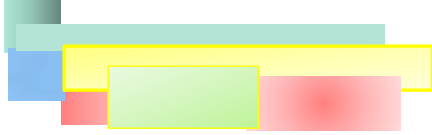


**SRIRAMNAGAR PATTANA SAHAKAR BANK NI  
SRIRAMNAGAR**



Policy on appointment of Statutory Auditors of the Bank as approved in the  
Board of Directors meeting held on 06-07-2022

## **1.Background.**

RBI vide its circular Ref.No. DoS. CO.ARG/SEC.01/08.91.001/2021-22 dated April 27,2021 (“RBI Circular”) has issued guidelines for Appointment of Statutory Auditors (SAs) of Commercial banks, (excluding RRBs), UCBs and NBFCs (including HFCs). The guidelines require lending institutions to formulate a policy approved by the Board of Directors(“the Board”) to be hosted on its official website and formulate necessary procedures thereunder to be followed for the appointment of SAs.

## **2.Objective.**

The Policy shall act as a guideline for appointment of the Statutory Auditors of the Bank.

The Objective of the Policy is to:

- i) Determine the number of SAs based on various parameters;
- ii) Criteria for appointment of SAs; and
- iii) Procedure to be followed for appointment of SAs.

## **3.Applicability**

This Policy will be applicable for appointment of Statutory Auditors by the Bank for the financial year 2022-23 and onwards including any amendments, if any made from time to time by the Regulators.

## **4.RBI reporting**

The Bank will inform the Bengaluru Regional Office of RBI (Department of Supervision), with respect to the appointment of SAs for each year by way of a certificate in Form A ( as prescribe by RBI ) within one month of such appointment.

## **5.Number of SAs and Branch Coverage:**

Since the asset size of the Bank is below ₹1,000 crore as at last reporting period i.e, March 31,2021, the Bank can appoint one SA.

The Statutory Auditors 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.

## **6. Minimum Eligibility Criteria of Auditors**

In accordance with the RBI circular, since the Bank's asset size is less than ₹1,000 crore the audit firms shall fulfil the following minimum criteria for being eligible to be considered for appointment as SA of the Bank:

- i) Minimum number of full-time partners (FTPs) associated with the firm for a period of at least three years should be two.
- ii) Out of total FTPs, minimum number of fellow chartered accountant (FCA) partners associated with the firm for a period of at least three years should be one.
- iii) Minimum number of full-time partners / paid Chartered Accountants (CAs) with Certified Information System Auditor (CISA) / ISA qualification should be one.
- iv) Minimum number of years of relevant audit experience of the firm should be six. The relevant audit experience would be experience of the firm as statutory/branch auditors of Banks/NBFCs/AIFI, and
- v) Minimum number of professional staff should be eight. Along with the criteria as specified by the RBI, the Bank shall appoint the SA's meeting the criteria.

## **7. Independence of Auditors**

7.1. 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 Directors of the Bank to the concerned Senior Supervisory Manager (SSM)/RO Regional Office (RO) of RBI.

7.2. In case of any concern with the Management of the Bank such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the Board of the Bank, under intimation to the concerned SSM/RO of RBI.

7.3. Concurrent auditors of the Bank will not be considered for appointment as Statutory Auditors. The audit of the Bank and any entity with large exposures to the Bank for the same reference year should also be explicitly factored in while assessing independence of the auditor.

7.4. The time gap between any non-audit work i.e., services mentioned at Section 144 of Companies Act, 2013, internal assignments, special assignments, etc. by the Statutory Auditors of the Bank or any audit/non-audit work for its group entities should be at least one year, before or after its appointment as Statutory Auditors. However, during the tenure as Statutory Auditor, an audit firm may provide such services to the concerned entities, which may not normally result in a conflict of interest,

and Bank may take their own decision in this regard, in consultation with the Board.

7.5. The restrictions as detailed in para 7.3 and 7.4 above, shall apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

## **8.Tenure and Rotation**

In order to protect the independence of the auditors/audit firms, Entities will have to appoint the SCAs/SAs for a continuous period of three years, 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), as applicable for prior approval for appointment, as mentioned at Para 3.2 of this circular.

## **9.Audit Fees and Expenses**

The Bank shall ensure that the audit fees of the Bank 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 computerisation, identified risk in financial reporting etc. The Audit fees shall be approved by the Board in consultation with the SA.

## **10.Procedure for Appointment of Statutory Auditors**

The RBI circular prescribe the procedure for appointment of SAs, which includes the following:

- i) The Company shall short list minimum of two audit firms for every vacancy of SA.
- ii) The Company shall obtain a certificate from each of the audit firms proposed to be appointed as SAs that it complies with all the eligibility norms prescribed by RBI. Such certificate shall be duly signed by the main partner/s of the audit firm proposed for appointment under the seal of the said audit firm.
- iii) The Board shall recommend the appointment of the SA for the approval of General Body.

## **11.Review of the Policy.**

This Policy shall be reviewed as and when deemed necessary and will be submitted to the Board for its approval on the recommendation of the ACB. In case there are any regulatory changes requiring modifications to the Policy, the Policy shall stand modified in accordance with regulations.