



**CREST VENTURES LIMITED**

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**POLICY FOR APPOINTMENT  
OF STATUTORY AUDITORS**

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# **POLICY FOR APPOINTMENT OF STATUTORY AUDITORS**

## **1. INTRODUCTION**

The Board of Directors of Crest Ventures Limited ("the Company") formulated the "Policy for Appointment of Statutory Auditors" ("the Policy") in consultation with the Audit Committee.

## **2. OBJECTIVE**

The objective of this Policy is to act as a guideline for establishing proper procedures for determining, inter-alia, qualifications, eligibility and procedure for appointment of the Statutory Auditors (SAs) that conform with the extant norms of applicable laws and regulations.

The Policy is framed under the Reserve Bank of India's ("RBI") guidelines bearing Ref.No.DOS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), as may be amended or modified, replaced, or substituted from time to time, read with the FAQs issued on June 11, 2021 ("the RBI Guidelines") for Appointment of Statutory Auditors (SAs) of NBFCs and in conformity with Section 141 and other applicable provisions of the Companies Act, 2013 read with the Companies (Audit and Auditors) Rules, 2014.

## **3. APPLICABILITY**

This Policy shall be applicable for appointment of SAs from the Financial Year 2022-23.

## **4. DEFINITIONS**

- a) **"Act"** means the Companies Act, 2013 and Rules framed thereunder, as amended from time to time.
- b) **"Audit Committee"** means the Audit Committee of the Board.
- c) **"Board"** means Board of Directors of the Company.
- d) **"Directors"** mean Directors of the Company.
- e) **"Group entities"** shall mean the "Companies in the group" as defined under the Master Direction - Non-Banking Financial Company - Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions, 2016 as amended from time to time.
- f) **"Potential Conflict of Interest"** with reference to a firm that is being considered for appointment as SCAs/ SAs, may arise, in any of the following circumstances:



- i) the firm is engaged with audit/non-audit works for a Group Entity which is not regulated by RBI;
  - ii) the audit firm was engaged with audit/non-audit works for a Group Entity which is not regulated by RBI, and not more than one year has elapsed since the completion/ relinquishment of such engagement;
  - iii) a partner of the firm is a director in any of the Group Entities which are not regulated by RBI.
- g) **"Promoter"** has the same meaning as provided in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and includes a member of the Promoter group.
- h) **"Promoter group"** has the same meaning as provided in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009.
- i) **"RBI Guidelines"** means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/SEC.01/ 08.91.001/ 2021-22 dated April 27, 2021 for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), as may be amended or modified, replaced, or substituted from time to time, read with the FAQs issued on June 11, 2021.
- j) **"Statutory Auditors (SAs)"** mean Auditors appointed as per the policy to conduct the statutory audit of the Company.

## 5. PROCEDURAL ASPECTS

### i. Number of statutory auditors

The Company shall appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit. The Company shall decide on the number of SAs to conduct joint statutory audit, taking into account 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. Considering the above factors and the requirements of the Company, the actual number of SAs to be appointed shall be decided subject to the limit on minimum and maximum number of SAs prescribed by the RBI Guidelines.

### ii. Eligibility criteria of the statutory auditors

The audit firms to be considered for appointment as SAs of the Company shall fulfil the eligibility norms as prescribed in the RBI Guidelines including, number of full-time partners, number of Fellow Chartered Accountants, number of full time partners/paid CAs with CISA/ISA qualification, number of years of audit experience of the firm, minimum number of professional staff and eligibility in terms of Section 141 of the Act.



Further, if any partner of a Chartered Accountant firm is a director in the Company or any of the RBI Regulated group entities of the Company, the said firm shall not be appointed as SCA/SA of the Company and any of the RBI Regulated group entities of the Company.

Any firm under debarment by any Government Agency, National Financial Reporting Authority, the Institute of Chartered Accountants of India, RBI or any other Regulator regulating the Company shall not be considered eligible for appointment as SA.

The Audit Committee shall ensure that appointment of SAs is in line with the Institute of Chartered Accountants of India's Code of Ethics/ any other such standards adopted and does not give rise to any conflict of interest.

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.

### **iii. Independence of the statutory auditors**

The Audit Committee of the Board of Directors of the Company 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 the Company and concerned Senior Supervisory Manager /Regional Office of RBI.

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 RBI Regulated Group Entities should be at least the minimum period (one year) specified in the RBI Guidelines, before or after its appointment as SAs.

However, during the tenure as SAs, an audit firm may provide such services to the Company which may not normally result in a conflict of interest, with prior approval of the Audit Committee.

In case of Potential conflict of Interest, the SAs shall make appropriate disclosures to the Audit Committee and the Board.

If the audit firm engaged with audit/non-audit works for the Group Entities (which are not regulated by RBI) is being considered by the Company or any of the RBI Regulated Entities in the Group for appointment as SCAs/SAs, the Audit Committee shall ensure the independence of Auditors and that there is no conflict of interest. The same shall be suitably recorded in the minutes of the meetings of Audit Committee.



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.

Further, the Company shall obtain a confirmation annually from SAs regarding their independence and compliance with the RBI Guidelines.

#### **iv. Procedure for Appointment of SCAs/SAs**

The Company shall shortlist minimum of two audit firms, with an order of preference, for every vacancy of SA.

While shortlisting the audit firms, the Company shall also consider their past experience as statutory auditor of others banks / NBFCs, geographical proximity to the Company's place of operations, their ability to audit technology and such other parameters that it may consider necessary.

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.

The Audit Committee shall recommend the appointment to the Board who shall recommend the same for the approval of the Shareholders.

The Company shall inform RBI about the appointment of SAs as required under the RBI Guidelines.

#### **v. Tenure of Appointment and Rotation**

As per the RBI guidelines, the Company shall appoint the SAs for a continuous period of 3 years, subject to the SAs satisfying the eligibility norms each year.

The Company in line with the RBI Guidelines shall not reappoint an audit firm for the minimum period specified in the RBI Guidelines (six years) after the completion of full or part of one term of the audit tenure.



#### **vi. Remuneration to Auditors**

The audit fees for SAs shall be in terms of applicable regulatory provisions and shall be reasonable and commensurate with their respective 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.

Further, it shall be the discretion of the Board to decide the quantum of remuneration payable to the SA or each of the joint SAs as the case may be, as appointed by the Company, depending upon their respective scope of work.

#### **vii. Review of the performance of statutory auditors**

The Audit Committee 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 shall be sent with the approval/recommendation of the Audit Committee, with the full details of the audit firm.

### **6. AMENDMENTS**

This Policy may be amended by the board at any time and is subject to (i) amendments to the Act and (ii) further guidelines and enactments by the RBI.

To the extent any change/ amendment is required in terms of any applicable law or change in regulations, the regulations would prevail over the Policy and the provisions in the Policy would be modified in due course to make it consistent with law, however, notwithstanding such non-modification or pending such modification, the applicable law and regulations (as changed) shall prevail over the Policy, and the Policy shall be read accordingly.

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