



ILKAL CO-OPERATIVE BANK LTD.,

ILKAL - 587 125.

POLICY ON STATUTORY AUDIT AND PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITOR.

The Reserve Bank of India, vide Circular No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 has issued the detailed guidelines pertaining to statutory audit, appointment of Statutory Auditor (S.A.), Procedure for Appointment, eligibility criteria of SAs, Professional Standards of S.As. Tenure and Rotation, in respect of UCBs. For the purpose of eligibility criteria, UCBs are classified into three.

- i) with Asset size above Rs.15000 crore
- ii) with Asset size above Rs.1000 crore and upto Rs.15000 crore
- iii) with Asset size upto Rs.1000 crore

Presently bank's total asset size as on March 31, 2022 is below Rs.1000 crore (Rs.453.86 crore), the following eligibility norms for Appointment of Statutory Auditor are applicable.

1. Only Audit firms (Partnership firm/Limited Liability Partnerships) are eligible for conducting statutory audit.
2. The Audit firm should consist of minimum two full time partners who should be associated with the firm for a period of at least three years.
3. Of the Full-Time Partners (FTP), one should be 'Fellow Chartered Accountant' (FCA) associated with the firm for a period of minimum three years.
4. The Audit firm proposed to be appointment as S.A. should have audit experience for a period of minimum six years.
5. The Audit firm should consist of minimum eight professional staff. Professional Staff, for this purpose, includes audit assistants and article clerks who have knowledge of



book-keeping and accountancy and are engaged in on-site audit, but excludes typists/computer operators/secretaries etc. The professional staff should be associated with the firm for atleast one year.

The Audit firm to be appointed as S.A. should have experience of statutory audit of cooperative bank (UCB) and should be well-versed with the local language- Kannada. As Bank's asset size is below Rs.1000 crore, the Bank is not required to have minimum one Full Time Partner with CISA/ISA qualification in the firm. However, the Bank may give priority to the criterion whenever Bank's asset-size crosses Rs.1000 crore.

The names of audit firms can be obtained by the bank from the list of Chartered Accountants and C.A. Audit firms published by the Department of Co-operative Audit, Government of Karnataka in its official website.

The Bank shall place the names of shortlisted audit firms, in order of preferences, before the Board for selection of S.A. The Bank shall obtain a certificate along with relevant information as per **Form B** from the audit firms proposed to be appointed as S.A. Such audit firms should comply with all the eligibility norms proscribed by RBI and the certificate so prepared should be signed by the main partner(s) under the seal of the firm. Upon selection of audit firms for statutory audit by the Board as per eligibility norms prescribed by RBI, the Bank shall submit the proposal of two audit firms, in order of preference along with a certificate in **Form C**, for appointment of S.A. to the RBI for prior approval. However, in case of reappointment of S.A. by the Bank till completion of tenure of continuous three years, the Bank need not make short listing and sending names of multiple audit firms to RBI for seeking prior approval. The Bank shall not consider the same audit firm for reappointment for six year (two tenures) after completion of one full or part tenure for statutory audit of the Bank. The audit firms which have undertaken concurrent audit of the bank, should not be considered for appointment as Statutory Auditor of the Bank. The bank, for prior approval of the RBI, should submit application to the Department of Supervision, RBI, Regional Office Bengaluru, before 31st July every year.



The audit firm appointed as S.A. and approved by RBI, may take up Statutory audit of a maximum of four commercial banks, eight UCBs and eight NBFCs during a particular year.

There should not be any adverse remarks/disciplinary proceedings, pending/initiated against the audit firm or any of partners of audit firm to be appointed as Statutory Auditor of the bank, on the records of ICAI. Further, the bank shall pursue the website of the National Financial Reporting Authority to ascertain disciplinary action, if any, has been taken against the audit firm/s by the NFRA. These points shall be strictly considered prior to appointment of S.A.

In the event of acceptance of the appointment as Statutory Auditor of the bank, all internal assignments of the S.A. in the bank, if any, will stand withdrawn.

The bank shall obtain 'Undertakings/Declarations' as specified by the RBI from time to time from the audit firm appointed as S.A. before commencement of Statutory Audit.

An audit firm appointed as Statutory Auditor may be removed, during its tenure, by the Board of Directors of the bank, with the prior approval by the RBI.

Audit Fees and Expenses

The audit fees for statutory audit shall be decided as per statutory/regulatory provisions. As there is no specific provision in respect of audit fees for S.A. in RBI guidelines, the Bank may follow the guidelines prescribed in the order issued by the Government of Karnataka, Department of Cooperative Audit.

The Bank shall arrange the Board Approved Policy to be hosted on its official website www.ilkalcoopbank.com

Reviewed and Approved in the Board meeting held on December 30, 2022

Sd/-
GENERAL MANAGER

CERTIFIED TRUE COPY
FOR ILKAL CO-OP BANK LTD ILKAL

Sd/-
PRESIDENT

U. B. Raoji
General Manager