

THE BARODA CITY COOPERATIVE BANK LTD.

SANSTHA VASAHAT, RAOPURA, BARODA – 390 001

PH. NO.: 2438422, 2438350

RBI LICENSE NO.: DBOD .UBD GJ 321 P (DT. 05-11-1982)

REGISTRATION NO. 17321

APPOINTMENT OF STATUTORY AUDITOR

CIRCULAR BOARD RESOLUTION NO. 16 DT. 03.06.2021

THE BARODA CITY CO OPERATIVE BANK LTD

SANSTHA VASAHAT, RAOPURA, VADODARA – 390 001

Policy for Appointment of Statutory Auditors (SAs):

The RBI has issued guidelines under Section 30(1A) of the Banking Regulation Act, 1949, Section 10(1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 and Section 41(1) of SBI Act, 1955 on 27 April 2021 for Appointment of Statutory Auditor for Urban Co Operative Banks.

Our Bank has accordingly formulated Policy for appointment of Statutory Auditors for our Bank as detailed below and placed in Board meeting held at Head office on 03-06-2021 and has been approved by Resolution No. 16 :

Applicability:

1. This Policy will be applicable for Financial Year 2021-22 and onwards in respect of appointment/reappointment of Statutory Auditors (SAs).
2. As RBI guidelines regarding appointment of Statutory Auditors as shall be implemented for the first time for UCBs from FY 2021-22, it is decided to adopt these guidelines from H2 (second half) of FY 2021-22 in order to ensure that there is no disruption.

Prior Approval of RBI:

1. Our Bank will be required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of Statutory Auditors, on an annual basis in terms of the above-mentioned statutory provisions. For the purpose, Bank should apply to Department of Supervision, RBI before 31st July of the reference year.
2. Our Bank shall approach the concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located.

Number of Statutory Auditors and Branch Coverage:

1. As our Bank is having asset size below ₹ 115000 crore, we should require to appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting Statutory Audit.
2. Considering the above factors and the requirements of the our Bank, the actual number of Statutory Auditors to be appointed shall be decided by the Board of Directors, subject to the following limits:

Sr. No.	Asset Size of the Entity	Maximum number of SCAs/SAs
1.	Upto □ 5,00,000 crore	4
2.	Above □ 5,00,000 crore and Up to □ 10,00,000 crore	6
3.	Above □ 10,00,000 crore and Up to □ 20,00,000 crore	8
4.	Above □ 20,00,000 crore	12



The above limits have been prescribed to ensure that the number of Statutory Auditors as appointed by the Bank are adequate, commensurate with the asset size and extent of operations of the Bank, with a view to ensure that audits are conducted in a timely and effective manner. This will be subject to review in future based on the experience.

Eligibility Criteria of Auditors:

Our Bank is required to appoint audit firm(s) as its SA fulfilling the eligibility norms as prescribed in 'Annex- I'.

Independence of Auditors :

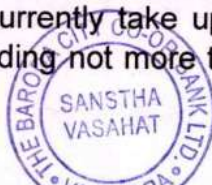
1. Our Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board of the Bank to the concerned RO of RBI.
2. In case of any concern with the Management of the Bank such as non-availability of information/non-cooperation by Management/Staff, which may hamper the audit process, the Statutory Auditors shall approach the Board of the Bank, under intimation to the concerned RO of RBI.
3. Concurrent auditors of our Bank shall not be considered for appointment as SA of our Bank.

Professional Standards of Statutory Auditors

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

Tenure and Rotation:

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 approval for appointment.
2. 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. However, audit firms can continue to undertake statutory audit of other Bank.
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 UCBs exclude audit of other co-operative societies by the same audit firm. 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 Statutory Audit 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.

Audit Fees and Expenses:

1. The audit fees for Statutory Audit of all the Entities shall be decided in terms of the relevant statutory/regulatory provisions.
2. The audit fees for Statutory Auditors of the Bank shall be 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.
3. In context of above para no.2 Audit fees are fixed as follow:

LOANS AMOUNT UP TO 50 CRORE (FIXED)	Rs. 75000.00
FEE ON REMAING LOANS	Rs. 1000 per 1 Crore

The fee amount is excluding GST.

4. The Board/ACB of the Bank shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of Statutory Auditors.

The minimum procedural requirements shall be as per details given at 'Annex-II' with this policy.

Additional Consideration

- (i) The audit firm, proposed to be appointed as SCAs/SAs for Entities, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- (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 Entities shall ensure that appointment of SCAs/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) The Statutory Auditors 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 state in which the UCB/branch of the UCB is located.

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 Bank 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.

M. Patel

CHAIRMEN

