THE SOCIAL CO.OPERATIVE BANK LTD.

Draft Policy for Appointment of Statutory Auditors for F.Y 2024-25

REF. Circular DOS.CO.ARG/SEC.01/08.91.001/2021-22 Dt.27/04/2021

Board of directors meeting : 25/04/2024 Resolution No. : 21

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With refernec to the Reserve Bank of India circular Ref No. RBI/2021-22/25 DOS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27,2021 the appointed statutory auditor has completed 3 years of statutory audit in our bank since 2021-22 and so the bank needs to appoint new statutory auditor for FY 2024-25. Reserve bank of india has granted managerial autonomy to UCBs in the matter of appointment of statutory Auditors for and a roadmap is rolled out to operationalize the same. Our policy for appointment of Statutory Auditors for F.Y. 2024-25 is based on the same.

1. Number of Audit Firms:

1.1 The actual number of Statutory Audit Firms to be appointed can be decided by the Board subject to the prescribed minimum One Audit Firm. It has been decided by the Bank's Board to have One Audit Firms as Statutory Auditor. However, the Board may review and decide on the number Statutory Auditor Firm any time it felt necessary.

1.2 As per RBI guidelines, Statutory Auditor has to visit and Audit at least the top 20% branches (in Case of entities having less than 100 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. But, our bank being a small Bank and having only 2 branches, (i.e. Khamasa & N.C.M.) Statutory Auditor will visit both the Branches and cover the entire scope of audit including entire portfolio of Advances.

2. Norms on Eligibility, Empanelment and Selection of Statutory Auditor

2.1 The eligibility norms (as advised by R.B.I) are as under.

Asset Size as on 31 march of 2024	Minimum No. of Full Time partners (FTPs) associated with the firm for a period of at least 3 years	Out of total FTPs,Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least 3 years	Minimum No. of years of Audit Experience of the firm	Minimum No. of Professional Staff
124.50 Cr.	2	1	6	8
Notes	There should be at least 1 year **Continuous** Association of partners with the firm as on the date of short listing	--	Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RBs)/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.	Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typist/stenos/computer operators/secretaries/subordinate staff, etc. There should be at least 1 year continuous association of professional staff with the firm as on the date of short listing

2.2 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 the Gujarati Language.

2.3 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 will promptly inform the bank With full details, and, the Bank, in turn will approach RBI.
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.
2.4 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, Bank will approach RBI to allow the concerned audit firm to complete the audit, as a special case.

3. Procedure for Selection and appointment of Statutory Auditors:

3.1 Bank will select audit firms considering the following points/parameters:
As far possible, at least 2 audit firms having their Head Office located at AHMEDABAD
The firms whose partner/s or relatives of partners (as defined in Director's relatives in RBI Master circular on Board of Directors) are on the Board of our Bank will not be appointed as Auditors for the Bank.
3.2 The Bank will prepare a list of at least 2 shortlisted audit firms. The list of shortlisted audit firms will be placed before BOD. BOD will approve at least 2 suitable audit firms in order of preference, to take care of the situation, where first preference is found to be ineligible/refuses appointments.

However, in case of reappointment of Statutory Auditor till completion of tenure of continuous term of 3 years, there would not be any requirement of short listing and sending names of multiple audit firms to RBI while seeking approval to appointment.

The audit firm should give their consent in writing for consideration of appointment in our

Bank for the particular year and the subsequent continuing years subject to their fulfilling the eligibility norms prescribed by RBI from time to time.

3.3 On due approval by BOD, Bank will approach the audit firms to obtain their consent in writing strictly in order of preference. The audit firms should give their consent in writing for consideration of appointment the Bank for the particular year and the subsequent continuing years subject to their fulfilling the eligibility norms prescribed by RBI from time to time. If the approached audit firm does not give consent, the Bank will approach the next audit firm in order of preference for obtaining consent.

The consent letter should clearly state that the selection of the audit firm as Statutory Auditor is subject to approval of RBI and any force majeure events and, in such cases, the audit firms will not have any claim against the Bank and RBI. The appointment of Statutory Auditor is subject to complying with the stipulated norms on eligibility issued by RBI from time to time.

3.4 Upon selection as Statutory Auditors in consultation with the BOD and verifying their compliance with the eligibility norms as prescribed by RBI, the bank will send the list of at least 2 audit firms (in order of preference), to RBI for its prior approval for appointment of Statutory Auditor.

3.5 While approaching RBI for its approval for appointment of Statutory Auditor, the bank will Indicate the total asset size as on March 31st of the previous year (audited figures) along with Board Resolution recommending names of Audit Firms for appointment in order of preference and Form B and Form C to facilitate expedite approval of appointment of Audit Firms.

4. Scope and periodicity of Audit:

The Scope and periodicity of the Statutory Audit will be as per prevailing statutory/ regulatory guidelines issued by regulatory / supervisory authorities in this regard from time to time. In absence to any statutory/regulatory guidelines, the BOD approved policy for the same will prevail.

5. Tenure and Rotation:

5.1 The Bank will make the appointment of Statutory Auditors for a continuous period of 3 years subject to the firms satisfying the eligibility norms each year.

5.2 An Audit firm would not be eligible for reappointment in the bank for 6 years (two tenures) after completion of full or part of one term of the audit tenure.

6. Relinquishment of the internal assignments, if any

In the event of acceptance of the appointments Statutory Auditor of the Bank, all the internal assignments of the Auditor in our Bank, if any, will stand withdrawn.

7. Other Guidelines

7.1 The time gap between any non-audit works by the Statutory Auditors for the Bank should be at least 1 year before or after its appointment as Statutory Auditor.

7.2 Concurrent Auditor of the Bank should not be considered for appointment as Statutory Auditor.

7.3 The restriction as detailed in para 3.3 and 3.4 will also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

7.4 The incoming audit firm shall not be eligible if it is associated with the outgoing audit firm under the same network of audit firms.

7.5 The BOD shall monitor and assess the independence of the auditors. Any concerns in this regard will be flagged by the BOD to RO of RBI.

7.6 In case of any concern with the management of the Bank such as non-avaibility 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 RO of RBI.

8. Number of Assignments:

One audit firm can concurrently take up statutory Audit of a maximum of 4 commercial Banks, 8 UCBs and 8 NBFCs during a particular year subject to compliance with required eligibility criteria and other conditions for each Entity. The limit prescribed for UCBs does not include

audit of other co-operative societies.

9. Professional Standards of Statutory Auditor:

The Board will review the performance of Statutory Auditors on an annual basis. Any serious Lapses/negligence in audit responsibilities or conduct issues on the part of Statutory Auditor or any other matter considered as relevant shall be reported to RBI with Approval/recommendation of the Board with full details of the audit firm within 2 months from completion of the annual audit.

10. Remuneration:

The audit fees for Statutory Audit will be decided by BOD and will be limited to the provisions of Gujarat Co-operative Societies Act.

11. Removal:

Bank will not remove the audit firm during the above period without the prior approval of the RBI. The Bank will be the complete authority to recommend removal of any Statutory auditor to RBI.

12. Declarations/Undertaking to be obtained from the Audit Firm:

A suitable undertaking from the firm to the effect that the Audit work will be carried out by their own staff and they will not subcontract the audit work.

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.

None of the partners or the firm/company in which they are Partners/ Directors are defaulters in any Bank or Financial Institution.

Associate firms or sister concerns of Statutory Audit Firm will be disqualified for internal assignment where the main firm /partners are allotted Statutory Audit in a particular year.

In event of lapses in carrying out audit assignments resulting in misstatement of banks financial statements, and any violation/ lapses vis-à-vis the RBI"s directions/guidelines regarding the role and responsibilities of the SA will be liable to be dealt with suitably under the relevant Statutory /Regulatory framework.

The modification / changes, if any, made by RBI in norms/ criteria/procedure from time to time shall construe to be part of our policy.

Certified as true copy,
For, The Social co op bank ltd