

**POLICY FOR APPOINTMENT OF STATUTORY AUDITORS****1. Introduction:**

Reserve Bank of India (RBI) vide its circular dated April 27, 2021, has issued fresh guidelines for appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Urban Cooperative Banks (UCBs).

**2. Purpose:**

This policy has been prepared on the basis of guidelines issued by RBI, relevant provisions of The State Co-operative Societies Act, 2002, The Chartered Accountants Act, 1949, other prevailing laws and best practices prevailing in Banking Industry.

**3. Definitions:**

- a. "Board" means Board of Directors of the Bank.
- b. "Statutory Auditors (SAs)" mean auditors appointed as per the policy to conduct statutory audit of the Bank.
- c. "RBI circular" means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/ SEC.01/ 08.91.001/ 2021-22. dated April 27, 2021.
- d. "RBI" means Reserve Bank of India.
- e. "Bank" refers to TGMC Bank Limited.
- f. "AGM" refers to Annual General Meeting.

**4. Applicability:**

This policy will be applicable for Financial Year 2022-23 and onwards as per Board of Management approval dated 16.09.2022.

**5. Prior Approval of RBI:**

The Bank shall take prior approval of RBI for appointment/reappointment of SAs on annual basis. The Bank shall apply to Department of Supervision, RBI, Bangalore.

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6.01 The number of SAs to be appointed for a financial year shall be decided, inter alia, 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. Based on this, Number of SAs to be appointed by the Bank shall be one.

6.02 The Bank shall finalise the work allocation and branch coverage among SAs, before the commencement of the statutory audit, in consultation with the SAs.

**7. Eligibility Criteria of Auditors:**

As per RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/ SEC.01/ 08.91.001/ 2021-22. dated April 27, 2021. **Annex-1**

**8. Appointment of SAs**

The Appointment of the audit firm will be for one year, subject to appointment/approval on annual basis by RBI.

**9. Audit Fees and Reimbursement of Expenses**

The audit fees for SAs shall be decided in terms of the relevant statutory / regulatory provisions, guidelines of State Government Audit department /RBI.

The members authorized Board, will be finalise Audit Fees and reimbursement of expenses.

**10. Statutory Auditor - Appointment Procedure****10.01 Process for appointment of New Audit firm as SAs:**

Policy/Evaluation criteria will be hosted on TGMC Bank's website. It is expected that audit firms will approach the Bank on the basis of

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website notification. Based on responses received, a comprehensive and comparative analysis of eligible audit firms will be prepared and provided with recommendations to Audit Committee. Based on recommendations from Audit Committee, it will be submitted to Board. Based on recommendation from Board, it will be submitted to AGM for approval. In addition, Bank will also approach RBI for approval for appointment of statutory auditors.

Appointment letters will be issued to SAs, after receipt of approval from RBI and AGM.

**10.02 General process to be followed:**

10.02.1 The Bank shall obtain a certificate, along with relevant information as per Form B (Exhibit B), from the audit firm(s) proposed to be appointed/ reappointed as SAs, 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 proposed for appointment/ reappointment of SAs of the Bank, under the seal of the said audit firm.

10.02.2 The Bank shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, recommend the names along with a certificate, in the format as per Form C (Exhibit C), stating that the audit firm(s) proposed to be appointed as SA comply with all eligibility norms.

**11. Review of the policy:**

The Audit Committee of the Board and Board of the Bank may review the policy as and when required.

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy, till the time Policy is suitably amended.

The Bank reserves the right to amend the policy from time to time.



**TGMC BANK**

ISO 9001:2008 Certified Bank

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### **12. Redressal of grievances**

The Audit Committee of the Board and Board of the Bank will dispose of grievances/ complaints (if any) with regard to the selection of Statutory Auditors, allotment of Branches and work allocation.

The subsequent guidelines / directives issued by the Reserve Bank of India, provision of The State Co-operative Societies Act, 2002, The Chartered Accountants Act, 1949, Guidelines issued by The Institute of Chartered Accountants of India and National Financial Reporting Authority from time to time, will be made applicable by the Bank.



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**13. Jurisdiction**

For all purposes, the jurisdiction shall be of Honorable Tumkur Court.

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

**Exhibit B**

(As extracted from RBI Circular)

**Form B**

| <b>Eligibility Certificate from (Name and Firm Registration Number of the firm)</b>       |  |   |   |   |                                     |
|---|--|---|---|---|-------------------------------------|
| <b>A. Particulars of the firm: Asset Size of Entity as on 31st March of Previous Year</b> | <b>Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years</b> | <b>Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years</b> | <b>Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification</b> | <b>Number of Years of Audit Experience#</b> | <b>Number of Professional staff</b> |
|   |  |   |   |   |                                     |

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**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.

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/directors have been declared as wilful defaulter by any bank/financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner

(Name of Partner)

Date:-

**POLICY FOR APPOINTMENT OF STATUTORY AUDITORS****Exhibit C**

(As extracted from RBI Circular)

**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 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 SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature

(Name and Designation)

Date:-