


**Statutory Audit Policy  
of  
Navi Finserv Private Limited  
(Formerly known as Chaitanya Rural Intermediation Development Services  
Private Limited)**



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Approved by	Board
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## STATUTORY AUDIT POLICY

### **1. Preamble**

A statutory audit is a legally required review of the accuracy of a company's financial information and records. The purpose of a statutory audit is to form an independent opinion whether financial information provided by the company gives a true and fair view (or as applicable) and have been properly prepared in accordance with the relevant accounting standards and relevant applicable rules and regulations in place.

Navi Finserv Private Limited considers Independent Statutory Audit as an crucial integral part of sound corporate governance. And thus intends to set-up a basic guiding framework by way of this policy document for the statutory audit.

### **2. Appointment of auditors**

In order to protect the independence of the auditors, the company will have to appoint the firm for a continuous period of three years, subject to the firms satisfying the eligibility norms each year.

The company shall appoint an auditor in annual general meeting, who shall hold office from the conclusion of that meeting till the conclusion of its fourth annual general meeting.

An audit firm would not be eligible for reappointment in the company for six years (two tenures) after completion of full or part of one term of the audit tenure.

### **3. Eligibility of auditors**

- (1) A firm shall be eligible for appointment as an auditor only if majority of partners practicing in India are Chartered Accountants.
- (2) The firm shall be eligible to be appointed as auditor only if the same fulfills the 'Eligibility Criteria for Appointment as SCA/SA' as per the RBI '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 (including changes therein from time to time); or any relevant guidelines by RBI or relevant authorities.
- (3) The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the auditor for the company (or any audit/non-audit works for its group entities) should be at least one year, before or after its appointment as auditor.
- (4) The following persons shall not be eligible for appointment as an auditor, namely:—
  - (a) a body corporate other than a limited liability partnership registered under the Limited Liability Partnership Act, 2008;
  - (b) an individual;

(c) firm which, whether directly or indirectly, has business relationship with the company, or its affiliates;

(c) a person who has been convicted by a court of an offence involving fraud anytime in past;

Where a person appointed as an auditor of a company incurs any of the disqualifications mentioned above after his appointment, he shall vacate his office as such auditor.

#### **4. Certificate from Auditor**

Before appointment as statutory auditors, the written consent of the auditor to such appointment, and a certificate from him or it that the appointment the auditor satisfies the eligibility criteria as mentioned herein needs to be obtained.

Further, the company shall inform RBI about the appointment of the auditor for each year by way of certificate in Form A within one month of appointment (or as stipulated from RBI therein).

#### **5. Independence of Audit**

Once the firm is appointed as auditor of the company, the firm needs to ensure firm and audit personal appointed for conducting the audit shall be independent and such person is not -

(a) holding any security of or interest in the company or its affiliates; or

(b) indebted to the company or its affiliates of exceeding one thousand rupees; or

(c) have given a guarantee or provided any security in connection with the indebtedness of any third person to the company or its affiliates of exceeding one thousand rupees;

Auditor needs to make presentation in quarterly Audit Committee on confirmation of independence of firm and audit personal.

#### **6. Auditor not to render certain services**

An auditor appointed by the company shall not provide the following services to the company or its affiliates, either directly or indirectly:-

(a) accounting and book keeping services;

(b) internal audit;

(c) design and implementation of any financial information system (like Oracle);

(d) actuarial services;

(e) investment advisory services;

(f) investment banking services;

(g) rendering of outsourced financial services;

(h) management services; and

(i) any other kind of services as may be prescribed:

Except the above mentioned services, the company may appoint auditor for any such other services as are approved by the audit committee.

The term “directly or indirectly” shall include rendering of services by the auditor, either itself or through any of its partners or through its parent, subsidiary or associate entity or through any other entity, whatsoever, in which the firm or any partner of the firm has significant influence or control, or whose name or trade mark or brand is used by the firm or any of its partners.

**7. Filing of Casual Vacancy**

(1) Any casual vacancy in the office of an auditor, except resignation, shall be filled by the Board of Directors within thirty days.

(2) If such casual vacancy is as a result of the resignation of an auditor, such appointment shall also be approved by the company at a general meeting convened within three months of the recommendation of the Board and he shall hold the office till the conclusion of the next annual general meeting.

The auditor who has resigned from the company shall file within a period of thirty days from the date of resignation, a statement indicating the reasons and other facts as may be relevant with regard to his resignation.

**8. Removal of auditor**

The auditor may be removed from his office before the expiry of his term only by a special resolution of the company, after obtaining the previous approval of the Central Government as per the regulatory framework:

Provided that before taking any action under this sub-section, the auditor concerned shall be given a reasonable opportunity of being heard.

**9. Appointment of another auditor**

When company intends the appointment of another person as auditor, other than the retiring auditor, then -

(1) Special notice shall be required for a resolution at an annual general meeting appointing as auditor a person other than a retiring auditor, or providing expressly that a retiring auditor shall not be re-appointed.

Above, shall not apply when the retiring auditor has completed a consecutive tenure of three years in line with ‘Guidelines for the Appointment of Statutory Central Auditors’ dated April 27, 2021 issued by the RBI, as notified/amended from time to time, and other applicable laws.

(2) The retiring auditor may make representation in writing to the company (not exceeding a reasonable length) and same may be notify the same to its members of the company.

The company may allow the auditor to read out such representation at the general meeting:

**10. Remuneration of auditors**

- (1) The remuneration payable as 'audit fees' to the auditor shall be fixed in its general meeting.
- (2) In addition to the audit fee, the management shall fix the fees for such other services as rendered by the firm at the request of the company. However, aggregate of such fees paid (or payable) for other services shall not exceed the audit fees paid (or payable) for that year.

**11. Auditors to attend general meeting**

All notices of, and other communications relating to, any general meeting shall be forwarded to the auditors, and the auditor shall, unless otherwise exempted by the company, attend either by himself or through his authorised representative, who shall also be qualified to be an auditor, any general meeting and shall have right to be heard at such meeting on any part of the business which concerns him as the auditor.

**References**

Section 139 to 147 Companies Act 2013

RBI Master direction RBI/DNBR/2016-17/45 Master Direction DNBR. PD. 008/03.10.119/2016-17 dated 01 September 2016)

RBI '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