



ದಿ. ದಿವಾಣ ಬಹದ್ದೂರ ಎಸ್.ವಿ.ಮುನಿಸಾಯ ಇವರಿಂದ 1916 ರಲ್ಲಿ ಸ್ಥಾಪಿತ...  
ನೋಂದಣಿ ಸಂಖ್ಯೆ:1258, ದಿ:23-11-2016, RBI ಲೈಸೆನ್ಸ್ ನಂ.ಆರ್.ಪಿ.ಡಿ(ಬಿಪಿ)ಡಿ.ಸಿ.ಬಿ16/2011-12 ದಿ:12-12-2011

ಕರ್ನಾಟಕ ಸೆಂಟ್ರಲ್ ಕೋ-ಆಪ್ ಬ್ಯಾಂಕ ಲಿ., ಧಾರವಾಡ

ಪ್ರಧಾನ ಕಚೇರಿ : ಪಿ.ಬಿ.ನಂ. 21, ಸುಭಾಸ ರಸ್ತೆ, ಧಾರವಾಡ - 580001

THE KARNATAK CENTRAL CO-OPERATIVE BANK LTD., DHARWAD

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## Board Resolution No.13 held on 10.07.2024

### Policy for Appointment /Re-appointment of Statutory Auditors (SA)

**PREAMBLE :** This policy shall be known as "Policy on Appointment/Reappointment of Statutory Auditor". The Policy is aimed at conforming all relevant Statutory/Regulatory requirements and to afford necessary transparency and objectivity for most key aspects of Audit Function.

**1. Objective of the Policy** The objective of this policy is to provide guidance on appointment of Statutory Auditor of the Bank and lay down eligibility criteria of selection of Statutory Auditor Firm and procedure to be followed for selection in line with the guidelines issued by the RBI.

**2. Scope of the Policy** This policy is applicable for appointment/reappointment of Statutory Auditors of the Bank. The Policy shall be applicable for the financial year 2024-25 onwards in terms of Reserve Bank of India directives issued/may be issued from time to time in this regard.

**3. Regulatory Guidelines by RBI** The Policy has been made by incorporating the latest guidelines for appointment of Statutory Auditors (SA's) of Central Cooperative Banks (RBI /2023-24/113 Ref.No.DOS.ARG/SEC.8/08.91.001/2023-24 ) dated January 15,2024.

**4. Regulatory Reference** Section 30(1A) of the Banking Regulation Act, 1949(Amendment ) Act,2020(Act 39 of 2020) read with RBI Circular No: Ref.No.DOS.ARG/SEC.8/08.91.001/2023-24 ) dated January 15,2024.

**5. Prior Approval of RBI:** 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, Bangalore before 31st July of the reference year for such approval.

**6 Procedure** (i) NABARD shall obtain a list of audit firms [Partnership firms / Limited Liability Partnerships (LLPs)], on an annual basis, from the Institute of Chartered Accountants of India (ICAI).

(ii) Thereafter, NABARD shall apply the eligibility criteria prescribed for SAs in this circular and prepare an All-India State-wise list of eligible audit firms.

(iv)The bank shall select the audit firm(s) from this list, obtain the necessary approvals from the Board of Directors (Board) / Audit Committee of the Board (ACB), and submit application for prior approval to Department of Supervision, RBI, before July 31 of the reference financial year

**1. Eligibility Criteria of Statutory Auditors (SAs)** In case of appointment of fresh SA, the bank shall select from the list provided by NABARD the audit firms fulfilling the requirements under these guidelines as enumerated in Appendix I and forward the name(s) of the shortlisted audit firms to RBI as per the procedure prescribed in Appendix II.

**2. Independence of Auditors**



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8.1 Board / ACB of the bank shall monitor and assess the independence of auditors and conflict of interest, if any, in terms of the relevant statutory / regulatory provisions, Standards and best practices. Concerns, if any, raised by the Board / ACB shall be reported to NABARD.

8.2 Concurrent auditors of the bank shall not be considered for appointment as SA of the same bank. There shall be a minimum gap of one year between completion of one assignment and commencement of the other assignment.

8.3 The time gap between any non-audit work (services mentioned in Section 144 of the Companies Act, 2013, internal assignments, special assignments, etc.) undertaken by the SA for the appointing bank shall be at least one year, both before appointment and after completion of tenure as SA. However, during the tenure as SA, based on the decision of the Board / ACB, an audit firm may provide such services to the appointing bank which may not normally result in conflict of interest. Special assignments, including those such as (i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements, (iii) Issuance of certificates that are required to be made by the SA in compliance with statutory or regulatory requirements, and (iv) Reporting on financial information or segments thereof, may not be treated as conflict of interest.

8.4 The restrictions, as detailed in paras 5.2 and 5.3 above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partner(s), as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014.

8.5 The SA shall report concern(s), if any, regarding the conduct of Management such as non-availability of information / non-cooperation by the Management (which may hamper the audit process), etc., to the Board / ACB and also to NABARD.

### 3. Review of Performance of Statutory Auditors (SAs)

9.1 The Board / ACB of the bank shall review the performance of SA annually. Any serious lapse / negligence in discharging audit responsibilities, conduct issues on the part of the SA, or any other matter considered as relevant, shall be reported with the approval of the Board / ACB to NABARD within two months from the completion of the audit.

9.2 Violation of extant statutory / regulatory norms and lapses in carrying out audit assignments such as misstatement of financial statements, etc., by the SAs would be dealt suitably under the relevant statutory / regulatory / supervisory framework

### 4. Tenure and Rotation of Statutory Auditors (SAs)

10.1 SAs shall be appointed at a time for a period of one year only and shall be reappointed annually for the succeeding two years subject to them continuing to satisfy eligibility norms stated in these guidelines. During such period, premature removal of the SA shall require prior approval of RBI. However, any such request for removal shall be forwarded to RBI with the approval of the Board / ACB.

10.2 An auditor / audit firm shall not be eligible for appointment / re-appointment in the same bank for six years (two tenures) immediately after completion of a full or part tenure. In case an auditor / audit firm has conducted audit of the bank for part-tenure (one year or two years) and then is not re-appointed for the remainder tenure, it shall not be eligible for re-appointment in the same bank for six years after completion of part-tenure. However, audit firms can continue to undertake statutory audit of other banks.



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**5. Number of StCBs / CCBs an Audit firm can Audit**

- 5.1 An audit firm can concurrently take up statutory audit of a maximum of five banks (including not more than one StCB) in a year.
- 5.2 The limit of five banks will be in addition to the limit of 20 Regulated Entities (REs), as prescribed in the 'Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)' dated April 27, 2021.
- 5.3 Further, in a year, an audit firm cannot simultaneously take up statutory audit of both StCB and CCBs operating in the same State.
- 5.4 In other words, an 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, NaBFID, NHB, EXIM Bank) or RBI], eight Urban Cooperative Banks (UCBs), eight Non-Banking Financial Companies (NBFCs), and five StCBs / CCBs (including not more than one StCB) in a year.
- 5.5 This limit is subject to the audit firm's compliance with the eligibility criteria and other conditions as prescribed in these guidelines and within the overall ceiling prescribed by any other statute or rules.
- 5.6 For the purpose of these guidelines, a group of audit firms having common partner(s) and / or under the same network shall be considered as one unit and considered for appointment as SA accordingly. The incoming audit firm shall not be eligible if such an audit firm is associated with the outgoing audit firm or is under the same network of audit firms.
- 5.7 Shared / Sub-contracted audit by any other audit firm or by an associate audit firm under the same network of audit firms, is not permitted.

**6. . Audit Fees and Expenses of Statutory Auditors (SAs)**

- 12.1 The audit fees for SAs of all the banks shall be decided in terms of the relevant statutory / regulatory provisions and the Board / ACB of banks shall make recommendation to the competent authority as per the relevant statutory / regulatory instructions for fixing audit fees of SAs.
- 12.2 The audit fees for SAs of banks 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.

**7. Statutory Audit Policy, Appointment Procedure, Working knowledge of the language of the state and Familiarisation Mechanism for Statutory Auditors (SAs)**

- 13.1 The bank shall frame a Board-approved policy on appointment of SA and host it on its official website / public domain. The bank shall also formulate necessary procedures thereunder for selection / appointment / re-appointment / removal of SA. Apart from conforming to all the relevant statutory / regulatory requirements, the policy shall accord necessary transparency and objectivity on all the major aspects of this important assurance function.
- 13.2 To decide the branch / business coverage under the Statutory Audit, the bank shall be guided by the guidelines given in Appendix III of the circular.



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13.3 For smooth conduct of the statutory audit, it is preferable that the audit firm to be appointed as SA has proficiency in the local language of the state / UT where the auditee bank is located.

13.4 Before commencement of the audit, the bank shall sensitize its SAs, on aspects such as relevant RBI Regulations, systems and procedures at the bank, expectations and requirements from the SAs, etc.

#### APPENDIX I

#### 8. Eligibility Criteria for Appointment as SA - Basic Eligibility for CCBs

Asset Size of StCB / CCB as on 31st March of Previous Financial Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three years [Please refer to Note 1]	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partner(s) associated with the firm for a period of at least three years	Minimum No. of FTPs / Paid CAs with CISA / ISA / DISA Qualification [Please refer to Note 2]	Minimum No. of years of Audit Experience of the firm [Please refer to Note 3]	Out of (5), Minimum No. of years of Statutory Audit experience in StCBs/CCBs [Please refer to Note 3]	Minimum No. of Professional Staff [Please refer to Note 4]
1	2	3	4	5	6	7
Above ₹15,000 crore	5	4	2	8	2	8
Above ₹1,000 crore and Up to ₹15,000 crore	3	2	1	4	1	4
Upto ₹1,000 crore	2	1	1*	1#	1#	2



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\*Preferably 1 FTP / Paid CA with DISA / CISA / ISA Qualification

# Preferably 1 year experience

#### A. Notes

**Note 1:** There should be at least one-year of continuous association of partner(s) with the firm as on the date of short listing (by banks) for considering them as FTPs.

For all banks with asset size above ₹1,000 crore, the FTP's association with the firm would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:

(a) The FTP should not be a partner(s) in other firm/s.

(b) She / He shall not be employed full time/part time elsewhere.

(c) She / He shall not practice 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(s) from the firm / LLP is adequate for considering him / her as full-time exclusively associated partner(s).

**Note 2:** CISA / ISA / DISA Qualification:

There shall be at least one-year continuous association of Paid CAs (with CISA / ISA / DISA qualification) with the firm, as on the date of shortlisting, to consider them as Paid CAs with CISA / ISA / DISA qualification for the purpose.

**Note 3:** Audit Experience

The audit firm should have minimum 6 years experience of audit 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. It is desirable that Audit Firm should have experience in Audit of Cooperative Bank.

**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 / stenographers / computer operators / secretaries / subordinate staff, etc. There shall be at least one year of continuous association of professional staff with the firm, as on the date of shortlisting, for considering them as professional staff

A bank having an asset size upto Rs.1000 Crore (Category – C) need not confine itself to only Category – C audit firms for selection of SA; the bank can also consider higher rated audit firms i.e. Category A and B audit firms for selection of SA but not vice versa.

Similarly, Category – B banks with assets size of above Rs.1000 crore and upto Rs.15000 crore can consider both Category A and Category B audit firms for selection of SA, but not Category C audit firms. However, Category A Banks with asset size of above Rs.15000 crore can consider only Category A audit firms for selection of SA.



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## B. Additional Consideration

- (i) The audit firm, proposed to be appointed as SA, 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 SA is in accordance 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(s) of a Chartered Accountant firm is a director in any bank, the said firm shall not be appointed as SA of that particular bank.
- (v) The auditors should have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATs) and Generalized Audit Software (GAS), commensurate with the degree / complexity of computerization of the banks.

## B. Continued Compliance with basic eligibility criteria I

In case an audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death, etc., of any of the partner(s) / employee(s), action by Government Agencies / NFRA / ICAI / RBI / other Financial Regulators, etc.) as stated in B (ii) above, it shall promptly approach the bank with full details. Further, such audit firm shall take all necessary steps to become eligible within a reasonable time and, in any case, the audit firm should be in compliance 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, such as death of one or more partner(s) / employee(s), etc., which may render the firm ineligible with respect to one or more of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

## Appendix II

### Procedure for Appointment of SA

1. The process of appointment of SA in StCB / CCB starts with the bank sending the application to RBI with the names of the audit firm as approved by its Board / ACB, followed by grant of prior approval by RBI and concludes with the appointment of SA in the AGM of the concerned bank.
2. In case of fresh appointment of SA, for each vacancy of SA, the bank shall shortlist minimum of two audit firms from the panel of NABARD.
3. The bank shall place the names of shortlisted audit firms, in order of preference, before their Board / ACB for 'in principle' approval. After approval of the Board / ACB, the bank shall approach RBI for prior approval.
4. The banks having their Registered Office within Mumbai Region shall submit their application to the Audit Relation Group (ARG), Department of Supervision (DoS), Central Office (CO), RBI, Mumbai. Banks under the jurisdiction of Nagpur Office of RBI shall submit their application to DoS, RBI, Nagpur. The banks in other States / UTs shall submit their application to DoS of the respective Regional Office of RBI in the state where the Registered Office of the bank is located.
5. The bank shall obtain a certificate, as per Form B, from the shortlisted audit firms to the effect that the audit firm complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate on the



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letter-head of the audit firm should be signed by the managing partner of the audit firm, under the seal of the said audit firm.

6. While recommending the name(s) of audit firm(s), the bank shall also furnish a certificate, in the format as per Form C, stating that the audit firm proposed to be appointed as SA by it comply with all the eligibility norms prescribed by RBI.

7. While approaching RBI for prior approval, the bank shall indicate its total asset size as on March 31st of the previous financial year (audited figures), attach a copy of Board / ACB Resolution recommending name(s) of audit firm(s) in the order of preference, Form B and Form C along with all the documents mentioned therein, to facilitate expeditious processing.

### Appendix III

#### Guidelines for selection of branches for audit by SAs

Norms to be followed while making selection of branches for audit are as under:

1. The branches selected for audit should cover at least 70% of the total advances outstanding.
2. Top 20 branches / Top 20% of the branches of the banks (in case of banks having less than 100 branches) to be selected in order of level of outstanding advances should be compulsorily included for audit.
3. Branches where fraud, embezzlements or transactions of a suspicious nature are suspected or have taken place may be taken up for audit, if not covered with reference to (2) above.
4. Branches where the loan, business growth is 50% and more over the preceding year should also be compulsorily taken for audit, if not covered with reference to criteria (2) and (3) above.
5. The actual selection of branches to be taken up for audit should be decided by the Board / ACB keeping in view the above guidelines.
6. While deciding the branches and business coverage, the bank shall interalia consider bank-specific characteristics such as degree of centralisation of processes, need to address fraud risk and credit risk, adverse report from internal / concurrent auditors, whistle blower complaints, and unusual patterns / activity shown by internal MIS reports.
7. The bank shall also disclose on its website / public domain the extent of branch / business coverage under Statutory Audit for the respective year and the previous year.

### FORM B

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

##### A. Particulars of the firm

Asset Size of StCB / CCB as on 31st March of Previous Financial Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three years [Please	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partner(s) associated with the firm for a period of	Minimum No. of FTPs / Paid CAs with CISA / ISA / DISA Qualification [Please refer to Note 2]	Minimum No. of years of Audit Experience of the firm [Please refer to Note 3]	Out of (5), Minimum No. of years of Statutory Audit experience in StCBs/CCBs [Please refer to Note 3]	Minimum No. of Professional Staff [Please refer to Note 4]







ದಿ. ದಿವಾನ್ ಬಹದ್ದೂರ ಎಸ್.ವಿ.ಮೋನಶಾಯಿ ಇವರಿಂದ 1916 ರಲ್ಲಿ ಸ್ಥಾಪಿತ...  
ನೋಂದಣಿ ಸಂಖ್ಯೆ:1258, ದಿ:23-11-2016. RBI ಲೈಸೆನ್ಸ್ ಸಂ.ಆರ್.ಪಿ.ಡಿ(ಬಿಬಿ)ಡಿ.ಬಿ.ಬಿ/2011-12 ದಿ:12-12-2011

ಕರ್ನಾಟಕ ಸೆಂಟ್ರಲ್ ಕೋ-ಆಪ್ ಬ್ಯಾಂಕ ಲಿ., ಧಾರವಾಡ

ಪ್ರಧಾನ ಕಛೇರಿ : ಪಿ.ಬಿ.ನಂ. 21, ಸುಭಾಷ ರಸ್ತೆ, ಧಾರವಾಡ - 580001

**THE KARNATAK CENTRAL CO-OPERATIVE BANK LTD., DHARWAD**

Post Box No. 21, Subhas Road, Dharwad-580001.

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kccbarkdharwad.in, a-l@kccbarkdharwad.in, Website: kccbarkdharwad.com, IFSC Code: KSCB0015001



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.

**FORM C**

- A. Certificate to be submitted by the StCB / CCB regarding eligibility of audit firm proposed to be appointed / reappointed as SA

The StCB / CCB is desirous of appointing / reappointing M/s \_\_\_\_\_, Chartered Accountants (Firm Registration Number \_\_\_\_\_) as Statutory Auditor (SA) for the financial year \_\_\_\_\_ for their 1st / 2nd / 3rd year and therefore has sought the prior approval of RBI as per the Section 30(1A) of the Banking Regulation Act, 1949.

2. The StCB / CCB has obtained the eligibility certificate on all criteria of eligibility as prescribed in Appendix I of the circular on 'Guidelines on Appointment / reappointment of Statutory Auditors (SAs) of State Co-operative Banks (StCBs) and Central Co-operative Banks (CCBs)' issued vide circular Ref. No. DOS. ARG/SEC. 8/08.91.001/2023-24 dated January 15, 2024, from (name and Firm Registration Number of the audit firm) proposed to be appointed / reappointed as Statutory Auditor of the StCB / CCB for FY \_\_\_\_\_, along with relevant information, in Form B of the circular prescribed by RBI (copy enclosed).

3. The firm has no past association / association for \_\_\_\_\_ years (between FY \_\_\_\_\_ and FY \_\_\_\_\_) with the StCB / CCB as SA and for \_\_\_\_\_ years (between FY \_\_\_\_\_ and FY \_\_\_\_\_) with the StCB / CCB for non-audit work.

4. The StCB / CCB has verified the said firm's compliance with all the eligibility norms prescribed by RBI for appointment of SA of StCB / CCB.

Sd/-  
President  
K.C.C.Bank Ltd., Dharwad

Sd/-  
Chief Executive Officer  
K.C.C.Bank Ltd., Dharwad