

MAHINDRA RURAL HOUSING FINANCE LIMITED

(MRHFL)

Policy for Appointment of Statutory Auditors

Document History

Name of the Document	Policy for Appointment of Statutory Auditors
Version	1.0
State whether Policy/ Code/ Manual/ Guideline	Policy
Approving Authority	Board of Directors
Owner of the Document	Chief Financial Officer
Original Issue Date	29 th September, 2021
Latest Date of Review / Amendment	19 th April 2023
Frequency of Review	Annually

Version History

Version	Date of Adoption/Revision *	Change reference
1	19 th April 2023	No Changes
2	19 th April 2024	No Changes

** The Policy version controls are considered from April 2023 onwards.*

If at any point a conflict of interpretation/information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions issued by RBI/NHB or any other Regulator arise, then interpretation of latter shall prevail.

Index

Table of Contents

1	Background	1
2	Objective	1
3	Number of SAs	2
4	Tenure & Rotation	2
5	Eligibility Criteria for Appointment as SA	2
6	Procedure For Appointment Of SA	3
7	Audit Fee And Expenses	3
8	Review	3

Policy for Appointment of Statutory Auditors

1. Background

The Reserve Bank of India (the RBI) vide its circular dated April 27th, 2021 issued guidelines for appointment of Statutory Auditors (SAs) for Commercial Banks, Urban Co-operative Banks & NBFCs (including HFCs). The guidelines will be applicable from FY 2021-22 except for non-deposit taking NBFCs with Asset size below Rs 1,000 crore.

The salient requirements under the guidelines are

- The guidelines will be applicable from FY 2021-22 with a flexibility to adopt from H2 for FY 2021-22
- Appointment of SA's will be for a continuous period of 3 years for one term.
- Auditors not eligible for reappointment in the same entity for six years post completion of full or part of one term
- NBFCs are exempt from taking prior approval of RBI for appointment but are required to inform RBI within one month of appointment each year.
- Joint audit is mandated for entities with asset size of Rs 15,000 cr or more in previous year with minimum of 2 audit firms. All other Entities should appoint a minimum of 1 audit firm.
- Entities shall shortlist minimum of 2 audit firms for every vacancy.
- Joint Auditors cannot have common partners, nor should they be under common network.
- Auditors having audit/non audit assignment with group entities that are regulated by RBI are ineligible. The time gap between any non-audit works by the SAs for the Entities or any audit/non-audit works for its group entities regulated by RBI should be at least one year before or after it's appointment as SA.
- Eligibility criteria defined for qualifying - minimum no of qualified partners in terms of full-time partners, CISA/ISA qualification and Fellow Chartered Accountant (FCA) partners, minimum no of years of firm's experience in Bank's & NBFCs audit and minimum no of professional staff prescribed based on the asset size of the entity at the end of the previous year.

2. Objective

The Policy shall act as a guideline for determining, inter-alia, qualifications, eligibility, and procedure for appointment of the Statutory Auditors in compliance with the RBI Directions, and Companies Act, 2013.

3. 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 RBI 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 one audit firm as SA.

The Company shall restrict the appointment to only one firm as SA due to the following reasons.

- The company maintains its accounting/financial records centrally at its Head Office in Mumbai.
- The company has a robust IT system in place connecting all its branches to its central server at Mumbai Head Office.
- The company has largely digitized its operational processes with easy access/retrieval of records for audit.
- The company has a very strong internal audit process covering all material processes and branches across India.

4. Tenure & Rotation

The Company, as required under the RBI guidelines, in order to protect the independence of the auditors/audit firms, shall appoint the SA for a continuous period of 3 years, subject to the SA satisfying the eligibility norms each year. In case the Company removes the SA before completion of three year tenure, it shall inform the concerned Regional Office of the RBI about the same, along with reasons/justification, within a month of such a decision being taken.

An audit firm would not be eligible for re-appointment as SA in the Company for six years (two tenures) after completion of full or part of one term of the audit tenure.

5. Eligibility Criteria for Appointment as SA

Based on the requirement of the RBI guidelines for entity with asset size above Rs 1,000 crore and up to Rs 15,000 crore, the SA shall fulfill the following basic criteria to be eligible for the appointment as SA 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. The relevant audit experience would be experience of the firm as statutory / branch auditors of Banks / NBFCs / AIFI; and
- V. Minimum number of professional staff should be twelve.

The Company, additionally, will also be required to fulfill all requirements for the appointment of SA as required under the Companies Act, 2013.

6. PROCEDURE FOR APPOINTMENT OF SA

- i. The Company shall shortlist minimum two audit firms for every vacancy of SA.
- ii. The Company shall obtain a certificate from each of the audit firms proposed to be appointed as SA that it complies with all the eligibility norms prescribed by the 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.

7. AUDIT FEE AND EXPENSES

The Company shall ensure that the audit fees charged by the SA are 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.

8. REVIEW

This Policy shall be reviewed as and when deemed necessary and submitted for approval to the Audit Committee and 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 Audit Committee and to the Board of Directors for their approval.