

THE AKOLA-WASHIM DISTRICT CENTRAL COOP. BANK LTD., AKOLA.

STATUTORY AUDIT POLICY

1) Purpose

1.1 The Akola-Washim District Central Co-operative Bank Ltd., is required to obtain prior approval of Reserve Bank of India (RBI) for appointment, re-appointment 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 guidelines being 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 through its letter Ref. No. DoS.ARG/SEC.8/08.91.001/2023-24 dt. 15 January 2024. As per RBI guidelines Bank needs for frame a Board approved policy on appointment of SA and host it on its official website/public domain. The Bank also formulate necessary procedures there under for selection/appointment/re-appointment/removal of SA.

2) Applicability

2.1 These policy shall be with effect from April 1, 2024.

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

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

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

3.3 Procedure

(i) NABARD shall obtain a list of audit firms [Partnership firms / Limited Liability Partnerships (LLPs)], on an annual basis, from the Institute of Chartered Accountants of India (ICAI).

- (ii) Thereafter, NABARD shall apply the eligibility criteria prescribed for SAs in this circular and prepare an All-India State-wise list of eligible audit firms.
- (iii) NABARD shall then share this list with the banks for selection and appointment / re-appointment of SAs.
- (iv) The bank shall select the audit firm(s) from this list, obtain the necessary approvals from the Board of Directors (Board) / Audit Committee of the Board (ACB), and submit application for prior approval to Department of Supervision, RBI, Nagpur before July 31 of the reference financial year.

4. 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 as under Appendix I and forward the name(s) of the shortlisted audit firms to RBI as per the procedure prescribed in Appendix II as under :

4.1 The process of appointment of SAs in bank starts with the bank sending the application to RBI with the names of audit firms as approved by its Board/ABC followed by grant of prior approval by RBI and concludes with the appointment of SA in the AGM of the Bank.

4.2 In case of fresh appointment of SA, for each vacancy of SA, the Bank shall short list minimum of two audit firms from the panel of NABARD.

4.3 The Bank shall place the names of short listed audit firms, in order of preference, before the Board of Directors/ ABC for 'in principle' approval. After approval of the Board/ABC, the bank shall approach, DoS, RBI Nagpur for prior approval.

4.4 The Bank shall obtain a certificate, as per **Form B**, from the short listed 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.

4.5 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 its comply with all the eligibility norms prescribed by RBI.

4.6 While approaching RBI for prior approval, the bank shall indicate its total asset size as on March 31st of the previous financial year (audited figures) attach a copy of Board/ABC 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 expeditions processing.

5. Independence of Auditors

5.1 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.

5.2 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.

5.3 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.

5.4 The restrictions, as detailed in paras 5.2 and 5.3 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.

5.5 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.

6. Review of Performance of Statutory Auditors (SAs)

6.1 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.

6.2 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.

7. Tenure and Rotation of Statutory Auditors (SAs)

7.1 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.

7.2 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.

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

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

8.2 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.

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

8.4 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 Co-operative Banks (UCBs), eight Non-Banking Financial Companies (NBFCs), and five StCBs / CCBs (including not more than one StCB) in a year.

8.5 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.

8.6 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.

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

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

9.1 The audit fees for SAs 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.

9.2 The audit fees for SAs of 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.

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