

Part - B

**Appointment of Statutory Branch Auditor (SBA)
for Regional Rural Banks (RRBs)**

1. Threshold Limit and Periodicity of Audit

Branch selection and allotment to Audit firms for SBA should be done by RRBs in such a way that at least 75% of the total advances of RRBs are covered by Statutory Audit. All branches are to be covered under Statutory Audit in a period of 2 years positively.

2. Norms to be followed for Appointment of new SBAs:

i) Categorisation of Statutory Branch Auditors (SBAs) for Branch Audit

- a) The audit firms will be categorised into category I, II, III & IV by ICAI as per the norms prescribed by RBI and as followed for Public Sector Banks.
- b) The ICAI will prepare a state-wise, category-wise list of audit firms and forward the same to NABARD.
- c) Audit firms will be selected for branch Audit from Category I, II and III, in that order. In case of non/ inadequate-availability of audit firms in Category I, II & III, firms may be selected from Category – IV.

ii) Other Criteria

- a) Sole Proprietorship firms shall not be considered for Statutory Audit of RRBs.
- b) Audit firms having experience of bank audit less than 5 years shall normally not be considered. However, in case of non-availability of audit firms with 5 years of experience, audit firms with 3 years of Bank audit experience may be considered in required category.
- c) For the audit of RRBs for the year ending 2016-17, DISA qualified partners/ employees in the audit firms shall be considered. However, for conduct of audit of RRBs from the year 2017-18 onwards, DISA/CISA qualified partners/ employees in the audit firms shall be considered.

iii) Location Criteria

- a) Audit firms located in the area of operation of the RRB shall be preferred. If eligible audit firms are not available in the area of operation of the RRB, auditors from the neighbouring district will be considered. If eligible audit firms(s) in the neighbouring district(s) is not available, audit firms from a nearby state will be considered.
- b) In case where there is more than one audit firm in the area of operation, the experience of the audit firms in Bank audit will be considered for ranking.

- c) If the experience in the Bank audit of the audit firms is also the same then the year of establishment of the firm will be taken for final selection/empanelment.

3. Allotment of Branches to SBAs

Each Statutory Branch Auditor are to be allotted 10 - 15 branches. However, RRB in exigencies may allot upto 20 branches per auditor with the prior approval of Board of RRB under advice to NABARD.

4. Empanelment/Continuation of SBAs

- a) The auditors will be appointed on annual basis, extendable for a period of four years. The continuation of audit firm in subsequent year will be subject to vetting of the firm by ICAI.
- b) The cooling off period after completing the period of four years as SBA will be of two years.

5. Standby Auditors

There will be a panel of 4 to 20 Audit firms as standby Auditors for SBA, for each RRB, depending upon the number of branches.

S.No.	No. of Branches	No. of Standby Audit firms selected
1.	Upto 200	4
2.	201 to 400	8
3.	401 to 600	12
4.	601 to 800	16
5.	More than 800 branches	20 (maximum)

(Ref. GoI letter F.No.7/4/2015-RRB dated 18 May 2016). Standby Audit firms will be accorded priority for allotment as SBA.

6. Approval by GoI

NABARD will recommend the list of Auditors to GOI for approval.

7. Refusal

In case of any changes/refusal by the existing appointed audit firm due to certain reasons considered satisfactory by NABARD and ICAI, stand-by audit firm will be appointed by RRBs with the prior approval of the Board of RRBs under advice to NABARD.

8. Complaint

- a) In case of any existing /continuing audit firm against whom ICAI receives any complaint and ICAI suggests black listing such firm or keeping it in abeyance, an audit firm from the stand-by

list will be appointed by RRB. In case a new list of audit firm(s) is required NABARD will forward the list to RRB with prior approval of GOI.

- b) In case of any stand-by audit firm against whom ICAI receives any complaint and ICAI suggests black listing such firm or keeping it in abeyance, the firm's name shall be removed from the stand-by list.

9. Deviation from Norms

Minor procedural deviations may be made by NABARD under extra-ordinary circumstances for smooth conduct of Statutory Audit under intimation to GoI indicating reasons thereof.

10. Monitoring by NABARD

- a) As soon as the auditor is appointed with the approval of the Board of RRB and work has been started in RRBs, the RRBs shall intimate to NABARD the names of Audit firms within 15 days from the commencement of audit work.
- b) After completion of the audit, RRBs shall intimate to NABARD the performance of the audit firms, in the prescribed format.

11. Other Procedure / Norms

- a) On receipt of the approval from GoI, NABARD shall forward the approved list to the respective RRBs.
- b) On receipt of list from NABARD, the RRBs will obtain the willingness from the audit firms to accept the assignment of Statutory Branch Audit work valid for the period of 4 years. Seeking of willingness of an audit firm will not constitute any commitment to assign SBA work to the firm.
- c) Audit firms appointed by the RRBs with the approval of GOI may be debarred for a period of 3 years, if the firm refuses to carry out assigned work even after giving consent in writing, without reasonable ground considered satisfactory by NABARD and ICAI.
- d) The list of audit firms who have given consent as stated above will be placed before the Board for approval. In exigencies, Board approval may be obtained and audit firms may be asked for their consent subsequently.