

SHIKSHAK SAHAKARI BANK LTD., NAGPUR

(Scheduled Bank)

Policy for the appointment of Statutory Auditor of the Bank

(Review Approved in Board of Directors meeting

dt. 24.01.2024 vide Res.No.6)

SHIKSHAK SAHAKARI BANK LTD., NAGPUR
(Scheduled Bank)

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1. Preamble

Since the Banking Regulation Act,1949(AACS) has been amended vide the Banking Regulation (Amendment) Ordinance,2020 dated June 26,2020, under Section 30(1A) of Banking Regulation Act 1949, all Urban Co-operative Banks are now required to obtain prior approval for appointment of Statutory Auditor from Reserve Bank of India (RBI), Department of Supervision, of concerned Regional Office of RBI. RBI has further suggested to formulate a Board Approved Policy and formulate necessary procedure thereunder to be followed for appointment of Statutory Central Auditors/Statutory Auditors. It has also suggested that the Approved Policy to be hosted on official website of the bank. Accordingly, to adhere these instructions, the following policy for the appointment of the Statutory Auditors has been prepared.

2. Meaning of Terms/Definitions:

- a) **Bank** : means Shikshak Sahakari Bank Ltd.(Scheduled Bank),Nagpur.
- b) **Board/BOD** : means the Board of Directors/Board of Management of Shikshak Sahakari Bank Ltd.(Scheduled Bank),Nagpur.
- c) **ARC Committee** : means Audit Review Committee of the Board
- d) **ACB Committee** : means Audit Committee of the Board.
- e) **Statutory Auditor Appointment Policy**: means Policy for the appointment of Statutory Auditor of the bank.
- f) **Statutory Auditor** : means Statutory Auditor Individual /firm//partners /LLP appointed for conducting an audit.
- g) **Full Time Partner (FTP)** : means partner associated with audit firm at least for 10 years.
- h) **Associate Chartered Accountant (ACA)** : means a candidate who has completed his qualification as Chartered Accountant or deemed to be in practice under Chartered Accountant Act 1949 .
- i) **Fellow Chartered Accountant (FCA)** : means Chartered Accountant of the firm having experience of more than 5 years or designated as Fellow by ICAI.
- j) **Entities** : means the bank regulated by Reserve Bank Of India.



- k) **SCA/SA** : means Statutory Central Auditor/Statutory Auditor.
- l) **LMC** : means Local Management Committee .
- m) **HAD** : means Head of Audit Department of the Bank.
- n) **BOM** : Board of Management of Shikshak Sahakari Bank Ltd.(Scheduled Bank),Nagpur.
- o) **RO** : means Regional Office of RBI
- p) **CISA/ISA** : means Certified Information System Auditor /Information System Auditor.
- q) **SSM**: means Senior Supervisory Manager
- r) **LLP** : means Limited Liability Partnership .
- s) **NFRA**: means National Financial Reporting Authority
- t) **ICAI** : means Institute of Chartered Accountants of India
- u) **CAATs**: means Computer Assisted Audit Tools and Techniques
- v) **GAS** : means Generalized Audit Software
- w) **AIFI**: means All India Financial Institution
- x) **RBI** : means Reserve Bank of India

3. Objectives :

To adhere the instructions issued by RBI and Provisions of the circular No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dtd. April 27,2021 applicable to the Entities with assets size above Rs.1000 Crore and above from the financial year 2021-22 or as instructed by RBI time to time.

4. Purpose :

As per RBI circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, the Bank is required to formulate a Board Approved Policy and formulate necessary procedure thereunder to be followed for appointment of Statutory Auditor (SA). Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function



5. Applicability:

This Policy will be applicable to the Bank for Financial Year 2021-22 and onwards in respect of appointment/reappointment of Statutory Auditor (SA).

6. Prior Approval of RBI:

The Bank is required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of Statutory Auditors, on an annual basis. For the purpose, the Bank shall apply to The Department of Supervision, Regional Office, Reserve Bank of India, Nagpur before 31st July of the reference year.

7. Number of SCAs / SAs and Branch Coverage

The statutory audit of the bank shall be conducted under single audit firms [Individual/Partnership firms/Limited Liability Partnerships (LLPs)] taking into account the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc. The statutory auditor shall visit and audit all branches including extension counter and Head Office of the bank.

8. Eligibility Criteria of Auditors

The bank shall adhere to the minimum eligibility criteria on continue basis as mentioned in the RBI circular for appointment of the Statutory Auditors considering the asset size of the Bank.

- A. Basic Eligibility:** The Bank shall appoint audit firm as its SA fulfilling the eligibility norms as prescribed as under.



| Sr.No. | Particulars | Remark |
|--------|--|----------------------|
| a. | Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years <i>* See Note-1 as below :</i> | Minimum 3 (Three) |
| b. | Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years | Minimum 2(Two) |
| c. | Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification <i>** See Note-2 as below :</i> | Minimum 1 (One) |
| d. | Minimum No. of years of Audit Experience of the firm/auditor <i>*** See Note-3 as below :</i> | Minimum 8 (Eight) |
| e | Minimum No. of professional staff <i>**** See Note-4 as below :</i> | Minimum 12 (Twelve) |

Note 1 :

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, for appointment as SCAs/SAs the bank with asset size above Rs.1,000 Crore, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

The definition of 'exclusive association' will be based on the following criteria:

- The full-time partner should not be a partner in other firm/s.
- She /He should not be employed full time / part time elsewhere.
- 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 Board/ACB/LMC shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

Note 2 :

There should be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of shortlisting for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3 :

The audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of UCBs. 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 shortlisting for considering them as professional staff for the purpose.

B. Additional consideration:

- a) The audit firm should be duly qualified for appointment as auditor U/s.141 of The Companies Act 2013.
- b) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority, ICAI, RBI or other Financial Regulators.
- c) Preference will be given to auditing firm having capability and experience Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS).
- d) The auditing firm should have fair knowledge of the functioning of the co-operative sector and shall preferably have working knowledge of Marathi.



C. Continued Compliance with the eligibility criteria:

In case audit firm (after appointment) does not comply with any of the eligibility norms (on account of registration, death etc .of any partners ,employee, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators etc.), it will have to promptly approach the Bank 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 comply the above norms before commencement of the Statutory Audit for the Financial Year till the completion of annual audit.

9. Coverage of Audit:

The Statutory Auditor shall visit and audit all the Branches, Extension Counter and Head Office of the Bank irrespective of volume and size of the branches. In addition, the Bank shall ensure adherence to the provisions of Sec 143(8) of the Companies Act, 2013 regarding of audit of accounts of all the branches.

10. Independence of Auditors

10.1 Audit Committee of the Board (ACB) shall monitor and assess the independence of the auditor and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard may be flagged by the ACB to the Board of Directors of the Bank and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

10.2 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 Statutory Auditor shall approach the Board/ACB of the Bank, under intimation to the concerned SSM/RO of RBI.

10.3 Concurrent auditors of the Bank shall not be considered for appointment as Statutory Auditors. The audit of the Bank and any entity with large exposures



to the Bank for the same reference year shall also be explicitly factored in while assessing independence of the auditor.

10.4 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditor for the Bank or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory Auditor. However, during the tenure as Statutory Auditor, an audit firm may provide such services to the Bank, which may not normally result in a conflict of interest, and Bank may take their own decision in this regard, in consultation with the ACB/ Board.

11. Tenure and Rotation :

11.1. In order to protect the independence of the auditor/audit firm, Bank shall appoint the Statutory Auditor for a continuous period of three years, subject to the firm satisfying the eligibility norms each year. Further, Bank can remove the audit firm 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.

11.2. 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.

12. **Procedure for Appointment of Statutory Auditor:** The Bank shall have in place detailed procedural guidelines, in conformity with the instructions under this policy and all relevant statutory/regulatory requirements for appointment of Statutory Auditor.

12.1 The Bank shall shortlist minimum of 2 audit firms for every vacancy of SA 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 SA does not get delayed. In case of reappointment of SA till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.

- 12.2 The bank shall continue to follow the existing procedure followed by them for selection of SA. The bank shall place the name of shortlisted audit firms, in order of preference, before their ACB/ARC for selection as SA. Upon selection of SA by the bank in consultation with their ACB/ARC and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SA.
- 12.3 The Entities shall obtain a certificate, along with relevant information as per Form B, from the audit firm(s) proposed to be appointed as SA by the Entity to the effect that the audit firm(s) complies 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 Entities, under the seal of the said audit firm.
- 12.4 The Bank shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, recommend the names along with a certificate, in the format as per Form C, stating that the audit firm(s) proposed to be appointed as SA by them comply with all eligibility norms prescribed by RBI for the purpose.
- 12.5 While approaching the RBI for its prior approval for appointment of SA, the Bank shall indicate their total asset size as on March 31st of the previous year (audited figures), forward a copy of Board Resolution recommending names of audit firms for appointment as SA in the order of preference and also furnish information as per Form B and Form C as mentioned above, to



facilitate expeditious approval of appointment/re-appointment of the concerned audit firm.

13. Audit Fees and Expenses

13.1. The audit fees for Statutory Auditor shall be decided in terms of the relevant statutory/regulatory provisions or as decided by the Board of Directors of the Bank from time to time.

13.2 The audit fees for Statutory Auditor of the Bank 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.

14. Review of the Policy:

The policy shall be reviewed at least once in a year by ACB through the Audit Department. The policy shall be placed before Audit Committee of the Board for recommendation and Board for approval.



Chief Executive Officer
(Incharge)

Annex-1

FORM B

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

| Existing Audit Assignment As on date Commercial Banks/UCBs/AIFI/RBI/ NBFC | Number of Full-Time partners (FTPs) associated* with the firm for a | Out of total FTPs, number of FCA partners associated with the firm for | Number of Full Time Partners/Paid CAs with CISA/ISA Qualification | Number of Years of Audit Experience # | Number of Professional Staff |
|--|---|--|---|---------------------------------------|------------------------------|
| | | | | | |



| | | | | | | |
|--|-----------------------|--------|----------------------------|--|--|--|
| | period of three years | of (3) | a period of three(3) years | | | |
| | | | | | | |

*Exclusively associated in case of all Commercial Banks (Excluding RRBs), and UCBs/NBFC with asset size of more than Rs.1000 Crore

Details may be furnished separately for experience as SCAs/SAs and SBAs.

B. Additional Information:

- (i) Copy of Constitution Certificate.
- (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/UCB Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/ 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 firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SA of the 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(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) have been declared as willful defaulter by any bank / financial institution.



Annex-2

FORM C

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

1. The bank is desirous of appointing M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Central Auditor (SCA)/ 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/ Section 10 (1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980/ Section 41(1) of SBI Act, 1955.

2. The bank has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor (SCA)/Statutory Auditor of the bank/UCB 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/UCB as SCA/SA/SBA.

4. The bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature

(Name and Designation)

Date:

