

POLICY FOR APPOINTMENT OF JOINT STATUTORY AUDITORS

FINANCIAL YEAR 2025-26

1. Introduction:

Reserve Bank of India (RBI) vide its circular No. RBI/2021-22/25 Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 on “Guidelines for Appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)” has issued guidelines for appointment of Joint Statutory Auditors (JSAs) of Urban Co-operative Banks (UCBs). These guidelines are issued 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; and under provisions of Chapter IIIB of RBI Act, 1934 for NBFCs. These guidelines supersede all previous guidelines.

2. Purpose:

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

3. Definitions:

- a. “Board” means Board of Directors of the Bank.
- b. “Joint Statutory Auditors (JSAs)” mean joint 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 SVC Co-operative Bank Limited.
- f. “AGM” refers to Annual General Meeting.
- g. “ACB” refers to Audit Committee of Board of the Bank.

4. Applicability:

This policy will be applicable from Financial Year 2021-22 in respect of appointment/reappointment of JSAs of the Bank.

5. Prior Approval of RBI:

The Bank shall take prior approval of RBI (Department of Supervision) for appointment/reappointment of JSAs on annual basis in terms of the above-mentioned statutory provisions. The Bank shall apply to Central Office of RBI (Department of Supervision) before 31st July of the reference year.

6. Number of SAs, Audit and Branch Coverage:

6.1. The statutory audit shall be conducted jointly by a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. The number of SAs to be appointed for a financial year shall be decided after considering 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.

6.2. It shall be ensured that joint auditors of the Bank do not have any common partners and they are not under the same network of audit firms.

6.3. Further, the work allocation among SCAs/JSAs will be finalized, before the commencement of the statutory audit, in consultation with SCAs/JSAs. The work allocation can be changed during statutory audit, with mutual consent of joint statutory auditors and the Bank.

7. Eligibility Criteria of Auditors:

The Bank shall consider audit firm(s) fulfilling the eligibility norms as per “Exhibit A” for appointment as its JSA(s)

8. Independence of Statutory Auditor

8.1 The Board of Directors shall monitor and assess the independence of the joint statutory auditors. Any concerns in this regard may be flagged by the Board to the concerned SSM/RO of RBI.

8.2 In case of any concern with the Management of the Bank such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the JSA(s) shall approach the Board/ACB of the Bank, under intimation to the concerned SSM/RO of RBI.

8.3 Concurrent auditors of the Bank should not be considered for appointment as JSA(s). The audit of the Entity and any entity with large exposure to the Entity for the same reference year should also be explicitly factored in while assessing independence of the auditor.

8.4 The time gap between any non-audit work (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the JSA(s) for the Bank shall be at least one year, before or after its appointment as JSA(s). However, during the tenure as JSA, an audit firm may provide such services which may not normally result in a conflict of interest and Bank may take its own decision in this regard, in consultation with the Board/ACB.

8.5 The restrictions as detailed in para 8.3 and 8.4 above shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

9. Professional Standards of Statutory Auditor:

9.1 The JSA(s) shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

9.2 The Board/ACB shall review the performance of JSA(s) on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the JSAs or any other matter considered as relevant shall be reported to RBI within two months from completion of the annual audit. Such reports shall be sent with the approval/recommendation of the Board/ACB with the full details of the audit firm.

10. Tenure & Rotation

10.1 The tenure of Audit firm will be maximum for continuous period of three years subject to the firms satisfying the eligibility norms each year. However, the Appointment of the audit firm will be for one year, subject to annual approval by the AGM and RBI.

10.2 An audit firm will not be eligible for reappointment for six years after completion of full or part of one term of the audit tenure.

10.3 The Bank can remove the audit firms during the period mentioned in para 10.1 only with prior approval of RBI (Department of Supervision), as applicable for prior approval for appointment.

10.4 Shared/ Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible.

10.5 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.

11. Audit Fees and Reimbursement of Expenses

The audit fees for JSAs shall be decided in terms of the relevant statutory / regulatory provisions, guidelines of RBI and as approved in the AGM.

If the members in AGM, authorises the Board, then the Board will be authorised to finalise on Audit Fees and reimbursement of expenses.

12. Joint Statutory Auditor - Appointment Procedure

12.1 Process for appointment of New Audit firm as JSAs:

Policy for Appointment of Statutory Auditor approved by the Board and Evaluation criteria will be hosted on Bank's website.

Based on the applications received from the audit firms, a comprehensive and comparative analysis of eligible audit firms will be done and names of shortlisted audit firms (minimum of 2

audit firms for every vacancy of JSAs) shall be placed before the Audit Committee for selection in order of preference.

On selection of Audit Firms, with the concurrence of Audit Committee of Board and Board and after verifying their compliance with the eligibility norms prescribed by RBI, the Bank shall seek RBI's prior approval for appointment of the audit firms as JSAs of Bank.

Appointment letters will be issued to JSAs, after approval from RBI / Audit Committee of Board, Board and AGM.

12.2 General process to be followed:

12.2.1 Policy for Appointment of Joint Statutory Auditor approved by the Board and Evaluation criteria will be hosted on Bank's website.

12.2.2 The Bank shall obtain relevant information in Exhibit A "Policy/Evaluation criteria in respect of Appointment of Joint Statutory" along with "Eligibility Certificate", as per Form B (Exhibit B), from the audit firm(s) proposed to be appointed/ reappointed as JSAs, 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 JSAs of the Bank, under the seal of the said audit firm.

12.2.3 Compliance of the audit firm(s) to the eligibility norms prescribed by RBI for the purpose shall be verified and after being satisfied of their eligibility the names of the Audit Firms with all details and Statutory Audit Fees recommended for the year shall be placed before the Board for their approval.

12.2.4 Post the approval from the Board, application will be submitted to RBI for approval of appointment/reappointment of the audit firms as JSAs by submitting Form B along with a certificate in the format as per Form C (Exhibit C) stating the audit firm(s) proposed to be appointed as JSAs comply with all eligibility norms as prescribed by RBI and copy of Board Resolution.

12.2.5 The Bank shall ensure that 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. The Bank shall ensure that appointment of SCAs/JSAs 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.

12.2.6 RBI Approval along with opinion about professional conduct of the audit firms from The Institute of Chartered Accounts of India (ICAI) and findings of verification of website of National Financial Reporting Authority (NFRA) for disciplinary action to be placed before Audit Committee and subsequently at The Board.

12.2.7 Final approval for appointment/ reappointment of JSAs shall be obtained at Annual General Meeting, as per bye laws of The Bank.

12.2.8 Appointment letter to be issued to the Joint Statutory Auditors after complying all regulatory and statutory requirements.

13. Review of the policy:

The Audit Committee of the Board and Board of the Bank may review the policy as and when guidelines are revised by RBI in this regard. This policy shall remain in force till the next review.

14. 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 Joint Statutory Auditors and allotment of Branches to them.

The subsequent guidelines / directives issued by the Reserve Bank of India, provision of The Multi 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, on selection / appointment of JSAs and will be made applicable by the Bank.

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

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