

**Policy for Appointment of Statutory Auditor for
Hindu Co-operative Bank Limited, Pathankot.**

In compliance to the regulatory guidelines issued by Reserve Bank of India vide its circular No. DOS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27-04-21 for appointment of Statutory Auditors the following policy is being formulated as under:

- 1. Applicability :** Guidelines mentioned in the above circular will be applicable to Hindu co-operative Bank limited from financial year 2021-22.
- 2. Prior Approval of RBI :** Bank will be required to take prior approval of RBI (Department of Supervision, Regional Office) for appointment/reappointment of Statutory Auditors on an annual basis in terms of the statutory provisions mentioned in the above circular.
- 3. Number of Statutory Auditors :** In view of the present business size of the bank , bank will appoint one Statutory Auditor/Firm for statutory audit of the bank which may be reviewed from time to time on increase of the business.
- 4. Eligibility Criteria of Auditors :** Bank is required to appoint audit firms(s) as Statutory Auditor fulfilling the eligibility criteria as prescribed in Annex I
- 5. Independence of Auditors:**
 - i) The Board of Directors /Administrator of the bank shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board/Administrator of the bank.
 - ii) 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/Administrator of the bank under intimation to the concerned RO of RBI.
 - iii) Concurrent auditors of the bank should not be considered for appointment as SAs of the same bank. The audit of the bank and any entity with large exposure to the bank for the same reference year should also be explicitly factored in while assessing independence of the auditor.
 - iv) The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the bank or any audit/non-audit works for its group entities should be at least one year, before or after it's appointment as SAs. However, during the tenure as SA, an audit firm may provide such services to the concerned bank which may not normally result in a conflict of interest, and bank may take it's own decision in this regard, in consultation with the Board/Administrator.
 - v) The restrictions as detailed in para iii) and iv) above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

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6. Professional Standards of SAs

- 6.1 The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- 6.2 The Board/Administrator of bank shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs 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/Administrator with the full details of the audit firm.
- 6.3 In the event of lapses in carrying out audit assignments resulting in misstatement of the bank financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SAs in relation to bank, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

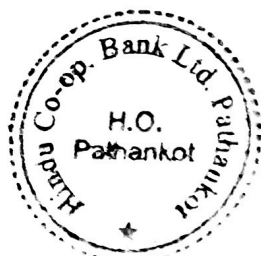
7 Tenure and Rotation

- 7.1. In order to protect the independence of the auditors/audit firms, Bank will have to appoint the SAs 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.
- 7.2 An audit firm would not be eligible for reappointment in the same 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 Entities.
- 7.3. One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules. For clarity, the limits prescribed for our bank exclude audit of other co-operative societies by the same audit firm. For the purpose of this circular, a group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SCA/SA accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

8. Audit Fees and Expenses

- 8.1 The audit fees for SAs of the bank shall be decided in terms of the relevant rules/Practice of the bank.
- 8.2 The audit fees for SAs 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 computerization, identified risks in financial reporting, etc.
- 8.3 The Board/Administrator of the bank shall be the competent authority for sanctioning/fixing the audit fees of SAs as per the relevant rules/Practice of the bank.

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9. Statutory Audit Policy and Appointment Procedure

- 9 1 Bank shall host on its official website/public domain policy for appointment of Statutory Auditor and intending candidates will apply on the proforma enclosed up to 15th of June after the end of each financial year along with other annexures physically or through email on banks email- hcbank_dalrd@yahoo.com and up to 10th of September 2021 for the FY 2021- 22
- 9 2 Guidelines on minimum procedural requirements are given at Annex II
- 9 3 Interested firms shall apply on format as per Annex III along with other documents required as per policy

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ANNEX-I

Eligibility Criteria for Appointment as 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 Full Time 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
Upto <input type="checkbox"/> 1,000 crore	2	1	1*	6	8

* Not mandatory for UCBs 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 considering them as full time partners.

Note : 2. CISA/ISA Qualification

For urban co-operative banks and NBFCs with asset size up to Rs. 1000 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 having 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 Urban co-operative bank ie Hindu co-operative bank limited Pathankot, 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.

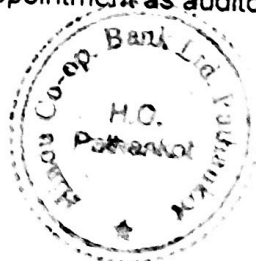
Note 4: Professional Staff

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 considering them as professional staff for the purpose.

B. Additional Consideration

- (i) The audit firm, proposed to be appointed as SAs for bank, should be duly qualified for appointment as auditor of a company in terms of Sec 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 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.

(iv) 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 entities of that Entity.

(v) For audit of Urban co-operative bank ie Hindu co-operative bank limited Pathankot, 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 Punjab.

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 Board/Administrator/CEO of Hindu co-operative bank limited 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.

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Application for appointment of Statutory Auditor
of
Hindu Co-op Bank Ltd., Pathankot

- 1) Name of the firm _____
- 2) Address of the firm _____
- 3) Telephone no. _____
- 4) Constitution _____
- 5) Firm Regn. no. _____
- 6) Date of Establishment _____
- 7) Date of reconstitution of firm _____
- 8) RBI unique code no. _____
- 9) MEF no. _____
- 10) CAG Empanelment no. _____
- 11) Staff employed _____
- 12) Audit experience _____
- 13) Number of partners _____
- 14) Particulars of partners (only for full-time partners):

Sr n o	Name	Age	Design ation	Qualific ation	Whether ACA/FCA	Memb ership no.	Date of enrolment with ICAI	Date of Certificate of practice	Date of joining this firm	Whether DISA/CISA
Additional qualifications if any										

Date _____

Encl :

Signature
with stamp

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 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. Cont. 2



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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 / directors¹ 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: