



AUDIT & INSPECTION DEPARTMENT

**POLICY FOR APPOINTMENT OF
STATUTORY AUDITORS OF THE BANK**

Recommended by :	Approved by :
Audit Sub-Committee	Board on 29.04.2021

Review of Policy:

Recommended by :	Approved by :
Audit Sub-Committee : 29.07.2024	Board on 30.07.2024

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

Document History

Sl. No.	Version	Issue Date	Description / Comments	Issued by	Approved by
1.	1.0	29.04.2021	As per RBI Circular regarding Appointment of Statutory Audit	Board	CEO

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

TABLE OF CONTENTS

1. Purpose	4
2. Applicability.....	4
3. Prior Approval of RBI.....	4
4. Number of Statutory Auditors	4
5. Coverage of Audit	5
6. Minimum Eligibility Criteria of Auditors	5
7. Independence of Auditors	6
8. Professional Standards of Statutory Auditors	7
9. Tenure and Rotation	7
10. Audit Fees and Expenses.....	7
11. Procedure for Appointment of Statutory Auditors.....	8
12. General Process to be followed.....	8
13. Review of the Policy	9
14. Annexure-I (Form B).....	10-11
15. Annexure II (Form C).....	12

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

1. PURPOSE

- 1.1. As per RBI circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, the Bank is required to formulate a Board Approved Policy and formulate necessary procedure thereunder to be followed for appointment of Statutory Auditor (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

- 2.1. This Policy will be applicable to the Bank for Financial Year 2022-23 and onwards in respect of appointment/reappointment of Statutory Auditors.

3. PRIOR APPROVAL OF RBI

- 3.1. The Bank is required to take prior approval of RBI (Department of Supervision) for appointment/ reappointment of Statutory Auditors, on an annual basis. For the purpose, the Bank is required to apply to The Department of Supervision, Central Office, RBI, Bengaluru, before 31st July of the reference year.

4. NUMBER OF STATUTORY AUDITORS

- 4.1. The Bank shall decide on the number of SAs after taking into account the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc.
- 4.2. The statutory audit shall be conducted by a Partnership firm/ Limited Liability Partnership (LLPs).

The National Co-Operative Bank Ltd,



Document ID : NCBL / AID -01

Version No : 1.0

Issue Date : 29.04.2021

5. COVERAGE OF AUDIT

5.1. The Statutory Auditors shall visit and audit all Branches. In addition, the Bank shall ensure adherence to the provisions of Sec 143(8) of the Companies Act, 2013 regarding of audit of accounts of all branches.

6. MINIMUM ELIGIBILITY CRITERIA OF AUDITORS

6.1. The Bank shall adhere to the minimum eligibility criteria as mentioned in the RBI circular for appointment of the Statutory Auditors considering the asset size of the Bank, as given below:

Asset size of the Bank as on 31st March of the previous year	Min No. of Full Time partners (FTPs) associated with the firm for a period of at least three (3) years	Out of 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
Above ₹ 1000 crore and upto ₹ 15,000 crore	3	2	1	8	12

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

7. INDEPENDENCE OF AUDITORS

- 7.1. Audit Committee of the Board (ACB) 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 ACB to the Board of Directors of the Bank and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- 7.2. In case of any concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditors shall approach the Board/ACB of the Bank, under intimation to the concerned SSM/RO of RBI.
- 7.3. Concurrent auditors of the Bank should 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 works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors for the Bank or any audit/non-audit works 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 Bank, 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/ACB.
- 7.5. The restrictions as detailed in para 7.3 and 7.4 above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

8. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS

8.1. The Board/ACB of Bank shall review the performance of Statutory Auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditors 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/recommendation of the Board/ACB, with the full details of the audit firm.

9. TENURE AND ROTATION

- 9.1. In order to protect the independence of the auditors/audit firms, Bank will have to appoint the Statutory Auditors 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), as applicable for prior approval for appointment.
- 9.2. An audit firm would not be eligible for reappointment in the Bank for six years (two tenures) after completion of full or part of one term of the audit tenure.

10. AUDIT FEES AND EXPENSES

- 10.1. The audit fees for Statutory Auditors shall be decided in terms of the relevant statutory/regulatory provisions.
- 10.2. The audit fees for Statutory Auditors for 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 computerization, identified risks in financial reporting, etc.
- 10.3. The ACB shall make recommendation to the RBI for fixing audit fees of Statutory Auditors.

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

11. PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS

11.1. The Bank shall have in place detailed procedural guidelines, in conformity with the instructions under this policy and all relevant statutory/regulatory requirements for appointment of Statutory Auditors.

12. General process to be followed:

- The Bank shall obtain a certificate, along with relevant information as per [Form B](#) (Annexure I), from the audit firm(s) proposed to be appointed/ reappointed as SAs, 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/ reappointment of SAs of the Bank, under the seal of the said audit firm.
- The Bank 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](#) (Annexure II), stating that the audit firm(s) proposed to be appointed as Statutory Auditor, by them comply with all eligibility norms prescribed by RBI for the purpose.
- The Statutory Auditors are required to declare the list of their major corporate clients to avoid conflict of interest. In case any of the Statutory Auditors is auditors of a corporate client who is assisted by the Bank, then files of such corporate client shall be audited by the other Statutory Auditor.

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

13. REVIEW OF THE POLICY

The Policy shall be updated at least once in two /three years by the Internal Audit Department. Going forward, the same shall be placed to Audit Committee of Executives for review and post review by Audit Committee of Executives, the policy shall be placed to Audit Committee of the Board for recommendation and Board for approval.

The Board approved policy will be hosted on Bank's official website.

SUMA P.V.

(I/C Chief Executive Officer)

H.C.KRISHNA

(Chairman)

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

Annexure –I

Form – B

Eligibility Certificate from (Name and Firm Registration Number)

A. Particulars of the Firm:

Asset Size of UCB 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 period of three (3) years	Number of Full Time Partners / Paid CAs with CISA/ISA Qualifications	Number of years of Audit Experience #	Number of Professional Staff
---	--	---	--	---------------------------------------	------------------------------

* Exclusively associated in case of UCBs with asset size of more than Rs. 1,000/- crore

Details may be furnished separately for experience as SAs

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.

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

- (iii) Whether the firm has been appointed as 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 SAs of UCBs. It is certified that neither / 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 Partner

(Name of Partner)

Date:

The National Co-Operative Bank Ltd,		
Document ID : NCBL / AID -01		
Version No : 1.0	Issue Date : 29.04.2021	

Annexure - II

Form C

Our Bank is desirous of appointing M/s. _____ Chartered Accountants (Firm Registration Number _____ as Statutory Auditor (SA) for the financial year _____ for our 1st / 2nd / 3rd term and therefore has sought the prior approval of RBI as per the Section 30(1A) of the Banking Regulation Act, 1949.

2. Our Bank has obtained eligibility Certificate (Copy enclosed) from (Name and Firm Registration Number of the Audit Firm) proposed to be supported as Statutory Auditor of our Bank 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 our Bank as Statutory Auditor.
4. Our Bank has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SAs of UCBs.

Signature

(Name and Designation)

Date: