



ALIA FINLEASE PRIVATE LIMITED

Policy on Appointment of Statutory Auditors (SAs)

Revision History

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Version Control

Version	Author	Reviewed by	Approved by
1.0	Chief Compliance Officer	Chief Financial Officer	Board of Directors
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1.0	Chief Financial Officer	MD & CEO	Board of Directors

1. Introduction

The Reserve Bank of India vide its Circular DoS.CO.ARG/SEC.01/08.91.001/2021-22 dated April 27, 2021 ("RBI Circular"), has issued guidelines on appointment of Statutory Auditors ("SAs") by NBFCs, which is applicable to Alia Finlease Private Limited.

2. Purpose:

The objective of this Policy is to establish procedures for appointment of SAs and to conform with the extant norms of RBI Circular including applicable provisions of Companies Act, 2013, as may be amended from time to time.

3. Definitions:

- a) "Act" means the Companies Act, 2013.
- b) "Company" means Alia Finlease Private Limited
- c) "Audit Committee" means the Audit Committee of the Board of the Company.
- d) "Board" means Board of Directors of the Company.
- e) "Statutory Auditors" (SAs) mean auditors as required to be appointed under the provisions of Companies Act, 2013 and eligible as per RBI Circular, to conduct statutory audit of the Company, from time to time.
- f) "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, on the 'guidelines for appointment of Statutory Central Auditors/Statutory Auditors of Commercial Banks (excluding RRBs) , UCBs and NBFCs (including HFCs)'.

4. Applicability:

RBI Circular is applicable to the Company with respect to appointment of SAs with effect from October 1, 2021.

5. Appointment of SAs:

- 5.1 No prior approval of RBI is required for appointment of SAs by the Company. However, necessary intimation shall be given to RBI regarding appointment of SAs within the prescribed time limits.
- 5.2 If the Company's Asset Size as on March 31 of the previous financial year is less than ₹15,000 Crores, the Company shall appoint one SA. If the Assets Size is ₹15,000 Crores or more as on March 31 of the previous financial year, the Company shall appoint a minimum of two SAs for conducting joint statutory audit.
- 5.3 In case of joint audit, the Company shall ensure that joint SAs of the Company do not have any common partners and they are not under the same network of audit firms as defined under the Act or Rules made thereunder. The Company may finalise the work allocation among the joint SAs, before the commencement of the statutory audit, in consultation with them.
- 5.4 The Company can appoint more than 2 joint SAs depending upon relevant factors such as 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., or such other terms and conditions as may be specified by RBI from time to time.

- 5.5 The Company shall ensure compliance with the provisions of Section 143(8) of Companies Act, 2013, regarding audit of accounts of all branches.

6. Eligibility Criteria of Auditors:

- 6.1. The minimum standards and eligibility norms for audit firms to be appointed by the Company as SAs shall be as under:

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
Above ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12
Upto ₹1,000 crore	2	1	1*	6	8

- 6.2. There should be at least one-year continuous association of partners with the firm as on the date of shortlisting for considering them as fulltime partners. Further, at least two partners of the firm shall have continuous association with the firm for at least 10 years.
- 6.3. 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:
- The full-time partner should not be a partner in other firm/s.
 - She / He should not be employed full time / part time elsewhere.
 - 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.
 - The Audit Committee shall examine and ensure that the 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.
- 6.4. 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.

- 6.5. 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.
- 6.6. Professional staff include audit and article clerks with knowledge of book-keeping and accountancy and who are engaged in on-site audits but excludes typists/stenos/computer operators/ secretaries/subordinate staff, etc. There should be at least one-year continuous association of professional staff with the firm as on the date of shortlisting for considering them as professional staff for the purpose.

B. Additional Consideration

- (i) The audit firm, proposed to be appointed as SAs, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- (ii) 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.
- (iii) The Company shall ensure that appointment of SAs is in line with the ICAI's Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- (iv) If any partner of a Chartered Accountant firm is a director in any entity, the said firm shall not be appointed as SA of any of its group entities of that entity.
- (v) SAs 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 shall 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, the Company may approach RBI, to allow the concerned audit firm to complete the audit, as a special case.

7. Independence of Auditors:

- 7.1. The Audit Committee of the Board 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 Audit Committee to the Board of Directors and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.

- 7.2. In case of any concern with the Management of the Entities such as non-availability of information/non-cooperation by the Management, which may hamper the audit process, the SAs shall approach the Audit Committee of the Entity, under intimation to the concerned SSM/RO of RBI.
- 7.3. Concurrent auditors of the Company shall not be considered for appointment as SAs. The audit of the Company and any entity with large exposure (As defined in RBI instructions on 'Large Exposures Framework') to the Company for the same reference year should also be explicitly factored in while assessing independence of the auditor.
- 7.4. 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 subsidiary 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 interest¹, and the Company shall take a decision in this regard, in consultation with the Audit Committee.
- 7.5. The restrictions as detailed in para 7.3 and 7.4 above, shall 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.

8. Professional Standards of SAs

- 8.1. The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- 8.2. The Audit Committee shall review the performance of SAs on an annual basis. Any serious lapses / negligence in audit responsibilities or conduct issues on part of the SAs or any other matter considered as relevant shall be reported to the RBI within two months from completion of the annual audit. Such reports shall be sent with the approval / recommendation of the Audit Committee, with the full details of the audit firm.
- 8.3. 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 SAs in relation to Company, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

9. Tenure and Rotation

- 9.1. In order to protect the independence of the auditors/audit firms, the Company shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. The Company shall inform concerned RO at the RBI along with reasons/justification, within a month, if the SAs are removed before completion of three years tenure.
- 9.2. An audit firm would not be eligible for reappointment for six years (two tenures) after completion of full or part of one term of the audit tenure².
- 9.3. An audit firm proposed to be appointed as SA of the Company, can concurrently take up statutory audit of a maximum of four Commercial Banks [including not more than one PSB or

one All India Financial Institution (NABARD, SIDBI, NHB, EXIM Bank) or RBI], eight UCBs and eight NBFCs during a particular year. A group of audit firms having common partners and/or under the same network, will be considered as one entity. 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.

10. Audit Fees and Expenses

- 10.1. The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions.
- 10.2. The audit fees for SAs 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.
- 10.3. The Board of Directors shall fix the fee based on the recommendation of the Audit Committee.

11. Statutory Auditor - Appointment Procedure

- 11.1. The Company shall shortlist minimum of 2 audit firms for every vacancy of 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 SAs does not get delayed.
- 11.2. The Company shall obtain a certificate, along with relevant information in such format, as may be prescribed, from the audit firm(s) proposed to be appointed as SAs 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 SAs of the Company, under the seal of the said audit firm.

12. Intimation to the RBI:

The Company shall intimate the appointment/reappointment of SAs for each year in such format, as may be prescribed, within one month of such appointment/reappointment.

13. Review of the policy:

The Board of Directors of the Company shall review and amend the policy as and when required. This policy shall be hosted on website of the Company.

¹ A conflict would not normally be created in the case of the following special assignments (indicative list): (i) Tax audit, tax representation and advice on taxation matters, (ii) Audit of interim financial statements. (iii) Certificates required to be issued by the statutory auditor in compliance with statutory or regulatory requirements. (iv) Reporting on financial information or segments thereof

² 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 shall not be eligible for reappointment in the Company for six years from completion of part-tenure.