



# Policy on Appointment of Statutory Auditors

## History of Revisions

Version	Summary of Revisions	Date of Approval
3.0	Periodic Review	31-Jan-25
2.0	Annual Review	31-Oct-22
1.0	Policy Formulation	17-Jun-21

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## **1. Preamble**

### **1.1 Objective of the Policy**

The objective of this Policy is to provide a framework which will enable Equitas Small Finance Bank Limited (“ESFB” or “the Bank”) in the appointment/re-appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs).

### **1.2 Scope of the Policy**

This policy will cover the role and responsibilities of ESFB in the appointment/re-appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) in line with RBI guidelines. The policy will cover the number of SCAs / SAs required for branch coverage, eligibility criteria, independence, professional standards of Auditors, tenure, audit fees and appointment procedure in detail to ensure that audits are conducted in a timely and effective manner.

## **2. Regulatory Framework Applicable Regulations**

**[2.1 RBI Circular on Guidelines for Appointment of Statutory Central Auditors \(SCAs\)/Statutory Auditors \(SAs\) of Commercial Banks \(excluding RRBs\), UCBs and NBFCs \(including HFCs\) dated April 27, 2021](#)**

## **3. ESFB Policy Framework**

### **3.1. Number of Joint Auditors**

The Board of the Bank will decide on the number of Statutory Auditors, considering 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.

### **3.2 Eligibility Criteria**

- a. The Bank will satisfy itself that every audit firm considered for appointment as joint auditors meets the eligibility criteria as prescribed in the RBI Circular dated April 27, 2021 in terms of limits on number of banks audited by the firm, minimum number of full time partners, Fellow Chartered Accountants (FCA) partners, full time partners/ CAs with CISA/ ISA qualification, their period of association with the audit firm, audit experience, etc.
- b. The audit firm to be considered for appointment as joint auditors will be duly qualified for appointment as auditors of a company under Section 141 of the Companies Act, 2013.
- c. The audit firm will 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.

- d. The appointment will 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.
- e. The Bank will ensure that the auditors have the capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of the computer environment of the Bank where the accounting and business data is stored, in order to achieve audit objectives.
- f. The Bank will adhere to the procedure for the appointment of Statutory Auditors as prescribed and detailed in Annex II to the RBI Circular dated April 27, 2021 on the subject.

### **3.3 Independence of Auditors**

- a. The Audit Committee of the Board (ACB) will monitor and assess the independence of auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard will be flagged by ACB to the Board and concerned Senior Supervisory Manager (SSM)/ Regional Office (RO) of RBI.
- b. In case of any concerns faced with the management such as non-cooperation and non-furnishing of information, the Auditors can approach the Board of the Bank under intimation to SSM/ RO of RBI.
- c. Concurrent Auditors of the Bank will not be considered for appointment as Statutory Auditors.
- d. The time gap between non-audit works (services mentioned under Section 144 of Companies Act, 2013, internal assignments, special assignments, etc.) by the auditors for the Bank or any audit /non-audit work for its group entities will be at least one year before or after its appointment as auditors of the Bank.
- e. Auditors may provide such services to the Bank, which may not normally result in a conflict of interest. Indicative list of such instances that will not result in such a conflict are as below:
  - (i) Tax audit, tax representation and advice on taxation matters.
  - (ii) Audit of interim financial statements.
  - (iii) Certificates required to be issued by the Statutory auditors in compliance with statutory or regulatory requirements.
  - (iv) Reporting on financial information or segments thereof.

### **3.4 Performance of Statutory Auditors**

ACB will review the performance of Statutory 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 will be reported to RBI with the approval/ recommendation of ACB within two months from completion of the annual audit, with full details of the audit firm involved.

### **3.5 Tenure and rotation**

- a. The Bank will appoint auditors for a continuous period of three years subject to firms satisfying eligibility norms every year and subject to annual approval of RBI. Audit firms can be removed during the above period only with the approval of RBI – Department of Supervision.
- b. The audit firm will not be eligible for re-appointment as auditors of the Bank for six years after completion of full or part of one term of the audit tenure as prescribed above.

### **3.6 Audit Fees and Expenses**

- a. The audit fees will be determined by the Board with the recommendation of ACB and will be subject to the approval of shareholders as required under Companies Act, 2013.
- b. The Board will ensure that the audit fees is 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.

### **3.7 Publishing of the Policy**

This Policy will be hosted on the Bank's official website as mandated by RBI.

## **4. Provisions in policy over and above but in consonance with RBI guidelines**

None

## **5. Changes to the Policy**

Not Applicable

## 6. Periodicity of Review of the Policy

The Board will review this policy within 18-24 months of the previous review and at such intervals as may be required based on regulatory and business exigencies.

<b>Author of the Policy</b>	Finance / Secretarial
<b>Reviewer of the Policy</b>	Compliance
<b>Name of Committee which recommended to the Policy Formulation Committee of the Board</b>	Executive Policy Formulation Committee
<b>Date of Board Approval</b>	January 31, 2025
<b>Date of Next Review</b>	Within 18-24 months of the previous review