

APPOINTMENT OF STATUTORY AUDITORS (SAs) POLICY

Preamble:

Hitherto, urban co-operative banks in Karnataka State were to appoint chartered accountants approved by Co-operative Department as statutory auditors for auditing annual accounts and certifying Profit and Loss Account and Balance Sheet. Consequent to bringing the co-operative banks under the supervision of Reserve Bank of India by an amendment of Banking Regulation Act, 1949 in the year 2020, Reserve Bank of India in supersession of all previous circulars issued fresh guidelines for appointment of Statutory Auditors vide its circular No. RBI/2021-22/25 Ref. No. DoS. CO. ARG/ SEC.01/ 08.91.001/2021-22 Dated April 27, 2021. According to the RBI guidelines bank has to frame a Policy for appointment of Statutory Auditors. Hence this **POLICY** has been framed.

01. SHORT TITLE AND COMMENCEMENT:

01.01. This Policy is called the “Appointment of Statutory Auditors Policy of Sri Banashankari Mahila Co-operative Bank Ltd, Bangalore

01.02. This Policy Guidelines, Rules, Regulations and Procedures are subject to changes, modifications, additions and deletions to be made from time to time in consonance with the directions/instructions of Reserve Bank of India.

01.03. The Policy guidelines are applicable to the **Bank** for Financial Year 2021-22 and onwards.

01.04. These guidelines will come into effect from 1st July, 2021.

01.05. In case of difficulty or confusion in the meaning or interpretation of any of the provisions herein contained, directions / instructions relating to appointment of statutory auditors given in RBI guidelines and it is time to time circulars shall prevail.

02. DEFINATIONS AND MEANINGS:

Unless the context otherwise requires, the words and expressions in this “Appointment of Statutory Auditors Policy” shall mean as under:

02.01. 'Bank' means Sri Banashankari Mahila Co-operative Bank Limited, Bangalore.

02.02. 'Board' means the Board of Directors of Sri Banashankari Mahila Co-operative Bank Limited duly constituted as per the Byelaws of the Bank, KCS Act, 1959 and Rules, 1960.

02.03. 'Government' means the Government of Karnataka.

02.04. 'Registrar' means the Registrar of Co- operative Societies as defined in the Karnataka Co-operative Societies Act, 1959.

02.05. 'Byelaws' means the Byelaws of the Bank and their amendments/modifications made from time to time in accordance with the Act and Rules, as adopted at the General Body Meeting and registered by the Registrar.

02.06. 'President' means the President elected under the provisions of KCS Act, 1959 Rules, 1960 and the Byelaws of the Bank.

02.07. 'Vice- President' means the Vice -President elected under the provisions of the KCS Act, 1959 Rules, 1960 and the Byelaws of the Bank.

02.08. 'Director' means a member of the Board elected, nominated, or appointed by co-option as per Byelaw provisions.

02.09. 'Sub- Committee' means a committee of members appointed by the Board for any specific work and for any fixed period by whatever name called and the committees formed in accordance with the direction of the Reserve Bank of India from time to time.

02.10. 'General Manager' means the paid Chief Executive Officer of the Bank and is an official appointed by the Board as per Section 29 G of Karnataka Co-operative Societies Act, 1959.

02.11. 'Deputy General Manager' means the paid official of the Bank assisting the General Manager in the administration of the Bank.

02.12. 'Assistant General Manager' means the paid official of the Bank assisting the General Manager and Deputy General Manager in the administration of the Bank.

02.13. 'Year' means the financial year of the Bank commencing from 1st of April and ending on 31st. March of the next year as defined in the Act.

02.14. 'Firm' .means a Partnership firm or Limited Liability Partnership as defined in section 4 of Indian Partnership Act, 1932.

02.15. 'Company' means a company as defined in Indian Companies Act, 1956 and in their amendments.

02.16. 'General Body' means a Body Corporate consisting of the members of the Bank.

02.17. "General Meeting" means a meeting of the General Body convened and conducted as per the provisions of the Act, Rules and Byelaws of the Bank.

02.18. 'Reserve Bank' means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934.

02.19. 'Reference Year' means the year for which Statutory Auditors are to be appointed.

02.20. 'Group of audit firms' means audit firms having common partners and/or under the same network.

02.21. "She" also includes 'He'.

03. Appointment/ reappointment of Statutory Auditors:

03.01. Reserve Bank's Fiat:

a) Prior approval of RBI shall have to be obtained for appointment/reappointment of Statutory Auditors (SAs) on an annual basis in terms of Section 30(1A) of the Banking Regulation Act, 1949, (as applicable to Co-operative Banks) by applying to Bangalore Regional Office of RBI before 31st of July of the reference year.

b) A Partnership /Limited Liability Partnership (LLP) Firm shall only be appointed as Statutory Auditors subject to the audit firm fulfilling the norms prescribed by RBI.

03.02. Criteria for appointment as Statutory Auditors:

(i) Audit Firm should satisfy the requirement given in the following Table.

Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years (Refer Note 1 below)	Minimum No. of years of Audit Experience of the firm (Refer Note 3 below)	Minimum No. of Professional staff Refer Note 4 below)
2	6	8

Note 1: There should be at least one-year continuous association of partners with the Firm as on the date of short-listing for considering them as full time partners.

(i) The full-time partner should not be a partner in other firm/s.

(ii) She/he should not be employed full time / part time elsewhere.

(iii) 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.

(iv) Income of the partner from the firm/LLP is adequate for considering he/she as full-time exclusively associated partners, which will ensure the capability of the Firm for the purpose.

Note 3: Audit Experience: (Not mandatory for UCBs with asset size of up-to Rs. 1,000 crore).

For UCBs 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.

Note 4: 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 short-listing for considering them as professional staff for the purpose.

(ii) The audit firm should be duly qualified in terms of Section 141 of the Companies Act, 2013.

(iii) The audit firm 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 where the accounting and business data reside in order to achieve audit objectives.

(iv) 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.

Note: One audit firm can concurrently take up statutory audit of a maximum of eight UCBs during a particular year. However, audit of other co-operative societies by the same audit firm shall be excluded for this purpose.

03.03. Non-eligibility of Audit Firm to be appointed as Statutory Auditor:

(i) The Audit Firm in a group of audit firms having common partners and/or under the same network, as it will be considered as one entity.

(ii) The Audit Firm having shared/sub-contracted audit by any other/associate audit firm under the same network of audit firms.

(iii) The Audit Firm in association with the outgoing auditor or audit firm under the same network of audit firms.

(iv) The Audit Firm doing concurrent audit of our bank.

(v) Chartered Accountant firm of which any of its partner is an elected director/co-opted professional director of our Bank.

03.04. Qualities of the Statutory Auditors of the Audit Firm:

(i) SA shall be in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.

(ii) SA should have a fair knowledge of the functioning of the cooperative sector and preferably have working knowledge of the UCBs.

(iii) SA preferably should have knowledge of **Kannada language**.

(iv) SA shall be strictly guided by the relevant professional standards in discharge of his/her audit responsibilities with highest diligence.

03.05. Tenure and Rotation of Audit Firm:

(i) Tenure for which an Audit Firm is to be appointed shall be for a continuous period of three years subject to the Firm satisfying the eligibility norms each year.

(ii) An audit firm is not eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure.

(iii) In case an audit firm has conducted audit for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment for six years from completion of part-tenure.

03.06. Audit Fees and Expenses:

(a) Audit fees to be paid to Statutory Auditors shall be reasonable and commensurate with the business of the bank. Therefore, Audit fees for Statutory Auditors shall be decided taking into consideration number of branches and administrative units, scope and coverage of audit, size and spread of assets, accounting and complexity of transactions, level of computerization, identified risks in financial reporting, etc. For this purpose, 'Fee Structure' of Institute of Chartered Accountants of India (ICAI) given in the Annexure may be referred.

(b) In addition to audit fees, conveyance charges, out of pocket expenses, boarding & lodging expenses for outstation work shall be paid to the auditor and his/her assistants on actual basis.

Note: Regarding payment of audit fees and other expenditures, negotiation may be held with the audit firm and the said fees and expenditure shall be paid on mutually agreed terms.

03.07. Reappointment of Audit Firm:

(i) Reappointments of the same Statutory Auditors till completion of tenure of continuous term of 3 years, there is no need to shortlist and send the names of multiple audit firms to RBI for seeking approval. It is enough to submit a request letter to RBI for seeking approval for reappointment of the same audit firm for the reference year.

(ii) In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms RBI guidance shall be obtained.

03.08. Removal of Audit Firm:

Audit Firm may be removed at any time during the period of its appointment for the following reasons with the prior approval of Bangalore Regional Office of the Reserve Bank of India (RBI).

(a) Statutory Auditor's failures to discharge his/her audit responsibilities with highest diligence as per the strict guidance prescribed by the relevant professional standards.

(b) Committal of any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditor or any other matter considered as relevant.

03.09. Board's Responsibilities:

Following are the responsibilities of the Board of the Bank.

(a) To verify the profile of audit firms with necessary declarations as required by RBI for obtaining prior approval of Bangalore Regional Office of the Reserve Bank of India for appointment of Statutory Auditors and if satisfied passing of resolution in that regard.

(b) To monitor and assess the independence of the statutory auditors. Any concerns in this regard shall be flagged to the Bangalore Regional Office of RBI.

(c) To review the performance of statutory auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on the part of the statutory auditors or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit.

(d) To seek prior approval of RBI for removal of statutory auditors, if found necessary.

03.10. Responsibility CEO/General Manager:

Following are the responsibilities of the CEO/General Manager.

(a) To prepare a shortlist of minimum two Partnership/Limited Liability Partnership (LLP) Firms for appointment as Statutory Auditors for the Bank. For this purpose detailed information in Form No. 'B' along with declaration and certificate as prescribed RBI given in the Annexure duly **signed by the main Partner** shall be obtained from each Audit Firm.

(b) To place before the Board the names of shortlisted Audit Firms, in order of preference, for selection.

(c) To obtain Board's permission for approaching RBI for prior approval for appointment of Statutory Auditors upon selection of Audit Firms by the Board after verification of the compliance of the Audit Firms proposed to be appointed as Statutory Auditors with the eligibility norms prescribed by RBI.

(d) To submit Form B containing the details of shortlisted Audit Firms along with their declarations and certificates and Form C relating to Bank's certificate along with extraction of the Board's resolution recommending the names of audit firms for appointment as SAs in the order of preference to Bangalore Regional Office of the Reserve Bank of India and seek its approval for appointment of Statutory Auditors.

(e) On receipt approval for appointment statutory auditors from RBI, to send necessary appointment letter to the concerned audit firm with a request to take up the audit work and furnish five copies of their report along with Balance Sheet and Profit & Loss Statement duly certified.

(f) To provide the auditors with a meeting room and access to computerized books, files and records for verification.

(g) To provide a senior official for furnishing all physical books, loan files, documents, records as are required for examination and give all necessary information and explanations called for by the Auditors.

(h) To inform all staff and officers working in AO departments and branches to give all information and explanations called for by the Auditors.

(i) CEO/General Manager to make himself /herself available to auditors at both the opening and closing hours for discussion.

(j) To take steps for spot correction/rectification/compliance to be made in respect of errors/mistakes/irregularities pointed out by Auditors.

(k) To provide assistance to Auditors for preparation of Audit Report.

(l) To inform RBI with the permission of the Board any conflict of interest position in terms of relevant regulatory provisions; standards and best practices; lapses in

carrying out audit assignments resulting in misstatement of Bank's financial statements; and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the auditors in relation to the Bank; death of one or more partners, employees.

Annexure- 1:**Form B****Eligibility Certificate from Audit Firm****A. Particulars of the Firm:**

1	Name of the Firm	
2	Registration Number	
3	Address of the Firm	
4	Tin No.	
5	GST number	
6	PAN of Main / Managing Partner	
7	Date of Establishment of the Firm	
8	Experience in statutory audit of co-operative banks	
9	Whether the Firm has chartered accountants knowing local language	
10	Asset Size of Entity as on 31st March of Previous Year	
11	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	
12	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	
13	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	
14	Number of Years of Audit Experience#	
15	Number of Professional staff	

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than Rs.1,000 crore.

#Details may be furnished separately for experience as SAs.

B. Additional Information:

i	Copy of Constitution Certificate.	Enclosed
ii	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.	

iii	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.	
iv	Whether the firm has been debarred from taking up audit assignments by any regulator/ Government agency? If yes, details thereof.	
v	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 Audit Firm:

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SAs of UCBs. 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 have been declared as willful 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:

FORM C

Certificate to be submitted by the UCBs regarding eligibility of audit firm proposed to be appointed as SA

The bank is desirous of appointing M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Auditor (SA) for the financial year _____ for their 1st/2nd/3rd term and therefore has sought the prior approval of RBI as per the section 30(1A) of the Banking Regulation Act, 1949.

2. The bank has obtained eligibility certificate (copy enclosed) from ----- (name and Firm) having Registration Number ----- proposed to be appointed as Statutory Auditor of the bank for FY _____ along with relevant information (copy enclosed), in the format as prescribed by RBI.

3. The firm has no past association/association for _____ years with the bank as SA.

4. The bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SA of UCBs.

Signature :

(Name and Designation)

Date

Annexure- 2

FEES PRESCRIBED BY THE INSTITUTE CHARTERED ACCOUNTANTS OF INDIA FOR AUDIT AND OTHER ASSIGNMENTS:

	Particulars	For 'A' class cities	For 'B' class cities
	Rate per day would depend on the complexity of the work and the number of days spent by each person		
i	Principal	Rs.18,000 & above per day	Rs.12,000 & above per day
ii	Qualified Assistants	Rs.10,000 & above per day	Rs.8,000 & above per day
iii	Semi Qualified Assistants	Rs.5,000 & above per day	Rs.4,000 & above per day
iv	Other Assistants	Rs.3,000 & above per day	Rs.2,000 & above per day

Subject to minimum indicative Fees as under:			
i	Tax Audit	Rs.40,000 & above	Rs.30,000 & above
ii	Company Audit		
(a)	Small Pvt. Limited Co. (Turnover up to Rs.2 crore)	Rs.50,000 & above per day	Rs.35,000 & above per day
(b)	Medium Size Pvt. Limited Co./Public Ltd. Co.	Rs.80,000 & above per day	Rs.55,000 & above per day
(c)	Large Size Pvt. Limited Co./Public Ltd. Co.	See Note 1	See Note 1
iv	Review Of TDS compliance	Rs.40,000	Rs. 30,000

Notes:

- 1) Fees to be charged depending on the complexity and the time spent on the particular assignment.
- 2) The above recommended minimum scale of fees is as recommended by the Committee for Capacity Building of Members in Practice (CCBMP) of ICAI.
- 3) The aforesaid table states recommendatory minimum scale of fees works-out by taking into account average time required to complete such assignments. However, members are free to charge varying rates depending upon the nature and complexity of assignment and time involved in completing the same.
- 4) Office time spent in travelling & out-of-pocket expenses would be chargeable. The Committee issues for general information the above recommended scale of fees which it considers reasonable under present conditions. It will be appreciated that the actual fees charged in individual cases will be matter of agreement between the member and the client.
- 5) GST should be collected separately wherever applicable.
- 6) The Committee also recommends that the bill for each service should be raised separately and immediately after the services are rendered.
- 7) Class 'A' Cities here includes Delhi, Mumbai, Calcutta, Chennai, Pune, Hyderabad, Bangalore and Ahmedabad. Class 'B' Cities includes all other cities not included in "Class A".
- 8) The amount charged will be based on the location of the service provider.

The Policy is Approved in the Board Meeting held on 14/06/2021