

**KALLAPPANNA AWADE ICHALKARANJI JANATA
SAHAKARI BANK LTD., ICHALKARANJI**

(MULTI STATE SCHEDULED BANK)

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STATUTORY AUDITORS APPOINTMENT POLICY

FOR 2024-2025

**Kallappanna Awade Ichalkaranji Janata Sahakari Bank Ltd.,
Statutory Auditor Appointment Policy (2024-2025)**

**STATUTORY AUDITORS
APPOINTMENT POLICY FOR 2024-2025**

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Preamble:-

The role of statutory audit should be to safeguard the interest of depositors. As audit is third eye to prevent the accidents, mitigate the risks in banking business hence role of statutory auditor is very vital.

As per RBI Circular dated 27.04.2021, The RBI had issued details regarding the guidelines for appointment of Statutory Auditors.

The Statutory auditors should ensure that there should not be any omission or commissions or any serious irregularities in respect of reporting which may lead Bank to compliance or legal risk.

1. Purpose of the Policy

As per RBI circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, the provisions regarding appointment, reappointment, removal of Auditor etc has been made applicable to UCB's. Bank is required to formulate a Board Approved Policy and formulate necessary procedure there under 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.

New guideline is made applicable to UCBs as per assets size. Asset size of our Bank as on 31.03.2024 is more than Rs. 1000 Crores, so the applicable criteria will be of Rs. 1000 Crores and up to 15000 Crores for consideration of eligibility criteria's for appointment of SCA/SA.

UCBs will be required to take prior approval of RBI (Department of Supervision) for appointment/ reappointment of SCAs/SAs, on an annual basis. Appointment of statutory Auditor will be made according to the provision of section 70 of MSCS Act, 2002 (As Amendment Act, 2023). The approval of RBI is required for appointment of Statutory Auditors.

2. Objectives of Statutory Audit:-

The Bank shall put in place an effective statutory audit system to comply with the RBI guidelines. The major objectives are as follows: -

- 2.1 To ensure compliance of statutory requirement norms stipulated by the RBI & other regulators regarding verification of financial statements of the Bank, Certification and submission of financial statements to RBI.
- 2.2 To comply with the RBI guidelines dated 27.04.2021, regarding appointment of statutory auditor, to complete the audit of the Bank branches and submit the report to the regulatory authority within specified time period. The time limit set for submission of financial statements as on 31 March is up to 3 months ie up to 30 June.
- 2.3 To strengthen the overall internal control system of the Bank.



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2.4 Controlling various risks and preventing fraudulent Transactions and detecting case of frauds.

3. Scope Of Statutory Audit :-

The scope will be As per guidelines issued to the Statutory auditors for conduct of statutory audit of the banks and instructions issued to them from time to time by the RBI, CRCS, ICAI.

4. Eligibility Criteria of Auditors:-

The eligibility criteria will be applicable as per RBI Circular dated 24.04.2021. The Statutory auditor's appointments will be made as per eligibility norms stated for appointment as statutory auditor (As per Annexure I).

As asset size of our Bank is above Rs. 1000 up to Rs. 15000 Crores. Hence the Criteria for appointment of SA will be applicable as follows:-

- 4.1 For appointment as SAs of the Bank with asset size above ₹1,000 crore, at least two partners of the firm shall have continuous association with the firm for at least 10years.
- 4.2 The firm should have partnership of at least 3 partners with minimum 3 years out of which at least two full time partners should have FCA qualification and one of which should CISA/ISA qualification.
- 4.3 The partnership should have experience of minimum 8 years.
- 4.4 The minimum number of professional staff should be 12.

Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3)years Note 1	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 Full Time partners/ Paid CAs with CISA/ ISA Qualificati on Note 2	Minimum No. of years of Audit Experience of the firm Note3	Minimum No. of Professional staff Note 4
Above ₹ 1,000 crore & Upto ₹ 15,000 crore	3	2	1	8	12

4.5 Eligibility Firm Criteria for Appointment -

- 4.6 The full-time partner should not be a partner in other firm/s.
- 4.7 She/He should not be employed full time/part time elsewhere.
- 4.8 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 Section2(2) of the Chartered Accountants Act, 1949.



5 Additional Criteria :-

- 5.1 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.
- 5.2 Appointment of SCAs/SAs is in line with the ICAI's Code of Ethics/ any other such standards adopted and do not give rise to any conflict of interest.
- 5.3 SA of the firm should have a fair knowledge of the functioning of the co-operative sector and shall preferably have working knowledge of the language of the state in which the UCB/branches of the UCB is located.

6 Continued Compliance with basic eligibility criteria:-

- 6.1 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 the bank with full details.
- 6.2 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.

7 Coverage of Statutory Audit:-

- 7.1 The Statutory Auditors shall visit and audit at least the Top 20 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.
- 7.2 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.
- 7.3 SA should certify financial statements & other required certificate, as per instructions of RBI form time to time.

8 Procedure for Selection of SCAs/ SAs

- 8.1 Bank shall shortlist minimum of 2 audit firms for every vacancy of SCAs/SAs so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be



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appointed and the process of appointment of SCAs/SAs does not get delayed. After completion of the tenure of continuous term of 3 years, there would not any requirement of short listing of firm.

- 8.2 For selection as SCA/SA Upon selection of SCAs/SAs by the Bank in consultation with their Board and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SCAs/SAs.
- 8.3 Bank will obtain a Certificate, along with relevant information **as per Form B**, from the audit firm(s) proposed to be appointed as SCAs/SAs to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Copy of FORM B is attached herewith.
- 8.4 Bank will 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**, stating that the audit firm(s) proposed to be appointed as SCA/SA by them comply with all eligibility norms prescribed by RBI for the purpose. Copy of FORM C is attached herewith.

9 Statutory Auditor Appointment Procedure:-

- 9.1 As per the provision of MSCS Act, 2002 (As Amended MSCS Act, 2023), The appointment of Statutory Auditors will be made from panel of Auditors approved by CRCS.
- 9.2 Bank will take prior approval of RBI (Department of Supervision) for appointment/reappointment of SCAs/SAs, on an annual basis before 31st July of the reference year.
- 9.3 As Asset size of the bank is below ₹15,000 crore bank will appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit.
- 9.4 If more than one firm appointed as SA then bank will ensure that joint auditors of the bank, do not have any common partners and they are not under the same network of audit firms. Further, the Entity may finalize the work allocation among SCAs/SAs, before the commencement of the statutory audit, in consultation with their SCAs/SAs.
- 9.5 The Bank will decide the number of SCAs/SAs based on a Board Approved Policy.
- 9.6 Actual number of SCAs/SAs will be appointed and decided by the Boards, as per RBI Guidelines.
- 9.7 The performance of the audit firm will be evaluated by the Bank for re appointment every year.



10 Independence of Auditors:-

- 10.1 Non-availability of information/non-cooperation by the Management the SCAs /SAs is required to approach the Board/ACB/LMC of the bank, under intimation to the concerned SSM/RO of RBI.
- 10.2 Concurrent auditors of the bank will not be considered for appointment as SCAs/SAs of the bank.
- 10.3 The time gap between any non-audit works should be at least one year, before or after its appointment as SCAs/SAs.
- 10.4 The Board/ACB/LMC of bank shall review the performance of SCAs/SAs on an annual basis.
- 10.5 Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs/SAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit.

11 Tenure and Rotation:-

- 11.1 In order to protect the independence of the auditors/audit firms, bank will appoint the SCAs/SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year or otherwise bank may appoint SCA/SA for period of one year also.
- 11.2 Further, bank can remove the audit firms during the above period only with the prior approval of RBI (Department of Supervision).
- 11.3 An audit firm would not be eligible for reappointment as a statutory Auditor of our Bank for six years (two tenures) after completion of full or part of one term of the audit tenure.
- 11.4 If an audit firm has conducted audit of our bank for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the same Entity for six years from completion of part-tenure.

12 Audit Fees and Expenses:-

The audit fees for SCAs/SAs will be decided by Board of Directors in terms of the relevant statutory/regulatory provisions.

13 Display of Audit policy:-

The Bank will display the Board Approved appointment policy on Banks website. (www.ijbank.com)



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14 Review of the Policy:-

The policy shall be reviewed based on future regulatory guidelines and operational experience. BOD/BoM has revised the right to change/ modify/ amend the policy from time to time.




HOD (Audit)


Chief Compliance Officer


Chief Executive Officer

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ANNEX I

Eligibility Criteria for Appointment as SCA/SA

A. Basic Eligibility

Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years Note 1	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 FullTime Partners/ Paid CAs with CISA/ISA Qualification Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
Above ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
Upto ₹1,000 crore	2	1	1*	6	8

* Not mandatory for UCBs/NBFCs with asset size of upto ₹ 1,000 crore.

Note 1: There should be at least one-year continuous association of partners with the firm as on the date of empanelment (for PSBs)/ shortlisting (for other Entities) for considering them as full time partners. Further, for appointment as SCAs/SAs of all Commercial Banks (excluding RRBs), and other Entities with asset size above ₹ 1,000 crore, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

For all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size above ₹ 1,000 crore, 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 partner should not be a partner in other firm/s.



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- (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.
- (d) In case of PSBs, the income of the partner from the firm/LLP should not be below the threshold limits prescribed by the Office of C&AG for the purpose of consideration as full-time partners for appointment as auditors of Public Sector Undertakings. For other Entities, the Board/ACB/LMC 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:

For UCBs and NBFCs with asset size upto ₹ 1,000 crore, there is no minimum requirement in this regard. However, such Entities 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 empanelment (for PSBs)/ shortlisting (for other Entities) for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3: Audit Experience:

For Commercial Banks (excluding RRBs), audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ AIFIs. For UCBs and NBFCs, 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.

Note 4: Professional Staff

Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes 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 of empanelment (for PSBs)/ shortlisting (for other Entities) for considering them as professional staff for the purpose.

B. Additional Consideration

- (i) The audit firm, proposed to be appointed as SCAs/SAs for Entities, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.



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(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 SCAs/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) If any partner of a Chartered Accountant firm is a director in any Public Sector Bank (PSB), the said firm shall not be appointed as SCA/SA of any PSB. Further, if any partner of a Chartered Accountant firm is a director in any Entity, the said firm shall not be appointed as SCA/SA of any of the group entities¹³ of that Entity.

(v) The auditors for Entities with asset size above ₹1,000 crore should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Entities where the accounting and business data reside in order to achieve audit objectives.

(vi) For audit of UCBs, the SA of the firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the language of the state in which the UCB/branch of the UCB is located.

C. 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.), it may promptly approach the Entity 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 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.

¹³ For the purpose of this circular, Group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.



ANNEX II

Procedure for Appointment of SCAs/SAs

1. The Entities shall shortlist minimum of 2 audit firms for every vacancy of SCAs/SAs 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 SCAs/SAs does not get delayed. However, in case of reappointment of SCAs/SAs by banks/UCBs 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.
2. The banking companies shall continue to follow the existing procedure followed by them for selection of SCAs/SAs. They shall place the name of shortlisted audit firms, in order of preference, before their ACB/LMC for selection as SCAs/SAs. Upon selection of SCAs/SAs by the bank in consultation with their ACB/LMC and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SCAs/SAs.
3. For PSBs, empanelment of audit firms eligible for appointment as SCAs will continue to be done by the Office of C&AG, based on the norms prescribed by RBI, as on January 1 of the relevant year.

The list of firms as furnished by C&AG to RBI will be subjected to scrutiny by RBI for identifying the eligible firms and excluding audit firms who have been denied audit by C&AG/RBI. RBI will forward a single list¹⁴ of all audit firms eligible for appointment as SCAs to all PSBs on an annual basis. PSBs shall shortlist audit firms from the said list of eligible audit firms as received from RBI, based on certain objective criteria (like number of full time partners, number of professional staff, number of CISA/ISA qualified partners/paid CAs, number of FCAs, etc.) as laid down in the bank's policy for appointment of statutory auditors. Further, the PSBs shall place the list of shortlisted firms, in order of preference, before the ACB for selection of SCAs in a transparent manner. Upon selection of SCAs by the PSBs in consultation with their ACB and verifying their compliance with the eligibility norms prescribed by RBI, the PSBs shall seek RBI's prior approval for appointment of SCAs.

4. The UCBs shall place the name of shortlisted audit firms, in order of preference, before their Board for selection as SCA/SA. Upon selection of SCAs/SAs by the UCBs in consultation with their Board and verifying their

¹⁴ RBI will provide a single list of eligible audit firms to PSBs as the requirement of mandatory cooling of three years and allotment of vacancies in the ratio of 60:40 between 'Experienced' and 'New' audit firms has been done away with from FY 2021-22. The firms in said list would not be ranked in any order and all firms would be eligible for selection by all PSBs.



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compliance with the eligibility norms prescribed by RBI, the UCBs shall seek RBI's prior approval for appointment of SCAs/SAs.

5. The Entities shall obtain a certificate, along with relevant information as per **Form B**, from the audit firm(s) proposed to be appointed as SCAs/SAs by the Entity 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 SCAs/SAs of the Entities, under the seal of the said audit firm.

6. The Commercial Banks (excluding RRBs)/UCBs 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**, stating that the audit firm(s) proposed to be appointed as SCA/SA by them comply with all eligibility norms prescribed by RBI for the purpose.

7. While approaching the RBI for its prior approval for appointment of SCAs/SAs, Commercial Banks (excluding RRBs)/UCBs shall indicate their total asset size as on March 31st of the previous year (audited figures), forward a copy of Board/ACB Resolution (resolution not needed for foreign banks operating under branch mode) recommending names of audit firms for appointment as SCAs/SAs 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.



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FORM B

Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Entity as on 31st 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 there of.
- (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/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)



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FORM C

**Certificate to be submitted by UCBs regarding eligibility of audit firm
proposed to be appointed as SCA/SA**

1. 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 F.Y. 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:

