



Policy for Appointment of Statutory Auditors CITIBANK N.A. INDIA BRANCH

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ISSUE DATE:
DECEMBER 2021

REVISED:
FEBRUARY 2024

VERSION NUMBER
1.2

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1 OVERVIEW, OBJECTIVE AND EFFECTIVE DATE

The Reserve Bank of India (“RBI”) issued Circular (reference number: DoS.CO.ARG/SEC.01/08.91.001/2021-22) dated April 27, 2021 on ‘Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) and related FAQs (together referred to as “guideline” or “circular”) read along with Circular (reference number: DoS.CO.PPG/SEC.03/11.01.005/2023-24) dated September 13, 2023. The basic objectives of the circular is to put in place ownership-neutral regulations, ensuring independence of auditors, avoiding conflict of interest in auditor’s appointments and to improve the quality and standards of audit in RBI Regulated Entities. These guidelines also aim to help in streamlining the procedure for appointment of Statutory Auditors across all the regulated entities and ensure that appointments are made in a timely, transparent and effective manner.

This policy is issued with the objective to comply with requirement of the above circular, applicable provisions of Banking Regulation Act, 1949 and Companies Act, 2013. The policy aims to defines procedure to be followed for appointment of SCAs/SAs.

SCOPE

This policy applies to Citibank NA India Branches.

1.3 TARGET AUDIENCE

There are several participants who undertake various components of the statutory audit and will be subject to this policy and responsible for complying with the policy requirements. The following are the key individuals/groups.

- Country Co-ordination Committee
- Chief Financial Officer (CFO)
- Chief Risk Officer
- Head of Compliance

1.4 OWNER

This policy is owned by the Country Chief Financial Officer.

1.5 EFFECTIVE DATE / TRANSITION PERIOD:

The policy will be effective once approved by CCC. The frequency for review and approval of statutory audit policy would be on an annual basis.

1.6 EXCEPTION PROCESS

Exceptions to this Policy must be approved by the CCC.

2 DEFINITIONS

“The Bank” means Citibank N.A. India Branches operating in India as a Branch of Foreign Bank

“RBI circular” means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/ SEC.01/08.91.001/2021-22. dated April 27, 2021 and the related FAQs

“CCC” means the Country Co-ordination Committee.

“Statutory Auditors (SAs)” mean auditors appointed as per the policy to conduct statutory audit of the Bank.

Potential Conflict of Interest – Potential Conflict of Interest, with reference to a firm that is being considered for appointment as SA, may arise, in any of the following circumstances:

- i) the firm is engaged with audit/non-audit works for a Group Entity which is not regulated by RBI
- ii) the audit firm was engaged with audit/non-audit works for a Group Entity which is not regulated by RBI, and not more than one year has elapsed since the completion/ relinquishment of such engagement
- iii) a partner of the firm is a director in any of the Group Entities which are not regulated by RBI

3 REQUIREMENTS FOR APPOINTMENT OF AUDITORS

3.1 INITIATION

The statutory audit approval process will initiate post closure of the previous financial year.

3.2 PRIOR APPROVAL OF RBI

The Bank shall take prior approval of RBI for appointment/ reappointment of SAs on annual basis. The Bank shall apply to RBI before 31st July of the reference year for such approval.

3.3 NUMBER OF SAs

Minimum number of SAs to be appointed by the Bank shall be two if the Bank's asset size as on March 31 of previous year, is Rs.15,000 crore or more; else, minimum of one SA shall be appointed. The Bank shall ensure that joint auditors do not have any common partners and they are not under the same network of audit firms. The Bank shall finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with their SAs.

The number of SAs to be appointed for a financial year shall be decided, inter alia, taking into account 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. The actual number of SAs to be appointed shall be decided by CFO subject to the following limits as per the extant RBI Circular:

Asset Size	Maximum no. of Statutory Auditors
Upto ₹3,00,000 crore	2
Above ₹3,00,000 crore and upto ₹4,00,000 crore	3
Above ₹4,00,000 crore and upto ₹5,00,000 crore	4
Above ₹5,00,000 crore and upto ₹10,00,000 crore	6
Above ₹10,00,000 crore and upto ₹20,00,000 crore	8
Above ₹20,00,000 crore	12

3.4 ELIGIBILITY CRITERIA OF AUDITORS

The minimum standards and eligibility norms for audit firms to be appointed as SAs shall be, as given below:

Basic Eligibility

Asset Size of Entity as on 31st March of	Minimum No. of FullTime partners (FTPs)	Out of total FTPs, Minimum No. of Fellow Chartered	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA	Minimum No. of years of Audit Experience	Minimum No. of Professional staff Note 4

Previous Year	associated with the firm for a period of at least three (3) years Note 1	Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	Qualification Note 2	of the firm Note 3	
Above Rs. 15,000 crore	5	4	2	15	18
Above Rs. 1,000 cr but up to Rs. 15,000 cr	3	2	1	8	12
Up to Rs. 1,000 cr	2	1	1*	6	8

Note 1:

There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full time partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years. The full-time partner's association with the firm would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:

- a) The full-time partner should not be a partner in other firm/s.
- b) She / He should not be employed full time / part time elsewhere.
- c) She / He should not be practicing in her/his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.
- d) The CFO shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

Note 2 :

CISA/ISA Qualification: There should be at least one-year continuous association of paid CAs with CISA/ISA qualification with the firm as on the date of shortlisting for considering them as paid CAs with CISA/ISA qualification for the purpose.

Note 3:

Audit Experience: Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

Note 4:

Professional Staff: Professional staff includes audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists/stenos/computer operators/ secretaries/subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

Additional Consideration

- i. The audit firm, proposed to be appointed as SAs, should be duly qualified for appointment as auditor of a 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 Bank shall ensure that appointment of SAs is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- iv. If any partner of a Chartered Accountant firm is a director in an RBI Regulated group Entity, the said firm shall not be appointed as SA of the bank. Bank shall, as part of the process for selection of firms for appointment as SAs, obtain appropriate disclosures in this regard, including details of directorships in Group Entities that are not regulated by RBI.
- v. SAs should 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 Bank in order to achieve audit objectives.

Continued Compliance with basic eligibility criteria

In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it shall promptly approach the Bank with full details. Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.

In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, the Bank may approach RBI, to allow the concerned audit firm to complete the audit, as a special case.

On resignation or removal of Statutory Auditor before completion of its tenure, it has to be reported to RBI within two working days of such occurrence along with information prescribed in Annexure IV.

3.5 INDEPENDENCE OF AUDITORS

The CFO shall 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 by the CFO, to the concerned Senior Supervisory Manager (SSM)/ Regional Office (RO) of RBI.

Concurrent auditors of the Bank will not be considered for appointment as SAs. The audit of the Bank and any entity with large exposure (As defined in RBI instructions on 'Large Exposures Framework') to the Bank 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 (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 should be at least one year, before or after its appointment as SAs. This stipulation will be applicable from FY 2022-23. 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 the Bank will take a decision in this regard, in consultation with the CCC.

A 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.

However, if an audit firm is involved in any non-audit work with the Bank and/or any audit/non-audit work in other RBI Regulated Group Entities and completes or relinquishes the said assignment prior to the date of appointment as SA of the Bank for FY 2021-22, the said audit firm would be eligible for appointment as SA of the Bank for FY 2021-22.

The restrictions as detailed in paragraphs above, will also apply to an audit firm under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

3.6 PROFESSIONAL STANDARDS OF SAS

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

The CFO as delegated by the CCC shall review the performance of SAs on an annual basis. This review will be performed through assessment as per Annexure III. 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 within two months from completion of the annual audit. Such reports shall be sent with the approval / recommendation of the CCC, with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of 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 Bank, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

3.7 TENURE AND ROTATION

In order to protect the independence of the auditors/audit firms, Bank shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, the Bank can remove the audit firms during the above period only with the prior approval of RBI.

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 of the Bank for part-tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Bank for six years from completion of part-tenure.)

An audit firm proposed to be appointed as SA of the Bank, 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, A group of audit firms having common partners and/or under the same network, will be considered as one entity. 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.

3.8 AUDIT FEES AND EXPENSES

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

The CFO shall make recommendation to the CCC or the competent authority as per the relevant statutory/regulatory instructions for audit fees of SAs. The CFO as delegated by the CCC can fix audit fees of SAs as per the relevant statutory/regulatory instructions.

4 STATUTORY AUDITOR - APPOINTMENT PROCEDURE

Process for reappointment of existing Auditors

First preference will be given to existing SAs for their re-appointment subject to compliance of eligibility norms and performance of the auditors. The Bank shall obtain the willingness from the existing SAs for re-appointment during the on-going term of audit.

Process for appointment of New firm as SAs

Requests will be sent out to Audit firms / past auditors of the Bank / firms associated with Bank in past / firms, subject to fulfilling the eligibility criteria, to make present their credentials to the Bank. Shortlisting of firms, will be done by Finance team of the Bank. The Finance Team will shortlist the firms by evaluating audit firms on various parameters and willingness received from the firms to be appointed as SA. Recommendations of short listed audit firms will be made to the CCC or delegated members. CCC or delegated members will select the audit firm(s) in order of preference indicating their names against the vacancy. CCC or delegated members shall select 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 case of reappointment of SAs by Banks 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 Bank shall thereafter seek CCC and RBI's approval for appointment/ re-appointment of SAs under Sections 30 (1-A) of the Banking Regulation Act, 1949.

General process to be followed:

The Bank shall obtain a certificate, along with relevant information as per Form B (Annexure I), from the audit firm(s) proposed to be appointed/ reappointed as SAs, 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/ reappointment of SAs of the Bank, under the seal of the said audit firm.

The 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 (Annexure II), 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.

The SAs are required to declare the list of their major corporate clients to avoid conflict of interest.

5 ANNEXURE I

FORM B

(Eligibility Certificate from (Name and Firm Registration Number of the firm))

A. Particulars of the Firm:

Asset Size of Entity as on 31st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore

#Details may be furnished separately for experience as SCAs/SAs and SBAs

B. Additional Information

- (i) Copy of Constitution Certificate.
- (ii) Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- (iii) Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- (iv) Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- (v) Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

C. Declaration from the firm

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors# have been declared as wilful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner

(Name of the Partner)

Date:

For the purpose of this declaration, the credit facilities availed by companies where the partner of a firm has been appointed as non-executive director in a professional capacity having no financial interest shall not be included.

6 ANNEXURE II

FORM C

Certificate to be submitted by the Commercial Banks (excluding RRBs) and UCBs regarding eligibility of audit firm proposed to be appointed as SCA/SA

The bank/UCB is desirous of appointing M/s _____, Chartered Accountants (Firm Registration Number _____) as Statutory Central Auditor (SCA)/ Statutory Auditor (SA) for the financial year _____ for their 1st/2nd/3rd term and therefore has sought the prior approval of RBI as per the section 30(1A) of the Banking Regulation Act, 1949/ Section 10 (1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980/ Section 41(1) of SBI Act, 1955.

2. The bank/UCB has obtained eligibility certificate (copy enclosed) from (name and Firm Registration Number of the audit firm) proposed to be appointed as Statutory Central Auditor (SCA)/Statutory Auditor of the bank/UCB for FY _____ along with relevant information (copy enclosed), in the format as prescribed by RBI.

3. The firm has no past association/association for _____ years with the bank/UCB as SCA/SA/SBA.

4. The bank/UCB has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs.

Signature
(Name and Designation)
Date:

7 ANNEXURE III

Questionnaire for review of Performance of Statutory Auditors

A. Name of the Firm

B. Financial Year pertaining to Audit

C. Independence of statutory auditors.

- | | |
|---|-------------|
| a) Compliance to ethical standards? | Ans: Yes/No |
| b) Regular and effective engagement and communication between SCAs and various teams across the Bank | Ans: Yes/No |
| c) Disclosure of independence issues by SCAs in writing, if any? | Ans: Yes/No |
| d) Non- compliance / deficiencies related to statutory provisions / regulations issued by RBI and other regulators with respect to Audit? | Ans: Yes/No |
| e) Any other matters related to Statutory Auditors? Please elaborate | Ans: Yes/No |

D. Statutory audit quality

- | | |
|---|-----------------------|
| a) Non- compliance / deficiencies related to Standards of Auditing (SAs)? | Ans: Yes/No |
| b) Non- compliance / deficiencies related to statutory provisions / regulations issued by RBI and other regulators? | Ans: Yes/No |
| c) Sufficiency of Resources? | Ans: Please elaborate |
| d) Quality of reporting 'Key audit Matters'? | Ans: Please elaborate |
| e) Quality of 'Independent auditors Reports'? | Ans: Yes/No |
| f) Any serious lapses / negligence in audit responsibilities? | Ans: Yes/No |
| g) Any other matters? | |



E. Views of the LOMC/equivalent authority on performance of SCAs

- | | |
|--|-----------------------|
| a) Any remarks on the performance of the SCAs. | Ans: Please elaborate |
| b) Any other aspects? Please elaborate | Ans: Yes/No |

8 ANNEXURE IV

Information to be included in the reporting to the Reserve Bank

- a) Name and contact details
- b) Designation
- c) Manner of exit (resignation/removal) and effective date of exit
- d) Reasons cited for resignation or those recorded by the Bank for initiating the process of exit
- e) Tenure held by the Auditor
- f) Portfolio handled by the Auditor prior to exit
- g) Time period of association with the Bank

9 ANNEXURE V

Sr No	Action Points	Status
1	Obtain confirmation whether any partner of a Chartered Accountant firm is a director in an RBI Regulated group Entity	
2	Obtain the willingness from the existing SAs for re-appointment during the on-going term of audit	
3	Obtain a certificate, along with relevant information as per Form B , to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI	
4	Recommend the names of eligible audit firms along with a certificate, in the format as per Form C	
5	Obtain - Constitution certificate of the firm	
6	Obtain - List of common partners of joint auditors, if any	
7	Prior approval of RBI/CCC for appointment of SAs	
8	Letter to ICAI for advise if there are any adverse remarks/disciplinary proceedings pending in respect of professional conduct of the audit firm	
9	Assess the independence of the Auditor - the audit of the Bank and any entity with large exposure (As defined in RBI instructions on 'Large Exposures Framework') to the Bank for the same reference year	
10	Assess if 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 in past one year before or after its appointment as SAs	
11	Performance Review of SAs by CFO within two months from completion of the annual audit	
12	Recommendation to the CCC or the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SAs	
13	Approval of Policy for appointment of Statutory Auditors by CCC	
14	Upload of approved policy on Bank's website	