



(Scheduled Bank)

Janakalyan Sahakari Bank Ltd.

Appointment of Statutory Auditors Policy

Documents Specification

Version	Date	Document Owner (Department)	Approved by	Date of Approval	Reference of RBI Circular
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Sr. No.	Contents	Page No.
1.	Introduction	2
2.	Applicability	2
3.	Future review of Policy	2
4.	Independence of the Auditors	2
5.	Professional Standards of SAs	2
6.	Tenure and Rotation	2
7.	Audit Fees and Expenses	3
8.	Eligibility Criteria for Statutory Auditors (SAs)	3
9.	Additional Consideration	4
10.	Continued Compliance with basis eligibility criteria	4
11.	Procedure for appointment of Statutory Auditor	5
12.	Annexure A: Eligibility Certificate from Proposed Statutory Auditors – FORM B	6
13.	Annexure B: Certificate from bank regarding eligibility of audit firm proposed to be appointed as Statutory Auditors – Form C	7

Abbreviations used in the documents -

RBI – Reserve Bank of India

SAs – Statutory Auditors

The bank – Janakalyan Sahakari Bank Ltd.

ASC – Audit Sub-Committee

1. Introduction:-

This policy is framed on the basis of guidelines issued by the Reserve Bank of India (RBI) vide Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27th April 2021.

2. Applicability:-

This policy will be applicable for F.Y. 2021-22 and onward or until further review. This policy will be posted on our official website once approved by the Board.

3. Future Review of Policy:-

The Audit Sub-Committee (ASC) and Board may review the policy as and when there are any regulatory changes requiring modification/updating of the policy. After reviewing the policy, all earlier policies will be superseded.

4. Independence of the Auditors :-

- Board of Directors shall monitor and assess the independence of the auditors. In case any concerns observed by the Board the same should be brought to the notice to the designated Regional Office of the RBI.
- In case of any concern with the Management of the Bank, such as non-availability of information/non-cooperation by the officials, which may hamper the audit process, the SAs shall approach the Board, under intimation to the concerned RO of RBI.
- Concurrent Auditor of the Bank should not be considered for appointment as SAs of the Bank.

5. Professional Standards of SAs:-

- The SAs shall strictly follow the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- The Board shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Board with the full details of the audit firm.
- In the event of lapses in carrying out audit assignments resulting in misstatement of Banks financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SAs in relation to Bank, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

6. Tenure and Rotation:-

- In order to protect the independence of the audit firms, the Bank will have to appoint the SAs for continuous period of three years subject to firm satisfying eligibility norms each year.
- In case of un-satisfactory performance of the SAs, Bank shall have the option of removing the Audit firm during the above tenure of three years. This can be done only with the prior approval of the Central office of RBI (Department of Supervision). The same should be accompanied by the reason/ justification within a month of such decision being taken.
- An audit firm would not be eligible for re-appointment for six years (two tenures) after completion of full or part of one term of the audit tenure.
- One year time gap should be maintained for assignment of any non-audit works before or after the appointment of SAs.

- One audit firm can concurrently take up statutory audit of a maximum eight UCBs during the particular year.
- 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.

7. Audit Fees and Expenses:-

- The audit fees for SAs of the bank shall be decided in terms of the relevant statutory/regulatory provisions and as approved by the Board.
- The Board of Bank shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

8. Eligibility Criteria for Statutory Auditors (SAs)

- Bank should appoint audit firm(s) as a SA (s) after verifying /validating the eligibility norms as prescribed in **Annexure-A**
- The minimum standards and eligibility norms as applicable for our Bank (as on date of this policy) for Audit firms to be appointed as SA shall be as under:

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
Above ₹1,000 crore and up to ₹ 15000 crore.	3	2	1	8	12

Note 1	Partners Experience	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.
Note 2	CISA/ISA Qualification	There should be at least one- year continuous association of paid CA with CISA/ ISA qualification with the firm as on the date of short-listing for considering them as paid CAs with CISA/ISA qualification.
Note 3	Audit Experience	The Audit experience shall mean experience of the Audit firm as Statutory Central Auditor/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.

B- Additional Consideration:-

The Audit firms proposed to be appointed as Statutory Auditors should fulfill additional eligibility norms mentioned hereunder:

- The audit firm, proposed to be appointed as SAs for Entities, should be duly qualified for appointment as auditors of a company in terms of Section 141 of the Companies Act, 2013.
- 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.
- The Bank shall 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.
- If a partner of a Chartered Accountant firm is a director of the Bank, the said firm shall not be appointed as SA of the Bank.
- The professional staff deployed by the SAs should have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS) in order to commensurate with degree/ complexity of computer environment of the Bank where the accounting and business data reside in order to achieve the Audit Objectives.
- The SAs should have fair knowledge of functioning of Co-operative sector and should have working knowledge of the language of State (**Marathi**) where our Bank is located.

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 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.
- 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.

9. Procedure for Appointment of SAs:-

➤ **Prior Approval of RBI:**

- The Bank should take prior approval of Central Office of RBI (Department of Supervision) for appointment/reappointment of SAs, on an annual basis before 31st July of the reference year.

➤ **Number of SAs**

- Bank till its' asset size remains up to Rs.15000 crore as at end of previous year, should appoint a minimum of one audit firm (Partnership/LLP) to conduct the audit.

➤ **Branch Coverage:-**

- The SA shall decide the scope of audit considering the guidelines and directives of RBI on the subject.
- The SA shall deploy adequate and skilled professionals to ensure that Audits are conducted in timely and effective manner
- The SA shall visit at least top 20% of the Branches of the Bank in order of the level of outstanding advances in such a manner so as to cover a minimum of 15% of the Gross Advances of the Bank.
- The Bank shall shortlist the minimum of 2 audit firms for appointment of SAs, in case first preference firm would find to be ineligible during the process or refuses the appointment, the second preference firm can be appointed and the process of appointment of SAs does not get delayed. However, in case of re-appointment of SAs by the bank, till completion of tenure of continuous tenure of 3 years, there would not be any requirement of short-listing and sending names of multiple audit firms to RBI while seeking approval to appointment.
- Bank officials should place the name of shortlisted audit firms with necessary preference before board for final selection of SAs .Thereafter, Bank shall seek RBI's prior approval for appointment of SAs.
- The Bank shall obtain a certificate, along with relevant information as per annexure **Form B**, from the audit firm(s) proposed to be appointed as SA 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 SA of the Bank, under the seal of the said audit firm.
- 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 SAs by them comply with all eligibility norms prescribed by RBI for the purpose
- While approaching RBI for its prior approval for appointment of SA, the Bank shall indicate its Total Asset size as on 31st March of the previous year (Audited figures), forward copy of Board Resolution recommending names of Audit firm for appointment as SA in order of preference and also furnish information as per Form B and Form C as mentioned above to facilitate expeditious approval of appointment or re-appointment of the concerned firm.

The Bank shall continue to follow the below mentioned procedure for appointment of Statutory Auditors:-

- Publishing an advertisement on the Bank's website calling for applications from interested CA/ ICWA firms/LLPs for appointment of Statutory Auditors.

- Thereafter a note to be placed before the ASC/ Board detailing all applications received on the website by mentioning their preference, considering the overall qualification, strength and experience of the Audit firms in the Co-operative sector.
- Bank officials should verify whether proposed audit firms are debarred by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI) RBI or other financial regulators by scanning the respective authority web site.
- Board shall then select 2 firms giving first and second preference from the list of firms placed before them for further action.
- Seeking prior approval of RBI for appointment of SA out of the selected firms.
- On receipt of approval from RBI, issue Appointment letter to first preferred Audit firm for their acceptance.
- In case the first preferred Audit firm does not provide their acceptance within the given time, acceptance of the second preferred Audit firm shall be called for.

Eligibility Certificate from Proposed Statutory Auditors – Form B

- Form B is to be obtained from the proposed SAs in the prescribed format. The Format of Form B is appended to this policy.

Certificate from bank regarding eligibility of audit firm proposed to be appointed as Statutory Auditors – Form C

- After verification of 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**. The Format of Form C is appended to this policy.

Annexure A:

FORM B

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

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	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	Minimum No. of years of Audit Experience of the firm #	Minimum No. of Professional staff

Details may be furnished separately for experience as SCAs/SAs and SBAs

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 Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). 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 / directors¹⁵ have been declared as willful defaulter by any bank / financial institution.

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

**Signature of Partner
(Name of the Partner)**

Date:

**Annexure B:
FORM C**

Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA

1. The bank/UCB 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/UCB 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/UCB for FY _____ along with relevant information (copy enclosed), in the format as prescribed by RBI.
3. The firm has no past association/association for _____ years with the bank/UCB as SCA/SA/SBA.
4. The bank/UCB has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature
(Name and Designation)

Date: