



पंजाब नैशुनल बैंक Punjab National Bank

वित्त प्रभाग, प्रधान कार्यालय

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FINANCE DIVISION, HEAD OFFICE

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Policy for Appointment of Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) for Domestic and Overseas branches/offices— FY 2023-24.

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...the name you can BANK upon



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1. Policy Overview

In terms of section 30 of Banking Regulation Act, 1949, the Bank is required to get its balance-sheet and profit and loss account audited by a duly qualified person. Public Sector Banks (PSBs) are required to have a Board approved policy for appointment of Statutory Central Auditors and Statutory Branch Auditors and the same is to be hosted on the Bank's website.

2. Policy Details

2.1 Background

RBI letter No. DBS.ARS. No. 16124/08.91.001/2012-13 dated 17/05/2013, regarding Appointment of Statutory auditors in Public sector banks and Department of Financial Services, Ministry of Finance, Government of India F.No. 1/14/2004-BOA dated 25.11.2014, powers for selection of Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) had been delegated to the individual Public Sector Banks (PSBs). All PSBs are required to have a Board approved policy for appointment of Statutory Auditors and the same is required to be hosted on the Bank's web-site.

2.2 Objective

The objective of this policy is to establish proper procedure for appointment of Statutory Auditors and to conform with the related extant norms prescribed by the Reserve Bank of India.

2.3 Scope and Applicability

This policy shall be applicable for appointment/reappointment of Statutory Central Auditors and Statutory Branch Auditors for Domestic and Overseas branches/offices.

2.4 Policy contents

2.4.1 Appointment of Statutory Central Auditors (SCAs)

RBI has issued guidelines on Appointment of Statutory Central Auditors in PSBs vide letter No.DoS.CO.ARG./ SEC.01/08.91.001/2021-22 dated 27.04.2021 and frequently asked questions (FAQs) on the subject.

2.4.1.1 Prior approval of RBI for appointment

The Bank shall take prior approval of RBI (Department of Supervision) for appointment/ reappointment of SCAs on an annual basis. The Bank shall approach Central Office of RBI (Department of Supervision), within one month of receipt of list of eligible audit firms from RBI.



2.4.1.2 Number of SCAs and Branch Coverage

- The Bank having asset size of ₹15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)].
- It shall be ensured that joint auditors of the Entity do not have any common partners and they are not under the same network of audit firms [as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014].
- The Bank shall finalize the work allocation among SCAs, before the commencement of the statutory audit, in consultation with their SCAs.
- The number of SCAs to be appointed for a financial year shall be decided, *inter alia*, taking into account the relevant factors such as 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.,
- The actual number of SCAs to be appointed shall be decided by Board subject to the following limits-

S. No.	Asset Size of the Bank	Maximum No. of SCAs
1.	Upto Rs.5,00,000 crore	4
2.	Above Rs.5,00,000 crore and upto Rs.10,00,000 crore	6
3.	Above Rs. 10,00,000 crore and upto Rs. 20,00,000 crore	8
4.	Above Rs. 20,00,000 crore	12

Since the Bank is having Asset size of above Rs.10,00,000 crore and upto Rs.20,00,000 crore, therefore maximum 8 SCAs can be appointed.

Presently, the Bank is having 5 (five) Statutory Central Auditors and keeping in view 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., the Bank shall continue with 5 SCAs for the FY 2023-24.

- The Bank shall allot the Top 20 branches (to be selected strictly in order of the level of outstanding advances) to SCAs in such a manner as to cover a minimum of 15% of total gross advances of the Bank by SCAs.



2.4.1.3 Eligibility Criteria of Auditors

A. Basic Eligibility

The Bank's asset size being above Rs.15000 crore as on 31st March of previous year, eligibility norms for audit firms to be appointed as SCAs, have been determined as under, which fulfils the criteria prescribed by RBI.

Min No. of Full Time partners (FTPs) associated with the firm for a period of at least three (3) years	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	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Minimum No. of years of Audit Experience of the firm	Minimum No. of Professional staff
Note 1		Note 2	Note 3	Note 4
7	4	2	20*	25

* The RBI has stipulated minimum no. of years of audit experience of the firm as 15, yet keeping in view the size and organizational structure, the relevant audit experience shall be as under -

- Bank/AIFIs audit experience (Statutory Central/Branch Auditor) of minimum of 20 years with minimum 3 years as SCA of PSB or
- PSU Audit experience for minimum 20 years with Public Sector Banks' SCA/SBA experience of minimum 15 years.

The minimum eligibility criteria as per the RBI guideline issued vide letter No.DoS.CO.ARG./ SEC.01/08.91.001/2021-22 dt 27.04.2021 are applicable to the existing SCAs also for their term in the Bank and after appointment as SCAs, these firm(s) must comply with such criteria during their entire term as SCA.

Note 1: There should be at least one-year continuous association of partners with the firm as on the date of empanelment for considering them as full time partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

The full-time partner's association with the firm would mean exclusive association. 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. She/he should not be employed full time / part time elsewhere.
- c. 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.
- d. 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 for appointment as auditors of Public Sector Undertakings.

Note 2: CISA/ISA Qualification:

There should be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of empanelment for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3: Audit Experience:

Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

Note 4: Professional Staff:

Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes 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 for the purpose.

B. Additional Consideration

- i. The audit firm, proposed to be appointed as SCA, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- ii. The 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 Financial Regulators.
- iii. The Bank shall ensure that appointment of SCAs is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- iv. If any partner of a Chartered Accountant firm is a director in any Public Sector Bank (PSB), the said firm shall not be appointed as SCA of any PSB. Further, if any partner of a Chartered Accountant firm is a director in any Entity, the said



firm shall not be appointed as SCA of any of the group entities of that Entity. (Group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.). The Group Entities refer to the RBI Regulated Entities in the Group, which fulfill the definition of Group Entity. However, if an audit firm is being considered by any of the RBI Regulated Entities in the Group for appointment as SCAs, whose partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as Board.

(Clarification)

The Group Entities here refer to the RBI Regulated Entities in the Group, which fulfill the definition of Group Entity, as provided in the Circular. Therefore, if any partner of a Chartered Accountant firm is a director in an RBI Regulated Entity in the Group, the said firm shall not be appointed as SCA of any of the RBI Regulated Entities in the Group. However, if an audit firm is being considered by any of the RBI Regulated Entities in the Group for appointment as SCAs, whose partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as Board.

- v. The auditors of the Bank 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 where the accounting and business data reside in order to achieve audit objectives.
- vi. An audit entity shall be eligible for appointment/ reappointment as an SCA or as SBA of only one PSB during a particular year. However, the above instructions do not preclude an audit entity from accepting appointment as SCA of a PSB after its resignation as SBA of another PSB.

C. Continued Compliance with basic eligibility criteria

In case any audit 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 shall promptly approach the Bank with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm 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.



In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the 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.

2.4.1.4 Independence of Auditors

- i. The Audit Committee of the Board (ACB) shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any Concerns in this regard may be flagged by the ACB to the Board of Directors of the Bank and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- ii. In case of any concern with the Management of the Bank such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SCAs shall approach the Board/ACB of the Bank, under intimation to the concerned SSM/RO of RBI.
- iii. Concurrent auditors of the Bank should not be considered for appointment as SCAs of the same Bank. The audit of the Bank and any entity with large exposure (*as defined in RBI instructions on large exposure framework*) to the Bank for the same reference year should also be explicitly factored in while assessing independence of the auditor. In this regard, the Board/ACB shall see that there is no conflict of interest and the independence of auditors is ensured.

(Clarification)

The Circular does not prohibit an audit firm from doing audit of any Company/Entity with Large Exposure to the Entity from being appointed as SCA of the Entity. It only stipulates that this aspect should also be explicitly factored while assessing independence of the auditor. In this regard, the Board/ACB shall see that there is no conflict of interest and the independence of auditors is ensured.

- iv. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.,) by the SCAs for the Bank or any audit/non-audit works for its group entities (*The Group Entities refer to the RBI Regulated Entities in the Group, which fulfill the definition of Group Entity*) should be at least one year, before or after its appointment as SCAs. If an audit firm engaged with audit/non-audit works for the Group Entities (which are not regulated by RBI) is being considered by Bank for appointment as SCAs, Board/ACB shall ensure that there is no conflict of interest and independence of auditors is ensured, and this should be suitably recorded in the minutes of the meetings of Board/ACB. However, during the tenure as SCA, an audit firm may provide such services to the concerned Entities which may not normally result in a conflict of interest, and Bank may take their own decision in this regards, in consultation with the Board/ACB



(Conflict would not normally be created in the case of the following special assignments (indicative list) :-

- a. Tax audit, tax representation and advice on taxation matters,
- b. Audit of interim financial statements.
- c. Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements.
- d. Reporting on financial information or segments thereof.

(Clarification)

The Group Entities refer to the RBI Regulated Entities in the Group, which fulfill the definition of Group Entity, as provided in the Circular. However, if an audit firm engaged with audit/non-audit works for the Group Entities (which are not regulated by RBI) is being considered by any of the RBI Regulated Entities in the Group for appointment as SCAs, it would be the responsibility of the Board/ACB of the concerned RBI Regulated Entity to ensure that there is no conflict of interest and independence of auditors is ensured, and this should be suitably recorded in the minutes of the meetings of Board/ACB.

Before appointment of an audit firm as SCA of the RBI Regulated Entity, there should be a time gap of minimum one year between this appointment and completion of the assignment of any non-audit works given to the same audit firm in that RBI Regulated Entity or completion of any audit/non-audit works in other RBI Regulated Entities in the Group.

It is reiterated that the time gap between any non-audit works by the SCAs for the Entities or any audit/non-audit works for its Group Entities should be at least one year after completion of the audit assignment as SCA.

- v. The restrictions as detailed in 2.4.1.4(III) and 2.4.1.4(IV) above, should also apply to an audit firm under the same network [as defined in rule 6(3) of the Companies (Audit & Auditors) Rules, 2014] of audit firms or any other audit firm having common partners.
- vi. The selected audit firms should not be Statutory Auditor in any of the subsidiary of Punjab National Bank, for last one year.

2.4.1.5 Professional Standards of SCAs

- i. The SCAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- ii. The ACB of Bank shall review the performance of SCAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the ACB, with the full details of the audit firm.



- iii. In the event of lapses in carrying out audit assignments resulting in misstatement of 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 Bank, the SCAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

2.4.1.6 Tenure and Rotation

- i. In order to protect the independence of the auditors/ audit firms, Bank shall appoint the SCAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, the Bank can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision), as applicable for prior approval for appointment.
- ii. An audit firm would not be eligible for reappointment in the same Entity for six years (two tenures) after completion of full or part of one term of the audit tenure. In case an audit firm has conducted audit of any Entity for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the same Entity for six years from completion of part-tenure. However, audit firms can continue to undertake statutory audit of other Entities.
- iii. One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank, NaBFID) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Bank and within overall ceiling prescribed by any other statutes or rules. For the purpose of these guidelines, 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.

(Clarification)

The existing SCAs of the Entity can continue (including as Joint Auditors) only if they fulfill the eligibility criteria and have not completed the stipulated tenure of three years as SCAs of the Entity.

2.4.1.7 Procedure for Appointment of SCAs

- i. RBI will provide a single list of eligible audit firms. The firms in said list would not be ranked in any order and all firms would be eligible for selection by the Bank.



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- ii. Bank shall shortlist audit firms from the said list of eligible audit firms as received from RBI, based on certain objective criteria (like number of full time partners, number of professional staff, number of CISA/ISA qualified partners/paid CAs, number of FCAs, etc.,)
- iii. The Selection Committee consisting of Bank's senior officials will be formed with the approval of the Executive Director for shortlisting and selection of audit firms from list of eligible audit firms for appointment as Statutory Central Auditors of the Bank to fill up the requisite number of vacancies.
- iv. The name of shortlisted audit firms shall be placed before the ACB for approval, for onward recommendation to RBI. The compliance status of the shortlisted audit firms with regard to Basic Eligibility and Additional consideration shall be placed to ACB as per Annexure C.
- v. The Bank shall shortlist minimum 2 audit firms for every vacancy of SCAs so that even if firm at first preference is found to be ineligible/refuses appointment, the firm having preference subsequent to first preference (second) can be considered and the process of appointment of SCAs does not get delayed. The list in order of preference shall be placed before the ACB for approval of two audit firms for every vacancy and the same shall be recommended to RBI.
- vi. The Bank shall also obtain a certificate, along with relevant information as per Form B, from the audit firm(s) proposed to be appointed as SCAs to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment under the seal of the said audit firm.
- vii. The Bank shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, recommend the names along with a certificate, in the format as per Form C, stating that the audit firm(s) proposed to be appointed as SCA by them comply with all eligibility norms prescribed by RBI.
- viii. The Bank shall indicate its total asset size as on March 31st of the previous year (audited figures), forward a copy of Board/ACB Resolution recommending names of audit firms (two audit firms for every vacancy) for appointment as SCAs in the order of preference and provide information as per **Form B** and **Form C** as mentioned above at the time of approaching the RBI for the prior approval of appointment of audit firms as SCAs.
- ix. The appointment of the audit entity(ies) as SCA/s will be done for that particular year on receipt of approval from RBI. The said firms will conduct quarterly reviews for the FY for which appointment is done and also for the quarters of the succeeding FYs as per the guidelines received from RBI, from time to time.



2.4.2 Appointment of Statutory Branch Auditors (SBAs) for Domestic Branches

RBI has revised guidelines vide letter no DoS.CO.ARG./S8213/08.91.001/2022-23 dated 06.03.2023 for appointment of Statutory Branch Auditors (SBAs). Earlier, PSB had to obtain prior approval from the Reserve Bank of India for the appointment/reappointment of statutory branch auditors (SBAs) of PSB, now RBI has granted general permission to PSBs for appointment/reappointment of SBAs subject to following guidelines.

2.4.2.1 Eligibility Criteria of audit entity (i.e., audit firms or sole proprietorship auditors) for appointment/ reappointment as SBA

- i. The audit entity satisfies all the criteria laid down of Section 141 of the Companies Act 2013.
- ii. The audit entity or any of its partner have not been barred from exercising duties as auditor by any regulatory body including the RBI, Securities and Exchange Board of India, the Comptroller and Auditor General (C&AG) Government of India, National Financial Reporting Authority (NFRA) and the Institute of Chartered Accountants of India (ICAI).
- iii. The audit entity is not undertaking audit engagements, either as SBA or Statutory Central Auditor (SCA), of any other PSB for the period of appointment.
- iv. In case the auditor has previously completed four consecutive years as SBA of the bank, at least four years have elapsed after the completion of the last audit engagement as SBA of the same PSB.
- v. In case the auditor has been appointed as an SCA of the bank in the past, at least six years have elapsed after the completion of the last audit engagement as SCA of the same PSB.
- vi. None of the partners of the audit firms or the proprietor of the audit entity are Directors in the same PSB.
- vii. The audit entity does not have any common partner(s) with any other SBA of the same PSB and that they are not under the same network, as defined in Rule 6(3) of the companies (Audit & Auditors) Rule, 2014, of audit firms.
- viii. The audit entity meets the criteria for bank audit experience, number of partners, standing etc., as per Annex1 for the audit engagements for the year ending March 31, 2024.



2.4.2.2 Norms for selection/allocation of Statutory Branch Auditors (SBAs) for Domestic branches:

- i. It has been advised by RBI that the Board of the bank shall lay down a policy for engagement of SBAs covering their eligibility criteria, appointment, reappointment, removal, business coverage and selection of branches for statutory audit. The methodology approved by the Board for business coverage and selection of branches, inter-alia, consider bank specific characteristic, degree of centralization of processes, need to address fraud risk and credit risk, adverse reports from internal/concurrent auditors, whistle blower complaints and unusual pattern/activities shown by internal MIS reports. The selection of branches for statutory audit shall include a representative cross section of rural/semi-urban/urban and metropolitan branches, including branches which are not subjected to concurrent audit. The methodology shall be reviewed and updated regularly.
- ii. For FY 2023-24 and onwards, RBI has given the discretion to the Bank to determine business coverage under statutory branch audit, after considering bank-specific aspects relating to business and financial risks
- iii. Bank has already its Concurrent Audit Policy on concurrent audit system as per RBI circular no. DBS.CO.ARS.No.BC.01/08.91.021/2019-20 dated 18.09.2019. The scope of concurrent audit is wide enough/focused to cover, besides others, certain fraud-prone areas such as handling of cash, deposits, advances, foreign exchange business, off-balance sheet items, credit-card business, internet banking, etc., Bank has taken various initiatives towards centralization/ verticalization of various process like credit delivery, credit monitoring, sourcing of business, NPA recovery. Also, the automation of asset classification (classification of advances/investments as NPA/NPI and their upgradation), provisioning calculation and income recognition processes on daily basis minimized the credit risk and operational risk to a large extent. Further, an effective and efficient Risk based Internal Audit system has been set up which identify inherent Business risk and Control risk along with the potential risks in these areas.
- iv. Business Coverage: As the RBI has given discretion to the Bank regarding Business coverage for FY 2023-24 and onwards, accordingly Statutory branch audit of Bank shall be carried out so as to cover minimum 70% of all funded and 70% of all non-funded credit exposures of the bank. To meet this criteria, branches will be selected, in order of level of outstanding and randomly 1000 branches will be selected which have not been audited during last three financial years, within the overall coverage of 70%. While selecting these branches representation of cross section of rural/semi-urban/urban and metropolitan branches, including branches which are not subjected to concurrent audit will be taken care. However, in addition to the above criteria the Bank shall also include the following additional branches/criteria considering specific aspects relating to business and financial risks.



- a. Branches where Fraud, embezzlement of funds etc., or where transactions of suspicious nature were observed during the year, which are not included in 70% criteria.
- b. Branches under High Risk category as per Inspection and Audit Division, which are not included in 70% criteria.
- c. Branches where whistle blower complaints reported during the year.
- d. Branches where unusual patterns/activity i.e., spurt in the business figures to be received from Inspection and Audit Division.
- e. any other branches/offices, if required.

In case of shortfall in achieving the mandated / decided Advances/ credit exposure, Executive Director is authorized to increase the number of branches for conducting statutory branch audit so as to ensure desired coverage.

Note: Credit exposure: The sanctioned limits or outstandings, whichever are higher, shall be reckoned for arriving at the exposure limit. However, in the case of fully drawn term loans, where there is no scope for re-drawal of any portion of the sanctioned limit, banks may reckon the outstanding as the exposure.

- v. Top 20 branches (strictly in descending order of outstanding advances) shall be allotted to SCAs and shall ensure that at least 15 percent of the gross advances of the bank are covered by the branches under SCAs.
- vi. Number of Auditors: The total number of auditors/audit firms to be appointed as statutory branch auditors of the Bank for the concerned year may be decided on the basis of the number of branches/offices to be audited in a transparent, fair and judicious manner and keeping in view that not more than **two branches/offices** (irrespective of the size) may be allotted to one auditor. Further, to cover the rejection/ deletion of names of some auditors due to non-acceptance of audit by some of the auditors after final appointment, names of about 5% more audit firms will be selected.
- vii. Tenure of Auditors: SBAs will have a maximum tenure of four years in a particular bank. The appointment of SBAs 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. Non reappointment / removal of SBAs by bank before completion of audit tenure of four years will be done with the RBI's prior approval. Such request for prior approval shall be forwarded to RBI with the approval of Board/ACB.
- viii. In case, the firms are associated with internal assignment/s, it should be ensured that they relinquish the internal assignment/s before accepting the statutory audit assignment during the year. Further, all the internal assignments in subsidiaries of the bank, if any, shall also stand withdrawn
- ix. The bank shall ensure that as a part of the terms of engagement, the SBA shall report any fraud entailing an amount of Rs. 1 crore or more directly to Fraud Monitoring Group, Department of Supervision, Reserve Bank of India. 10/3/8,



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FINANCE DIVISION, HEAD OFFICE

Nrupathunga Road, P.B. No.5467 Bengaluru -560001. SBAs shall report all material irregularities, including frauds, concurrently to the Chairman of the ACB as well as the Managing Director & Chief Executive officer of the Bank.

- x. The Long Form Audit Reports (LFAR) prepared by concurrent auditors, who are practicing Chartered Accountants, shall be consolidated and submitted by the bank to their SCAs for branches that are not subject to statutory branch audit. Any other certificates and reports prepared by the concurrent auditors for such branches for such branches shall also be submitted to the SCAs
- xi. Procedure for selection/appointment of SBAs:
- a) The process for approval for appointment of SBA has to be done with the help of software application, Auditor Allocation System (AAS) (URL:<https://aasdos.rbi.org.in>) developed and described by RBI.
- b) ICAI shall forward a list of eligible audit entities as per norms prescribed by the RBI. The same shall be reviewed to identify continuing/non continuing auditors etc., and forwarded by the RBI to PSBs for selection.
- c) The List of audit firms which are continuing as statutory branch auditors shall be downloaded from the AAS application. Bank will consider all the audit firms whose names appear in the list of continuing auditors for audit assignments during the concerned financial year.
- d) For the remaining vacancies, if any, the Bank will select the audit firms from the list of non-continuing firms, which is also available for download from AAS application.
- e) A Selection Committee consisting of Senior Officials at HO Finance Division level will be constituted by the order of General Manager, Finance Division for selection of Statutory Branch Auditors from the continuing and Non Continuing list of Statutory Branch Auditors and allotment of branches for audit to both continuing and fresh branch auditors selected.
- f) In the context of RBI letter vide Ref DBS.ARS.No 8004/8:91:001/2016-17 dated 13th April, 2017, the Selection Committee at Finance Division, Head Office will select the non-continuing auditors/audit firms preferably through a software provided by Institute of Chartered Accountants of India (ICAI). However, due to non-availability/ technical glitches in ICAI software appointment of non-continuing statutory branch auditors/audit firms and selection of the branches will be done at Finance Division with the assistance of an in-house developed software application. To avoid any delay the above said software shall be run maximum 3 times and thereafter to fill the gap, if any, arisen due to rejections/non-selection of SBAs, the selection of remaining number of SBAs may be done manually based on criteria/guidelines such as number of Full-time partners, Bank audit experience, number of professional staff etc., as per list provided by RBI. However, in emergent cases like non-availability / glitches in



the software due to technical reasons Selection Committee may decide on selection of SBAs manually without using the software keeping in mind the limited time available for completion of exercise of selection of SBAs, based on merits and relevant criteria.

- g) In the list provided by RBI, the category of audit firms/auditors is indicated against their names. The Bank may select the audit firms, to the extent possible, taking into consideration their category and the size of the branches selected for audit, in such a way that there is a proper mix of audit firms from all the categories.
- h) RBI has categorized audit firms into 4 categories based on the criteria mentioned in Annex1. The categorization of the branches will be decided by the Bank before the annual audit every year in four categories viz. category 1 to 4 on the basis of outstanding of advances. The allotment of branches/offices to the audit firms will be as per their category. In case of refusal of appointment by the branch auditors, the branches allotted to them may be allotted to other category auditors also, as the audit process has to be completed within stipulated time.
- i) The selection Committee after looking into related aspects and taking care of guidelines to consider all the audit firms whose names appear in the list of continuing auditors for audit assignment during the year and to maintain average number of branches per auditor with minimum variation of fee range under a particular category of auditors, may further select required number of branch auditors from the recommended list of Non Continuing branch auditors provided by RBI keeping in mind that since RBI has done due diligence and vetting of the firms of Statutory Auditors, it will be considered that all the audit firms of statutory branch auditors in a particular category are equally capable for being considered as branch auditors of the Bank.
- j) 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.
- k) The bank will then obtain consent / undertaking from the shortlisted auditors/ audit firms for accepting the assignment for that particular year. One senior level officer, i.e., Chief Manager & above, at Finance Division will be assigned the job of accepting such consent / undertakings from the auditors/ audit firms. The consent / undertaking given by the audit firm will be irrevocable and requests if any for any change will not be entertained. The bank shall satisfy itself that the audit entity meets the eligibility criteria mentioned above for appointment /reappointment as SBA. Further, before appointing the audit entity the bank shall seek its irrevocable consent for consideration of appointment/re appointment as SBA for the particular year and during the subsequent continuing years, respectively, and not to take up Statutory Branch Audit engagement with any other PSB during such period. An audit entity shall be eligible for appointment/ reappointment as an SCA or as SBA of only one PSB



during a particular year. However, the above instructions do not preclude an audit entity from accepting appointment as SCA of a PSB after its resignation as SBA of another PSB.

- l) Prior to appointment/ reappointment, the names of the audit entities selected shall be uploaded to the RBI's Auditor Allocation System(AAS) to ensure that any audit entity which is preferred by multiple PSBs is allocated only to one PSB on 'first- come, first served' basis by the AAS.
- m) The number of branches/offices to be audited and final list of selected continuing and non-continuing auditors/audit firms shall be approved by the Audit Committee of Board.
- n) Allotment of Branches: The allotment of branches for conducting statutory audit from the selected list of SBAs is centralized at HO level and will be looked after by the Committee set up for appointment of SBAs. The endeavour will be to allot branches to auditors within their Circles/States as far as possible. However, in case the required branch auditors are not available in the Circle/ State, the branches may be allotted to auditors of nearby Circle/State as far as possible. Further, the cut-off limit of category of branches, as aforementioned will not be applicable in case of appointment of alternate auditors in the event of refusal/non acceptance by any selected auditors, as the audit process has to be completed within time-frame.
- o) The final list of continuing and non-continuing auditors/ audit firms selected shall be uploaded to RBI's Auditor Allocation System(AAS) along with details of branches.
- p) A note will be placed to Audit Committee of Board for list of branches and allocation of branches to different SBAs.
- q) Fees/TA DA: Fee payable to SBAs will depend upon the figure of advances which gets reflected in the final Balance sheet of the Branches i.e., post MOC advances for the concerned period. The Audit fee (as per RBI guidelines) as approved by the Audit Committee of Board and reimbursement of travelling/lodging & boarding/ halting allowances/ diem allowance/ daily conveyance etc., as approved by the Executive Director respectively will be paid by the Circles in whose jurisdiction the branch audit falls.

2.4.2.3 Assessment of Performance of Statutory Branch Auditor (SBAs)

Assessment of Performance of Statutory Branch Auditor will be done as per letter of RBI DoS.CO.ARG.No.S2144/08.91.001/2022-23 dated June 29, 2022. The ACB shall review the performance of SBAs on an annual basis. Any serious lapses, negligence in audit responsibilities, conduct issues or any other matter considered as relevant as observed by the ACB shall be reported to the RBI within two months from the completion of the annual audit, with the full details of the audit firm.



2.4.3 Statutory Branch Auditors (SBAs) for Overseas Branches

2.4.3.1 Appointment of Auditor for Overseas Branches

In terms of RBI guidelines vide letter no. DBOD.No.1361/08/91/003/93 dated June 15, 1993, Circular no. DBS. ARS. No. BC.17/08.91.001/2002-03 dated June 5, 2003 and DBS.ARS.No.16380/08:91.003/2010-11 dated 24.05.2011, public sector banks are required to obtain prior approval of Reserve Bank of India for appointment of auditors for their overseas branches.

Policy for selection/appointment of statutory auditors for overseas branches based on guidelines of RBI is as under:

- i. Every overseas Branch will be subject to annual statutory audit and 1/3rd of overseas branches will be subject to quarterly review.
- ii. Auditors will be appointed every year for conducting statutory audit of overseas branches including quarterly review. Audit firms operating in the countries where such branches are functioning will be selected/appointed for audit.
- iii. Countries where audit firms are listed/ registered with local regulator, the branch manager of overseas main branch should initiate steps for getting quotes from minimum 3 audit firms and names of 3 audit firms selected will be sent to IBD Head Office along with quotation. The quotations should be comprehensive and accurate. The branch shall ensure that the remuneration proposed is reasonable and comparable to the remuneration paid by their counterparts in the same territory. GM-IBD will scrutinize the list and send the name of audit firm finally selected to Finance Division at Head Office. Finance Division will recommend the name of such audit firm to ACB/Board for their approval and thereafter will send to RBI for its final approval.
- iv. However, where there is no system of listing/registering of audit firms with the local Regulator, Branch Manager of concerned overseas Branch will identify at least 3 audit firms having requisite knowledge and experience from the certified public accountant firms of the respective country and will obtain sealed quotation of their fee. He will send atleast 3 audit firms details along with quotation to IBD Head office.
- v. The details of audit firms, their experience, standing etc., may be indicated in the cases where the appointment is not subject to the approval of the overseas regulators.
- vi. The maximum tenure of overseas auditor will be decided by law of the land. If no law of land exists then tenure prescribed by RBI will prevail i.e., 5 years at present. The bank should replace the auditors who have been associated with audit of their branches for 5 years by other reputed audit firms at reasonable audit fees acceptable to local Monetary/Central Banking Authorities.



- vii. Bank shall advise the Branch Manager of overseas branch in overseas countries to hold dialogue with in-charge of other Indian banks for reasonableness of fee before formulating the proposals. Bank may consider the name of only reputed firms in the audit profession acceptable to the Monetary/Central Banking Authorities of host country.
- viii. Bank shall submit the proposal for approval of appointment of SBAs for overseas branches to RBI with full particulars in the prescribed format.

2.4.3.2 Additional guidelines for appointment of auditor for IFSC Banking Units (IBUs)

- i. In terms of RBI circular no. RBI/2014-15/533 DOR.IBD.BC.14570/23.13.004/2014-15 dated April 1,2015 regarding setting up of IFSC Banking Units (IBUs), *"An IBU will be treated on par with a foreign branch of an Indian bank."*
- ii. At present, the Bank is having one IFSC Banking Unit (IBU), Gift City, Gandhi Nagar, Gujarat. As per International Financial Services Centres Authority (Banking) Regulations, 2020, Chapter III, Prudential Regulatory Requirements, Point no. 4:-

"Banking Units shall adhere to the norms and guidelines as may be prescribed by the Authority, from time to time."

Banking Units shall continue to comply with the directions and instructions issued by their Home Regulator, unless otherwise specified by the Authority."
- iii. The IFSC Authority has not prescribed guidelines regarding appointment of statutory auditors for IBU-Gift City branches.
- iv. Statutory Auditor for IFSC Banking Unit (IBU) shall be appointed every year.
- v. Finance Division-HO and International Banking Division-HO will finalise about quarterly review of the IFSC Banking Unit (IBUs), keeping in view the requirement of quarterly review of 1/3rd of overseas branches, for recommending the name of audit firms.
- vi. Eligibility criteria of audit firms, based on credentials viz. date of establishment, no. of partners, FCAs, CISA/ISA qualification of partners, audit staff, audit experience of Public Sector Banks etc., shall be done by the IBD-HO in consultation with the Finance Division
- vii. The Bank shall decide for appointment, as Statutory Auditor for conducting statutory audit/quarterly reviews of IFSC Banking Unit (IBUs) from one of the existing Statutory Central Auditors (SCAs) of the Bank or/and other than existing SCAs of the Bank from the list of audit firms for appointment of SCAs, last issued by the RBI and quotation will be obtained accordingly.



- viii. The Bank shall place the name of audit firm finally selected, before the Audit Committee of the Board along with remuneration sought, for approval and onward recommendation to the RBI for final approval to issue appointment letter.

2.4.4 Remuneration payable to Statutory Central Auditors & Statutory Branch Auditors for domestic branches/offices

The Reserve Bank of India vide letter no DoS.CO.ARG.No.S8056/08.92.001/2022-23 dated 01.03.2023 has revised guidelines on remuneration to the statutory central auditors and statutory branch auditors from the FY 2022-23 and the same shall be paid accordingly and as amended from time to time with the approval of the Audit Committee of Board. reimbursement of travelling/lodging & boarding/ halting allowances/ diem allowance/ daily conveyance etc., shall be payable to SCAs/SBAs as approved by the Executive Director of the Bank.

2.4.5 Redressal of Grievances

A Committee constituted with the approval of Chief Financial Officer headed by the General Manager (Finance Division) 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.

2.4.6 IBA's advise on PSBs meeting with CVC, on 20.11.2020

The IBA had vide letter no. HR&IR/GMB/CVC/9489 dated 31.12.2020, sent the deliberations to PSBs with a request to take note of the same for taking appropriate action at their level, wherever required. The action points inter-alia included "There have been instances of undue influences by a few statutory auditors. Such instances should be reported to RBI and CVC."

As per extant system, the Bank is required to report performance of Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) every year in the prescribed format to RBI, after completion of statutory audit.

Keeping in view the IBA's suggestions under reference, the Branches/Offices be instructed for specific reporting of such cases in the para "Any other matter" of the SCAs/SBAs performance for submission of compiled information to Bank's Vigilance Division, for onward submission to CVC.

2.5 Authority for approving Operational Guidelines

The Authority for approving operational guidelines of the policy shall be Audit Committee of Executives.



2.6 Disclosure of the Policy

This policy (Part I) shall be placed on the Bank's website.

2.7 Ownership of the Policy

Finance Division is responsible for formulation/ review/ periodic updation of the policy.

2.8 Validity and review of the policy

The policy shall be subject to annual review. Further, Audit Committee of Executives is authorised to:

- (a) incorporate any changes necessitated in the policy for the interim period up to the next review, due to regulatory pronouncements made during the validity period of the policy; and
- (b) extend the validity of both the Policy (Part-I) and Operational Guidelines (Part-II) for period up to three (3) months, however such extension of validity of Policy (Part-I) shall be subject to ratification by the Board at the time of next review.

2.9 Reporting:

RBI: Bank is required to report performance of Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) every year in the prescribed format to RBI, after completion of statutory audit.

NFRA: Bank is required to inform the details of appointment/ change of their Auditors to the Authority.

2.10 Relaxation/Deviations/Exclusions

NA



A. Glossary

- a. SCAs: Statutory Central Auditors
- b. SBAs: statutory Branch Auditors
- c. RBI: Reserve Bank of India
- d. DFS: Department of Financial Services, Ministry of Finance
- e. ICAI: Institute of Chartered Accountants of India
- f. NaBFID : National Bank for financing Infrastructure and Development
- g. NFRA : National Financial Reporting Authority
- h. IFSC: International Financial Services Centres
- i. IBU: IFSC Banking Unit
- j. IBA: Indian Bank's Association
- k. CVC: Central Vigilance Commission

B. List of references including related policies/forms, RBI circulars, etc.

Following are the brief guidelines/ requirements of the regulators/ authorities for appointment of Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) –Domestic / Overseas

- i. RBI letter No. Ref DoS. ARG./ SEC.01/08.91.001/2021-22 Dated 27.04.2021 and Frequently Asked Questions (FAQs) issued by RBI on 11th June 2021 (Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)
- ii. RBI letter no DoS.CO.ARG./S8213/08.91.001/2022-23 dated 06.03.2023 (Appointment of Statutory Branch Auditors (SBAs) in Public Sector Banks)
- iii. RBI Circular No. RBI/2014-15/533 DOR.IBD.BC.14570/23.13.004/2014-15 dated April 1, 2015 (setting up of IFSC Banking Units)
- iv. RBI letter DBS.ARS.BC.No 02/08.91.001/2014-15 dated September 11 2014 (Disqualification under Section 141 of Companies Act 2013.
- v. RBI letter vide Ref DBS.ARS.No 8004/8:91:001/2016-17 dated 13th April, 2017(Appointment of Statutory Branch Auditors through use of software)
- vi. Circular No. DBS.ARS.No. BC.17/08.91.001/2002-03 dated June 5, 2003 (HY/QTLY review of accounts of PSBs)
- vii. RBI Circular No. DoS.CO.ARG.No.S8056/08.92.001/2022-23 dated 01.03.2023 (Remuneration payable to Statutory Central & Branch Auditors of Public Sector Banks)
- viii. RBI letter DBOD No App BC.57/C.452(k)-83 dated July 7,1983 and Ref.DBS.ARS.No.BC. 02/ 08.91.001/ 2008-09 dated December 31,2008 (Internal assignment in banks by Statutory Auditors)
- ix. RBI letter DBOD.No.App.BC.101/C.452(K)-83 dated 15 December 1983 (Audit must be carried out by the firm with the help of its own staff. Prohibitions on Audit firm or Audit entity to sub-contract the job except with RBI prior approval. An undertaking to be obtained by the bank while appointing auditors).
- x. RBI letter DBOD.No.App.BC.107/C.452(K)-84 dated 13 November 1984 (Associate firms or sister concerns of statutory audit firms are disqualified for any special assignment when the main firm/partners are allotted Statutory Audit in a particular year).



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- xi. RBI Circular number DICGC. IOD. No./4413/05.60.999/2017-18 dated June 02, 2017(Verification and Certification of the computation of assessable deposits and premium by Banks).
- xii. RBI letter Ref.No.DOS.CO.PPG./SEC.01/11.01.005/2020-21 dated September 5, 2020 (Long Form Audit Report (LFAR)-Review).
- xiii. RBI DBS.ARS.No.BC.7/08.91.001/2006-07dated April 24, 2007 (Special Assignments other than statutory audit firms by Banks).
- xiv. RBI DBS.ARS.No.BC.15/08.91. 001/2004- 05 dated January 6, 2005 (Declaration of indebtedness from the proprietor/main partner of the firm).
- xv. RBI letter DBS.ARS.No.BC 08/08:91:001/2003-04 dated March 26,2004 (Assessment of Performance of Statutory Auditors).
- xvi. RBI DoS.CO.ARG.No.S2144/08.91.001/2022-23 dated June 29, 2022(Assessment of Performance of Statutory Auditors).
- xvii. RBI guidelines letter no. DBOD.No. 1361/08/91/003/93 dated June 15,1993, (Appointment of Statutory auditors for Overseas Branches)
- xviii. International Financial Services Centres Authority (Banking) Regulations 2020



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Annexure C

Compliance status of Audit firms based on Basic Eligibility and Additional Consideration under Eligibility Criteria for Appointment as SCA

Criteria	Compliance status (Yes/ No)
Compliance of minimum number of Full-Time partners (FTPs) associated with the firm for a period of three (3) years	
Compliance of exclusive association of FTPs in terms of Note 1	
Compliance of out of total FTPs, minimum number of Number of FCA Partners associated with the firm for a period of three (3) years	
Compliance of minimum number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	
Compliance of Minimum no. of Full time partners with CISA/ISA qualification of paid CAs with minimum one year in terms of Note 2	
Compliance of minimum number of Years of Audit Experience	
Compliance of minimum number of professional staff	
Qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013	
Audit firm should not be under debarment by any Government Agency, NFRA, ICAI, RBI or other Financial Regulators	
Appointment is in line with the ICAI's code of Ethics/ any other such standards adopted and does not give rise to any conflict of interest.	
Any Partner of audit firm is a director in any PSBs	
Capability and experience in deploying Computer Assisted Audit tools and Techniques (CAATTs) and General Audit Software(GAS)	
Any Partner of audit firm is a director in any PSBs	
Capability and experience in deploying Computer Assisted Audit tools and Techniques (CAATTs) and General Audit Software (GAS)	
Audit firms are not the statutory auditors of large exposure framework account for FY 2023-24 of our Bank.	
Audit firm can concurrently take up statutory audit of a maximum of four commercial Banks (including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank, NaBFID) or RBI), eight UCBs and eight NBFCs during a particular year	



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FORM B

(As per RBI letter No.DoS.CO.ARG./ SEC.01/08.91.001/2021-22 dated 27.04.2021)

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31 st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of FullTime Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore

#Details may be furnished separately for experience as SCAs/SAs and SBAs

A. Additional Information:

- Copy of Constitution Certificate.
- Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

B. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified 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 wilful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner

(Name of the Partner)

Date:



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FORM C

(As per RBI letter No.DoS.CO.ARG./ SEC.01/08.91.001/2021-22 dated 27.04.2021)

Certificate to be submitted by the Bank regarding eligibility of audit firm proposed to be appointed as SCA

The bank is desirous of appointing M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Central Auditor (SCA) for the financial year _____ for their 1st/2nd/3rd term and therefore has sought the prior approval of RBI as per the section 30(1A) of the Banking Regulation Act, 1949/ Section 10 (1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980/ Section 41(1) of SBI Act, 1955.

1. The Bank has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor of the Bank for FY _____ along with relevant information (copy enclosed), in the format as prescribed by RBI.
2. The firm has no past association for _____ years with the Bank as SCA/SBA.
3. The bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs of the Bank.

Signature
(Name and Designation)
Date



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Annex1

(As per RBI letter no DoS.CO.ARG./S8213/08.91.001/2022-23 dated 06.03.2023)

Eligibility norms for the empanelment of audit firms to be appointed as Statutory Branch Auditors of Public Sector Banks for audit of the year ending March 31,2024, and onwards

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)
Category I	5	3	8	The firm or at least one of the partners should have minimum 8 years' experience of branch audit of a Public Sector Bank (PSB) or a Private Sector Bank (PVB)	8 years
Category II	3	2	6	The firm or at least one of the partners should have conducted branch audit of a PSB/PVB for at least 5 years	6 years (for the firm or at least one partner)
Category III	2	2	4	The firm at least one of the CAs should have conducted branch audit of	5 years (for the firm or at least



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				a PSB/PVB for at least 3 years	one partner)
Category IV					
Partnership Firm	2	2	2	Not necessary	3 Years
Proprietorship Concern	2	1	2	Not Necessary	6 Years
Proprietorship Concern	1	1	2	The proprietor should have conducted branch audit of a PSB/ PVB for at least 3 years	6 Years

*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) She/ He should not be employed for full time/ part time elsewhere
- (c) She/ He should not be practising in her or his own name or engaged in practising otherwise or engaged in other activity which would be deemed to be in practice under Section 2 (2) of the Chartered Accountant Act, 1949

Professional staff (excluding typists, stenographers, computer operators, secretary/ies and sub-ordinate staff, etc.) implies audit and articled with knowledge in book-keeping and accountancy and are engaged in audit.

@ The standing of an audit firm would be reckoned from the date of its establishment for a proprietorship, the period for which the proprietor has been holding a Certificate of Practice issued by the ICAI shall be reckoned for standing.



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Annexure D

FORMAT FOR RECOMMENDING THE NAME OF THE BRANCH AUDITOR FOR OVERSEAS BRANCH

1. Name of the Country & Branch:
2. Name of the Proposed Auditors:

Fees quoted by the Proposed Auditor:

Audit	Taxation Work	Qtly Review per Qtr	LFAR	Others (Pl. Specify)	OPE	Vat	Total

3. Name of the last year's auditors –

4. Fees paid to the last year's auditors:

Audit	Taxation Work	LFAR	Others (Pl. Specify)	OPE	Vat	Total

5. Past association of the proposed auditors: if any

6. Quotations obtained from other auditors:

Name	Audit	Qtly Review per Qtr	LFAR	Other (Pl. Specify) Out of Pocket expenses	Ore	Vat	Total

7. Position regarding Deposits, Advances & Profit/ Loss

Figures for the Last 2 Years (Aggregate of Both Branches)		
Deposits		
Advances		
Profit/Loss		

8. Branch's recommendations:

(Please indicate here specifically as to whether appointment is subject to approval of Monetary/Central Banking Authorities. If yes, whether it is obtained or not)

