

# INDEPENDENT AUDITOR'S REPORT

To the Members of  
**ICICI Bank Limited**

## **Report on the Audit of the Standalone Financial Statements Opinion**

1. We have audited the accompanying standalone financial statements of ICICI Bank Limited ('the Bank'), which comprise the Balance Sheet as at 31 March 2020, the Profit and Loss Account and the Cash Flow Statement for the year then ended, and a summary of the significant accounting policies and other explanatory information. Incorporated in these standalone financial statements are the returns of the international branches for the year ended 31 March 2020. The branches in Dubai, South Africa, and New York have been audited by the respective local auditors.
2. In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the branch auditors as referred to in paragraph 16 below, the aforesaid standalone financial statements give the information required by the Banking Regulation Act, 1949, as well as the Companies Act, 2013 ('Act') and circulars and guidelines issued by the Reserve Bank of India ('RBI'), in the manner so required for banking companies and give a true and fair view in conformity with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), of the state of affairs of the Bank as at 31 March 2020, and its profit and its cash flows for the year ended on that date.

## **Basis for Opinion**

3. We conducted our audit in accordance with the Standards on Auditing specified under section 143(10) of the Act. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Bank, in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India ('ICAI'), together with the ethical requirements that are relevant to our audit of the financial statements under the provisions of the Act and the rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained and that obtained by the branch auditors, in terms of their reports referred to in paragraph 16 of the Other Matter section below, is sufficient and appropriate to provide a basis for our opinion.

## **Emphasis of Matter**

4. We draw attention to Schedule 18.57 of the accompanying standalone financial statements, which describes the uncertainties due to the outbreak of SARS-CoV-2 virus (COVID-19). In view of these uncertainties, the impact on the Bank's results is significantly dependent on future developments.

Our opinion is not modified in respect of this matter.

## **Key Audit Matters**

5. Key audit matters are those matters that, in our professional judgment, and based on the consideration of the reports of the branch auditors, as referred to in paragraph 16 below, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**INDEPENDENT AUDITOR’S REPORT (Contd.)**

6. We have determined the matters described below to be the key audit matters to be communicated in our report.

<b>a. Information Technology ('IT') systems and controls impacting financial reporting</b>	
<b>Key Audit Matter</b>	<b>How our audit addressed the key audit matter</b>
<p>The IT environment of the Bank is complex and involves a large number of independent and inter-dependent IT systems used in the operations of the Bank for processing and recording a large volume of transactions at numerous locations. As a result, there is a high degree of reliance and dependency on such IT systems for the financial reporting process of the Bank. Appropriate IT general controls and application controls are required to ensure that such IT systems are able to process the data, as required, completely, accurately and consistently for reliable financial reporting.</p> <p>The accuracy and reliability of the financial reporting process depends on the IT systems and the related control environment, including:</p> <ul style="list-style-type: none"> <li>➤ IT general controls over user access management and change management across applications, networks, database, and operating systems;</li> <li>➤ IT application controls.</li> </ul> <p>Due to the importance of the impact of the IT systems and related control environment on the Bank’s financial reporting process, we have identified testing of such IT systems and related control environment as a key audit matter for the current year audit.</p>	<p>In assessing the integrity of the IT systems relevant for financial reporting, we involved our IT experts to obtain an understanding of the IT infrastructure and IT systems relevant to the Bank’s financial reporting process for evaluation and testing of relevant IT general controls and IT application controls.</p> <p>Access rights were tested over applications, operating systems, networks, and databases, which are relied upon for financial reporting. We also assessed the operating effectiveness of controls over granting, removal and periodical review of access rights. We further tested segregation of duties, including preventive controls to ensure that access to change applications, the operating system or databases in the production environment were granted only to authorized personnel.</p> <p>Other areas that were assessed under the IT control environment, included password policies, security configurations, business continuity and controls around change management.</p> <p>We also evaluated the design and tested the operating effectiveness of key automated controls within various business processes. This included testing the integrity of system interfaces, the completeness and accuracy of data feeds, system reconciliation controls and automated calculations.</p> <p>Where deficiencies were identified, we tested compensating controls or performed alternate procedures.</p>

## INDEPENDENT AUDITOR'S REPORT (Contd.)

### b. Identification and provisioning for non-performing assets ('NPAs')

As at 31 March 2020, the Bank reported total loans and advances (net of provisions) of ₹ 6,452,900 million (2019: 5,866,466 million), gross NPAs of ₹ 408,291 million (2019: ₹ 456,760 million), and provision for non-performing assets of ₹ 309,058 million (2019: ₹ 322,263 million). The provision coverage ratio as at 31 March 2020 is 75.7% (2019: 70.6%). Further, the Bank has made COVID-19 related provisions of ₹ 27,250 million.

(Refer schedules 9, 17.3, 18.16, 18.19, and 18.26)

Key Audit Matter	How our audit addressed the key audit matter
<p>The identification of NPAs and provisioning for advances is made in accordance with the extant RBI regulations or host country regulations, in the case of international branches. Based on our risk assessment, the following are significant in assessment of the NPA provisions:</p> <ul style="list-style-type: none"> <li>➤ Recognition of defaults, in accordance with the criteria set out in the RBI Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances (IRAC norms) or in accordance with the host country regulations, as applicable. Further, the Bank is also required to apply its judgement to determine the identification of NPAs by applying certain qualitative aspects;</li> <li>➤ The measurement of provision under RBI guidelines is dependent on the ageing of overdue balances, secured / unsecured status of advances, stress and liquidity concerns in certain sectors and valuation of collateral. The provision on NPAs at certain overseas branches requires estimation of amounts and timing of expected future cash flows and exit values.</li> </ul> <p>Due to the ongoing COVID 19 pandemic, during our audit, we have also identified implementation of the COVID 19 Regulatory Package- Asset Classification and Provisioning ('Regulatory Package') announced by the RBI on 17 April 2020 as key in measurement of provisions for advances.</p> <p>Considering the significance of the above matter to the financial statements, the heightened regulatory inspections and significant auditor attention required, we have identified this as a key audit matter for the current year audit.</p>	<p>We understood the process and controls and tested the design and operating effectiveness of key controls, including IT based controls, focusing on the following:</p> <ul style="list-style-type: none"> <li>➤ Identification and classification of NPAs in line with RBI IRAC norms and certain qualitative aspects;</li> <li>➤ Periodic internal reviews of asset quality;</li> <li>➤ Assessment of adequacy of NPA provisions; and</li> <li>➤ Periodic valuation of collateral for NPAs.</li> </ul> <p>To test the identification of loans with default events and other triggers, we selected a sample of performing loans and independently assessed as to whether there was a need to classify such loans as NPAs.</p> <p>With respect to provisions recognised towards NPAs, we selected samples based on high risk industry sectors identified by the Bank, such as shipping, rigs, power, mining, and oil and gas exploration. For the samples selected, we re-performed the provision calculations, including valuation of collaterals, and compared our outcome to that prepared by the management and challenged various assumptions and judgements which were used by the management. We also held discussions with the management of the Bank on high risk industry sectors and measures taken by the management to monitor to such assets.</p> <p>We read the RBI Annual Financial Inspection report for the financial year ended 31 March 2019 and other communication with the regulators.</p> <p>With respect to those borrowers to whom a moratorium was granted in accordance with the Regulatory Package, on a sample basis, we tested that such moratorium was granted in accordance with the board approved policy. We re-performed the calculations for the additional general provision made in accordance with the requirements of the Regulatory Package, including the asset classification.</p> <p>We assessed the appropriateness and adequacy of disclosures against the relevant accounting standards and RBI requirements relating to NPAs, including the additional disclosures required to be made in accordance with the Regulatory Package.</p>

## INDEPENDENT AUDITOR'S REPORT (Contd.)

### c. Provisions for litigation and taxation and contingent liabilities

As at 31 March 2020 the Bank has reported the following:

(₹ in millions)

Particulars	Included under contingent liabilities	
	At 31.03.2020	At 31.03.2019
Legal cases	3,300	1,096
Taxes	59,940	53,914
<b>Total claims against the Bank not acknowledged as debts</b>	<b>63,240</b>	<b>55,010</b>

(Refer schedules 12 and 18.38)

Key Audit Matter	How our audit addressed the key audit matter
<p>As at 31 March 2020, the Bank has ongoing legal and tax cases with varied degrees of complexities. This indicates that a significant degree of management judgement is involved in determining the appropriateness of provisions and related disclosures.</p> <p>Significant management judgement is needed in determining whether an obligation exists and whether a provision should be recognised as at the reporting date, in accordance with the accounting criteria set under Accounting Standard 29 - Provisions, Contingent Liabilities and Contingent Assets ('AS 29'), or whether it needs to be disclosed as a contingent liability. Further, significant judgements are also involved in measuring such obligations, the most significant of which are:</p> <ul style="list-style-type: none"> <li>➤ Assessment of liability: Judgement is involved in the determination of whether an outflow in respect of identified material matters are probable and can be estimated reliably;</li> <li>➤ Adequacy of provisions: The appropriateness of assumptions and judgements used in the estimation of significant provisions; and</li> <li>➤ Adequacy of disclosures of provision for liabilities and charges, and contingent liabilities.</li> </ul> <p>Considering the significance of the above matter to the financial statements, and significant auditor attention required to test such estimates, we have identified this as a key audit matter for the current year audit.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <p>We understood the Bank's processes and controls over the estimation, monitoring and disclosure of provisions and contingent liabilities.</p> <p>For significant legal matters, we sought external confirmations and also reviewed the confirmations obtained by the management from external legal counsels and corroborated with management's documented conclusions on the assessment of outstanding litigations against the Bank.</p> <p>In respect of taxation matters, we involved our tax specialists to gain an understanding of the current status of the outstanding tax litigations, including understanding of various orders / notices received by the Bank and the management's grounds of appeals before the relevant appellate authorities, and critically evaluated the management's assessment of the likelihood of the liability devolving upon the Bank, in accordance with the principles of AS 29.</p> <p>For the significant provisions made, we understood, assessed and challenged the adequacy of provisions recognised by the management. We also reviewed the historical accuracy of the provisions recognised to determine the efficacy of the process of estimation by the management.</p> <p>Further, we assessed whether the disclosures related to significant litigation and taxation matters were appropriate and adequate in terms of whether the potential liabilities and the significant uncertainties were fairly presented.</p>

## INDEPENDENT AUDITOR'S REPORT (Contd.)

<b>d. Valuation of derivatives</b>			
(₹ in millions)			
Particulars	Included under	At 31.03.2020	At 31.03.2019
Notional value of derivatives	Contingent liabilities	23,649,552	17,566,162
<i>(Refer schedule 12 and 18.13)</i>			
Key Audit Matter	How our audit addressed the key audit matter		
<p>Derivatives are valued through models with external inputs. The derivatives portfolio of the Bank primarily includes transactions which are carried out on behalf of its clients (and are covered on a back-to-back basis) and transactions to hedge the Bank's interest and foreign currency risk.</p> <p>A significant degree of management judgement is involved in the application of valuation techniques through which the valuation of the Bank's derivatives is determined. The financial statement risk arises particularly with respect to complex valuation models, parameters, and inputs that are used in determining fair values.</p> <p>Considering the significance of the above matter to the financial statements, significant management estimates and judgements, and auditor attention required to test such estimates and judgements, we have identified this as a key audit matter for the current year audit.</p>	<p>Our audit procedures included, but were not limited to, the following:</p> <p>We included our valuation experts as a part of our audit team to obtain an understanding, evaluate the design, and test the operating effectiveness of the key controls over the valuation processes, including:</p> <ul style="list-style-type: none"> <li>➤ independent price verification performed by a management expert; and</li> <li>➤ model governance and validation.</li> </ul> <p>On a sample basis, our valuation experts performed an independent reassessment of the valuation of derivatives to ensure compliance with the relevant RBI regulations, reasonableness of the valuation methodology and the inputs used.</p> <p>We also challenged the appropriateness of significant models and methodologies used in valuation.</p>		

### Information other than the Standalone Financial Statements and Auditor's Report thereon

7. The Bank's Board of Directors are responsible for the other information. The other information comprises the information included in the Management's Discussion and Analysis, Directors' Report, including annexures to the Directors' Report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Standalone Financial Statements

8. The Bank's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Bank in accordance with the accounting principles generally accepted in India, including the Accounting Standards prescribed under section 133 of the Act read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended) and provisions of section 29 of the Banking Regulation Act, 1949 and circulars and guidelines issued by RBI from time to time. This responsibility also includes maintenance of adequate accounting

## INDEPENDENT AUDITOR'S REPORT (Contd.)

records, in accordance with the provisions of the Act for safeguarding of the assets of the Bank and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

9. In preparing the standalone financial statements, management is responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Bank or to cease operations, or has no realistic alternative but to do so.
10. The Board of Directors is also responsible for overseeing the Banks's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Standalone Financial Statements**

11. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.
12. As part of an audit in accordance with Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for explaining our opinion on whether the Bank has adequate internal financial controls system in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
13. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## INDEPENDENT AUDITOR'S REPORT (Contd.)

14. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
15. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matters

16. We did not audit the financial statements of 3 international branches included in the standalone financial statements of the Bank, whose financial statements reflects total assets of ₹ 518,398 million as at 31 March 2020, and total revenue, total net loss after tax, and net cash outflows of ₹ 19,506 million, ₹ 10,963 million, and ₹ 107,472 million, respectively, for the year ended on that date, as considered in the standalone financial statements. The financial statements of these branches have been audited by the branch auditors, whose reports have been furnished to us by the management, and our opinion on the standalone financial statements, in so far as it relates to the amounts and disclosures included in respect of branches, is based solely on the reports of such branch auditors.

Our opinion on the standalone financial statements is not modified in respect of the above matter.

### Report on Other Legal and Regulatory Requirements

17. The Balance Sheet and the Profit and Loss Account have been drawn up in accordance with the provisions of section 29 of the Banking Regulation Act, 1949 and section 133 of the Act read with rule 7 of the Companies (Rules), 2014 (as amended).
18. As required by sub-section (3) of section 30 of the Banking Regulation Act, 1949, based on our audit, and on the consideration of the reports of the branch auditors as referred to in paragraph 16 above, we report that:
  - a) we have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit and have found them to be satisfactory;
  - b) the transactions of the Bank, which have come to our notice, have been within the powers of the Bank; and
  - c) since the key operations of the Bank are automated with the key applications integrated to the core banking system, the audit is carried out centrally, as all the necessary records and data required for the purposes of our audit are available therein. However, during the course of our audit, we have visited 122 branches to examine the records maintained at such branches for the purpose of our audit.
19. With respect to the matter to be included in the Auditor's Report under section 197(16) of the Act, we report that since the Bank is a banking company, as defined under Banking Regulation Act, 1949, the reporting under section 197(16) in relation to whether the remuneration paid by the Bank is in accordance with the provisions of section 197 of the Act and whether any excess remuneration has been paid in accordance with the aforesaid section, is not applicable.
20. Further, as required by section 143 (3) of the Act, based on our audit, and on the consideration of the reports of the branch auditors as referred to in paragraph 16 above, we report, to the extent applicable, that:
  - a) we have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b) in our opinion, proper books of account as required by law have been kept by the Bank, so far as it appears from our examination of those books and proper returns, adequate for the purposes of our audit, have been received from the international branches not audited by us;

**INDEPENDENT AUDITOR'S REPORT (Contd.)**

- c) the reports on the accounts of the international branches of the Bank audited under section 143(8) of the Act by the branch auditors of the Bank have been sent to us and have been properly dealt with by us in preparing this report;
- d) the standalone financial statements dealt with by this report are in agreement with the books of account and with the returns received from the international branches not audited by us;
- e) in our opinion, the aforesaid standalone financial statements comply with Accounting Standards prescribed under section 133 of the Act, read with rule 7 of the Companies (Accounts) Rules, 2014 (as amended), to the extent they are not inconsistent with the accounting policies prescribed by RBI;
- f) on the basis of the written representations received from the directors as on 31 March 2020 and taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of section 164(2) of the Act;
- g) we have also audited the internal financial controls over financial reporting (IFCoFR) of the Bank as on 31 March 2020, in conjunction with our audit of the standalone financial statements of the Bank for the year ended on that date and our report dated 09 May 2020 as per Annexure A expressed an unmodified opinion;
- h) with respect to the other matters to be included in the Auditor's Report in accordance with rule 11 of the Companies (Audit and Auditors) Rules, 2014 (as amended), in our opinion and to the best of our information and according to the explanations given to us:
  - i. the Bank, as detailed in schedules 12 and 18.42 to the standalone financial statements, has disclosed the impact of pending litigations on its financial position as at 31 March 2020;
  - ii. the Bank, as detailed in schedule 18.42 to the standalone financial statements, has made provisions as at 31 March 2020, as required under the applicable law or Accounting Standards, for material foreseeable losses, if any, on long-term contracts, including derivative contracts;
  - iii. there has been no delay in transferring amounts, required to be transferred to the Investor Education and Protection Fund by the Bank during the year ended 31 March 2020;
  - iv. the disclosure requirements relating to holdings as well as dealings in specified bank notes were applicable for the period from 8 November 2016 to 30 December 2016, which are not relevant to these standalone financial statements. Hence, reporting under this clause is not applicable.

For **Walker Chandiok & Co LLP**  
Chartered Accountants  
Firm's Registration No.: 001076N/N500013

**Sudhir N. Pillai**  
Partner  
Membership No.: 105782  
**UDIN: 20105782AAAACK4014**

**Place:** Mumbai  
**Date:** 09 May 2020

# ANNEXURE A

to the Independent Auditor's Report of even date to the members of ICICI Bank Limited on the standalone financial statements for the year ended 31 March 2020

## **Independent Auditor's Report on the internal financial controls with reference to the standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013 ('the Act')**

1. In conjunction with our audit of the standalone financial statements of ICICI Bank Limited ('the Bank') as at and for the year ended 31 March 2020, we have audited the internal financial controls with reference to financial statements of the Bank as at that date.

### **Management's Responsibility for Internal Financial Controls**

2. The Bank's Management is responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Bank, considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of the Bank's business, including adherence to the Bank's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

### **Auditor's Responsibility for the Audit of the Internal Financial Controls with Reference to Financial Statements**

3. Our responsibility is to express an opinion on the Bank's internal financial controls with reference to financial statements, based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India ('ICAI') and deemed to be prescribed under Section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements, and the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting ('the Guidance Note') issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements includes obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Bank's internal financial controls with reference to financial statements.

### **Meaning of Internal Financial Controls with Reference to Financial Statements**

6. An entity's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. An entity's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the entity are being made only in accordance with authorisations of management and directors of the entity; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

## ANNEXURE A (Contd.)

### Inherent Limitations of Internal Financial Controls with Reference to Financial Statements

7. Owing to the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### Opinion

8. In our opinion, the Bank has, in all material respects, adequate internal financial controls with reference to financial statements and such controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Bank considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the ICAI.

For **Walker Chandiok & Co LLP**

Chartered Accountants

Firm's Registration No.: 001076N/N500013

**Sudhir N. Pillai**

Partner

Membership No.: 105782

**UDIN: 20105782AAAACK4014**



**Place:** Mumbai

**Date:** 09 May 2020