

Policy on Appointment of Statutory Central Auditors

Policy Owner: CFO India
Policy Level: Level 3

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The objective of this policy is to establish proper procedure for appointment of Statutory Central Auditors and to conform with the extant norms of Reserve Bank of India, and applicable provisions of Banking Regulation Act, 1949 and Companies Act, 2013.

POLICY DETAIL

Introduction

The Executive Committee ("EXCO") of the Australia and New Zealand Banking Group Limited – India Branches ("the Bank") have adopted the following policy and procedures with regard to Appointment of Statutory Central Auditors ('Policy on Appointment of Statutory Central Auditors'), in line with the requirements of extant norms of Reserve Bank of India (RBI), Section 30 (1A) of the Banking Regulation Act, 1949 and as per Section 139, 141 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

Eligibility Norms for Statutory Central Auditors (SCAs)

a) Eligibility norms as per RBI circular no. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27th April 2021

- i) Minimum 3 full time partners (FTPs) associated with the firm for a period of at least 3 years. Of the FTPs, minimum 2 should be Fellow Chartered Accountant (FCA) associated with the firm for a period of at least 2 years. There should be at least 1 FTP/paid CA with CISA/IA qualification.
- ii) At least two partners of the firm shall have continuous association with the firm for at least 10 years.
- iii) The minimum number of professional staff (excluding typists, stenographers, computer operators, secretary/ and sub-ordinate staff etc.), consisting of audit and articled clerks with the knowledge in book-keeping and accountancy and are engaged in outdoor audit should be 12.
- iv) The firms should have minimum statutory central audit experience of 8 years as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/AIFIs.
- v) One audit firm will be permitted to take up the Statutory Audit of maximum of 4 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 NBFC during a particular year.
- vi) 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.

vii) The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SCAs/SAs for the Entities or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SCAs/SAs. However, during the tenure as SCA/SA, an audit firm may provide such services which may not normally result in a conflict of interest, and Bank may take their own decision in this regard, in consultation with the EXCO.

viii) An Audit firm, subject to fulfilling the prescribed eligibility norms will be allowed to continue as SCA for the Bank for a period of 3 years and there after the said firm will be compulsory rested for a period of six years.

ix) Concurrent auditors of the Bank should not be considered for appointment as SCAs/SAs of the Bank.

b) General Eligibility Norms for Auditors

i) The audit firm, proposed to be appointed as SCAs, should be duly qualified for the appointment as auditor of the Company in terms of section 141 of the Companies Act, 2013.

ii) 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

iii) The appointment of SCAs to be in line with the ICAI's Code of Ethics/any other such standards adopted and should not give rise to any conflict of interest

iv) If any partner of a Chartered Accountant firm is a director in any entity, the said firm shall not be appointed as SCA/SA of any of the group entities of that entity.

v) 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.

vi) The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Entities where the accounting and business data reside in order to achieve audit objectives.

vii) The auditors should preferably have the capability and experience in dealing with both debt and equity capital market issuances (domestic and offshore).

Procedure for appointment of SCAs

i) The appointment of SCA will be made subject to their fulfilling the eligibility norms prescribed by RBI and applicable provision of Companies Act, 2013, and subject to their suitability.

ii) Post screening of applications received, the shortlisted proposed names of SCAs will be recommended to Executive Committee of the Bank for approval. A minimum of 2 audit firms of SCAs will be shortlisted so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed.

iii) Once the approval is given by the Executive Committee, the Bank will submit the application

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before 31st July of the reference year for appointment of SCAs with necessary enclosure to the RBI for approval and confirming to the effect that that audit firm proposed to be appointed as SCA comply with all the prescribed eligibility norms. The confirmation will be provided based on the back to back certification from the firms that are proposed to be appointed and independent enquiry by the Bank to the extent feasible.

- iv) The Bank will also obtain the confirmation from Institute of Chartered Accountants of India ("ICAI") on eligibility for the shortlisted audit firms.
- v) The consent letter/certificate obtained from SCAs should be signed by the main partner/s of the audit firm proposed for appointment under the seal of said audit firm and shall be dated prior to the date of application referred in (iii) above.
- vi) The SCA will be engaged for the period of 3 years, being the maximum period permissible under the RBI guidelines.
- vii) Though the tenure of the SCA will be for 3 years, the appointment will be subject to the approval of Reserve Bank of India each year.
- viii) The matter related to fees/remuneration payable to the SCAs will be decided by the Executive Committee of the Bank. The fees 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.

Process for Selection for SCAs

- i) The Executive Committee of the Bank shall oversee the process for appointment of SCA. The Chief Financial Officer (CFO), Chief Risk Officer (CRO) and Chief Compliance Officer (COO) of the Bank shall be vested with the responsibility for receiving the proposal from auditors, analyzing and the placing recommendation to the Executive Committee.
- ii) Proposals received from the auditors, complete in all respects and within prescribed time will be scrutinized on the basis of eligibility criteria as given in Para 3 above.
- iii) The CFO shall evaluate the applications received considering various parameters including but not limited to expertise, experience, qualifications, reputation, availability of qualified CAs, sufficient trained personnel with the firm and such other factors as the Bank may deem fit for its requirements.
- iv) Post scrutiny of the said application and concurrence of Chief Executive Officer of the Bank (CEO), the CFO shall submit the summary of application received, together with comments/views and final recommendation to the Executive Committee.
- v) The final selection of the SCA will be approved by the Executive Committee.
- vi) The Bank also reserves the right to make query with the firm or any other agency, ask for additional information, particulars and submission of one or more undertakings from any firm, at any point of time. None of such act shall be deemed as an offer of engagement as Central Auditor by the Bank to the firm unless and until the Bank intimates in writing to the firm regarding appointment as SCAs of the Bank.

Review of the Policy

- i) The Executive Committee of the Bank will review the policy annually or earlier as and when it deems necessary.
- ii) In case there are any regulatory changes requiring modification 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.

POLICY ADMINISTRATION

Policy Administrator	Chief Financial Officer, India Branches
Related policies	NA
Supporting procedures or guidelines	NA
Effective date	June 2021
Date of last review	June 2021
Next scheduled review	June 2022
Regulator	Reserve Bank of India
Compliance mechanism	Annual Review of Policy
Approval Body	Executive Committee (EXCO)