

# **Policy on Appointment of Statutory Auditors (SAs)**

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**BANK OF AMERICA, N.A., INDIA  
BRANCHES**

## **I. Policy Statement**

This Policy on Appointment of Statutory Auditors (this “Policy”) is designed to govern the appointment of Statutory Auditor/s (SA) of the Indian branches of Bank of America (the “Bank” or “BANA, India”).

## **II. Background/Rationale**

Reserve Bank of India (RBI) vide its circular dated April 27, 2021, has issued fresh guidelines for appointment of Statutory Auditors (SAs), thereby superseding earlier guidelines issued. Further, RBI on June 11, 2021 published certain clarifications to its circular dated April 27, 2021 in the form of Frequently Asked Questions (FAQs). The Bank has accordingly prepared this policy for appointment of SAs in conformation with the extant norms of RBI;

## **III. Policy Scope / Applicability**

This policy will be applicable to Bank from Financial Year 2021-22 onwards.

## **IV. Policy Requirements**

### **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 Department of Supervision, RBI, Mumbai before 31st July of the respective financial year for such approval.

### **Number of SAs and Branch Coverage:**

As per RBI guidelines, the number of SAs to be appointed for a financial year needs to 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. This will however be subject to the maximum and minimum number of SA’s as specified in the RBI circular. The Bank shall appoint a minimum of two SAs if the Bank’s asset size as on March 31 of previous year, is Rs.15,000 crore or more; else, a minimum of one SA shall be appointed. Maximum number of SAs would be 4 if the assets size of the bank is upto Rs 5,00,000 crores (If assets size were to exceed Rs 5,00,000 crores, maximum will be as per grid prescribed by RBI) The Local Management Team will accordingly decide the actual number of SAs to be appointed in line with this criteria as provided by RBI.

If the Bank is required to appoint more than one SA, the Bank shall finalise the allocation of work areas between the SAs, before commencement of the statutory audit, in consultation with the SAs.

The SAs shall also be required to visit and audit branches. The branches to be selected for review will be in accordance with RBI guidelines In addition, the Bank shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches.

**Eligibility Criteria of Auditors:**

The minimum standards and eligibility norms for audit firms to be appointed as SAs shall be as prescribed by RBI from time to time

**Independence of Auditors:**

The Audit Council shall monitor and assess the independence of the auditors and conflict of interest<sup>1</sup> position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard may be flagged by the Audit Council to Local Management Team and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

The following aspects need to be specifically considered while assessing independence as specified in the RBI circular.

- a) Concurrent auditors of the Bank will not be considered for appointment as SAs.
- b) The existing audit engagements of the firm considered for appointment as SAs with any entity on which the bank has large exposure (As defined in RBI instructions on 'Large Exposures Framework') should also be explicitly factored in while assessing independence of the auditor.
- c) 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 shall be applicable prospectively, i.e. 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 Audit Council.

The restrictions as detailed 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.

<sup>1</sup> 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)

## **Tenure and Rotation**

The Bank shall appoint SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year (as confirmed by SAs in the form prescribed by RBI). If an audit firm is to be removed, for justifiable reasons, prior to completing their term of three years then prior approval will be sought from 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.)

Specific confirmation will be sought from SAs, prior to their appointment, of their eligibility in accordance with RBI specified guidelines.

## **Audit Fees and Expenses**

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.

## **Statutory Auditor - Appointment Procedures**

### **a) Process for appointment of New firm as SAs**

The Bank shall shortlist audit firms for every vacancy of SAs basis a due diligence process as per established procedures. However, in case of reappointment of SAs by the bank till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting firms and approval will be sought from RBI to reappoint existing auditors unless auditors are proposed to be changed for any justifiable reason.

The name of shortlisted audit firms, in order of preference, shall be placed before the Audit Council for selection as SAs. Post review and approval by Audit council, the same will be placed before LMT for approval. Upon selection of SAs by the bank in consultation with their Audit Council /LMT and verifying their compliance with the eligibility norms prescribed by RBI, the bank shall seek RBI's prior approval for appointment of SAs.

### **b) Process for annual review of existing Auditors (within three year period):**

Existing SAs will be re-assessed annually (within their three year period) for compliance of eligibility norms. The Bank shall obtain the willingness from the existing SAs for re-appointment. In case such consent is not received from any of the existing SAs, Bank shall follow the process for appointment of New SA to fill that vacancy as detailed below.

The Bank shall obtain a certificate, along with relevant information as per [Form B](#), 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 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](#), stating that the audit firm(s) proposed to be appointed as SAs by them comply with all eligibility norms prescribed by RBI for the purpose.

#### **V. Governance/Oversight**

The Audit Council and Local Management Team of the Bank may review the policy as **and when required / need-based**.

In case there are any regulatory changes requiring modifications 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.

The Board approved Policy will be hosted on Banks official website

#### **VI. Related Documents**

[Guidelines for Appointment of Statutory Central Auditors \(SCAs\)/ Statutory Auditors \(SAs\) of Commercial Banks \(excluding RRBs\), UCBs and NBFCs \(including HFCs\)](#)