

**POLICY FOR APPOINTMENT OF STATUTORY AUDITORS**

**Prior Approval of RBI:**

Bank is required to take prior approval of RBI (Department of Supervision) for appointment / reappointment of **(Statutory Auditors) SAs**, on an annual basis in terms statutory provisions.

The Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board to the concerned SSM/RO of RBI.

In case of any concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the Board/ACB of the bank, under intimation to the concerned SSM/RO of RBI

**Concurrent auditors** of the Entity **should not be considered for appointment as SAs** of the same Entity

The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The Board/ACB of Entities shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval / recommendation of the Board/ACB with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of an Entity's financial statements, and any violations/lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SAs in relation to the bank, the SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

**Tenure and Rotation**

In order to protect the independence of the auditors/audit firms, Bank will appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, Bank can remove the audit firms during the above period only with the prior approval of the concerned

office of RBI (Department of Supervision) as applicable for prior approval for appointment.

An audit firm would not be eligible for reappointment in the same Entity for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other Entities.

For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm. For this purpose, 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 SA 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.

#### **Audit Fees and Expenses**

The audit fees for SAs of all the Entities shall be decided in terms of the relevant statutory /regulatory provisions

The audit fees for SAs shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.

The Board/ACB of the bank shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

<b>Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1</b>	<b>Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least</b>	<b>Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2</b>	<b>Minimum No. of years of Audit Experience of the firm Note 3</b>	<b>Minimum No. of Professional staff Note 4</b>
<b>2</b>	<b>1</b>	<b>1*</b>	<b>6</b>	<b>8</b>

- Not Mandatory
- **Note 1:** There should be at least one-year continuous association of partners with the firm as on the date of empanelment /shortlisting for considering them as full time partners.

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.

Priority will be given to firms with full time partners or full time CAs having CISA/ISA qualification

**Note: 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 as on the date of empanelment (for PSBs)/ shortlisting (for other Entities) for considering them as professional staff for the purpose.

**Additional Consideration**

- (i) The audit firm, proposed to be appointed as SAs for the bank, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- (ii) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- (iii) The Entities shall ensure that appointment of SAs is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.

- (iv) For audit of bank, the SA of 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.

**Continued Compliance with basic eligibility criteria:**

In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it may promptly approach the Entity with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.

**Procedure for Appointment of SAs**

The Entities shall shortlist minimum of 2 audit firms for every vacancy of SAs so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SAs does not get delayed. However, in case of reappointment of SAs by bank till completion of tenure of continuous term of 3 years, there would not be any requirement of short listing and sending names of multiple audit firms to RBI while seeking approval to appointment.

The bank shall place the name of shortlisted audit firms, in order of preference, before their Board for selection as SA. Upon selection of SAs by the bank in consultation with their Board and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SAs