



**POLICY ON APPOINTMENT OF STATUTORY AUDITORS(SAS)
RGVN (NORTH EAST) MICROFINANCE LIMITED**

BOARD OF DIRECTORS APPROVAL DATE	29.10.2021
EFFECTIVE DATE	29.10.2021

1. Introduction

RBI released the final guidelines for appointment of Statutory Central Auditors (SCAs) and Statutory Auditors (SAs), through vide notification No. RBI/2021-22/25 Ref.No. DoS.CO. ARG/SEC.01/ 08.91.001/2021-22. These guidelines will be applicable to the Regulated Entities namely Commercial Banks(excluding RRBs), UCBs and NBFCs including HFCs for Financial Year 2021-22 and onwards in respect of appointment/reappointment of SCAs/SAs in the said Entities.

The Company is required to formulate a Board Approved Policy to be hosted on it's website and necessary procedure thereunder to be followed for appointment of Statutory Auditors (SAs). Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.

The applicability on Entities, eligibility of Audit firms, selection, appointment and removal procedures etc. are detailed in the guideline. Based on the same RGVN (North East) Microfinance Limited is inter alia required to put in place a Board approved policy for procedures mentioned in the guidelines.

2. Definitions

1. a) "Company": here means RGVN (North East) Microfinance Limited (RGVN)
2. b) "Asset Size": For the purpose, asset size means total assets
3. c) "Group entities": For the purpose, 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.

3. Applicability

The RBI guideline is applicable for appointment of Statutory Auditors for the financial year 2021-22 and onwards. However, as a NBFC, the Company have the option to adopt the guidelines from second half of FY 2021-22, and the Policy will be applicable from there only. The Board Approved Policy will be hosted in website of the Company.

4. Number of SAs to be Appointed

As per the guidelines/based on the asset size as at the end of previous year , RGVN should appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting Statutory Audit. While reaching the asset size at ₹15000 crore, RGVN have to appoint a minimum of two audit firm for conducting Statutory Audit.

Board shall decide on the number of SAs after considering 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. subject to the minimum number prescribed by RBI.



Accordingly, it is proposed to have one audit firm [Partnership firms/Limited Liability Partnerships (LLPs)] as Statutory Auditor. If there is growth than the above mentioned asset size, the auditors will be appointed according to the conditions mentioned below.

RGVN shall ensure that, on requirement of appointing Joint Auditors, they do not have any common partners and they are not under the same network of audit firms. Further, Company may finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with the Auditors.

5. Eligibility Criteria for Appointment as SAs

After considering the minimum number of Auditors to be appointed for conducting the audit, RGVN shall identify the eligible audit firms based on the criteria marked below:

A. Basic Eligibility

Asset Size of Company as on 31st 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 ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
Upto ₹1,000 Crores	2	1	1*	6	8

***Not mandatory for NBFCs with asset size of upto ₹ 1,000 Crores.**

Notes:-

- 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, at least two partners of the firm shall have continuous association with the firm for at least 10 years.
- The Board/ACB 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.



- 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.
- 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. 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

1. 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.
2. 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. 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.
4. If any partner of a Chartered Accountant firm is a director in any Entity in group, the said firm shall not be appointed as SA of the Company. The Company shall, as part of the process for selection of firms for appointment as SAs, obtain appropriate disclosures in this regard, including details of directorships in Group Entities.
5. However, if an audit firm is being considered for appointment as SA, whose partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as Board.
6. The 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 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 31st 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.



6. Procedure for Appointment of SAs

The company shall invite applications from eligible Audit firms subject to fulfilling the eligibility criteria as per this policy and applicable RBI stipulations for expression of interest (EOI) for appointment of Statutory Auditors. Expression of interest/applications received will be considered if they are found to be meeting all eligibility conditions.

Interests/Applications received will be evaluated by the CFO in consultation with the CEO based on the template for evaluation devised for the purpose. Based on the evaluation result CFO in consultation with the CEO will shortlist atleast 2 firms for every vacancy identified. The shortlisted names will be presented to the ACB/Board. ACB/Board will select firms from the list as required. In case ACB/Board require shortlisted firms may be requested to give a presentation on their capability in brief.

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. However, in case of reappointment of SAs by the Company till completion of tenure of continuous term of 3 years, in normal scenario there would not be any requirement of shortlisting.

Company shall obtain a certificate, along with relevant information as per **Form B (Annexure 2)**, from the audit firm(s) proposed to be appointed as SAs 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 Entities, under the seal of the said audit firm.

Company need to inform Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located about the appointment of SAs for each year by way of a certificate in **Form A** within one month of such appointment.

7. Independence of Auditors

The Audit Committee of the Board (ACB) 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 ACB 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 SAs shall approach the ACB/Board**, under intimation to the concerned SSM/RO of RBI.

(Board shall be directly approached only when ACB is non-existent in the company or auditors notice a matter of concern involving any member of the ACB.)**

The audit of the Company and any entity with large exposure (As defined in RBI instruction on "Large Exposures Framework") 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 other RBI regulated entities in the group should be at least one year, before or after its appointment as SCAs/SAs.

However, during the tenure as Statutory Auditor, an audit firm may provide such services to the concerned Entities which may not normally result in a conflict of interest. Such activities may include but not limited to activities such as Tax audit, tax representation and advice on taxation matters, Audit of interim financial statements, Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements, Reporting on financial information or segments thereof etc. The company shall take appropriate decision in this regard in consultation with the Board/ACB.

The restrictions as mentioned above, should also apply to an audit firm under the same network of audit firms [as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014] or any other audit firm having common partners.

8. Other points

A. Tenure and Rotation

In order to protect the independence of the auditors/audit firms, Company will have to appoint the SAs for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year. For removing the SAs before completion of three years tenure, 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.

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 Company.

One audit firm can concurrently take up statutory audit of a maximum eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Company and within overall ceiling prescribed by any other statutes or rules. 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 Audit accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming 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.

B. Audit Fees and Expenses

The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees for SAs 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 Board/ACB shall make recommendation to the competent authority (By Shareholders in General Meeting) as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.



C. Professional Standards of Auditors

The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence. The ACB 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 ACB/Board, with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in misstatement of a 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 Company, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

9. Review of the Policy

The Board 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.

Signature:



Name: CA. Kaberi Bhuyan

DIN: 07001635

Chairman of the 85th Board Meeting dated 29.10.2021

Place: Guwahati

Dated:30.10.2021

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)



FORM B**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 there of.
- (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 there of.
- (iv) Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details there of.
- (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 / directors 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:**