

## **POLICY FOR APPOINTMENT OF STATUTORY AUDITORS (SAs)**

Based on RBI guidelines and other statutory provisions, the following policy for appointment of SAs is proposed:

- i) The eligibility norms for SAs are enclosed as Annexure I.
- ii) As per extant norms of Reserve Bank of India, only one SAs is required to be appointed by our Bank.
- iii) In terms of RBI circular No. RBI/2021-22/25 Ref. No. DoS. CO.ARG/SEC.01/08.91.001/2021-22 dt. April 27, 2021, the appointment of statutory auditors of the Bank is required to be done with prior approval of RBI. Our Bank would, therefore, select SAs for appointment in accordance with the statutory provisions.
- iv) The Bank will select suitable SAs from the list of Chartered Accountant who have submitted the willingness to conduct the statutory Audit of the Bank. The firm must be having listed under panel of Auditors prepared by the Maharashtra Government or/and registered with RBI.
- v) In respect of SAs, the Bank would recommend audit firms meeting the minimum eligibility criteria as per captioned circular for approval of Board through Audit Committee.
- vi) After obtaining the consent of the audit firms in writing for consideration of appointment as SAs as per RBI prescribed format given in captioned circular, would recommend their names to RBI for their approval.
- vii) The Bank would clearly advise the audit firms selected for consideration of appointment that one audit firm can take up audit assignment (SA) in eight UCBs during a particular year, subject to compliance with required eligibility criteria and other conditions for UCBs and would obtain their consent in writing for consideration of appointment as SA of the Bank for the particular year before recommending their names to RBI. The consent given by audit firms will be treated as irrevocable.
- viii) Only audit firms duly qualified/eligible with no adverse remarks/disciplinary proceedings pending/initiated against the firm/any of its partners/proprietor on the records of ICAI would be considered as eligible for appointment as auditors. A declaration as per the format prescribed by the RBI will be obtained 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

have been declared as willful defaulter by any bank / financial institution. If any auditor/audit firm refuses to give such declaration statutory audit assignment would not be allotted to them.

- ix) The limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm. For the purpose of this circular, 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 SA accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible.
- x) 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.
- xi) The time gap between any non-audit works by the SAs or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SAs.
- xii) In order to protect the independence of the auditors/audit firms, Bank will have to appoint the 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,
- xiii) An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure of three years. However, audit firms can continue to undertake statutory audit of other Entities.
- xiv) The audit fees for SAs shall be as per prevailing applicable rules.

The aforesaid Policy of appointment of Statutory Auditors is submitted for the approval.

P. S. Dandekar  
Dy. General Manager

S. A. Desai  
Chief Executive Officer

S.L. Karandikar  
Advisor to Board

## Annexure - I

Eligibility Criteria for Appointment as SA as under:

<b>Minimum No. of Full-Time partners (FTP)s associated with the firm for a period of at least three (3) years Note 1</b>	<b>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</b>	<b>Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2</b>	<b>Minimum No. of years of Audit Experience of the firm Note 3</b>	<b>Minimum No. of Professional staff Note 4</b>
3	2	1	8	12

**Note 1:** At least two partners of the firm shall have continuous association with the firm for at least 10 years. 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.
- She/He should not be employed full time / part time elsewhere.
- She/He should not be practicing 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 may examine to 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.

### **Note 2: 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.

### **Note 3: Audit Experience:**

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.

### **Note 4: 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.