

पंजाब एंड सिंध बैंक

(भारत सरकार का उपक्रम)

प्र.का.लेखा और लेखा परीक्षा विभाग

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PUNJAB & SIND BANK

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Policy for Appointment of Statutory Auditors

A.	Appointment of Statutory Central Auditors												
I)	Number of Audit Firms												
	<p>Bank shall have a minimum of 2 and a maximum of 4 SCA Firms [Partnership firms/Limited Liability Partnerships (LLPs)].</p> <p>Considering the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc. and the requirements of the bank, the actual number of SCAs to be appointed shall be decided by the Board, subject to the aforesaid limits.</p>												
II)	Eligible Audit Firms												
	<p>The List of eligible Audit firms will be provided by Reserve Bank of India. The selected audit firms must confirm to the eligibility criteria prescribed by RBI from time to time.</p>												
III).	Eligibility Criteria												
	Basic Eligibility Criteria for appointment of SCA:												
	<table border="1"><thead><tr><th>Particulars</th><th>Nos.</th></tr></thead><tbody><tr><td>Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years</td><td>5</td></tr><tr><td>Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least Three (3) years</td><td>4</td></tr><tr><td>Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification</td><td>2</td></tr><tr><td>Minimum No. of years of Audit Experience of the firm</td><td>15</td></tr><tr><td>Minimum No. of Professional staff</td><td>18</td></tr></tbody></table>	Particulars	Nos.	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years	5	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least Three (3) years	4	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	2	Minimum No. of years of Audit Experience of the firm	15	Minimum No. of Professional staff	18
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<p>i. The full-time partner's association with the firm shall mean "exclusive association", which is defined as follows:</p> <ul style="list-style-type: none">• The full time partner should not be a partner in other firm/s.• She/He should not be employed full time / part time elsewhere.• She/He should not be practicing in her/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.• The income of the partner from the firm/LLP should not be below the threshold limits prescribed by the Office of C&AG for the purpose of consideration as full-time partners. <p>ii. Continuous association of Paid CAs with the firm as on the date of empanelment should be at least one year for considering them as Paid CAs with CISA/ISA qualification.</p> <p>iii. Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ AIFIs.</p> <p>iv. In case of merger and demerger of firms, merger effect will be given after 2 years of merger while demerger will be effected immediately.</p> <p>v. Professional staff will include audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but exclude typists/stenos/computer operators/ secretaries/subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of empanelment for considering them as professional staff.</p> <p>vi. Apart from the above the eligible audit firms shall also satisfy the following conditions:</p> <ul style="list-style-type: none">a) Eligible audit firms should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.b) Eligible audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other
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Financial Regulators.

c) Eligible audit firm should comply with the ICAI's Code of Ethics / any other such standards adopted. The appointment of the Eligible audit firm should not give rise to any conflict of interest.

d) If any partner of a Chartered Accountant firm is a director in any Public Sector Bank, the said firm shall not be appointed as SCA of Punjab & Sind Bank.

e) Eligible audit firm should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the bank.

f) Neither any partner of Eligible audit firm, nor their spouse, dependent children and wholly or mainly dependent parents, sisters, brothers or any of them, of any partner/proprietor of the firm/Company in which they are partners/ directors should be indebted to Punjab & Sind Bank.

g) Neither partners/ proprietor of the Eligible audit firm nor their spouse, wholly or mainly dependent parents, dependent children, brothers, sisters or any of them, or the firm / company in which they are partners / directors should have been declared as willful defaulters by any bank / financial institutions

h) Eligible Audit Firm should have subjected itself to Peer Review System of the Institute of Chartered Accountants of India and should hold a valid Peer Review Certificate.

i) Concurrent auditors of Punjab & Sind Bank should not be considered for appointment as SCA.

j) The time gap between any non-audit work (services mentioned at Section 144 of Companies Act, 2013, Internal assignment, special assignments, etc.) by the eligible audit firm should be at least one year before or after its appointment as SCA.

If an audit firm is involved in some non audit work with Punjab & Sind

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	<p>Bank and completes or relinquish the said assignment prior to the date of appointment of SCA, the said audit firm would be eligible for appointment of SCAs for FY 2021-22.</p> <p>However, from FY 2022-23, the time gap between the appointment of SCA and completion of assignment of non audit work given to the same audit firm should be minimum one year.</p> <p>k) Eligible audit firms shall maintain confidentiality of having given their consent for appointment as Statutory Central Auditor of Punjab & Sind Bank till the final approval for appointment is received from RBI.</p> <p>vii. Continued Compliance with basic eligibility criteria: In case SCA Firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it must approach Punjab & Sind Bank with full details. Further, the SCA Firm shall take all necessary steps to become eligible within a reasonable time and should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.</p> <p>In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the SCA Firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.</p>
IV)	Procedure for selection of Audit Firms for SCA
	<p>a) 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.</p> <p>b) For every vacancy of SCAs minimum of 2 audit firms shall be shortlisted so that even if firm at first preference is found to be ineligible or refuses appointment, the</p>

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	<p>firm at second preference can be appointed and the process of appointment of SCAs does not get delayed.</p> <p>c) The list of eligible audit firms for appointment as SCAs will be provided by RBI.</p> <p>d) A committee consisting of General Manager in charge of HO Accounts & Audit Department and two other General Managers will be formed. The aforesaid committee will be formed with the approval of Managing Director & CEO and in his absence ED.</p> <p>e) The shortlisting of the Audit Firms will be done by the aforesaid committee on the basis of parameters as approved by the ACB. Discreet enquiries about the credentials of the audit firm to be made informally to maintain the secrecy.</p> <p>f) The list of shortlisted audit firms will be placed before ACB. The ACB will approve adequate number of audit firms in order of preference to take care of the situation where some firms may be found to be as ineligible or refuses appointment.</p> <p>g) Accordingly, the bank shall recommend the name of audit firms to the RBI for its prior approval along with the following documents:</p> <ul style="list-style-type: none">• Copy of audited Financial Statement indicating the total asset size as on March 31st of the previous year.• A copy of ACB Resolution recommending names of audit firms for appointment as SCAs in the order of preference.• Information as per Form – “B” and Form – “C” of RBI Letter Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27.04.2021. <p>h) After receiving the approval from RBI, GM Accounts to issue the Appointment Letter to the SCAs for that particular year and undertake all the necessary activities with regard to the appointment of SCAs.</p> <p>i) The said firms will continue to conduct quarterly reviews for next year until the bank receives new panel/ list of SCAs from RBI.</p>
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V)	<p>Tenure and Rotation</p> <p>i. SCA Firm will be appointed for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Bank can remove the audit firms during the above period only with the prior approval of RBI.</p> <p>ii. SCA Firm would not be eligible for reappointment in Punjab & Sind Bank for six years after completion of full or part of one term of the audit tenure.</p> <p>iii. SCA Firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one Public Sector Bank or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria. The limits prescribed for UCBs exclude audit of other co-operative societies by the same SCA Firm. A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SCA accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.</p>
VI)	<p>Number of branches to be audited by each SCA</p> <p>Bank will allot the top 20 branches in terms of advances outstanding in such a manner as to cover a minimum of 15% of total gross advances of the bank by SCAs subject to maximum of 5 branches to each Audit Firm. The fees payable to SCAs will be as per RBI guidelines and same will be shared by them equally.</p>
VII)	<p>Independence of Auditors</p> <p>ACB shall monitor and assess the independence of the audit firms and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. ACB may raise any concern in this regard to the Board of Directors and Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.</p> <p>The SCA Firms shall approach to the ACB, under intimation to the concerned</p>

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	SSM/RO of RBI for any concern with the management such as non-availability of information/non-cooperation by the management, hampering the audit process.
VIII)	Professional Standards of Auditors
	<p>A report on review of performance of SCAs will be sent to RBI on annual basis after the approval of ACB. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs or any other matter considered as relevant will be reported to RBI within two months from completion of the annual audit.</p> <p>In the event of lapses in carrying out audit assignments resulting in misstatement of an Bank's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SCAs in relation to the bank, the SCAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.</p>
IX)	Redressal of Grievances
	Executive Director in charge of Accounts & Audit Department will dispose off grievances/ complaints (if any) with regard to the selection of Statutory Central Auditors.
X)	Regulator's Guidelines
	Guidelines issued by regulators viz. RBI/ MOF/ GOI/ SEBI/ NFRA etc. from time to time in connection with Statutory Central Auditors shall prevail over and above the provisions of the policy.

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B.	Appointment of Statutory Branch Auditors
I)	Coverage of Audit
	<p>The branches for annual audit will be selected in accordance with the RBI guidelines which are as follows:</p> <ul style="list-style-type: none">• Statutory branch audit will be carried out so as to cover at least 90% of all funded and 90% of all non-funded credit exposures of the bank. The selection of branches for statutory audit shall include a representative cross section of rural/semi-urban/urban and metropolitan branches, predominantly including branches which are not subjected to concurrent audit. CPUs/LPUs/and other centralised hubs, by whatever nomenclature called, will be included for branch audit every year. The selection of branches shall be finalized with the consent of the Statutory Central Auditors of the bank.• In respect of those branches, which are subject to concurrent audit by chartered accountants and not selected for branch audit, LFARs and other certifications done by concurrent auditors will be submitted to the Managing Director & CEO of the bank. The bank in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditors as an internal document of the bank.
II)	Eligible Audit Firms
	<p>The List of eligible Audit firms will be provided by the Reserve Bank of India. The selected audit firms must confirm to the eligibility criteria prescribed by RBI from time to time.</p>

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III)	Procedure for selection of Audit Firms for Branch Audit
	<p>The procedure that will be followed for selection of SBAs by the Bank is as under:</p> <ol style="list-style-type: none">i. RBI will, forward the list of all eligible auditors/audit firms (Continuing and Non Continuing auditors/audit firms) to the Bank before Annual audit every year.ii. All the audit firms, whose names appear in the list of continuing auditors, will be considered for audit assignments during the concerned financial year.iii. For the remaining vacancies if any, the audit firms will be selected from the list of non continuing firms provided by RBI.iv. The selection of audit firms will be made through software provided by Professional Development Committee (PDC), Institute of Chartered Accountants of India (ICAI) for appointment of Statutory Branch Auditors, out of the list provided by the RBI. The above said software shall be run maximum of 3 times. <p>However, if any gap arises due to rejection/ non-selection of SBAs/ Emergent cases like non-availability/ glitches in the software due to technical reasons, General Manager (Accounts) may decide on selection of SBAs, based on the criteria prescribed below:</p> <ol style="list-style-type: none">a) The office of the Audit Firm 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 within the State/ adjoining States/ other States will be considered.b) There should be a suitable mix of various categories of auditors / audit firms keeping in view the size of the branches to be audited.c) The firms whose partner/s are on the Board of Punjab & Sind Bank are not to be appointed as auditors of the Punjab & Sind Bank.d) The audit firms retiring as Statutory Central Auditors from Punjab & Sind Bank shall not be eligible to be appointed as SBAs of Punjab & Sind Bank

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	<p>during the prescribed cooling period for SCAs.</p> <p>e) 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.</p> <p>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.</p> <p>v. The adequate number of fresh branch auditors (Category – wise) may be inducted to enable equitable distribution to each audit firm and also to take care of any eventuality on account of refusal or any other event, if any.</p> <p>vi. The list of continuing auditors/audit firms and new auditors/audit firms who have given irrevocable consent, selected for appointment as statutory branch auditors will be placed before ACB/Board for its concurrence before it is forwarded to RBI for final approval. In case of time constraint, the approval may be obtained from Executive Director in charge of Accounts & Audit Department and may be placed before ACB/ Board in subsequent meeting, for confirmation of action of Executive Director.</p> <p>vii. Appointment Letters shall be issued to the auditors after getting approval of RBI.</p>
IV)	Offer for Appointment
	<p>i. The offer(s) for appointment to the Audit firm(s) shall be given through e mail; and</p> <p>ii. Sufficient time will be given to the Audit Firm(s) to accept the offer of appointment as Statutory Branch Auditors.</p>
V)	Irrevocable consent
	<p>Irrevocable consent is to be obtained from the Audit Firm(s) in writing for consideration of appointment in our bank for the particular year and for the subsequent continuing years. The consent given by an audit firm will be treated as irrevocable and request, if any, from audit firms for changing the bank, after having given its consent is not to be entertained.</p>

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VI)	Tenure
	Audit Firms selected as Statutory Branch Auditor will have tenure of four years or such period as advised by RBI.
VII)	Number of assignment
	One Audit firm can take up audit assignment in one Public Sector Bank only.
VIII)	Allocation of branches
	<ul style="list-style-type: none">i) The allocation of branches for conducting statutory audit by SBAs is centralized at HO level.ii) No distinction will be made between the continuing auditors and the fresh auditors.iii) Bank will allot branches, to the extent possible, to the audit firms taking consideration of the category of the firm.iv) 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.v) Bank will give assignment to all the auditors approved/considered for appointment.
IX)	Number of Audit Firms
	<p>Number of audit firms depends on number of branches to be covered under audit as per RBI policy and the allotment criteria advised by RBI from time to time.</p> <p>As per the extant guidelines of RBI, not more than three (3) branches (irrespective of the size) will be allotted to each of the branch auditors.</p>

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X)	Relinquish the Internal assignments, if any
	At the time of appointment of an audit firm as Statutory Branch Auditor of the bank for the current year, the internal assignments in our bank, if any, will stand withdrawn, in the event of acceptance of the appointment as Statutory Auditor of the Bank.
XI)	Redressal of Grievances
	Executive Director in charge of Accounts & Audit Department will dispose off grievances/ complaints (if any) with regard to the selection of Statutory Branch Auditors.
XII)	Regulator's Guidelines
	Guidelines issued by regulators viz. RBI/ MOF/ GOI/ SEBI/ NFRA etc. from time to time in connection with Statutory Branch Auditors shall prevail over and above the provisions of the policy.