

Norms of empanelment of Statutory Central Auditors :-

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

- 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:**

- 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

ACS Partner	₹.1.80 lakh in a year (₹.15000/- per month)
FCA partner	₹.3.00 lakh in a year (₹.25000/- per month)
- ii) Other Places:

ACS 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.

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.

- 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.
- 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.
- 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. 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.
- 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.
- At least two partners of the firm or its paid Chartered Accountants must possess DISA/CISA or any other equivalent qualification.

Norms for the empanelment of Statutory Branch Auditors:-

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 partner should have a minimum of 8 years experience of branch audit of a nationalised 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 nationalised 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 nationalised bank or of a private sector bank for at least 3 years.	5 years (for the firm or at least one partner)
IV.	2	2	2	Not necessary	3 years
	Even proprietorship concern without bank audit				

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)
	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 nationalised 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.				

General Guidelines applicable to both SCAs and SBAs:-

- i) All PSBs are required to have a Board approved policy for appointment of statutory auditors and the same may be hosted on the bank's web-site.

Banks are also required to ensure that the policy framed by the Board in the matter of selection of auditors/ audit firms for appointment of auditors is strictly adhered to.

Further, the list of firms selected for appointment as statutory branch auditors may be placed before the ACB/ Board of bank for its concurrence before it is forwarded to RBI for final approval.

- ii) The policy of one audit firms for one PSB will be continued. Accordingly an audit firm will be eligible to be appointed as a Central/ Branch auditor of only one PSB during a particular year.
- iii) Further, an audit firm which takes up statutory central audit assignment in a PSB will not be eligible to be appointed as a statutory central auditor in a private sector/ foreign bank during that particular year and vice versa. This has been made applicable from the year 2012-13 onwards.
- iv) In order to protect the independence of the auditors/ audit firms, banks will have to make the appointments of SCA/branch auditors for a continuous period of three and four years respectively subject to the firms satisfying the eligibility norms each year. Banks cannot remove the audit firms during the above period without the prior approval of the Reserve Bank of India.
- v) The audit firms should not sub contract the audit work in any manner to any other audit firm/s & it must be carried out by the firms' own staff. An undertaking to be submitted to the Bank to this effect.
- vi) The audit firm should not be disqualified under section 141 of the Companies Act, 2013 (previously Section 226 of the Companies Act, 1956) for being appointed as auditor of the Bank. The audit firm to submit declaration to the effect that they are qualified for appointment as statutory auditors of the Bank. If an audit firm becomes subject to the disqualifications after his appointment the firm shall be deemed to have vacated their office as such.
- vii) 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.

- viii) In additions to the requirements of Section 141(3)(d) of the Companies Act, 2013 (previously Section 226 (3)(d) of the Companies Act, 1956), in regard to indebtedness, the spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/ proprietors of the firm or the firm/ company in which their partners/directors shall not be indebted to the bank.
- ix) None of the partners/ proprietors of the audit or their spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/proprietors of the firm/ company in which their partners/ directors should have been declared as willful defaulters by any bank/ financial institutions.
- x) Audit firm cannot undertake statutory audit assignment while they are associated with internal assignments in the bank during the same year. In case the firms are associated with internal assignments, they should relinquish the internal assignments before accepting the statutory audit assignments during the year.
- xi) Associate firms or sister concerns of statutory audit firms should be disqualified for internal audit or for any special assignment when the main firm/partners are allotted Statutory Audit in a particular year.
- xii) The director of the Bank or a firm in which such director is a partner is not eligible for appointment as Statutory Branch Auditor of the Bank.