

Annexure-III

Synopsis for appointment for Statutory Auditors in UCBs

- i. RBI has issued new guidelines for the appointment of SA vide circular No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021.
- ii. As RBI guidelines regarding appointment of SAs shall be implemented for the first time for UCBs 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.
- iii. The guidelines have been issued in pursuance of Section 31(1) of BR Act, 1949 (After amendment of BR Act).
- iv. The UCBs shall place the name of shortlisted audit firms (Minimum 2 firms to be selected), in order of preference, before their Board for selection as SA. Upon selection of SAs by the UCBs in consultation with their Board and verifying their compliance with the eligibility norms prescribed by RBI, the UCBs shall seek RBI's prior approval for appointment of SCAs/SAs.
- v. The audit firms are to be selected from the list provided by the Cooperative Department of Karnataka keeping in view the eligibility criteria mentioned in the policy and to be approved by the Board.
- vi. The bank shall shortlist a minimum of 2 audit firms 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 the 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.
- vii. While approaching the RBI for its prior approval for appointment of SAs, **UCBs 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'** to facilitate expeditious approval of appointment/re-appointment of the concerned audit firm.
- viii. Bank is required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of SAs, on an annual basis.
- ix. The bank is not required to obtain the permission/consent of General Body for approval of SAs
- x. The bank should apply to the Department of Supervision, RBI (Bengaluru office) before 31st July of the reference year from the list of eligible audit firms.
- xi. The SAs shall visit and audit at least the top 20% of 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.
- xii. 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.)
- xiii. An 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.
- xiv. **If any partner of a Chartered Accountant firm is a director in a bank, the said firm shall not be appointed as SCA/SA.**
- xv. The auditors for UCB with **asset size above ₹1,000 crore** should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATs) 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.

- xvi. For the 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.
- xvii. The Board Approved Policy for appointment of SAs shall be hosted on its official website/public domain and formulate necessary procedure thereunder to be followed for appointment of SAs.
- xviii. The Board of UCB shall decide the remuneration/fee payable to SAs as per the provisions of Karnataka Co-operative Societies Rules, 1960 and guidelines/instructions issued thereunder by the Cooperative Department of Karnataka

FORM B

A. Particulars of the firm:

Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated* with the firm for a period of at least three (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	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Minimum No. of years of Audit Experience# of the firm	Minimum No. 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.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of UCBs (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 willful 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: