

Sahyadri Mahila Urban Co-operative Bank Ltd. SHIMOGA

MODEL POLICY ON APPOINTMENT OF STATUTORY AUDITORS
APPROVED IN BOARD MEETING

A. Appointment of Statutory auditors:

Reserve Bank of India vide their circular No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27,2021 have issued guidelines for appointment of statutory of Urban Co-operative Banks.

IThe Norms on Eligibility, Shortlisting and Selection of Statutory Auditors

The Eligibility norms (as advised by Reserve Bank of India) are as under:

i. The audit firm shall have a minimum of three full-time partners (FTPs) associated with the firm for a period of at least three years, of which at least two should be fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three years.
ii. There should be at least one-year continuous association of partners with the firm as on the date of shortlisting 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.
iii. 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.
(d) the income of the partner from the firm/LLP should not be less than Rs. 3.00 lakh in a year (Rs. 25000/- per month) for considering them as full-time exclusively associated partners.
iv. The firm should have minimum eight years of Audit Experience and 12 professional staff. The audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ AIFIs. 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 shortlisting for considering them as professional staff for the purpose.
v. The firm should have at least one Full Time Partners/ Paid CAs with CISA/ISA Qualification.
vi. The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Entities where the accounting and business data reside in order to achieve audit objectives.

NOTE:

1. If any shortlisted audit firm undergoes change in its constitution after the date of shortlisting, the audit firm will take all necessary steps to become eligible within a reasonable time and in any case, audit firm should be complying with above norms before the following events:
(a) Appointment of the audit firm by the Bank as SA. For this, the audit firm while giving consent to the Bank for appointment may ensure that it complies with the norms.
(b) Before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit. In case any audit firm (after appointment) does not comply with any



one of the norms (on account of resignation, death etc. of any partners, employees etc), it may promptly approach the Bank with full details. The Bank in turn will approach RBI.

(c) The firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of Kannada.

(d) 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. However, audit firm can continue to undertake statutory audit of other Entities

II **Procedure for selection and appointment of Statutory Auditors**

a. The audit firms have to submit a certificate, along with relevant information as per Form B to the RBI circular referred to above to the effect that the they comply with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of SA of the Bank, under the seal of the audit firm.

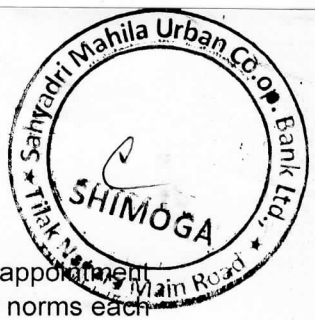
b. Based on the above parameters, Bank will prepare a list of shortlisted audit firms. Willingness in writing from the above shortlisted audit firm(s) will be obtained to accept the assignment of Statutory Audit work of the Bank. At the time of obtaining the willingness letters from such shortlisted audit firms, there will be no commitment on the part of our Bank to allot the Statutory Audit work to the auditors and such shortlisted audit firms are free to give similar willingness to multiple banks/UCBs, if approached by them. The list of shortlisted audit firms will be placed before Board. The Board will approve five audit firm(s), in order of preference. The number of audit firms approved should be adequate enough, to take care of the situation, where some firms may not give consent.

c. On due approval by the Board, our Bank will approach the audit firms to obtain their consent in writing strictly in order of preference. The audit firm should give their consent in writing for consideration of appointment in our bank for the particular year and the subsequent continuing years subject to their fulfilling the eligibility norms prescribed by RBI from time to time and also subject to their suitability. If the approached audit firm does not give consent, the bank will approach the next audit firm in order of preference for obtaining consent till the time the number of audit firms which have given the consent equals to two for the particular year.

The consent letter should clearly state that the selection of the audit firm as Statutory Auditor is subject to approval of RBI and any force majeure events and, in such cases, the audit firms will not have any claim against our Bank and RBI.The appointment of SA is subject to complying with the stipulated norms on eligibility and guidelines issued by RBI from time to time. The audit firm should declare that consent is given for 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.For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm.The consent given by an audit firm will be treated as irrevocable and request, if any, from audit firms for changing the bank, after giving its consent to our bank will not be entertained.

c. The list of such selected firms who have given consent for appointment as statutory auditors in our Bank will be placed before the Board for their concurrence before it is forwarded to RBI for final approval.

d. Audit firm(s) selected by our Bank after obtaining its consent in writing will be debarred for a period of 3 years for selection if the firm refuses to accept the appointment without a reasonable ground that is ground not to the satisfaction of RBI.



III Other Guidelines:

1. In order to protect the independence of the auditors/audit firms, Bank will make the appointment of SA for a continuous period of three years subject to the firms satisfying the eligibility norms each year. Bank will not remove the audit firm during the above period without the prior approval of the Reserve Bank of India.

IV **Undertakings/Declarations to be obtained from firm**

Following declarations /undertakings will be obtained from the firm selected

1. At the time of acceptance of appointment as Statutory Auditor of our Bank, the firm has to relinquish any internal assignment allotted to them in our Bank. Its associate firms or sister concerns are also disqualified for inter audit or for any special assignment of our Bank.
2. A suitable undertaking from the firm to the effect that the Audit will be carried out by their own staff and they will not subcontract the audit work.
3. None of the disqualifications under section 141 of the Companies Act, 2013 applies to them and they are qualified for appointment as Statutory Auditors of the Bank.
4. The audit firm is not under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
5. There are no adverse remarks/ disciplinary proceedings pending/ initiated against the firm / any of its partners/proprietor on the records of ICAI, which would make them ineligible for appointment as auditors.
6. None of the partners or their spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them or the Firm/ Company in which they are partners/ Directors are not indebted to our Bank. Further, they have not been declared as wilful defaulters by any Bank or financial institution.
7. Associate firms or sister concerns of Statutory audit firm is disqualified for internal assignment where the main firm/partners are allotted Statutory Audit in a particular year.

V **Number of Assignment:** One audit firm can concurrently take up 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. The limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm.

VI **Relinquishment of the internal assignments, if any**: In the event of acceptance of the appointment as Statutory Auditor of the Bank, all the internal assignments of the Auditor in our Bank, if any, will stand withdrawn.

VII **Remuneration**: The Remuneration to the SA for Audit, TA/DA and other incidental expenses will be paid as per the guidelines issued by RBI from time to time. Efforts to be made to keep TA/DA and other incidental expenses at minimum possible in line with RBI guidelines.

VII **Removal:** An audit firm appointed as Statutory Auditor may be removed during its tenure with the prior approval of the Reserve Bank of India. The Board of Directors of the Bank will be the competent authority to recommend removal of any SA to RBI.

The modification/changes, if any, made by RBI in norms/criteria/procedure from time to time shall construe to be part of our policy.

For Sahyadri Mahila Urban Co-op. Bank Ltd., Shimoga.

Manager