

Procedure & Policy on Appointment of Statutory Auditors

Western Capital Advisors Private Limited	
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1. Preamble

The Reserve Bank of India (RBI), vide their letter 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). The policy is prepared in conformity with the guidelines issued by RBI.

2. Objective

The Policy incorporates the criteria for selection of the Statutory Auditors of Western Capital Advisors Private Limited (Company).

In pursuance of the guidelines issued by RBI and other applicable provisions, the Statutory Auditors of the Company will be appointed on the basis the parameters as mentioned herein below.

3. Procedure for appointment of Statutory Auditors

The Company shall shortlist a minimum of 2 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.

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 Statutory Auditors shall be in conformity with the standards laid down in the RBI Directions and other applicable laws.

4. 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 SA, 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/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 and 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(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.
- viii) Board / ACM shall ensure that the independence of auditors is not comprised anytime.
- ix) The audit firms duly qualified under the provisions of Section 141 of Companies Act 2013 and with no adverse remarks/disciplinary proceedings pending/initiated against the firm/any of its partners/proprietor on the records of ICAI would be considered as eligible for appointment as auditors.
- x) In addition to the requirements of provisions mentioned in the Companies Act, 2013 in regard to indebtedness, any Audit firm selected for appointment would have to certify that none of the spouse, dependent children and wholly or mainly dependent parents, brothers, sisters or any of them, of any of the partners/proprietors of the firm or the firm/company in which their partners/directors are indebted to the Company.
- xi) The appointment so made shall be with the approval of the Audit Committee, Board and Shareholders. The approval of shareholders will not be required for the purpose of reappointment of SA during their tenure.
- xii) SAs shall ensure to abide by the code of conduct for regulating, monitoring and reporting of trading by insiders and code of practices and procedures for fair disclosure of unpublished price sensitive information of the Company.

5. Review of the Policy

The Policy will be reviewed at yearly intervals or as and when considered necessary by the Board of Directors of the Company.

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 Professional staff Note 4
Above ₹ 1,000 crore and Up to ₹15,000 Crore	3	2	1	8	12

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.

The full-time partner's association with the firm would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:

- (a) The full-time partner should not be a partner in other firm/s.
- (b) She/He should not be employed full time / part time elsewhere.
- (c) She/He should not be practicing in her/his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.
- (d) The Board/ACM shall examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

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 Company, the said firm shall not be appointed as SA of any of the group Companies of the Company.
- (v) The statutory 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 NBFCs 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 NBFCs.

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: