



Date 23.02.2022

STATUTORY AUDITOR POLICY AND APPOINTMENT PROCEDURE

In previous years the appointment of statutory auditor has always been made as per the guide lines issued by The Registrar under the Rajasthan Co-operative Societies Act and Rules. The Reserve Bank of India had also issued guidelines vide circular dated April 27,2021 regarding appointment of Statutory Auditors of Urban Co-operative Banks.

As per guidelines banks should take prior approval of RBI (Department of Supervision) for appointment/reappointment of statutory auditor on an annual basis. For the purpose bank should apply to RBI before 31st July of the reference year and Urban Co-operative Banks should approach the concerned regional office of RBI (Department of Supervision).

Bank should appoint a minimum of one audit firm for conducting statutory audit in compliance with Rajasthan Co-operative Societies Act and Rules. As per Board approved policy taking into account the relevant factures such as size accounting and administrative units.

In terms of RBI guidelines on norms on eligibility empanelment and satisfaction of statutory auditors and the norms as per the Rajasthan Co-operative Societies Act and rules are that an auditor or auditing firm be appointed by the committee of the society form amongst the panel approved and notify by the Registrar Co-operative Societies

As per Act an auditor or audit firm may be appointed for two years only in continuation. (While RBI allowed for 3 years) Therefore any statutory auditor shall be appointed for a maximum period of two years only.

The eligibility criteria of auditors as per guidelines are as under:

1. **CISA/ ISA qualification**- AS per RBI guidelines there is no minimum requirement of CISA qualification for UCB. Therefore, for our bank audit experience shall mean experience of the audit firm as statutory auditor of other UCB's of similar scale.

Profession staff

There should be at least one-year continuous association of professional staff with the firm as on the date of empanelment for bank for considering them as professional staff for the purpose. Profession 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.

Additional consideration

1. The audit firm proposed to be appointed as SA for Bank should be duly qualified for appointment as auditor of a company in terms of section 141 of the Companies Act.
2. The audit firm should not be under debarment by any Got agency AFRA/ICAI/RBI or other financial regulators.





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3. The bank should ensure that appointment of SA is in line with ICAI's code of ethics.
4. The auditor of bank i.e. SA or the firm should have a fair knowledge of the functions of the co-operative sector and shall preferably have working knowledge of the language of the state.
5. An auditor firm should continue compliance with basic eligibility criteria.

Procedure for appointment of statutory auditor

1. The Bank shall shortlist from the Panel, Auditors located in Bank HO (Jaipur). The Bank shall shortlist minimum of 2 audit firms for every vacancy of SA 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 SA does not get delayed. However, in case of reappointment of SA by banks/UCBs till completion of tenure of continuous term of 2/3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment. The shortlisted CA's/ CA firm shall comply with all slandered mentioned in RBI Circulars and Co-operative Department Rules. Also, the selected CA's be independent of the Bank and any of its Director and relatives.
2. The UCBs shall place the name of shortlisted audit firms, in order of preference, before their Board for selection as SA. Upon selection of SA by the UCBs in consultation with their Board and verifying their compliance with the eligibility norms prescribed by RBI, the UCBs shall seek RBI's prior approval for appointment of SA.
3. The Entities shall obtain a certificate, along with relevant information as per Form B, from the audit firm(s) proposed to be appointed as SA by the Entity 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 SA of the Entities, under the seal of the said audit firm.
4. The UCBs 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 SA by them comply with all eligibility norms prescribed by RBI for the purpose.
5. While approaching the RBI for its prior approval for appointment of SA, UCBs shall indicate their total asset size as on March 31st of the previous year (audited figures), forward a copy of Board/ACB 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.

Independence of auditors

For bank the Board of Director shall monitor and assess the independence of the auditors.





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Concurrent auditors of the bank should not be considered for appointment of statutory auditor.

The time gap between any non-audit works during the tenure of SA an audit firm may provide such services to the bank which may not normally result in a conflict of interest and bank may take their own decision in this regard in consultation with Board/AGM

Professional standards of SA

Statutory auditor be strictly compliant with the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The Board shall review the performance of SA on an annual basis. Any services lapses/ negligence in audit responsibilities or conduct issues an part of SA be reported to RBI within 2 months from completion of the annual audit. Such reports should be sent with the approval of Board.

Terms and rotation

In order to protect the independence of the auditors/audit firms, Bank will have to appoint the SA for a continuous period of three years or two years as per co-operative Societies Act, subject to the firms satisfying the eligibility norms each year. Further, UCBs can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision), as applicable for prior approval for appointment,

An audit firm would not be eligible for reappointment in the same Bank for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake

statutory audit of other Entities

Audit fees and expenses

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

The audit fees for SA of the Bank shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees for SA of the Bank 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 of directors shall make recommendation on to the AGM for fixing audit fees of SA.





Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31 st 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
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* 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.

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.

(ii) 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.

(iii) Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.

(iv) Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.





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C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs 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 / directors¹⁵ have been declared as wilful 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:

¹⁵ or 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.





**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:

