



Policy for Appointment of Statutory Auditors (For Year 2023-24 and onwards)

1. Introduction

RBI vide circular DOS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27th April 2021 issued guidelines for appointment of Statutory Auditors. As per these guidelines each entity shall formulate a Board approved Policy conforming all relevant Statutory & regulatory requirements for Appointment of Statutory Auditors. The Bank has prepared the policy for appointment of Statutory Auditors in line with norms applicable to Urban Co-operative Bank sector.

2. Purpose:

The objective of this policy is to establish proper procedure for appointment of Statutory Auditors as per guidelines issued by RBI vide circular DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27.04.2021 and applicable provisions of Banking Regulation Act,1949.

3. Applicability

Guidelines issued by RBI circular dated April 27, 2021 will be applicable to the Bank for Financial Year 2021-22 onwards in respect of appointment/ reappointment of SAs.

4. Prior Approval of RBI :

Bank shall take prior approval of RBI for appointment / reappointment of SAs, on an annual basis before 31st July of the financial year.

5. Number of SAs and Branch Coverage

Minimum number of SAs to be appointed by the Bank shall be ONE as the Bank's asset size as on March 31 of previous year, is below ₹15,000 crores.

Note 1: Audit Experience:

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.



A. 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 may 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, the Bank may approach RBI to allow the concerned audit firm to complete the audit, as a special case.

6. Professional Standards of SAs :

The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The Audit & Ethics Committee of the Bank shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be placed before Board/ACB with full details of the firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of an Entity's financial statements, and any violations/lapses vis-a-vis the RBI's directions / guidelines regarding the role and responsibilities of the SAs in relation to Bank, the SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

7. Tenure and Rotation

In order to protect the independence of the auditors / audit firms, Bank shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, Bank can remove the audit firms during the 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 for six years (two tenures) after completion of full or part of one term of the audit tenure. (In case an audit firm has conducted audit of any Entity for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the same Entity for six years from completion of part-tenure.)



8. Audit Fees and Expenses :

The audit fees for SAs of all the Entities shall be decided in terms of the relevant statutory / regulatory provisions.

The audit fees for SAs of the Bank shall be reasonable and commensurate with the scope and coverage of audit, size of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc. The Board shall approve audit fees of SAs with reference to RBI guidelines.

9. Statutory Audit Policy and Appointment Procedure :

The Bank shall shortlist minimum of 2 audit firms for every vacancy of SAs so that even if firm at first preference is found to be ineligible / refuses appointment, the firm at second preference can be appointed. However, in case of reappointment of SAs by banks 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.

In case of appointment the Bank shall place the name of shortlisted audit firms, before Board for selection as SA. Upon selection of SAs by the Bank in consultation with the Board and verifying their compliance with the eligibility norms prescribed by RBI, the Bank shall seek RBI's prior approval for appointment / reappointment of SAs.

The Bank shall obtain a certificate, along with relevant information as per Form B (*Annexure 1*), from the audit firm(s) proposed to be appointed as SAs by the Bank 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 SAs of the Entities, under the seal of the said audit firm.

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 (*Annexure 2*), 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. While approaching the RBI for its prior approval for appointment of SAs, the Bank shall indicate total asset size as on March 31st of the previous year (audited figures), copy of Board Resolution recommending names of audit firms for appointment as SAs 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.

10. Review of the Policy:

The Board may review the policy as and when required. In case there are any regulatory changes requiring modification to the Policy, the Policy shall be reviewed.

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