

Annexure 1

IDBI Bank Ltd.

Policy for appointment of Statutory Branch Auditors (SBA) for the year 2017-18 and onwards

1. Number of Audit Firms

1.01 Number of audit firms depends on number of branches to be covered under audit as per RBI policy and the allotment criteria advised by RBI from time to time.

1.02 As per the extant guidelines of RBI, not more than 3 branches may be allotted to each of the SBA. The Statutory Central Auditors to be assigned top 20 branches of the Bank for the purpose of Statutory Audit.

2. Eligibility of Audit Firms

2.01 The eligibility norms for the audit firms will be as advised by Reserve Bank of India from time to time.

2.02 The selected audit firms should also satisfy the following conditions:

a) The eligible Auditors / Audit Firms should be qualified under provisions of Section 141 of Companies Act, 2013 for appointment as Auditors of the Bank. No adverse remarks / disciplinary proceedings pending / initiated against the Firms / any of its Partners / Proprietor on record of Institute of Chartered Accountants of India.

b) The Auditor should not be indebted to the Bank for an amount exceeding Rs 1000/-

c) The Auditors/ Audit Firms should not be a wilful defaulter of any other Bank / Financial Institutions.

d) The Auditors / Audit Firms should not carry out any assignment of the internal audit of the Bank.

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e) The Auditors / Audit Firms should not enter into sub-contract of the Audit assigned to them.

f) An audit firm is eligible to be appointed as a Central or Branch Auditor of one Bank during a particular year i.e. Firm cannot be the Central/Branch auditor of other PSBs at the same time.

3. Norms for Selection of Branches

The norms for selection of branches for statutory audit from the year 2017-18 and onwards will be based on the following:

3.01 Statutory branch audit of PSBs may be carried out for all branches with advances of Rs. 20 crore & above and 1/5th of the remaining branches covering a representative cross section of rural/semi-urban/urban and metropolitan branches, predominantly including branches which are not subjected to concurrent audit, so as to cover 90% of advances of a bank. CPUs/LPUs/and other centralized hubs by whatever nomenclature called would be included in the one fifth of the remaining branches every year.

3.02 In respect of branches below the cut-off point, which are subject to concurrent audit by chartered accountants, henceforth, LFARs and other certifications done earlier by SBAs will now be submitted by the concurrent auditors to the Chairman of the Bank and such branches may not generally be subject to statutory audit. The banks in turn will consolidate/compile all such LFARs and other certifications submitted by the Concurrent Auditors and submit to Statutory Central Auditor as an internal document of the bank.

4. Procedure for Selection/Appointment

4.01 Finance and Accounts Department (FAD) will finalise the zone wise/category wise number of vacancies of SBAs for the Bank as a whole, taking into account the RBI guidelines for the Branches to be audited. While determining the category wise

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requirement of SBA for each zone, the size of the branch and the category of audit firm will be taken into consideration in such a way that there is proper mix of audit firms from all the categories.

4.02 The audit firms will be selected from the list of eligible firms given by RBI.

4.03 Evaluation committee comprising of the following members will be set up for selection of panel of audit firms to fill the vacancies arising of the relevant year:

- (i) CFO- Chairman of the Committee
- (ii) CGM NMG- Member
- (iii) CGM Audit –Member
- (iv) GM RBG- Member
- (v) GM MCG corporate Centre- Member

(The quorum for the committee will be at least 3members including the chairman).

4.04 From the list of eligible SBA firms provided by RBI, shortlisting would be done by selecting the audit firms in the following manner:

- i. Local auditors would be preferred for Branch audit. In case local auditors are not available, auditors from nearby districts with the state/adjoining states/other states would be considered for selection. The Bank shall have the option to allot the Branches for audit to various categories of audit firms as per its requirements.
- ii. To the extent possible, the audit firms will be selected taking into consideration their category in such a way that larger branches are audited by higher category audit firms as per RBI list (subject to availability).

4.05 Bank will obtain the irrevocable consent in writing for consideration of appointment in the Bank for the particular year and the subsequent continuing years to accept the assignment of Statutory Branch Audit work. The consent given by an audit firm will be treated as irrevocable and request, if any, from audit firms for changing the bank, after giving its consent to the bank concerned will not be entertained.

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4.06 This final list of SBAs recommended by Evaluation Committee will be placed before ACB for their concurrence before it is forwarded to RBI for final approval.

4.07 After obtaining final approval from RBI, the letter of appointment will be issued to the SBAs.

5. General Guidelines

5.01 While allotting branches, the Bank will, to the extent possible select auditors/audit firms which are in close proximity to their offices/branches. Bank will also ensure to have a suitable mix of various categories of auditors / audit firms while selecting the branch auditors keeping in view the size of the branches to be audited.

5.02 The policy of one audit firm for one PSB will be maintained. Accordingly an audit firm will be eligible to be appointed as a central/branch auditor of only one PSB during a particular year.

5.03 The firms whose partner/s are on the Boards of PSBs are not to be appointed as auditors of the same PSB

5.04 In order to protect the independence of the auditors/audit firms, SBAs will be appointed for a continuous period of four years subject to the firms satisfying the eligibility norms each year. The Bank cannot remove the audit firms during the above period without the prior approval of the Reserve Bank of India.

5.05 Board approved policy for appointment of SBAs may be hosted on the Bank's web-site. The policy framed by the Board in the matter of selection of auditors/audit firms for appointment of auditors is strictly adhered to.

5.06 Audit firms should not undertake statutory audit assignments while they are associated with internal assignments in the bank during the same year. In case the

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firms are associated with internal assignments, they should relinquish the internal assignments before accepting the statutory audit assignment during the year.

6. Fees payable to SBA

6.01 The fees payable to SBA's will be as per Reserve Bank of India guidelines

6.02 Subsequent guidelines/directives issued by RBI/GoI from time to time on selection/appointment of SBAs shall also apply.
