

JANASEVA SAHAKARI BANK LTD., HADAPSAR, PUNE.
HEAD OFFICE - AUDIT & INSPECTION DEPARTMENT

Statutory Audit Policy and Appointment Procedure

Ref :RBI Circular number -RBI/2021-22/25/DOS/CO/ARG/SEC.01//08.91.001/2021-22 dated 27.04.21

In compliance to above, we are submitting Statutory Audit Policy and Appointment Procedure for Statutory Auditor to the Board for approval -

Prior Approval of RBI:

Our Bank will be required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of Statutory Auditors, on an annual basis. We should apply to Department of Supervision, RBI before 31st July of the reference year.

Reserve Bank Of India has directed us to approach the Central Office of RBI (Department of Supervision) for approval. Since we are under Mumbai Region.

Number of Statutory Auditors and Branch Coverage

Asset size of our bank is above **1000 Crore and less than 15000 Crore** hence we required **one Audit firm** (Partnership firm/ LLP) is required to conduct statutory audit of our Bank.

Eligibility Criteria of Auditors

Our Bank is required to appoint audit firm which fulfilling the eligibility norms as prescribed below-

A. Basic Eligibility-

- 1. Minimum 3 No. of Full-Time partners (FTPs)** associated with the firm for a period of at least three years.*

(*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, for appointment as Statutory Auditors of our Bank, at least two partners of the firm shall have continuous association with the firm for at least 10 years.)

For our, 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:

- The full-time partner should not be a partner in other firm/s.
- He/ She should not be employed full time / part time elsewhere.

- iii. He/ She should not be practicing in his/her 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.
- iv. We have right to examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.)

2. Out of total FTPs, Minimum 2 No. (Two) of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three years.

3. Minimum 1 No. (One) of Full Time Partners/ Paid CAs who possess CISA/ISA Qualification. There should be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of short listing for considering them as Paid CAs with CISA/ISA qualification for the purpose.

4. Minimum 8 years of Audit Experience of the firm

Audit Experience: - For our Bank 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)

5. Minimum 12 No. (Twelve) of Professional staff

Professional Staff - 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.

B. Additional Consideration

- a. The audit firm, proposed to be appointed for Statutory Audit should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- b. 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.
- c. Appointment of Statutory Auditors is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.

- d. If any partner of a Chartered Accountant firm is a director in any Public Sector Bank (PSB), the said firm shall not be appointed as SCA/SA of any PSB. Further, if any partner of a Chartered Accountant firm is a director in any Entity, the said firm shall not be appointed as SCA/SA of any of the group entities¹³ of that Entity.
- e. 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 where the accounting and business data reside in order to achieve audit objectives.
- f. Statutory Auditors 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 Marathi.

C. 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 to 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, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

Independence of Auditors

The Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged to the Regional Office of RBI.

In case of any concern with the Management of our bank such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditors shall approach the Board and/or Audit Committee of Board under prior to approach to the Regional Office of RBI.

Concurrent auditors of Bank should not be considered for appointment as Statutory Auditors.

The audit of our bank and any entity with large exposure reference year should also be explicitly factored in while assessing independence of the auditor.

The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory Auditors, However, during the tenure as Statutory Auditors, an audit firm may provide such services to our Bank which may not normally result in a conflict of interest, and we may take our own decision in this regard, in consultation with the Board/ACB.

The restrictions as detailed above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

Professional Standards of SAs

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

The Board and/or Audit Committee of Board of our Bank shall review the performance of Statutory Auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Audit 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 sent with the approval/recommendation of the Board and/or Audit Committee of Board with the full details of the audit firm.

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

Tenure and Rotation

In order to protect the independence of the auditors/audit firms, We will have to appoint the Statutory Auditors for a continuous period of three years subject to the firms satisfying the eligibility norms each year. Further, our Bank can remove the audit firms during the above period only with the prior approval of the RBI (Department of Supervision), as applicable for prior approval for appointment.

An audit firm would not be eligible for reappointment in our Bank for six years (two tenures) after completion of full or part of one term of the audit tenure.

We must obtain certificate from audit firm that they cannot concurrently take up more than statutory audits as mentioned in guidelines i.e (of a 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, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules.)

Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

Audit Fees and Expenses

The audit fees for Statutory Auditors shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees for Statutory Auditors 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 and/or Audit Committee of Board shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of Statutory Auditors..

Procedure for Appointment of Statutory Auditors

1. Shortlist minimum of 2 audit firms for 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 on completion of tenure of continuous term of 3 years, there would not be any requirement of short listing and sending names of multiple audit firms to RBI while seeking approval to appointment.
2. We shall continue to follow the existing procedure followed for selection of Statutory Auditors. We shall place the name of shortlisted audit firms, in order of preference, before Board of Directors and/or Audit Committee of Board for selection as Statutory Auditors. Upon approval from board we shall seek RBI's approval for appointment of SA.
3. We will put up the decision of appointment of Statutory Auditors before Annual General Meeting as per MSC Act. 2002.
4. We shall obtain a certificate, along with relevant information as per **Form B**, from the audit firm(s) proposed to be appointed as Statutory Auditors 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 our Bank under the seal of the said audit firm.
5. We 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**, stating that the audit firm(s) proposed to be appointed as Statutory Auditors by them comply with all eligibility norms prescribed by RBI for the purpose. While approaching to RBI our Bank shall indicate total asset 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 SA 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.

Annexure regarding policy attached herewith -

Form B

Form C

ASST. GENERAL MANAGER

DY. GENERAL MANAGER

AUDIT & INSPECTION DEPARTMENT

GENERAL MANAGER

CHIEF EXECUTIVE OFFICER

CHAIRMAN

AUDIT COMMITTEE

CHAIRMAN

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

Asset Size of Entity as on 31st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff
*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore					
#Details may be furnished separately for experience as SCAs/SAs and SBAs					

B. Additional Information:

- i. Copy of Constitution Certificate.
- 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 firm The firm complies with all eligibility norms prescribed by RBI regarding appointment of Statutory Auditors of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). 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/Director

(Name of the Partner/Director)

Date:

Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA

The bank/UCB is desirous of appointing M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Central Auditor (SCA)/ 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/ Section 10 (1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980/ Section 41(1) of SBI Act, 1955.

2. The bank/UCB has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor (SCA)/Statutory Auditor of the bank/UCB 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/UCB as SCA/SA/SBA.

4. The bank/UCB has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature

(Name and Designation)

Date: