



Policy for Appointment of Statutory Auditor

JSC VTB Bank, New Delhi Branch (India)

Date	
Approved by	Management Committee

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1. Introduction

This policy deals with the appointment/reappointment of Statutory Auditor (SA) and this will be applicable from Financial Year after date of this policy. The policy is guided by the RBI circular Ref. No. Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27,2021 "Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)".

The Policy will be applicable for JSC VTB Bank, New Delhi Branch, India (hereinafter referred to as "Branch ") .

2. Approval Mechanism

The appointment of the SA shall be on an annual basis and every appointment shall be made after obtaining a prior approval from Department of Banking Supervision, RBI (Central Office). The application for obtaining the approval shall be submitted before 31st July each year to RBI. The Branch before submitting SA for approval the proposed SA shall be approved by Management Committee of the Branch

After finalization of the SA , Branch will complete the onboarding process of the SA as per the internal procurement process.

3. Number of SAs and Branch coverage

With asset size of ₹15,000 crores 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)]. Currently, the Branch has adopted the policy to appoint only one SA. However, once the asset size of the Branch reaches INR 15,000 crores, the Management Committee of the Branch may consider appointing more than 1 SAs as per regulatory requirement.

Further, the SAs shall visit and audit the Branch of the PJSC VTB Bank. In case of our Bank since presently we have only one branch the scope will be limited to one branch only.

4. Eligibility Criteria

The SA shall be appointed as per the eligibility criteria mentioned below.

- A. Minimum number of Full time partners/ Qualification and Experience (Basic Eligibility Criteria)-** The proposed audit firm shall comply with the below criteria and at least two partners of the firm shall have continuous association with the firm for at least 10 years.

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 Note 1	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 Note 2	Minimum No. of years of Audit Experience of the firm Note 3	Minimum No. of Professional staff Note 4
Above ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
Upto ₹1,000 crore	2	1	1*	6	8

Note 1 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:

- The full-time partner should not be a partner in other firm/s.
- She/he should not be employed full time / part time elsewhere.
- 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.
- The Management Committee of the Branch 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 short listing for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3 Audit Experience- The 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 short listing for considering them as professional staff for the purpose.

B. Additional Consideration

- The audit firm, proposed to be appointed as SA for the Bank, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- 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 appointment of SA shall be 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) Any partner of a Chartered Accountant firm shall not be a director in any of the group entities of the Bank.

(v) The auditors should preferably 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 where the accounting and business data reside in order to achieve audit objectives.

C. 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 within 30 days. Further, the audit firm shall take all necessary steps to become eligible within a period of 3 months (from the date the firm becomes ineligible) or one month before the end of Financial Year whichever is earlier 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, Bank will approach RBI for seeking permission to allow the concerned firm to complete the audit. RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

5. Independence of Auditor

Management Committee of the Branch shall monitor and assess the independence of the auditor 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 Local Management Committee to the concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

In case of any concern with the Management of the Branch such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SA shall approach the Management Committee, under intimation to the concerned SSM/RO of RBI.

Concurrent auditors of the Branch will not be considered for appointment as SA of the same Bank. The audit of the Branch and any entity with large exposure to the Branch 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 SA for the Branch or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SCAs/SAs. However, during the tenure as SA, an audit firm may provide such services to the Branch which may not normally result in a conflict of interest, and Branch may

take their own decision in this regard, in consultation with the Management Committee.

The restrictions detailed in above two paragraphs above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

6. Professional Standards of SAs

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

The Management Committee of the Branch shall review the performance of SA on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the SA 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 Management Committee, with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of a Bank's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SA in relation to Entities, the SA would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

7. Scope of audit

The scope of Statutory audit shall cover the following

- a. Audit of Financial statements including the Notes to Accounts
- b. Issuance of Audit report
- c. Review of Basel III norms
- d. Issuance of certificates as mandated by RBI
- e. Issuance of Long Form Audit report as per the format prescribed by RBI
- f. Attending the meeting with regulator in the capacity of Bank's Statutory Auditor
- g. Conducting tax audit (depending upon the terms of engagement)
- h. Conducting Transfer Pricing Audit (depending upon the terms of engagement)

8. Tenure and Rotation

Once appointed, the said firm shall continue as SA for a period of 3 years, subject to firm satisfying the eligibility criteria every year. During this period SA can only be removed after an approval from Management Committee of the Branch and also a prior approval from RBI shall be obtained in such a case. The SA once appointed (for a period of 3yrs) shall not be eligible for reappointment as SA's for a period of next 6 years.

9. Audit Fee

The audit fee will be recommended by the member of the Management Committee of the Branch to Chief Executive Officer (CEO) and it shall be reasonable and commensurate with the scope and coverage of audit.



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