



KHARDAH CO-OP BANK LTD

POLICY FOR APPOINTMENT OF

STATUTORY AUDITOR

Document Details

Version No.	Date	Approved By	Approval Date	Document owner	Custody and controlled copy
1.1	04/07/2021	BOD	04/07/2021	Audit Department	Audit Department

Note:

- Every copy must indicate, whether it is a controlled copy or an uncontrolled copy.
- In case there is no indication, it will be deemed to be an uncontrolled copy.
- Only the controlled copy will be valid for interpretation / dispute settlement.

Index

Sr. No.	Area	Page No
	Preamble	2
Annex I	Eligibility criteria for Appointment as Statutory Auditors (SAs)	
Annex II	Procedure for Appointment of SAs	5
	Eligibility Certificate from SA – Form B	7
	Certificate to be submitted by Bank regarding eligibility of audit firm proposed to be appointed as SA – Form C	

Preamble:

As per Guidelines for Appointment of Statutory Auditors (SAs) of Khardah Co-Op Bank Ltd(hereinafter referred as bank), vide Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22, dated April 27, 2021, Each Entity shall formulate a Board Approved Policy to be hosted on its official website/public domain and formulate necessary procedure there under to be followed for appointment of SAs. Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.

1. Statutory Audit Policy and Appointment Procedure

Guidelines on minimum procedural requirements are given at [Annex I](#)

Eligibility Criteria for Appointment as SCA/SA

A. Basic Eligibility

Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1	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	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
upto ₹ 1,000 crore	2	1	1*	6	8

(* Not mandatory for the bank)

Note 1: 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. Minimum number of full time partners (FTPs) associated with the firm for a period of at least three years should be 2(Two). Out of the total FTPs, minimum no of fellow chartered accountant (FCA) partners associated with the firm for a period of at least 3 years should be 1(One).

Note 2: CISA/ISA Qualification: We have no minimum requirement in this regard. However, we may give priority to firms with full time partners or full time CAs having CISA/ISA qualification.

Note 3: Audit Experience: For the bank, audit experience shall mean experience of the audit firm as Statutory auditor of UCBs. Minimum number of years experience of the firm should be at least 6 years. 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. Minimum number of professional staff in the employ of the SAs should be 8(Eight).

B. Additional Consideration

- i. The audit firm, proposed to be appointed as SAs for Bank, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- ii. 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.
- iii. We should ensure that appointment of 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.
- iv. If any partner of a Chartered Accountant firm is a director of the bank, the said firm shall not be appointed as SCA/SA.
- v. For audit of the Bank, the 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 of the West Bengal State.

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 the Entity with full details.

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.

ANNEX II

Procedure for Appointment of SAs

1. The Bank shall 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. In case of reappointment of SAs by bank till 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, Dos(DCBS), Kolkata, while seeking approval to appointment.

2. The bank shall continue to follow the existing procedure followed by them for selection of SCAs/SAs. They shall place the name of shortlisted audit firms, in order of preference, before their ACB/LMC for selection as SCAs/SAs. Upon selection of SCAs/SAs by the bank in consultation with their ACB/LMC and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SCAs/SAs.

3. The Bank shall place the name of shortlisted audit firms, in order of preference, before their Board for selection as SCA/SA. Upon selection of SCAs/SAs by the Bank in consultation with its Board and verifying their compliance with the eligibility norms prescribed by RBI, the Bank shall seek RBI's prior approval for appointment of SCAs/SAs.

4. The Bank shall obtain a certificate, along with relevant information as per Form B, from the audit firm(s) proposed to be appointed as SCAs/SAs by the Bank 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 of the Bank, under the seal of the said audit firm.

5. The Bank 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 SCA/SA by them 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 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 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 bank will appoint SAs for a continuous period of three years subject to firms satisfying eligibility norms each year. The objective is to protect the independence of the auditors/audit firms. Bank can remove the audit firms during the above period only with the prior approval of the Regional office of the RBI(Dos/DCBS) as applicable for prior approval for appointment. The 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. An audit firm can concurrently take up statutory audit of maximum of eight UCBs during a particular year, subject to compliance with required eligibility criteria and other conditions of each UCB and within overall ceiling prescribed by any other statutes or rules.

8. The audit fees of SA of the bank shall be reasonable and commensurate with the scope and coverage of audit, size, spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting etc.

FORM B

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

#Details may be furnished separately for experience as SCAs/SAs and SBAs
 Minimum number of year's experience of the firm should be at least 6 years. For the bank audit experience shall mean experience of the audit firm as SA of CUCBs/NBFCs/ Commercial Banks/AIFs as a Central / Branch Auditor.

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 UCBs. 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.

It is confirmed that the information provided above is true and correct.

Signature of the Partner
(Name of the Partner)

FORM C

Certificate to be submitted by bank regarding eligibility of audit firm proposed to be appointed as SCA/SA

The bank 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 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 for FY _____ along with relevant information (copy enclosed), in the format as prescribed by RBI.

1. The firm has no past association/association for _____ years with the bank as SCA/SA/SBA.

2. The bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of UCBs.

Signature

(Name : _____)
(Designation : _____)

Date: