

EPIMONEY PRIVATE LIMITED

Policy on Appointment of Statutory Auditors

Detailed Policy Document

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1. BACKGROUND:

Reserve Bank of India, vide circular No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 (the 'Circular'), has issued detailed guidelines for appointment of Statutory Auditors ('SA'/'SAs') of NBFCs. As per RBI circular, Epimoney Private Limited ('Company'), is required to formulate a Board Approved Policy for appointment of SA and host it on the official website of the Company.

2. APPLICABILITY:

This Policy will be applicable to the Company for Financial Year 2024-25 and onwards in respect of appointment / reappointment of SA.

3. NUMBER OF SA:

In accordance with the stipulations outlined in the Circular, the Company is obligated to engage at least one audit firm as a Statutory Auditor. The number of SA to be appointed over and above the mandatory requirement for a financial year shall be decided after taking into account the following factors:

- 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.

4. COMMUNICATION TO RBI ON APPOINTMENT:

The Company is required to notify the Reserve Bank of India (RBI) annually regarding the appointment of a Statutory Auditor (SA). This notification should be submitted in the form of a certificate, specifically **Form-A** (refer Annexure - C), as outlined in this Policy, within one month of such appointment. The Company must ensure that this information is communicated to the RBI within one month of the SA's appointment each year.

5. ELIGIBILITY CRITERIA:

In adherence to company policy, prior to appointing a SA, it is imperative for the Company to verify that the selected audit firm(s) fully comply with the eligibility criteria outlined in Annexure - A

6. INDEPENDENCE OF AUDITOR:

Audit Committee of the Board (ACB) / Board will ensure independence of the Auditors

- a) ACB / Board shall assess and evaluate the independence of the auditors and identify potential conflicts of interest in accordance with applicable regulatory provisions, standards, and best practices. Any identified concerns in these areas will be promptly

communicated to the Board and the respective Senior Supervisory Manager (SSM) or Regional Office (RO) of the Reserve Bank of India (RBI).

- b) In the event that a Statutory Auditor (SA) identifies any issues related to the Company's Management, such as a lack of information or non-cooperation, potentially impeding the audit process, the SA should communicate with the Audit Committee / Board of the Company. This communication should be made with due notice to the respective SSM or RO of the RBI.
- c) In the event that the Company's management perceives a potential compromise in the independence of auditors, it should be communicated to the Audit Committee / Board for thorough evaluation.
- d) Internal Auditors of the Company will not be considered for appointment as SA of the Company.
- e) The time gap between any non-audit works i.e. services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc. by the SA 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 SA. However, during the tenure as SA, an audit firm may provide such services to the concerned entities which may not normally result in a conflict of interest, and entities may take their own decision in this regard, in consultation with the ACB / Board.

A 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 or regulatory requirements or by the lenders of the Company
 - reporting on financial information or segments thereof
- f) The restrictions as detailed in point (d) and (e) above, should also apply to an audit firm under the same network (As defined in Rule 6(3) of the Companies (Audit & Auditors) Rules, 2014) of audit firms or any other audit firm having common partners.

7. PROFESSIONAL STANDARDS OF SA AND REVIEW OF PERFORMANCE:

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

The ACB / Board shall review the performance of SA on an annual basis. Any lapses / negligence in audit responsibilities or conduct issues on part of the SA 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 Board, with the full details of the audit firm.

8. TENURE AND ROTATION OF AUDITOR:

- a) In order to protect the independence of the auditors/audit firms, the appointment of SA will be for a continuous period of three years, subject to the SA satisfying the eligibility norms each year.

- b) Further, if the SA is removed before completion of term, then 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.
- c) An audit firm would not be eligible for reappointment as SA of the Company for six years (two tenures) after completion of full term of three years or part of the term of the audit tenure.

9. AUDIT FEES AND EXPENSES:

- a) The audit fees for SA shall be decided in terms of the relevant statutory/regulatory provisions. The audit fees for the Company's statutory audit must be fair and proportional to factors such as the audit scope, asset size, administrative complexity, transaction intricacy, computerization level, and identified financial reporting risks.
- b) Audit fees of SA shall be approved by ACB or Board or ACB can authorize MD/WTD/CEO or/and CFO of the Company to finalise and approve the audit fees as per the relevant statutory/regulatory instructions.

10. STATUTORY AUDITOR'S APPOINTMENT PROCEDURE:

The Company shall have in place detailed procedural guidelines, in conformity with the instructions under this Policy and all relevant statutory/regulatory requirements for appointment of Statutory Auditors (Refer Annexure - B)

Annexure - A
Eligibility Criteria for Appointment of SA

A. Basic Eligibility

Asset Size of Company 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 (Note 1)	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 (Note 2)	Minimum No. of years of Audit Experience of the firm (Note 3)	Minimum No. of Professional staff
Up to ₹1,000 Crore	2	1	1	6	8
> ₹1,000 Crore upto ₹15,000 Crore	3	2	1	8	12
> ₹15,000 Crore	5	4	2	15	18

Note 1 : There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as full-time partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years.

The full-time partner's association with the firm would mean exclusive association. The definition of 'exclusive association' will be based on the following criteria:

- a) The full-time partner should not be a partner in other firm/s.
- b) She/He should not be employed full time / part time elsewhere.
- c) She/He should not be practicing in her/his own name or engaged in practice otherwise or engaged in other activity which would be deemed to be in practice under Section 2(2) of the Chartered Accountants Act, 1949.
- d) The Board/ACB shall examine and ensure that income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.

Note 2 : CISA/ISA Qualification: There should be at least one-year continuous association of Paid CAs with CISA/ISA qualification with the firm as on the date of shortlisting for considering them as Paid CAs with CISA/ISA qualification for the purpose.

Note 3 : Audit Experience: Audit experience shall mean experience of the audit firm as Statutory Central / Branch Auditor of Commercial Banks (excluding RRBs)/ UCBs/NBFCs/ AIFIs. In case of merger and demerger of audit firms, merger effect will be given after 2 years of merger while demerger will be effected immediately for this purpose.

Note 4: Professional Staff: Professional staff includes audit and article clerks with knowledge of bookkeeping and accountancy and who are engaged in on-site audits but excludes typists/stenos/computer operators/ secretaries/subordinate staff, etc.

B. Additional Consideration

- a) The audit firm, proposed to be appointed as SA of the Company, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- b) The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- c) The Company shall ensure that appointment of SA is in line with the ICAI's Code of Ethics and does not give rise to any conflict of interest.
- d) If Partner of a Chartered Accountant firm is a director in any group Company which is regulated by RBI/NHB, the said firm shall not be appointed as SA of any of the Company.
- e) The auditors for entities with asset size above ₹1,000 crore should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree / complexity of computer environment of the entities where the accounting and business data reside in order to achieve audit objectives.

C. Continued Compliance with basic eligibility criteria

- In case any audit firm (after appointment) does not comply with any of the eligibility norms (on account of resignation, death etc. of any of the partners, employees, action by Government Agencies, NFRA, ICAI, RBI, other Financial Regulators, etc.), it may promptly approach the Company with full details.
- Further, the audit firm shall take all necessary steps to become eligible within a reasonable time and in any case, the audit firm should be complying with the above norms before commencement of Annual Statutory Audit for Financial Year ending 31st March and till the completion of annual audit.
- In case of any extraordinary circumstance after the commencement of audit, like death of one or more partners, employees, etc., which makes the firm ineligible with respect to any of the eligibility norms, RBI will have the discretion to allow the concerned audit firm to complete the audit, as a special case. In such a scenario, the audit firm and the Company will approach the RBI for necessary permission.

Annexure - B
Procedure for Appointment of SA

1. Shortlisting of Audit Firm :-

The Entities shall shortlist minimum of 2 audit firms for every vacancy of SA as per the Eligibility Criteria of RBI 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 SA does not get delayed.

However, in case of reappointment of SA, till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting.

2. Audit Committee / Board consider the qualifications of the Auditors

Audit Committee / Board should satisfy that the Auditor is not disqualified under Sec 141 of Companies Act 2013.

3. Recommendation to BOD

Audit Committee should recommend to the BOD the name of the auditors and the Board shall consider and recommend the same to the members in AGM for an appointment.

4. Obtain certificate of meeting Eligibility Criteria

The Company shall obtain a certificate, along with relevant information as per **Form B** (refer Annexure - D), from the audit firm(s) proposed to be appointed as SA by the Company to the effect that the audit firm(s) complies with all the eligibility norms prescribed by RBI for the purpose. Such certificate should be signed by the main partner of the audit firm proposed for appointment of SA of the Company, under the seal of the said audit firm.

5. Certificate from Auditor

The Auditor shall submit a Certificate that

- He is not disqualified for appointment under the Act, regulations made there under
- The appointments are as per the terms provided under the act.
- The appointment is done within the time.
- The proper list of proceedings against the auditors or audit firm pending, if any

6. Submission of Form ADT-1

The notice to the registrar for the appointment of the auditor shall be in form ADT-1 within 15 days from the date of the appointment.

Annexure - C

Form A - Information to be submitted by the NBFCs regarding appointment of SA

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.

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.

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

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:

Annexure - D

Form B - Eligibility Certificate from (Name and Firm Registration Number of the firm)

A. Particulars of the firm:

Asset Size of Company as on 31st March of Previous Year	No. of Full-Time partners (FTPs) associated* with the firm for a period of at least three (3) years	Out of total FTPs, No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	No. of years of Audit Experience of the firm#	No. of Professional staff

*Exclusively associated in case of all Commercial Banks (excluding RRBs), and UCBs/NBFCs with asset size of more than ₹ 1,000 crore

#Details may be furnished separately for experience as SCAs/SAs and SBAs

B. Additional Information:

- Copy of Constitution Certificate
- Whether the firm is a member of any network of audit firms or any partner of the firm is a partner in any other audit firm? If yes, details thereof
- Whether the firm has been appointed as SCA/SA by any other Commercial Bank (excluding RRBs) and/or All India Financial Institution (AIFI)/RBI/NBFC/UCB in the present financial year? If yes, details thereof.
- Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.
- Details of disciplinary proceedings etc. against firm by any Financial Regulator/Government agency during last three years, both closed and pending.

C. Declaration from the firm:

The firm complies with all eligibility norms prescribed by RBI regarding appointment of SA of NBFC. It is certified that neither I nor any of our partners / members of my / their families (family will include besides spouse, only children, parents, brothers, sisters or any of them who are wholly or mainly dependent on the Chartered Accountants) or the firm / company in which I am / they are partners / directors have been declared as wilful defaulter by any bank / financial institution.

It is confirmed that the information provided above is true and correct.

Signature of the Partner

(Name of the Partner)

Date: