

Finance		Internal
Policy	Appointment of Statutory Auditors	

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Purpose	Appointment of Statutory Auditors
Summary	The purpose is to set out policies and operation procedures for Bank's Statutory Auditors Appointment
Scope	CA-CIB India
Issuer	Finance Controller
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Cancels & Supersedes	NA

Finance	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK India	Internal
Policy	Appointment of Statutory Auditors	

Update History

Version No.	Date of Update (DD-MM-YYYY)	Updated by (First name LAST NAME)	Contact Email	Reason of Update

Finance	 CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK India	Internal
Policy	Appointment of Statutory Auditors	

Validation

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Finance		Internal
Policy	Appointment of Statutory Auditors	

Table of Contents

GLOSSARY	5
Chapter 1 INTRODUCTION	6
1.1 Appointment of Statutory Auditors Policy	6
1.2 Formulation of the Policy	6
1.3 Issue and Control	6
1.4 RBI Guidelines	6
Chapter 2 APPLICABILITY	6
Chapter 3 Prior Approval of RBI	6
Chapter 4 NUMBER OF SA'S	7
4.1 Number of Statutory Auditors considering the Asset Size	7
4.2 Deciding Factors	7
Chapter 5 ELIGIBILITY CRITERIA OF AUDITORS	7
Chapter 6 INDEPENDENCE OF AUDITORS	7
Chapter 7 PROFESSIONAL STANDARDS OF SA'S	8
Chapter 8 TENURE AND ROTATION	8
Chapter 9 AUDIT FEES AND EXPENSES	8
Chapter 10 APPOINTMENT PROCEDURE	8
1 ANNEX I	10
1.1 Eligibility Criteria for Appointment as SA	10

Finance		Internal
Policy	Appointment of Statutory Auditors	

GLOSSARY

CA-CIB India (The Bank): Refers and restricts to all branches of CA-CIB India.

Accounting and Financial Control: Refer to the Accounting team under the CFO

SA's: Statutory Auditors of the Bank

CFO: Refers to the Chief Financial Officer of the entity

MANCOM: Refers to the managing committee of CA-CIB India branches.

RBI: Refers to the Reserve Bank of India.

Asset size means total assets

AC: Audit Committee

Finance		Internal
Policy	Appointment of Statutory Auditors	

Chapter 1 INTRODUCTION

1.1 Appointment of Statutory Auditors Policy

Appointment of Statutory Auditors policy of the bank is reviewed by Audit committee of the bank to set out policies and operation procedures for the appointment of Bank's Auditors and to incorporate amendment in circulars issued by Reserve Bank of India (RBI) from time to time.

1.2 Formulation of the Policy

In formulating this policy, it is the Audit Committees intention to ensure that the Bank complies with regulatory requirements and industry standards of best practice.

1.3 Issue and Control

- Authority

Finance Control Department is responsible to draft "The Appointment of Auditors Policy" which will be submitted to the Audit Committee for approval after being reviewed by the CFO. Once approved by the Audit Committee, the policy will be presented to MANCOM for its validation.

- Version control and update

In order to remain feasible and effective, the Appointment of Auditors Policy will be reviewed yearly by the Finance Control Department and amended, if necessary, to reflect the changes in regulatory requirements & industry practices.

Any such changes to the Auditors Policy will be presented for review and submitted to the Audit Committee for its approval post which it will be presented in MANCOM for validation.

1.4 RBI Guidelines

Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated April 26, 2021.



Guidelines for
Appointment of Sta

Chapter 2 APPLICABILITY

SAs shall be implemented for the first time from H2 (second half) of FY 2021-22 to CA-CIB India.

Chapter 3 Prior Approval of RBI

3.1 Finance Control Department will be responsible to approach RBI (Department of Supervision) for its prior approval for appointment/reappointment of SAs, on an annual basis in terms of the statutory provisions before 31st July of the reference year.

Finance		Internal
Policy	Appointment of Statutory Auditors	

Chapter 4 NUMBER OF SA'S

4.1 Number of Statutory Auditors considering the Asset Size

For the Bank when asset size is of ₹15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit [Partnership firms/Limited Liability Partnerships (LLPs)] following the regulatory norms and deciding on the number of firms that will be required to conduct audit. The decision will be finalized in the Audit Committee and presented to MANCOM for its validation.

It shall be checked by Finance Control and confirmed to the Audit Committee that joint auditors of the Entity do not have any common partners and they are not under the same network of audit firms.

The Finance Control Division in consultation with their joint SAs will be responsible to finalize the work allocation among joint SAs, before the commencement of the statutory audit. This allocation will be tabled at the Audit Committee.

4.2 Deciding Factors

Considering 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., Finance Control will table its proposal for ratification of the Audit Committee vis-a-vis requisite number of audit firms [Partnership firms/Limited Liability Partnerships (LLPs)] required in line with the regulatory guidelines. It is the primary responsibility of Finance Control to comply with the local regulatory guidelines concerning the appointment and associated processes relating to statutory auditors. "Finance Control shall keep the Audit Committee informed and seek its approval for making any exemption request to the regulator where warranted with necessary rationale/justification".

Chapter 5 ELIGIBILITY CRITERIA OF AUDITORS

5.1 The Bank is required to appoint audit firm(s) as its SA(s) fulfilling the eligibility norms as prescribed in Annex I as prescribed by RBI.

Chapter 6 INDEPENDENCE OF AUDITORS

6.1 Finance Control will be primarily responsible to 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 to the Audit Committee and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

6.2 The Audit Committee shall ensure that the Concurrent auditors of the Bank should not be considered for appointment as SAs of the Bank.

Finance		Internal
Policy	Appointment of Statutory Auditors	

Chapter 7 PROFESSIONAL STANDARDS OF SA'S

- 7.1 The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- 7.2 Finance Control shall table the SAs for consideration of the Audit Committee on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to RBI by Finance Control after appraising the Audit Committee within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the AC, with the full details of the audit firm.
- 7.3 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 SAs in relation to the Bank, Finance Control Department will be responsible for sharing the reports with the approval/recommendation of the Audit Committee, with the full details of the audit firm to RBI (Department of Banking Supervision).

Chapter 8 TENURE AND ROTATION

- 8.1 Audit Committee is authorized to approve the appointment the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, the Audit Committee is also authorized to approve the removal of 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.
- 8.2 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.

Chapter 9 AUDIT FEES AND EXPENSES

- 9.1 The Finance Control Department shall make recommendation to the Audit Committee for fixing audit fees of SAs after considering any relevant statutory/regulatory instructions and post mutual negotiation with the auditors.
- 9.2 The audit fees for SAs 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.

Chapter 10 APPOINTMENT PROCEDURE

- 10.1 In case of new appointment, Finance Control shall be responsible to shortlist minimum of 2 audit firms for every vacancy of SAs for the consideration of the Audit Committee so that even if firm at first preference

Finance		Internal
Policy	Appointment of Statutory Auditors	

is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SAs does not get delayed.

- 10.2 In case of reappointment of SAs until 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.
- 10.3 The Finance Control Department shall place the name of shortlisted audit firms, in order of preference, before the Audit Committee for selection as SAs. Upon selection of SAs and verifying their compliance with the eligibility norms prescribed by RBI, the Finance Control Department shall seek RBI's prior approval for appointment of SAs.
- 10.4 The Finance Control Department shall obtain a certificate, along with relevant information as per Form B (as prescribed in the RBI circular), from the audit firm(s) proposed to be appointed as SAs by 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 SAs of the Entities, under the seal of the said audit firm.
- 10.5 The Finance Control Department shall be responsible to 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 (as prescribed in the RBI circular), stating that the audit firm(s) proposed to be appointed as SA by them comply with all eligibility norms prescribed by RBI for the purpose.
- 10.6 The Finance Control Department shall be responsible to obtain necessary clearance from ICAI/other relevant authorities before concluding on the selection of the SA's.
- 10.7 While approaching the RBI for its prior approval for appointment of SAs, Finance Control Department shall indicate Banks total asset size as on March 31st of the previous year (audited figures), recommending names of audit firms for appointment as SAs in the order of preference and also furnish information as per Form B and Form C as mentioned above, to facilitate expeditious approval of appointment/re-appointment of the concerned audit firm.

Finance		Internal
Policy	Appointment of Statutory Auditors	

1 ANNEX I

1.1 Eligibility Criteria for Appointment as SA

A. Basic Eligibility

Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Minimum No. of years of Audit Experience of the firm	Minimum No. of Professional staff
Above ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12