Aptus Value Housing Finance India Limited

Policy on appointment of Statutory Auditors

Preamble:

The Reserve Bank of India (RBI), has issued guidelines for the appointment of statutory auditors of Non-Banking Financial Companies (including Housing Finance Companies) vide their notification (Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22) dated April 27, 2021. In terms of the said RBI guidelines, Aptus Value Housing Finance India Limited ("Company") being a Housing Finance Company with asset size of ₹ 1000 crores is required to comply with these RBI guidelines while appointing statutory auditors of the Company from the Financial Year 2021-22 onwards. Further, the RBI guidelines requires formulation of suitable policy on the appointment of statutory auditors. This policy is prepared in conformity with the guidelines issued by RBI.

Objective:

The objective of this policy is to provide sufficient framework for the appointment of statutory auditors of the Company by prescribing the parameters and brief procedure to be followed by the Company for the appointment of statutory auditors confirming to all relevant applicable statutory/regulatory requirements.

Statutory Auditors – Eligibility and Qualification

The term 'statutory auditor' means the auditor referred to in Section 139 of the Companies Act ("the Act"). The person proposed to be appointed as statutory auditor should meet the eligibility criteria and possess the qualification prescribed under Sec 141 of the Act and also not be covered by the disqualifications specified therein. The audit firm shall also be subjected to the peer review process of Institute of Chartered Accountants of India and hold a valid certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

In addition to the above, the company shall ensure that the person proposed to be appointed as statutory auditor meets the eligibility criteria prescribed under the RBI guidelines.

The Company shall appoint firms as statutory auditors who as of 31st March of previous year have at least:

(a) Three full time partners of which at least two of them should be Fellow Chartered Accountants. Only those partners associated with the firm for a period of at least three years shall be considered for this purpose.
(b) Two partners of the firm shall have continuous association with the firm for at least 10 years.
(c) One full time partner or one full time Chartered Accountants (CAs) in the firm should possess CISA / ISA qualification. There should be at least one-year continuous association of paid CAs with CISA / ISA qualification with the firm.
(d) Eight years of audit experience as statutory auditor of NBFCs or Statutory Central Auditor /Branch Auditor of commercial banks (excluding RRBs).

(e) Twelve professional staff with at least one year of continuous association with the firm. Professional staff means persons with knowledge of book-keeping and accountancy including audit and article clerks engaged in on-site audits.

Other criteria to be considered in the appointment of statutory auditor are as follows:

(a) 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.
(b) The appointment should be in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
(c) The audit firm is not eligible for appointment if any of its partners is a director in any of the group entities of the Company.
Explanation: Group entities shall mean two or more entities related to each other through any of the following relationships, viz. Subsidiary – parent (defined in terms of AS 21), Joint venture (defined in terms of AS 27), Associate (defined in terms of AS 23), Promoter-promotee [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies, a related party (defined in terms of AS 18), Common brand name, and investment in equity shares of 20% and above.
(d) Audit firms (including their network firms or any other firm having common partners) which are statutory auditor of an entity with large exposure (as defined in RBI instructions on Large Exposure Framework) to the company are not to be considered for appointment as statutory auditor.
(e) The audit firm should 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.
(f) The audit firm is to be compliant with the limit prescribed under the RBI guidelines for statutory audit of Commercial Banks, All India Financial Institutions, Urban Cooperative Banks and NBFCs.
(g) The audit firm has to ensure continued compliance with all the eligibility and qualification criteria prescribed under applicable statutes.
(h) The audit firm should not have been engaged in any audit / non-audit work for the company and its group entities at least for one year before the appointment.

Procedure for appointment of Statutory Auditors

Minimum of two audit firms for every vacancy of Statutory auditor is to be shortlisted 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 does not get delayed.

The company shall obtain a certificate, along with relevant information as per RBI the guidelines, from the audit firm(s) proposed to be appointed as Statutory auditor 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, under the seal of the said audit firm.

The Company shall inform about the appointment of statutory auditor(s) each year by way of a certificate in the prescribed form (Form A) within one month of such appointment to the RBI.

Tenure and Rotation

The statutory auditor(s) is to be appointed for a continuous period of three years subject to the firm(s) satisfying the eligibility norms each year. The statutory auditor on completion of their term or part of their tenor shall be eligible for re-appointment after a period of six years.

Removal of statutory auditor before completion of their term will require special resolution passed at the general meeting and the Company shall comply with the procedure prescribed under section 140 of the Act and other requirements as applicable under the Act and SEBI Listing Regulations. Removal of statutory auditor shall be intimated to the RBI along with reasons/justification for the same, within one month of such decision being taken.

Independence and Performance of Statutory auditors

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

The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) for the company by the proposed Statutory auditors or same network of audit firms or any other audit firm having common partners or any audit/non-audit works for its group entities should be at least one year before appointment. 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 the Company may take decision in this regard, in consultation with the Board/Audit Committee.

The Audit Committee shall review the performance of statutory auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the statutory auditors or any other matter considered as relevant shall be reported to the RBI within two months from completion of the annual audit. Such reports should be sent with the approval of the Board, with the full details of the audit firm.

Audit Fees and Expenses

The audit fees and reimbursement of out of pocket expenses for Statutory auditors 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.