



THE BORAL UNION CO-OPERATIVE BANK LTD.

Samabay Bhaban, Samabay Sarani,

Boral, South 24 Parganas,

Pin : 700154

Policy for Appointment of Statutory Auditors (SAs)

(for the Year 2021-22 and onwards)

1. Introduction:

1.01 Reserve Bank of India (RBI) vide its circular dated April 27, 2021, has issued guidelines for appointment of Statutory Auditors (SAs). Further, RBI on June 11, 2021 published certain clarifications to its circular dated April 27, 2021 in the form of Frequently Asked Questions (FAQs). Accordingly, the Bank has prepared the policy for appointment of SAs in line with norms applicable to Primary (Urban) Co-operative Banks.

2. Purpose:

2.01 To define the policy for appointment of SAs in conformation with the extant norms of RBI; applicable provisions of Banking Regulation Act, 1949. The Bank is required to formulate a Board Approved Policy and formulate necessary procedure thereunder to be followed for appointment of Statutory Auditor (SA). Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.

3. Definitions:

- a) “Bank” means The Boral Union Co-operative Bank Ltd.
- b) “Audit Committee” means the Audit Committee of the Board.
- c) “Board” means Board of Directors of the Bank.
- d) “Statutory Auditors (SAs)” mean auditors appointed as per the policy to conduct statutory audit of the Bank.
- e) “RBI circular” means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/ SEC.01/ 08.91.001/ 2021-22. Dated April 27, 2021.

f) Potential Conflict of Interest -

Potential Conflict of Interest, with reference to a firm that is being considered for appointment as SCAs/ SA, may arise, in any of the following circumstances:

- i) The firm is engaged with audit/non-audit works for a Group Entity which is not regulated by RBI
- ii) The audit firm was engaged with audit/non-audit works for a Group Entity which is not regulated by RBI, and not more than one year has elapsed since the completion/ relinquishment of such engagement
- iii) A partner of the firm is a director in any of the Group Entities which are not regulated by RBI

4. Applicability:

4.01 This Policy will be applicable to the Bank for Financial Year 2021-22 and onwards in respect of appointment/reappointment of Statutory Auditors.

5. Prior Approval of RBI:

5.01 The Bank shall take prior approval of RBI for appointment/ reappointment of SAs on annual basis. The Bank shall apply to Department of Supervision, RBI, Kolkata, before 31st July of the reference year for such approval.

6. Number of SAs and Branch Coverage:

6.01 Minimum number of SAs to be appointed by the Bank shall be One if the Bank's asset size as on March 31 of previous year, is less than ₹15,000 crore. The Bank shall finalize the work allocation among SAs, before the commencement of the statutory audit, in consultation with their SAs.

6.02 The SAs shall visit and audit [as per RBI Circular - at least the Top 20 branches/Top 20% of the branches of the Entities (in case of Entities having less than 100 branches)] all the branches of the Bank, to be selected in order of the level of outstanding advances, in such a manner as to cover a minimum of 15% of total gross advances of the Bank. In addition, the Bank shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

7. Eligibility Criteria of Auditors:

7.01 (A) The Bank shall adhere to the minimum eligibility criteria as mentioned in the RBI circular for appointment of the Statutory Auditors considering the asset size of the Bank. Presently the minimum standards and eligibility norms for audit firms to be appointed as SAs of the bank shall be, as given below:

Asset size of the Bank as on 31st March of the previous year	Min No. of Full Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1	Out of 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
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Upto ₹1,000 crore	2	1	1*	6	8
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* Not mandatory for UCBs with asset size of up to ₹ 1,000 crore.

Note 1: 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.

Note 2 : CISA/ISA Qualification: For UCBs with asset size up to ₹ 1,000 crore, there is no minimum requirement in this regard. However, such Entities may give priority 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 shortlisting for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3: 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 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 shortlisting for considering them as professional staff for the purpose.

(B) Additional Consideration :-

(i) 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.

(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) 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.

(iv) If any partner of a Chartered Accountant firm is a director in an RBI Regulated group Entity, the said firm shall not be appointed as SA of the bank. Bank shall, as part of the process for selection of firms for appointment as SAs, obtain appropriate disclosures in this regard, including details of directorships in Group Entities that are not regulated by RBI.

(v) 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.

(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 shall 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, the Bank may approach RBI, to allow the concerned audit firm to complete the audit, as a special case.

8. Independence of Auditors:

8.01 For UCBs, the 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 UCB to the concerned RO of RBI.

8.02 Concurrent auditors of the Bank will not be considered for appointment as SAs. The audit of the Bank and any entity with large exposure (As defined in RBI instructions on 'Large Exposures Framework') to the Bank for the same reference year should also be explicitly factored in while assessing independence of the auditor.

8.03 The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the Bank or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SAs. However, during the tenure as SA, an audit firm may provide such services to the Bank which may not normally result in a conflict of interest #, and the Bank will take a decision in this regard, in consultation with the Boards.

A conflict would not normally be created in the case of the following special assignments (indicative list):

(i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements, (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements, (iv) Reporting on financial information or segments thereof.

8.04 The restrictions as detailed in para 8.02 and 8.03 above, will also apply to an audit firm under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

9. Professional Standards of SAs:

9.01 The Board/ACB of Bank 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 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/ACB, with the full details of the audit firm.

10. Tenure and Rotation:

10.01 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, the Bank can remove the audit firms during the above period only with the prior approval of RBI.

10.02 An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure &.

&. In case an audit firm has conducted audit of the Bank for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Bank for six years from completion of part-tenure.)

11. Audit Fees and Expenses:

11.01 The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions.

11.02 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.

11.03 The Board/ACB of Bank shall make recommendation to the RBI as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

12. Statutory Auditor - Appointment Procedure:

12.01 Process for reappointment of existing Auditors:

First preference will be given to existing SAs for their re-appointment subject to compliance of eligibility norms. The Bank shall obtain the willingness from the existing SAs for re-appointment. In case such consent is not received from the existing SAs, Bank

shall follow the process for appointment of New SA to fill that vacancy as detailed below.

12.02 Process for appointment of New firm as SAs:

12.02.1 Applications will be invited from the Audit firms / past auditors of the Bank / firms associated with Bank in past / firms having their Head Office or Branch in Kolkata, subject to fulfilling the eligibility criteria as per para 7 above. A window of maximum of 2 weeks will be announced with prior approval from Chief Executive, for the firms to apply for expression of interest (EOI) for appointment of Statutory Auditors. An advertisement in News Paper/ Website will be given regarding the window for EOI.

12.02.2 The shortlisting of firms from applications received for EOI, will be done by an Evaluation Committee. The composition of Evaluation Committee will be finalized by CEO. An Evaluation Committee will shortlist the firms by evaluating audit firms on the parameters preapproved by Board and willingness received from the firms. The name of shortlisted audit firms, in order of preference, will be placed before the Board for selection as SA.

12.02.3 Thereafter, the bank shall seek RBI's approval for appointment/ re-appointment of SAs under Sections 30 (1-A) of the Banking Regulation Act, 1949.

12.03 General process to be followed:

12.03.1 The Bank shall obtain a certificate, along with relevant information as per Form B (Annexure I), from the audit firm(s) proposed to be appointed/ reappointed as SAs, 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/ reappointment of SAs of the Bank, under the seal of the said audit firm.

12.03.2 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 (Annexure II), 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.

12.03.3 The SAs are required to declare the list of their major corporate clients to avoid conflict of interest. In case any of the SAs is auditors of a corporate client who is assisted by the Bank, then files of such corporate client shall be audited by the other SA.

13. Review of the policy:

The Audit Committee of the Board / Board of the Bank may review the policy as and when required / need-based.

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

Annexure I

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	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 ₹1,000 crore.

#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.

[Policy for appointment of Statutory Auditors \(SAs\) - 2021-22 onwards](#)

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SAs of UCBs. 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 wilful defaulter by any bank / financial institution.

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

Signature of the Partner

(Name of the Partner)

Date:

15 For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.

Annexure II

FORM C

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

The bank 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 SAs of UCBs.

Signature

(Name and Designation)

Date: