

**THE PANDHARPUR
URBAN CO-OPERATIVE
BANK LTD,
PANDHARPUR**

**Policy for Appointment of
Statutory Auditors
For the year 2024-25 and
onwards**

VERISON 1.1

VERSION1.1

This Policy is the property of **The Pandharpur Urban Co-Operative Bank Ltd., Pandharpur**, No parts of this policy may be reproduced or copied, in any form or by any means, in whole or part, without the prior permission of The Pandharpur Urban Co-Operative BankLtd., Pandharpur

Audit & Inspection Department, Head Office.

PUCB Statutory Audit Policy 2024-25, version1.1

Title	Statutory Auditors Appointment Policy for the year 2024-25 and onwards.	
Version	1.1	
Ownedby	Audit & Inspection Department	
Preparedby	Audit & Inspection Department	
Reviewedby	Hon. Chief Executive Officer	
Approvedby	Hon. Board of Directors Board Resolution No.353	
Effectivefrom	26.02.2024	
Validity	Till the next appointment of the Statutory Auditors by the Bank or Regulatory changes, if any.	
Version control	Approvedby	Effective Date
1.1	BoardofDirectors	26 Feb,2024

Table of Contents

Sr.No.	Contents	PageNo
1	Purpose of the Policy	3
2	Scope of Application	3
3	Objectives of the Policy	3
4	Regulatory Guidelines by RBI	3
5	Applicability of RBI Guidelines	4
6	Prior Approval of RBI	4
7	Number of Statutory Auditors & Branch Coverage	4
8	Eligibility Criteria for Appointment as Statutory Auditors	4-7
9	Tenure and Rotation	7-8
10	Audit Fees & Expenses	8-9
11	Independence of Statutory Auditors	9
12	Professional Standards of Statutory Auditors	9-10
13	Process Flow for Short listing/Appointment of Statutory Auditors	10-11
14	Review of the Policy	11
15	Contact Details	11

Preamble

The Statutory Audit function has paramount significance. The Statutory Audit is mandated by the Maharashtra State Co-operative Societies Act, 1960, section 81. This Policy shall consolidate all aspects of Statutory Auditors appointment.

1. Purpose of the Policy

The purpose of this policy is to provide guidance on eligibility and procedures for the appointment of Statutory Auditors of the bank in line with regulatory guidelines issued by RBI.

2. Scope of Application

This Policy is applicable for *appointment of Statutory Auditors only*.

3. Objectives of the Policy

The purpose of the policy document is to provide guidance on the appointment of Statutory Auditors with effect from 1st April, 2024.

4. Regulatory Guidelines by RBI

This Policy has been made incorporating the latest guidelines for appointment of Statutory Auditors(SA's) of UCB's(RBI/2021-22/25,Ref.No.DoS.CO.ARG/SEC.01/08.91.011/202122) dated 27thApril,2021 which has superseded all previous guidelines issued on the subject.

5. Applicability of these RBI Guidelines

These guidelines are made applicable for uniformly for all UCB's for the financial year 2021-22 and onwards in respect of appointment/reappointment of Statutory Auditors. As per RBI guidelines regarding appointment of Statutory Auditors shall be implemented or the first time for UCBs and NBFCs from FY 2021-22, they shall have the flexibility to adopt these guidelines from H2 (second half) of FY 2021-22 in order to ensure that there is no disruption and early adoption of the same.

6. Prior Approval of RBI

- I. We have to take prior approval of RBI(Department of Supervision) for appointment/reappointment of Statutory Auditors, on an annual basis in terms of the above-mentioned statutory provisions. For the purpose, we will apply to Department of Supervision, RBI before 31st July of the reference year.
- II. Since we are covered under Nagpur Region we shall approach the Nagpur region of RBI (Department of Supervision).

7. Number of Statutory Auditors and Branch Coverage

As per the RBI Circular at point No. 4, there is no condition of “Joint Audit” by Audit firms for us since these provisions are applicable to entities with asset size exceeding Rs.15,000 crore.

Therefore, we shall appoint one audit firm only as the “Statutory Auditors”. Also, there is no separate concept of “Statutory Branch Auditors” for UCB’s.

The Statutory Auditors so appointed will ensure that 100% coverage of all branches depending on geographical spread, size, operations, risks involved, etc. Core Banking Solutions has already been implemented on all branches and they are connected to the Head Office. There are no units outside the purview of CBS and therefore coverage of branches will be necessary.

The audit reports for all branches along with LFAR and Annexure wherever applicable shall be submitted by the Statutory Auditors along with the Consolidated Audit Report of the bank.

8. Eligibility Criteria for Appointment as Statutory Auditor

A. Basic eligibility

As per RBI guidelines spelt out in Annex I, we are covered under the second category above Rs. 1,000 crore and up to Rs.15,000 crore and therefore those criteria shall apply.

Asset Size of Entity as on 31st March of Previous Year. :**Above ₹1,000Cr. and Up to ₹15,000Cr.**

Minimum No. of Full-Time partners(FTP)s associated with the firm for a period of at least three(3) years. Note1	3
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	2
Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification Note2	1
Minimum No. of years of Audit Experience of the firm. Note3	8
Minimum No. of Professional staff. Note4	12

Notes:

- I. There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full time partners and at least two Partners of the firm shall have continuous association with the firm for at least 10 years.
- II. For all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size above Rs.1,000 crore, the full-time partner's association with the firm would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:
 - (a) The full-time partner should not be a partner in other firm/s.
 - (b) She /He should not be employed full time/ part time elsewhere.
 - (c) She /He should not be practicing in her/his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.
 - (d) The Board/ACB shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.
- iii. CISA/ISA Qualification: Priority will be given to firms with full time partners or full time CAs having CISA/ISA qualification. There should be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on.

The date of short listing for considering them as Paid CAs with CISA/ISA qualification for the purpose.

- iv. Audit Experience: For UCBs audit experience shall mean experience of the audit firm as Statutory Central/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 affected immediately for this purpose.
- v. 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 shortlisting for considering them as professional staff or the purpose.

B. Additional Consideration

- i. The audit firm, proposed to be appointed as Statutory Auditors, 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 will ensure that appointment of Statutory Auditors 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 in any Entity, the said firm shall not be appointed as Statutory Auditors of any of the group entities of our bank.
- v. The auditors for banks like us with asset size above ₹1,000 crore should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the bank where the accounting and business data reside in order to achieve audit objectives.
- vi. The audit firm should have a fair knowledge of the functioning of the co-operative sector and shall preferably have working knowledge of the language of the state (i.e Marathi).

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 us 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. Tenure and Rotation

- I. The Statutory Auditor once appointed shall be for a continuous period of three years subject to the firms satisfying the eligibility norms each year. Further, we can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision), as applicable for prior approval for appointment.
- II. An audit firm would not be eligible for re-appointment with us for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other Entities.
- III. Ceiling limits: One audit firm can concurrently take up statutory audit of a maximum of 4(four) Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], 8 (eight) UCBs and 8 (eight) NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules.

Note:

- (a) For clarity, the limits prescribed for UCB exclude audit of other Co-operative Societies by the same audit firm.

- (b) A group of audit firms having common partners and/or under the same net work will be considered as one entity and they will be considered for allotment of SCA/SA accordingly.
- (c) Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not allowed.
- (d) 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.

10. Audit Fees & Expenses

- I. The Statutory Auditors will be paid fees for audit as per Maharashtra State Co-operative Societies Act, 1960 and guidelines issued under the same from time to time. No advance fees shall be paid before commencement or during the course of Statutory Audit.
- II. Additionally, a 10% fee over the fees calculated as per above shall be paid as "LFAR fees" for LFAR of the Head Office as well as branches.
- III. Applicable GST shall be paid as per original Invoice and TDS at prescribed rates will be deducted before making the final payment.
- IV. Regarding travelling & halting allowance, actual expenditure Or 5% of audit fee whichever is less shall be payable to auditor.
- V. The Audit Fees shall be released only after submission of Audit reports at all the prescribed authorities within scheduled timelines.

11. Independence of Auditors

- I. The Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board to the concerned SSM/RO of RBI.
- II. 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 Statutory Auditors shall approach the Board/Audit Committee of the bank, under intimation to the concerned SSM/RO of RBI.

- III. Concurrent auditors of the bank will not be considered for appointment as Statutory Auditors. The audit of the bank and any borrower with large exposure to the bank for the same reference year will also be explicitly factored in while assessing independence of the auditor.
- IV. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors for the bank should be at least one year, before or after its appointment as Statutory Auditors. However, during the tenure as Statutory Auditors, an audit firm may provide such services to the concerned bank which may not normally result in a conflict of interest and such decision in this regard, in consultation with the Board/ACB.

12. Professional Standards of Statutory Auditors

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

13. Process Flow for short listing/appointment of Statutory Auditors

- I. We shall shortlist minimum of 2 audit firms for every vacancy of Statutory Auditors, 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 Statutory Auditors does not get delayed. However, in case of

Reappointment of Statutory Auditors till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.

- II. We shall place the name of shortlisted audit firms, in order of preference, before our Board/ ACB for selection as Statutory Auditors. Upon selection of Statutory Auditors by the bank in consultation with our Board and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of Statutory Auditors.
- III. We shall obtain a certificate, along with relevant information as per Form B & C, from the audit firm(s) proposed to be appointed as Statutory Auditors by the Entity to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Additionally, the audit firms will also have to submit relevant details of Partners as well as the Professional staff that will be involved during the course of such Statutory Audit. Such certificate will have to be signed by the main partner/s of the audit firm proposed for appointment of Statutory Auditor of our bank, under the seal of the said audit firm.
- IV. While approaching the RBI for its prior approval for appointment of Statutory Auditors, we will indicate our total asset size as on March 31st of the previous year (audited figures), and forward a copy of Board/ACB Resolution recommending names of audit firms for appointment as Statutory Auditors in the order of preference and also furnish information as per requisite forms to facilitate expeditious approval of appointment/re-appointment of the concerned audit firm.
- V. We shall communicate only the Audit firms approved by RBI on their appointment as Statutory Auditors of our Bank.
- VI. The Audit firm so appointed post approval from RBI, will be placed before the Annual General Meeting of members for ratification.

14. Review of the Policy

This Policy is subject to review every year at the time of appointment of the Statutory Auditors of the bank.

CHIEF EXECUTIVE OFFICER

15. ContactDetails

Audit firms desirous of making applications for Statutory Auditors shall ensure, they check in detail provisions of this Policy hosted on our webpage as well as ensure compliance of detailed guidelines as per RBI Circular dated 27th April, 2021. (<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12079&Mode=0>)

The applications complete in all aspects shall be addressed to:

**The CEO,
The Pandharpur Urban Co-operative Bank
Ltd.,
Pandharpur.
4163B, NaviPeth, Pandharpur
District- Solapur, Maharashtra.
audit@pandharpurbank.com**

CHIEF EXECUTIVE OFFICER