



**TruCap Finance Limited**  
**Policy on appointment of Statutory Auditors**

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**Version Control**

<b>Sr. No.</b>	<b>Details of Changes</b>	<b>Date of Creation/Change</b>	<b>Department</b>	<b>Version No</b>	<b>Approved By</b>
1.	Original Document	November 14, 2022	Corporate Secretarial & Compliance Team	Version 1.0	Board of Directors



## 1. INTRODUCTION:

The Reserve Bank of India (RBI) vide its circular dated April 27, 2021, as amended, issued Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and Non-Banking Financial Companies (“NBFCs”) (including HFCs) (“Guidelines”) read with the FAQs issued by RBI in this regard, requires the Board of NBFCs to formulate and approve a Policy for appointment on Statutory Auditors of the Company.

In compliance with the aforesaid guidelines, the Board of TruCap Finance Limited (“Company”), on recommendation of the Audit Committee lays down the following Policy for appointment on Statutory Auditors (“Policy”).

The Company being incorporated under the provisions of the Companies Act, 1956 and also regulated by the new Companies Act, 2013 and applicable rules made thereunder (“Act”) is also required to comply with the provisions of the Act with respect to appointment, tenure, and remuneration of the SAs of the Company. Accordingly, the Company shall also be responsible for complying with the provisions of the Act to the extent the same is not in contravention to the Guidelines.

## 2. NUMBER OF STATUTORY AUDITORS

Since currently the asset size of the Company is less than Rs.15,000 Crores, the Company shall have one audit firm.

Once the asset size of the Company increases and crosses the threshold of Rs.15,000 Crores, the Company shall ensure compliance with the Guidelines while appointing the number of audit firms, their eligibility and work allocation amongst those audit firms and scope of their audit.

## 3. ELIGIBILITY CRITERIA FOR APPOINTMENT OF STATUTORY AUDITORS

The Audit Committee shall consider the following factors before appointment of SAs:

- a. Compliance with the provisions of the Guidelines.
- b. Eligibility criteria of the SAs as prescribed by RBI from time to time based on the asset size of the Company as per table below.
- c. Shall be qualified to be appointed as an auditor under Section 141 of the Companies Act, 2013.
- d. 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.
- e. Written consent of the auditor to such appointment and certificate that the appointment, if made, shall be in accordance with the conditions stipulated under the RBI Guidelines and other statutory provisions.
- f. Concurrent auditors, if any appointed in the Company, should not be considered for appointment as SAs.
- g. The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATs) and Generalized Audit Software (GAS).
- h. The Company shall ensure that the appointment of the Statutory Auditors 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.
- i. If any partner of a Chartered Accountant firm is a director in any Group Company, the said firm shall not be appointed as the Statutory Auditor of any of the Group Company. Group Company/Entities here refer to the RBI Regulated Entities in the Group, which fulfil the



definition of Group Entity, as provided in the Circular.

Depending upon the asset size of the Company, the Company shall follow the below additional eligibility criteria in compliance with the Guidelines while shortlisting the Statutory Auditors:

Asset Size of Entity 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 Partners (FCA) 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
Where asset size of the Company is above Rs.15,000 crore	5	4	2	15	18
Where asset size of the Company is above ₹ 1,000 crore and Up to Rs.15,000 Crore	3	2	1	8	12
Upto Rs. 1000 Crores	2	1	1*	6	8

\*Not mandatory for the Company till the asset size of the Company is up to Rs.1,000 crore.

Further, the audit firm proposed to be appointed shall at the same time be appointed as a statutory audit of not more than maximum of four Commercial Banks [including not more than one Public Sector Banks or one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight Urban Co-operative Banks (“UCBs”) and eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules.

For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm and a group of audit firms having common partners and/or under the same network, shall be considered as one entity and they will be considered for allotment of Statutory Auditors accordingly.

Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms shall not be allowed and permissible while ascertaining the eligibility criteria.

Further, 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.

#### 4. 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 and 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 March 31 and till the completion of annual audit.



In the event 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.

## **5. PROCEDURE FOR THE APPOINTMENT OF STATUTORY AUDITORS**

The 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.

The Company shall obtain an Eligibility Certificate, in the format specified in the Guidelines, from the audit firm(s) proposed to be appointed as the SAs stating 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 Audit Firm, under the seal of the said audit firm. After such appointment, the Audit firm shall furnish such Eligibility Certificate on continuing basis each year confirming continued compliance with the aforesaid eligibility norms or other norms as may be prescribed by RBI from time to time.

The Eligibility certificate shall be accompanied by a consent letter from the Statutory Audit Firm for being appointed as the SA of the Company.

The Eligibility Certificate and Consent Letter shall be placed before the Audit Committee of the Board in its meeting where the matter of appointment of Statutory Audit firm will be considered and further recommended to the Board/Shareholders for its approval.

## **6. BRANCH AUDIT:**

From the date of approval of this Policy, the Statutory Auditors shall visit and audit at least the Top 20 Branches/Top 20% of the branches of the Company (in case where there are less than 100 branches) to be selected in order of the level of outstanding advances in such a manner as to cover a minimum of 15% of total gross advances of the Company. In addition, the Company shall ensure adherence to the provisions of Sec 143(8) of the Companies Act, 2013 regarding the audit of accounts of all branches.

## **7. REVIEW OF INDEPENDENCE AND PROFESSIONAL STANDARDS OF AUDITORS**

The Statutory Auditors shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.

The Audit Committee shall monitor and assess the independence of auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices and any concerns in this regard shall be flagged to the Board of Directors of the Company and the regional office of the Reserve Bank of India.

The Audit Committee and the Board of the Company shall review the performance of the Auditors on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of the Auditors 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, with the full details of the audit firm.



## **8. TENURE AND ROTATION**

The Company shall appoint the Statutory Auditors for a continuous period of three years (“Audit Tenure”), subject to the firms satisfying the eligibility norms each year. In the event the Company removes the Auditors before completion of three years tenure shall inform concerned regional officer at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

Further, an audit firm would not be eligible for reappointment 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 Entities.

## **9. AUDIT FEES AND EXPENSES**

The audit fees for the Statutory Auditor shall be decided in terms of the relevant statutory/regulatory provisions.

The Audit Committee shall decide on the Audit fees as deemed 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. and make recommendation to Board for fixing audit fees of the Statutory Auditors.

## **10. INTIMATION TO RESERVE BANK OF INDIA**

The Company shall inform RBI by approaching the Central Office of RBI (Department of Supervision) about the appointment of SCAs/SAs for each year by way of a certificate in Form A within one month of such appointment.

Since the Auditors are appointed by the shareholders at the Annual General Meeting (“AGM”) of the Company as per section 139(1) of the Companies Act, 2013. Accordingly, in case of first-time appointment, the intimation has to be done within 1 month of the AGM.

Considering pursuant to the provisions of the Companies Act, 2013, the requirement of ratification of Auditor’s appointment in every AGM has been dispensed off with, for the remaining tenure, the Audit Committee shall verify the eligibility of the auditor based on the eligibility certificate received from the auditors. Accordingly, in case of ratification, the intimation shall be made within 1 month of the AC/ Board meeting where such ratification is made.

## **11. REVIEW/REVISION OF THE POLICY**

If at any point a conflict of interpretation / information between the Policy and any regulations, rules, guidelines, notification, clarifications, circulars, master circulars/ directions issued by relevant authorities (“Regulatory Provisions”) arises, then interpretation of the Regulatory Provisions shall prevail.

In case of any amendment(s) and/or clarification(s) to the Regulatory Provisions, the Policy shall stand amended accordingly from the effective date specified as per the Regulatory Provisions. Any of the Directors or Chief Financial Officer or Company Secretary of the Company reserve(s) the right to alter, modify, add, delete or amend any of the provisions of the Policy.