SHREE KADI NAGARIK SAHAKARI BANK LTD.

Resolution No: 13 **Date: 29.08.2026**

STATUTORY AUDIT POLICY

This policy is based on Reserve Bank of India (Urban Co-operative Banks - Statutory Audit) Directions, 2026 No: RBI/DoS/2026-27/441 DoS.CO.ARG.35/ 08.91.021/2026-27 dated July 31, 2026.

1. OBJECTIVE:

The objective of this Policy is to establish a transparent and objective framework for appointment / reappointment, independence, tenure, rotation, performance review and related matters concerning Statutory Auditors (SAs) of the Bank.

2. GOVERNANCE AND OVERSIGHT:

2.1 Board of Directors:

The Board shall:

1. Approve the Statutory Audit Policy.
2. Decide the list of proposed SAs to be appointed.
3. Monitor and assess independence of auditors and conflict of interest.
4. Review the performance of SAs annually.
5. Decide for fixing audit fees.
6. Ensure that the appointment process is transparent and objective.

The Bank has an Audit Committee of the Board (ACB), the ACB shall discharge the responsibilities assigned to it under the RBI Directions.

2.2 Serious Lapses:

The Bank shall report any serious lapses or negligence in audit responsibilities or conduct issues on the part of SAs, or any other matter considered relevant, to the Department of Supervision, RBI within two months from completion of the annual audit. Such report shall have the approval / recommendation of the Board and shall contain full details of the audit firm.

3. NUMBER OF SAs:

The Bank shall appoint one Audit firm.

4. BRANCH COVERAGE:

The SAs shall visit and audit at least top 20 branches; or top 20 per cent of branches where the Bank has less than 100 branches, selected in order of the level of outstanding advances. The coverage shall be such as to cover a minimum of 15 per cent of the Bank's total gross advances.

5. ELIGIBILITY OF AUDIT FIRMS:

5.1 The Bank shall appoint only one audit firm(s) fulfilling the eligibility norms prescribed by RBI. The eligibility shall be assessed with reference to the asset size of the Bank as on 31st March of the previous year.

Shree Kadi Nagarik Sahakari Bank Ltd. Kadi Bank * Head Office *

5.2 Minimum Eligibility Requirements:

Asset Size of UCB	Minimum Full Time Partners associated for at least 3 years	Minimum FCA Partners associated for at least 3 years	Minimum FTPs / Paid CAs with CISA / ISA	Minimum Audit Experience of Firm	Minimum Number of Professional Staff
Above ₹ 15,000 crore	5	4	2	15 years	18
Above ₹ 1,000 crore and up to I ₹ 15,000 crore	3	2	1	8 years	12
Up to ₹ 1,000 crore	2	1	1*	6 years	8

*Not mandatory for UCBs with asset size of up to ₹ 1,000 crore.

5.3 There shall be at least one-year continuous association of partners with the audit firm as on the date of shortlisting. For appointment as SA of Bank with asset size above ₹ 1,000 crore, at least two partners of the firm shall have continuous association with the firm for at least 10 years. The SA of the firm should have a fair knowledge of the functioning of the co-operative sector and preferably working knowledge of the language of the State in which the UCB / branch is located.

6. CONTINUED COMPLIANCE WITH ELIGIBILITY:

The appointed audit firm shall continue to satisfy the eligibility norms during the audit tenure.

If an audit firm ceases to satisfy any eligibility norm due to reasons such as:

- Resignation or death of partners / employees;
- Debarment by Government Agencies;
- National Financial Reporting Authority;
- Institute of Chartered Accountants of India;
- RBI; or
- Other financial regulators,

The audit firm shall promptly approach the Bank with full details. The audit firm shall take necessary steps to regain eligibility and shall comply with the eligibility norms before commencement of the annual statutory audit for the financial year ending 31st March and till completion of the annual audit. In extraordinary circumstances after commencement of audit, RBI may allow the concerned audit firm to complete the audit as a special case.

7. INDEPENDENCE OF AUDITORS:

The Board shall monitor and assess independence of the auditors and conflict of interest.

7.1 Concurrent Audit:

The Concurrent auditors of the Bank shall not be considered for appointment as SAs of our Bank.

7.2 Conflict of Interest:

The Board shall ensure that there is no conflict of interest and independence of auditors is maintained.

7.3 NON-AUDIT WORK:

Before appointment or after completion of the audit assignment as SA, the time gap between non-audit work for the Bank or audit / non-audit work for its Group Entities and the statutory audit assignment shall be at least one year, as prescribed by RBI. During the tenure as SA, an audit firm may provide services which may not normally result in a conflict of interest.

Shree Kadi Nagarik Sahakari Bank Ltd. Kadi Bank Head Office

8. PROFESSIONAL STANDARDS:

SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence. In the event of lapses in carrying out audit assignments resulting in misstatement of the Bank's financial statements, or violations / lapses vis-à-vis RBI directions / guidelines regarding the role and responsibilities of SAs, the concerned SAs shall be liable to be dealt with suitably under the applicable statutory / regulatory framework.

9. TENURE AND ROTATION:

The Bank shall appoint SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. An audit firm which has already completed one or two years with any Bank may be permitted to complete the balance tenure of two years or one year respectively, subject to annual compliance with eligibility norms. The Bank may remove an audit firm during the tenure only with prior approval of the Department of Supervision, RBI.

An audit firm shall not be eligible for re-appointment in the same Bank for six years, representing two tenures, after completion of a full or part term. Where an audit firm has conducted audit for part tenure of one or two years and is not appointed for the remainder, the six-year period shall run from completion of the part tenure.

10. LIMIT ON NUMBER OF BANK AUDITS:

One audit firm may concurrently undertake statutory audit of a maximum of 8 (eight) UCBs during a particular year, subject to the prescribed eligibility criteria, other conditions and overall ceiling under applicable statutes or rules. For this purpose, the limit prescribed for UCBs excludes audit of other co-operative societies. A group of audit firms having common partners and / or under the same network shall be considered as one entity. Shared / subcontracted audit by another / associate audit firm under the same network is not permissible. The incoming audit firm shall not be eligible if it is associated with the outgoing auditor or audit firm under the same network.

11. AUDIT FEES AND EXPENSES:

Audit fees for SAs shall be decided in terms of the relevant statutory / regulatory provisions. The Board / ACB shall fix audit fees. The audit fees shall be reasonable and commensurate with:

- Scope and coverage of audit;
- Size and spread of assets;
- Accounting and administrative units;
- Complexity of transactions;
- Level of computerisation; and
- Identified risks in financial reporting.

12. APPOINTMENT PROCEDURE:

The Bank shall follow the appointment procedure prescribed by RBI.

12.1 Prior Approval of RBI:

The Bank shall obtain prior approval from the Department of Supervision, RBI for appointment / reappointment of SAs on an annual basis. The application shall be made before 31st July of the reference year. Bank shall approach the Ahmedabad Regional Office of RBI, Department of Supervision.

12.2 Shortlisting:

The Bank shall shortlist a minimum of two audit firms for SAs. This requirement shall not apply where SAs are being reappointed until completion of the continuous term of three years. The shortlisted firms shall be placed before the Board in order of preference. After selection and verification of eligibility, the Bank shall seek prior approval of RBI.

12.3 Eligibility Certificate:

The Bank shall obtain from the proposed audit firm the certificate and relevant information prescribed in **Annex I (Form B).** The certificate shall be signed by the partner of the proposed audit firm under the seal of the audit firm. The Bank shall verify compliance with all eligibility norms. After verification, the Bank shall submit the recommendation along with the certificate prescribed in **Annex II (Form C).**

12.4 Information to RBI for Prior Approval:

While seeking prior approval, the Bank shall furnish:

1. Total asset size as on 31st March of the previous year based on audited figures;
2. Copy of Board / ACB Resolution recommending names of audit firms in order of preference;
3. Annex I - Form B as per above mentioned RBI Direction
4. Annex II - Form C as per above mentioned RBI Direction

13. AUDIT PERFORMANCE REVIEW:

The Board / ACB shall review the performance of SAs annually. The review shall include consideration of:

- Audit responsibilities;
- Conduct of the audit firm;
- Serious lapses or negligence;
- Compliance with applicable requirements; and
- Other matters considered relevant.

Where serious lapses, negligence or conduct issues are identified, the Bank shall report the matter to the Department of Supervision, RBI within two months from completion of the annual audit, with approval / recommendation of the Board.

14. NON-COOPERATION BY MANAGEMENT:

Where non-availability of information or non-cooperation by the Bank's management hampers the audit process, the SAs shall approach the Board under intimation to the concerned SSM of RBI. The SAs shall directly approach the Board where:

- The Bank does not have an ACB; or
- The matter of concern involves a member of the ACB.

The Bank shall ensure that the auditors receive the information and cooperation necessary for carrying out their responsibilities.

15. RECORDS AND DOCUMENTATION:

The Bank shall maintain records relating to:

- Board / ACB approval;
- Shortlisting of audit firms;
- Eligibility verification;
- Form B;



- Form C;
- Audit firm declaration;
- RBI approval;
- Appointment / Re-appointment;
- Audit fees;
- Work allocation;
- Performance review; and
- Correspondence with RBI relating to statutory audit.

16. RESPONSIBILITY:

16.1 Board of Directors:

The Board shall have overall responsibility for ensuring compliance with this policy and the RBI Directions.

16.2 Audit Committee of the Board:

The ACB shall assist the Board in:

- Oversight of statutory audit;
- Review of auditor independence;
- Performance review;
- Recommendations regarding audit fees; and
- Reporting of significant matters.

16.3 Management:

Management shall:

- Provide required information and records to the auditors;
- Facilitate completion of statutory audit;
- Ensure compliance with RBI requirements concerning appointment / re-appointment; and
- Support the Board in the prescribed process.

17. EFFECTIVE DATE:

This Policy shall be come into force with immediate effect.

18. POLICY REVIEW:

This Policy shall be reviewed whenever there is any change in the applicable RBI Directions.

For, **SHREE KADI NAGARIK SAHAKARI BANK LTD.**

Shree Kadi Nagarik Sahakari Bank Ltd. Kadi Bank Head Office

RRPatel

Chief Executive Officer **Chairman**