



Policy on Appointment of Statutory Auditors

Background

Reserve Bank of India (RBI) vide their letter No. RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27/04/2021 issued guidelines for appointment of Statutory Auditors of the Bank. These guidelines supersede all previous guidelines issued on the subject.

Prior Approval of RBI

Bank will be required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of Statutory Auditors of the Bank, on an annual basis in terms of the above-mentioned statutory provisions.

For the purpose, Bank shall approach the Regional office of RBI (Department of Supervision), RBI before 31st July of the reference year.

Independence of the Statutory Auditor

- The Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board to the concerned Regional office of RBI.
- In case of any concern with the Management 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, under intimation to the concerned Regional office of RBI.
- Concurrent auditors should not be considered for appointment as Statutory Auditors. The audit for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- The time gap between any non-audit works by the Statutory Auditors or any audit/non-audit works should be at least one year, before or after its appointment as Statutory Auditors. However, during the tenure as Statutory Auditors, an audit firm may provide such services which may not normally result in a conflict of interest, and Bank may take own decision in this regard, in consultation with the Board/ACB

Professional Standards of Statutory Auditors

- The Statutory Auditors 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, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the Statutory Auditors 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

- In order to protect the independence of the auditors/audit firms, Bank shall appoint the Statutory Auditors for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.
- An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure. In case an audit firm has conducted audit for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment for six years from completion of part-tenure.
- 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 and within overall ceiling prescribed by any other statutes or rules.

Statutory Audit Policy and Appointment Procedure

- Bank shall host appointment of Statutory audit Policy, duly approved by Board/ACB, on Bank's official website/public domain and follow necessary formulated procedure there under for appointment of Statutory Auditors of the Bank. Bank shall afford necessary transparency and objectivity for most key aspects of this important assurance function.
- The Bank shall shortlist minimum of 2 audit firms for every vacancy of Statutory Auditors so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of Statutory Auditors does not get delayed. However, in case of reappointment of Statutory Auditors till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.
- The name of shortlisted audit firms, in order of preference, shall be placed before ACB / Board for their concurrence before it is forwarded to RBI for final approval.
- After ACB & Board approval, Bank shall obtain a certificate, along with relevant information as per Form B from the audit firm(s) proposed to be appointed as Statutory Auditors of the Bank 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 of Statutory Auditors of the Bank under the seal of the said audit firm.

- 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, stating that the audit firm(s) proposed to be appointed as Statutory Auditors by them comply with all eligibility norms prescribed by RBI for the purpose.
- On selection of Statutory Auditors by the Bank in consultation with ACB/ Board and after verifying compliance with the eligibility norms prescribed by RBI, the Bank shall seek RBI's prior approval for appointment of Statutory Auditors of the Bank.
- Resolution for appointment of Statutory Auditor shall be passed in Annual General Meeting after RBI approval for selected Audit firms.

Relinquishment of the internal assignments, if any

In the event of acceptance of the appointment as Statutory Auditor of the Bank, all the internal assignments of the Auditor in our Bank, if any, will stand withdrawn.

Removal and Discontinuation

An audit firm appointed as Statutory Auditor can be removed during its tenure with the prior approval of Reserve bank of India. The Board of Directors of the Bank will be the competent authority to recommend removal of any Statutory Auditors to Reserve Bank of India (Department of Supervision), as applicable for prior approval for appointment.

Redressal of Grievances

Head of Internal Audit with consultation with Managing Director under guidance of ACB will dispose off grievances/ complaints (if any) with regard to the selection of Statutory Auditors.