



AUXILO FINSERVE PRIVATE LIMITED

POLICY ON APPOINTMENT OF STATUTORY AUDITORS

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1. Background and Regulatory Framework

Auxilo Finserve Private Limited (“the Company”) is a Non-Banking Financial Company registered with the Reserve Bank of India (“RBI”) and is engaged in providing education financing and related lending activities. The Company recognises that the statutory audit function plays a critical role in ensuring the integrity, transparency and reliability of its financial reporting and regulatory compliance framework.

The Reserve Bank of India, vide its circular dated April 27, 2021 on “Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs)”, has mandated that NBFCs formulate a Board-approved policy governing the appointment, independence, rotation and oversight of statutory auditors. In line with these requirements, the Company has adopted this Policy to ensure a structured, transparent and well-governed approach to the appointment and supervision of its Statutory Auditors.

This Policy has been framed in accordance with the applicable RBI guidelines, the provisions of the Companies Act, 2013 including Sections 139, 141, 143 and 144, and the Code of Ethics issued by the Institute of Chartered Accountants of India. The Policy also reflects supervisory expectations and leading industry practices.

It is clarified that the appointment of Statutory Auditors shall not in any manner dilute or diminish the responsibility of the Company, its Board of Directors or its management for the preparation and presentation of financial statements. The responsibility for ensuring the accuracy, completeness and integrity of financial reporting shall continue to rest with the management, while the Statutory Auditors shall independently examine and express an opinion on such financial statements.

2. Objective

The objective of this Policy is to establish a robust and transparent framework for the appointment and oversight of Statutory Auditors, ensuring that the process is objective, well-documented and aligned with regulatory expectations.

The Policy seeks to ensure that audit firms appointed by the Company possess the requisite experience, capability, integrity and independence to effectively discharge their responsibilities. It also aims to ensure that the selection process is based on clearly defined criteria, that independence of auditors is preserved at all times, and that audit quality is maintained at the highest standards.

3. Applicability

This Policy shall apply to all appointments and re-appointments of Statutory Auditors of the Company, including joint auditors where applicable including any subsequent amendments arising out of regulatory changes.

4. Number of Statutory Auditors

The Company shall appoint Statutory Auditor(s) in accordance with RBI guidelines, taking into account the asset size of the Company and the complexity of its operations. The decision regarding the number of auditors shall be made by the Board of Directors based on the recommendation of the Audit Committee.

In cases where joint auditors are appointed, the Company shall ensure that such auditors do not belong to the same network or have common partners. The allocation of work between joint auditors shall be clearly defined prior to the commencement of the audit.

5. Coverage of Audit

The Statutory Auditors shall ensure appropriate and adequate audit coverage of the Company's operations in compliance with applicable regulatory requirements and the relevant provisions of the Companies Act, 2013. The Company shall ensure that the scope and extent of the audit are commensurate with the size, complexity, and risk profile of its operations. To this end, the Company may adopt a risk-based audit approach to supplement and enhance the minimum coverage prescribed under applicable laws and regulations.

6. Eligibility Criteria and Continuous Compliance

The audit firms proposed to be appointed as Statutory Auditors shall satisfy all eligibility criteria prescribed by the RBI, including requirements relating to the number of full-time partners, number of fellow chartered accountants, availability of professionals with information systems audit qualifications, audit experience and professional staff strength.

In addition to meeting the prescribed criteria, the Company shall, to the extent practicable, satisfy itself that the audit firm and its key partners meet high standards of integrity, professional competence and professional reputation. The Company shall consider any past instances of regulatory action, disciplinary proceedings or adverse observations while evaluating the suitability of the audit firm.

The audit firm shall be eligible for appointment under Section 141 of the Companies Act, 2013 and shall not be under debarment by any regulatory authority such as RBI, NFRA or ICAI. The Company shall obtain a written certificate from the audit firm confirming compliance with all applicable eligibility criteria (Format given in Annexure A).

The audit firm shall also be required to ensure continued compliance with the eligibility criteria throughout the tenure of its appointment. It shall promptly inform the Company of any change in circumstances that may affect its eligibility or independence, including changes in partner composition, reduction in staff strength, regulatory actions or any other material developments. Upon receipt of such information, the Company shall assess the impact and take appropriate action in accordance with regulatory requirements.

7. Independence and Conflict of Interest

The independence of the Statutory Auditors shall be a fundamental consideration in their appointment and continuation. The Audit Committee shall assess and monitor the independence of the auditors on an ongoing basis.

The Company shall ensure that the audit firm does not have any conflict of interest arising from provision of non-audit services, relationships with the Company or its group entities, or engagements with entities having significant exposure to the Company. The restrictions relating to independence shall extend to network firms and firms having common partners.

The Company shall obtain annual declarations from the Statutory Auditors confirming their independence and shall monitor compliance with cooling-off requirements for non-audit services and other restrictions prescribed under applicable regulations.

In the event of any actual or potential impairment to independence or conflict of interest, the same shall be promptly evaluated by the Audit Committee. Where such concerns are considered material, the Audit Committee shall escalate the matter to the Board of Directors for appropriate action.

Further, in line with regulatory expectations, any significant concerns relating to independence or conflict of interest may also be reported by the Company to the concerned Senior Supervisory Manager (SSM) or Regional Office (RO) of the Reserve Bank of India, as may be applicable.

8. Tenure, Rotation and Cooling-Off

The Statutory Auditors shall be appointed for a continuous period of three years, subject to their continued compliance with eligibility criteria on an annual basis.

Upon completion of the tenure, the audit firm shall not be eligible for re-appointment for a period of six years. This restriction shall apply irrespective of whether the tenure was completed in full or partially. The cooling-off requirements shall also extend to audit firms operating under the same network or having common partners, in order to ensure that the spirit of independence is maintained.

The Company shall maintain a centralised record of auditor tenure and cooling-off periods and shall verify compliance with such requirements prior to initiating any appointment process.

In the event of removal or resignation of the auditor before completion of tenure, the Company shall inform the RBI within one month, along with the reasons for such action.

9. Procedure for Appointment of Statutory Auditors

The Company shall follow a structured, transparent and well-documented process for appointment of Statutory Auditors in accordance with RBI guidelines.

For each vacancy, the Company shall shortlist a minimum of two audit firms in order of preference to ensure continuity in case the first preference firm is found ineligible or declines the appointment. The shortlisting process shall be based on a comprehensive evaluation framework designed to identify the most suitable audit firm.

The evaluation shall take into account the experience of the audit firm in auditing NBFCs and financial institutions, the strength and composition of its partners and professional staff, availability of specialised expertise including information systems audit capabilities, technological capabilities including use of data analytics and system-based audit tools, past track record and regulatory compliance history, and the firm's ability to service the scale and complexity of the Company's operations.

The Company shall obtain a certificate from each proposed audit firm confirming compliance with RBI eligibility norms, duly signed by the authorised partner of the firm under its seal. The Company shall also verify such compliance independently.

The Audit Committee shall evaluate the shortlisted firms, assess their eligibility and independence, and recommend the appointment to the Board of Directors. The Board shall thereafter approve the appointment, subject to approval of shareholders in accordance with the Companies Act, 2013.

The Company shall submit all prescribed information and certifications, along with the relevant approvals of the Audit Committee and the Board of Directors, wherever applicable, and shall intimate the Reserve Bank of India regarding the appointment of Statutory Auditors in the prescribed format within one month of such appointment.

10. Professional Standards, Audit Quality and Interaction with Audit Committee

The Statutory Auditors shall conduct the audit in accordance with applicable auditing standards issued by ICAI and shall maintain high standards of professional diligence, independence and objectivity.

The auditors shall perform their duties with a high degree of professional skepticism, ensuring that all material risks are adequately identified, evaluated and addressed, and that the financial statements present a true and fair view of the Company's financial position and performance.

The Statutory Auditors shall have direct and unrestricted access to the Audit Committee and shall meet the Audit Committee at least once in a financial year without the presence of management. Such interaction shall enable the auditors to present their independent views on financial reporting, internal controls, audit observations and any concerns regarding management processes.

In the event that the Statutory Auditors encounter any situation which materially affects the conduct of the audit, including non-cooperation by management, restriction of access to records or personnel, or any attempt to unduly influence the audit process, they shall escalate such matters to the Audit Committee. Where necessary, such matters may also be reported to the Reserve Bank of India in accordance with applicable requirements.

The Audit Committee shall undertake an annual evaluation of the performance of the Statutory Auditors, taking into account audit quality, timeliness, effectiveness of communication, independence and overall effectiveness. Such evaluation shall be completed within two months from the completion of the annual audit, with the approval or recommendation of the Audit Committee. Any serious lapses or deficiencies identified shall be appropriately addressed and reported to the Reserve Bank of India within the prescribed timelines, where required.

11. Audit Fees

The audit fees payable to the Statutory Auditors shall be reasonable and commensurate with the scope, scale and complexity of the audit, and shall be approved by the shareholders based on the recommendation of the Board.

12. Reporting to RBI

The Company shall comply with all reporting requirements prescribed by the RBI in relation to appointment, re-appointment and removal of Statutory Auditors. The Company shall submit all prescribed information and certifications, including formats specified by RBI, within the stipulated timelines.

13. Governance, Documentation and Control Framework

The Company shall maintain a comprehensive and well-documented audit trail in respect of the entire process of appointment, evaluation and oversight of Statutory Auditors.

All relevant records, including shortlisting documents, evaluation notes, independence declarations, Audit Committee and Board approvals, and regulatory filings, shall be maintained in a centralised manner and preserved in accordance with the Company's record retention policy and applicable regulatory requirements. Such records shall be readily available for inspection by regulatory authorities.

A clearly defined responsibility framework shall be established to ensure accountability across functions involved in the process, including Finance, Compliance, Audit Committee, Board and Shareholders. In the event of any mid-term vacancy arising due to resignation, removal or ineligibility of auditors, the Company shall initiate a fresh appointment process in accordance with this Policy and ensure timely communication with the RBI.

The Company shall also ensure that the Statutory Auditors possess adequate technological capability to audit in a digital environment and that no undue influence is exercised by management over the auditors. The auditors shall have unrestricted access to records, personnel and systems required for the conduct of audit.

14. Review of Policy

This Policy shall be reviewed periodically, at least annually, by the Audit Committee and the Board of Directors, and shall be updated to reflect changes in regulatory requirements or business practices.

15. Overriding Provision

In the event of any conflict or inconsistency between this Policy and applicable laws or regulatory instructions, the provisions of such laws or regulatory instructions shall prevail.

ANNEXURES TO POLICY ON APPOINTMENT OF STATUTORY AUDITORS**Annexure A – Eligibility Certificate from Audit Firm**

The audit firm proposed to be appointed as Statutory Auditor shall submit a certificate in the following format:

Eligibility Certificate

To,
Auxilo Finserve Private Limited

We, _____ (Name of Audit Firm), having Firm Registration Number _____, hereby certify that:

1. We comply with all the eligibility criteria prescribed by the Reserve Bank of India for appointment as Statutory Auditors of NBFCs, including those relating to:
 - number of full-time partners
 - number of FCA partners
 - availability of CISA/ISA qualified professionals
 - minimum years of audit experience
 - minimum number of professional staff
2. We are eligible for appointment under the provisions of Section 141 of the Companies Act, 2013 and are not disqualified under any applicable law or regulation.
3. We are not under debarment by any regulatory authority including the Reserve Bank of India, National Financial Reporting Authority (NFRA), Institute of Chartered Accountants of India (ICAI), or any other financial sector regulator.
4. We comply with the independence requirements prescribed under applicable laws and regulations and confirm that no conflict of interest exists in relation to the proposed appointment.
5. We confirm that we, and any audit firm under the same network or having common partners, comply with the cooling-off requirements prescribed by RBI.
6. We undertake to ensure continued compliance with the eligibility criteria throughout the tenure of our appointment and shall promptly inform the Company of any change affecting our eligibility or independence.
7. The information provided above is true and correct to the best of our knowledge and belief.

For and on behalf of

(Name of Audit Firm)

Signature: _____

Name of Partner: _____

Membership No.: _____

Date: _____

Seal of the Firm