

NISSAN RENAULT FINANCIAL SERVICES INDIA PRIVATE LIMITED

1. INTRODUCTION

Nissan Renault Financial Services India Private Limited (NRFSI) is a Non-Deposit taking Systematically Important Non-Banking Finance Company (ND- SI - NBFC) registered with the Reserve Bank of India, NRFSI is a captive finance company engaged in retail and wholesale financing including financing of Nissan, Renault and Datsun models.

This policy on appointment of Statutory Central Auditors is framed based on the Guidelines issued by the Reserve Bank of India vide Ref. No. DoS. CO. ARG/SEC.01/08.91.001/2021-22 dated 27th April 2021 in respect of appointment of Statutory Central Auditors (SCAs)/ Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) and FAQs dated June 11, 2021.

2. APPLICABILITY

The Policy shall be applicable for appointment of Statutory Auditors by NRFSI for the financial year 2021-22 and onwards including any amendments, if any made from time to time by the Regulator.

3. REGULATORY REPORTING REQUIREMENT

As per regulatory requirement, NRFSI need to inform RBI about the appointment of Statutory auditors (SAs) for each year by way of a certificate in **Form A** within one month of such appointment.

4. ELIGIBILITY CRITERIA FOR STATUTORY AUDITOR'S APPOINTMENT

4a. BASIC ELIGIBILITY:

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 <u>Note 1</u>	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 <u>Note 2</u>	Minimum No. of years of Audit Experience of the firm <u>Note 3</u>	Minimum No. of Professional staff <u>Note 4</u>
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

* Not mandatory for UCBs/NBFCs with asset size of upto ₹ 1,000 crore.

NISSAN RENAULT FINANCIAL SERVICES INDIA PRIVATE LIMITED

In line with the Asset size, NRFSI is required to comply with the above highlighted slab for appointment of SAs for FY 2021-22 onwards. Further, at least two partners of such firm shall have continuous association with the firm for at least 10 years.

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, for appointment as Statutory audits, entities with asset size above ₹ 1,000 crore, 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/Audit Committee / NRFSI Management 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.

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:

The audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of NBFCs. 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 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

4b. ADDITIONAL CONSIDERATIONS:

(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) NRFSI shall ensure that appointment of SAs are 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) Further, 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 the group entities of that Entity.

NISSAN RENAULT FINANCIAL SERVICES INDIA PRIVATE LIMITED

(v) The auditors should preferably have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATs) 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.

4c. Continued Compliance with basic eligibility criteria

(i) 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 NRFSI 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.

(ii) 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.

5. NUMBER OF AUDITORS

- i. The Board/Audit Committee/NRFSI Management Committee should appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting statutory audit. It shall be ensured that joint auditors of NRFSI do not have any common partners and they are not under the same network of audit firms.
- ii. Further, the NRFSI may finalize the work allocation among SAs, before the commencement of the statutory audit, in consultation with them.
- iii. NRFSI should decide on the number of SAs taking into account 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..
- iv. The actual number of SAs to be appointed shall be decided by NRFSI Management Committee /Board, subject to the following limits prescribed by RBI

Sl. No.	Asset Size of the Entity	Maximum number of SCAs/SAs
1.	Up to ₹5,00,000 crore	4
2.	Above ₹ 5,00,000 crore and Up to ₹ 10,00,000 crore	6
3.	Above ₹ 10,00,000 crore and Up to ₹ 20,00,000 crore	8
4.	Above ₹ 20,00,000 crore	12

- v. NRFSI shall ensure adherence to the provisions of Section 143 (8) of the Companies Act, 2013 regarding audit of accounts of branches if any.

6. PROCEDURE FOR APPOINTMENT OF SAs

- i. NRFSI 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 SCAs/SAs does not get delayed. In case of reappointment of SAs till completion of tenure of continuous term of 3 years, there would not be any requirement of shortlisting and sending names of multiple audit firms to RBI while seeking approval to appointment.

NISSAN RENAULT FINANCIAL SERVICES INDIA PRIVATE LIMITED

- ii. NRFSI shall obtain a certificate, along with relevant information as per **Form B**, from the audit firm(s) proposed to be appointed as SAs by 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 Entities, under the seal of the said audit firm.
- iii. Annual evaluation shall be performed by the Chief Financial officer and presented to the Audit Committee and Board for annual appointment/re-appointment of statutory auditors. Refer annexure – Sample Evaluation form which provides indicative list of parameters for evaluation.

7. INDEPENDENCE OF AUDITORS

- i. 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 and concerned Senior Supervisory Manager (SSM)/Regional Office (RO) of RBI.
- ii. 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 Board/ACB.
- iii. 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 of NRFSI or any audit/non-audit works for its group entities should be at least one year, before or after its appointment a SAs. However, during the tenure as SA, an audit firm may provide such services which may not normally result in a conflict of interest, and NRFSI may take their own decision in this regard, in consultation with the Board/ACB.
- iv. The restrictions as detailed above should also apply to an audit firm under the same network of audit firms or any other audit firm having common partners.

8. PROFESSIONAL STANDARDS OF STATUTORY AUDITORS

- i. The SAs shall be strictly guided by the relevant professional standards in discharge of their audit responsibilities with highest diligence.
- ii. The Board/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 RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Board/Audit Committee, with the full details of the audit firm.
- iii. In the event of lapses in carrying out audit assignments resulting in misstatement of NRFSI's financial statements, and any violations/lapses vis-à-vis the RBI's directions/guidelines regarding the role and responsibilities of the SAs, the SAs would be liable to be dealt with suitably under the relevant statutory/regulatory framework.

9. TENURE AND ROTATION

- i. NRFSI will have to appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. NRFSI shall inform concerned SSM/RO of RBI and MCA prior

NISSAN RENAULT FINANCIAL SERVICES INDIA PRIVATE LIMITED

to removal of SAs before their completion of three years tenure, along with reasons/justification for the same, within a month of such a decision being taken.

- ii. An audit firm would not be eligible for reappointment in the same entity for six years (two tenures) after completion of full or part of one term of the audit tenure. However, audit firms can continue to undertake statutory audit of other Entities.
- iii. One audit firm 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, subject to compliance with required eligibility criteria and other conditions for each Entity and within overall ceiling prescribed by any other statutes or rules. A group of audit firms having common partners and/or under the same network, will be considered as one entity and they will be considered for allotment of SA accordingly. 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

- i. The audit fees for SAs shall be decided in terms of the relevant statutory/regulatory provisions.
- ii. 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.
- iii. The Board/Audit Committee shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees SAs.

11. STATUTORY AUDIT POLICY DISCLOSURE

NRFSI shall formulate a Board/ NRFSI MC Approved Policy to be hosted on its official website/public domain and formulate necessary procedure thereunder to be followed for appointment of SAs. Apart from conforming to all relevant statutory/regulatory requirements in addition to these instructions, this should afford necessary transparency and objectivity for most key aspects of this important assurance function.

12. ANNEXURES TO THE POLICY

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.

NISSAN RENAULT FINANCIAL SERVICES INDIA PRIVATE LIMITED

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 / directors¹⁵ 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:

SAMPLE EVALUATION FORM



SA Evaluation Form