

Sardar Singh Nagrik Sahkari Bank Maryadit Tikamgarh

Policy for Appointment of Statutory Auditors

Reserve Bank of India, vide its circular Ref. No. RBI/2021-22/25 Dos.Co.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 has granted managerial autonomy to UCBs in the matter of appointment of Statutory Auditors for the F.Y. 2021-22 and onwards and a roadmap is rolled out to operationalize the same. On the basis of the guidelines and roadmap provided by the Reserve Bank of India our bank would also like to frame the board approved policy for the appointment of the Statutory auditor.

Number of Audit Firms

The actual number of Statutory Audit Firms to be appointed can be decided by the Board subject to the prescribed minimum One Audit Firm. It has been decided by the Bank's Board to have One Audit firms as Statutory Auditor. However, in the future if the Board of Directors feel necessary to appoint more than one Statutory auditor they may can review and appoint.

1. Covering the Business

Our Bank being a small bank with scattered business pattern, the appointed statutory auditor of the bank has to cover and scrutinize all the branches by physically visiting the branches at end of year and would cover the entire portfolio of the Loans and Advances

2. Norms on Eligibility

- The eligibility norms for the Chartered accountant firms for getting appointed as a Statutory auditor of the bank is as follows,

Minimum numbers of full time partners (FTPs) (associated with the firm for at least more than 3 years)	2 (Chartered accountants)
Out of total FTPs, Minimum number of FCA (associated with the firm for at least more than 3 years)	1
Minimum number of Years of audit experience	6 Years
Minimum number of Professional staff	At least 8 Employees (Associated with Firm not less than 1 Year.



Continued Compliance with basic eligibility criteria,

- (1) The audit firm should not be under debarment by any Government Agency, national Financial Reporting Authority (MFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- (2) The Firm shall ensure that it 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.
- (3) If any partner of a Chartered Accountant firm is a director in any Entity, the said firm shall not be appointed as SCA/SA of any of the group entities 13 of that Entity.
- (4) The Statutory Auditor of the firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the Gujarati and English language.
- (5) In case firm 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 management of the Bank 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.
- (6) 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.

3. Empanelment and Selection of statutory Auditor

Bank will select audit firms considering the following points/parameters:

- At least two audit firms having their Head Office located in Madhya Pradesh will be shortlisted and will be placed before the Board of Directors for the appointment, to take care of the situation, where first preference is found to be ineligible/refuses appointment.
- The Firm once appointed by the bank may not be required to be reappointed till the completion of the three consecutive years, if bank wishes to change the statutory audit firm at the completion of the financial year, may shortlist the eligible firms and place it before board of directors for the approval of the RBI.
- On the appointment, the firm should give their acceptance in writing for consideration of appointment in our bank for the particular year and the subsequent continuing years subject to their fulfilling the eligibility year and the subsequent continuing years subject to their fulfilling the eligibility norms prescribed by RBI from time to time. Further the acceptance letter should clearly state that the selection of the audit firm as Statutory Auditor is subject to approval of RBI and any force majeure events and, in such cases,



the audit firms will not have any claim against the Bank and RBI. The appointment of Statutory Auditor is subject to complying with the stipulated norms on eligibility issued by RBI from time to time. If and delay in submission of acceptance letter the bank can approach another Firm if required.

- Upon selection as Statutory Auditors in consultation with the BOD and verifying their compliance with the eligibility norms as prescribed by RBI, the Bank will send the list of at least 2 audit firms (in order of preference), to RBI for its prior approval for appointment of Statutory Auditor with mentioning the total audited asset size of the bank as on 31st March of the previous year along with the Board of Directors Resolution copy with the Prescribed Form B and Form C as given in the RBI circular RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 issued on 27th April 2021.

4. Scope and periodicity of Audit

The Scope and periodicity of the Statutory Audit will be as per prevailing statutory/regulatory guidelines by regulatory/supervisory authorities in this regard from time to time. Further Firms may follow the guidelines given by RBI via Circular no. RBI/2009-10/83 UBD. CO.BPD.(PCB).MC.No. 9/12.05.001/2009-2010 dated 01st July 2009. In absence to any statutory/regulatory guideline, the BOD approved policy for the same will prevail.

5. Tenure and Rotation

The Bank will make the appointment of Statutory Auditors for a continuous period of three years subject to the firms satisfying the eligibility norms each year. if bank wishes to change the statutory audit firm at the completion of the financial year, may shortlist the eligible firms and place it before board of directors for the approval of the RBI.

An Audit firm would not be eligible for reappointment in the Bank for six years i.e. two tenures, after completion of full or part of one term of the audit tenure appointed by the bank. If any firm has conducted audit for the half tenure i.e. one or two year they also would not be eligible to reappointment for six year from completion of part-tenure.

6. Relinquishment of the internal assignments, if any

In the event of acceptance of the appointment as Statutory Auditor of the Bank, all the internal assignments (viz concurrent of internal audit) of the Auditor in the Bank, if any will stand withdrawn.



7. Other Guidelines

- (a) The Time gap between any non-audit works by the Statutory Auditors for the Bank should be at least one year before or after its appointment as Statutory Auditor.
- (b) Bank's appointed Concurrent Auditor should not be considered for appointment as Statutory Auditor.
- (c) The restrictions will also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.
- (d) The firm shortlisted/requested shall not be eligible if it is associated with the audit firm who have completed their audit under the same network of audit firms.
- (e) The BOD shall monitor and assess the independence of the Statutory auditors. Any concerns in this regard will be flagged by the BOD and RBI Regional office.
- (f) In case of any concern with the management of the Bank such as non-availability of information/non-co-operation by the Management, which may hamper the audit process, the Auditor shall have to approach the Board of the Bank under intimation to the concerned Regional office of RBI.

8. Number of Assignments

One audit firm can concurrently take up statutory audit of a maximum of 4 Commercial Banks, 8 UCBs and 8 NBFCs during a particular year subject to compliance with required eligibility criteria and other conditions for each Entity. The above limit does not include the audit of the co-operative societies.

9. Professional Standards of Statutory Auditor

The Board will review the performance of Statutory Auditors on an annual basis. If any serious lapses or negligence in audit responsibilities or conduct issues on the part of Statutory Auditor or any other matter considered as relevant will/shall be reported to RBI by the Board of Directors within Two Months from completion of the annual audit.

10. Remuneration

The audit fees for Statutory Audit will be decided by Board of Directors and will be limited to the provisions of M.P. Co-operative Act.

11. Removal

On the encounter of any serious lapses or negligence board of director has a full authority to remove any audit firm with the prior consultation with RBI Regional Office.



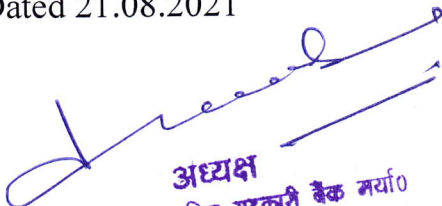
12. Declarations/Undertaking to be given by the Audit Firm:

- (1) A suitable undertaking that the Audit work will be carried out by their own staff and they will not subcontract the audit work.
- (2) There are no adverse remarks/disciplinary proceedings pending/initiated against the firm/any of its partners on the records of ICAI, which would make them ineligible for appointment as auditors.
- (3) None of the partners of the Firm/Company in which they are Partners/Directors are defaulters in any Bank or Financial Institution.
- (4) Associate firms or sister concerns of the firm will be disqualified for internal assignment where the main firm/partners are allotted Statutory Audit in a particular year.
- (5) In 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 SA will be liable to be dealt with suitably under the relevant Statutory/Regulatory Framework.
- (6) None of the partner/s have/will borrowed/borrow any type of loan from the bank during the period of audit.

The modification/amendment, if any, made by RBI in norms/criteria/procedure from time to time shall construe to be part of our policy.

Approved By:

Board of Directors of Sardar Singh Nagrik Sahkari Bank Maryadit Tikamgarh (M.P.) on Meeting Dated 21.08.2021


 अध्यक्ष
 सरदार सिंह नागरिक सहकारी बँक मर्यादित
 टीकमगढ़ (म.प्र.)

