

PRAGATI SAHAKARI BANK LTD.

Policy on appointment of Statutory Auditor

The Policy is prepared to follow the RBI guidelines issued vide RBI/ 2021-22/25

Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 Dated 27.04.2021 subject: Guidelines for Appointment of Statutory Auditors.

Objective : Independence of Statutory Auditor, Fixing of eligibility Norms, Professional standard of SAs their tenure etc.

1. The guidelines will be applicable to UCBs from FY 2021-22 and onwards.
2. UCBs can adopt these guidelines from second half of FY 2021-22.
3. UCB will take prior approval of Dept of supervision RO RBI Ahmedabad for appointment and reappointment of SA on annual basis. UCB should apply before 31st July of each FY year for appoint of SA.
4. Our bank is required to appoint an audit firm (Partnership / LLPs) for conducting its statutory audit.
5. Eligibility criteria for appointment of statutory auditors.

Our bank asset size as on 31st March 2021 falls under category of assets size up to Rs. 1000 Crore and audit firm should fulfil following eligibility conditions for appointment as statutory auditor of our bank.

6. The SA shall visit and audit atleast the top 20% of the branches of our bank to be selected in order of the level of outstanding advances in such as manner as to cover a minimum of 15% total gross advances of our bank.

A. Basic Eligibility criteria for appointment as SAs. (Annex I circular)

- i. **(a)** Minimum number of two full time partners (FTPs) associated with the firm for a period of at least 3 years.
- (b)** There should be at least one year continuous association of partners with the firm as on date of empanelment for considering them as full time partners
- ii. out of TWO FTPs at least one should be FCA (Fellow Chartered Accountant) and associated with the firm for a period of at least 3 year.
- iii. One CA with C I S A / I S A qualification as full time partner (Not mandatory for our size of bank)
- iv. Minimum six year of Audit experience of the auditing firm. Audit experience shall mean experience of the audit firm as statutory auditor of Commercial bank / UCBs / NBFC.
- v. The SA firm should have minimum 8 audit and article clerks with knowledge of book – keeping and accountancy for On- site audits and such staff should be with the firm for at least one year continuous association.

B. Additional Consideration

- (i) The audit firm, proposed to be appointed as SAs for UCB, 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) Our 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.
- (iv) if any partner of CA firm is a director in our bank, the said firm shall not be appointed as statutory auditor.
- (v) The Statutory Auditor of firm should have a fair knowledge of the functioning of the Co-operative sector and shall have working knowledge of Gujarat language.

- C. Continued Compliance with basic eligibility criteria before commencement of Annual Statutory Audit of FY ending 31st March and till the completion of audit. In case of any change, bank should approach RO / RBI with full details.

D. Procedure for Appointment of SAs (Annex II of circular)

1. UCB / BOD shall short list minimum 2 audit firm verifying their compliance with eligibility norms, for statutory audit of bank for continuous period of 3 year and obtain prior approval of RO / RBI for appointment as one SAs of bank.
2. In case of **reappointment** of SAs by bank till completion of tenure of continuous term of 3 years, the bank will seek RO / RBI approval for continuance of same SA firm for next financial year, each year during 3 years tenure initially approved by RO/ RBI. There would not be any requirement of short listing and sending names of multiple audit firm to RBI while seeking approval for reappointment.
3. The UCB / bank shall obtain a certificate along with **Form B** from CA firm duly signed by main partners of the audit firm under the seal of audit firm.
4. UCBs / Bank Board shall satisfy itself with the eligibility norms and then recommend the names of audit firms along with a certificate in **Form C** to RO / RBI for appointment of one as statutory auditors of banks.
5. Along with **Form B & C**, UCB / Bank will annex A **BOD resolution** stating their in, its total asset size (audited figures) as on 31st March of the previous year and forward to RO / RBI for approval of appointment / reappointment of the concerned audit firm.

E. Independence of Auditors

Our Bank's Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board of the bank to the RO of RBI.

- (i) In case of any concern with the Management of the Bank such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the Board /ACB of the bank, under intimation to the concerned RO of RBI.
- (ii) **Concurrent auditors** of the bank shall not be considered for appointment as **SAs** of the bank.

F. Professional Standards of SAs

- (i) The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- (ii) The Board /ACB of bank 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.

G. Tenure and Rotation of SAs

- (i) The appointment of SAs shall for a continuous period of 3 year subject to CA firm satisfying eligibility norms for reappointment each year.
- (ii) Bank can remove audit firm during above 3 year period only with prior approval of RO / RBI.
- (iii) SAs firm would not be eligible for reappointment in the Bank for six year (two tenures) after completion of full or part of the term of the audit tenure.
- (iv) One audit firm can con-currently take up statutory audit of a maximum 4 commercial banks, 8 UCBs and 9 NBFC during a particular FY subject to the compliance with eligibility criteria.

H. Auditor Fees & Expenses

The BOD shall make recommendation to RO / RBI as per relevant statutory / regulatory instructions for fixing audit fees of SAs.

The BOD approved policy is hosted on bank's official website for appointment of SAs.

Adopted by BOD 29.04.21

Res. No. 29

General Manager & CEO

Place: Vadodara