

AVANSE FINANCIAL SERVICES LIMITED
POLICY ON APPOINTMENT OF STATUTORY AUDITOR

VERSION CONTROL

Version	Date of Adoption*	Change reference	Owner	Approving Authority
1	05-Aug-2021	Adoption of Policy	Finance	Board of Directors
2	02-Aug-2022	Review of Policy	Finance	Board of Directors

** The Policy version controls are maintained from 2013 and onwards.*

“If at any point a conflict of interpretation/information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by RBI arise then interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by RBI shall prevail.

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Policy on Appointment of Statutory Auditor

1. INTRODUCTION

Pursuant to the Reserve Bank of India (RBI) circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 (RBI Circular), the Company has framed this Policy with necessary procedure hereunder to be followed for appointment of the Statutory Auditor (SA).

2. APPLICABILITY AND PURPOSE

This Policy will be applicable to the Company for Financial Year 2021-22 and onwards in respect of appointment/re-appointment of Statutory Auditor. The objective of this policy is to establish proper procedure for appointment of SA and to conform to the extant norms of RBI and applicable provisions of the Companies Act, 2013 and other applicable laws.

3. NUMBER OF STATUTORY AUDITOR

There should be minimum one statutory auditor up to the asset size of Rs. 15,000 Crores of the Company. Further, the Board may, based on the recommendation of the Audit Committee, decide on the number of SA after taking into account the relevant factors such as the 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.

4. COVERAGE OF AUDIT

The SA shall visit and audit at least the top 20% branches of the Company to be selected in order of the level of outstanding advances in such a manner as to cover a minimum of 15% of total gross advances of the Company. In addition, the Company shall ensure adherence to the applicable provisions of Section 143 of the Companies Act, 2013 regarding audit of accounts of all branches.

5. MINIMUM ELIGIBILITY CRITERIA OF AUDITOR

The Company shall adhere to the minimum eligibility criteria as mentioned in the RBI circular for appointment of the Statutory Auditor considering the asset size of the Company.

6. INDEPENDENCE OF AUDITOR

- Audit Committee (AC) of the Company 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 AC to the Board of Directors of the Company and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- In case of any concern with the Management of the Company such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the Statutory Auditor shall approach the Board/AC of the Company, under intimation to the concerned SSM/RO of RBI.
- Concurrent auditor of the Company should not be considered for appointment as Statutory Auditor. The audit of the Company and any entity with large exposures to the Company 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 Statutory Auditor for the Company or any audit/non-audit works for its group Company should be at least one year, before or after its appointment as Statutory Auditor. However, during the tenure as Statutory Auditor, an audit firm may provide such services to the Company, which may not normally

result in a conflict of interest, and Company may take their own decision in this regard, in consultation with the Board/AC.

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

7. PROFESSIONAL STANDARDS OF STATUTORY AUDITOR

The Board/AC of the Company shall review the performance of Statutory Auditor on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Statutory Auditor 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/AC, with the full details of the audit firm.

8. TENURE AND ROTATION

In order to protect the independence of the auditor/audit firms, Company will have to appoint the Statutory Auditor for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Further, Company can remove the audit firm during the above period only as per the provisions of the applicable laws.

An audit firm would not be eligible for re-appointment in the Company for six years (two tenures) after completion of full or part of one term of the audit tenure.

9. AUDIT FEES AND EXPENSES

The audit fees of the Statutory Auditor of the Company 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. The Company shall reimburse the out of pocket, if any incurred by the statutory auditor during the audit period on actual basis.

10. PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITOR

The Company shall appoint the statutory auditor in conformity with the following:

- The statutory auditor shall fulfil all the applicable eligibility norms as per the RBI Circular, Companies Act, 2013 and other applicable laws, as amended from time to time.
- The Company shall obtain a certificate along with the relevant information as per Form B of RBI Circular from the proposed statutory auditor to the effect that the audit firm complies with all the eligibility norms prescribed by the RBI and as per the other applicable laws.
- Subject to the provisions of the applicable laws, as amended from time to time, Audit Committee shall recommend to the Board of Directors of the Company the appointment of statutory auditor which shall further recommend to the shareholders of the Company for their approval at the next Annual General Meeting.

11. REVIEW OF THE POLICY

The Audit Committee and the Board of Directors of the Company may review the policy as and when required / need-based.

In case there are any regulatory changes requiring modifications to the Policy, the Policy shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Policy till the time Policy is suitably amended.

Annexure A

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

A. Particulars of the Firm

Asset Size of Entity as on 31st 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. (iii) Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB 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 SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). 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 / directors¹⁵ 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: