

URBAN CO-OPERATIVE BANK LTD BAREILLY

(A MULTISTATE CO-OPERATIVE BANK)



APPOINTMENT/RE-APPOINTMENT/REMOVAL OF STATUTORY AUDIT POLICY

Urban Co-operative Bank Limited Bareilly

POLICY FOR APPOINTMENT/REAPPOINTMENT/REMOVAL OF STATUTORY AUDITOR

(As approved by BOD vide Resolution No. 8(4) dated 04.09.2023)

(To be hosted on the Bank's website)

BACKGROUND:

Provisions contained in section 30(1A) of Banking Regulation Act 1949 have since been made applicable to all cooperative banks vide clause (J) of Banking Regulation (Amendment) Act, 2020. Accordingly, all Urban Cooperative Banks are now statutorily required to obtain prior approval of RBI for appointment /reappointment/ removal of any statutory auditors. Reserve Bank of India has therefore, vide their Circular.No: DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 issued detailed guidelines to all regulated entities for the same.

RBI has also advised Banks vide paragraph 10 of the above circular to formulate Board approved Policy to be posted on Bank's website and also formulate necessary procedure for appointment/ reappointment/removal of statutory auditors.

Based on the RBI guidelines, this policy for Appointment/Reappointment/Removal of Statutory Auditor/s is formulated as under:

PREAMBLE

This policy shall be known as "Policy on Appointment/Reappointment/Removal of Statutory Auditor". The Policy is aimed at conforming all relevant Statutory/Regulatory requirements and to afford necessary transparency and objectivity for most key aspects of Audit Function.

OBJECTIVE OF THE POLICY

The objective of this policy is to provide guidance on Appointment/Reappointment/Removal of Statutory Auditors of the Bank by laying down eligibility criteria of selection of Statutory Auditor Firm and prescribing procedure to be followed for their selection/removal in line with the guidelines issued by the RBI.

THE SALIENT FEATURES OF THE POLICY ARE AS UNDER

1. SCOPE OF THE POLICY

This policy is applicable for Appointment/Reappointment/Removal of Statutory Auditor of the Bank. The Policy shall be applicable for the Financial Year 2021-22 and onwards in



terms of Reserve Bank of India directives issued/may be issued from time to time in this regard.

2. REGULATORY REFERENCE

Section 30(1A) and section 56 of Banking Regulation Act, 1949 read with RBI Circular No: Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021.

3. ELIGIBILITY CRITERIA

Our Bank's assets size is below ₹1000/- crore as on March end of previous financial year. As per RBI guidelines, following Eligibility Criteria are fixed for appointment of Statutory Auditors in our bank.

A. BASIC ELIGIBILITY

- 1) Our bank should appoint minimum of one audit firm, (Partnership firm/ LLPs) for conducting Statutory Audit
- 2) The audit firm should have minimum two (2) numbers of Full Time Partners (FTPs) associated with the firm for a period of at least three years; Out of total FTPs, minimum of one (1) Fellow Chartered Accountant (FCA) Should have association with the firm for a period of at least three (3) years
- 3) There should be at least one-year continuous association of partners with the firm as on date of empanelment short listing for considering them as full-time partners.
- 4) The full-time partner's association with the firm would mean exclusive association, 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) 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

5) CISA/ISA QUALIFICATION:

Priority will be given to firms with at least one (1) full time partners or full time CAs having CISA/ISA qualification. (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.)

6) AUDIT EXPERIENCE:

The audit firm should have minimum 6 years experience of audit as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ AIFIs. (In case of merger of audit firms, merger effect will be given after 2 years of merger while demerger of audit firm will be affected immediately for this purpose.) It is desirable that Audit Firm should have experience in Audit of Co Operative Bank.

7) PROFESSIONAL STAFF

The audit firm should have at least 8 numbers of Professional staff which 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

- 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 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. Appointment of SAs will be in line with the ICAI's Code of Ethics/any other such standards adopted so that it does not give rise to any conflict of interest.
- iv. If any partner of a Chartered Accountant firm is a director in the Bank, the said firm shall not be appointed as SA of the Bank.
- v. 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 auditors accordingly by RBI. Shared/ subcontracted audit by any other associate /audit firm under the same network of audit firm will not be 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.
- vi. The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Bank in order to achieve audit objectives.
- vii. The auditor firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the language of the Uttar Pradesh.

C. 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 should 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 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.

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, bank will inform such facts to the RBI and RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.



4. UNDERTAKING/DECLARATION/CERTIFICATE TO BE SUBMITTED BY THE AUDIT FIRM

- . Audit firm desired to be appointed as Statutory Auditors of the bank, has to provide the Certificate as per Form B of this policy including Undertaking and declaration stated therein.
- .An undertaking from the firm to the effect that the Audit will be carried by their own staff and they will not subcontract the Audit Work.
- .An undertaking from the audit firm that 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.

5. TENURE

The audit firm shall be appointed for continuous period of 3 years subject to firm satisfying eligibility criteria each year. An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure i.e. continuation period of three years.

6. REMOVAL / DISCONTINUATION

Bank may remove an audit firm before expiry of the tenure with prior permission from Department of Supervision of RBI.

7. AUDIT FEES AND EXPENSES

The Audit Fees shall be decided by The Registrar Co-operative Societies or the bank, as the case may be.

This Audit Fees is subject to change from time to time.

8. RELINQUISH THE INTERNAL ASSIGNMENT IF ANY

- .Statutory auditors shall not be given any other assignment during the tenure of SA of the bank.
- .At the time of acceptance of appointment as SA of our Bank, the firm(s) must relinquish any internal assignment allotted to them in our Bank.



- > Associate firms or sister concerns of statutory audit firm of the bank are disqualified for internal audit or for any special assignment in a particular year.

9. GENERAL GUIDELINES APPLICABLE TO STATUTORY AUDITOR FIRM.

- > SA shall visit and audit at least the top 20 branches/top 20% of the branches of the Bank, to be selected in order of the level of outstanding advances in such a manner as to cover a minimum of 15% of total gross advance of the Bank.
- > The firms whose partner/s is/are on the Board of the Bank will not be eligible for appointment as SA.
- > Guidelines issued by RBI from time to time shall apply accordingly in true spirit.
- > Concurrent Auditors of the bank will not be appointed as Statutory Auditors
- > One Audit firm can concurrently take the statutory audit of a maximum number of banks as prescribed by RBI in their circular under reference or within the overall ceiling prescribed by any other statutes or rules.

(As approved by BOD vide Resolution No. 8(4) dated 04.09.2023)




Chief Executive Officer

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

A. Particulars of the firm:

Asset Size of Entity as on 31st 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:

- (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 (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 firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs

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:

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

1. The Bank/UCB is desirous of appointing M/s _____ Chartered Accountant (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, 1995.
2. The Bank/UCB 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)/Auditor of the Bank/UCB for FY _____ along with relevant information (copy enclosed), in the format as prescribe by RBI.
3. The Firm has no past association/association for _____ year with the Bank/UCB as SCA/SA/SBA.
4. The bank/UCB has verified the said Firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SBAs of Commercial Bank (excluding RRBs/UCBs)

Signature

(Name and Designation)

Date: