



JAI KRISHAN FINLEASE PVT LTD

APPOINTMENT OF STATUTORY AUDITORS POLICY

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1. Introduction

The Reserve Bank of India (“RBI”) vide its circular no. RBI/2021-22/25 dated April 27, 2021, prescribed “Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs)” (“Guidelines”) applicable with effect from the second half of financial year 2021-22 (or from the time the asset size of non-deposit taking NBFCs is above ₹ 1,000 crore, whichever is later). In terms of the Guidelines, APAC Financial Services Private Limited (“the Company”) is required to formulate a Board approved Policy covering necessary procedures for appointment / re-appointment of Statutory Auditors (“SAs”) which needs to be hosted on the Company’s official website.

The main objective of this Policy is to act as a guideline for deciding on the number of SAs to be appointed for the Company and for determining their qualifications, eligibility and procedure for appointment / re-appointment.

2. Scope of the Policy

This policy shall form the basis for appointment of SAs. The Company shall comply with the relevant provisions of the Companies Act, 2013, rules made thereunder, and the guidelines/ circulars issued by RBI from time to time.

All queries / clarifications on this Policy should be sought from the Finance/Compliance team. Clarifications on any regulatory issue shall be obtained from the Compliance Officer.

3. Applicability

This Policy is applicable to the Company from the financial year 2022-23 and onwards including amendments, if any made from time to time.

4. Number of SAs

- (i) The Company shall fix the number of statutory auditors subject to this policy and, inter alia, after consideration of various 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.

- (ii) The following are the fundamental requirements regarding the appointment of statutory auditors:

S. No.	Asset Size of the Entity as at end of previous year	Requirements
1.	₹15,000 crore and above	Joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)]
2.	Below ₹15,000 crore	Minimum of one audit firm (Partnership firm/LLPs)

Considering the Company's present asset size is below ₹15,000 crore, the statutory audit shall be conducted by one audit firm till the Company's asset size crosses into the next higher slab.

5. Tenure of SAs

The appointment of SA shall be for a continuous period of three years, subject to the SA satisfying the eligibility norms each year. If the Company removes SA before completion of 3 years, it shall inform the concerned Regional Office / Senior Supervisory Manager of RBI about the same, along with the reasons / justification within a month of such decision being taken. The Company will not reappoint an audit firm for six years after the completion of full or part of one term of the audit tenure.

The Company shall inform RBI about the appointment/re-appointment of SA for each year by way of certificate prescribed under the Guidelines within one month of such appointment.

The auditors can be removed before completion of three years tenure and the Company shall inform concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

6. Eligibility criteria for appointment of SAs

The Company's asset size, being more than ₹ 1,000 crore and less than ₹ 15,000 crore, the SA shall fulfil the following minimum criteria for being eligible to be considered for appointment as SA of the Company:

- a. Minimum number of full-time partners (FTP) associated with the firm for a period of at least three years shall be three. (Association of FTPs would mean exclusive association with the firm i.e., not employed or practicing anywhere else)
- b. Out of total FTPs, minimum number of Fellow Chartered Accountant (FCA) partners associated with the firm for a period of at least three years shall be two.
- c. Minimum number of FTPs / paid Chartered Accountants (CAs) with Certified Information System Auditor (CISA) / Information System Audit qualification shall be one.
- d. Minimum number of years of relevant audit experience of the firm shall be eight. The relevant audit experience would be experience of the firm as statutory / branch auditors of Banks / NBFCs/ All India Financial Institutions.
- e. Minimum number of professional staff shall be twelve.
- f. 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 entities should be at least one year, before or after its appointment as SAs (applicable to an audit firm under the same network of audit firms or any other audit firm having common partners). However, during the tenure as SA, an audit firm may provide such services which may not normally result in conflict of interest (services such as tax audit, advice on tax matters, audit of interim financial statements, certificates required to be issued by SA in compliance with statutory or regulatory requirements, etc.)
- g. The audit of the Company and any entity with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the SA (applicable to an audit firm under the same network of audit firms or any other audit firm having common partners).
- h. The SAs shall be duly qualified for appointment as such in terms of criteria specified under Section 141 of the Companies Act, 2013.
- i. The audit firm shall 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.
- j. As the Company's asset size is above ₹ 1,000 crore, the auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), where the accounting

and business data reside in order to achieve audit objectives.

- k. The Company shall not consider Concurrent auditors of the Entity for appointment as SCAs/SAs of the same Entity.

7. Procedure for appointment of SAs

The following procedure will be adopted for appointment of SAs:

- a. The Company shall shortlist a minimum of two audit firms for every vacancy of SA.
- b. The Company shall obtain the following documents from the audit firm(s) proposed to be appointed as SCAs/SAs by the Company:
- Complete profile of the firm
 - Certificate of Membership and Practice of Individual partners issued by ICAI.
 - Written Consent / willingness to act as SCAs / SAs of the Company pursuant to Section 139 of the Companies Act, 2013.
 - Certificate pursuant to Section 141 of the Companies Act, 2013.
 - Certificate under Rule 4 of Companies (Audit and Auditors) Rules, 2014 as amended from time to time.
 - Form B to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for that purpose. The format prescribed by RBI is enclosed at the end of this policy as Annexure II.
- c. The proposal for the appointment of SAs shall be placed before the Audit Committee. The Audit Committee shall recommend the appointment to the Board and thereafter the appointment will be placed before the Board for approval subject to the approval of the shareholders. The approval of the shareholders will be sought in accordance with the provisions of the Companies Act, 2013.

8. Audit Coverage

S. No.	No. of branches of the Company	Number of branches to be audited	Selection criteria
1.	More than 100	Top 20 branches	To be selected in order of the level of outstanding advances, in such a manner so as to cover a minimum of 15% of total gross advances of the Company
2.	Less than 100	Top 20% of branches	

At present, as the number of branches is more than 100 for the Company, the SCAs/SAs shall visit and audit at least the top 20 branches to be selected as mentioned above. Further, the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches shall also be mandatorily adhered to by the Company.

9. Audit Fee and Expenses

The audit fees for SA 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 risk in financial reporting, etc. The Audit Committee shall approve and recommend the remuneration payable to the SA, for each financial year, to the Board for its approval.

10. Review of the performance and Independence of SAs **Performance**

The Audit Committee shall review the performance of the SA on an annual basis. Any serious lapses/negligence while carrying out their audit responsibilities or any conduct issues on the part of the SA or any other matter considered as relevant shall be reported to the RBI within two months of completion of annual audit after approval from the Audit Committee.

Independence

The Audit Committee 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 shall be flagged by the Audit Committee to the Board of Directors of the Company and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

11. Review of the Policy

This Policy shall be reviewed annually and submitted for approval to the Audit Committee and the Board. Amendments / modifications whenever necessary, shall be carried out in the Policy as per any circular, notification, guidelines, etc. issued by RBI / any other Regulatory / statutory authority from time to time and shall be placed before the Audit Committee and the Board for their approval.