

अध्यक्षीय प्रस्ताव संख्या-1 दिनांक 18-7-2024

Policy for Appointment / Re-appointment of Statutory Auditors

The Ajmer Central Cooperative Bank Ltd.

The Ajmer Central Co-operative Bank Ltd. Ajmer

Policy for Appointment / Re-appointment of Statutory Auditors

1. Purpose

State Co-operative Banks (StCBs) and Central Co-operative Banks (CCBs) are required to obtain prior approval of Reserve Bank of India (RBI) for appointment, reappointment or removal of Statutory Auditor (SA) as per the provisions of Section 30(1A) of the Banking Regulation Act, 1949 (BR Act), with effect from 1st April 2021, i.e., the date on which Banking Regulation (Amendment) Act, 2020 (Act 39 of 2020) came into effect. Accordingly, the Policy is being prepared as per guidelines issued by the Reserve Bank of India ('RBI'), in exercise of its powers under the BR Act, to StCBs and CCBs, on appointment, re-appointment or removal of Statutory Auditors (SAs) and other related matters.

2. Definitions

i) "State co-operative bank" shall be as defined under sub-section (u) of Section 2 of National Bank for Agriculture and Rural Development Act, 1981.

ii) "Central co-operative bank" shall be as defined under sub-section (d) of Section 2 of National Bank for Agriculture and Rural Development Act, 1981.

iii) "NABARD" means "National Bank" established under Section 3 of National Bank for Agriculture and Rural Development Act, 1981.

3. Applicability

These guidelines shall be applicable to The Ajmer Central Cooperative Bank Ltd. Bundi (hereinafter referred to as the 'bank') with effect from April 1, 2024.

4. Prior Approval of RBI for Appointment / Re-appointment of Statutory Auditors (SAs)

4.1 The bank shall obtain prior approval of RBI before appointment, re-appointment or removal of SA.

4.2 The bank shall seek prior approval for re-appointment of SA annually.

5. Eligibility Criteria of Statutory Auditors (SAs)

In case of appointment of fresh SA, the bank shall select from the list provided by NABARD the audit firms fulfilling the requirements under these guidelines as below.

Asset Size of SICB as 01/31 st March or Previous Financial Year	Minimum No. of Full-Time partners (FIPs) associated with the firm for a period of at least three years [Please refer to Note 1]	Out of total FIPs. Minimum No. of Fellow Chartered Accountant (FCA) Partner(s) associated with the firm for a period of at least three years	Minimum No. of FIPs / Paid CAs with CISA / ISA / DISA Qualification [Please refer to Note 2]	Minimum No. of years of Audit Experience of the firm [Please refer to Note 3]	Out of (5), Minimum No. of years of Statutory Audit experience in StCBs/CCBs [Please refer to Note 3]	Minimum No. of Professional Staff [Please refer to Note 4]
(1)	(2)	(3)	(4)	(5)	(6)	(7)
Above Rs. 15,000 Crore	5	4	2	8	2	8

Above Rs. 1,000 Crore and Up to Rs. 15,000	3	2	1	4	1	4
---	---	---	---	---	---	---

A. Note

Note 1: There should be at least one-year of continuous association of partner(s) with the firm as on the date of short listing (by banks) for considering them as FTPs.

For the bank with asset size above Rs. 1,000 Crore, the FTP's association with the firm would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:

- The FTP should not be a partner(s) in other firm/s.
- She/he shall not be employed full time/part time elsewhere.
- She/he shall not practice 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.
- The Board/ACB shall examine and ensure that the income of the partner(s) from the firm/LLP is adequate for considering him / her as full-time exclusively associated partner(s).

Note 2: CISA / ISA / DISA Qualification:

There shall be at least one-year continuous association of Paid CAs (with CISA/ ISA/DISA qualification) with the firm, as on the date of short listing, to consider them as Paid CAs with CISA / ISA I DISA qualification for the purpose.

Note 3: Audit Experience:

Audit experience alit mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks/UCBs/NBFCs (including HFCs)/AIFIs/Statutory Auditor of StCBs/CCBs/RRBs. In case of merger and demerger of audit firms, merger effect will be given two years after merger, while demerger will be given effect immediately.

Note 4: Professional Staff:

Professional stall 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 shall be at least one year of continuous association of professional staff with the firm, as on the date of short listing, for considering them as professional staff.

B. Additional Consic1eration

- The audit firm, proposed to be appointed as SA, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- 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.
- The bank shall ensure that appointment of SA is in accordance with the ICAI's Code of Ethics / any other such Standards adopted and does not give rise to any conflict of interest.
- It' any partner(s) of a Chartered Accountant firm is a director in any bank, the said firm shall not be appointed as SA of that particular bank.
- The auditors should have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree / complexity of computerisation of the banks.

C. Continued Compliance with basic eligibility criteria

In case an audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death, etc., of any of the partner(s) / employee(s), action by Government Agencies / NFRA / ICAI / RBI / other Financial Regulators, etc.) As stated in B (ii) above, it shall promptly approach the bank with full details. Further, such audit firm shall take all necessary steps to become eligible within a reasonable time and, in any case, the audit firm should be in compliance with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31' March and till the completion of annual audit.

In case of any extraordinary circumstance after the commencement of audit, such as death go one or more partner(s) / employee(s), etc., which may render the firm ineligible with respect to one or more of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

6. Procedure for appointment of statutory auditor

- 6.1 NABARD shall provide a list to the banks for selection of appointment/re-appointment of SAs
- 6.2 The bank shall select the audit firm(s) from the list while according priority to the firms of Category A and B and will invite fee quotations from all these firms. The 3 firms with lowest fee quotation will be shortlisted and put up to the Audit Committee of the Board for the proposal /selection of minimum two audit firms fulfilling the requirements as set out in the point no. 5 of the bank policy. However, the audit firms would be selected on the basis of merit and the lowest quotation would not be the sole criteria for the selection.
- 6.3 The bank shall select the audit firm(s) from the list, obtain the necessary approvals of the shortlisted firm is from the Board of Directors (Board)/Audit Committee of the Board (ACB), and submit application for prior approval to Department of Supervision, RBI, before July 31 of the reference financial year.
- 6.4 The process of appointment of SA in The Ajmer Central Co-operative Bank Ltd starts with the bank sending the application to RBI with the names of the audit firm as approved by its Board/ACB, followed by grant of prior approval by RBI and concludes with the appointment of SA in the AGM of the bank.
- 6.5 In case of fresh appointment of SA, for each vacancy of SA, the bank shall shortlist minimum of two audit firms from the panel of NABARD.
- 6.6 The bank shall place the names of shortlisted audit firms, in order of preference, before their Board/ACB for 'in principle' approval. After approval of the Board/ACB, the bank shall approach RBI for prior approval.
- 6.7 The bank shall submit their application to DoS of Regional Office of RBI Jaipur.
- 6.8 The bank shall obtain a certificate, as per Form B, from the shortlisted audit firms to the effect that the audit firm complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate on the letter-head of the audit firm should be signed by the managing partner of the audit firm, under the seal of the said audit firm.
- 6.9 While recommending the name(s) of audit firm(s), the bank shall also furnish a certificate, in the format as per Form C, stating that the audit firm proposed to be appointed as SA by it comply with all the eligibility norms prescribed by RBI.
- 6.10 While approaching RBI for prior approval, the bank shall indicate its total asset size as on March 31' of the previous financial year (audited figures), attach a copy of Board/ACB Resolution recommending name(s) of audit firm(s) in the order of preference, Form B and Form C along with all the documents mentioned therein, to facilitate expeditious processing.

7. Independence of Auditors



7.1 Board / ACB of the bank shall monitor and assess the independence of auditors and conflict of interest, if any, in terms of the relevant statutory / regulatory provisions, Standards and best practices. Concerns, if any, raised by the Board / ACB shall be reported to NABARD.

7.2 Concurrent auditors of the bank shall not be considered for appointment as SA of the same bank. There shall be a minimum gap of one year between completion of one assignment and commencement of the other assignment.

7.3. The time gap between any non-audit work (services mentioned in Section 144 of the Companies Act, 2013, internal assignments, special assignments, etc.) undertaken by the SA for the appointing bank shall be at least one year, both before appointment and after completion of tenure as SA. However, during the tenure as SA, based on the decision of the Board / ACB, an audit firm may provide such services to the appointing bank which may not normally result in conflict of interest. Special assignments, including those such as (i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements, (iii) Issuance of certificates that are required to be made by the SA in compliance with statutory or regulatory requirements, and (iv) Reporting on financial information or segments thereof, may not be treated as conflict of interest.

7.4 The restrictions, as detailed in paras 7.2 and 7.3 above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partner(s), as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014.

7.5 The SA shall report concern(s), if any, regarding the conduct of Management such as non-availability of information / non-cooperation by the Management (which may hamper the audit process), etc., to the Board / ACB and also to NABARD.

8. Review of Performance of Statutory Auditors (SAs)

8.1 The Board / ACB of the bank shall review the performance of SA annually. Any serious lapse / negligence in discharging audit responsibilities, conduct issues on the part of the SA, or any other matter considered as relevant, shall be reported with the approval of the Board / ACB to NABARD within two months from the completion of the audit.

8.2 Violation of extant statutory / regulatory norms and lapses in carrying out audit assignments such as misstatement of financial statements, etc., by the SAs would be dealt suitably under the relevant statutory / regulatory / supervisory framework.

9. Tenure and Rotation of Statutory Auditors (SAs)

9.1 SAs shall be appointed at a time for a period of one year only and shall be reappointed annually for the succeeding two years subject to them continuing to satisfy eligibility norms stated in these guidelines. During such period, premature removal of the SA shall require prior approval of RBI. However, any such request for removal shall be forwarded to RBI with the approval of the Board / ACB.

9.2 An auditor / audit firm shall not be eligible for appointment / re-appointment in the same bank for six years (two tenures) immediately after completion of a full or part tenure. In case an auditor / audit firm has conducted audit of the bank for part-tenure (one year or two years) and then is not re-appointed for the remainder tenure, it shall not be eligible for re-appointment in the same bank for six years after completion of part-tenure. However, audit firms can continue to undertake statutory audit of other banks.

10. Number of StCBs / CCBs an Audit firm can Audit

10.1 An audit firm can concurrently take up statutory audit of a maximum of **five banks (including not more than one StCB)** in a year.

10.2 The limit of five banks will be in addition to the limit of 20 Regulated Entities (REs), as prescribed in the 'Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)' dated April 27, 2021.

10.3 Further, in a year, an audit firm **cannot** simultaneously take up statutory audit of both StCB and CCBs operating in the same State.

10.4 In other words, an audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NaBFID, NHB, EXIM Bank) or RBI], eight Urban Cooperative Banks (UCBs), eight Non-Banking Financial Companies (NBFCs), and five StCBs / CCBs (including not more than one StCB) in a year.

10.5 This limit is subject to the audit firm's compliance with the eligibility criteria and other conditions as prescribed in these guidelines and within the overall ceiling prescribed by any other statute or rules.

10.6 For the purpose of these guidelines, a group of audit firms having common partner(s) and / or under the same network shall be considered as one unit and considered for appointment as SA accordingly. The incoming audit firm shall not be eligible if such an audit firm is associated with the outgoing audit firm or is under the same network of audit firms.

10.7 Shared / Sub-contracted audit by any other audit firm or by an associate audit firm under the same network of audit firms is not permitted.

11. Audit Fees and Expenses of Statutory Auditors (SAs)

11.1 The audit fees for SAs of all the banks shall be decided in terms of the relevant statutory / regulatory provisions and the Board / ACB of banks shall make recommendation to the competent authority as per the relevant statutory / regulatory instructions for fixing audit fees of SAs.

11.2 The remuneration to the SCAs for Audit, TA/DA and other incidental expenses will be paid as per the guideline issued by RBI from time to time. Efforts must be made to keep expenses at minimum possible in line with RBI guidelines instructions in the matter.

12. Removal / Dis continuation:

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

13. Redressal of Grievances:

The Bank will have a Grievance Redressal Committee headed by Managing Director of bank, Senior Manager Operations Department, Senior Manager Administration Department, Manager Accounts & Finance Departments. Quorum shall be any three members present. The Committee will dispose of grievances/complaints (if any) with regard of the selection of Statutory Auditor and allotment of Branches to them.

14. Irrevocable Consent :

Irrevocable consent will be obtained from the Audit firm in writing for consideration of appointment in our Bank for the particular year and for the subsequent continuing years.

The modification / changes, if any, made by RBI in norms/criteria/procedure from time to time shall constitute to be part of our policy and supersede the existing guidelines available at Banks website automatically.

Eligibility Certificate from (Name and Firm Registration Number of the firm)**A. Particulars of the firm**

Asset Size of StCBs/CCBs as on 31 st March of Previous Financial Year (audited figures)	Number of Full-Time partners (FTPs) associated* with the firm for a period of three years	Out of total FTPs, Number of FCA Partner(s) associated with the firm for a period of three years	Number of FTPs/Paid CAs with CISA/ISA/DISA Qualification	Number of Years of Audit Experience #	Out of (5), minimum No. of years of Statutory Audit experience in StCBs/CCBs	Number of Professional staff
(1)	(2)	(3)	(4)	(5)	(6)	(7)

*Exclusive ly associate d in case of StCB/CCBs with asset size of more than Rs.1,000crore

Details shall be furnished in the following format:

Name of the bank	Type of bank (Whether Commercial Bank/ UCB / NBFC (including HFCs) / AIFI / StCB / CCB / RRB)	Year-wise audit undertaken (Ascending Order)	Specify Type of Audit (Whether Statutory Central Audit (SCA) / Statutory Branch Audit (SBA) of Commercial Bank / Statutory Audit of [UCBs/NBFCs(includingHFCs) / AIFIs/StCBs/CCBs/ RRBs])
------------------	---	--	---

B. Additional Information:

- Copy of the latest Constitution Certificate of the recommended audit firms.
- Whether the firm is a member of any network of audit firms or any partner(s) of the firm is a current partner in any other audit firm? If yes, details thereof.
- Whether the firm has been appointed as SA by any other StCB / CCBs in the current financial year? If yes, details thereof.
- Whether the firm has been debarred from taking up audit assignments by any regulator / Government agency? If yes, details thereof.
- Details of disciplinary proceedings, etc., against firm / any partner of the firm by any Financial Regulator / Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment / re-appointment of SA of StCBs/CCBs. It is certified that neither I nor any of our partner(s) / member(s) of my/ their families (family will include spouse, 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/ directors¹ have been declared as a 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:

For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.

FORM C**Certificate to be submitted by the StCB / CCB regarding eligibility of audit firm proposed to be appointed / reappointed as SA**

The CCB is desirous of reappointing M/s Chartered Accountants (Firm Registration Number) as Statutory Auditor (SA) for the financial year for their and therefore has sought the prior approval of RBI as per the Section 30(1A) of the Banking Regulation Act, 1949.

2. The CCB has obtained the eligibility certificate on all criteria of eligibility as prescribed in **Appendix-I** of the circular on 'Guidelines on Appointment / reappointment of Statutory Auditors (SAs) of State Co-operative Banks (StCBs) and Central Co-operative Banks (CCBs)' issued vide circular Ref. No. DOS. ARG/SEC. 8/08.91.001/2023-24 dated January 15, 2024, from (..... **Registration Number**) proposed to be reappointed as Statutory Auditor of the CCB for FY, along with relevant information, in **Form B** of the circular prescribed by RBI (copy enclosed).
3. The firm has past association for (between FY and FY) with the CCB as SA and for years (between FY and FY) with the CCB for non-audit work.
4. The CCB has verified the said firm's compliance with all the eligibility norms prescribed by RBI for appointment of SA of CCB.

B. Additional Information

i) Name of Statutory Audit Firm with Firm Registration Number (FRN) for last six years:

Sr. No.	Name of the Audit Firm	FRN	Financial Year of Audit
1			
2			
3			
4			
5			
6			

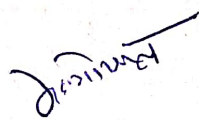
ii) Copy of the Constitution Certificate of the Audit Firm of the previous Financial Year

Signature

Managing Director

Date :


Managing Director

.....

Chairman