

THE GANDHIDHAM CO-OPERATIVE BANK LTD

POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

This “Policy for Appointment of Statutory Auditors” is based on RBI circular No. RBI/2021-22/25 No:DoS.CO. ARG/ SEC.01/08.91.001/2021-22 dated 27.04.2021 on Guidelines for Appointment of Statutory Auditors (SAs) of Urban Co-op. Banks

1. Applicability:

1.1 These guidelines are applicable to our Bank for the Financial Year 2021-22 and onwards in respect of appointment/reappointment of Statutory Auditors of our Bank.

1.2 RBI guidelines regarding appointment of SAs shall be implemented for the first time for our Bank from FY 2021-22, we shall have the flexibility to adopt these guidelines from H-2 (second half) of FY 2021-22 in order to ensure that there is no disruption (disturbance).

2. Prior Approval of RBI:

2.1 The Bank will request prior approval of Department of Supervision (DoS), RBI – Ahmedabad (Regional Office), for appointment/reappointment of SAs, on an annual basis in terms of the above-mentioned statutory provisions, before 31st July of the reference year.

3. Number of SAs and Branch Coverage:

3.1 The Bank shall appoint one Statutory Audit Firm (Partnership firm/LLP) for conducting its statutory audit.

3.2 Our Bank has decided on the number of SAs based on this Board Approved Policy, inter alia, taking into account the relevant factors such as the size and spread of (total) assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc.

Considering the above factors and the requirements of the Bank, the actual number of SAs to be appointed has been decided by our Board subject to limits i.e. maximum of 4 SAs. This limit has been prescribed to ensure that the number of SAs appointed by our Bank are adequate, commensurate with the asset size (total assets) and extent of operations of our Bank, with a view to

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ensure that audits are conducted in a timely and effective manner. As of now it is decided that, we shall prepare the **Panel of 2 SAs**. This will be subject to review in future based on the experience.

3.3 SAs shall visit and audit **all branches of the Bank**.

4. Eligibility Criteria of Auditors:

4.1 The interested Audit Firms shall be evaluated on basis of eligibility criteria guidelines issued by RBI in **Annex - I** of its circular *ibid*.

4.2 The Bank shall prepare a panel of 02 (two) CA firms (constituting the 1st and 2nd preference of the Bank for the SA) and forward it to the RBI for its final approval as per procedure described in **Annex – II** of the RBI circular *ibid*.

4.3 One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks, eight UCBs (excluding other co-operatives) 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.

4.4 For the purpose of this policy, a group of audit firms having common partners and/or under the same network, will be considered as one audit firm and they will be considered for allotment of SA accordingly.

4.5 Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is **not permissible**.

4.6 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.

5. Independence of Auditors:

5.1 The Board of Directors of our Bank shall monitor and assess the independence of the auditors based on various parameters, including the fact whether the concerned CA firm has large exposure in our Bank for the same reference year. Any concerns in this regard shall be flagged by our Board to Dos, RBI, Ahmedabad.

5.2 In case of any concern with the Management of our Bank such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the Board of our Bank, under intimation to Dos, RBI, Ahmedabad.

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- 5.3** Concurrent auditors of our Bank shall not be considered for appointment as SAs.
- 5.4** The time gap between any non-audit works (services like Tax Audit, tax representation and advice on tax matters etc. and Internal assignments, special assignments, etc.) by the SAs for our Bank should be at least one year, before or after their appointment as SAs. However, during the tenure as SA, an audit firm may provide such services to our Bank which may not normally result in a conflict of interest, and Board of our Bank may take its own decision in this regard.
- 5.5** The restrictions as detailed in para 5.1, 5.3 and 5.4 above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

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 of Directors 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 along with approval/recommendation of the Board and full details of the audit firm.
- 6.3** In the event of lapses in carrying out audit assignments resulting in misstatement of our Bank's 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 our 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, Our Bank shall appoint the SA for a continuous period of three years, subject to the firm satisfying the eligibility norms each year. Further, the Board of Directors can remove an audit firm during the above period only with the prior approval of Dos, RBI, Ahmedabad, as it is required for appointment, as mentioned in Para 2.1 of this circular.

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7.2 An audit firm would not be eligible for reappointment in our Bank for **6 years (two tenures)** after completion of full or part of one term of the audit tenure. However, audit firm can continue to undertake statutory audit of other UCBs/Entities.

8. Audit Fees and Expenses:

8.1 The audit fees for SA of the Bank shall be decided in terms of the relevant statutory/regulatory provisions.

8.2 The audit fees for SA shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets (total assets), accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.

8.3 The Board of Directors shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

9. Statutory Audit Policy and Appointment Procedure:

9.1 The Bank has formulated this Board Approved Policy to be hosted on our official website/public domain and formulated necessary procedure there under to be followed for appointment of SAs. 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.

9.2 Guidelines on minimum procedural requirements are given at Annex II (of RBI Guidelines).

9.3 This policy will be reviewed as and when RBI issues fresh instructions and or when it is warranted.

*** Approved by the Board of Directors vide Resolution No: 16 Dated: 27.05.2021**

Chief Executive Officer

Managing Director

**Chairman
Board of Directors**