

# SWARNA BHARATHI SAHAKARA BANK

## NIYAMITHA.,

NO. 2229, 23<sup>RD</sup> CROSS, BANASHANKARI 2<sup>ND</sup> STAGE ,  
BENGALURU - 560070

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## Statutory Audit Policy and Appointment Procedure



# Statutory Audit Policy and Appointment Procedure

## 1. Introduction:

Statutory Audit is the statutory requirements as per the directions of Reserve Bank of India. The Bank shall be audited its accounts at least once in each financial year. The Statutory Audit of the Bank will be conducted as per the provisions of the Banking Regulation Act, 1949 (AACS), Karnataka state co-operative Societies Act, 1959 and such other statutes as may be applicable to the organization from time to time and under the general & specific provisions and guidelines issued by the Reserve Bank of India & The Institute of Chartered Accountants of India. The Audit policy should be reviewed each year. As per RBI directions all banks should formulate an Audit Policy duly approved by the Board. Accordingly, our bank framed the Audit policy which was approved by the Board in its meeting held on 25-05-2022 vide Agenda item No 10

## 2. Short Title & Commencement

The policy may be called “**The Audit Policy of Swarna Bharathi Bank Niyamitha, Bengaluru -560070**” and will be force from the date it is approved by the Board.

**2.1 Authority:** The Audit policy shall be framed and approved by the Board. The Board is the authority to amend, add, delete, and modify any terms /conditions referred therein. The Audit policy should be reviewed at least once in a year to comply with the directives / guidelines issued by the Reserve Bank of India from time to time.

**The Bank will adopt the following guidelines from Second half of FY 2021-22, w.e.f 01.10.2021.**

1. **Prior Approval of RBI** – Prior approval of RBI (Department of Supervision) for appointment/reappointment of Statutory Auditor, on an annual basis in terms of Section 30(1A) of the BR Act, 1949. Application to be submitted to concerned regional



of RBI (Department of Supervision) before 31st July of the reference year.

2. As our bank falls within Rs.1000 crore asset size (as at the end of previous year Financial Year) as per RBI directions the bank needed the Bank will appoint a **minimum of one audit firm** (Partnership firm/LLPs) for conducting statutory audit, subject to review every year.
3. SAs shall ensure **adherence to the provisions of Section 143 (8) of the Companies Act, 2013** regarding audit of accounts of all branches.
4. **Eligibility Criteria of Auditors** – The Bank will appoint audit firm(s) as its SA(s) fulfilling the eligibility norms as prescribed by RBI.
  - i) The auditor proposed to be appointed should have at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of empanelment/shortlisting for considering them as paid CAs with CISA/ISA qualification for the purpose.
  - ii) Preferably an experienced auditor who has audited other Co-operative banks earlier. He should be in the audit work for a period of minimum of six years.
  - iii) **Professional Staff:** The audit firm proposed to be appointed as Statutory Auditors of the bank should have professional staff which includes minimum number of professional staff consisting of eight members which 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 at least one-year continuous association of professional staff with the firm as on the date of empanelment /short listing for considering them as professional staff for the purpose.

## 5. Additional Consideration

- a) The audit firm, proposed to be appointed as SAs, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- b) 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.



- c) 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.
- d) For audit of UCBs, the SA of the firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the language of the state in which the UCB/branch of the UCB is located.

The auditors for Banks with asset size above Rs.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 Entities where the accounting and business data reside in order to achieve audit objectives.

#### 6. 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.

7. 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 Senior Supervisory Manager (SSM)/RO (Regional Office) of RBI.
8. Concurrent auditors of the Bank should not be considered for appointment as SAs of the same Entity. The audit of the Bank and any entity with large exposure (As defined in RBI instructions on 'Large Exposures Framework') to the Entity for the same reference year should also be explicitly factored in while assessing independence of the auditor.



## Professional Standards of SAs

The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence. The Board 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.

In the 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 SAs in relation to Bank, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

Statutory Auditors are required to report matters of material or prime concern to Reserve Bank of India as and when they arise, as an Exception Report to Department of Supervision, of respective regional office of RBI, as also in the LFAR.

### 1. Tenure and Rotation

In order to protect the independence of the auditors/audit firms, Bank will have to appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, Bank 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.

An audit firm would not be eligible for reappointment in the Bank 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.

One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and 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.

For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm.

A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SA accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. 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.

## **2. Audit Fees and Expenses**

The audit fees for SCAs/SAs of all the Entities shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees for SAs shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc. The BOM of Bank shall make recommendation to the Board as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

## **3. The Board approved procedure and criteria for appointment of Statutory audit will be hosted on Bank's official website.**

## **4. Submission of Returns**

In terms of Section 31 of the Banking Regulation Act, 1949("the Act"), read with Section 56 of the Act, accounts and balance sheet referred to in Section 29 of the Act together with the auditor's report shall be published in the prescribed manner and three copies thereof shall be furnished as returns to the Reserve Bank within three months from the end of the period to which they refer.

## **5. Submission of Compliance**

Compliance to the Statutory Audit Report, duly approved by the Board shall be submitted to the Reserve Bank of India, Registrar for Co-operative Societies and the Statutory Auditors within three months from the date of receipt of the report.



## 1. Procedure for Appointment of SAs

- a) Minimum of 2 audit firms will be short listed for every vacancy of SAs 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 SAs does not get delayed. However, in case of reappointment of SAs by bank till completion of tenure of continuous term 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.
- b) The name of short-listed audit firms, in order of reference will be placed before the Board for selection as SAs. Upon selection of SAs by the bank in consultation with their Board and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SAs.  
On receipt of approval from RBI, the same will be put up at the Annual General Meeting for approval.
- c) The Bank shall obtain a certificate, along with relevant information as per Form B, from the audit firm(s) proposed to be appointed as SAs 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 SAs of the Bank, under the seal of the said audit firm.
- d) 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 SA by them comply with all eligibility norms prescribed by RBI for the purpose.
- e) While approaching the RBI for its prior approval for appointment of SAs, the Bank shall indicate their total asset size as on March 31st of the previous year (audited figures), forward a copy of Board Resolution recommending names of audit firms



for appointment as SAs in the order of preference and also furnish information as per Form B and Form C as mentioned above, to facilitate expeditious approval of appointment/re- appointment of the concerned audit firm.

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.

**A. 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 / directors have been declared as wilful defaulter by any bank / financial institution.

**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	Size of Entity As on 31st March of Previous Year Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

\*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than Rs. 1,000 crores Details may be furnished separately for experience as SCAs/SAs and Statutory Branch Auditors(SBA)





**A. 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.

The Audit Policy of the bank was placed before the Board meeting held on – and it was unanimously approved by the Board. The Board also advised CEO to send a copy of the policy to Reserve bank of India for perusal and necessary action. The Board also advised to follow the policy guidelines while recommending/appointing Statutory Auditors henceforth.

**FORM C**

**Certificate to be submitted by the UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA**

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

For Swarnabharathi Sahakara Bank N For Swarnabharathi Sahakara Bank N.



President

President



Vice President

Vice President

For Swarna Bharathi Sahakara Bank Niyamitha



Chief Executive Officer

Chief Executive Officer

