

The Greater Bombay Co-op Bank Ltd

Guidelines on Appointment of Statutory Auditor (SA) based on RBI Circular.

A) General Consideration

- 1) **Every Year Prior approval of** Central Office of RBI (Department of Supervision) is required for the appointment . **Number of SAs and Branch Coverage**
- 2) Bank of our assets size should appoint a minimum of one and maximum of 4 audit firm (Partnership firm/LLPs)for conducting statutory audit.
- 3) SAs shall visit and audit at least the Top 20 branches/Top 20% of the branches of the Bank (in case of Bank having less than 100 branches), 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
- 4) 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 Director to the concerned SSM/RO of RBI.
- 5) Concurrent auditors of the Bank should not be considered for appointment as SA of the same Entity
- 6) 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 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 concerned Bank in consultation with the Board/ACB/
- 7) The Board/ACB shall review the performance of SAs on an annual basis.
- 8) Bank will have to appoint the SA for a continuous period of three years¹ subject to the firms satisfying the eligibility norms each year. Bank can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision).
- 9) Audit firm would not be eligible for reappointment in the same Bank for six years (two tenures) after completion of full or part of one term of the audit tenure.
- 10) Bank need to confirm that audit firm can concurrently take up statutory audit of a maximum of eight UCBs during a particular year,
- 11)The audit fees for SAs of all the Bank shall be decided in terms of the relevant statutory/regulatory provisions.
- 12) The Board/ACB of Bank shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.
- 13)Bank should formulate a Board/LMC Approved Policy to be hosted on its official website/public domain and formulate necessary procedure thereunder to be followed

for appointment of SAs. 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.

14) The basic eligibility for appointment of SA is

- Minimum No. of 3 Full-Time partners associated with the firm for a period of at least 3 years
- Out of total which, Minimum No. of 2 Fellow Chartered Accountant Partners associated with the firm for a period of at least three (3) years
- Out of Minimum No. of 1 Full Time Partners/ Paid CAs with CISA/ISA Qualification
- Minimum No. of 8 years of Audit Experience of the firm (experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ AIFIs.)
- Minimum No. 12 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.)
- For appointment as SAs at least two partners of the firm shall have continuous association with the firm for at least 10 years.
- 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/LMC shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated

B. Additional Consideration

(i) The audit firm, proposed to be appointed as SA for Bank, 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 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 Public Sector Bank (PSB), the said firm shall not be appointed as SA of any PSB. Further, if any partner of a Chartered Accountant firm is a director in any Bank, the said firm shall not be appointed as SA .

(v) The auditors for Bank 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) 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 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.

D) Procedure for Appointment of SA

1. The Bank shall shortlist minimum of 2 audit firms for every vacancy of SA 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 SA does not get delayed. However, in case of reappointment of SA by Bank 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.

2. The banking companies shall continue to follow the existing procedure followed by them for selection of SAs. They shall place the name of shortlisted audit firms, in order of preference, before their ACB/LMC for selection as SA. Upon selection of SA by the bank in consultation with their ACB/LMC and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SA.

4. The Bank shall obtain a certificate, along with relevant information as per [Form B](#), from the audit firm(s) proposed to be appointed as SA by the Entity 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 SA of the Bank, under the seal of the said audit firm.

5. The UCBs 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 SCA/SA by them comply with all eligibility norms prescribed by RBI for the purpose.

6. While approaching the RBI for its prior approval for appointment of SA, UCBs shall indicate their total asset size as on March 31st of the previous year (audited figures), forward a copy of Board/ACB Resolution (resolution not needed for foreign banks operating under branch mode) recommending names of audit firms for appointment as SA 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.