

## **Statutory Auditor Appointment Policy**

### **A. Eligibility Criterion**

1. Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years – 2 (There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full time partners)
2. 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 – 1
3. Full Time Partners/ Paid CAs with CISA/ISA Qualification – Preference to firms with full time partners or full time CAs having CISA/ISA qualification
4. Minimum No. of years of Audit Experience of the firm – 6 years (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 No. of Professional staff – 8 (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 shortlisting for considering them as professional staff for the purpose.)
6. The audit firm, proposed to be appointed as SCAs/SAs should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
7. 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.
8. If any partner of a Chartered Accountant firm is a director in the Bank, the said firm shall not be appointed as SCA/SA.
9. SA of the firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the language (Marathi & Gujarati).
10. Concurrent auditors of the Bank will not be considered for appointment as SCAs/SAs of the Bank.
11. 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. 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.

### **B. Procedure for Appointment of SCAs/SAs**

1. Bank will 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. However, in case of reappointment of SCAs/SAs till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to **RBI while seeking approval to appointment.**
2. Bank will place the name of shortlisted audit firms, in order of preference, before ACB for selection as SCAs/SAs. Upon selection of SCAs/SAs by the bank in consultation with ACB and verifying their compliance with the eligibility norms prescribed by RBI, the bank will seek RBI's prior approval for appointment of SCAs/SAs.
3. Bank will place the name of shortlisted audit firms, in order of preference, before Board for selection as SCA/SA. Upon selection of SCAs/SAs by the Bank in consultation with Board and verifying their compliance with the eligibility norms prescribed by RBI, Bank will seek RBI's prior approval for appointment of SCAs/SAs.
4. 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 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 SCAs/SAs, under the seal of the said audit firm.
5. 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 comply with all eligibility norms prescribed by RBI for the purpose.
6. While approaching the RBI for its prior approval for appointment of SCAs/SAs, Bank will 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 SCAs/SAs 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.

7. The Entities shall ensure that appointment of SCAs/SAs 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.

C. **Number of SCAs / SAs and Branch Coverage** – 1 for all the 6 branches & Head Office

**D. Independence of Auditors**

1. Board of Directors will monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board to the concerned SSM/RO of RBI.
2. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SCAs/SAs for Bank or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SCAs/SAs. However, during the tenure as SCA/SA, an audit firm may provide such services to the Bank which may not normally result in a conflict of interest (A conflict would not normally be created in the case of the following special assignments (indicative list): (i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements. (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements. (iv) reporting on financial information or segments thereof), in consultation with the Board/ACB. The restrictions will also apply to an audit firm under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

**E. Professional Standards of SCAs/SAs**

1. The SCAs/SAs will be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
2. The Board/ACB of Bank will review the performance of SCAs/SAs on an annual basis. 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. Such reports will be sent with the approval/recommendation of the Board/ACB, with the full details of the audit firm.
3. In the event of lapses in carrying out audit assignments resulting in misstatement of Bank's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SCAs/SAs in relation to Bank, the SCAs/SAs will be liable to be dealt with suitably under the relevant statutory/regulatory framework.

**F. Tenure and Rotation**

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. Bank 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.
2. 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.
3. One 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, 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. For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm. For the purpose, a group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SCA/SA accordingly. 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.

**G. Audit Fees and Expenses**

1. The audit fees for SCAs/SAs of Bank will be decided in terms of the relevant statutory/regulatory provisions.
2. The audit fees for SCAs/SAs of Bank will 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.
3. The Board/ACB of Bank will make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SCAs/SAs.

# The Jain Sahakari Bank Ltd.

## FORM B

Eligibility Certificate from

Name of the 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	

### 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 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 14 mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors<sup>15</sup> 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:

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# The Jain Sahakari Bank Ltd.

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## FORM C

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

1. 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