

## POLICY FOR APPOINTMENT OF STATUTORY AUDITORS

Adopted in the Board Meeting held on October 26, 2021

### Preamble:

Reserve Bank of India (RBI) vide their circular No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27 April 2021, issued Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) ("RBI Guidelines"). RBI vide its email dated August 27, 2021, has confirmed the applicability of said RBI Guidelines to Asset Reconstruction Companies. The policy is prepared in conformity with the RBI Guidelines.

### Objective:

The Policy incorporates the criteria for selection of the Statutory Auditors of the Company. In pursuance of the RBI Guidelines and other applicable provisions, the Statutory Auditors of the Company will be appointed basis the parameters as mentioned herein below.

### Procedure for appointment of Statutory Auditors:

The Company shall shortlist a minimum of two audit firms for every vacancy of SAs so that even if firm with first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SAs does not get delayed.

As the Company has an asset size of above Rs.1,000 crore and less than Rs.15,000 crore as at the end of previous year, the statutory audit would be conducted by minimum of one audit firm [Partnership firms/Limited Liability Partnerships (LLPs)].

However, in case of reappointment of SAs till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting multiple audit firms for appointment. The appointment of SAs shall be in conformity with the standards laid down in the RBI Guidelines and other applicable laws.

### Salient Features of the Policy:

#### As per RBI Guidelines:

- i) The proposed Auditor should comply with the eligibility norms as prescribed under the said RBI Guidelines. The same forms part of the policy as **Annexure I**.
- ii) Post appointment, the Company will inform to RBI regarding the appointment of SAs every year by way of a certificate in Form A within one month of such appointment.
- iii) The auditor so appointed would have a maximum tenure of three years. Upon ending of the tenure, the firm shall be eligible to be re-appointed after a period of 6 years.
- iv) The Company shall not provide any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) to the SAs for a period of at least one year, after its appointment. However, during the tenure as SAs, an audit firm may provide such services to the Company which may not normally result in a conflict of interest, and Company may take decision in this regard, in consultation with the Board/ Audit Committee ("ACM").
- v) In case of removal, if any, of the Statutory Auditors before the expiry of their term and after

- obtaining requisite approval from ACM / Board, the Company shall inform concerned Senior Supervisory Manager (SSM)/Regional Office (RO) at RBI along with reasons/justification for the same, within a month of such a decision being taken.
- vi) The Board/ACM of the Company 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 Board/ACM, with the full details of the audit firm.
  - vii) The Company shall obtain a certificate, along with relevant information as per **Form B**, from the audit firm proposed to be appointed as SAs by the Company to the effect that the audit firm 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 Company.
  - viii) Board / ACM shall ensure that the independence of auditors is not comprised anytime.
  - ix) The audit fees for SCAs/SAs of the Company shall be decided in terms of the relevant statutory/regulatory provisions.
  - x) Board/ACM shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards, and best practices. Any concerns in this regard may be flagged to the Board of Directors and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
  - xi) Concurrent auditors of the Company (if any) should not be considered for appointment as SCAs/SAs of the Company.

#### **As per Companies Act:**

- i) The Company shall ensure that it complies with requisite provisions as mentioned under Companies Act 2013, and in case of any conflict among guidelines issued by RBI or any other regulatory authority and provisions of Companies Act 2013, it will take conservative approach and follow the stricter regulation/provisions.
- ii) Eligibility, qualification and disqualification of SAs shall also follow provisions of Companies Act 2013, which allows a firm to be appointed as SAs.
- iii) The written consent, and a certificate from the auditor or auditors to such appointment, shall be in accordance with the conditions as prescribed by applicable regulations from time to time.
- iv) The Company shall inform the auditor / firm concerned of his or its appointment, and also file a notice of such appointment with the Registrar in such manner as may be prescribed under the Companies Act, 2013.

#### **Review of the Policy:**

The Policy will be reviewed as and when considered necessary by the Board of Directors / as per regulatory requirement.

## Annexure - I

Eligibility criteria for appointment as Statutory Auditors (SAs)

### A. Basic Eligibility

Asset Size of Entity as on 31 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 Profession alstaff Note 4
Above ₹15,000 crore	5	4	2	15	15
Above ₹ 1,000 crore and Upto ₹15,000 crore	3	2	1	8	12
Upto ₹1,000 crore	2	1	1*	6	8

\* Not mandatory for UCBs/NBFCs with asset size of upto Rs. 1,000 crore.

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. Further, for appointment as SAs, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

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 shortlisting for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3:

Audit Experience: Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ 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 shortlisting for considering them as professional staff for the purpose.

#### **B. Additional Consideration:**

- (i) The audit firm, proposed to be appointed as SAs for Company, 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 Company shall ensure that appointment of 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.
- (iv) If any partner of a Chartered Accountant firm is a director in any group entity, the said firm shall not be appointed as SAs of the Company.
- (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 Company 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 may promptly approach the Company 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 31 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.

**FORM A:**

Information to be submitted by the Company regarding appointment of SCA/SA

1. The company has appointed M/s \_\_\_\_\_, Chartered Accountants (Firm Registration Number \_\_\_\_\_) as Statutory Central Auditor (SCA)/Statutory Auditor (SA) for the financial year for their 1st/2nd/3rd term.
2. The company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SCA/SA of the company for FY\_ along with relevant information in the format as prescribed by RBI.
3. The firm has no past association/association for \_\_\_\_\_ years with the company as SCA/SA/SBA.
4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of the Company.

Signature

(Name and Designation)

Date:

**FORM B**
**Eligibility Certificate from (Name and Firm Registration Number of the firm)**

## A. Particulars of the firm:

Asset Size of Entity as on 31 March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number of Professional staff

\*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore

#Details may be furnished separately for experience as SCAs/SAs and SBAs

## B. Additional Information:

- (i) Copy of Constitution Certificate.
- (ii) Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof.
- (iii) Whether the firm has been appointed as SA by any other NBFC in the present financial year? If yes, details thereof.
- (iv) Whether the firm has been debarred from taking up audit assignments by any regulator/ Government agency? If yes, details thereof.
- (v) Details of disciplinary proceedings etc. against firm by any Financial Regulator/ Government agency during last three years, both closed and pending.

C. Declaration from the firm: The firm complies with all eligibility norms prescribed by RBI regarding appointment of SAs of NBFCs. It is certified that neither I nor any of our partners/ members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors have been declared as wilful defaulter by any bank / financial institution. It is confirmed that the information provided above is true and correct.

Signature of the Partner (Name of the Partner)

Date: