



**Pension Fund Regulatory & Development Authority (PFRDA)**

**PFRDA (APPOINTMENT OF AUDITORS) GUIDANCE NOTE 2012**

## **PFRDA (APPOINTMENT OF AUDITORS) GUIDANCE NOTE 2012**

### **Part A: Appointment of Statutory Auditors of Pension Funds**

*(This part of Guidance Note is issued under Clause 1 of the 'PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines-2012')*

#### **I. Eligibility Conditions:**

- (a) Auditor of a PF shall be either a partnership firm or a corporate entity; it shall not be a proprietorship concern.
- (b) The audit entity should have a five year track record of continuous operations.
- (c) Audit entity should have a minimum of five partners out of which,
  - (i) Any four partners to have an audit experience of three years,
  - (ii) Any two partners to have been in practice in an audit entity for five years ,
  - (iii) Any two partners to have been with the appointed audit firm for a continuous period of three years.
  - (iv) Any one partner to be a Fellow member (FCA) of 'The Institute of Chartered Institute of India' (ICAI) and should have been in continuous practice for two years after enrolment as FCA.
- (d) At least one partner or paid Chartered Accountant of the entity should have CISA/ISA or any other equivalent qualification.

#### **2. Appointment and Fee:**

Audit fee will be approved by the Board of the PF and is to be borne by the PF.

Appointment will be as per the provisions of The Companies Act, 1956 and would be applicable as per the relevant portion of Clause 6 of '*PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines-2012*' which is reproduced hereunder for ready reference:

*'Every PF shall have the financial statements of scheme audited by an external auditor who is not in any way associated with the audit of the PF or sponsor of the concerned PF or any other PF or schemes of any other PF.'*

### 3. Tenure of Auditors:

An audit entity may have a normal tenure of **three** years.

### 4. Rotation of Auditors:

Auditors will have a cooling period of two years in respect of the same PF. After completion of normal tenure of three years, audit entity should not accept any audit assignment of that PF during the next two years. However, audit entity may accept audit of any other PF or NPS scheme subject to the compliance of maximum one audit as stated in clause no. 2 above.

For example: If audit is done of **X** PF for the FY 2012-12, 2013-14 and 2014-15, cooling period would be FY 2015-16 and 2016-17. During this period, the auditor cannot audit the **X** PF or any scheme of **X** PF but may audit **Y** PF or any scheme managed by **Y** PF.

### 5. Other Information:

1. PF should verify to their satisfaction the eligibility criteria before approving their appointment of Statutory Auditor.
2. Any change in the constitution of the entity/information submitted should be duly informed by the Audit entity to the PF within one week of such change.
3. PFs should inform the Authority, the details of the appointed audit entity, for information within two weeks of their appointment.
4. If it comes to the notice of the Authority that the appointment is not in line with the prescriptions/information furnished by the Audit entity, the appointment is liable for cancellation and it is open for the Authority to consider such further action as may be deemed necessary in this context.
5. Any change, waiver or relaxation of terms would be carried out with the prior approval of PFRDA.

**Note:** In case of Pension Funds, where the appointment of auditors, in terms of extant or any other statutory guideline, is done by another body like CAG or is subject to approval by any other body, then the concerned PF may bring these guidelines for appointment of auditors, to the notice of such body/authority.

## **Part B: Appointment of Auditors for the NPS schemes of PFM**

*(This part of Guidance Note is issued under Clause 7 of the 'PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines-2012')*

### **I. Eligibility Conditions:**

- (a) Auditor of a PF shall be either a partnership firm or a corporate entity; it shall not be a proprietorship concern.
- (b) The audit entity should have a ten year track record of continuous operations.
- (c) Audit entity should have a minimum of five partners out of which,
  - (i) Any four partners to have an audit experience of five years,
  - (ii) Any two partners to have been in practice in an audit entity for ten years,
  - (iii) Any two partners to have been with the appointed audit firm for a continuous period of five years,
  - (iv) Any one partner of the entity shall be a Fellow member of 'The Institute of Chartered Accountants of India' (ICAI) and should have been in continuous practice for five years after enrolment as FCA.
- (d) During the last five years, the entity should preferably have an audit experience of at least one of the following entities:
  - (i) Mutual Fund Scheme, Mutual Fund ,life insurance company or audit of a Mutual fund on behalf of SEBI. The AUM of such audited entity should not be less than Rs.1000 Cr.
  - (ii) Alternatively the audit entity may have an audit experience of NPS Schemes, provident fund, pension fund or any superannuation fund. The AUM of such audited entity should not be less than Rs.500 cr.
- (e) At least one partner or paid Chartered Accountant of the entity should have CISA/ISA or any other equivalent qualification.

## 2. Appointment and Fee:

Appointment of auditors and their fee will have to be approved by the Board of NPS Trust.

The recovery of the audit fee and the appointment of auditor would be applicable as per Clause 6 of 'PFRDA (Preparation of Financial Statements and Auditor's Report of Schemes under National Pension System) Guidelines-2012' which is reproduced hereunder for ready reference:

*'Every PF shall have the financial statements of scheme audited by an external auditor who is not in any way associated with the audit of the PF or sponsor of the concerned PF or any other PF or schemes of any other PF. Scheme Auditor will be appointed by the NPS Trust and audit fee will be paid by the Trust and recovered from the PF.'*

## 3. Tenure of Auditors:

An audit entity has a normal tenure of **three** years.

## 4. Rotation of Auditors:

Auditors will have a cooling period of two years in respect of the same PF. After completion of normal tenure of three years, audit entity should not accept any audit assignment of that PF during the next two years. However, audit entity may accept audit of any other PF or NPS schemes subject to the compliance of maximum one audit as stated in point no. 2 above.

For example: If audit is done of **X** PF for the FY 2012-12, 2013-14 and 2014-15, cooling period would be FY 2015-16 and 2016-17. During this period, the auditor cannot audit the **X** PF or any schemes of **X** PF but may audit **Y** PF or any schemes managed by **Y** PF.

## 5. Other Information:

6. The format for seeking information from the auditors at the time of appointment is enclosed in **Annexure-I**.
7. Any change, waiver or relaxation of terms would be carried out with the prior approval of PFRDA.

**ANNEXURE I:**

**INFORMATION TO BE FURNISHED BY AUDIT ENTITIES FOR SCHEME AUDITOR  
OF PENSION FUND**

Date:

To,  
The NPS Trust,

\_\_\_\_\_

**General**

**1. Name of the Entity (In Capital Letters)** \_\_\_\_\_

\_\_\_\_\_  
**2. Address of the Entity (H. O.)**

\_\_\_\_\_  
**3. Telephone** \_\_\_\_\_ **4.E-Mail** \_\_\_\_\_

**4. Fax** \_\_\_\_\_

**5.Entity Registration No** \_\_\_\_\_

**PART -A**

**1. Year of Establishment :** \_\_\_\_\_

**2. No. of Full time partners (Minimum 5)** \_\_\_\_\_

**3. No of Full time partners who have been in practice in an audit entity (not necessarily the applicant entity) for a minimum period of 10 years (Minimum 2 full time partners)**

\_\_\_\_\_

**4. No. of full time partners who have been in continuous practice with applicant entity earlier and now as partner for a total of at least 5 years (Minimum 2 full time partners)**

\_\_\_\_\_

**5. Details of Full time partners**

Name	Membership No.	Year of Enrolment

**6. Full time partners having 10 years Audit Experience**

Name of Partner	Total Audits Undertaken	Experience In this entity		In other entity(s)	
		Years	Months	Years	Months

**7. Full time Partners in Continuous Association with entity for at least 5 Years**

Name of Partner	Total Continuous Association with entity	Of which as partner	Of which as Employee	Date joining of the entity	Date of becoming the partner

**8. Name(s) of the Chartered Accountant who possess CISA/ISA/any other equivalent qualification (Please specify the qualification held) :**

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## **PART B**

Documents to be submitted

- a) Copy of the partnership deed/ Memorandum & Articles of Association
- b) Previous five years of experience in audits, inclusive of audits in Mutual Fund, life insurance companies, NPS schemes, pension funds, provident fund and other superannuation fund to be provided in a separate sheet.
- c) Letter from ICAI regarding constitution of the Entity.
- d) Letter from ICAI certifying that no disciplinary case is pending against the Entity/partners.
- e) Restrictions imposed on the entity/partners in the past to be indicated. If the answer is negative, please mention the same.

Special Note: if some of the documents are not attached or are not applicable then a statement of the reasons there for must be separately attached.

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### Declaration

I / We, the undersigned, partners of M/s \_\_\_\_\_ do hereby declare that the particulars as given above are as on \_\_\_\_\_ and are correct in all respects to the best of my / our knowledge and belief. I / we hereby declare that no separate application for any of our branches or for associate concern having common partner / proprietor or in individual name has been made. I / we undertake that I /we have gone through the instructions and terms and conditions as enclosed with the Application Form and affirm that application is made as per the terms and conditions prescribed and in no way infringes the terms and conditions so prescribed.

I/ we recognize that in case the terms or conditions so prescribed are found to have been infringed the application/appointment is liable to be rejected/cancelled.

I/we further recognize that if any of the terms or conditions is infringed or any of the statement made therein or information furnished in the application form is not correct, I /we would be liable for disciplinary action under the Chartered Accountants Act, 1949 and regulations framed there under.

I / we hereby declare that audit / other assignment allotted on the basis of information furnished in the application form will not be accepted and carried out if the entity in whose name of application is made is not in existence at the time of audit.

Name of the partner	Membership No.	Signature*
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____

Place \_\_\_\_\_

Date \_\_\_\_\_

**\* The declaration should be signed by all the partners of partnership entity**