

BASSEIN CATHOLIC CO-OPERATIVE BANK LTD

(Scheduled Bank)

POLICY FOR APPOINTMENT OF STATUTORY AUDITOR

Presented in Audit Committee Meeting held on 23.06.2021

Approved in Board of Directors Meeting held on 28.06.2021

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1. Preamble

As per RBI Guidelines for Appointment of Statutory Auditors (SAs) of UCBs, vide Ref. No. DoS.CO.AR.G/SEC.01/08.91.001/2021-22, dated 27th April, 2021, our bank is required to formulate a Board Approved Policy to be hosted on our official website/public domain and formulate necessary procedure thereunder to be followed for appointment of 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.

2. Applicability

These guidelines will be applicable to BCCB for financial year 2021-22 and onwards in respect of appointment / reappointment of SA of BCCB. Since these guidelines shall be implemented for the first time for BCCB, we have the flexibility to adopt these guidelines from second half (H2) of FY 2021-22.

3. Prior Approval of RBI

BCCB will be required to take prior approval of RBI, Department of Supervision for appointment/reappointment of SA, on an annual basis in terms of the said statutory provisions. For the purpose, BCCB has to apply to Central Office of RBI (Department of Supervision) Mumbai before 31st July of the reference year.

4. Number of SA

BCCB is required to appoint one audit firm {Partnership / Limited Liability Partnership (LLP)} for conducting statutory audit.

5. Eligibility Criteria of Auditors

BCCB is required to appoint audit firm as its SA fulfilling the eligibility norms as prescribed under eligibility criteria as per annex 1 of the said RBI Circular.

6. Independence of Auditors

- i. The Board of Directors shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard may be flagged by the Board to the concerned SSM of RBI.
- ii. Concurrent auditors of BCCB should not be considered for appointment as SA. The audit of BCCB and of any entity with large exposure as defined in RBI instructions on 'Large Exposures Framework' to BCCB for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- iii. In case of any concern with the Management of BCCB such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SA shall approach the Board of BCCB, under intimation to the concerned SSM of RBI.
- iv. The time gap between any non-audit works of BCCB should be at least one year, before or after its appointment as SA. However, during the tenure as SA, an audit firm may provide such services to BCCB which may not normally result in a conflict of interest (such as Tax audit, tax representation and advice on taxation matters, audit of interim financial statements, Certificates required

to be issued by the SA in compliance with statutory or regulatory requirements, reporting on financial information or segments thereof) and the bank may take their own decision in this regard, in consultation with the Board.

7. Professional Standards of SA

- i. The SA shall be strictly guided by the relevant professional standards in discharge of its audit responsibilities with highest diligence.
- ii. The Board shall review the performance of SA on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SA 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 of the Board, with the full details of the audit firm.
- iii. In the event of lapses in carrying out audit assignments resulting in misstatement of BCCB's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SA in relation to BCCB, the SA would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

8. Tenure and Rotation

- i. In order to protect the independence of the audit firm, BCCB will have to appoint the SA for a continuous period of three years, subject to the firm satisfying the eligibility norms each year. Further BCCB can remove the audit firm during the above period only with the prior approval of the concerned office of RBI as applicable for prior approval for appointment.
- ii. An audit firm would not be eligible for reappointment in BCCB for six years (two tenures) after completion of full or part of one term of the audit tenure.
- iii. One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks, eight UCBs and eight NBFCs during a particular year, subject to the conditions mentioned in Para 8.3 of the said RBI Circular dated 27.04.2021

9. Audit Fees and Expenses

- i. The audit fees for SA of BCCB will be decided in terms of the relevant statutory/regulatory provisions.
- ii. The audit fees for SA of BCCB shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units (branches), complexity of transactions, level of computerization, identified risks in financial reporting, etc.
- iii. The Audit Committee of the Board shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SA.

10. Eligibility Criteria for Appointment of SA

A. Basic Eligibility

Asset Size of Entity as on 31 st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years Note1	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 FTPs/Paid CAs with CISA/ISA Qualification Note2	Minimum No. of years of Audit Experience of the firm Note3	Minimum No. of Professional staff Note4
Above ₹1,000 crore and Up to ₹15,000 crore	3	2	1	8	12

Note1:

- There should be at least one-year continuous association of partners with the firm as on the date of short listing for considering them as full time partners. Further, for appointment as SA of BCCB 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 partners 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.
- The Board 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.

Note 2: CISA/ISA Qualification

There is no minimum requirement in this regard for BCCB. However, we 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

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.

Note4:ProfessionalStaff

Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but exclude 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 shortlisting for considering them as professional staff for the purpose.

B. Additional Consideration

- i. The audit firm, proposed to be appointed as SAs for Entities, 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 Entities 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. The auditor 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 BCCB where the accounting and business data reside in order to achieve audit objectives.
- v. For audit of BCCB, the SA of the firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of Marathi.

C. Continued Compliance with basic eligibility criteria

- i. 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 BCCB with full details.
- ii. 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.
- iii. 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.

11. PROCEDURE FOR APPOINTMENT OF SA

- a. The BCCB 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. In case of reappointment of SA by BCCB 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.
- b. BCCB shall place the name of shortlisted audit firms, in order of preference, before their Board for selection as SA. Upon selection of SA by the BCCB in consultation with the Board and verifying its compliance with the eligibility norms prescribed by RBI, the BCCB shall seek RBI's prior approval for appointment of SA.
- c. The BCCB shall obtain a certificate, along with relevant information as per Form B, from the audit firm(s) proposed to be appointed as SA by BCCB 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 BCCB, under the seal of the said audit firm.
- d. The BCCB shall verify the compliance of audit firm to the eligibility norms prescribed by RBI for the purpose and after being satisfied of its eligibility, recommend the name along with 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 eligibility norms prescribed by RBI for the purpose.
- e. While approaching the RBI for its prior approval for appointment of SA, BCCB shall indicate its total asset size as on March 31st of the previous year (audited figures), forward a copy of Board Resolution recommending name 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.

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 31 st 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 minimum period of three (3) years	Number of FTPs/PaidCAs 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.

C. Declaration from the firm:

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SA of BCCB. 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:

ANNEXURE II - FORM C

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

1. BCCB is desirous of appointing M/s __, Chartered Accountants (Firm Registration Number __) as Statutory Auditor (SA) for the financial year- 2021-2022 for its 1st /2nd /3rd term and therefore has sought the prior approval of RBI as per the section 30(1A) of the eBanking 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. BCCB has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Auditor of the BCCB 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 BCCB as SA.
4. BCCB has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SA of BCCB.

Signature
(Name and Designation)
Date: