

## **Policy of Empanelment of CA Firms and Selection of Auditors of PSUs**

### **Empanelment of CA firms**

Chartered Accountant firms in India with at least one full time [1] FCA (Partner/Sole Proprietor) can apply for empanelment with this office for allotment of audit of Public Sector Undertakings.

The criteria for empanelment and selection of statutory auditors have been arrived at after due consultation with the Institute of Chartered Accountants of India.

### **Selection of CA firms for appointment as statutory auditors of PSUs whose audit fees are up to Rs 1.50 lakh**

The selection is made by correlating the point score earned by each firm of Chartered Accountants towards empanelment with the size of the audit fee. The point score [2] is based upon the experience of the firm, number of partners and their association [3] with the firm, number of Chartered Accountant employees, as detailed below:

Experience of the firm	0.5 point for every calendar year -Maximum 15. (Counted from the date of constitution of the firm with one full time FCA or date of joining of the firm by the existing partner having the longest association with the firm whichever is later.)
Full Time FCA Partners	5 points each for first 5 partners and 2.5 points each from 6 <sup>th</sup> partner onwards.
Full Time ACA Partners	3 points each for first 5 partners (including FCA partners) and 1.5 points each from 6 <sup>th</sup> partner onwards.
Points for long association with the same firm	5 points for each partner above 25 years.
	4 points for each partner above 20 years.
	3 points for each partner above 15 years.
	2 points for each partner above 10 years.
	1 point for each partner below 10 Years but above 5 Years.
Full Time CA Employees	1 point each for first 20 C.A Employees-Maximum 20 points
CISA/ISA Qualified Partners	2 points each for three partners. -maximum 6 points
CISA/ISA Qualified Employees	1 point each – Maximum 3 points for 3 employees.
Turnover of the firm [4]	Maximum 5 points

### **Selection of CA firms for appointment as statutory auditors of PSUs where audit fee is above Rs 1.50 lakh ( Major Audits)**

(a) Criteria for short-listing eligible firms of CAs for allotment of Major audits are as under:

(i) The firm should have at least 6 CAs (out of which 5 should be full time partners and one could be a full time paid CA employee), which is indicative of capacity to handle big audits .

(ii) At least one partner should have an association of 10 years or more with the firm and at least

3 partners of the firm should have an association of 5 years or more with the firm and the remaining two should have an association of one year or more with the firm, to demonstrate stability over time.

(iii) The firm itself should have been in existence for 10 years or more, to prove that it is a well established firm.

(b) Allotment of major audits is based not only on the size of the firm considering the number of partners, and their association with the firm, number of Chartered Accountant employees, and the Zone in which the firms' head office is located but also on the basis of factors such as sectoral experience, service tax paid by the firm on assurance services, capability of handling big audits, past performance, eligibility of the firm to conduct a particular audit, location of the firm's branch offices etc.

**[1] Full time partner does not include**

A person who is

(a) a partner in other firms

(b) Employed full time/part time elsewhere, practicing in their 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.

(c) i) Partners whose total compensation @ from the firm is below the following limit:

Head office of the firms located in Delhi, Mumbai, Chennai, Kolkata, Bangalore and Hyderabad:

ACA partner Rs. 1.80 lakh in a year (Rs. 15000/- per month)

FCA partner Rs. 3.00 lakh in a year (Rs. 25000/- per month)

Head office of the firms located other Places:

ACA partner Rs. 1.20 lakh in a year (Rs. 10000/- per month)

FCA partner Rs. 1.80 lakh in a year (Rs. 15000/- per month)

(c) ii) A partner whose total compensation@ from the firm is less than:

Firms having more than 14 partners 1%

Firms having 10 to 14 partners 3%

Firms having 5 to 9 partners 5%

Firms having less than 5 partners 8%

@Total compensation = Sum total of share of profit, remuneration and interest on capital.

[2] All members (sole proprietors/partners/ CA employees) will get points if they were **exclusively** associated with the firm throughout the calendar year immediately preceding the year of empanelment.

[3] In case of merger, the partners of the merging firms will be assigned points after one year of merger and points for partner's association to be given after five years from the date of merger.

**[4] Basis of points for Turnover of the firm**

Sr No.	Metro Stations (Mumbai, Delhi, Chennai, Kolkata, Bangalore, Hyderabad)		Non-Metro Stations (Other Stations)	
	Rs. in crore	Points	Rs. in crore	Points

1	Upto 1.00	No points	Upto 0.60	No points
2	>1.00 ----2.00	1	>0.60 ---1.20	1
3	>2.00 ----3.00	2	>1.20 ---1.80	2
4	>3.00 ----4.00	3	>1.80 ---2.40	3
5	>4.00 ----5.00	4	>2.40 ---3.00	4
6	Above 5.00	5	Above 3.00	5