

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

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POLICY FOR APPOINTMENT OF STATUTORY AUDITORS OF THE BANK

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 Frequently Asked Questions on Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated Date : Jun 11, 2021, the Bank is required to formulate a Board Approved Policy and formulate necessary procedure thereunder to be followed for appointment of Statutory Auditor (SA). Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, 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 Financial Year 2021-22 and 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, on an annual basis. For the purpose, the Bank is required to apply to The Department of Supervision, Central Office, RBI, Mumbai before 31st July of the reference year.

4. Number of Statutory Auditors

- 4.1. The Bank shall decide on the number of SAs 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.
- 4.2. The statutory audit shall be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. The Bank shall ensure that joint auditors of the Bank do not have any common partners and they are not under the same network of audit firms. Further, the Bank shall finalise the work allocation among Statutory Auditors, before the commencement of the statutory audit, in consultation with them
- 4.3. Considering the above factors and the other requirements of the bank, the actual number of Joint Statutory Auditors to be appointed, shall be subject to the following limits:

Sr. No.	Asset Size	Maximum number of Statutory Auditors
1	Up to ₹3,00,000 crore	2
2	Above ₹ 3,00,000 crore and up to ₹ 4,00,000 crore	3
3	Above ₹ 4,00,000 crore and up to ₹ 5,00,000 crore	4
4	Above ₹ 5,00,000 crore and up to ₹ 10,00,000 crore	6
5	Above ₹ 10,00,000 crore and up to ₹ 20,00,000 crore	8
6	Above ₹ 20,00,000 crore	12

4.4. Selection Criteria

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. For the purpose of this circular, 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 SCA/SA 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. (Ref: RBI Circular no. DoS.CO.ARG/SEC.01/08.91.001/2021-22; dated April 27, 2021, Para 8.3)

5. Coverage of Audit

- 5.1. The Statutory Auditors shall visit and audit at least the Top 20 Branches, to be selected in order of the level of outstanding advances in such a manner as to cover a minimum of 15% of total gross advances of the Bank. In addition, the Bank shall ensure adherence to the provisions of Sec 143(8) of the Companies Act, 2013 regarding of audit of accounts of all branches.

6. Minimum Eligibility Criteria Of Auditors

- 6.1. The Bank shall adhere 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, standards and best

practices. Any concerns 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. In case of any concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditors shall approach the Board/ACB of the Bank, under intimation to the concerned SSM/RO of RBI.
- 7.3. 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 in while assessing independence of the auditor.
- 7.4. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors for the Bank or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory Auditors. However, during the tenure as Statutory Auditor, 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.
- 7.5. The restrictions as detailed in para 7.3 and 7.4 above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

8. Professional standards of statutory auditors

- 8.1. The Board/ACB of 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 Auditors 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.
- 8.2. In the event of lapses in carrying out audit assignments resulting in misstatement of an entity's financial statements, and any violations / lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SCAs / SAs in relation to entities, the SCAs/SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.
- 8.3. Periodic verification of professional conduct/ disciplinary action of the SCAs firms/ partners from ICAI / NFRA and any other Statutory / Regulatory body will be taken into consideration at the time of appointment of new entity as well as the renewal of existing entity.

9. Communication between Auditors and Those Charged with Governance (TCWG)

Communication between Auditors and TCWG shall be governed by the Bank's 'Framework on Communication Between Statutory Auditors and Those Charged with Governance'

10. Tenure and Rotation

- 10.1. 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.
- 10.2. 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.

11. Audit Fees and Expenses

- 11.1. The audit fees for Statutory Auditors shall be decided in terms of the relevant statutory/regulatory provisions.
- 11.2. 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 assets, accounting and administrative units, complexity of transactions, level of computerization, identified risks in financial reporting, etc.
- 11.3. The details of fees shall be placed to ACB and ACB shall make recommendation to the Board for approval and onward recommendation to the Shareholders of the Bank for approval at the AGM.

12. Procedure for Appointment of Statutory Auditors

- 12.1. The Bank shall have in place detailed procedural guidelines, in conformity with the instructions under this policy and all relevant statutory/regulatory requirements for appointment of Statutory Auditors. The terms and conditions for the appointment of the auditors may also be intimated through Appointment Letter received from the Reserve Bank of India.

13. Amendments / Modification

To the extent any change/ amendment required in terms of any applicable law or change in regulations, the regulations would prevail over this Policy and the provisions in the Policy would be modified in due course to make it consistent with law, however, notwithstanding such non-modification or pending such modification, the applicable law and regulations (as changed) shall prevail over the Policy, and the Policy shall be read accordingly. Such amended Policy shall be placed before the ACB and the Board for noting and necessary ratification.

14. Review of the Policy

14.1. This Policy shall be reviewed as and when any changes are to be incorporated in the Policy due to change in applicable law or regulation, or at least once in every three years

14.2. Whenever updated or at least once in three years as stipulated, the policy shall be placed to the ACB and Board for recommendation / approval.

15. Disclosure

The approved policy shall be hosted on the official website of the bank /public domain.