

**Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd.,
Statutory Auditor Appointment Policy (2021-2022)**

Preamble:-

The role of statutory audit should be to safeguard the interest of depositors. As audit is third eye to prevent the accidents, mitigate the risks in banking business hence role of statutory auditor is very vital.

As per RBI Circular dated 27.04.2021, The RBI had issued details regarding the guidelines for appointment of Statutory Auditors.

The Statutory auditors should ensure that there should not be any omission or commissions or any serious irregularities in respect of reporting which may lead Bank to compliance or legal risk.

1. Purpose of the Policy

As per RBI circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, the provisions regarding appointment, reappointment, removal of Auditor etc has been made applicable to UCB's. Bank is required to formulate a Board Approved Policy and formulate necessary procedure there under 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.

New guideline is made applicable to UCBs as per assets size. Asset size of our Bank as on 31.03.2021 is Rs. 2772.31 Crores as on 31.03.2021, so the applicable criteria will be of Rs. 1000 Crores and up to 15000 Crores for consideration of eligibility criteria's for appointment of SCA/SA.

UCBs will be required to take prior approval of RBI (Department of Supervision) for appointment/ reappointment of SCAs/SAs, on an annual basis. After approval from RBI the Information of appointment of statutory Auditor will be informed to CRCS, according to provisions of s/s 1 of Sec. 70 of MSCS Act, 2002.

1.1 Any casual vacancy for statutory auditor will be appointed with approval of RBI.

1.2 The Audit Dept. will make report to the Board with details regarding experience, Qualifications and eligibility Criteria of SCAs/SA as per the guidelines issued by RBI.



2. Objectives of Statutory Audit:-

The Bank shall put in place an effective statutory audit system to comply with the RBI guidelines. The major objectives are as follows: -

- 2.1 To ensure compliance of statutory requirement norms stipulated by the RBI & other regulators regarding verification of financial statements of the Bank, Certification and submission of financial statements to RBI.
- 2.2 To comply with the RBI guidelines dated 27.04.2021, regarding appointment of statutory auditor, to complete the audit of the Bank branches and submit the report to the regulatory authority within specified time period. The time limit set for submission of financial statements as on 31 March is up to 3 months ie up to 30 June.
- 2.3 To strengthen the overall internal control system of the Bank.
- 2.4 Controlling various risks and preventing fraudulent Transactions and detecting case of frauds.

3. Scope Of Statutory Audit :-

The scope will be As per guidelines issued to the Statutory auditors for conduct of statutory audit of the branches and instructions issued to them from time to time by the RBI, CRCS, ICAI.

4. Eligibility Criteria of auditors:- (Annexure I)

The eligibility criteria will be applicable as per RBI Circular dated 24.04.2021. The Statutory auditor's appointments will be made as per eligibility norms stated for appointment as statutory auditor.

As asset size of our Bank is above Rs. 1000 up to Rs. 15000 Crores. Hence the Criteria for appointment of SA will be applicable as follows:-

- 4.1 For appointment as SAs of the Bank with asset size above ₹1,000 crore, at least two partners of the firm shall have continuous association with the firm for at least 10 years.
- 4.2 The firm should have partnership of at least 3 partners with minimum 3 years out of which at least two full time partners should have FCA qualification and one of which should CISA/ISA qualification.
- 4.3 The partnership should have experience of minimum 8 years.
- 4.4 The minimum number of professional staff should be 12.



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4.5 Eligibility Firm Criteria for Appointment as per Annex. I

Asset Size of Entity as on 31st March Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1	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 No. of Full Time partners/ Paid CAs with CISA/ ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note3	Minimum No. of Professional staff Note 4
Above ₹ 1,000 crore & Upto ₹ 15,000 crore	3	2	1	8	12

- 4.6 The full-time partner should not be a partner in other firm/s.
- 4.7 She/ He should not be employed full time/part time elsewhere.
- 4.8 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 Section2(2) of the Chartered Accountants Act, 1949.

5 Additional Criteria :-

- 5.1 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.
- 5.2 Appointment of SCAs/SAs is in line with the ICAI's Code of Ethics/ any other such standards adopted and do not give rise to any conflict of interest.
- 5.3 SA of the firm should have a fair knowledge of the functioning of the co operative sector and shall preferably have working knowledge of the language of the state in which the UCB/branch of the UCB is located.
- 5.4 For audit of UCB, the SA of the firm should have a fair knowledge of the functioning of the Co- operative sector and shall preferably have working knowledge of the language of the state in which the UCB/ branch of the UCB is located.

6 Continued Compliance with basic eligibility criteria:-

- 6.1 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 Entity with full details.
- 6.2 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 will have the discretion to allow the concerned audit firm to complete the audit, as a special case.



7. Coverage of Statutory Audit:-

- 7.1 The Statutory Auditors shall visit and audit at least the Top 20 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.
- 7.2 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 branches.

8. Procedure for Selection of SCAs/ SAs

- 8.1 Bank shall shortlist minimum of 2 audit firms for every vacancy of SCAs/SAs 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 SCAs/SAs does not get delayed. After completion of the tenure of continuous term of 3 years, there would not any requirement of short listing of firm.
- 8.2 For selection as SCA/SA Upon selection of SCAs/SAs 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 SCAs/SAs.
- 8.3 Bank will obtain a Certificate, along with relevant information **as per Form B**, from the audit firm(s) proposed to be appointed as SCAs/SAs by the Entity to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Copy of FORM B is attached herewith.
- 8.4 Bank will 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 SCA/SA by them comply with all eligibility norms prescribed by RBI for the purpose. Copy of FORM C is attached herewith.

9. Statutory Auditor Appointment Procedure:-

- 9.1 Bank will take prior approval of RBI (Department of Supervision) for appointment/reappointment of SCAs/SAs, on an annual basis before 31st July of the reference year.
- 9.2 Asset size of the bank is below ₹15,000 crore bank will appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit.
- 9.3 If more than one firm appointed as SA then bank will ensure that joint auditors of the bank, do not have any common partners and they are not under the same network of audit firms. Further the



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Entity may finalize the work allocation among SCAs/SAs, before the commencement of the statutory audit, in consultation with their SCAs/SAs.

- 9.4 The Bank will decide the number of SCAs/ SAs based on a Board Approved Policy.
- 9.5 Actual number of SCAs/SAs will be appointed and decided by the Boards, as per RBI Guidelines.
- 9.6 The performance of the audit firm will be evaluated by the Bank for re appointment every year.

10. Independence of Auditors:-

- 10.1 Non-availability of information/non-cooperation by the Management the SCAs/SAs is required to approach the Board/ACB/ LMC of the Entity, under intimation to the concerned SSM/RO of RBI.
- 10.2 Concurrent auditors of the bank will not be considered for appointment as SCAs/SAs of the bank.
- 10.3 The time gap between any non-audit works should be at least one year, before or after its appointment as SCAs/SAs.
- 10.4 The Board /ACB/LMC of bank shall review the performance of SCAs/SAs on an annual basis.
- 10.5 Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs/SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit.

11. Tenure and Rotation:-

- 11.1 In order to protect the independence of the auditors/audit firms, bank will appoint the SCAs/SAs for a continuous period of three years*, subject to the firms satisfying the eligibility norms each year or otherwise bank may appoint SCA/SA for period of one year also.
- 11.2 Further, bank can remove the audit firms during the above period only with the prior approval of RBI (Department of Supervision).
- 11.3 An audit firm would not be eligible for reappointment as a statutory Auditor of our Bank for six years (two tenures) after completion of full or part of one term of the audit tenure.
- 11.4 If an audit firm has conducted audit of our bank 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.



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12. Audit Fees and Expenses: - The audit fees for SCAs/SAs will be decided by Board of Directors in terms of the relevant statutory/ regulatory provisions.

13. Display of Audit policy:-

The Bank will display the Board Approved ~~appointment~~ policy on Banks website. (www.ijssbank.com)

14. Review of the Policy:-

The policy shall be reviewed based on future regulatory guidelines and operational experience. BOD has revised the right to change/ modify/ amend the policy from time to time.




Chief Manager

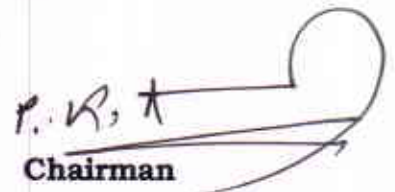

General Manager


Chief Executive Officer

As approved by the Board of Directors in the meeting dated ^{14/06/2021}vide resolution No. 28/15.


CEO


Vice Chairman


Chairman

