

UNIVERSAL CO-OPERATIVE URBAN BANK LIMITED

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Bank Policy for Appointment of Statutory Auditors

(As approved by Board of Directors of the Bank on 30.10.2021)

The Regulatory Authority, Reserve Bank of India in the Circular dated 27.04.2021 vide ref. no: RBI/2020 2021/25 DoS.CO.ARG/SEC.01/08.91.001/2021-22 has granted Managerial Autonomy to Urban Co-operative Banks in the matter of appointment of Statutory Auditors for the financial year 2021-2022 onwards and a roadmap is rolled out to operationalise the same. On the basis of guidelines and roadmap provided by the Reserve Bank of India our Bank would like to put in place the Board Approved policy for appointment of Statutory Auditor.

1. Number of Audit Firms

- The Board of Directors of the Bank have decided to have 1 Statutory Auditor for a specified period of 3 years term.
- Keeping in view the growth of the Bank, The Board of Directors if required can review and appoint more than 1 Statutory Auditor.
- The actual number of Statutory Audit firms to be appointed can be decided by the Board of Directors subject to the prescribed minimum 1 Audit firm.

2. Areas Covered

The Bank is currently having 2 branches, one is at Mancherial and another branch is at Sirpurkaghaznagar in Komurambheem Asifabad District and also 1 Extension Counter at CCC, Naspur connected with Mancherial Branch.


The Statutory Auditor appointed has to physically visit the branches at the end of each quarter and verify all the data of business transaction and portfolios including Loans and Advances.

3. Norms on Eligibility

The following is the Criteria to be adhered with norms and eligibility of the Chartered Accountant Firms:

Minimum Number of Full-Time partners (FTP's) associated with the firm for a period of at least three (3) years	2
Out of Total FTP's, Minimum no. of Fellow Chartered Accountant (FCA) partners associated with the firm for a period of at least three (3) years	1
Minimum no. of Full Time Partners/ Paid CA's with CISA/ISA Qualification	1*
Minimum of years no. of Audit Experience of the firm	6
Minimum no. of Professional staff	8

For Universal Co-operative Urban Bank Ltd.


Chief Executive Officer

*Not mandatory for UCB's with asset size upto Rs.1000 crores as on 31 March of previous year

Continued Compliance with basic eligibility criteria:

- a. The Audit Firm should not be under debarment by any Government Agency, National Financial Reporting Agency (NFRA), The Institute of Chartered Accountants of India (ICAI), Reserve Bank of India or any other Financial Regulators.
- b. The Firm shall ensure that it 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.
- c. If any Partner of Chartered Accountant Firm is a Director of any entity, the said firm shall not be appointed as Statutory Auditor of any of the group Entities of that entity.
- d. The Statutory Auditor of the Firm should have a fair knowledge of the functioning of the Co-operative sector and shall preferably have working knowledge of Local Language i.e., Telugu, Hindi.
- e. In case the Audit Firm does not comply with any of the eligibility norms (On account of resignation, death etc. or any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators etc) it may promptly approach the Management of the Bank with the necessary 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 the Financial year ending 31 March and till the completion of the annual audit.
- f. In case of any extra ordinary 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.

4. Empanelment and selection of Statutory Auditors

The following parameters to be adhered for selecting the Audit Firm:

- a. At least 2 Audit Firm having their Office in Hyderabad will be shortlisted and placed before the Board of Directors for the appointment, to take care of the situation, where in if first preference firm is found to be in eligible/refuse appointment.
- b. The Firm once appointed by the Bank may not be required to be re-appointed till the completion of three consecutive years. If the Bank wishes to change the statutory Audit firm at the completion of the financial year may shortlist the eligible firms and place it before the Board of Directors for obtaining approval from RBI.

- c. On Appointment, the firm should give their acceptance in writing for consideration of appointment in our Bank for the particular year/period and the subsequent continuing years subject to fulfilling their eligibility norms prescribed by Reserve Bank of India from time to time. Further, the acceptance letter should clearly state that the selection of the Audit firm is subject to approval from RBI and in any case the Audit firm will not have any claim against the Bank and RBI. The appointment of Auditor is subject to complying with the stipulated norm on the eligibility issued by RBI from time to time. If any delay in submission of acceptance letter the Bank may approach the other shortlisted Audit firm if required.
- d. Upon selection of the Statutory Auditor in consultation with the Board of Directors and verifying their compliance with the eligibility norms as prescribed by RBI, the Bank will send the list of 2 Audit firms in order of preference to RBI for its prior approval of appointment of Statutory Auditor by mentioning the total Audited Asset size of the Bank as on 31 March of the previous year along with the Board of Directors Resolution along with Form "B" and Form "C" as per format given by RBI.

5. Scope and Periodicity of Audit

The Scope and Periodicity of Audit will be as per prevailing Statutory/Regulatory guidelines issued by the Regulatory/Supervisory authorities in this regard from time to time.

6. Tenor and Rotation.

The Bank will make the appointment of Statutory Auditor for a continuous period of three years subject to the firms satisfying the eligibility norms each year. If the Bank wishes to change the Statutory Audit firm at the completion of the financial year, may shortlist the eligible firms and place it before the Board Directors for the Approval of RBI. An Audit firm would not be eligible for re-appointment in the same entity for Six years (two tenures) after completion of full or part of one term of the Audit tenure.

7. Relinquishment of Internal Assignments if any

In the event of acceptance of appointment as Statutory Auditor of the Bank, all the internal assignments (viz, Concurrent and Internal) of the Auditor in the Bank, if any, will stand withdrawn.

8. Other Guidelines

- a. The time gap in any non-Audit works by the Statutory Auditor for the Bank should be at least one year before or after its appointment and Statutory Auditor.
- b. Banks appointed Concurrent Auditor should not be considered for appointment of Statutory Auditor.
- c. The restriction will also apply to an Audit firm under the same network of audit firms or any other audit firm having common partners.
- d. The Firm shortlisted/requested shall not be eligible if it is associated with the audit firm who have completed their audit under the same network of audit firms.



- e. The Board of Directors shall monitor and assess the independence of the Statutory Auditors. Any concern in this regard will be flagged by the BOD and RBI regional office.
- f. In case of any concern with the management of the Bank such as non-availability of Information/ non-co-operation by the management, which may hamper the audit process, the Auditor shall have to approach the Board of the Bank under intimation to the concerned Regional office of RBI.

9. Number of Assignments

One Audit firm can concurrently take up Statutory Audit of a maximum of 4 Commercial Banks, 8 UCB's and 8 NBFC's during a particular year subject to compliance with required eligibility criteria and other conditions of each entity. The limits prescribed for UCB's exclude the audit of the Other Co-operative societies by the same audit firm..

10. Professional standards of Statutory Auditors

The Body will review the performance of Statutory Auditors on annual basis. If any serious lapses or negligence in audit responsibilities or conduct issues on the part of Statutory Auditor or any other matter concerned as relevant will/shall be reported to RBI by the Board of Directors within 2 months from completion of the annual audit

11. Remuneration

The Audit fee for Statutory Auditor will be decided by the Board of Directors in terms of the relevant statutory/regulatory provisions.

12. Removal

On the encounter of any serious lapses or negligence, Board of Directors have a full authority to remove any Audit firm with the prior consultation with RBI regional office.

13. Declaration / Undertaking to be given by the Audit Firm:

- a. suitable undertaking that the Audit work will be carried out by their own staff and they will not sub-contract the Audit work.
- b. There are no adverse remarks/disciplinary proceedings pending / initiated against the Firm / Any of its partners on the records of ICAI, which would make them ineligible for appointment as Auditors
- c. None of the Partners of the Firm/ Company in which they are Partners / Directors are defaulters in any Bank or Financial Institutions.
- d. Associated Firms or sister concerns the firms will be disqualified for internal assignment where the main firm / partners are allotted Statutory Audit in a particular year.
- e. In the event of lapses in carrying audit assignments resulting in misstatement of



Banks financial statements and any violations/lapses vis-à-vis the RBI's directions/ guidelines regarding the roles and responsibilities of the Statutory Auditor will be liable to be dealt with suitably under the relevant Statutory / Regulatory frame work.

f. None of the Partner (s)/ will borrow / borrowed any type of loan from the Bank during the period of Audit

The modifications/Amendment, if any made by RBI in Norms/Criteria/procedure from time to time shall construe to be part of our policy.



Universal Co-operative Urban Bank Ltd.,

Chief Executive Officer