

# *Auditor Appointment Policy*



*Finance & Control Department  
Central Office,  
Karur*

**Auditor Appointment Policy**  
**Appointment of Statutory Auditors**

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## **Statutory Central Auditor**

### **1. Statutory guidelines / regulations**

In terms of the provisions of Section 30 (1A) of the BR Act, 1949, prior permission has to be obtained from the Reserve Bank of India (RBI) for appointing Statutory Central Auditors (SCA) for the Bank every year. Appointment / re-appointment of SCAs by the Bank will be undertaken on the basis of guidelines issued by RBI from time to time.

Guidelines given by Securities and Exchange Board of India (SEBI) with respect to the statutory auditors will apply to the extent the same are not in contravention of Banking Regulation (BR) Act, 1949 and Companies Act, 2013.

### **2. Appointment, re-appointment and removal**

The appointment, re-appointment and removal of the SCAs for undertaking the annual audit of the Bank and review of quarterly financial results are within the powers of the shareholders acting at the Annual General Meeting (AGM).

The Board of Directors shall submit to the shareholders, at the AGM, the proposal for appointment / re-appointment / removal of SCA pursuant to the provisions of this policy and applicable provisions of the Companies Act, 2013 and BR Act, 1949 which complies with the prevailing regulatory and statutory requirements.

### **3. Procedure for appointment**

RBI, vide circular DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 has revised the guidelines in respect of appointment of SCAs by banks. Accordingly, the following guidelines are applicable in respect of Private Sector Banks -

3.1 For banks with asset size of Rs. 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 needs to be ensured that joint auditors of the bank do not have any common partners and they are not under the same network of audit firms. Bank may finalise the work allocation among SCAs, before the commencement of the statutory audit, in consultation with their SCAs.

3.2 The number of SCAs of the Bank should be based as per Board approved policy, 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.

3.3 Considering the above factors and the requirements of the Entity, the actual number of SCAs/SAs to be appointed shall be decided by the respective Boards/LMC, subject to the following limits:

<b>SN</b>	<b>Asset Size of the Entity</b>	<b>Maximum no. of SCAs</b>
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

3.4 In terms of RBI guidelines SCAs shall visit and audit at least the top 20 branches, to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the bank. In addition, bank must ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

### **3. a. Number of SCAs**

As per the above guidelines, Bank can appoint a maximum of four audit firms as SCAs. Considering the asset size of the Bank, number of branches and the past experience (wherein audit was undertaken and completed within the prescribed time schedule by a single firm), the number of SCAs of the Bank may be fixed as two firms, so as to comply with the minimum requirement criteria prescribed (given in item 3.1 above).

### **4. Eligibility criteria**

As per the revised guidelines, the eligibility criteria to be fulfilled by audit firms for appointment as of SCAs of the Bank has been divided into two parts, comprising of (a) Basic Eligibility and (b) Additional Consideration. The details of the same, as applicable to the Bank, is as under:

## A. Basic Eligibility

Asset Size of Entity as on 31st March of previous year	Minimum no. of full time partners associated with the firm for a period of at least three years <sup>1</sup>	Out of 'B', minimum no. of Fellow Chartered Accountant (FCA) partners associated with the firm for a period of at least three years	Minimum no. of full time partners/ paid CAs with CISA/ISA qualification <sup>2</sup>	Minimum no. of years of audit experience of the firm <sup>3</sup>	Minimum no. of professional staff <sup>4</sup>
A	B	C	D	E	F
Above Rs. 15,000 crore	5	4	2	15	18

### Notes –

#### 1 – Full time partners associated with the firm :

There should be at least one year continuous association of partners with the firm as on the date of shortlisting for considering them as full time partners. At least two partners of the firm shall have continuous association with the firm for at least 10 years.

Further, 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) Board / ACB shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

## 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 shortlisting for considering them as paid CAs with CISA/ISA qualification for the purpose.

## 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.

## 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 shortlisting for considering them as professional staff for the purpose.

The above norms will be revised from time to time as per extant guidelines issued by RBI.

## **B. Additional Consideration**

(i) The audit firm, proposed to be appointed as SCAs 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 appointment of SCAs must be 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 the Bank, the said firm cannot be appointed as SCA of any of the group entities of the Bank.

(v) The auditors 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) 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 and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

(vii) 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/SAs shall approach the Board (Board shall be directly approached only when ACB is non-existent in the Bank or the auditors notice a matter of concern involving any member of the ACB)/ACB of the Entity, under intimation to the concerned SSM/RO of RBI.

(viii) Concurrent auditors of the bank will not be considered for appointment as SCAs.

(ix) The audit firm shortlisted for appointment as SCAs of the bank and must not undertake audit of any entity (borrower) with large exposure to the bank for the period during which the firm is proposed to be appointed as SCAs, so as to ensure independence of the auditor/audit firm.

(x) The time gap between any non-audit works (services<sup>1</sup> mentioned in Section 144 of Companies Act, 2013, internal assignments, special assignments etc.) by the SCAs of the bank should be at least one year, before or after appointment as SCAs. However, during the tenure as SCAs, an audit firm may provide such services to the bank, which may not normally result in a conflict of interest<sup>2</sup>, which can be undertaken upon approval by the Board/ACB.

<sup>1</sup> Section 144 of Companies Act 2013 prescribes that an auditor shall provide to the company only such other services as are approved by the Board of Directors or the Audit Committee, but which shall not include any of the following services:

- (a) Accounting and book keeping services;
- (b) Internal audit;
- (c) Design and implementation of any financial information system;
- (d) Actuarial services;
- (e) Investment advisory services;
- (f) Investment banking services;
- (g) Rendering of outsourced financial services;
- (h) Management services; and
- (i) Any other kind of services as may be prescribed.

<sup>2</sup> A conflict would not normally be created in the case of the following special assignments (indicative list):  
(i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements.

(iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements. (iv) reporting on financial information or segments thereof

(xi) The restrictions as detailed in para (ix) and (x) 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.

(xii) Audit firms should not 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 assignment it should be ensured that they relinquish the internal assignment before accepting the statutory audit assignment during the year (vide RBI circular no. DBS.ARS.No.BC. 02/ 08.91.001/ 2008-09 December 31, 2008)

(xiii) In the event of lapses in carrying out audit assignments resulting in misstatement of the Bank's financial statements and any violations / lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SCAs/SAs in relation to Entities, the SCAs/SAs would be liable to be dealt with suitably under the relevant statutory/regulatory Framework

In addition to the above, RBI guidelines specify that there must be continued compliance with basic eligibility criteria, which needs to be fulfilled as under:

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 may 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.

## **5. Procedure of selection**



5.1 Bank will shortlist a minimum of two audit firms for every vacancy of SCAs so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SCAs does not get delayed.

5.2 In case of reappointment of SCAs till completion of tenure of continuous term of three years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.

5.3 The name(s) of shortlisted audit firms, in order of preference, will be placed before ACB for selection as SCAs. Shortlist of eligible audit firms will be compiled based on various parameters, including their audit experience of other banks, their location, nature of clientele etc. Details of the firm such as constitution, experience as well as compliance of eligibility norms etc. will be called for to determine their eligibility for selection as SCA. Upon approval by ACB, the same will be placed before the Board of Directors for approval.

Upon selection of SCAs by ACB and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SCAs.

5.4 The Bank will obtain a certificate, along with the following information, 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 given under item 4 above. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of SCAs under the seal of the said audit firm, and must include the following items of information –

**Additional Information:**

- (i) Copy of Constitution Certificate.
- (ii) 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.
- (iii) Whether the firm has been appointed as SCA/Statutory Auditor by any other Commercial Bank (excluding RRBs) and/or AIFI/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- (iv) Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details



thereof.

(v) Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

5.5 After verification of the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility (as given in item 4 above) and approval of the shortlisted firm(s) by ACB, the same will be submitted to RBI stating that the audit firm(s) proposed to be appointed as SCA by them comply with all eligibility norms prescribed by RBI for the purpose, and indicating the order of preference in which the firm(s) have been shortlisted for appointment as SCAs.

5.6 Upon approval by the ACB, details of the firm(s) will be provided to ICAI seeking confirmation whether any adverse remarks / disciplinary action is pending against the said firm(s), whereby the firm(s) become ineligible for appointment as SCAs of the Bank.

## **6. Procedure for appointment / re-appointment**

Upon receipt of approval from RBI for the appointment or re-appointment of the firm(s) as SCAs of the Bank, a resolution will be placed before the shareholders at the AGM to approve the appointment of the selected(s) firm as SCAs of the Bank for a period of one year (commencing from the date of AGM and upto the conclusion of the next AGM), which has to be approved by majority of the shareholders present and voting, either directly or through proxy.

Once resolution is approved by the shareholders, an appointment order is issued to the firm, indicating their role and responsibilities along with the remuneration payable for the assignment. The firm will submit their acceptance to the offer of appointment and also submit necessary documents viz., declaration of eligibility, certificate of non-indebtedness etc. as per extant RBI, SEBI and other statutory / regulatory guidelines.

## **7. Review of performance**

Re-appointment of audit firm(s) as SCAs for their subsequent term of second and third year, as the case may be, will be undertaken by the ACB / Board, who will review their performance on annual basis and subject to their fulfilment of eligibility criteria as well as appointment terms, and recommend their re-appointment as SCAs for subsequent year. Thereafter, the procedure outlined under item '6' above will be followed.

At the time of annual review of the performance of SCAs by the ACB/Board,



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, based on the approval/recommendation of the ACB/Board, with the full details of the audit firm.

## **8. Tenure of appointment and rotation**

The tenure of appointment of SCAs will be for a continuous period of three years, subject to annual approval by RBI and the shareholders at the AGM. Further, Banks 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, as mentioned at Para 3.2 of RBI circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021.

Re-appointment of an eligible audit firm as SCA, upon completion of their three year term, will be determined as per prevailing RBI guidelines (An audit firm would not be eligible for reappointment in the same Bank for six years (two tenures) after completion of full or part of one term of the audit tenure).

## **9. Fees payable**

The remuneration payable to the SCAs shall be approved in the AGM. Alternatively, the shareholders may delegate the power to the Board of Directors (based on the recommendation of the ACB) for approving the remuneration to statutory auditors by means of a resolution. If any additional certifications are required from SCAs, which are not covered by RBI mandatory certifications, if any, approval for payment of fees charged by SCAs, may be obtained from MD & CEO. Department will place a ratification/information note to Audit Committee of Board for the fees paid to SCAs after completion of financial year.

## **10. Resignation**

Resignation of SCA will be subject to the extant RBI guidelines as well as SEBI guidelines with regard to listed entities as under –

a. If the SCA resigns within 45 days from the end of a quarter of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for such quarter.

b. If the SCA resigns after 45 days from the end of a quarter of a financial year, then the auditor shall, before such resignation, issue the limited

review/ audit report for such quarter as well as the next quarter.

c. Notwithstanding the above, if the SCA has signed the limited review/ audit report for the first three quarters of a financial year, then the auditor shall, before such resignation, issue the limited review/ audit report for the last quarter of such financial year as well as the audit report for such financial year.

d. Further, the SCA when submitting their resignation must also comply with the following, as per extant SEBI guidelines, which includes, inter-alia, reporting of concerns with respect to the Bank to the ACB:

- a. 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 auditor shall approach the Chairman of the ACB and the ACB shall receive such concern directly and immediately without specifically waiting for the quarterly ACB meetings.
- b. In case the SCAs proposes to resign, all concerns with respect to the proposed resignation, along with relevant documents shall be brought to the notice of the ACB. In cases where the proposed resignation is due to non-receipt of information/ explanation from the Bank, the auditor shall inform the ACB of the details of information/ explanation sought for and not provided by the management, as applicable.
- c. On receipt of such information from the SCAs relating to the proposal to resign as mentioned above, the ACB / Board of Directors, as the case may be, shall deliberate on the matter and communicate its views to the management and the auditor.

## 11. Scope of audit

Scope of statutory central audit of the Bank will be strictly as per RBI guidelines. The audit firm will be required to conduct limited review of quarterly financial results as required under Clause 49 of the listing agreement, subject to RBI guidelines. The audit assignment also includes issue of certificates mandated by RBI as part of the annual audit process. The details of certification to be undertaken by the SCAs and other areas of annual audit is reviewed by RBI on annual basis and necessary instructions are issued to the Bank which will be communicated to the SCA separately.



In terms of RBI guidelines SCAs shall visit and audit at least the top 20 branches, to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the bank.

Bank will finalise the work allocation among SCAs, before the commencement of the statutory audit, in consultation with their SCAs.

The guidelines issued by RBI for the year 2023-24 Statutory Central Auditor appointment includes, inter-alia, the following:

The SCAs/SAs shall be advised to furnish, by June 30, 2024, to the concerned Senior Supervisory Manager (SSM), Department of Supervision (DoS), Reserve Bank of India (RBI), certificates/ reports\* to the effect as detailed below and any other certification/reporting as required from time to time as per RBI instructions:

- a) The SCAs/SAs shall verify, compliance with SLR requirements under Section 24 of the Banking Regulation Act, 1949 on twelve odd dates spread over the entire year (not being Fridays). While undertaking this exercise, the SCAs/SAs may keep in view the instructions contained in RBI circular DBOD. No. BC. 60/12.02.01/2001-2002 dated January 25, 2002, DOR.No.RET.REC.32/12.01.001/2021-22 dated July 20, 2021, and other instructions as issued from time to time. The confirmation, as to the accuracy in the computation of net DTL and corresponding CRR/SLR, may be conveyed in the above report to be submitted to the bank and to the concerned SSM, DoS, RBI.

\* (SCAs/SAs shall indicate in every certificate as to whether the same has been issued with limited assurance or reasonable assurance. In case of limited assurance, the SCAs/SAs shall indicate the reasons for the same).

- a) The SCAs/SAs shall verify fortnightly CRR/SLR returns on a sample basis on at least twelve occasions during the year, including the last fortnightly returns, pertaining to every reporting quarter.
- b) SCAs/SAs shall verify and certify as to whether the income recognition, asset classification and provisions have been made as per the guidelines issued by RBI (Ref DOR.STR.REC.3/21.04.048/2023-24 dated April 01, 2023, and other instructions as issued from time to time). In this connection, SCAs/SAs shall also verify and certify as to whether the bank has ensured adherence to the instructions contained in Para 2.8 of RBI Circular Ref. No. DoS.CO.PPG./SEC.03/11.01.005/2020-21 dated September 14, 2020, on 'Automation of Income Recognition, Asset Classification and Provisioning processes in banks' regarding manual intervention / override in the System based asset classification process.



- c) SCAs/SAs shall verify and certify as to whether the bank is in compliance with guidelines on exposure norms under Large Exposure Framework contained in circulars DBR.No.BP.BC.43/ 21.01.003/2018-19 dated June 03, 2019, DOR.No.BP.BC.70/21.01.003/ 2019-20 dated May 23, 2020, DOR.CRE.REC.47/21.01.003/2021-22 dated September 09, 2021, DOR.CRE.REC.No.07/21.04.172/2023-24, dated April 03, 2023, DOR.CAP.REC.15/21.06.201/2023-24 dated May 12, 2023 and other instructions as issued from time to time.
- d) SCAs/SAs shall verify and certify as to whether calculation of Marginal Cost of Funds based Lending Rate (MCLR) and external benchmark linked lending rate is done as per the instructions contained in Master Direction on "Interest Rates on Advances" issued vide DBR. Dir. No.85/13.03.00/2015-16 dated March 03, 2016 (as updated from time to time).
- e) SCAs/SAs shall verify and certify the computation of assessable deposits and premium by the banks in terms of circular number DICGC.IOD.No./ 4413/05.60.999/2017-18 dated June 02, 2017, CO. DICG.IOD.No. S1563/05.60.999/2022-23 dated November 28, 2022, and other instructions as issued from time to time.
- f) SCAs/SAs shall verify and certify the correctness of the interest subvention claims under Interest Subvention Scheme for short term crop loans as per circular No. FIDD.CO.FSD.BC.No.13/05.02.001/2022-23 dated November 23, 2022 and other instructions as issued from time to time.
- g) The SCAs/SAs shall verify and certify:
- i. Whether the bank is using the Central Fraud Registry (CFR) while preparing the credit appraisal in respect of a prospective customer for granting new facilities and at the time of renewal of facilities in respect of an existing customer?
  - ii. Whether Red Flagged Accounts (RFAs) are being monitored and investigated by the bank?
  - iii. Whether the RFA status is changed, within six months, to fraud or otherwise?
- h) While conveying their terms of appointment, the SCAs/SAs shall be advised to specifically report, simultaneously to the Chief Executive Officer of the bank concerned, Audit committee of the Board (ACB), if necessary, and to the concerned SSM, DoS, RBI, any matter suspected to be a fraud or fraudulent activity or any foul play in any transaction. In case the amount of fraud involved is ₹100.00 lakh or above, SCAs/SAs shall report such instances directly to the Fraud Monitoring Group, DoS, RBI, Central Office, Bengaluru, to the Top Management of the bank concerned, and if necessary, to the ACB of the bank. The SCAs/SAs shall also be advised that any deliberate failure in compliance to the above, on their part, would render them liable for action.



- i) SCAs/SAs shall verify and certify as to whether the loans are classified under Priority Sector across various categories strictly as per their eligibility detailed in Chapter III of Master Directions on Priority Sector Lending – Targets and Classification FIDD.CO. Plan.BC.5/04.09.01/2020-21 dated September 04,2020 (as updated from time to time).

*Annexure-I*

Suggested format for application by audit firms for empanelment as  
Statutory Central Auditors of the Bank

*(To be furnished on the letter head of the audit firm)*

To  
The Board of Directors  
The Karur Vysya Bank Limited  
Central Office, Erode Road,  
Karur 639 002.

Dear Sirs,

**Sub : Appointment/Re-appointment as Statutory Central Auditor (SCAs) of the Bank**

We wish to submit the profile of the firm along with the requisite eligibility criteria to consider the appointment/re-appointment of our firm as SCAs of Karur Vysya Bank Limited. We consent to being appointed as SCAs of the Bank.

We confirm that our firm fulfils the requirements of the Companies Act, 2013, the Companies (Audit and Auditors) Rules, 2014, as well as extant RBI, SEBI and NFRA guidelines. Accordingly, we certify that:

(1) We are eligible for appointment/re-appointment under section 139 of the Companies Act, 2013 and meet the criteria for appointment specified in Section 141 of the Act;

(2) We are not disqualified from being appointed as auditors under the Companies Act, the Chartered Accountant Act,1949 and the rules or regulations made thereunder as also the extant SEBI guidelines with regard to appointment of Statutory Central Auditors by commercial banks as well as the Statutory Auditor Appointment Policy of the Bank; our appointment



as SCAs will be in line with the Institute of Chartered Accountants of India (ICAI) Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.

(3) Our firm is not a member of any network of audit firms nor any partner of the firm is a partner in any other audit firm. *(If appointed, the details thereof may be reported separately).*

(4) The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs of Commercial Banks. 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 have been declared as wilful defaulter by any bank / financial institution. No partner of our firm is a director in your Bank nor has the firm or any of its partner has been appointed as a concurrent auditor by the Bank.

(5) We confirm that the firm has not been debarred from taking up audit assignments by any regulator / Government agency i.e. we are not under debarment by any Government Agency, National Financial Reporting Authority (NFRA), (ICAI), RBI or Other Financial Regulators. *(Details of earlier disciplinary proceedings, debarment, etc. if any, by any financial regulator / Government agency - both closed and pending - may be provided separately)*

(6) There are no pending proceedings against the firm or any of its partners with respect to professional matters of conduct under the Chartered Accountants Act, 1949 and the rules and regulations made thereunder.

(7) Our firm has not been associated with your Bank as SCAs in the past / our last engagement with your bank as SCAs was during the financial year \_\_\_\_\_ *(strike out whichever is not applicable).*

(8) Our firm has not provided any audit or services to your Bank in the past / our last engagement with your bank was during the financial year \_\_\_\_\_ as \_\_\_\_\_ *(strike out whichever is not applicable).*

(9) Our firm has not been appointed as SCAs by any other commercial bank and / or All India Financial Institution (AIFI) / RBI / NBFC / UCB in the present financial year. *(If appointed, the details thereof may be reported separately).*

(10) Our firm is not providing any audit or any service to any client who are covered under the Large Exposure Framework (LEF) of RBI / The list of



entities covered under LEF of RBI, to whom we provide services are enclosed herewith (*strike out whichever is not applicable*)

(11) Certificate of indebtedness as per prescribed proforma is enclosed herewith (Annexure – III).

In case our 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.), we will promptly approach the Bank with full details. Further, we will take all necessary steps to become eligible within a reasonable time and in any case, will be comply with all the norms before commencement of annual statutory audit for financial year ending 31<sup>st</sup> March and till the completion of annual audit.

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

Signature of the Main Partner  
(Name of the Partner)

## Annexure-II

**Fulfilment of eligibility criteria**

Asset Size of Bank as on 31st March of Previous Year	Number of full time partners associated with the firm for a period of at least three years <sup>1</sup>	Out of 'A', number of Fellow Chartered Accountant partners associated with the firm for a period of at least three years	Number of full time partners / paid CAs with CISA/ISA A qualification <sup>2</sup>	Number of years of bank audit experience of the firm <sup>3</sup>	Number of professional staff <sup>4</sup>
<b>A</b>	<b>B</b>	<b>C</b>	<b>D</b>	<b>E</b>	<b>F</b>
Status of applicant firm with regard to the above -					

*Criteria in respect of (1) Full time partners associated with the firm, (2) CISA/ISA Qualification (3) Audit Experience and (4) Professional Staff is given under item 4.A of the Policy.*

**Details of additional criteria**

(1) Details regarding capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS) by the firm which will be utilized to audit the CBS environment of the Bank, in order to achieve audit objectives.

(2) Detailed audit profile – including statutory central or branch audits of Banks, concurrent audit of Banks

(3) ICAI firm registration certificate stating firm registration number, year of establishment, address etc. RBI Unique Code Number (UCN) may be reported therein.

**Certificate of indebtedness**

To  
The Board of Directors  
The Karur Vysya Bank Limited  
Central Office, Erode Road,  
Karur 639 002.

Dear Sirs,

**Declaration of Indebtedness**

I, ....., partner of M/s. ...., Chartered Accountants, ("the Firm"), situated at ....., hereby declare that no credit facilities have been availed by our partners and the families (family includes besides spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) of the partners of the firm or the firm/company in which I am/they are partners/directors from The Karur Vysya Bank Limited ("the Bank"). Further, neither I nor any of our partners / members of my family/their families or the firm/company in which I am/they are partners/directors are indebted to the bank.

In case the above declaration or any part thereof is proved to be incorrect, the Bank is free to advise the details thereof to RBI and the Institute of Chartered Accountants of India for initiating necessary action.

This declaration is issued solely for the purpose of complying with the RBI circular number DBS.ARS.No.BC.15/08.91.001/20.04.05 dated 6 January 2005 in connection with the appointment of statutory auditors of the bank for the year ended/ending 31 March 20xx.

Yours faithfully,

Place :  
Date :



## **Appointment of Statutory Branch Auditors (SBAs)**

Bank will endeavour to audit all the branches, controlling and back offices, CBU / BBU / ARB etc., as per approval of the Audit Committee of the Board (ACB), while appointing SBAs.

Taking into account number of retiring auditors / audit firms, new branches proposed to be opened and location of the branches, the number of vacancies of SBAs will be finalized and a list of proposed auditors / audit firms (i.e. continuing auditors, who have not yet completed their 3 year tenure and new auditors who have been selected for appointment during the current year) will be drawn up and placed before the ACB, which in turn recommends the list of firms approved by them to the Board of Directors for its approval for appointment of the selected firms as SBAs.

In terms of the provisions of Section 30 (1A) of the BR Act, 1949, prior permission has to be obtained from RBI for appointing Branch Auditors for audit of branches every year. Accordingly, after the approval of the Board, the list of proposed audit firms will be forwarded to RBI for their approval. The list of proposed audit firms will also be forwarded to ICAI for their confirmation that no proceedings / action is pending against the firms / proprietor / or any of the partners of the proposed SBAs.

### **1. Tenure of appointment**

The tenure of appointment will be for a period of three years. Auditors/audit firms who have completed three years of statutory branch audit will be rested for a minimum period of two years before they are considered for reappointment.

### **2. Eligibility of audit firms**

The selected audit firms must satisfy the following conditions:

- a. For appointment as SBAs, the eligible auditors / audit firms should be qualified under provisions of Section 141(3)(d) of Companies Act, 2013 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 they are partners / directors should not be indebted to the bank.
- b. No adverse remarks or disciplinary proceedings should be pending or initiated against the firms or proprietor or any of its partners with respect to the professional matters of conduct (Including NFRA).
- c. The auditors / audit firms / associated firms / sister concerns should not



carry out any internal assignment or audit of the Bank or any of its branches.

d. The auditors / audit firms should not sub-contract the audit assigned to them.

e. None of the partners/proprietor of the audit firm or their spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, or the firm/company in which they are partners/directors have been declared as wilful defaulters by any bank or financial institution.

Selection of an auditor / audit firm for appointment as a SBA will be at the sole discretion of the Bank.

For appointing Statutory Branch Auditors, the following metrics are to be followed:

#### **Selection criteria for empanelment of auditors/audit firms**

<b>Metric</b>	<b>Category</b>	<b>Weightage</b>	<b>Total Weightage</b>
Workforce Metric	Firm Vintage	9	63%
	No. of Partners	9	
	Staff Strength (Professional staff)	9	
	Years of Bank Audit experience	15	
	SBA in number of Banks	15	
	Years of branch audit in KVB	6	
Quality	RBI Category	15	25%
	Peer Review Certificate	10	
Technology	CISA/DISA	12	12%
Total Marks		100	



**Category wise weightage:**

S.N.	Particulars	1		2		3		Total
		Criteria	Weightage	Criteria	Weightage	Criteria	Weightage	
1	Firm Vintage	< 5yrs	3	> 5yrs <10yrs	6	>10yrs <25yrs	9	9
2	No. of Partners	1-5	3	6-10	6	>10	9	9
3	Staff Strength (Professional staff)	1-5	3	6-10	6	>10	9	9
4	Years of Bank Audit experience	1-5	5	6-10	10	>10	15	15
5	SBA in No. of Banks	1-3	5	4-8	10	>8	15	15
6	Years of Branch audit in KVB	0	2	4	4	8	6	6
7	RBI Category	IV	5	III	10	I & II	15	15
8	Peer Review Certificate	NO	5	Not Reviewed again	10	YES	10	10
9	CISA/DISA	NO	4	DISA	8	CISA	12	12
	<b>Total</b>							<b>100</b>

**3. Scope of audit**

In addition to the verification of adherence to extant RBI guidelines by the branches, the SBAs will undertake verification of books of accounts and other records and certify the following statements as a part of the audit assignment -

FINANCIAL STATEMENTS

- 1) Branch Balance Sheet
- 2) Branch Profit & Loss Statement.
- 3) General Ledger Trial Balance (GLTB)

AUDIT STATEMENTS

- 1) Branch Auditors Report
- 2) Branch Statutory Audit Report (BSAR), Certificates, Annex A IFCoFR
- 3) Annexure to BSAR (wherever applicable)
- 4) Report on Common Irregularities
- 5) Memorandum of Changes as per MOC 1,2,3,4
- 6) Tax Audit Report (Form 3CA & 3CD)

#### CERTIFICATES

- 1) Any report / certificate which may be required / certified by SBAs will be included

Branch auditors will rely on RBI guidelines / Master Circulars in respect of:

- a. Income Recognition and Asset Classification provisioning norms
- b. Loans & Advances - statutory and other restrictions
- c. Capital Adequacy
- d. Guarantees and co-acceptances etc.,
- e. Frauds - Classification & Reporting

SBAs should specifically report simultaneously to the MD & CEO of the Bank and to the Chennai Regional Office of the Department of Supervision, RBI, any matter suspected to be a fraud or fraudulent activity or any foul play in any transaction. In cases where the amount of fraud involved is Rs.100 lakh or above, SBAs should report such instances directly to the Central Office of Department of Supervision, RBI, Mumbai.

#### **4. Fees payable**

The fees payable to SBAs will be as decided by the Board / Audit Committee of the Board, from time to time.

#### **5. Review of the policy**

Review of the auditor appointment policy will be undertaken on annual basis or in the interim whenever there is any requirement arising out of regulatory and / or statutory guidelines or instructions.

The policy will be placed before the Audit Committee of the Board for approval.