Policy for Appointment for Statutory Auditors

Context

RBI has issued a circular in April 2021 in relation to the appointment and eligibility of auditors for banks in India. In summary they want all banks with total assets more than INR150bn (c.US$2bn) to have joint auditors from the year ending 31 March 2022, i.e. for years commencing 1 April 2021.

Questions this paper addresses

1. Number of auditors to be appointed considering size and spread of assets, complexity of transactions, level of computerization identified risks in financial reporting etc
2. What are the reasons for appointing the professional firms as joint auditors?

Conclusions

As per RBI guidelines, for banks with total assets more than INR 150 bn,the statutory audit should be conducted under joint audit of a minimum of two audit firms and a maximum of four audit firms for banks with asset size upto INR 5,000 bn. Considering that the operations for HBAP INM are largely centralized and computerized and there are no identified risks in financial reporting, it is proposed to appoint two audit firms as the joint statutory auditors of the local financial statements of HBAP INM for three years starting from the year ending 31 March 2022.

As a result of a thorough tender process, Chartered Accountant firms will be identified as holding appropriate and relevant experience to provide the required statutory audit services. The Bank will assess that both the firms are independent and will have the necessary experience to carry out the audit of HBAP INM.

All necessary due diligence procedures will be undertaken ahead of their appointment.

RBI approval would be sought prior to appointment of statutory auditors and the fees would be decided in terms of the relevant statutory/ regulatory provisions.

An approval from HBAP Audit Committee and Group Audit Committee would also be obtained.

EXCO would be asked to consider and, if thought fit, approve and recommend the appointment of the auditors for statutory audit.