

M S CO OPERATIVE BANK LIMITED, VADODARA

BM 12th May 2021

Policy on Appointment of STATUTORY AUDITOR (S A)

Urban co operative banks are subjected to Statutory Audit every year and accordingly audit has so far been carried out by Chartered Accountants Firm/s every year. Appointment of such CAs as Statutory Auditor has been done by Registrar Co operative Societies Gandhinagar and intimated to UCBs every year.

With the amendment in The Banking Regulation Act 1949, recently UCBs are brought in to ambit of such amendment in B R Act and accordingly Reserve Bank Of India has given guidelines for Appointment of Statutory Auditor vide RBI/2021-22/25 REF.NO.DoS.CO.ARG/SEC.0/08.91.001/2021-22 Dated 26th April 2021 (copy attached) applicable to commercial banks, UCBs, NBFCs. This guidelines shall be implemented for the first time for UCBs from the Financial Year 2021-22. Based on the guidelines given by Reserve Bank of India, following criteria placed for adoption by our Bank for Appointment of Statutory Auditor.

1. Appointment of statutory auditor from Financial Year 2021-22 and onwards shall be done by our Bank.
2. Prior approval of RBI, Department of Supervision Regional Office, Ahmedabad for Appointment/ reappointment shall be obtained every year before 31st July of the reference year.
3. Only for FY 2021-22 relaxation to obtain prior approval and to apply for Appointment of SA may be sought in 2nd half of the year.
4. Banks with asset size Rs 15000 crore and above as at the end of previous year, Statutory audit should be conducted under joint audit of two audit firms and other banks shall appoint minimum One Audit Firm (Partnership /LLPs) for conducting statutory audit of the Bank. We fall below asset size specified as above, hence we shall appoint / reappoint One Audit Firm every year.
5. Such appointed SA shall visit and audit at least top 20% of the branches of the bank, such branches shall be selected in order to the level of outstanding advances, in such a manner as to cover minimum of 15% of total gross advances of the bank.
6. Bank shall appoint audit firm as SA fulfilling following eligibility norms as prescribed by RBI (For asset size up to Rs 1000 crore).

- Minimum No. of full time partners (FTPs) associated with the firm for a period of at least three (3) years should be two (2). FTP shall be considered if such partner have at least one year continuous association of partners with the firm as on date of shortlisting.
 - Out of total FTPs , minimum One (01) fellow chartered accountant (FCA) partner associated with a firm should be for a period of at least three (03) years.
 - Though it is not mandatory, bank shall give priority to the firms with full time partner or full time CA having CISA/ISA qualification.
 - Audit Firm should have minimum six (06) years experience as Statutory Central/Branch Auditor of commercial bank/s(excluding RRBs) / UCB / NBFC/ AIFIs.
 - Audit Firm should have minimum eight (08) no. of Professional staff, which includes audit and article clerks with knowledge of bookkeeping and accountancy & are engaged in onsite audit but excludes typist, steno , computers operator, subordinate staff etc.
 - Audit Firm should be duly qualified for Appointment as SA, should not be under debarment, should be in line with ICAI's code of ethics and should have working knowledge of the language local language.
7. The performance of the SA shall be reviewed by The Audit Committee and report thereon shall be placed before the Board on annual basis.
 8. Bank shall appoint Statutory Auditor for a continuous period of three years, subject to the firm satisfying eligibility norms every year. Bank can remove such audit firm during the above period only with the prior approval of the Dos, RBI, Ahmedabad.
 9. Bank shall decide audit fees payable to audit firm appointed as SA in terms of relevant/regulatory provisions. Bank may adopt fee structure prescribed by Registrar Co operative Societies Gujarat State in this regard. The ACB / Board shall recommend to the competent authority for fixing audit fees of SA.
10. Procedure for Appointment of SA shall be as under:

The bank shall shortlist minimum 2 audit firm/s for every vacancy of SA, in order of preference and place before Audit Committee / Board for selection as SA. Upon selection after verification of SA with eligibility norms prescribed by RBI, Bank shall seek prior approval of RBI for Appointment of audit firm as SA.

However for reappointment of SA till completion of tenure of continuous three years, it shall not be required to short list and sending multiple names of audit firms to RBI while seeking approval for Appointment. For continuous tenure, approval of RBI year to year for continuous appointment / reappointment shall be obtained.

Bank shall obtain a certificate, as prescribed by RBI "Form B" signed by the main partner/s of the audit firm proposed for Appointment of SA of the Bank under the seal of the said audit firm.

Bank shall approach RBI for its prior approval for Appointment as SA, with following details:

- Total asset size of the bank as on 31st March of the previous year
- Copy of Board Resolution recommending names of the audit firm/s for Appointment of SA in order of preference
- Information in Form B, eligibility certificate from audit firm/s, duly signed sealed by Audit firm/s
- Certificate of the Bank in Form C, regarding eligibility of audit firm proposed to be appointed as SA.

The above policy on Appointment of STATUTORY AUDITOR (SA) is recommended for approval of the Board.

SD
General Manager

SD/-
Managing Director / Chairman