



MONEYWISE FINANCIAL SERVICES PRIVATE LIMITED

Policy on Appointment of Statutory Auditors

Policy Approval Committee	
Board Committee	Audit Committee
Approved By	Board of Directors
Date of Approval of Board	17.05.2023
Review Frequency	
Last amended/approved	

Version No.	Effective Date	Approved on	Summary of major Changes
V 1.0	17.05.2023	17.05.2023	Adoption of new Policy



- **Introduction**

Moneywise Financial Services Private Limited being a Non-Banking Financial, Systemically Important, Non-Deposit taking Company falling in the Middle Layer of RBI Scale Based regulation attaches the greatest importance to the independence and quality standards of the Statutory Audit (SA) function.

- **Legal Framework**

The Reserve Bank of India (RBI), vide their letter No. DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated 27 April 2021, issued Guidelines 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 (SAs) of NBFCs. Apart from conforming to all relevant statutory/regulatory requirements in addition to the instructions mentioned in aforesaid RBI Circular, this Policy affords necessary transparency and objectivity for most key aspects of Statutory Audit and assurance function.

These guidelines will be applicable to the company being Systemically Important NBFCs – ND (NBFCs-ND-SI) with asset size above ₹1,000 crore from Financial Year 2023-24 and onwards in respect of appointment/reappointment of SCAs/SAs.

- **Purpose**

To formulate and adopt a Board approved policy for Moneywise Financial services Private Limited (Company) in compliance with the extant norms of RBI and Companies Act 2013 governing the appointment of Statutory Auditors (SAs) and to ensure transparency, objectivity, independence of the audit function and compliance with all other applicable statutory and regulatory stipulations.

- **Definitions:**

a) “Audit Committee” means the Audit Committee of the Board (ACB).



- b) "Board" means Board of Directors of the Company.
- c) "Statutory Auditors (SAs)" mean auditors appointed as per the policy to conduct statutory audit of the Company.
- d) "RBI Guidelines" means RBI circular RBI/2021-22/25 Ref No. DOS.CO.ARG/SEC.01/ 08.91.001/ 2021-22 dated April 27, 2021
- e) "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- promotee [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. [Note: "AS" means Accounting Standard notified under Companies Act, 2013]
- f) "Promoter" has the same meaning as in the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009 and includes a member of the promoter group
- g) "Promoter group" includes, inter alia, i) a subsidiary or holding company of promoter; ii) any body corporate in which the promoter holds twenty per cent or more of the equity share capital; and/or any body corporate which holds twenty per cent or more of the equity share capital of the promoter; iii) any body corporate in which a group of individuals or companies or combinations thereof acting in concert, which hold twenty per cent. or more of the equity share capital in that body corporate and such group of individuals or companies or combinations thereof also holds twenty per cent or more of the equity share capital of the issuer and are also acting in concert
- h) "Potential Conflict of Interest" – Potential Conflict of Interest, with reference to a firm that is being considered for appointment as SCAs/ SA, may arise, in any of the following circumstances:
 - i) the firm is engaged with audit/non-audit works for a Group Entity which is not regulated by RBI
 - ii) the audit firm was engaged with audit/non-audit works for a Group Entity which is not regulated by RBI, and not more than one



year has elapsed since the completion/ relinquishment of such engagement

iii) a partner of the firm is a director in any of the Group Entities which are not regulated by RBI

4. Applicability: This Policy will be applicable for appointment of Statutory Auditors AS well as re-appointment thereof.

Approval from Reserve Bank of India and Intimation requirements

The Company being NBFCs-ND-SI do not have to take prior approval of RBI for appointment of SCAs/SAs, whereas it shall inform concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction the Head Office of the company is located about the appointment of SCAs/SAs for each year by way of a certificate in Form A within one month of such appointment.

● **Number of Statutory Auditors (SAs)**

- A. The company shall decide the number of SAs taking into account the recommendations and approval of the Audit Committee of the Board (ACB) and Board of the company, inter alia, based on the 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.
- B. Minimum number of SAs to be appointed by the Company shall be two if the Companies asset size as on March 31 of previous year, is Rs.15,000 crore or more else, minimum of one SA shall be appointed.
- C. Considering the above factors and the requirements of the company, the actual number of statutory auditors to be appointed shall be decided by the Board of Directors, subject to the following limits:

Sl. No.	Asset Size of the Entity	Maximum number of SAs
1.	Up to Rs. 5,00,000 Crore	4
2.	Above ₹ 5,00,000 crore and Up to	6



	₹ 10,00,000 crore	
3.	Above ₹ 10,00,000 crore and Up to ₹ 20,00,000 crore	8
4.	Above ₹ 20,00,000 crore	12

- D. The Statutory Auditors shall visit and audit at least the Top 20 Branches/Top 20% of the branches of the company to be selected in order of the level of outstanding advances in such a manner as to cover a minimum of 15% of total gross advances of the Company. In addition, the Company shall ensure adherence to the provisions of Sec 143(8) of the Companies Act, 2013 regarding of audit of accounts of all branches.

● **Minimum Eligibility criteria for Statutory Auditors (SAs)**

- A. SAs should fulfil all eligibility criteria as prescribed by RBI from time to time through various circulars and guidelines.
- B. The proposed Auditor should comply with the eligibility norms as prescribed under the RBI guidelines, RBI master directions and the Companies Act, 2013 which shall include the below mentioned factors for the consideration of the Audit Committee of the Board before appointment of Statutory Auditors:
1. Compliance with the provisions of the RBI Guidelines, RBI Master Directions and other RBI laws, and the Companies Act, 2013.
 2. Eligibility criteria of the SAs as prescribed by RBI from time to time based on the asset size of the Company.
 3. Qualification as an auditor shall be as per Section 141 of the Companies Act, 2013 and the RBI guidelines.
 4. 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.
 5. The appointment of SAs should be in line with the ICAI's Code of Ethics/ any other such standards adopted and should not give rise to any conflict of interest.
 6. Written consent of the auditor to such appointment and certificate that the appointment, if made, shall be in accordance with the conditions stipulated under the RBI Guidelines and other statutory provisions.



7. The prescribed limit on minimum and maximum number of joint auditors shall be based on asset size of the Company and other prescribed factors from time to time including in terms of the RBI Guidelines.
8. Limit on NBFC audits by SAs shall be as prescribed by RBI from time to time and the Companies Act, 2013 and the ICAI's codes and other standards of ICAI on Audit.
9. 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 NBFC or any audit/non-audit works for its group entities (as defined under the RBI guidelines) should be at least one year, before or after its appointment as SAs. During the tenure as SA, an audit firm may provide such services to the Company which may not normally result in a conflict of interest, and the Company shall decide in this regard, in consultation and approval of the Audit Committee.

● **Governance standards for Statutory Auditors (SAs)**

- A. The Audit Committee of the Board (ACB) shall monitor and assess the independence of the auditors and conflict of interest position in terms of relevant regulatory provisions, standards and best practices. Any concerns in this regard may be flagged by the ACB to the Board of Directors of the company and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- B. 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 SAs shall approach the ACB of the company, under intimation to the concerned SSM/RO of RBI.
- C. Concurrent auditors of the Entity should not be considered for appointment as SAs of the same Entity. The audit of the Entity and any entity with large exposure to the Entity for the same reference year should also be explicitly factored in while assessing independence of the auditor. Further, the other restrictions due to the directorship of a partner of an audit firm in the group entity of the Company as defined under these guidelines shall also be complied with.
- D. 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 SA, an audit firm may provide such services to



the company which may not normally result in a conflict of interest, and the company may take their own decision in this regard, in consultation with the Board/ACB.

- E. The restrictions as detailed in para C and D above, should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.
- F. The statutory auditors shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- G. The Board of Director/Audit Committee of the Board (ACB) 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 RBI within two months from completion of the annual audit. Such reports shall be sent with the approval/recommendation of the Board/ACB of the company with the full details of the audit firm.
- H. In order to protect the independence of the auditors/audit firms, company shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. If the company remove the SAs before completion of three years tenure 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.
- I. 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.
- J. The audit fees for SAs shall be in terms of applicable regulatory provisions and shall be reasonable and commensurate with their respective 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. Further, The Board/Audit Committee of the company shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions, for fixing audit fees of statutory auditors.
- K. The Company shall comply with all other applicable regulations for the NBFC from time to time in respect of appointment / re-appointment / remuneration and continue to appoint the statutory auditors from time.

● **PROCEDURE FOR APPOINTMENT OF STATUTORY AUDITORS**



- A. The Company shall shortlist minimum of 2 (Two) audit firms for every vacancy of statutory auditors 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 statutory auditors does not get delayed. However, in case of reappointment of statutory auditors by the company till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting of multiple audit firms
- B. The Company shall obtain a certificate of eligibility norms, along with relevant information as per **Form-B**, from the audit firm(s) proposed to be appointed as statutory auditors 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/s of the audit firm proposed for appointment of statutory auditor of the of the Company, under the seal of the said audit firm.
- C. The appointment of the Statutory Auditors (SAs) shall be approved by the shareholders.

- **TENURE OF THE APPOINTMENT OF STATUTORY AUDITORS**

As per RBI guidelines, NBFC shall appoint the SAs for a continuous period of three (3) years, subject to the firms satisfying the eligibility norms each year and the approval of the Audit Committee of the Board and the Board of Directors.

Further the appointment of Auditors in case of causal vacancy shall be from the date of appointment made by the Board of Directors till the next Annual General Meeting and the said appointment shall be approved by the Shareholders within three months from the date of appointment made by their Board of Directors in their Extraordinary / Annual General Meeting.

- **Conflict in Policy**

In the event of a conflict between this Policy and the extant regulations or laws (as may be amended, replaced, restated, from time to time), the regulations and laws shall prevail.

- **Review and Modification**



In case of any subsequent changes in the guidelines/provisions in relation to appointment of Statutory Auditors (SAs) in the company, which makes any of the provisions in the policy inconsistent with the provision of law, the provisions of the Act or Rules would prevail over the policy and the provisions in the policy would be modified in due course to make it consistent with law.

- **Disclosure of the policy**

The Policy will be available on the Company's website i.e. www.smcfinance.com



FORM A

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

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:



FORM B

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

A. Particulars of the firm:

Asset Size of Entity as on 31st March of Previous Year	Number of Full-Time partners (FTPs) associated* with the firm for a period of three (3) years	Out of total FTPs, Number of FCA Partners associated with the firm for a period of three (3) years	Number of Full Time Partners/ Paid CAs with CISA/ISA Qualification	Number of Years of Audit Experience#	Number 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:

(i) Copy of Constitution Certificate.

(ii) 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.

(iii) 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.

(iv) Whether the firm has been debarred from taking up audit assignments by any regulator/Government agency? If yes, details thereof.



(v) 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 SCAs/SAs of Commercial Banks (excluding RRBs)/UCBs/NBFCs (as applicable). 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: