

## **POLICY FOR APPOINTMENT OF STATUTORY AUDITORS**

This policy is made in compliance with the guidelines issued by Reserve Bank of India vide circular No. circular No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021.

As per the extant norms of Reserve Bank of India, an Audit firm (Partnership Firm/LLP) can be appointed as Statutory Auditor of the Bank.

### **Eligibility:**

The Audit Firm to be eligible for appoint as Statutory Auditor shall fulfill the following eligibility norms:

#### **I. Basic Eligibility:**

A. The Audit firm shall have minimum three Full time partners (FTP) associated with the firm for a period of at-least three years.

- There should be at least one-year continuous association of partners with the firm as on the date of application for considering them as full time partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years.
- 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.

B. Out of total FTPs, There should be Minimum two Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years.

C. There shall be at least one Full Time Partners/ Paid CAs with CISA/ISA Qualification

D. The firm shall have minimum 10 years of audit experience

(Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose).

E. The firm shall have Minimum twelve 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 for considering them as professional staff for the purpose.

## **II Additional Terms:**

- 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 Auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS).
- iii. The firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the language of the state.

- iv. The Bank would clearly advise the audit firm selected for consideration of appointment that it can take up audit assignment (SA) in 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. Bank would obtain consent from Audit firm, in writing, for consideration of appointment as SA of the Bank for the particular year before recommending its name to RBI. The consent given by the Audit Firm will be treated as Irrevocable.
- v. Audit firm should not undertake statutory audit assignment while they are associated with Concurrent/internal assignment in the bank in the bank during the same period. In case the firms associated with internal assignments, they would relinquish the internal assignments before accepting the Statutory Audit assignment.
- vi. Associate firms or sister concerns of the statutory audit firm would be disqualified for internal/concurrent audit or for any special assignment when the main firm/partners are allotted Statutory Audit.
- vii. 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 Statutory Audit accordingly. 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.

### **Tenure and Rotation**

An Audit firm would have maximum tenure of three years and each year the appointment of the firm would be subject to approval by the Bank's Board & RBI.

The Audit Firm shall be appointed for a period of 1 year which is renewable for a further period of 2 years i.e., the firm is eligible for appointment for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.

An audit firm would not be eligible for reappointment in the Bank for six years (two tenures) after completion of full or part of one term of the audit tenure ( i.e., In case an audit firm has conducted audit of Bank for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Bank for six years from completion of part-tenure.)

In order to protect the independence of the auditors/audit firms, Bank will not remove any audit firm without prior concurrence of RBI.

## **Audit Fees and Expenses**

As decided by the Bank from time to time and will commensurate with the Industry.

## **Procedure for Appointment:**

Bank shall obtain:

- a. An Application in writing and
- b. A certificate along with information as per "Form B", certifying that the Audit Firm complies with all the eligibility norms prescribed by RBI for the purpose.

The empanelled list of Audit Firms will be placed before the Audit Committee of the Board for short listing minimum two Audit Firms, in order of preference, for appointment as Statutory Auditors.

The names of the shortlisted audit firms, in order of preference, shall be placed before the Board for its approval.

Upon approval by the Board and verifying their compliance with the eligibility norms prescribed by RBI, the Bank shall forward the shortlisted names, in order of preference, and seek RBI's prior approval for appointment of Statutory Auditor in order of preference.

However, in case of re-appointment till completion of tenure of continuous period of 3 years, there would not be any requirement of short-listing and sending multiple audit firms to RBI while seeking approval for appointment.

The name of the Audit Firm as approved by RBI will be placed before the General Body of the Bank for its approval.

**FORM B****Eligibility Certificate from (Name and Firm Registration Number of the firm)****A. Particulars of the firm:**

Asset Size of Entity as on 31 <sup>st</sup> 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:**

- Copy of Constitution Certificate.
- 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.
- 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.
- Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- 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<sup>15</sup> have been declared as wilful 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:

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<sup>15</sup> 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.