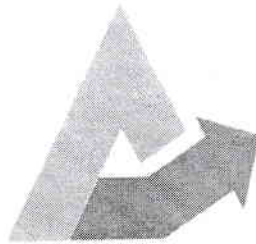


POLICY

APPOINTMENT OF STATUTORY AUDITORS

(General Working Guidelines)

AMBARNATH JAI-HIND CO.OP BANK LTD., AMBARNATH





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Appointment of Statutory Auditors Policy

(General Guidelines)

Introduction –

Reserve Bank of India vide its Circular No.RBI/2021-22/25Ref.No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27th April, 2021 has advised the following guidelines to UCBs under Section 30 (1A) of the Banking Regulation Act, 1949, section 10(1) of the Banking Companies Act. These guidelines supersede all previous guidelines issued on the subject.

In terms of the aforesaid guidelines, BOD in its meeting dated 26.06.2021 decided to follow the instructions of RBI in this regard in both letter and spirit.

Applicability

These guidelines will be applicable to the UCBs for Financial Year 2021-22 and onwards in respect of appointment/reappointment of Statutory Auditor of the Bank. Regarding appointment of Statutory Auditor shall be implemented for the first time for UCBs from F.Y. 2021-22, they shall have the flexibility to adopt these guidelines from H2 (Second half) of F.Y. 2021-22 in order to ensure that there is no disruption.

Prior Approval of RBI

Bank will be required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of Statutory Auditor, on Annual basis in terms of the above mentioned statutory provisions. Bank should apply to Department of Supervision, RBI before 31st July of the reference year.

Number of Statutory Auditors and Branch Coverage

Bank should appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit. It shall be ensured that joint auditors of the Entity do not have any common partners and they are not under the same network of audit firms.

Statutory Auditors shall visit and audit at least the Top 20 branches/Top 20% of the branches of the Banks (in case of Entities having less than 100 branches), 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 advances of the Bank.

Eligibility Criteria of Auditors

Bank is required to appoint audit firms as prescribed in **Annex I** of the RBI Circular dated 27th April, 2021.

Eligibility Criteria for Appointment as a Statutory Auditor (Asset Size of Entity upto Rs.1000 crore as on 31 March of Previous Year)

Minimum Number of Full Time Partners associated with the firm for a period of at least 3 years	Out of total FTPs minimum number of fellow CA partners associated with the firm for a period of at least 3 years	Minimum number of Full Time Partners/ paid Cas with CIS/ISA qualification	Minimum number of years of Audit Experience of the firm	Minimum number of professional staff
2	1	1* *Not Mandatory for UCB with assets size of Rs.1000/- cores.	6	8

Independence of Auditors

The board of Directors shall monitor and assess the independence of the auditors. Any concern in this regard may be flagged by the Board of the Bank to the concerned Regional Office of RBI.

In case of any concern with the Management of the Bank such as non availability of information/non-co.operation by the Management, which may hamper the audit process, the



Statutory Auditors shall approach the Board of the Bank, under intimation to the concerned Regional Office of RBI.

Concurrent auditors of the Bank should not be considered for appointment as Statutory Auditors of the same Bank and also avoid giving Statutory Audit / large exposure work to same Statutory Auditor / Partners etc.

There should be time gap of minimum 1 year between any non-audit work by Statutory Auditor and allotment of Statutory Audit to him. However, Audit Firm may provide such services which do not result in conflict of interest.

Professional Standards of Statutory Auditors

Statutory Auditor has to maintain Professional Standards during audit with highest diligence.

Board of Directors has to take review and report to RBI if any serious lapses / negligence within 2 month with detail.

If lapses in Audit of Statutory Auditors are noticed in their assignment which result in misstatement of Financial Statement OR violations / lapses to RBI directions / guidelines in their role and responsibilities, Statutory Auditor would be liable to be dealt with Statutory / regulatory frame work.'

Tenure and Rotation

In order to protect the independence of the auditors/ audit firms, Bank will have to appoint the Statutory Auditors for a continuous period of 3 years, subject to the firms satisfying the eligibility norms each year.

Bank can remove audit firms during above period only with the prior approval of the concerned office of RBI (Department of Supervision).

An audit firm would not be eligible for reappointment in the same Bank for 6 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 Banks.

One audit firm can concurrently take up statutory audit of a maximum of 8 UCBS (excluding Co- op. Credit Societies by the same audit firm) during a particular year.



subject to compliance with required eligibility criteria and other conditions for each bank and within overall ceiling prescribed by any other statutes or rules.

Audit Fees and Expenses

The Audit fees for Statutory Auditors of all the Banks shall be decided in terms of the relevant statutory / regulatory provisions.

The audit fees for Statutory Auditors 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.

The Board of the Bank shall fix audit fees and expenses, if any in conformity with the instructions issued by the competent authority in this regard from time to time.

Statutory Audit Policy and Appointment Procedure

Bank's shall approved policy to be hosted on its official website/public domain.

The Bank shall shortlist minimum of 2 audit firms for every vacancy of Statutory Auditors 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 Statutory Auditors does not get delayed. However, in case of reappointment of Statutory Auditors by Bank 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.

Bank Officials shall carry out due diligence exercise in respect of shortlisted audit firms and report to be filed and presented to the Board for information at the time of approval.

The Bank shall place the name of shortlisted audit firms, in order of preference, before their Board for selection as Statutory Auditor. Upon selection of Statutory Auditors 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 Statutory Auditors.



The Bank shall obtain a Certificate, along with relevant information as per **Form B**, from the audit firms proposed to be appointed as Statutory Auditors by the Bank to the effect that the audit firms 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 Statutory Auditors of the Bank, under the seal of the said audit firm.

Bank shall verify the compliance of audit firms 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 firms proposed to be appointed as Statutory Auditor by them comply with all eligibility norms prescribed by RBI for the purpose.

While approaching the RBI for its prior approval for appointment of Statutory Auditors, Banks shall indicate their total 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 Statutory Auditors in the order of preference and also furnish information as per **Form B** and **Form C** , to facilitate expeditious approval of appointment/reappointment of the concerned audit firm.

Upon approval in BoD, Banks Chief Executive Officer or in his absence next Senior most official may submit request to RBI for approval for appointment / reappointment of Statutory Auditor with relevant supporting documents.

APPROVED IN THE BOARD OF DIRECTORS MEETING dated **26 JUN 2021**




Vijay Kurankar
Chief Executive Officer