

Policy and Procedure related to appointment of Statutory Auditors

Level	III
Type	Procedure
Status	Final
Scope of application	BNPP India Branches (the Bank)

Business line - Activity	Finance - Local Finance
Area	India Local Finance
Subject	Appointment of Statutory Auditors (SAs) for BNP Paribas - India Branches

Regulatory reference(s)	RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 April 27, 2021 (The RBI Circular)
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Version trail

Version	Date	Description	Author	Validation
1	22 nd July 2021	Initial version	VP Finance	CFO
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1) Purpose

This document lays out the rules and procedure to be followed regarding the appointment of the Statutory Auditors (SAs) of the Bank, their selection process, documentation requirements, audit fees, split of work etc.

RBI has laid out the detailed guidelines vide press release dated April 27, 2021 to be followed by the entities for appointment of SAs.

Guidelines Reference: RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22

2) Applicability of the Guidelines:

As per the RBI Circular, Entities with asset size of ₹15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)].

The guidelines will be applicable to the Commercial Banks (excluding RRBs) for Financial Year 2021-22 and onwards in respect of appointment/reappointment of SA.

The Bank has an asset size of over ₹15,000 crore and above as at the end of previous year ending 31st March 2021 and thus these guidelines are applicable to the Bank from the FY 2021-22.

3) Number of SAs for the Bank

The bank, taking into account the factors mentioned in the para 4.2 of the RBI circular, has decided to appoint 2 joint Statutory Auditors for the bank from FY 2021-22 onwards.

4) Selection and Internal Approval Process:

a. BNP Paribas Group Auditors

The nomination of the external auditors of BNP Paribas Group is decided by the Board of Directors and approved by the annual BNP Paribas SA Shareholders General Meeting following an appointment process organised under the supervision of the Group Financial Statements Committee of BNP Paribas Group. This appointment process led to the renewal of three Audit Firms (Group auditors) for the period from January 1st, 2018 to December 31st, 2023. The Bank, being the branch of the BNP Paribas SA, will abide by this selection and shall endeavor to appoint one / two of these group auditors as statutory auditors for the Bank for local statutory audit purpose. However, in case the Group Auditors are not available to fill up either or both the slot of the statutory auditors of the Bank, then Bank shall appoint other firm as its statutory auditors.

- b. The Bank shall shortlist minimum of 2 audit firms for every vacancy of SAs 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 SAs does not get delayed. However, in line with the RBI Circular, in case of reappointment of SAs by the Bank till completion of tenure of continuous term of 3 years, it will not be required to send names of multiple audit firms to RBI while seeking approval to appointment.
- c. The Bank shall conduct discussions with various firms and shortlist a few firms based on various factors including but not limited to their eligibility in terms of the RBI circular, Size of the firm, level of computerization, CISA/ISA qualifications of Partners, past experience of handling the joint audits and / or audits of public / private sector banks including foreign banks.
- d. The Bank shall place the list of shortlisted firms, in order of preference, to be appointed as Statutory Auditors with the local MANCO for their approval.

5) Prior Approval from RBI

- a. In line with the requirements of the RBI Circular, the Bank shall, upon approval of the shortlisted firm names by the MANCO, submit an application with RBI (Department of Supervision) seeking prior approval for the firms' appointment as joint auditors
- b. The above application shall be submitted to RBI on or before 31st July each year.
- c. The above application will be accompanied with following details
 - i. Recommendation of names of the firms in order of preference
 - ii. The Bank's total asset size as on March 31st of the previous year (audited figures)
 - iii. **Form B** obtained from the proposed SAs which contains that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose.
 - iv. Certificate to be issued by the Bank, in the format as per **Form C**, 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.

6) Tenure and Rotation:

In line with the requirement of 8 of the RBI circular, the Bank shall

- a. Appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.
- b. The bank shall not reappoint an audit firm for a period of six years after completion of full or part of one term of the audit tenure.
- c. Further, the Bank can remove the audit firms during the above period only with the prior approval of the concerned office of RBI (Department of Supervision).

7) Audit fees and expenses:

- a. In terms of the extant guidelines, for the finalization of Audit Fees, the Bank shall endeavor to that the fees is 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.
- b. The proposed audit fees will be put up for approval with the Regional and Group Finance, who shall validate the fees for every financial year.
- c. The split of audit fees between the 2 auditors will work on the principle of equality along with depending on the factors such as – split of work, experience of the firm, etc.

8) Policy hosting on Bank's Website

This policy shall be hosted on official website of the Bank at the time of first implementation and whenever there is a subsequent amendment.

9) Other considerations

In terms of the RBI Circular, read with the FAQ published by RBI

- a. The Bank shall not appoint the concurrent auditors as the statutory auditors of the bank
- b. The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the SAs for the Bank or any audit/non-audit works for its group entities (RBI regulated entities) should be at least one year, before or after its appointment as SAs.
- c. However, during the tenure as SA, an audit firm may provide such services to the Bank which may not normally result in a conflict of interest, and Bank may take its own decision in this regard, and seek approval from MANCO.
- d. As per the explanatory note, conflict would not normally be created in the case of the following special assignments (indicative list):
 - (i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements. (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements. (iv) Reporting on financial information or segments thereof.