



AUXILO FINSERVE PRIVATE LIMITED

AUDIT POLICY

Contents

BACKGROUND	3
OBJECTIVE	3
APPROACH	3
AUDITS - SCOPE AND FREQUENCY	4
1. Statutory Audit.....	4
2. Secretarial Audit.....	4
3. Information System Audit.....	5
4. Internal audit	5
5. Branch Audit	5
6. Other Audits.....	5
Special Audits /3 rd party validation.....	5
AUDIT MANAGEMENT COMMITTEE	6
Terms of reference of Audit Management Committee	6
AUDIT CO-ORDINATOR	6
IDENTIFYING A FIRM / PERSONNEL TO BE APPOINTED AS AN AUDITOR	6
Rating the Proposals.....	7
AUDIT MONITORING	8
Change/Termination.....	8
AUDIT PLAN AND PROCESS	8
ROLES AND RESPONSIBILITIES	8
Auditor	8
Management.....	9
POLICY REVIEW	9
REVIEW	9
ANNEX I	10

AUDIT POLICY

BACKGROUND

Audit provides an objective assurance to the company's operations and provides assurance to the Board of directors regarding the design and effectiveness of the Company's systems and processes to mitigate business risks. Audit is an important tool for appraisal of the efficacy of internal control systems to identify and report critical areas to the company for initiating corrective actions.

It is a systematic, disciplined approach for evaluation and improvement of the design and operational effectiveness of risk management, control and governance processes in the Company.

OBJECTIVE

This policy aims to establish the adequacy and efficacy of the company's design, systems, processes, controls and their functioning to provide assurance that

1. Company's Risks are appropriately identified and managed.
2. Significant financial, managerial, and operating information is accurate and reliable
3. Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
4. Resources are acquired economically, used efficiently, and adequately safeguarded.
5. Programs, plans, and objectives are achieved.
6. Quality and continuous improvement are fostered by the Company's control process.

It is formulated to provide the company a stated framework for designing the Audit process for financial reporting, risk management, internal controls, internal audit, the engagement of external auditors, compliance and the special investigations. The aim is to define various audits to be conducted and to provide for the reviews / special reviews to be placed before the Board/Audit Committee/Management, as necessitated to achieve the objective of the policy.

APPROACH

The Board of Directors/Audit Committee of the Board places emphasis on the Audit functioning. It shall be ensured that the Audit Process is understood and respected at all levels within the Company and a culture in the Company is developed where each of the Audit Report is treated with adequate seriousness and result in appropriate management action plans.

The audit function of the Company is considered effective only on ensuring the compliance of the findings observed under the Audit Report. Hence, it should be the endeavour of the Top Management to ensure that compliance of audit findings are prioritized leading to speedy compliance of reports, thus making the audit function effective.

AUDITS - SCOPE AND FREQUENCY

The Company shall ensure to conduct timely, adequate, uniform Audits relating to the Company or its Assets pursuant to this Policy or as required under the applicable Regulations.

1. Statutory Audit

Statutory Audit is the audit of the company's financial statements comprising of the Balance Sheet, Profit and Loss Account, Cash Flow statement, Statement of changes in equity and notes to the financial statements of the Company as at the end of the particular financial year on 31st March, by the Statutory Auditors. The Statutory Auditor expresses an opinion that the financial statements give the information required by the Companies Act, 2013 (the Act) in the manner so required and gives a true and fair view in conformity with the Indian Accounting Standards prescribed under section 133 of the Act read with the Companies (Indian Accounting Standards) Rules, 2015 and other accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, of the particular year.

The statutory auditor acts in accordance with the Standards on Auditing specified under section 143(10) of the Act.

The appointment of the Statutory Auditor shall be governed by the applicable provisions of the Act and the Reserve Bank of India Guidelines for Appointment of Statutory Central Auditors (SCAs) / Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22.

In terms of the provisions of the Act and the RBI Guidelines, the Statutory Auditors shall be appointed by the Shareholders of the Company. The tenure of the Statutory Auditor's appointment shall be as decided by the Audit Committee and recommended to the Board. The Annexure I to the policy lays down the guidelines for the appointment of Statutory Auditor and shall be hosted on the Company's website.

The Statutory Audit is an ongoing process for the Auditors Report to be submitted to the Audit Committee to review and recommend to the Board for approval. The Limited review report to be submitted to stock exchange on a quarterly yearly basis with in the timeline specified under the SEBI Listing Obligations and Disclosure requirements (LODR). The annual audited financial results along with auditors report shall be submitted to stock exchange within timelines specified under SEBI LODR

The Audit Committee shall review the Limited Review Report or the Auditors Report, as the case may be, to recommend to the Board for approval.

2. Secretarial Audit

Secretarial Audit is the audit to evaluate the corporate conducts and statutory compliances. Secretarial Auditor confirms to the statutory compliances under the Corporate laws covering the Company Law, guidelines issued from time to time by the Securities Exchange Board of India and the Reserve Bank of India upon the verification of the records maintained by the Company. Review period of the Secretarial Audit being the Financial year ending on 31st March of each year.

The appointment of the Secretarial Auditor shall be governed by the Act. The Secretarial Auditor shall therefore be appointed by the Board of Directors of the Company.

The Secretarial Audit Report shall be submitted to the Board for their consideration and approval.

3. Information System Audit

The Information System (IS) Audit assesses the operational risks faced by the applicable NBFCs in terms of the Master Direction - Information Technology Framework for the NBFC Sector (Master Direction) of the Reserve Bank of India. The objective of the IS Audit is to provide an insight on the effectiveness of controls that are in place to ensure confidentiality, integrity and availability of the organization's IT infrastructure. IS Audit helps identify risks and methods to mitigate risk arising out of IT infrastructure such as server architecture, local and wide area networks, physical and information security, telecommunications etc.

The scope of the Information System Audit and the appointment of the Information System Auditor shall be governed by the Information Technology Policies of the Company and the Master Directions. The Audit Committee shall identify and recommend the appointment and remuneration of IS Auditor to the Board of Directors of the Company.

4. Internal audit

Internal audit (IA) is an independent, objective assurance and consulting activity designed to add value and improve an organization's operation processes. It assists the organization to accomplish its objectives by bringing a systematic, & disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. IA provides an assurance relating to Effectiveness of operations, Reliability of financial management and reporting, and Compliance with laws and regulations.

The appointment of the firm to perform the internal audit function jointly with the company official shall be governed by the Act and the RBI guidelines. The firm shall therefore be appointed by the Board of Directors of the Company on the recommendation of the Audit Committee.

The Audit Committee of the company, in consultation with the Internal Auditor and management formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

5. Branch Audit

Branch Audit shall be performed for each branch once in a year. The scope of perfection of security shall be covered either under scope of Branch Audit. The Audit Management Committee shall appoint the Branch Auditor in accordance with the policy. The critical observations of the Review Reports shall be placed before the Audit Committee by the Audit Management Committee on a half yearly basis. The compliance of the observations to be carried within the maximum period of 90 days from the date of the Audit Report.

6. Other Audits

Any other audits, such as Audit required under the Taxation laws, ~~branch audits~~, concurrent audits, fraud and investigation etc., shall be carried out in accordance with the policy.

Special Audits /3rdparty validation

Special Audit assignments shall include any third party audits/validations as deemed necessary by the Audit Management Committee/Audit Committee to be conducted.

AUDIT MANAGEMENT COMMITTEE

Audit Management Committee shall consist of the Chief Executive Officer and Chief Financial officer of the Company and shall report to the Audit Committee. Audit Coordinator shall assist the Audit Management Committee.

Terms of reference of Audit Management Committee

The Audit Management Committee shall be responsible for the following:

1. Review of the significant resources, programs and objectives of the company and also review if the Company's significant risks are appropriately identified and managed.
2. In line with the above, work out the audit strategy and the timelines and frequency of the audit to achieve quality and continuous improvement over the Company's control processes.
3. Develop an Annual Audit Plan for non-statutory and specific audits for the review and approval of the Audit Committee
4. Designate an in-house Audit Group/appoint or recommend to appoint an independent Audit Firm, as the case may be to carry out any specific Audit
5. Identify the persons/firms eligible/suitable to be appointed as the Auditors in accordance with the criteria laid down herein and recommend to the Audit Committee, as the case may be, their appointment, removal, remuneration and terms of appointment.
6. Review the Audit Reports to approve / recommend for adoption / approval to the Audit Committee / Board of Directors.
7. Review and monitor the auditor's independence, performance and effectiveness of audit process
8. Evaluate the performance of Auditors / Audit personnel and recommend to the Audit Committee, as the case may be, their re-appointment, removal, remuneration and terms of re-appointment
9. Take note of the significant issues highlighted by the management before the Auditors appointment and/or retention
10. Review and take note of the departure from the auditor's standard report, disagreement with the management, difficulties encountered in performing the audit
11. Finalize the selection criteria and appoint special auditors/third party validators for special and other audits on per day remuneration / assignment basis.

AUDIT CO-ORDINATOR

Audit Management Committee shall designate a personnel as an Audit coordinator.

The Audit coordinator shall be responsible for the following:

1. To maintain a repository of all audit reports
2. To ensure the completion of audit in the stipulated timeline
3. To define the Audit report Formats as may be required
4. Co-ordinate with various departments during the audit
5. Reporting of all audit observations to the Audit Management Committee/audit committee.
6. Escalate and present the audit observations to management / audit committee / Board

IDENTIFYING A FIRM / PERSONNEL TO BE APPOINTED AS AN AUDITOR

The proposed audit firm shall satisfy the statutory eligibility requirement under the Act and the RBI guidelines. The criteria are indicated below which are to be considered for shortlisting purpose are listed below:

1. Qualification /Skill set - The Audit Firm/Personnel should possess pre-defined skill set, knowledge of technical subject matter and the suitable Qualification required for conducting a specific audit assignment. It is recommended that the Audit personnel having a detailed understanding and knowledge of the scope/area of audit with a general understanding of accounting principles should be given preference for any audit assignment.
2. Independence – The Audit Firm/Personnel should be independent in both attitude and appearance. The Audit Firm/Personnel should be independent of the areas or activity being reviewed to permit objective completion of the audit assignment.
3. Relevant experience and track record - The Audit Firm/Personnel should possess experience of performing the concerned audit work for an organization similar to that of the Company in both, type and size. Experience of working on audit assignments covering common aspects of the Company’s operations requiring specialized expertise (BFSI experience) can be a factor to shortlist a potential audit firm/personnel.
4. References - References from prior or current clients that are similar to the Company should be taken on record.
5. Due professional care – The Audit Firm/Personnel should demonstrate capability of exercising due professional care, including observance of applicable professional auditing standards, in conducting the audit assignments.
6. Competence- The Auditor should be professionally competent, having the skills and knowledge to conduct the audit assignment and should maintain professional competence through appropriate professional education and training.
7. Audit Effort - The Audit Firm/Personnel should demonstrate appropriately that their key personnel shall be identified for the proposal and will be adequately involved and accessible throughout the performance of the audit assignment.
8. The Audit Management Committee may call for the auditor’s latest peer review report and letter of response.

Rating the Proposals

The review of an auditor’s proposal should be thorough, uniform, and well documented.

Technical evaluation - The Audit Management Committee should review the information contained in the proposals as submitted listing the strengths and weaknesses for the technical requirements and ensuring that the proposal meets statutory eligibility requirements.

Remuneration - After the technical evaluation is complete, the Audit Management Committee should review the prices offered by the proposers. Evaluate the best technical proposals alongside the price.

Oral Interviews - The Audit Management Committee may interview proposed audit firms to obtain additional explanation regarding their proposals or to learn more about them prior to making recommendation to Audit Committee / Board.

The Audit Management Committee shall provide recommendation of Audit Proposal(s) for consideration of the Audit Committee.

AUDIT MONITORING

The primary responsibility for performing a quality audit rests with the auditor. The Audit monitoring and monitoring the work being performed helps ensure a timely and quality audit. Active monitoring helps ensure the working relationship with the auditor is enhanced and the problems, if any are detected and resolved early such that there are no surprises at the conclusion of the meeting.

1. Audit Management Committee shall ensure audit monitoring through regular progress reports and regularly scheduled meetings with the Personnel in-charge of the Auditee Department and the Audit Managers.
2. The Audit Management committee may delegate the authority to monitor to identified personnel of the Company having requisite experience and knowledge to monitor audit quality and progress.
3. The Audit Management committee shall provide feedback to the Audit Committee on the auditor performance regularly.

Change/Termination

The Audit Management Committee upon a finding that the Auditor has failed in any material respect to perform its obligations, it may recommend the removal of the Auditor to the Audit Committee.

The Audit Management Committee where authorized to appoint the Auditors for special purpose or special audits or any other non-statutory Audits shall be empowered to remove such auditors. The Audit Management Committee shall necessarily record the reasons for removal.

AUDIT PLAN AND PROCESS

An audit plan should cover an outline of the Scope of Audit along with the broad procedures for conducting the audit. The objective is to draw a framework for conducting an effective and efficient audit. The Audit plan should be aligned with the assurances that the Board of Directors / Audit Committee / Management seek as a result of the Audit Engagement.

The Audit Management Committee shall draw an Annual Audit plan comprising of all the Audits to be conducted during the subsequent financial year covering management preferences and risk priorities. The approval of the Board/ Audit Committee of the Board shall be sought on Audit Plan annually/before the commencement of the financial year.

Audit process shall comprise of onsite compliance audit / transaction audit / offsite monitoring for compliance systems.

ROLES AND RESPONSIBILITIES

Auditor

The Auditor shall drive the audit assignment as per the scope of services or the audit plan approved by the Audit Committee/Audit Management Committee. The Auditor shall ensure to

1. Plan and develop testing methodologies to evaluate the adequacy of controls
2. Draw a basic framework to allocate the audit resources to be followed throughout the audit and allocate the manpower in accordance with skills and schedules

3. Maintain effective communication throughout the audit process
4. Gather sufficient and appropriate audit evidence
5. Document the results of the evaluations
6. Develop recommendations and reports based on audits

Management

Management shall ensure to provide requisite support to the Auditors by providing necessary access to quality and complete data.

Management must maintain effective communication throughout the audit process and ensure that the Audit Process is understood and respected at all levels within the Company by clearly defining and communicating the team roles.

The responsibilities should be delegated to the members involved in supporting the audit and have a schedule to support timely responses to the auditors' requests.

An appropriate and timely action in response to reported observations being the crux of the Audit management must act on the observations and recommendations under the Audit Reports.

POLICY REVIEW

The Policy shall be reviewed periodically in accordance with review of internal control and check as well as changes or any regulatory requirements from time to time.

In the events of inconsistency of this Policy with any legal provisions, the provisions of the law shall override this Policy.

Annexure I

Guidelines for the Appointment of Statutory Auditors

The Audit Committee shall decide on the appointment of the Statutory Auditors in terms of the Reserve Bank of India Guidelines for Appointment of Statutory Auditors RBI/2021-22/25 Ref.No.DoS.CO.ARG/SEC.01/08.91.001/2021-22 (**RBI Directions**).

Eligibility Criteria of Statutory Auditors

In the selection of the Statutory Auditors the Company shall adhere to the minimum eligibility criteria provided under the RBI Directions as amended from time to time and as per the applicable provisions of the Companies Act, 2013 and other applicable statutes.

Number of Statutory Auditors

The Audit Committee shall take into account 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 for deciding on the appointment of number of Audit Firms.

Minimum of one Audit Firm (Partnership firm/LLPs) shall be appointed for conducting statutory audit. In the event the Audit Committee decides to appoint more than one Audit Firm (Joint Auditors) it shall be ensured that joint auditors do not have any common partners and they are not under the same network of audit firms. The work allocation amongst the Joint Auditors shall be decided before the commencement of the statutory audit in consultation with the Statutory Auditors.

For Entities with asset size of ₹15,000 crore and above as at the end of previous year, the statutory audit should be conducted under joint audit of a more than one audit firms [Partnership firms/Limited Liability Partnerships (LLPs)] as per the RBI Directions.

Statutory Auditor Appointment Procedure

As per the asset size of the Company, a minimum of one audit firm shall be appointed for conducting the Statutory Audit.

The Company shall shortlist minimum of 2 audit firms for every vacancy of Statutory Auditor 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 Auditor does not get delayed.

The Company shall obtain a certificate along with the relevant information as per the format prescribed (Form B) under RBI Directions from the Audit Firms proposed to be appointed as the Statutory Auditor to the effect that the audit firm complies with all the eligibility norms prescribed by RBI under RBI Directions. Such certificate should be signed by the main partner/s of the Audit Firm proposed for appointment of the Statutory Auditor under the seal of the said Audit Firm.

The appointment of Statutory Auditors shall further be governed by the Companies Act, 2013. Upon the appointment of the Statutory Auditor, the Company shall inform RBI about the appointment of Statutory Auditor for each year by way of a certificate in the format prescribed under RBI Directions (Form A) within one month of such appointment to the concerned central office/regional office of RBI, the Department of Supervision under whose jurisdiction the head office of the Company is located.

Independence of Statutory Auditors

The Audit Committee 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 in this regard may be flagged by the Audit Committee to the Board of Directors and concerned Regional Office (RO) of RBI.

The Audit Committee 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 to RBI within two months from completion of the annual audit. Such reports should be sent with the approval/recommendation of the Audit Committee, with the full details of the audit firm.

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

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 Statutory shall approach the Audit Committee, under intimation to the concerned RO of RBI.

Concurrent auditors should not be considered for appointment as Statutory Auditors. 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.

The time gap between any non-audit works (services mentioned at Section 144 of the Companies Act, 2013, Internal assignments, special assignments, etc.) by the Statutory Auditors or any audit/non-audit works for its group entities should be at least one year, before or after its appointment as Statutory Auditor. However, during the tenure, Audit firm may provide such services to the concerned Entities which may not normally result in a conflict of interest with the approval of the Audit Committee. 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.

The restrictions as detailed in above, shall apply to an Audit Firm under the same network of audit firms or any other audit firm having common partners.

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.

Tenure and Rotation

In order to protect the independence of the auditors/audit firms, the Statutory Auditors shall be appointed for a continuous period of three years, subject to the firms satisfying the eligibility norms each year. The Company can remove the audit firms before completion of three years tenure and inform concerned

Regional office, Reserve Bank of India along with reasons/justification for the same, within a month of such a decision being taken.

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.

Audit Fees and Expenses

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

The Audit Committee shall make recommendation to the competent authority as per the relevant statutory/regulatory instructions for fixing audit fees of Statutory Auditors.

REVIEW

The guidelines shall be reviewed periodically in accordance with review of internal control and check as well as changes or any regulatory requirements from time to time.

In the events of inconsistency of this Policy with any legal provisions, the provisions of the law shall override this Policy.