

FINALEAP FINSERV PRIVATE LIMITED

STATUTORY AUDIT POLICY

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1. INTRODUCTION AND REGULATORY REQUIREMENT

This Statutory Audit policy is outlined based on the Guidelines issued by the Reserve Bank of India (RBI) vide Ref No. Doc .CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021, with regard to the appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) and the corresponding FAQs dated June 11, 2021, circulated by RBI.

2. PURPOSE

Apart from conforming to the existing norms of RBI, SEBI, Companies Act, 2013 and other applicable relevant statutory/regulatory requirements, this policy is framed to allow for necessary transparency and objectivity in most key aspects with regard to the appointment of Statutory Auditors and the process of statutory audit.

3. DEFINITIONS

- i. "Asset size" means total assets.
- ii. "Audit Committee" means the Audit Committee of the Company duly constituted by the Board of Directors.
- iii. "Board" means Board of Directors of the Company.
- iv. "Company" means Finaleap FinServ Private Limited having its registered office at O-206, 1st Floor, Greens Business Center, Opp Pudumjee Paper Mill, Near Aditya Birla Hospital, Chinchwad, Pune-411033 "Group entities" shall mean two or more entities related to each other through any of the following relationships, viz.
 - Subsidiary – parent (defined in terms of AS 21),
 - Joint venture (defined in terms of AS 27),
 - Associate (defined in terms of AS 23),
 - Promoter-promote [as provided in the SEBI (Acquisition of Shares and Takeover) Regulations, 1997] for listed companies,
 - a related party (defined in terms of AS 18),
 - Common brand name, and
 - investment in equity shares of 20% and above.
- v. "Same network of audit firms" shall be as defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014.

- vi. “RBI circular” means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/ SEC.01/ 08.91.001/ 2021-22. dated April 27, 2021, and shall include the corresponding FAQs dated June 11, 2021, circulated by RBI.

4. APPLICABILITY

This Policy is applicable to the Company from financial year 2022-23 and onwards including any amendments, if any made from time to time.

5. INTIMATION TO RBI

As NBFCs do not have to take prior approval of RBI for appointment of SCAs/SAs, the Company shall inform RBI about the appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) for each year by way of a certificate in **Form A (Annexure-I)** within one month of such appointment. For this purpose, the Company shall intimate at the concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located.

Applicability: The Company having its registered office at Pune, Maharashtra, shall accordingly intimate at the Regional Office of RBI (Department of Supervision) located in Mumbai, Maharashtra for all purposes, wherever applicable.

6. NUMBER OF STATUTORY AUDITORS AND BRANCH COVERAGE

- (i) The Company shall fix the number of statutory auditors subject to this policy and, *inter alia*, after consideration of various 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.
- (ii) The following are the fundamental requirements with regard to the appointment of statutory auditors:

S. No.	Asset Size of the Entity as at end of previous year	Requirements
1.	₹15,000 crore and above	Joint audit of a minimum of two audit firms [Partnership firms/Limited Liability Partnerships (LLPs)].
2.	Below ₹15,000 crore	Minimum of one audit firm (Partnership firm/LLPs)

Applicability: Considering the Company's present asset size is below ₹15,000 crore, the statutory audit shall be conducted by one audit firm from FY 2021-22 onwards till such change in the thresholds as mentioned in the above slab.

It shall be ensured that joint auditors do not have any common partners and they are not under the same network of audit firms. Further, the Company shall finalize the work allocation among the SCAs/SAs, before the commencement of the statutory audit, in consultation with the SCAs/SAs.

(iii) The actual number of SCAs/SAs to be appointed shall be decided by Board based on the recommendations from the Audit Committee, subject to the following limits prescribed by RBI:

S. No.	Asset Size of the Entity	Maximum number of SCAs/SAs
1.	Upto ₹5,00,000 crore	4
2.	Above ₹ 5,00,000 crore and Upto ₹ 10,00,000 crore	6
3.	Above ₹ 10,00,000 crore and Upto ₹ 20,00,000 crore	8
4.	Above ₹ 20,00,000 crore	12

Applicability: Considering the Company's present asset size is below ₹5,00,000 crore, the maximum number of statutory auditors to be appointed shall not exceed four.

Accordingly, subject to clause 6(ii) of this policy, the audit shall be conducted by one audit firm from FY 2021-22 onwards till such change in the thresholds as mentioned in the above slab.

7. PROCEDURE FOR APPOINTMENT OF SCAs/SAs

- (i) The Company shall shortlist minimum of 2 audit firms for every vacancy of SCAs/SAs so that even if firm at first preference is found to be ineligible/refuses appointment, the firm at second preference can be appointed and the process of appointment of SCAs/SAs does not get delayed.
- (ii) The Company shall obtain the following documents from the audit firm(s) proposed to be appointed as SCAs/SAs by the Company:
 - Complete profile of the firm
 - Certificate of Membership and Practice of Individual partners issued by ICAI.
 - Written Consent / willingness to act as SCAs / SAs of the Company pursuant to Section 139 of the Companies Act, 2013.
 - Certificate pursuant to Section 141 of the Companies Act, 2013.
 - Certificate under Rule 4 of Companies (Audit and Auditors) Rules, 2014 as amended from time to time
 - **Form B** to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. The format prescribed by RBI is enclosed at the end of this policy as **Annexure II**.

The above certificates should be signed by the main partner/s of the audit firm proposed for appointment of SCAs/SAs of the Company, under the seal of the said audit firm.

8. AUDIT COVERAGE

S. No.	Number of branches of the Company	Number of branches to be audited	Selection criteria
1.	More than 100	Top 20 branches	To be selected in order of the level of outstanding advances, in such a manner so as to cover a minimum of 15% of total gross advances of the Company
2.	Less than 100	Top 20% of branches	

Applicability: Presently, as the number of branches is less than 100 for the Company, the SCAs/SAs shall visit and audit at least the top 20% branches to be selected as mentioned above. Further, the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of all branches shall also be mandatorily adhered to by the Company.

9. MINIMUM ELIGIBILITY CRITERIA OF AUDITORS

The Company shall ensure adherence to the following minimum standards and eligibility norms for audit firms to be appointed SCAs/SAs of the Company:

A. Basic Eligibility

S. No.	Asset Size of Entity as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years	Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Minimum No. of years of Audit Experience of the firm	Minimum No. of Professional staff
		Note 1		Note 2	Note 3	Note 4
I	Above ₹15,000 crore	5	4	2	15	18
II	Above ₹ 1,000 crore and up to ₹15,000 crore	3	2	1	8	12
III	Upto ₹1,000 crore	2	1	1*	6	8

* Not mandatory for when asset size is upto ₹ 1,000 crore.

Applicability: Considering the Company's present asset size is below ₹ 1,000 crore it is non-mandatory for company to have any minimum eligibility criteria for auditors

C. Continued Compliance with basic eligibility criteria:

- (i) If, after being appointed, any audit firm fails to meet any of the eligibility requirements (due to the resignation, death, etc. of any of the partners or staff, action by Government Agencies, NFRA, ICAI, RBI, or other Financial Regulators, etc.), it must quickly notify the Company.
- (ii) In addition, the audit firm shall take all reasonable steps to become eligible within a reasonable time, and in any case, the audit firm shall comply with the above norms prior to the start of the Annual Statutory Audit for the Financial Year ending March 31st and until the annual audit is completed.
- (iii) If an extraordinary scenario arises after the audit begins, such as the death of one or more partners or employees, which renders the business ineligible under any of the eligibility criteria, RBI will have the authority to enable the audit firm to complete the audit as a special case.

10. INDEPENDENCE OF AUDITORS

- (i) In accordance with applicable regulatory rules, standards, and best practices, the Audit Committee shall monitor and analyze the auditors' independence and conflict of interest stance. The Audit Committee may raise any issues with the Board of Directors of the Company and the concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- (ii) If the auditors have any concerns about the Company's management, such as a lack of information or non-cooperation by the management, which could obstruct the audit process, they should approach the Board or Audit Committee of the Entity, informing the concerned SSM/RO of RBI.

- (iii) The nomination of concurrent auditors of the Company as SCAs/SAs of the same Entity should be avoided. The audit of the Company, as well as any entity having significant exposure to the Company for the same reference year, should be clearly considered when evaluating the auditor's independence.
- (iv) The time gap between any non-audit work (as defined in Section 144 of the Companies Act, 2013 and explained below) by the Company's auditors and any audit/non-audit work for its group entities should be at least one year prior to or after its tenure, as well as throughout the entire period of appointment as SCAs/SAs.

For the purpose of this clause, the following are the non-audit works which cannot be taken up by the auditors of the Company for a period of at least one year before or after its tenure as SCAs/SAs and also during the entire period of appointment:

- Accounting and book-keeping services
- Internal audit
- Design and implementation of any financial information system
- Actuarial services
- Investment advisory services
- Investment banking services
- Rendering of outsourced financial services
- Management services
- Any other services as may be prescribed by regulators / statutory authorities
- Internal or special assignments

However, during the tenure as SCAs/SAs, an audit firm may provide the following services to the Company which may not normally result in a conflict of interest, in consultation with the Board and Audit Committee.

Conflict would not normally be created in the case of the following special assignments (indicative list):

- Tax audit, tax representation and advice on taxation matters
 - Audit of interim financial statements
 - Certificates required to be issued by the statutory auditor in compliance with statutory and other specific requirements
 - Reporting on financial information or segments thereof
- (v) The restrictions as detailed in para (iii) and (iv) above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

- (vi) Further, the Audit Committee and the Board as a matter of prudence discourages Engagement Partners of SCAs/SAs from holding directorship positions in NBFCs or other entities that are in direct competition to the Company during the tenure as SCAs/SAs.

11. PROFESSIONAL STANDARDS OF AUDITORS AND ANNUAL REVIEW BY BOARD/AUDIT COMMITTEE

- (i) The auditors shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- (ii) The Board and the Audit Committee shall review the performance of SCAs/SAs on an annual basis. Any serious lapses / negligence in audit responsibilities or conduct issues on part of the SCAs/SAs 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 and recommendation of the Board and the Audit Committee respectively, with the full details of the audit firm.
- (iii) In the event of lapses in carrying out audit assignments resulting in misstatement of the Company's financial statements, and any violations / lapses vis-à-vis the RBI's directions / guidelines regarding the role and responsibilities of the SCAs/SAs, the SCAs/SAs would be liable to be dealt with suitably under the relevant statutory / regulatory framework.

12. TENURE AND ROTATION

- (i) In order to protect the independence of the audit firms, the Company will have to appoint the SCAs/SAs for a continuous period of three years, subject to the audit firm satisfying the eligibility norms each year.
- (ii) 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. In case an audit firm has conducted audit of the Company for part tenure (1 year or 2 years) and then not appointed for remainder tenure, they also would not be eligible for reappointment in the Company for six years from completion of part-tenure.

- (iii) One audit firm can concurrently take up statutory audit of a maximum of eight NBFCs during a particular year, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules. A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of statutory auditors accordingly. Shared/Sub-contracted audit by any other/associate audit firm under the same network of audit firms is not permissible. The incoming audit firm shall not be eligible if such audit firm is associated with the outgoing auditor or audit firm under the same network of audit firms.

Removal Of Auditors: The auditors can be removed before completion of three years tenure and the Company shall inform concerned SSM/RO at RBI about it, along with reasons/justification for the same, within a month of such a decision being taken.

13. AUDIT FEES AND EXPENSES

- (i) The audit fees shall be decided in terms of the relevant statutory/regulatory provisions.
- (ii) The audit fees shall be 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.
- (iii) The Board based on the recommendation of the Audit Committee shall make recommendation to the competent authority (By Shareholders in AGM) as per the relevant statutory/regulatory instructions for fixing audit fees of SAs.

14. DISCLOSURE:

This policy shall be hosted on the website of the Company and that the appointment(s) made shall be disclosed to concerned authorities as per relevant regulatory / statutory provisions.

FORM A

Information to be submitted by the NBFCs regarding appointment of SCA/SA

1. The company has appointed M/s_____, Chartered Accountants (Firm Registration Number_____) as Statutory Central Auditor (SCA)/Statutory Auditor (SA) for the financial year_ for their 1st/2nd/3rd term.

2. The company has obtained eligibility certificate from (name and Firm Registration Number of the audit firm) appointed as SCA/SA of the company for FY_ along with relevant information in the format as prescribed by RBI.

3. The firm has no past association/association for_____ years with the company as SCA/SA/SBA.

4. The company has verified the said firm's compliance with all eligibility norms prescribed by RBI for appointment of SCAs/SAs of NBFCs.

Signature:

(Name and Designation)

Date: