

**MAHILA CO-OPERATIVE BANK LIMITED,
SESHADRIPURAM, BANGALORE – 560 020**

POLICY ON APPOINTMENT OF STATUTORY AUDITORS

Preamble:

Hitherto, urban co-operative banks in Karnataka State were to appoint chartered accountants approved by Co-operative Department as statutory auditors for auditing annual accounts and certifying Profit and Loss Account and Balance Sheet. Consequent to bringing the co-operative banks under the supervision of Reserve Bank of India by an amendment of Banking Regulation Act, 1949 in the year 2020, Reserve Bank of India in supersession of all previous circulars issued fresh guidelines for appointment of Statutory Auditors vide its circular No. RBI/ 2021-22/25 Ref. No. DoS. CO. ARG/ SEC.01/ 08.91.001/2021-22 Dated April 27, 2021. According to the RBI guidelines bank has to frame a Policy for appointment of Statutory Auditors.

Hence this **POLICY** has been framed.

01. SHORT TITLE AND COMMENCEMENT:

01.01. This Policy is called the “Appointment of Statutory Auditors Policy of Mahila Co-operative Bank Limited, No.14, South End Road, Seshadripuram, Bangalore .

01.02. This Policy Guidelines, Rules, Regulations and Procedures are subject to changes, modifications, additions and deletions to be made from time to time in consonance with the directions/instructions of Reserve Bank of India.

01.03. The Policy guidelines are applicable to the **Bank** for Financial Year 2021-22 and onwards.

01.04. These guidelines will come into effect from 1st July, 2021.

01.05. In case of difficulty or confusion in the meaning or interpretation of any of the provisions herein contained, directions / instructions relating to appointment of statutory auditors given in RBI guidelines and it’s time to time circulars shall prevail.

02. DEFINITIONS AND MEANINGS:

Unless the context otherwise requires, the words and expressions in this “Appointment of Statutory Auditors Policy” shall mean as under:

02.01. ‘Bank’ means Mahila Co-operative Bank Limited, Bangalore.

02.02. 'Board' means the Board of Directors of Mahila Co-operative Bank Limited duly constituted as per the Byelaws of the Bank, KCS Act, 1959 and Rules, 1960.

02.03. 'Government' means the Government of Karnataka.

02.04. 'Registrar' means the Registrar of Co- operative Societies as defined in the Karnataka Co-operative Societies Act, 1959.

02.05. 'Byelaws' means the Byelaws of the Bank and their amendments/modifications made from time to time in accordance with the Act and Rules, as adopted at the General Body Meeting and registered by the Registrar.

02.06. 'President' means the President elected under the provisions of KCS Act, 1959 Rules, 1960 and the Byelaws of the Bank.

02.07. 'Vice- President' means the Vice -President elected under the provisions of the KCS Act, 1959 Rules, 1960 and the Byelaws of the Bank.

02.08. 'Director' means a member of the Board elected, nominated, or appointed by co-option as per Byelaw provisions.

02.09. 'Sub- Committee' means a committee of members appointed by the Board for any specific work and for any fixed period by whatever name called and the committees formed in accordance with the direction of the Reserve Bank of India from time to time.

02.10. 'General Manager' means the paid Chief Executive Officer of the Bank and is an official appointed by the Board as per Section 29 G of Karnataka Co-operative Societies Act, 1959.

02.11. 'Deputy General Manager' means the paid official of the Bank assisting the General Manager in the administration of the Bank.

02.12. 'Assistant General Manager' means the paid official of the Bank assisting the General Manager and Deputy General Manager in the administration of the Bank.

02.13. 'Year' means the financial year of the Bank commencing from 1st of April and ending on 31st. March of the next year as defined in the Act.

02.14. 'Firm' .means a Partnership firm or Limited Liability Partnership as defined in section 4 of Indian Partnership Act, 1932.

02.15. 'Company' means a company as defined in Indian Companies Act, 1956 and in their amendments.

02.16. 'General Body' means a Body Corporate consisting of the members of the Bank.

02.17. "General Meeting" means a meeting of the General Body convened and conducted as per the provisions of the Act, Rules and Byelaws of the Bank.

02.18. 'Reserve Bank' means the Reserve Bank of India constituted under the Reserve Bank of India Act, 1934.

02.19. 'Reference Year' means the year for which Statutory Auditors are to be appointed.

02.20. 'Group of audit firms' means audit firms having common partners and/or under the same network.

02.21. "She" also includes 'He'.

3 Criteria for Selection of Statutory Auditors

The Eligibility norms (as advised by Reserve Bank of India) are as under:

3.1 The audit firm shall have a minimum of three full-time partners (FTPs) associated with the firm for a period of at least three years, of which at least two should be fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three years.

3.2 There should be at least one-year continuous association of partners with the firm as on the date of short listing for considering them as full-time partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

3.3 The full-time partner's association with the firm would mean exclusive association. The definition of 'exclusive association' will be 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) The income of the partner from the firm/LLP should not be less than Rs. 3.00 lakhs in a year (Rs.25000/- per month) for considering them as full-time exclusively associated partners.

3.4 The firm should have minimum eight years of Audit Experience and 12 professional staff. The audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ AIFIs. 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 short listing for considering them as professional staff for the purpose.

3.5 The firm should have at least one Full Time Partners/ Paid CAs with CISA/ISA Qualification.

3.6 The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Entities where the accounting and business data reside in order to achieve audit objectives.

NOTE:

1. If any short listed audit firm undergoes change in its constitution after the date of short listing, the audit firm will take all necessary steps to become eligible within a reasonable time and in any case, audit firm should be complying with above norms before the following events:
 - (a) Appointment of the audit firm by the Bank as SA. For this, the audit firm while giving consent to the Bank for appointment may ensure that it complies with the norms.
 - (b) Before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit. In case any audit firm (after appointment) does not comply with any one of the norms (on account of resignation, death etc. of any partners, employees etc), it may promptly approach the Bank with full details. The Bank in turn will approach RBI.
 - (c) The firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of Kannada.
 - (d) 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. However, audit firm can continue to undertake statutory audit of other Entities

4 Procedure for selection and appointment of Statutory Auditors

4.1 The audit firms have to submit a certificate, along with relevant information as per Form B to the RBI circular referred to above to the effect that they comply 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 Bank, under the seal of the audit firm.

4.2 Based on the above parameters, Bank will prepare a list of short listed audit firms. Willingness in writing from the above short listed audit firm(s) will be obtained to accept the assignment of Statutory Audit work of the Bank. At the time of obtaining the willingness letters from such short listed audit firms, there will be no commitment on the part of our Bank to allot the Statutory Audit work to the auditors and such shortlisted audit firms are free to give similar willingness to multiple banks/UCBs, if approached by them. The list of shortlisted audit firms will be placed before Board. The Board will approve five audit firm(s), in order of preference. The number of audit firms approved should be adequate enough, to take care of the situation, where some firms may not give consent.

4.3 On due approval by the Board, our Bank will approach the audit firms to obtain their consent in writing strictly in order of preference. The audit firm should give their consent in writing for consideration of appointment in our bank for the particular year and the subsequent continuing years subject to their fulfilling the eligibility norms prescribed by RBI from time to time and also subject to their suitability. If the approached audit firm does not give consent, the bank will approach the next audit firm in order of preference for obtaining consent till the time the number of audit firms which have given the consent equals to two for the particular year.

The consent letter should clearly state that the selection of the audit firm as Statutory Auditor is subject to approval of RBI and any force majeure events and, in such cases, the audit firms will not have any claim against our Bank and RBI. The appointment of SA is subject to complying with the stipulated norms on eligibility and guidelines issued by RBI from time to time. The audit firm should declare that consent is given for maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI, eight UCBs and eight NBFCs during a particular year. For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm. The consent given by an audit firm will be treated as irrevocable and request, if any, from audit firms for changing the bank, after giving its consent to our bank will not be entertained.

4.4 The list of such selected firms who have given consent for appointment as statutory auditors in our Bank will be placed before the Board for their concurrence before it is forwarded to RBI for final approval.

4.5 Audit firm(s) selected by our Bank after obtaining its consent in writing will be debarred for a period of 3 years for selection if the firm refuses to accept the appointment without a reasonable ground that is ground not to the satisfaction of RBI.

5. Other Guidelines:

In order to protect the independence of the auditors/audit firms, Bank will make the appointment of SA for a continuous period of three years subject to the firms satisfying the eligibility norms each year. Bank will not remove the audit firm during the above period without the prior approval of the Reserve Bank of India.

6 Undertakings/Declarations to be obtained from firm

Following declarations /undertakings will be obtained from the firm selected:

6.1. At the time of acceptance of appointment as Statutory Auditor of our Bank, the firm has to relinquish any internal assignment allotted to them in our Bank. Its associate firms or sister concerns are also disqualified for inter audit or for any special assignment of our Bank.

6.2. A suitable undertaking from the firm to the effect that the Audit will be carried out by their own staff and they will not subcontract the audit work.

6.3. None of the disqualifications under section 141 of the Companies Act, 2013 applies to them and they are qualified for appointment as Statutory Auditors of the Bank.

6.4. The audit firm is not under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.

6.5. 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.

6.6. None of the partners or their spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them or the Firm/ Company in which they are partners/ Directors are not indebted to our Bank. Further, they have not been declared as wilful defaulters by any Bank or financial institution.

6.7. Associate firm or sister concern of statutory audit firm is disqualified for internal assignment where the main firm/partners are allotted Statutory Audit in a particular year.

7 Number of Assignment:

One audit firm can concurrently take up statutory audit of a maximum of eight UCBs during a particular year. The limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm.

8. Relinquishment of the internal assignments, if any:

In the event of acceptance of the appointment as Statutory Auditor of the Bank, all the internal assignments of the Auditor in our Bank, if any, will stand withdrawn.

9. Remuneration:

The Remuneration to the SA for Audit, TA/DA and other incidental expenses will be paid as per the decision of the Board.

10. Removal:

An audit firm appointed as Statutory Auditor may be removed during its tenure with the prior approval of the Reserve Bank of India. The Board of Directors of the Bank will be the competent authority to recommend removal of any SA to RBI.

Annexure- 1:

Form B

Eligibility Certificate from Audit Firm

A. Particulars of the Firm:

1	Name of the Firm	
2	Registration Number	
3	Address of the Firm	
4	Tin No.	
5	GST number	
6	PAN of Main / Managing Partner	
7	Date of Establishment of the Firm	
8	Experience in statutory audit of co-operative banks	
9	Whether the Firm has chartered accountants knowing local language	
10	Asset Size of Entity as on 31st March of Previous Year	
11	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	

12	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	
13	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	
14	Number of Years of Audit Experience#	
15	Number of Professional staff	

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than Rs.1,000 crore.

#Details may be furnished separately for experience as SAs.

B. Additional Information:

i	Copy of Constitution Certificate.	Enclosed
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 Audit Firm:

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SAs of UCBs. 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:

FORM C

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

The bank is desirous of appointing M/s _____, Chartered Accountants (Firm Registration Number _____) as 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.

2. The bank has obtained eligibility certificate (copy enclosed) from ----- (name and Firm) having Registration Number ----- proposed to be appointed as Statutory Auditor of the bank 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 as SA.

4. The bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SA of UCBs.

Signature
(Name and Designation)

Date:

Approved in Board of Directors Meeting Held On 30.06.2021 BMR No : 13