

THE GANDHI CO-OPERATIVE URBAN BANK LTD.,

Regd. No.H.948,

Head Office: Museum Road, Governorpet, VIJAYAWADA-520 002.

**POLICY FOR APPOINTMENT OF
STATUTORY AUDITORS OF THE BANK**

INDEX

Sl. No.	Description	Page No.
1	PURPOSE	3
2	APPLICABILITY	3
3	PRIOR APPROVAL OF RBI	3
4	NUMBER OF STATUTORY AUDITORS	3
5	COVERAGE OF AUDIT	4
6	MINIMUM ELIGIBILITY CRITERIA OF AUDITORS	4
7	INDEPENDENCE OF AUDITORS	4
8	PROFESSIONAL STANDARDS OF STATUTORY AUDITORS.	4
9	TENURE AND ROTATION	4
10	AUDIT FEES EXPENSES	5
11	PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS	5
12	REVIEW OF THE POLICY	5
13	Annexure A	6
14	Form B	7
15	Form C	9

PREAMBLE

Bank: The Gandhi Co-operative Urban Bank Limited is a Co-operative Society registered under Andhra Pradesh Co-operative Societies Act, 1964 and its Head Office is located at D.No. 29-36-21, Museum Road, Governorpet, Vijayawada-520 002.

Board: 'Board' means the Board of Directors of the Gandhi Co-operative Urban Bank Limited by whatever name called which the directions and control of the management of affairs of the Bank is entrusted to.

RBI: "Reserve Bank" means The Reserve Bank of India constituted under the RBI Act, 1934 (2 of 1934)

1. PURPOSE

1.1 As per RBI Circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 and subsequent FAQ released, the Bank is required to formulate a Board Approved Policy and formulate necessary procedure there under to be followed for appointment of Statutory Auditors (SA). Apart from conforming to all relevant statutory/regulatory requirements in addition to the RBI Circular, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.

2. APPLICABILITY

2.1. This Policy will be applicable to the Bank for the Financial Year 2021-22 onwards in respect of appointment/reappointment of Statutory Auditors.

3. PRIOR APPROVAL OF RBI

3.1. The Bank is required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of Statutory Auditors for three (3) years tenure subject to the firms satisfying the eligibility norms each year. For the purpose, the Bank is required to apply to the Department of Supervision, Regional Office, RBI, Hyderabad before 31st July of the reference year.

4. NUMBER OF STATUTORY AUDITORS

4.1. The statutory audit shall be conducted by one Audit Firm (Partnership Firm/ LLP) since the asset size of our bank is below ₹ 1000 crores.

4.2. The Bank has decided the number of Statutory Auditors after taking into account the relevant factors such as the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, availability of other independent audit inputs, identified risks in financial reporting, etc.

5. COVERAGE OF AUDIT

5.1. The Statutory Auditors shall visit and audit all the Bank Branches as to cover a minimum of 15% of total gross advances of the Bank as per the policy of the RBI specified from time to time.

6. MINIMUM ELIGIBILITY CRITERIA OF AUDITORS

6.1. The Bank shall ensure to obtain Eligibility Certificate as maintained in FORM-B for adherence to the minimum eligibility criteria as mentioned in the RBI circular for appointment of the Statutory Auditors considering the asset size of the Bank.

7. INDEPENDENCE OF AUDITORS

7.1. Audit Committee of the Board (ACB) shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, stands and the best practices. Any concern in this regard may be flagged by the ACB to the Board of Directors of the Bank and concerned Senior Supervisory Manager (SSM) / Regional Office (RO) of RBI.

7.2. Concurrent Auditors of the bank should not be considered for appointment as Statutory Auditors. The audit of the Bank and any entity with large exposures to the bank for the same reference year should also be explicitly factored while assessing independence of the auditor.

7.3. The time gap between any non-audit works like internal assignments, special assignments etc. by the Statutory Auditors for the Bank should be at least one year, before or after its appointment as Statutory Auditors. However, during the tenure as Statutory Auditors, an audit firm may provide such services to the Bank, which may not normally result in a conflict of interest, and Bank may take their own decision in this regard, in consultation with the Board/ACB.

7.4. The restrictions as detailed in para 7.2 and 7.3 above, should also apply to an audit firm under the same network of the audit firms or any other audit firm having common partners.

8. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS

8.1. The Board/ACB of the Bank shall review the performance of statutory Auditors on annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the statutory auditors or any other matter considered as relevant shall be reported to RBI within two months from the completion of annual audit. Such reports should be sent with the approval/recommendation of the Board/ACB, with full details of the audit firm.

9. TENURE AND ROTATION

9.1. In order to protect the independence of the auditors/audit firms, Bank will have to appoint the Statutory Auditors 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 appointment.

9.2. An audit firm would not be eligible for reappointment in the Bank for six years (two tenures) after completion of the full or part of one term of the audit tenure.

10. AUDIT FEES AND EXPENSES

10.1. The audit fees for the Statutory Auditors shall be decided by the Board based on the recommendations of the Audit Committee.

10.2. The audit fees for Statutory Auditors for the Bank shall be reasonable and commensurate with the scope and coverage of audit, size and spread of the assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting etc.

10.3. The ACB shall make recommendation to the Board for fixing audit fees of Statutory Auditors.

11. PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS

The bank has prescribed the detailed procedural guidelines as per Annexure A, in conformity with the instructions under this policy and all relevant statutory / regulatory requirements for appointment of Statutory Auditors.

12. REVIEW OF THE POLICY

12.1. The policy shall be reviewed periodically and shall be placed to Audit Committee Board for recommendation and to the Board of Directors for approval.

The Board approved Policy will be hosted on Banks official website.

Annexure A:

Procedure for Appointment of Statutory Auditors

1. The Bank shall shortlist minimum of two audit firms for every vacancy of Statutory Auditors so that even if a firm at first preference is found to be ineligible/refuses appointment, the firm as second preference can be appointed and the process of appointment of Statutory Auditors does not get delayed. However, in case of reappointment of Statutory Auditors, till completion of tenure of continuous term of three years, there would not be any requirement of short listing and sending names of multiple audit firms to RBI, as per policy of the RBI.
2. The Bank shall place the names of shortlisted audit firms, in order of preference, before Audit Committee of the Board (ACB) for selection as Statutory Auditors.
3. Upon Selection of Statutory Auditors in consultation with the ACB and verifying the compliance with the eligibility norms prescribed by RBI, Bank shall seek RBI's prior approval for appointment of Statutory Auditors.
4. Bank shall obtain a certificate, along with the relevant information as per Form B of RBI circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22, dated April 27, 2021, from the audit firm(s) proposed to be appointed as Statutory Auditors to the effect that the audit firm(s) comply with all eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner/s of the audit firm proposed for appointment of as Statutory Auditors, under the seal of the said audit firm.
5. The bank shall ensure to obtain Eligibility Certificate as per the prescribed format for adherence to the minimum eligibility criteria as mentioned in the RBI circular and after being satisfied of their eligibility, recommend the names along with a certificate, in the format as per Form C of RBI circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, stating that the audit firm(s) proposed to be appointed as Statutory Auditors comply with all eligibility norms prescribed by RBI for the purpose.
6. While approaching the RBI for its prior approval for appointment of Statutory Auditors, Bank shall indicate its total asset size as on March 31st of the previous year (audited figures), forward a copy of Board /ACB Resolution recommending names of audit firms for appointment as Statutory Auditors in the order of preference and also furnish information as per Form B and Form C as mentioned above, to facilitate expeditious approval of appointment/re-appointment of the concerned audit firm.

Form B:

Eligibility Certificate from (Name and Firm Registration Number of the firm) (enclosed)

A. Particulars of the firm:

Asset Size of Entity as on 31 st March of Previous year	Number of Full-Time partners(FTP)s 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
Up to ₹ 1000 Crores	-				

*There should be at least one year continuous association of partners with the firm as on the date of empanelment.

** For UCBs with Asset size up to ₹ 1,000 Crores, there is no minimum requirement in this regard. Whoever, such entities may give priority to firms with full time partners or full time CAs having CISA/ISA qualification.

#Details may be finished separately for experience as SAs.

Audit Experience: For UCBs, audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditors of Commercial Banks (excluding RRBs)/UCBs/NBFCs/AIFIs).

B. Additional Information:

- i. Copy of Constitution Certificate (enclosed)
- 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 firm? If yes, details thereof. (enclosed)
- iii. Whether the firm has been appointed as 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. (enclosed)
- iv. Whether the firm has been debarred from taking up audit assignments by any Regulator/Government Agency? If yes, details thereof. (enclosed)
- v. Details of disciplinary proceedings etc. against firm by any Financial Regulator / Government agency during last three years, both closed and pending. (enclosed)

C. Declaration from the firm (enclosed)

The firm complies with all eligibility norms prescribed by RBI regarding appointment of 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 / directors* 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:

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

Form C:

Certificate to be submitted by the commercial Banks (excluding RRBs) and UCBs regarding Eligibility of audit firms proposed to be appointed as SA

1. The UCB is desirous of appointing 1) M/s. _____ **(or)**
2) _____ as Statutory Auditor (SA) for the financial year _____ for the _____ year of _____ tenure of three years 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 to approve one of the audit firms mentioned above.
2. The UCB has obtained eligibility certificate **(copy enclosed)** from above Audit firms proposed to be appointed as Statutory Auditor of the UCB for FY _____ along with relevant information (copy enclosed), in the format as prescribed by RBI.
3. The firm has no past association/ association for years with the Bank/UCB as SCA/SA/SBA.
4. The Bank /UCB has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCA/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature

(Name: _____)

(Designation: _____)

Date: