

## APPOINTMENT OF STATUTORY AUDITOR POLICY OF PT BANK MAYBANK INDONESIA, TBK (INDIA)

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## SUMMARY OF CHANGES

No. Version	Date	Requested by	Description of Main Changes
1.0	September 2021		New policy document
2.0	September 2022		Annual review
3.0	September 2023		Annual review
4.0	September 2024		Annual review

**This policy is reviewed and approved by:**

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**And acknowledge by Directors**

No	Name	Decision	Date	Signature
1.	Ricky Antariksa	<input type="checkbox"/> Approved <input type="checkbox"/> Approved with notes <input type="checkbox"/> Not Approved		
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**REFERENCE DOCUMENT**

No.	DOCUMENT
1.	RBI Circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27 April 2021
2.	Procurement Policy - Mumbai

**DEFINITION**

Term	Definition
Statutory Audit	Statutory Audit is a type of audit which is mandated by a Law or a Statute to ensure the books of accounts presented to the regulators and public are true and fair.

## **I. PRELIMINARY**

### **1. Background**

PT Bank Maybank Indonesia TBK, Mumbai Branch is herein referred as “MBI India”. MBI India’s Appointment of Statutory Auditor Policy deals with various aspects of appointment of statutory auditor for branch.

### **2. Purpose**

This Policy sets general and regulatory requirements and procedures that must be implemented.

### **3. Scope and Application**

This policy is applicable to all employees of MBI India in connection with their activities with respect to appointment of statutory auditor.

### **4. Acknowledgement**

This policy is acknowledge by Director(s)

### **5. Owner**

Owner of this policy is Corporate Secretary.

Proposer of this policy is MBI India.

## **II. GENERAL REQUIREMENTS**

This policy document deals with various aspects of appointment of Statutory Auditor (SA) for MBI India such as eligibility criteria, approval from Reserve Bank of India (“RBI”), tenure and rotation etc.

## **III. SPECIFIC REQUIREMENTS**

RBI has issued guidelines vide circular dated April 2021 under Section 30(1A) of the Banking Regulation Act, 1949, Section 10(1) of the Banking Companies (Acquisition and Transfer of Undertakings) Act, 1970/1980 and Section 41(1) of SBI Act, 1955; and under provisions of Chapter IIIB of RBI Act, 1934 for NBFCs.

### **1. Number of Statutory Auditors (SA)**

As per RBI circular, Entities with asset size less than INR 15,000 Crores can appoint one SA (Partnership Firm or LLP). Accordingly, MBI India may appoint only one SA. MANCO may decide to appoint more than one SA depending on 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. However, there is a upper cap of 4 for Entities having Asset size upto INR 5,000,000 Crore.

### **2. Prior approval of RBI**

As per RBI circular, Commercial Banks are required to take prior approval of RBI (Department of Supervision) for appointment/reappointment of SAs, on an annual basis. For the purpose, they should apply to Department of Supervision, RBI before 31st July of the reference year i.e. for Financial Year 2021-2022, letter seeking RBI approval should be sent to RBI by 31 July 2021. All Commercial Banks in India under Mumbai Region shall approach the Central Office of RBI (Department of Supervision).

### 3. Eligibility Criteria

#### Eligibility Criteria for appointment as SA

A. Basic Eligibility 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 - 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.

Note 2 - 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 other Entities) for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3 - For Commercial Banks, audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks / All India Financial Institutions.

Note 4 - 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**

- 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 Entities shall ensure that appointment of SCAs/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.

#### **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 may promptly approach the Entity 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, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case.

#### **4. Independence of SA**

- a. Audit Committee of Bank is required to monitor independence of SA.
- b. In case of any concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the MANCO/Audit Committee, under intimation to the concerned Senior Supervisor Manager of RBI.
- c. Concurrent auditors should not be considered for appointment as SAs.
- d. 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 Entities or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as SCAs/SAs.

#### **5. Professional Standards of SAs**

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

MANCO / Audit Committee shall review the performance of SAs on an annual basis. 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 should be sent with the approval/recommendation of the MANCO/Audit Committee, with the full details of the audit firm.

#### **6. Tenor and Rotation**

In order to protect the independence of the auditors/audit firms, Entities will have to appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, Commercial Banks can remove the audit firms

during the above period only with the prior approval of the concerned office of RBI (Department of Supervision), as applicable for prior approval for appointment.

An audit firm would not be eligible for reappointment in the same Entity for six years (two tenures) after completion of full or part of one term of the audit tenure.

One audit firm can concurrently take up statutory audit of a maximum of four Commercial Banks.

## **7. Audit Fees**

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.

## **8. Procedure for appointment**

- a. MBI India need to shortlist 3 (at least 2) audit firms for new appointment.
- b. For reappointment of SA, till completion of 3 years, there would not be requirement to shortlist 3 firms.
- c. For new appointment, 3 shortlisted audit firms need to be evaluated in terms of firms' profile, past experiences, proposal on audit fees.
- d. Once evaluation is done, list (in order of preference) shall be put forward to Audit Committee and MANCO for review and approval.
- e. Memo is sent to Head office for Directors' approval. This memo should pass through review/acknowledgement by Finance and Accounting team.
- f. Memo should have details of shortlisted firms, commercials and recommendation from Mumbai branch. Also, detailed firms' profiles and proposal received are to be enclosed to Memo to HO.
- g. Once HO approval is in place, letter to RBI is required to be sent for seeking approval as per prescribed timelines. Declaration on eligibility norms and details in prescribed format (Form B) are taken from most preferred firm. These are to be enclosed with RBI letter.
- h. Also, we need to give declaration in prescribed format (Form C) for the most preferred firm. This declaration is also enclosed with RBI letter.
- i. Form B and Form C formats are as per referred RBI Circular dated April 2021.
- j. Letter to RBI should also mention Asset Size of Bank as of 31<sup>st</sup> March of previous year (audited numbers).
- k. Post RBI approval, email is sent to Institute of Chartered Accountants of India (ICAI) to check if there are any adverse remarks / disciplinary proceedings pending in respect of professional conduct, etc. of the selected audit firm or any of its partners which may make them ineligible for appointment as our SA.
- l. Post clearance from ICAI, appointment letter is issued to Audit firm.

#### **9. Administration of policy**

CFO - India, Audit Committee and MANCO are responsible for administration of this policy.

#### **IV. EFFECTIVE ISSUED DATE**

This policy is hereby conveyed, so that it can be implemented and effective from the date of issued.