Statutory Audit Policy

Digamber Capfin Limited

Document Control Page

Document Name	:	**Digamber Capfin Limited – Statutory Audit Policy**

Document Owner	**:**	**Compliance Department-Digamber Capfin Limited**
Reviewed By	**:**	**Board of Director**
Approved By	**:**	**Board of Director**

Classification	**:**	**Internal Use Only**
Distribution List	**:**	**Digamber Capfin Limited**

Revision History	
Dates	**Status**
24.08.2021	**Approved**
26.05.2022	**Reviewed**
18.11.2023	**Reviewed**

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1. PURPOSE

RBI Circular, Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27,2021 issued guidelines for Appointment of Statutory Auditors of NBFCs for financial year 2021-22 and onwards. These guidelines require the Company to formulate 'Statutory Audit Policy and Appointment Procedure of Statutory Auditors' to be hosted on official website of the Company and to formulate necessary procedure thereunder to be followed for appointment of Statutory Auditor. The Term SA shall be read as Statutory Auditor.

2. ELIGIBILITY CRITERIA FOR APPOINTMENT OF STATUTORY AUDITOR

A	B	C	D	E
Minimum Full-Time partners associated with firm for period of at least 3 years	Out of A, minimum fellow CA Partners associated with firm for period of at least 3 years	Minimum Full Time Partners/ Paid CAs with CISA/ISA Qualification	Minimum years of Audit experience of firm	Minimum No. of Professional staff
3	2	1	8	12

EXPLANATION: -

- **Full Time Partners: -**

There should be at least one-year continuous association of partners with the firm as on the date of short listing for considering them as full time partners. For appointment of Statutory Auditor of entities with asset size above Rs. 1000 crore, at least two partners of the firm shall have continuous association with the firm for at least 10 years. Full-time partner's association with the firm would mean as follows:

a) The full-time partner should not be a partner in another firm;
b) She/He should not be employed full time / part time elsewhere;
c) She/He should not be practicing in his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice.

- **CISA/ISA Qualification: -**

At least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of short listing.

❖ **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.

❖ **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.

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.

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 Entities.

❖ **Others: -**

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.

3. COMPLIANCE OF RBI CIRCULAR: -

The Company shall inform the appointment of Statutory Auditors in each year by way of a certificate as prescribed under RBI Circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 as amended to RBI Regional Office, Jaipur, within one month of such appointment. The format of Certificate is attached as Form A hereunder.

4. BRANCH AUDIT COVERAGE: -

Statutory Auditor shall visit and audit at least Top 20 Branches/Top 20 % of the branches of the Company (in case company having less than 100 branches), 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. The Company shall ensure adherence to the provisions of Section 143(8) of the Companies Act, 2013 regarding audit of accounts of all branches.

5. INDEPENDENCE OF AUDITORS

- The Audit Committee of the Board shall monitor and assess the independence of the SAs 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 Audit Committee to the Board of Directors of the Company and RBI Regional Office, Jaipur. The Board of Directors shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board of Directors to RBI Regional Office, Jaipur.

- 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 Company or any audit/non-audit works for its group Companies should be at least one year, before or after its appointment as SAs. However, during the tenure as SAs, an audit firm may provide such services to the Companies which may not normally result in a conflict of interest and the Company may take their own decision in this regard, in consultation with the Board.

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

6. TENURE AND ROTATION

- To protect the independence of the auditors/audit firms, Company will have to appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. Company removing the SAs before completion of three years tenure shall inform concerned RO at RBI about it, along with reasons/justifications for the same, within a month of such a decision taken.

- An Audit firm would not be eligible for reappointment in the same company for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other entities.

- As per RBI Circular, a group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of Statutory auditors accordingly. Shared/Sub-contracted audit by any

other/associate audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

7. AUDIT FEES AND EXPENSES

The audit fees for SAs of the Company shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees 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 Audit Committee of the Company shall make recommendation to the Board of Directors as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

8. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS

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

- The Board 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 of the Board of Directors of the Company, with the full details of the audit firm.

- In the event of lapses in carrying out audit assignments resulting in misstatement of the Company's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SAs in relation to the Company, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

9. PROCEDURE FOR APPOINTMENT OF SAS

The Company shall shortlist minimum of 2 audit firms for every vacancy of SAs so that even if firm at 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.

The Company shall obtain a certificate, along with relevant information as per Form B as prescribed under RBI Circular Ref. No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 as amended, from the audit firm(s) proposed to be appointed as SAs by

the Company to the effect that the audit firm(s) 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, under the seal of the said audit firm. The format of Certificate is attached as Form B hereunder.

FORM A

INFORMATION TO BE SUBMITTED BY THE COMPANY REGARDING APPOINTMENT OF SA: -

1. The company has appointed M/s _____, Chartered Accountants (Firm Registration Number _____) as 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 SA of the company for Financial Year ____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 SA.

4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SAs of NBFCs.

Signature:
(Name and Designation)

Date:

FORM B

ELIGIBILITY CERTIFICATE (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) 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 anyregulator/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 willful 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:

Digamber Capfin Limited

Address: J 54-55, Anand Moti, Himmat Nagar, Gopalpura, Tonk Road, Jaipur-302018, Rajasthan.