



T T C CO-OPERATIVE BANK LTD, AHMEDABAD.

Head Office : 6, Vasant Vihar Society, Nr. Mithakhali Six Road, Navrangpura, Ahmedabad – 09



T T C Co-operative Bank Ltd. Ahmedabad

Policy for Appointment of Statutory Auditors

RBI License issued: UBD GJ 516/P

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Registered No. : SA 10938 Dt. 06.02.1970

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Policy for Appointment of Statutory Auditors of the Bank

Till now the appointment of Statutory Auditor of Urban co-operative Banks was made by the Registrar of Co-operative Societies. However, Reserve Bank of India, vide its circular Dos. CO.ARG/SEC.01/ 08.91.001/2021-22 dated April 27, 2021 has issued guidelines under section 30(1A) of the Banking regulation Act, 1949, and has granted managerial autonomy to UCBs in the matter of appointment of Statutory Auditors for the F.Y. – 2021-22 and onwards and a roadmap is rolled out to operationalised the same. On the basis of the same our Bank also require to appoint statutory auditor as per defined in the above circular. Policies for Appointment of Statutory Auditors is based on the said circular and approved by BoD vide resolution No. 49 dated 25/04/2024.

Number of Audit Firms

- i. Considering the asset size less than 1000 crore, we will appoint only one audit firm as per the criteria describe in the above circular i.e Partnership or LLP as statutory auditor of our Bank
- ii. 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.

Since our Bank being a small Bank and having only one branch, Statutory Auditor will visit the branch and cover the entire scope of audit including entire portfolio of Advances.



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Norms on Eligibility, Empanelment and Selection of Statutory Auditor

The eligibility norms (as per Reserve Bank of India guideline) are as under:

| Asset Size as on 31st March of 2021 | Minimum No. of Full Time Partners (FTPs) associated with the firm for a period of at least three (3) years | 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 years of Audit Experience of the firm | Minimum No. of Professional Staff |
|-------------------------------------|--|--|--|---|
| Up to Rs. 1000 Cr. | 2 | 1 | 6 | 8 |
| Notes | There should be at least One-year 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 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 affected 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 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 short listing |

1. The Statutory Auditor of the firm should have a fair knowledge of the functioning of the cooperative sector and shall preferably have working knowledge of the Gujarati Language.
2. 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.
3. 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



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norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.

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.

Procedure for Selection and appointment of Statutory Auditors

The following procedure will be adopted for appointment of Statutory Auditor.

Bank will select audit firms considering the following Parameters;

1. The firms whose partners/or relatives of partners (as defined by RBI as Director's relative) are on the Board of our bank will not be appointed as auditors for the Bank.
2. The Bank will prepare a list of at least 3 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 appointment.
3. The Bank shall obtain a certificate; along with relevant information as per **FORM B** (on the letterhead of the firm), from the audit firm(s) proposed to be appointed as Statutory Auditor of the Bank; 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 under the seal of the said audit firm.
4. Such list prepared by the Bank will be placed before Board of Directors for shortlisting of the firm. Board of Directors will verify the compliance of the Audit firm with the eligibility norms prescribed by the RBI for the purpose and after being satisfied of their eligibility, will shortlist two audit firms in order of preference to send to Reserve Bank of India for approval.
5. However, in case of reappointment of Statutory Auditor till completion of tenure



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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. 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.

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.

6. Bank shall recommend the names of such shortlisted firms to Reserve Bank of India and will send these name to Reserve Bank of India for approval, along with a certificate, in the format as per **FORM C**, stating that the audit firm(s) proposed to be appointed as Statutory Auditor by them comply with all eligibility norms prescribed by RBI for the purpose.
7. 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.

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.

Tenure and Rotation

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



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firm is appointed for a period of three years; bank will have to give appointment every year. For such yearly appointment approval of RBI is not required.

An Audit Firm would not be eligible for reappointment in the Bank for six years (two tenures) after completion of full or part of one term of the audit tenure. This means that an audit firm has conducted audit of the Bank for part-tenure i.e. 1 year or 2- year and then not appointed for remainder tenure, they also would not be eligible for reappointment in the bank for six years form completion of part-tenure.

One audit firm can concurrently take up statutory audit of a maximum of four commercial banks, eight UCBs and eight NBFCs during a particular year subject to compliance with required eligibility criteria and other conditions for each entity. The limit prescribed for UCBs done not include audit of other co-operative societies by the same audit firm.

Shared/ sub-contracted audit by other/associate audit firm under the same network of audit firm is not permissible. The incoming audit firm shall not be eligible if such firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

Relinquishment of the internal assignments, if any

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

Other terms

- A) The time gap between any non-audit works by the Statutory Auditors for the Bank should be at least one year before or after its appointment as Statutory Auditor.
- B) Concurrent Auditor of the Bank should not be considered for appointment as Statutory Auditor.
- C) The restrictions as detailed in Para 1 and 2 above will 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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- D) The incoming audit firm shall not be eligible if it is associated with the outgoing audit firm under the same network of audit firms.
- E) The BoD shall monitor and assess the independence of the auditors. Any concerns in this regard will be flagged by the BoD to Regional Office of RBI.
- 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.

Professional Standards of Statutory Auditor

The Board/ Audit committee 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 two months from completion of the annual audit.

Remuneration

The audit fees for Statutory Audit will be decided by Board of Directors and will be limited to the provisions of Gujarat Co-operative Societies Act and/or any guideline in future issued by Reserve Bank of India or State Government in this regard.

Removal

Bank can remove the audit firms during the above period only with prior approval of concerned Regional Office of RBI (DoS). For the purpose Bank should approach RBI within a month of such decision being taken along with reason/justifications.



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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 is 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 Bank's financial statements, and any violations / 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.

CHAIRMAN



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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 31 st 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.



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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 / directors¹⁵ 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)

Date:

¹⁵ For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.



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FORM C

Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA

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 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: