



INDRAPRASTHA SEHKARI BANK LTD.

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Policy regarding appointment of Statutory Auditors

In compliance of RBI guidelines issued vide communique No. RBI/2021-22/25, Ref No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27.04.2021 regarding appointment of Statutory Auditors.

Introduction: The Reserve Bank of India vide its circular dated 27.04.2021 has issued fresh guidelines for appointment of Statutory Auditors thereby superseding all earlier guidelines issued. Since RBI guidelines regarding appointment of Statutory Auditors (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.

Purpose: To formulate the policy for appointment of SAs in conformity with the extant norms of RBI, applicable provisions of Banking Regulation Act, 1949 and Companies Act 2013.

Applicability: The policy will be applicable for Financial Year 2021-22 onwards.

Prior approval of RBI : The Bank shall take prior approval of RBI for appointment/reappointment of SAs on annual basis in terms of statutory provisions. For the purpose, the Bank shall apply to Department of Supervision, RBI before 31st July of the reference year, for such approval.

Minimum number of SAs & professional standards

1. On receipt of list of eligible audit firms from RBI, the Bank shall shortlist minimum of 2 audit firms for every vacancy of SAs so that even if a 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 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 for appointment.
2. As per RBI norms, a minimum of One SA is to be appointed by the Bank. Concurrent auditors of the Bank would not be considered for appointment as SAs.
3. While appointment of SAs, firms with full time partners or full time CAs having CISA/ISA qualification would be given priority.

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4. The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
5. The audit firm, proposed to be appointed as SA for the Bank, should be duly qualified for appointment as auditor of a company in terms of Sec.141 of the Companies Act, 2013.
6. The Bank 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.
7. The SAs should have a fair knowledge of the functioning of the cooperative sector.

Eligibility : The audit firm to be appointed should have atleast two full time partners who are associated with the firm for a period of atleast three years. Further, one of the full time partners must be a Fellow Chartered Accountant (FCA). The Firm must have minimum 8 professional staff and should have six years of audit experience.

Tenure and Rotation : In order to protect the independence of the auditors/audit firms, the Bank shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, the Bank can remove the audit firm/s during the above period only with the prior approval of the concerned office of RBI (Department of Supervision), by giving reasons/justification thereof.

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. However, audit firms can continue to undertake statutory audit of other banks.

Continued Compliance with basic eligibility criteria: 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.), they may promptly approach the Bank with full details. 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.

In case of any extraordinary circumstances, 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.

Independence of Auditors: 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 the Bank to the concerned RO of RBI.

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/ACB of the Bank, under intimation to the concerned RO of RBI.

Audit Fees and Expenses: The Bank shall pay audit fees to the SAs as may be decided by the Board.

Statutory Audit Policy and Appointment Procedure: The Statutory Audit Policy conforming to all relevant statutory/regulatory requirements and approved by the Board shall be hosted on official web-site of the Bank.

The Bank shall obtain a certificate signed by main partners of the audit firm under seal of the said firm, along with relevant information as per **Form B** prescribed, from the audit firm(s) proposed to be appointed as SAs by the Bank to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose.



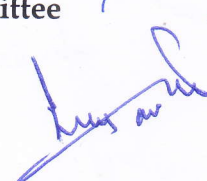
The Bank shall approach the RBI for prior approval of appointment of SAs as per guidelines and also forward Board Resolution recommending names of audit firms for appointment as SAs in order of preference alongwith information as per Form B & C (enclosed as annexures to this note).

This shall be the part of the Audit Policy.



Chief Executive Officer

The Audit-Sub-Committee considered and recommended the above Policy for the approval of the Board of Directors


C.E.O
Members
Audit-Sub-Committee
Chairman
Audit-Sub-Committee



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 period of three (3) years	Number of Full Time Partners/ Paid CAs 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 SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (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 / directors¹⁵ have been declared as wilful 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:

¹⁵ For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.



FORM C

Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA

The bank/UCB is desirous of appointing M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Central Auditor (SCA)/ Statutory Auditor (SA) for the financial year _____ for their 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/ Section 10 (1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980/ Section 41(1) of SBI Act, 1955.

2. The bank/UCB has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor (SCA)/Statutory Auditor of the bank/UCB 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 bank/UCB as SCA/SA/SBA.

4. The bank/UCB has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature

(Name and Designation)

Date: