

POLICY ON APPOINTMENT OF STATUTORY AUDITORS(SAs)

Reserve Bank of India vide its Notification RBI/2021-22/25 Ref. No. DoS.CO. ARG /SEC.01/08.91.001/2021-22 dated April 27, 2021 has issued Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors(SAs) of Commercial Banks (excluding RRBs), UCBs, and NBFCs (including HFCs). In its compliance, PNB Gilts Limited has framed its Statutory Audit Policy as under: -

APPLICABILITY

These guidelines will be applicable for Financial Year 2021-22 and onwards in respect of the appointment/reappointment of SAs. RBI guidelines regarding the appointment of SAs shall be implemented for the first time from FY 2021-22.

SCOPE OF APPLICATION

The policy is applicable for the appointment of SAs for PNB Gilts Limited.

OBJECTIVES OF THE POLICY

The objective of the policy document is to provide guidance on the appointment of SAs for the PNB Gilts Limited.

PROFESSIONAL STANDARDS OF STATUTORY AUDITORS

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

The Audit Committee of the Board (ACB) shall review the performance of SAs on an annual basis. Any serious lapses/negligence in audit responsibilities or conduct issues on part of him 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 ACB, with the full details of the audit firm.

In the event of lapses in carrying out audit assignments resulting in a misstatement of the financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SAs in relation to the company, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

APPOINTMENT, TENURE & ROTATION, STATUTORY AUDIT POLICY AND APPOINTMENT PROCEDURE

In terms of RBI guidelines, every NBFC shall formulate a Board approved policy to be hosted on its official website/public domain and formulate a necessary procedure to be followed for the appointment of SAs. It shall maintain the transparency and objectivity of all the key aspects of this function.

The Comptroller & Auditor General of India (Office of C&AG) will appoint SAs for PNB Gilts Limited, as required under Section 139(5) of the Companies Act, 2013. It is also subject to supplementary/test audit by the Office of C&AG. Tenure and rotation will also be guided as per C&AG policies.

The Company will inform the Reserve Bank of India (RBI) about the appointment of SAs, on receipt of intimation from the Office of C&AG and the consent from auditor so appointed within one month of such appointment.

On receipt of appointment intimation from the office of C&AG, the Company will send intimation alongwith a request for consent to act as auditor as required under the conditions for auditors and company specified in the C&AG letter and the Companies Act, 2013 to the auditor so appointed. On receipt of acknowledgment and consent from the auditor, the Company will intimate the Stock Exchanges within 24 hours of receipt of consent from auditor so appointed by CAG. The Company will also intimate the Ministry of Corporate Affairs in the prescribed form within the timelimit specified.

AUDIT FEES AND EXPENDITURE

The audit fees for the SAs shall be decided in terms of the relevant statutory/regulatory provisions. The audit fee shall be reasonable and commensurate with the scope and coverage of audit, size and spread of assets, accounting and administrative units, the complexity of transactions, level of computerization, identified risks in financial reporting, etc.

The ACB of the company shall make a recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of SAs. Shareholders may delegate the power of fixation of remuneration of SA to the Board, if they deem fit.

INDEPENDENCE

The ACB shall monitor and assess the independence of the auditors. Any concerns in this regard may be flagged by the Board to the concerned Senior Supervisory Manager (SSM)/Regional Office(RO) of RBI.

In case of any concern with the Management, such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the ACB, under intimation to the concerned SSM/RO of RBI.

In case of resignation of the auditor, detailed reasons to be disclosed by the company to the stock exchanges as soon as possible but not later than 24 hrs of receipt of such reasons from the auditor. In case of such resignation, the Company, the SA and the Audit Committee would be required to comply with the provisions of Para 6 of the SEBI Circular No. CIR/CFD/CMD1/114/2019 dated 18.10.2019.

Concurrent auditors should not be considered for appointment as SAs of the same company. The audit of the company and any entity with large exposure to the company for the same reference year should also be explicitly factored in while assessing the independence of the auditor.

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 group entities should be at least one year, before or after its appointment as SAs. However, during the tenure as SAs, the company, in consultation with the Board/ACB may allow an audit firm to provide such services to the company which may not normally result in a conflict of interest.