion to decide the same in a cost effective manner in mutual consent with the auditors. Further, in no circumstances should the rate exceed respective ceiling, if any.



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The categories of officers linked for the purpose of deciding the ceiling limits are given below:

Sl. No.	Category of Audit officials	Equivalent scale of Bank officials (as per IBA guidelines)
1	Partners/proprietors	VII – General Manager
2	Qualified Assistants	III – Senior Manager
3	Un-Qualified Assistants	I – Asstt. Manager

The prescribed limit for reimbursement of Travelling expenses is given here under :

(a) Travelling Allowances:

For Proprietor/Partners

First Class/AC 1st Class railway fare or Air Fare (economy class) or actual cost of conveyance by bus/car/boat if the route is not served by rail or air.

For Assistants:

1st class Railway Fare (Air Fare by Economy Class as a special case) wherever considered necessary or actual cost of conveyance by bus/car/boat if the route is not served by rail.

(b) Halting Allowances:

The rate of halting allowance subject to production of bills/vouchers shall be as under:

***Lodging/Boarding Charges:**

Status of Auditors	Maximum Room tariff permissible (Rs.)							
	Metro		Major 'A' Class cities (excluding Metros)		Area 1 Cities		Other Places	
	Lodging	Boarding	Lodging	Boarding	Lodging	Boarding	Lodging	Boarding
Proprietor/Partner	8500	1800	6800	1300	3400	1100	3000	950
Qualified Assistants	2400	1300	2400	1100	1600	950	1200	800
Un-qualified Assistants	1600	1300	1600	1100	1200	950	800	800

Category of cities

Metros	Delhi, Mumbai, Kolkata & Chennai
Major 'A' Class cities (excluding Metros)	Ahmedabad, Bangalore, Hyderabad, Surat and Pune
Area I	Nagpur, Jaipur, Kanpur, Lucknow, Vishakhapatnam, Kochi, Vadodara, Indore, Bhopal, Ludhiana, Coimbatore, Madurai, Varanasi, Agra, Patna, Vijaywada, Rajkot, Faridabad, Srinagar, Jamshedpur, Kozhikode, Thrissur, Malappuram, Thiruvananthapuram, Kannur, Jabalpur, Nashik, Vasai-Virar, Meerut, Allahabad, Ghaziabad and Asansol

**Lodging Charges mentioned above are exclusive of admissible taxes.*



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- Boarding charges as above shall be subject to production of Bills and when no bills are produced, boarding charges @ 60% of the rates prescribed above to cover the boarding and other incidental expenses will be paid.
- Boarding charges shall be reimbursed, if there is actual stay outside the Headquarter.

(c) Daily Conveyance Charges

- Actual local conveyance charges incurred by auditors for conducting the Bank's audit may be reimbursed on the basis of production of bills / self-declaration.
- However, the reimbursement of such expenses shall not exceed 10% of the audit fees payable to respective auditors.

The amendment/changes, if any, made by the Reserve Bank of India/Ministry of Finance/Govt. of India from time to time shall construe to be part of this policy.

Signed Copy
