



Program for Appointment of Statutory Auditors CITICORP FINANCE (INDIA) LIMITED

OWNER:
CHIEF FINANCIAL OFFICER

CONTACT(S):
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1 OVERVIEW

The Circular dated July 31, 2026 - 'Reserve Bank of India (Non-Banking Financial Companies - Statutory Audit) Directions, 2026 (referred to as "guideline" or "circular"), has been issued by RBI with the basic objectives of putting in place ownership-neutral regulations, ensuring independence of auditors, avoiding conflict of interest in auditor's appointments and to improve the quality and standards of audit for RBI Regulated Entities. These guidelines will further help in streamlining the procedure for appointment of Statutory Auditors for Citicorp Finance (India) Limited (CFIL) and ensure that appointments are made in a timely, transparent and effective manner.

1.1 OBJECTIVE

The objective of the program is to define the process of Statutory Auditors appointment and provide clarity on the roles, governance, responsibilities, and structure for the statutory auditors appointed by CFIL as per guidelines from the Reserve Bank of India.

1.2 SCOPE

This program applies to Citicorp Finance (India) Limited (CFIL).

1.3 TARGET AUDIENCE

There are several participants who undertake various components of the statutory audit and will be subject to this program and responsible for complying with the program requirements. The following are the key individuals/groups.

- Board of Directors
- Audit Committee
- Chief Financial Officer (CFO)
- Chief Risk Officer
- Head of Compliance

1.4 OWNER

This program is owned by the Chief Financial Officer.

1.5 EFFECTIVE DATE / TRANSITION PERIOD:

The program will be effective once approved by CFIL Board. The frequency for review and approval of statutory audit program would be on an annual basis.

1.6 EXCEPTION PROCESS

Exceptions to this Program must be approved by the CFIL Board.

2 PROGRAM

The primary purpose of the Statutory Audit Program is to outline the roles and responsibilities, governance, principles and key standards to be applied when appointing statutory auditor as per the latest guidelines from RBI.

Confidentiality

It is a public document that will be published on the CFIL website for everyone to download and access.

Structure and Methodology of appointing statutory auditors

The structure and methodology of the appointment of auditors would be in line with RBI's extant guidelines.

Executive Summary

The section summarizes the statutory audit requirement and the contents of the audit program document.

Background

The section summarizes the following aspects:

- Objective and scope of the statutory audit in terms of the list of areas that the auditor will cover
- Overview of CFIL's audit program including the following:
 - Description of the RBI guidelines for audit in the NBFC.
 - Description of the key roles and responsibilities for the appointment of auditors.

Process of Annual Statutory Audit:

1. Applicability:

These guidelines shall be applicable to the Non-Banking Financial Companies [including Housing Finance Companies] (hereinafter collectively referred to as 'NBFCs' and individually as a 'NBFC') in respect of appointment / reappointment of their Statutory Central Auditors (SCAs) / Statutory Auditors (SAs). However, non-deposit taking NBFCs with asset size below ₹1,000 crore have the option to continue with their extant procedure.

2. Program for appointment of Auditors: This program is to be approved by Board of Directors.

3. Number of SAs(Statutory Auditors) to be Appointed

- a) As per the guidelines/based on the asset size as at the end of previous year, CFIL should appoint a minimum of one audit firm (Partnership firm/LLPs) for conducting Statutory Audit. When the asset size reaches ₹15000 crore as at the end of previous year, CFIL will have to appoint a minimum of two audit firms for conducting Statutory Audit.
- b) Board shall decide on the number of SAs after considering 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. subject to the minimum number prescribed by RBI.
- c) Accordingly, it is proposed to have one audit firm [Partnership firms/Limited Liability Partnerships (LLPs)] as Statutory Auditor. If there is growth more than the above mentioned asset size, the auditors will be appointed according to the conditions mentioned below:-

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

- d) CFIL shall ensure that, on requirement of appointing Joint Auditors, they do not have any common partners and they are not under the same network of audit firms. Further, the Company may finalise the work allocation among SAs, before the commencement of the statutory audit, in consultation with the Auditors.

4. Eligibility Criteria for SAs

After considering the minimum number of Auditors to be appointed for conducting the audit, CFIL shall identify the eligible audit firms based on the criteria mentioned below:-

A. Basic Eligibility

Asset Size of Company as on 31st March of Previous Year	Minimum No. of Full-Time partners (FTPs) as 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 (Note 4)
Above ₹15,000 crore	5	4	2	15	18
Above ₹ 1,000 crore and Up to ₹15,000 crore	3	2	1	8	12

Notes:-

- 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.
 - (a) The full-time partner should not be a partner in another audit firm/s.
 - (b) They should not be employed full time / part time elsewhere.

- (c) They 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 the income of the partner from the firm/Limited Liability Partnership (LLP) is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose.
- 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.
- Audit experience shall mean experience of the audit firm as Statutory Central/Branch Auditor of Commercial Banks, Small Finance Banks, Payment Banks, Local Area Banks, AIFIs, UCBs and 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.
- 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 audit 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 for CFIL, 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. CFIL 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. Further, if any partner of an audit firm is a director in CFIL, the said firm shall not be appointed as SAs of any of the group entities.

Explanation: The Group Entities here refer to RBI regulated entities in the Group, which fulfil the definition of Group Entity, as provided in the circular. Therefore, if any partner of an audit firm is a director in an RBI regulated entity in the Group, the said firm shall not be appointed as SAs of any of the RBI regulated entities in the Group. However, if an audit firm is being considered by any of the RBI regulated entities in the Group for appointment as SAs, whose partner is a director in any of the Group Entities (which are not regulated by RBI), the said audit firm shall make appropriate disclosures to the ACB as well as the Board.

- v. The 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 company where the accounting and business data reside in order to achieve audit objectives.

5. 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 or death of any of the partners / employees, action by Government Agencies, NFRA, ICAI, RBI and other financial regulators, etc.), it may promptly approach the company with full details. Further, the audit firm shall take all necessary steps to regain eligibility within a reasonable time and in any case, the audit firm must comply 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 or any other reason, 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.

6. Appointment Procedure

The guidelines on minimum procedural requirements are given below.

- While there is no requirement to take prior approval of RBI for appointment of SAs, those under Mumbai Region shall approach and inform the Central Office of RBI (Department of Supervision) about the appointment of SAs for each year by way of a certificate in Annex I (Form A) within one month of such appointment. Other NBFCs shall approach the concerned Regional Office of RBI (Department of Supervision), under whose jurisdiction their Head Office is located.
- The NBFC shall shortlist minimum of two audit firms for every vacancy of SAs so that even if an audit firm at first preference is found to be ineligible or refuses appointment, the audit firm at second preference can be appointed and the process of appointment of SAs does not get delayed.
- The NBFC shall obtain a certificate, along with relevant information as per Annex II (Form B), from the audit firm(s) proposed to be appointed as SAs by the NBFC 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.
- The NBFC shall verify the compliance of audit firm(s) to the eligibility norms prescribed by RBI for the purpose and after being satisfied of their eligibility, appoint the audit firm as SA.

7. Independence of Auditors

In case of any concern with the management such as non-availability of information / non-cooperation by the management, which may hamper the audit process, the SAs shall approach the ACB, under intimation to the concerned SSM of DoS, RBI.

Concurrent auditors should not be considered for appointment as SAs of the same company. The audit of the company and any entity with 'Large Exposure' to the company for the same reference year should also be explicitly factored in while assessing independence of the auditor.

Before appointment or after completion of the audit assignment as SAs, the time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, internal assignments or special assignments) by the SAs for CFIL or any audit / non-audit works for its group entities should be at least one year. However, during the tenure as SA, an audit firm may provide such services to the concerned company which may not normally result in a conflict of interest, and CFIL shall take its own decision in this regard, in consultation with the ACB.

A conflict would not normally be created in the case of following special assignments (indicative list):

- (1) Tax audit, tax representation and advice on taxation matters.
- (2) Audit of interim financial statements.
- (3) Certificates required to be issued by the SA in compliance with statutory or regulatory requirements.
- (4) Reporting on financial information or segments thereof.

Explanation: The Group Entities mentioned above refer to RBI regulated entities in the Group, which fulfil the definition of Group Entity. However, if an audit firm engaged with audit / non-audit works for the Group Entities (which are not regulated by RBI) is being considered by any of the RBI regulated Entities in the Group for appointment as SAs, it shall be the responsibility of the ACB of the concerned RBI regulated entity to ensure that there is no conflict of interest and independence of auditors is ensured, and this should be suitably recorded in the minutes of the meetings of ACB.

The restrictions as detailed above, shall also apply to an audit firm under the same network of audit firms or any other audit firm having common partners as defined in Rule 6(3) of the Companies (Audit and Auditors) Rules, 2014.

8. Other points

A. Tenure and Rotation

In order to protect the independence of the auditor, CFIL shall appoint the SAs for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. The audit firms which have already completed tenure of one year or two years with CFIL may be permitted to complete the balance tenure only, i.e., two years and one year, respectively, if they fulfil the eligibility norms on an annual basis. If there

is a situation of CFIL removing SAs before completion of three years tenure, then CFIL 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. Upon completion of the prescribed tenure of three years of the SA and until appointment of the incoming SAs for the relevant financial year, the outgoing SAs of the bank may continue for the Limited Review of financial statements for ensuing quarter(s) in accordance with the provisions of the circular and the applicable statutory requirements. An audit firm shall not be eligible for reappointment in CFIL for six years (two tenures) after completion of full or part of one term of the audit tenure. However, such audit firms can continue to undertake statutory audit of other RBI regulated entities. In case an audit firm has conducted audit of CFIL for part-tenure (one year or two years) and then not appointed for remainder tenure, it also shall not be eligible for reappointment in CFIL for six years from completion of part - tenure.

One audit firm can concurrently take up statutory audit of a maximum of four Small Finance Banks, Payment Banks, Commercial Banks and Local Area Banks (but not more than one PSB or one AIFI or RBI), eight UCBs, eight NBFCs and five StCBs / CCBs (including not more than one StCB) during a particular year, subject to compliance with required eligibility criteria and other conditions for each bank and within overall ceiling prescribed by any other statutes or rules. For clarity, the limits prescribed for UCBs exclude audit of other co-operative societies by the same audit firm. These limits are applicable in respect of audit of all RBI regulated entities, irrespective of the asset size.

For the purpose of this circular, a group of audit firms having common partners and / or under the same network, will be considered as one entity and they shall be considered for allotment of SAs 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.

B. Audit Fees and Expenses

The audit fees for SAs shall be decided in terms of the relevant statutory / regulatory provisions.

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 computerisation and identified risks in financial reporting.

C. Professional Standards of Auditors

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

In the event of lapses in carrying out audit assignments resulting in misstatement of an NBFC's financial statements, and any violations / lapses vis-à-vis RBI's directions / guidelines regarding the role and responsibilities of the SCAs / SAs in relation to NBFCs, the SCAs / SAs shall be liable to be dealt with suitably under the relevant statutory / regulatory framework.

9. Review of the program

The Audit Committee of the Board and Board of Directors may review the program as and when required / need-based. In case there are any regulatory changes requiring modifications to the Program, the Program shall be reviewed and amended at the next possible opportunity. However, the amended regulatory requirements will supersede the Program till the time Program is suitably amended.

APPENDIX A: [CONTACTS]

- Jay Sanjiv Savla - Chief Financial Officer
- Bhavika Bhadra – Local Regulatory Reporting
- Akshita Inani – Local Regulatory Reporting

APPENDIX B: [STANDARDS]



RBI_NBFC (Statutory
Audit) Directions, 202



Form A.pdf



Form B.pdf

APPENDIX C:

Information to be included in the reporting to the Reserve Bank

- a) Name and contact details
- b) Manner of exit (resignation/removal) and effective date of exit
- c) Reasons cited for resignation or those recorded by the NBFC for initiating the process of exit
- d) Portfolio handled by the Auditor prior to exit
- e) Time period of association / Tenure held by the Auditor