



# **FINCFRIENDS PRIVATE LIMITED**

## **Policy on Appointment of Auditors**

## History of Policy

<b>Owner of the Policy</b>	<b>Version Number</b>	<b>Creation/ Modification Date</b>	<b>Approving Authority</b>
Legal & Compliance Department	1	Created on 3 <sup>rd</sup> February, 2023	Board of Directors

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## **1. INTRODUCTION**

Chapter X of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014 provide for the appointment of statutory auditors in a Company registered under the Companies Act, 2013.

The Reserve Bank of India (“RBI”) has issued circular bearing Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs), as may be amended or modified, replaced, or substituted from time to time, read with the FAQs issued on June 11, 2021 (“the RBI Guidelines”) for Appointment of Statutory Auditors of Non-Banking Finance Companies.

## **2. OBJECTIVE**

The objective of this policy is to provide sufficient framework for the appointment of Statutory Auditors of the Company in conformity to all relevant applicable statutory / regulatory requirements.

## **3. ELIGIBILITY CRITERIA**

The Company is required to appoint audit firm(s) as its Statutory Auditors fulfilling the eligibility norms as prescribed in [Annex I](#) of the RBI circular bearing Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 and as may be amended from time to time, by the Reserve Bank of India.

## **4. INDEPENDENCE OF AUDITOR**

The Board of Directors shall monitor and assess the independence of the auditor and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any conflict/concern in this regard may be flagged by the Board of Directors of the Company to the concerned Regional Office of RBI. The Board of Directors shall also review and monitor the effectiveness of audit process.

In case of any concern with the management of the Company such as non-availability of information/non-cooperation by the management, which may hamper the audit process, the Statutory Auditors shall approach the Board of Directors of the Company, under intimation to the concerned Regional Office of RBI.

The time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors 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 Statutory Auditors. However, during the tenure as Statutory Auditor, an audit firm may provide such services to the concerned Company or Group Companies which may not normally result in a conflict of interest, and the Company may take its own decision in this regard, in consultation with the Board.

The restriction as detailed in para 3 of this point 5, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

## **5. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS**

The Board of Directors of the Company shall review the performance of Statutory Auditors on an annual basis. Any serious lapses/ negligence in audit responsibilities or conduct issues on part of the Statutory Auditors or any other matter considered as relevant shall be reported by the Company to RBI within two months from completion of the annual audit. Such reports should be sent with the approval of the Board, with the full details of the audit firm.

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

## **6. AUDIT FEES AND EXPENSES**

The fees for audit shall be decided in terms of the provisions of Applicable Law and shall be reasonable considering 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.

## **7. PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITOR**

- The Company shall shortlist minimum of two audit firms for every vacancy of SAs so that even if firm at 1<sup>st</sup> preference is found to be ineligible/refuses appointment, the firm at 2<sup>nd</sup> preference can be appointed and the process of appointment of SAs does not get delayed.
- The Company shall obtain a certificate on an annual basis in Form B as prescribed in the RBI circular bearing Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 and as may be amended from time to time, by the Reserve Bank of India from each of the audit firms proposed to be appointed as Statutory Auditors that it complies with all the eligibility norms prescribed by 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.
- The Company shall obtain a certificate certifying the eligibility criteria as per Rule 4 of The Companies (Audit and Auditors) Rules, 2014 from the proposed Statutory Auditors.
- The Board shall recommend the appointment of Statutory Auditors to the shareholders for their approval. The Shareholders shall appoint the Statutory Auditors and the appointment of Statutory Auditors in case of casual vacancy will be filled by Board and shall be ratified by the shareholders as per the provisions of the Companies Act, 2013.

The appointment of Audit Firm as Statutory Auditors, once approved by shareholders of the Company, shall be intimated to the concerned Regional Office of RBI by way of a certificate in Form A. The Company shall give intimation about such appointment on annual basis to RBI.

The Company shall also inform the Audit Firm of his or its appointment as Statutory Auditors and ensure requisite intimation/ returns before, Registrar of Companies and other authorities in compliance with the applicable provisions of Companies Act, 2013.

**8. AMENDMENT/ MODIFICATION IN THE POLICY**

The Policy shall be amended or modified with approval of the Board. The Policy shall be reviewed from time to time. Consequent upon any amendments in Applicable Laws or any change in the position of the Company, the Company shall ensure necessary changes are made in this Policy. Such changes shall be brought to the notice of the Board in the meeting convened immediately after such change.

Notwithstanding anything contained in this Policy, in case of any contradiction of the provision of this Policy with any existing legislations, rules, regulations, laws or modification thereof or enactment of a new applicable law, the provisions under such law, legislation, rules, regulation or enactment shall prevail over this Policy.

**9. DISCLOSURE**

The Company shall host this policy on its official website of the Company, if any.

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