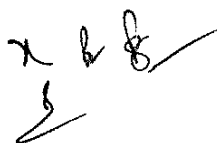





**Policy for Engagement of Statutory
Central Auditors (SCAs) / Statutory
Branch Auditors (SBAs) for Domestic
Branches and Remuneration payable to
the SCAs / SBAs for the FY 2023-24.**

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Part - A
POLICY FOR ENGAGEMENT OF STATUTORY CENTRAL AUDITORS (SCAs)
FOR THE FY 2023-24

1. Preamble:

To formulate policy on selection and appointment of Statutory Central Auditors in accordance with the guidelines issued by the Government of India and the Reserve Bank of India.

2. Need for Policy for Engagement of Statutory Central Auditors (SCAs):

- 2.1. Department of Financial services, Ministry of Finance, Government of India vide F.No.1/14/2004-BOA dated 25/11/2014 informed that the work of selection and appointment of SCAs is delegated to the individual public sector banks for the year 2014-15 and onwards. The selection criteria along with norms on eligibility and empanelment of audit firms are being received from RBI every year.
- 2.2. For PSBs, empanelment of audit firms eligible for appointment as SCAs will continue to be done by the office of C&AG, based on the norms prescribed by RBI, as on January 1 of the relevant year. The list of firms as furnished by C&AG to RBI will be subjected to scrutiny by RBI for identifying the eligible firms and excluding audit firms who have been denied audit by C&AG/RBI. RBI will forward a single list of all audit firms eligible for appointment as SCAs to all PSBs on an annual basis. PSBs 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.) as laid down in the bank's policy for appointment of statutory auditors.
- 2.3. Further, the PSBs shall place the list of shortlisted firms, in order of preference, before the ACB for selection of SCAs in a transparent manner. Upon selection of SCAs by the PSBs in consultation with their ACB and verifying their compliance with the eligibility norms prescribed by RBI, the PSBs shall seek RBI's prior approval for appointment of SCAs.
- 2.4. From FY 2021-22, as per RBI revised guidelines for selection and appointment of Statutory Central Auditors, RBI is providing a single list of eligible audit firms to PSBs. The firms in said list would not be ranked in any order and all firms would be eligible for selection by all PSBs.
- 2.5. The RBI guideline further requires the Bank to formulate a Board Approved Policy to be hosted on its official website/public domain and formulate necessary procedure thereunder to be followed for appointment of SCAs. Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.
- 2.6. All Commercial Banks (excluding RRBs) and UCBs will be required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of SCAs/SAs, on an annual basis in terms of the above-mentioned statutory provisions. For the purpose, the



Public Sector Banks (PSBs) should apply to Department of Supervision, Central Office, RBI within one month of receipt of list of eligible audit firms from RBI.

3. Number of Audit Firms and Vacancy Position for the year 2023-24:

3.1. The Entities (Bank) can decide on the number of SCAs based on a Board Approved Policy, *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.

3.2. However, in terms of the revised Guidelines, RBI has prescribed slab-wise maximum number of SCAs to be appointed based on the total Asset Size of the bank as under:

Sl. No.	Asset Size of the Entity	Maximum number of SCAs/SAs
1.	Up to ₹5,00,000 crore	4
2.	Above ₹ 5,00,000 crore and up to ₹ 10,00,000 crore	6
3.	Above ₹ 10,00,000 crore and up to ₹ 20,00,000 crore	8
4.	Above ₹ 20,00,000 crore	12

3.3. The above limits have been prescribed to ensure that the number of SCAs/SAs appointed by the Entities are adequate, commensurate with the asset size and extent of operations of the Entities, with a view to ensure that audits are conducted in a timely and effective manner. This will be subject to review in future based on the experience. Considering the above guidelines and based on the asset size, our Bank can appoint maximum 8 no. of firms as SCAs.

3.4. Considering the Asset Size of Bank of ₹ 12.81 lakh Crore as on 31st March of the previous year, the total number of SCA firms will be limited to 5 in number, which will be appropriate for completion of audit in time with coordination and proper allocation of the work. At present the Number of SCAs were 6 in number and the reduction in SCAs number by 1 will be effected while appointing the new SCAs.

4. Coverage of Audit and Allocation:

4.1. It is prescribed that the joint auditors of the Entity (Bank) do not have any common partners and they are not under the same network [as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014] of audit firms. For smooth conduct of audit, the Bank shall finalize the work allocation among SCAs, before the commencement of the Statutory Audit, in consultation with their SCAs.

4.2. In terms of RBI guidelines on 'Norms on eligibility, empanelment and selection of Statutory Branch Auditors in Public Sector Banks (PSBs)', PSBs shall allot the Top 20 branches (to be selected strictly in order of the level of outstanding advances) to SCAs in such a manner so as to cover a minimum of 15% of total gross advances of the bank by SCAs.



5. Independence of Auditors:

- 5.1. 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.
- 5.2. 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, under intimation to the concerned SSM/RO of RBI.
- 5.3. The Concurrent Auditors of the Bank should not be considered for appointment as SCAs of the Bank. The audit of the Bank and entity with large exposure (as defined in RBI instructions of Large Exposure Framework) to the Bank for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- 5.4. 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 should be at least one year, before or after its appointment as SCAs. However, during the tenure as SCA, an audit firm may provide such services to the Bank which may not normally result in a conflict of interest, and the Bank may take its own decision in this regard, in consultation with the Board/ACB.
- 5.5. The above restrictions detailed in para 5.3 and 5.4 shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.
- 5.6. 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.

6. Professional Standards of SCAs:

- 6.1. The SCAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- 6.2. The ACB 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.

6.3. In the event of lapses in carrying out audit assignments resulting in misstatement of Bank's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SCAs in relation to the Bank, the SCAs would be liable to be dealt with suitably under the relevant Statutory/Regulatory framework.

7. Tenure and Rotation:

7.1. 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, as mentioned at Para 2.6 of this Policy.

7.2. 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. However, audit firms can continue to undertake Statutory Audit of other Entities / Banks.

7.3. Further, the audit firms which have already completed tenure of 1 year or 2 years with the Bank (appointed as per the existing guidelines) may be permitted to complete the balance tenure only, i.e., 2 years and 1 year respectively, if they fulfil the eligibility norms on an annual basis. However, in case an audit firm has conducted audit of the Bank for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment with the Bank for six years from completion of part-tenure.

7.4. 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) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules.

7.5. For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm. For the purpose of this Policy, 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.

7.6. 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.



8. Norms on Empanelment of Statutory Central Auditors:

Eligibility Criteria:

A) Basic Eligibility:

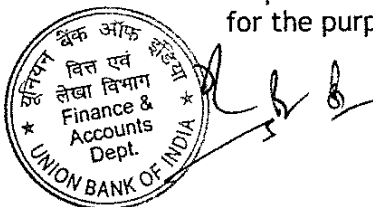
Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years Note 2	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
Above ₹15,000 crore	7	4	2	15	18

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

For this purpose, 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) In case of PSBs, 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. For other Entities, the Board/ACB/LMC 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.

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 Bank for considering them as Paid CAs with CISA/ISA qualification for the purpose.



Note 3: Audit Experience - As per the RBI Guidelines, Audit experience shall mean experience of the audit firm as Statutory Central Auditor/Statutory Branch Auditor of Commercial Banks (excluding RRBs)/AIFIs.

To onboard more quality and experience into the panel, preference will be given to the incumbent Firms having one full term of 3 years' experience as SCAs (conducted Audit for 12 Quarters) in a Scheduled Commercial Bank limited to Public Sector Bank and Private Sector Bank / AIFIs (NABARD, SIDBI, NHB, Exim Bank) including Statutory Auditors of RBI (but excluding SFBs, Payments Banks, RRBs, UCBs or Foreign Banks in India).

In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be affected 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 date of empanelment for considering them as Professional Staff for the purpose.

B) Additional Consideration:

- i) The audit firm 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 Entities shall ensure that appointment of SCAs/SAs 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/SA 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/SA of any of the group entities of that entity.

Explanation: For the purpose of this Policy, 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.

- 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 Entities where the accounting and business data reside in order to achieve audit objectives.

- vi) 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 appoint /re-appointment as a 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 or a PSB after its resignation as SBA or 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 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.

9. Procedure for Appointment of Statutory Central Auditors:

- 9.1. The appointment of SCAs will be made on an annual basis, subject to their fulfilling the eligibility norms prescribed by RBI from time to time and also subject to their suitability.
- 9.2. Based on the Vacancy position, the Bank shall shortlist minimum of 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 at second preference can be appointed and the process of appointment of SCAs does not get delayed. However, in case of reappointment of SCAs by banks till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.
- 9.3. For the convenience of audit and timely completion of consolidation of Financial Statements, it is preferred to have at least two audit firms having their Head Office from the same place where the banks' HO/CO is located i.e. Mumbai. However, in case of unavailability of the SCA Firm, from Mumbai with suitable criteria and experience required as per this Policy, the Bank may choose to appoint suitable audit firms from outside Mumbai.



- 9.4. In view of the presence of the Bank across the length and breadth of the country, due weightage for geographical representation as far as possible is to be given (i.e., North, South, West, East and Central India) to avoid un-necessary travelling and equal distribution of work among the auditors so that the audit can be completed in a smooth and timely manner.
- 9.5. Since no ranking will be given by RBI in the list of SCA firms provided to PSBs, preference shall be given to the audit firms who have satisfactory past association with our Bank, having experience in audit of large PSUs/listed entities, certification like CISA/DISA and the audit firms who fulfil the eligibility criteria and also contacted our bank for appointment as SCAs.
- 9.6. As suggested by Audit Committee of the Board, following criteria are desirable. Capability of using audit software, experience in the field of conducting special audit e.g., forensic audit, fraud investigation, cyber security/IS Audit, Valuation examination, IRP Certification etc. As these details are not brought in the RBI list, the same may be separately called for from the audit firms before the selection. While giving order of preference, an overall view shall be taken based on all the above criteria and accordingly final shortlisting will be done.
- 9.7. The Bank has constituted a Committee of CGMs / GMs called "SCAs & SBAs Selection Committee" (hereafter called as 'the Committee') consisting of i) Chief Financial Officer ii) Vertical Head - Audit & Inspection iii) Vertical Head - SAMV and iv) Chief Risk Officer, for short listing and selection of the Auditors and recommending the same to the ACB / Board.
- 9.8. Based on the above criteria and available details of the individual audit firms, the Committee would select number of audit firms equal to 2 times of number of vacancies of SCAs arising during the year out of the list of eligible SCA firms provided by RBI.
- 9.9. The following procedure that will be followed for selection of SCAs by the Bank:
- a. Empanelment of audit firms eligible for appointment as SCAs will continue to be done by the Office of C&AG, based on the norms prescribed by RBI, as on January 1 of the relevant year.
 - b. The list of firms as furnished by C&AG to RBI will be subjected to scrutiny by RBI for identifying the eligible firms and excluding audit firms who have been denied audit by C&AG/RBI. RBI will forward a single list of all audit firms eligible for appointment as SCAs to all PSBs on an annual basis.
 - c. RBI will provide a single list of eligible audit firms to PSBs as the requirement of mandatory cooling of three years and allotment of vacancies in the ratio of 60:40 between 'Experienced' and 'New' audit firms has been done away with from FY 2021-22. The firms in said list would not be ranked in any order and all firms would be eligible for selection by all PSBs.
 - d. On receipt of the eligible list of SCAs from RBI and based on the vacancy position of the Bank, the Finance & Accounts Vertical, under the guidance from the Chief





Financial Officer (CFO) will start contacting the eligible audit firms from the said list who fulfill the objective criteria (like number of full-time partners, number of professional staff, number of CISA/ISA qualified partners/paid CAs, number of FCAs, number of years of audit experience, etc.) as laid down in this Policy.

- e. The Finance & Accounts will prepare the list of the audit firms so contacted and who are willing to work as SCA of the bank in the order of preference. The list shall contain number of audit firms at least 3 time of the number of vacancies arising during the year. The preference list along with justifications thereof shall be placed before the Committee for deliberation and shortlisting of the number of audit firms twice of the vacancy position for recommending to the ACB.
- f. While placing the preferred list of SCA firms before the Committee, the Finance & Accounts vertical must ensure that the proposed audit firms are fulfilling all the eligibility criteria set out as per the RBI guidelines and also in accordance with this Policy.
- g. The shortlisted SCA Firms recommended by the Committee will be placed before the ACB with the concurrence of the same from the concerned Executive Director in charge of Finance & accounts Vertical.
- h. Before putting up the shortlisted audit firms before ACB, the Bank shall obtain a consent letter and 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 of SCAs, under the seal of the said audit firm.
- i. Upon approval of selection of SCAs by the ACB and after verifying their compliance with the eligibility norms prescribed by RBI, the Bank shall seek RBI's prior approval for appointment of SCAs in the order of preference.
- j. 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 for the purpose.
- k. While approaching the RBI for its prior approval for appointment of SCAs, Bank shall indicate the 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 for appointment as SCAs in the order of preference and also furnish information as per Form B and Form C as mentioned above, to facilitate expeditious approval of appointment/re-appointment of the concerned audit firm.



- l. As per the present regulations, the Bank should apply to Department of Supervision, Central Office, RBI for approval of the SCAs within one month of receipt of list of eligible audit firms from RBI.
- m. Upon receipt of confirmation from the RBI, final appointment letter will be issued to the audit firm(s). The same will also be placed before the Board of Directors for information.



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

A. Particulars of the firm:

Asset Size of Entity as on 31st 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 Full Time 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

B. 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/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.
- (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.

C. 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 willful 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:

Note: For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.



**Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs
regarding eligibility of audit firm proposed to be appointed as SCA/SA**

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.

2. The Bank obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor (SCA) for FY _____ along with relevant information (copy enclosed), in the format as prescribed by RBI.

3. The firm has no past association/association for _____ years with the Bank as SCA/SBA.

4. The Bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs of Commercial Banks (excluding RRBs)/UCBs.

Signature

(Name and Designation)

Date:

Handwritten signature

Handwritten signature



Part - B
POLICY FOR ENGAGEMENT OF STATUTORY BRANCH AUDITORS (SBAs)
FOR THE FY 2023-24

1. Preamble & Background:

Appointment of Statutory Branch Auditors (SBAs) by our Bank is being done every year based on the policy approved by the Board which is framed in line with the guidelines issued by the Government of India/Reserve Bank of India. The approved policy is being hosted on our Bank's website.

Review of Policy for Engagement of Statutory Central Auditors (SCAs)/Statutory Branch Auditors (SBAs) for domestic Branches for the FY 2022-23 & Remuneration payable to SCAs/SBAs has been approved by the ACB vide Agenda No P-25 dated 17th March 2023 and Board through circulation no. 200 dated 17th March 2023.

Reserve bank of India has advised reiterating the instruction to consider appointing SBAs centrally at Corporate Office with the help of suitable software, customized or otherwise, to select the audit firms in terms of the Engagement policy formulated/approved by the Banks Board/ACB. Appointment of the SBAs and selection of the branches is done at the Central Office with the assistance of an in-house developed software application.

2. Objective & Scope of the Policy:

The policy is aimed at providing a framework and methodology to be adopted by the Bank in Engagement of Statutory Branch Auditors (SBAs). Part 'B' of this Policy deals with the Engagement of SBAs for the domestic branches as the prior approval of the RBI is done away with. The policy is in tune with the RBI guidelines issued in respect of the appointment of SBAs for the domestic branches.

Policy for selection and appointment of overseas branches for the year 2023-24 is approved by the Board vide Agenda No. P-25 in its meeting held on February 14, 2023.

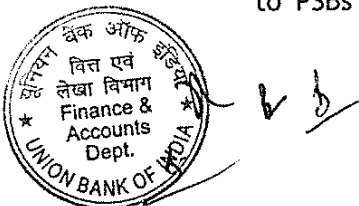
The objective of the Bank shall be to ensure timely completion of annual closing exercise complying with Statutory/Regulatory guidelines, with the help of audit firms so selected and appointed.

3. RBI guidelines on policy formulation and implementation:

Prior approval from RBI for the appointment/reappointment of statutory branch auditors (SBAs) has been done away with and now RBI has granted general permission to PSBs for appointment/ re-appointment of SBAs subject to the compliance of

Classification: Internal

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eligibility criteria. Complying with the RBI guidelines, the policy for Engagement of SBAs for domestic branches shall be framed and placed for approval before the ACB and thereafter before the Board by the Finance and Accounts (F&A). The F&A will ensure compliance with all the relevant guidelines issued by the RBI including obtaining of various prescribed declarations/undertakings from the audit firms, as necessary. The F&A shall also ensure compliance with the Board-approved policy.

For appointment of Statutory Auditors for overseas branches, a separate policy is formulated in compliance with the regulatory framework of respective overseas regulators/ RBI which is duly approved by Board vide Agenda No. P-25 in its meeting held on February 14, 2023.

As regards the appointment of the Statutory Auditors of the overseas branches, compliance with the applicable regulatory framework of the overseas regulators as well as that of the RBI will be ensured by Domestic Foreign Business and International Banking Division (DFB&IBD) of the Bank.

As per RBI guidelines, all PSBs are required to have a Board approved policy for appointment of Statutory Branch Auditors and the same shall be hosted on the Bank's website. Banks are also required to ensure that the policy framed by the Board in the matter of selection of auditors/audit firms for appointment of auditors is strictly adhered to.

4. Compliance to RBI norms and procedure:

The norms and procedure for Engagement of Statutory Branch Auditors (SBAs) for domestic branches as conveyed by the Reserve Bank of India are contained in sections as detailed below:

- 4.1 Methodology for Business coverage and selection of branches for Statutory Audit: Section - I
- 4.2 Eligibility Criteria and Norms for categorization of Audit firms: Section - II
- 4.3 Procedure for selection & appointment/re-appointment of SBAs and allotment of Branches: Section - III
- 4.4 Various declarations/undertakings, in terms of extant RBI guidelines, required to be submitted by the SBAs: Section - IV

Section - I

Methodology for Business coverage and selection of branches for Statutory Audit:

5. Selection of branches to be covered under Audit:

- 5.1 It has been advised by RBI that the methodology for business coverage and selection of branches shall, inter-alia, consider bank-specific characteristics,



degree of centralization of processes, need to address fraud risk and credit risk, adverse reports from internal/ concurrent auditors, whistle blower complaints and unusual patterns/ activity shown by internal MIS reports. It should also ensure that a representative cross section of rural, semi-urban, urban and metropolitan branches are covered, including branches that are not subjected to concurrent audit.

- 5.2 It is also advised by RBI that, the main operating office of the Bank, (irrespective of whether it is attached to the Head / Central Office of the Bank or functions as a separate unit), Centralized Processing Units (CPUs) / Loan Processing Units and other centralized hubs, by whatever nomenclature called which are taken up for the purpose of Statutory Branch Audit during a particular year, will be treated as any other Branch.
- 5.3 During the previous so many years, Bank has taken various initiatives towards verticalization/centralization of various processes like sourcing of business, processing, disbursement, monitoring the advances as well as of deposits products. Also, the automation of asset classification on daily basis has given ease for monitoring of various activities centrally and reduces the unforeseen situation which has minimized the credit risk & operational risk to a large extent. Further, an effective and efficient internal audit system has been set up which ensure independent assurance to the Board and Senior Management on the quality and effectiveness of the Bank's internal control, risk management and governance systems and processes.
- 5.4 To strengthen the processes, Bank has taken initiative for coverage of TOP 20 branches under Concurrent Audit by the Big Audit firms having experience of Statutory Central Audit of PSBs from the RBI empaneled list. Similarly, Management audit for Central Office verticals has been assigned to the external Audit firms having Experience as Statutory Central Auditor for enhancing audit quality and compliance as stipulated by the RBI.
- 5.4.1 The bank has established Specialized Branches such as Large Corporate Branches (LCBs), Mid Corporate Branches (MCBs), MSME First Branches (UMFBs) with officials of specialized knowledge in Credit to handle such kind of advances.
- 5.4.2 In order to have special focus on NPA Recovery, the Bank has created Stressed Asset Management (SAM) Branches to deal with large value NPAs and cases referred to NCLT under IBC. Further, Specialized Asset Recovery Branches (ARBs) have been created to deal with small value NPAs to have focused recovery under SARFAESI / DRT.





- 5.4.3 During the Financial Year 2023-24, 1912 Number of Branches / offices are covered under Concurrent Audit System of the Bank covering major units and CO Verticals.
- 5.4.4 During the Financial Year 2023-24, the Internal Inspection System of the Bank under the Audit & Inspection Department (A&ID) has proposed to cover 7246 number of Branches and other operating units.
- 5.4.5 The Bank has employed a Chartered accountant Firm to evaluate and test the Internal Financial Control System of the Bank covering a period of 3 year. The Firm has evaluated all major financial reporting processes of the bank covering major Risk Areas and also covering quarterly walkthrough of these process to identify and weakness / deviations. The deviations identified by the Firm are immediately rectified through improvement in the processes / systems.
- 5.4.6 Bank has also employed a qualified Systems auditor for evaluation of the system of Internal Accounts of the Bank and reconciliation of the same in accordance with the RBI Guidelines. The deficiencies identified by the Systems Auditor have been rectified and reported to ACE / ACB /RBI.
- 5.4.7 Bank has also formed a Reconciliation Vertical, headed by General Manager, which has been entrusted for reconciliation and monitoring of various activities such as ATM/Debit card transactions, ATM's cash, UPI, IMPS, AePS, NEFT, Internet Banking, Credit Card, BBPS, NETC Fastag, Payment Gateways, PoS, etc.
- 5.5 In accordance with the above, the following factors are considered for selection of the Branches under Statutory Branch Audit:
- 5.5.1 Branches having large advances with a mix of Retail, Agriculture, MSME and Corporate Advances. This will cover the specialized Branches namely, Large Corporate Branches (LCBs), Mid Corporate Branches (MCBs), Union MSME First Branches (UMFBs), category B Branches, Specialized Asset Recovery Branches such as SAMBs and ARBs, etc.
- 5.5.2 High Risk Branches/Special Report Branches identified by the Audit and Inspection Vertical.
- 5.5.3 Branches having Fraud detected and reported by the Transaction Monitoring and Fraud Management Vertical.
- 5.5.4 Branches having adverse reports from internal / concurrent auditors as provided by the Audit and Inspection Vertical.
- 5.5.5 Branches having Whistle Blower complaint received from the Human Resource Vertical.
- 5.5.6 Unusual patterns/activity i.e. spurt in the business figures to be received from Transaction Monitoring and Fraud Management Vertical.



- 5.5.7 Branches having critical Early Warning Signals (EWS) /Red Flagged Accounts (RFAs) as per CCM vertical.
- 5.5.8 Further Currency Chest, Services branches, CAPS/CMS Branches, NEFT / RTGS / FTS Centers, which are dealing with high value transactions will be considered under statutory audit.
- 5.5.9 Other Business Units such as RLPs, MLPs, Staff Training Colleges / ULAs, etc. are to be covered under statutory branch audit on rotation basis in every 3 years.
- 5.5.10 Branches with high stress assets identified by CCM vertical.
- 5.5.11 In addition to the above, few other low advances Branches will be also selected on Random basis as a surprise element.
- 5.5.12 At least 20% of the Branches that were never under Statutory Branch Audit in the past 5 years will be covered.
- 5.6 Approval about fixation of, % of total coverage of Advances that includes audit by Statutory Branch Auditors (SBAs) will be obtained separately from ACB after consultation with the SCAs, subject to compliance of RBI guidelines from time to time.
- 5.7 In respect of those branches, that are not selected for Branch Audit by SBAs, and are subject to concurrent audit by “Concurrent Auditors that includes Chartered Accountant firms & Retired Officers”, the LFAR and other certifications done by concurrent auditors shall be consolidated and submitted by the Bank to the Statutory Central Auditor of the bank.

6. Criteria for Categorization of Branches:

The RBI has categorized audit firms into 4 categories based on the criteria mentioned in Part B Section II of the policy. In view of the above we propose to continue with the following criteria for categorization of the branches:

Level of Advance	Category of Branch
₹ 175 Crore & Above	I
₹ 100 Crore & above and less than ₹ 175 Crore	II
₹ 50 Crore & above and less than ₹ 100 Crore	III
Below ₹ 50 Crore	IV

The Bank may select the audit firms, to the extent possible, taking into consideration the category and size of the branches selected for audit in such a way that there is a proper mix of audit firms from all the categories.



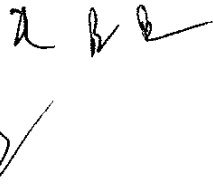
Section - II

Eligibility Criteria and Norms for categorization of Audit firms:

To be eligible for appointment/re-appointment as SBA, an audit entity (i.e. audit firms or sole proprietorship auditors) shall meet all the following conditions:

- a) The audit entity satisfies all the criteria laid down in section 141 of the Companies Act, 2013.
- b) The audit entity or any of its partners 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, the National Financial Reporting Authority (NFRA) and the Institute of Chartered Accountants of India (ICAI).
- c) 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.
- d) 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.
- e) In case of 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 (irrespective of tenure of previous engagement).
- f) None of the partners of the audit firm or the proprietor of the audit entity are Directors in the same PSB.
- g) 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) rules, 2014] of audit firms.
- h) The audit entity meets the criteria for bank audit experience, number of partners, standing, etc., as per norms mentioned below.

Norms/criteria for categorization of Audit firms as advised by the RBI for 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)
I.	5	3	8	The firm or at least one of the partners should have a minimum of 8 years experience of branch audit of a Nationalised Bank and/or of a Private Sector Bank.	8 years
II.	3	2	6	The firm or at least one of the partners should have conducted branch audit of a PSB/Private Sector Bank for at least 5 years.	6 years (for the firm or at least one partner)
III.	2	2	4	The firm or at least one of the CAs should have conducted branch audit of a PSB/Private Sector Bank for at least 3 years.	5 years (for the firm or at least one partner)
IV.					
Partnership Firm	2	2	2	Not necessary	3 years
Proprietorship firm	2	1	2	Not necessary	6 years
Proprietorship firm	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', 'professional staff', and 'standing of the audit firm' will be the same as per the RBI Circular Ref. DoS.CO.ARG/S8213/08.91.001/2022-23 Dt March 06th, 2023.



Section - III

Procedure for selection & appointment/re-appointment of SBAs and allotment of Branches:

7. The following procedure will be followed for Engagement of Statutory Branch Auditors (SBAs) in public sector banks (PSBs) as advised by RBI:
- i) The list of eligible audit entities will be prepared by the Institute of Chartered Accountants of India (ICAI) as per the norms prescribed by the RBI. The same shall be reviewed to identify continuing / non-continuing auditors, etc., and forwarded by the RBI to the Bank for selection.
 - ii) Banks will be required to clearly advise the selected audit entities that each audit entity can take up audit assignment (branch audit) in one PSB only.
 - iii) 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 appoint /re-appointment as a 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.
 - iv) Prior to appointment/re-appointment, the names of the audit entities selected shall be uploaded to the RBI's Auditor Allocation System (AAS) to ensure that audit entity which is preferred by multiple PSBs is allocated only to one PSB on first come, first-served basis by the AAS. Post appointment/re-appointment, the banks shall report to RBI (through AAS) the list of SBAs appointed, along with details of Allocation Of branches thereof.
8. **Tenor of Appointment:** SBAs will have a maximum tenure of four years in a particular bank. The appointment of SBAs will be made on an annual basis up to a period of four consecutive years, subject to their fulfilling the eligibility norms as prescribed in Section II. The names of SBA appointed shall be reported to RBI.
9. **Removal of Auditors:** Non-reappointment / removal of SBAs by PSBs before completion of audit tenure of four years will continue to be subject to RBI's prior approval. Such request for prior approval shall be forwarded to RBI with the approval of Board/ACB.
10. **Principles for Allotment of Branches:** While allotting branches, Banks are required to select audit entities which are in close proximity to their offices/branches. Banks are also required to have a suitable mix of various categories of audit entities while selecting the Branch Auditors keeping in view the size of the branches to be audited. Banks are advised to allot branches, to the extent possible, to the audit firms taking



into consideration their category and audit experience in such a way that specialized and larger branches are audited by bigger/experienced audit entities.

11. Restrictive Category:

- The audit firms retiring as Statutory Central Auditors from a PSB shall not be eligible to be appointed as SBAs of the same PSB during the prescribed cooling period (six years) for SCAs from that particular PSB.
- Firms (or any of its partner) against whom any disciplinary proceeding is initiated/pending by any Regulator/Tribunal/Court.
- The firms which are disqualified in terms of provisions of Section 141 of the Companies Act, 2013.
- Firms whose partners are on the Board of our Bank are ineligible for appointment as SBAs.
- The SBAs and their associate firms/sister concerns shall be disqualified from undertaking any internal audit, TEV Study, special audits (including Forensic Audits and Agency for Specialized Monitoring of Large Borrower Accounts) and for insolvency work appointed by the Bank, either individually or in a Consortium / Joint Lending Arrangement, where the Bank is a member and for its subsidiaries.
- No sub-contracting of audit work is allowed and only such team members are allowed for auditing who are either partner or employed with the firm or undergoing article training as per ICAI Record.
- The audit firm shall confirm that there is adequate knowledge, competence and expertise within the audit engagement team and that the audit will be conducted in compliance with the accepted auditing standards, as well as any applicable laws and regulations.

Undertaking from the audit firm shall be obtained for the same. Various declaration and undertakings to be submitted by the SBAs in terms of extant RBI instructions are contained in Annexure V.

12. Criteria for selection of audit firms:

While contacting the audit firms, the F&A will take into the following consideration:

12.1 Continuing Audit Firms:

To consider all audit firms whose names appear in the list of continuing auditors for audit assignment during the year.



12.2 Non-Continuing Audit Firms:

While finalizing the panel of audit firms, the RBI has done due diligence and vetting. Therefore, it will be considered that all audit firms in a particular category are equally capable for being considered as a Branch Auditor. In view of large number of audit firms appearing in the list provided by the RBI and paucity of time, preference shall be given to those audit firms appearing in the list provided by the RBI, who in the recent past have contacted/requested for assignment of Statutory Branch Audit work of our bank for the year 2023-24.

Thereafter, in case the Bank needs audit firms for filling the vacancy, shall contact audit firms appearing in the list of RBI in the order of serial number & considering geographical locations.

In case consent from the required number of audit firms of respective category/location is not received, audit firms from other category/location will be contacted for obtaining their consent. The number of new audit firms to be considered with interchangeability in category/location of audit firms will be limited to the Bank's overall requirement only.

13. Procedure for selection of non-continuing audit entities:

The Committee of Chief General Managers/General Managers called "Committee for Engagement of Statutory Branch Auditors" consisting of i) Chief Financial Officer ii) Vertical Head- Audit & Inspection iii) CRO -RMD and iv) Vertical Head- SAMV, will shortlist the audit firms from the list of non-continuing Statutory Branch Audit firms provided by RBI in the following manner:

13.1 The committee will assess the number of audit firms' category wise for engagement based on RBI guidelines and above-mentioned additional criteria of categorization of branches.

13.2 The extant RBI norms permit allocation of maximum 2 branches per audit firm. However, as per the past experience, some of the audit firms may refuse to take up the assignment even after giving consent and sometimes consent is being given to multiple banks which leads to rejection by the RBI. Further, considering category-wise requirement of audit firm in different State/Centers, to minimize resorting to interstate assignment and to facilitate completion of audit work in time and in smooth manner, the Committee may consider selecting higher number of Audit Firms depending upon the Number of Branches subjected to Audit coverage (Approval will be obtained from ACB in March 2024 month). However, in no case more than two branches shall be allotted to each SBA and therefore the Bank will maintain Branch allocation ratio maximum 2.



13.3 Having assessed the requirement of new audit firms to be selected and appointed for the year by the said Committee of Executives, the Finance and Accounts (F&A) will undertake and complete the work of shortlisting of new audit firms from the list of non-continuing Auditors provided by the RBI, by contacting and obtaining consent letters from eligible audit firms.

14. Allotment of Branches:

14.1 The team of SCAs may be assigned the top 20 Branches of the Bank (in terms of advance level) covering not less than 15% of advances of the Bank with a maximum of 4 branches to any individual SCA which they had not audited earlier. Not more than two branches may be allotted to each of SBA.

14.2 No distinction shall be made between continuing and new auditors while allocating the branches.

14.3 In order to ensure proper audit quality, particularly in case of large branches, where proper compliance of IRAC norms as also correct interpretation of RBI circulars is needed, employing of senior audit firm/s with experience is very much essential. They would also give a great level of comfort to the Statutory Central Auditors for stating the financials of Bank properly.

14.4 For remaining branches, though it shall be the endeavor of the Bank to select the audit firm from the respective category of the city/state pool, however, in case the same is not possible/feasible due to non-availability of prescribed category of branches/auditors in that location or for any other genuine reason, the audit firm can be allocated branches from other category/city/state pool.

14.5 The allotment of branches, to the extent possible shall be as per their category, however, in case the number of audit firms remain less than the required number in any category, the branches in that category will be allotted to other category of auditors.

In order to have fair and independent audit, the branches audited by the SBA during the previous year will not be repeated.

15. Tax Audit of Branches for Financial Year 2023-24:

Like earlier years, the Tax Audit of the Bank shall be carried out at Central Office level through Statutory Central Auditors (SCAs).

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16. Recommendation of Panel of audit firms and Approval:

The Committee of Executives for selection and appointment of SBAs, would recommend the panel of Branch Audit Firms to fill the number of vacancies arising for the current year to the Audit Committee of Board for approval. Post approval of the panel of Branch Auditors by ACB, the same shall be uploaded to RBI's Auditors Allocation System (AAS) to avoid any duplication of appointment of the Audit Firm by any other PSB. The AAS System will ensure the appointment of Audit Firms by only a single PSB on 'first-come first-serve' basis. The final list of Branch Audit Firms after validation through AAS will be used for appointment / re-appointment and allocation of Branches as per the methodology set out in this Policy.

Post appointment / re-appointment, the Bank shall report to RBI (through AAS) the final list of SBAs appointed along with the details of allocation of branches thereof. The final list of appointment of the SBAs shall be placed before the Board of Directors for information.

17. Validity of the Policy for Engagement of SCAs / SBAs and amendments thereto:

The Policy for engagement of SCAs & SBAs for the F.Y. 2023-24 is in line with the latest guidelines issued by the RBI. The policy shall be valid for the financial year 2023-24. The policy shall be reviewed every year and also when needed to give effect to the guidelines that may be advised by the RBI/ICAI/MoF/MCA from time to time and to be amended accordingly with the prior approval from the ACB/Board.

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Section - IV

Formats of Various declarations/undertakings, in terms of extant RBI guidelines, required to be submitted by the SBAs:

Annexure - I

**ON THE LETTER HEAD OF AUDIT FIRM WITH COMPLETE NAME OF THE FIRM,
ADDRESS, TELEPHONE/FAX/MOBILE NUMBERS, E MAIL ADDRESS**

The Chief Financial Officer
Union Bank of India
Finance & Accounts
Union Bank Bhavan, 6th Floor,
239, Vidhan Bhavan Marg
Nariman Point, Mumbai - 400 021.

Dear Sir,

Sub: Letter of Consent for carrying out Statutory Branch Audit of Branches of
Union Bank of India for the year ending 31st March, 2024

We give our irrevocable consent for consideration of our appointment as Statutory Branch Auditor of Union Bank of India for the year 2023-24 and also the subsequent continuing years as per the Reserve Bank of India guidelines.

The above consent given by us may be treated as irrevocable and we will not request for changing the bank.

Further, we shall not give consent to any other Public Sector Bank for consideration of appointment as Statutory Branch Auditors.

We undertake that our firm is not associated with any internal assignment of your Bank as well as of any subsidiaries of the Bank. We further undertake that in case we are associated with any such assignment we will ensure that the same shall be relinquished before accepting the Statutory Audit assignment of Union Bank of India.

We also assure to maintain confidentiality till the final approval for appointment is received.

Yours faithfully

Name of the Audit Firm & Signatory,
Unique Code Number, Membership
No., Firm Reg. No.

Date:
Place:



(Handwritten signature)

Classification: Internal

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**Proforma of Declaration to Be Submitted
(To be submitted on Firm's Letter Head)**

The Chief Financial Officer
Union Bank of India
Finance & Accounts
Union Bank Bhavan, 6th Floor,
239, Vidhan Bhavan Marg
Nariman Point, Mumbai - 400 021.

Dear Sir,

Sub: Declaration of Fidelity, Secrecy, Non-disqualification and Undertaking not to sub-contract Audit Work.

We _____ do hereby declare that we will faithfully, truly and to the best of our skill and ability execute and perform duties required of us as auditors of Union Bank of India and which properly relate to the office or position in the said Union Bank of India held by us.

We further declare that we will not communicate or allow to be communicated to any person not legally entitled thereto any information relating to the affairs of the Union Bank of India, or to the affairs of any person having any dealing with Union Bank of India, nor will we allow any such person to inspect or have access to any books or documents belonging to or in the possession of Union Bank of India and relating to the business of Union Bank of India or to the business of any person having any dealings with Union Bank of India.

We also hereby declare that we are not subject to any of the disqualification specified in Section 141 of the Companies Act, 2013 and are hence qualified to act as auditors, We also declare that neither our firm nor our Associates (i.e. firms having common partners) have been given an Internal Audit or any other assignment of Union Bank of India.

We hereby undertake that the audit would be carried out by our own staff and that we would not sub-contract the work except with the prior approval of Reserve Bank of India.

We also hereby declare that the Proprietor/Partner of the concern is/are not in the employment in any other company/firm.

We also declare that we are full time practicing chartered accountant and that we do not have any other business interest.

Yours faithfully,

For _____
(Name of the firm)
(Name of the Signatory)
Partner

[Handwritten signature]



**Declaration for non-indebtedness from Union Bank of India
(To be submitted on Firm's Letter Head)**

Place :

Date :

I _____ the proprietor / main partner of M/s. _____ situated at (complete address) hereby declare 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 willful defaulter by any Bank/Financial Institution.

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 Institute of Chartered Accountants of India for initiating necessary action against me.

Signature of the
proprietor/main
partner

Seal of the
proprietary concern/
partnership firm

* For the purpose of this declaration, the credit facilities availed by companies where the partner / proprietor of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.

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Declaration
(To be submitted on Firm's Letter Head)

Place :

Date :

1. I _____ the main partner of M/s.

situated at _____ (complete address) hereby declare that credit facilities (including guaranteeing any facility availed of by third party) availed of by me / any of our partners / the spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them of any of the partners of the firm or the firm / company or by the firm / company in which I am / they are partners / directors from _____ bank / financial institution (please give the name) have not turned non performing as per the prudential norms prescribed by Reserve Bank of India.

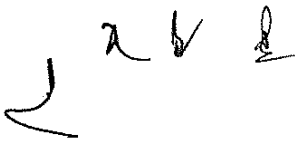
2. Further, declare that none of the partners/proprietor of the firm or their spouse, dependent children and wholly or mainly dependent parents, brothers, sister or any of them or the firm/ company in which they are partners/director* have been declared as willful defaulter by any bank/financial institution.

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

Signature of the
proprietor/ main
partner

Seal of the proprietary
concern/ partnership
firm

* For the purpose of this declaration the credit facility availed by companies where the partner/proprietor of the firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.





Undertakings
(To be submitted on Firm's Letter Head)

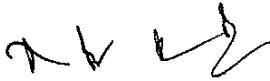
The Chief Financial Officer
Union Bank of India
Finance & Accounts
Union Bank Bhavan, 6th Floor,
239, Vidhan Bhawan Marg,
Nariman Point, Mumbai - 400 021

Dear Sir,

1. We undertake that there are no adverse remarks/disciplinary proceeding pending / initiated against firm or partners with any regulator/tribunal/court.
2. We undertake that, if appointed as SBA, the associate firms/sister concern of our firm shall be disqualified from undertaking any internal audit, TEV Study, special audit, insolvency work etc. of the bank and its subsidiaries.
3. We confirm that there is adequate knowledge, competence and expertise within the audit engagement team and that the audit will be conducted in compliance with the accepted auditing standards, as well as any applicable laws and regulations.
4. We undertake and understand that no sub-contracting of audit work is allowed and only such team members are allowed for auditing who are either partner or employed with the firm or undergoing article training as per ICAI Record.
5. We confirm that none of the partner(s) of the firm is on the Board of Union Bank of India.

Yours faithfully,
For..... (Name of the Firm)
..... (Firm Registration No)

(Name of the Partner/Proprietor)
Partner





Part - C
REMUNERATION PAYABLE TO SCAs / SBAs

The fees payable to the Statutory Central Auditors (SCAs) and Statutory Branch Auditors (SBAs) were last revised by RBI in the year 2022-23 vide Circular Ref No. DoS.CO.ARG.No.S8056/08.92.001/2022-23 dated March 01, 2023.

While the basic Audit Fees payable to the SCAs and SBAs for Central Statutory Audit / Statutory Branch Audit have been specified by RBI, the fees for other works such as audit of Centralized Processing Units (CPUs) /Loan Processing Units (LPUs), etc. and fees for additional certification required by SEBI, LFAR, Scrutiny of Branch Returns, Auditing of Consolidated Financial Statements and other additional certification / reporting required by RBI, etc. are left to be decided by the individual banks with the approval of their ACB / Board. Further, the banks are given the discretion to decide the Traveling, lodging, boarding and daily allowances payable / reimbursable to the Auditors in a cost-effective manner in mutual consent of the Auditors.

i) Remuneration for Central Statutory Audit Work of the Bank:

The fees prescribed by RBI payable to the SCAs for the audit of Head Office / Central Office as an Accounting Unit shall be as follows:

Category of the Bank (Based on Balance Sheet Size)	Existing Audit Fees prescribed by RBI (in ₹)
Upto ₹ 2,00,000 Crore	8,42,600
Above ₹ 2,00,000 crore and upto ₹ 5,00,000 lakh crore	9,02,000
Above ₹ 5,00,000 Crore and upto ₹ 10,00,000 crore	9,61,400
Above ₹ 10,00,000 Crore and upto ₹ 15,00,000 crore	10,20,800
Above ₹ 15,00,000 crore	10,80,200

No separate fee will be payable to the SCAs in respect of audit of Regional / Zonal or divisional offices or other controlling offices by whatever name they are called.

ii) Remuneration of Statutory Branch Audit work:

Fee Payable to SBAs (including the SCAs for Top 20 Branches) will depend upon the amount of advances which gets reflected in the final Balance Sheet of the Bank i.e. post MOC advances for the concerned period. The remuneration prescribed by RBI for the Statutory Branch Audit work is as follows:



Category of Bank Branch (based on quantum of advances) (in ₹)	Existing Audit Basic Fees Per Branch (in ₹)
Upto 10 Crore	44,250
Above 10 crore and upto 20 crore	63,250
Above 20 crore and upto 30 crore	87,300
Above 30 crore and upto 50 crore	1,32,800
Above 50 crore and upto 75 crore	1,51,800
Above 75 crore and upto 125 crore	2,01,150
Above 125 crore and upto 175 crore	2,51,750
Above 175 crore and upto 300 crore	3,16,250
Above 300 crore and upto 500 crore	3,56,750
Above 500 crore and upto 1000 crore	3,95,950
Above 1000 crore and upto 5000 crore	4,35,150
Above 5000 crore	4,74,350

iii) The Fee for other items of work done by Statutory Central Auditors / Statutory Branch Auditors:

The SCA / SBA fee structure was last revised by RBI during FY 2022-23. Considering the nature of work and responsibilities undertaken by the SCAs / SBAs, the following fee structure is proposed for approval:

Particulars	Existing Fee Structure
NPA recovery branches*	Fees based on advances of the branch
Other Branches where no advances such as Services branches, Specialized branches etc. of the Bank *	Minimum Fees of ₹44,250/- based on advances of the branch
CPU/LPU/STCs and other Centralized Units*	Minimum Fees of ₹44,250/- based on advances of the branch
The main operating office of the Bank (irrespective of the fact whether it is attached to Head/ Central Office of the Bank or functions as a separate unit viz. Treasury etc.)	Treated as part of Head Office Unit
Additional Certification as per SEBI viz. SEBI Format, Corporate Governance, etc.	₹50,000/- per quarter
Cash flow statement	₹50,000/- per Half Year
Preparation of Long Form Audit Report	10 % of the Basic fee for Branches for SBAs including Top 20 Branches for SCAs



Particulars	Existing Fee Structure
	25% of the basic fee for Head Office for SCAs
Preparation of Long Form Audit Report and other certification by Concurrent Auditors of those branches not selected for Statutory Branch Audit	₹10,000/- plus applicable taxes per branch to the Concurrent Auditor
Scrutiny & incorporation of return of branches by SCAs	₹850/- per Branch
Auditing of consolidation of financial statements	₹25,000/- per subsidiary/ associate
Quarterly/Half yearly limited review (including the limited review for FY 2023-24)	20% of the total of the following: 1. Basic Annual Audit fee. 2. Audit fee for Top 20 branches based on the advances. 3. Scrutiny and incorporation of return of branches @ ₹850/- per branch.
Certification as per RBI directions	20% of the Basic Fee
Tax Audit Report certified by SCAs	₹ 82,50,000 per year
Additional Certification (By SCAs)	₹ 10,000/- per certificate (CO Level)

The total remuneration payable to the to the SCAs during the year / quarter shall be divided equally among all the SCAs of the Bank concerned.

***Post approval from the ACB/Board, Bank shall seek approval of RBI and accordingly, the same will be communicated to auditors.**

- iv) The details Lodging and Boarding Charges, Travelling, Halting & Daily Conveyance charges payable to Statutory Auditors are as below:

Particulars	Existing guidelines								
Reimbursement of the Lodging and Boarding Charges/Halting Charges	The maximum eligibility has been considered equivalent to the scales of Bank officials as per the following table: <table border="1" style="margin-left: 20px;"> <thead> <tr> <th>Category of Audit Firm's officials</th> <th>Equivalent scale of bank Officials</th> </tr> </thead> <tbody> <tr> <td>Partner/Proprietor</td> <td>VII-GM</td> </tr> <tr> <td>Qualified Assistant</td> <td>III-Senior Manager</td> </tr> <tr> <td>Unqualified Assistant</td> <td>I-Officers</td> </tr> </tbody> </table>	Category of Audit Firm's officials	Equivalent scale of bank Officials	Partner/Proprietor	VII-GM	Qualified Assistant	III-Senior Manager	Unqualified Assistant	I-Officers
Category of Audit Firm's officials	Equivalent scale of bank Officials								
Partner/Proprietor	VII-GM								
Qualified Assistant	III-Senior Manager								
Unqualified Assistant	I-Officers								

Particulars	Existing guidelines
	In case of lodging charges beyond eligibility due to peak demand the competent authority to approve actual charges will be CFO (F&A) Central Office, Mumbai.
Travelling Charges	<p><u>For Partners/Proprietors</u> First class railway fare (air-conditioned railway fare whenever they undertake the journey by that class) or air fare (by economy class) or actual cost of conveyance by other modes of transportation where the routes are not served by rail/air.</p> <p><u>For Assistants</u> The audit assistants (including qualified Assistant) can travel by First Class/Air Conditioned II tier class by rail. Reimbursement of actual cost of conveyance by other modes of transportation, where the routes are not served by rail. Air fare by economy class will be considered with prior approval from the CFO (F&A) Central Office, Mumbai in respect of the Audit - Assistants only as a special case, whenever considered necessary.</p>
Daily conveyance	<p>For Proprietor/ Partner /Qualified / unqualified Assistants ₹12/- per km on declaration basis, subject to aggregate amount not exceeding ₹ 500 per day or actuals,subject to production of bill.</p>

Handwritten initials/signature.

