

CHHATISGARH INVESTMENTS LIMITED

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CIN: L67120MH1982PLC331831

Statutory Audit Policy on appointment of Statutory Auditors of the Company

1. BACKGROUND

RBI vide its circular Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 has issued guidelines for Appointment of Statutory Auditors (SAs) of Commercial banks, (excluding RRBs), UCBs and NBFCs (including HFCs). The guidelines require lending institutions to formulate a Board approved policy to be hosted on its official website / public domain and formulate necessary procedures thereunder to be followed for the appointment of SAs.

2. OBJECTIVE

This Policy shall act as a guideline for establishing proper procedures for determining, inter-alia, qualifications, eligibility and procedure for appointment of the SAs that conform with the extant norms of applicable laws and regulations.

The Objective of the Policy is :

- i) Deciding the number of SAs based on various parameters;
- ii) Criteria for appointment of SAs; and
- iii) The procedure to be followed for appointment of SAs.

3. SCOPE

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 regulations/guidelines/ circulars/ notifications as issued by the Reserve Bank of India.

In case of conflict between the provisions of the Companies Act and the RBI regulations, the RBI regulations (being sectoral regulator) shall prevail.

Further, in the event any guidance on the regulatory framework/ RBI regulations / guidelines is required; the same shall be referred to the Finance & Accounts / Regulatory Compliance Department for its final views on the matter.

4. NUMBER OF SAs

The Company is required to decide on the number of SAs based on the guidance provided under this policy. Based on the guidelines, since the asset size of the Company is less than Rs.15,000 crore as at last reporting period, (i.e, March 31, 2021), the Company can appoint minimum of one audit firm for conducting statutory audit.

5. INDEPENDENCE OF THE STATUTORY AUDITORS

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

The time gap between any non-audit works by the SAs for the Company or any audit/non-audit works for its RBI Regulated Group Entities should be at least the minimum period specified in the RBI Guidelines, before or after its appointment as SAs.

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, with prior approval of ACB.

The audit of the Company and any Company with large exposure to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.

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

6. TENURE AND ROTATION OF SAs

As per the provisions of the Companies Act, 2013, SA can be appointed for two terms consisting of five years each.

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However, as per the RBI guidelines, in order to protect the independence of the auditors/audit firms, the Company shall appoint the SAs for a continuous period of 3 years, subject to the SA satisfying the eligibility norms each year. If the Company removes SAs before completion of 3 years of tenure, it shall inform the concerned Regional Officer at RBI about the same, along with the reasons / justification within a month of such decision being taken. The Company cannot reappoint an audit firm for six years after the completion of full or part of one term of the audit tenure.

RBI being the sectoral regulator and its guidelines being more stringent, the Company shall appoint the SA as per the RBI guideline.

7. CRITERIA FOR APPOINTMENT OF SAs

The RBI guidelines prescribe certain eligibility norms which the audit firms are required to fulfill, based on the asset size of the Company. The Company's asset size, being more than Rs. 1000 crore but less than Rs. 15000 crore, the audit firms shall fulfill the following minimum criteria for being eligible to be considered for appointment as auditor of the Company:

- i) Minimum number of full-time partners (FTPs) associated with the firm for a period of at least three years should be three.
- ii) Out of total FTPs, minimum number of fellow chartered accountant (FCA) partners associated with the firm for a period of at least three years should be two.
- iii) Minimum number of full-time partners / paid Chartered Accountants (CAs) with Certified Information System Auditor (CISA) / ISA qualification should be one.
- iv) Minimum number of years of relevant audit experience of the firm should be eight. and
- v) Minimum number of professional staff should be twelve.

Along with the criteria as specified by the RBI, the Company shall appoint the SA's fulfilling/meeting the criteria as per the Companies Act, 2013.

8. PROCEDURE FOR APPOINTMENT OF SAs

The RBI guidelines prescribe the procedure for appointment of SAs, which includes the following:

- i) The Company shall shortlist minimum of two audit firms for every vacancy of SA.
- ii) Company shall obtain a certificate from each of the audit firms proposed to be appointed as SAs that it complies with all the eligibility norms prescribed by RBI. Such certificate shall be duly signed by the main partner/s of the audit firm proposed for appointment under the seal of the said audit firm.
- iii) The Audit Committee shall recommend the appointment to the Board and the Board shall recommend the same for the approval of the shareholders. Shareholders shall appoint the SA except the first SA and the appointment of SA in case of casual vacancy shall be ratified by the shareholders as per the provisions of the Companies Act, 2013.

9. AUDIT FEE AND EXPENSES

The Company shall ensure that the audit fees of the Company 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.

10. REVIEW

This Policy shall be reviewed as and when deemed necessary and submitted for approval to the Board. Any amendments to the policy required as a result of amendment/modifications to the Companies Act, 2013/ RBI guidelines shall be presented to the Board of Directors for its approval.
