

**Policy on Appointment of Statutory
Auditors**

MUFG Bank, Ltd., India Branches

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1. Introduction:

As per the Section 30(1) of the Banking Regulation Act 1949, the balance sheet and profit and loss account prepared in accordance with Section 29 shall be audited by a person duly qualified under any law for the time being in force to be an auditor of companies.

As per the Section 30(1A) of the Banking Regulation Act 1949, notwithstanding anything contained in any law for the time being in force or in any contract to the contrary, every banking company shall before appointing, reappointing or removing any auditor or auditors, obtain the previous approval of the Reserve Bank of India (RBI).

Further RBI vide circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 issued following guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) under Section 30(1A) of the Banking Regulation Act, 1949, Section 10(1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 and Section 41(1) of SBI Act, 1955; and under provisions of Chapter IIIB of RBI Act, 1934 for NBFCs. These guidelines supersede all previous guidelines (list enclosed at Table 1) issued on the subject.

2. Applicability:

These guidelines will be applicable to MUGB Bank-India branches (hereinafter referred to as the 'Bank') for Financial Year 2021-22 and onwards (unless amended by RBI). The Policy would be updated in line with RBI guidelines from time to time.

3. Prior Approval of RBI:

The Bank will take prior approval of RBI (Department of Supervision) for appointment/reappointment of SCAs/SAs, on an annual basis in terms of the above-mentioned statutory provisions. For the purpose, Bank will apply to Department of Supervision, RBI before 31st July of the reference year.

4. Number of SCAs / SAs and Branch Coverage:

- 4.1 Since the Bank has an asset size of INR 15,000 crore and above as at the end of previous year, the statutory audit will be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]. It shall be ensured 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 will finalise the work allocation among SCAs/SAs, before the commencement of the statutory audit, in consultation with joint auditors.
- 4.2 Given the size and spread of assets, accounting and administrative units, complexity of transactions, level of computerization, audit inputs and controls around financial reporting, two audit firms are considered adequate for joint audit of the bank.

5. Eligibility Criteria of Auditors:

The Bank will appoint audit firm(s) as its SCA(s)/SA(s) fulfilling the eligibility norms as prescribed in Annex I.

6. Independence of Auditors:

- 6.1 Bank shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices.

6.2 Concurrent auditors of the Bank will not be considered for appointment as SCAs/SAs of the same Bank. The audit of the Bank and any entity with large exposure to the Bank for the same reference year should also be explicitly factored in while assessing independence of the auditor.

6.3 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 Bank or any audit/non-audit works for its group Bank should be at least one year, before or after its appointment as SCAs/SAs.

6.4 The restrictions as detailed in para 6.2 and 6.3 above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

7. Professional Standards of SCAs/SAs:

7.1 The SCAs/SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

7.2 The Board/ACB/LMC of Bank shall review the performance of SCAs/SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SCAs/SAs 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/LMC, with the full details of the audit firm.

8. Tenure and Rotation:

8.1 Bank will appoint SCAs/SAs 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, as mentioned at Para 3.2 of the RBI circular.

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.

8.3 Audit firm shall comply with criteria of maximum of audits 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 Bank and within overall ceiling prescribed by any other statutes or rules. 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.

9. Audit Fees and Expenses:

9.1 The audit fees for SCAs/SAs of the Bank shall be decided in terms of the relevant statutory/regulatory provisions.

9.2 The audit fees for SCAs/SAs of 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.

9.3 Head REO along with Head of Internal Audit of the Bank is authorized to finalize the audit fees.

10. Statutory Auditor's Appointment Procedure

In accordance with latest RBI guidelines, the Bank has an asset size of more than INR 15,000 crore as at end of previous year based on audited financials and accordingly statutory audit will be conducted under joint audit of two audit firms.

Below process will be followed by the Bank to appoint statutory auditors:

- 1) To shortlist minimum of two audit firms for every vacancy of statutory auditors based on prescribed eligibility criteria and obtain fee quotes. Eligibility certificate will be obtained from shortlisted audit firms.
- 2) To obtain approval from Bank's management mentioning the shortlisted firms as well as preferred choice of statutory auditors.
- 3) To obtain confirmation from ICAI that there are no adverse remarks/disciplinary proceedings pending in respect of professional conduct etc. against the proposed audit firms.
- 4) Post ICAI clearance, seek approval from RBI for appointment recommending names of audit firms for appointment as joint statutory auditors in the order of preference and furnish information as per Form B and Form C of the RBI circular.
- 5) Based on RBI approval letter, Bank will do the needful to comply/confirm conditions if any and communicate to concerned audit firm. Subsequently Bank will issue 'Appointment Letter' to joint audit firms.
- 6) To obtain and execute 'Engagement Letter' with joint audit firms.

11. Reporting of Exit and Succession Planning:

As per RBI Letter with Ref No. DoS.CO.PPG/SEC.03/11.01.005/2023-24 dated September 13, 2023, in case of removal or resignation of statutory auditors resign before the completion of their tenure, the provisions of RBI Circular Ref No. DoS.CO.PPG/SEC.3/11.01.005/2022-23 dated May 9, 2022 on Senior Management Personnel and/or Non-Executive Directors – Reporting of Exit and Succession Planning shall be applicable.

Accordingly, the Bank shall report to RBI on the exit of statutory auditors by way of resignation or removal before completion of the tenure within two days of such an occurrence stating the manner of exit, effective date of exit and reason cited amongst other things. Further, to ensure non-disruptive and seamless succession plan during such exits, a list of audit firms shall be maintained to be considered for appointment, subject to the audit firms meeting eligibility and other criteria as required by the RBI Guidelines for appointment as statutory auditors.

12. Annexures:

Refer enclosed RBI guideline:



Guidelines for
Appointment of Stat

Sr. no.	Particulars	Reference in the RBI Guidelines
1.	List of Circulars/Instructions superseded by this Circular	Table 1
2.	Eligibility Criteria for Appointment as SCA/SA	Annex I
3.	Procedure for Appointment of SCAs/SAs	Annex II
4.	Eligibility Certificate from (Name and Firm Registration Number of the firm)	Form B
5.	Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA	Form C