

IKF HOME FINANCE LIMITED AUDIT POLICY

Audit Policy defines account limits for a set of users of one or more resources. It comprises rules that define the limits of a policy and workflows to process violations after they occur. Audit scans use the criteria defined in an audit policy to evaluate whether violations have occurred in your organization.

The purpose of the 'Audit Policy' is to set out the framework for appointment of Statutory Auditors' of the Company and framework within which Internal/Statutory Audit provides objective and independent assurance and advice to the Company's Audit Committee, and to the Board of Directors, over the processes and systems of internal control and risk management operating in the Company.

This policy will be reviewed at least annually, and any material changes will be independently considered and approved by the Board/Audit Committee.

Application and Scope of Audit Policy

The scope and objectives for every audit will be determined through discussion with the Management/department's management and a department specific risk assessment. However, the scope of the 'audit policy' will cover all aspects of the IKFHF and its activities so as to enable it to meet its primary objective. This includes, but is not limited to, the assessment of systems, processes, controls, information, and operations relating to the following-

- Review activity for most recent 12-months period
- Business units and entities that form part of the Company and any other related interests
- IT systems and services
- Risk management and assessment
- Finance and accounting
- Compliance and regulatory operations and oversight
- Corporate governance
- Company's planning and strategy, including resource planning, product development, sale and marketing and management etc.
- Human resources
- Management information
- Third party relationships
- Ethics related objectives, programs and activities, and risk and control culture
- Other functions that support the operation and infrastructure of IKFHF including regulatory-related models and frameworks.

Inherent within Audit's approach will be the consideration of significant errors, fraud, non-compliance, culture, and other exposures when developing the business objectives and strategies.

The scope of Audit's activities (internal and statutory) will extend to all legal entities and business units forming part of IKFHF. Internal/Statutory Audit may support Executive Management by performing advisory services related to governance, risk management and control, as appropriate. It may also evaluate specific operations at the request of the Board or Audit Committee, as appropriate. In conducting any such advisory activity, Audit may be mindful not to impact objectivity and independence of any subsequent Internal Audit work, by ensuring appropriate safeguards are in place for this work. The scope of such advisory work may include the investigation of any perceived or actual significant risk or irregularity or undertaking internal/statutory audit activities of emerging and current corporate events (for example, an acquisition or divestment, or a significant regulatory or legislative change). The role and extent of Audit's involvement in such events will generally be determined as part of the audit planning process or on an ad hoc basis, wherever required.

The scope of the 'audit policy' for internal and statutory audit does not extend to the following:

- carrying out any operational duties for the IKFHF, other than those required for Internal/Statutory Audit's own operation or in specific circumstances where it may be expedient for Internal/statutory Audit to do so; and
- exercising executive or managerial authority or functions, except where they relate to the Internal/Statutory Audit function itself.

Responsibility of the Auditors

Internal/Statutory Audit will be responsible for the development of an audit plan ('the plan'), with a corresponding budget. The plan typically should detail proposed audits over the next 12 months. Internal Audit will review the plan regularly and advises IKFHF's Audit Committee of any material alterations to it.

The audit plan may be developed using a risk-based approach, including input from the Management, and should be shared with Management. In setting its plan scope, Internal/ statutory Audit will take into account business strategy and forms an independent view of whether the key risks to IKFHF have been identified, including emerging, critical, and systemic risks, and assessing how effectively these risks are being managed. In setting its priorities and deciding where to carry out more detailed work, Audit will focus on the areas where it considers risk to be higher. It will also make a risk-based decision as to which areas within its scope are included in the plan; and may not necessarily cover all of the potential scope areas every year.

Any impact of resource limitations and significant interim changes should be communicated promptly to Audit Committee/Board of IKFHF.

Statutory Auditor will review the functioning of Internal Audit Process

Scope and Objective of Internal Audit

Coverage of Concurrent Audit:

- Adherence of Policy norms
- App form & KYC verification
- Loan Eligibility & approvals as per process
- Legal Flow & Technical report evaluation
- Original Property Documents verification
- OMNI Data Quality Check - Underwriting norms
- KYC of all the Borrowers & Guarantors to be verified
- Credit Reports like CPV, FCU, Bureau, Legal & Technical to be verified
- Execution of MODTD in favour of IKFHFL to be verified
- Original documents to be verified
- CERSAI search and updation to be checked
- Insurance bond to be checked (Life / Property & Loan cover)
- Loan agreement booklet with other forms (DPN, Affidavits etc.,)
- Case approval mails & CAM etc.,
- Customer critical information needs to be verified (KYC Details, Loan ratios, Property details, Approved MAP, Customer category, Deviations etc.,)

Profile Funding Audit / Vendor BT cases

- Property visits to be done in case of Home Loan – Purchase Resale transactions
- If property is occupied by vendor, need to check proper rental agreement executed in between borrower and vendor.
- Existing repayment behavior need to check and same needs to be updated.
- If any abnormal transactions observed, needs to be reported immediately

Profile Check for ED Cases (MOB up to 6 months)

- Early Delinquent cases needs to be verified (Both File & customer's place)
- 2nd Valuation needs to be initiated for ED cases if it is reached to 30+
- Sourcing / underwriting norms to be verified thoroughly

Random Visits / Checks

- Random visits to be done for loan amount above Rs.30 Lacs cases or DPD above 60+
- Valuations need to initiate other than existing valuation report valuer for critical cases like 60+ Accounts
- Feedback calls to be done for all disbursed case immediate next month of disbursement (Need to check about cash transactions / bribe / process dilution etc.,)

OTC / PDD Checks

- OTC / PDD list needs to be checked if it is more than 30 days in the system
- Disbursed cheques not realized / issued if it is crossing more than 30 days from the date of disbursement.
- Loan cancellation status needs to be verified after cancellation of disbursement cheque.
- Pending MODTD list to be verified and if any branch case is not executed, needs to be informed higher authorities immediately.
- OTC / PDD list should be verified in OMNI if any adversity found in case of updating / misleading / non capturing needs to be highlighted.

Application Audit / Data Quality check

- DA, NHB or Term Loan tagging should be verified against the actual data
- Customer critical information check

Branch Audit

- Spoke branches to be visited once in every six months
- Hub Branches to be visited once in every three months
- All branch records need to be verified
- Original documents register / Vault / customer visits etc., need to be verified
- Notice board should be up to date (List will be circulated)
- Collections receipts / Cash management
- Customer compliant / feedback details should be verified
- Compliance norms should be verified

Authority and Access of Records of IKFHF

In carrying out its duties and responsibilities, Auditors (Internal/Statutory) will be entitled to:

- full and unrestricted access to all of the IKFHF's activities, records, property, and other information
- full and free access to the Board/Audit Committee/other committees of IKFHF
- allocate and apply resources, scope of work and audit techniques, set frequencies and select appropriate subjects to meet its objectives
- the assistance of staff across IKFHF where necessary to fulfil its objectives.

Confidentiality

In fulfilling its objectives, Audit (internal and statutory) will handle and safeguard all confidential information of IKFHF with which they come into contact in the same prudent manner as those members of staff who would normally be accountable for them.

Independence and Objectivity

In order to ensure unbiased judgements and impartial advice to the Audit Committee and to management, Audit (internal and statutory) will be independent of the activities that it audits. In order to ensure this independence and objectivity, 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 the independence of statutory auditors' shall be flagged by Audit Committee to the Board of the Company and RBI. Further, where Audit (internal or statutory) is unable to provide independent and objective assurance in a particular circumstance, a third party or parties with the requisite expertise will be engaged by IKFHF, if deemed fit. In order to fulfil its responsibilities efficiently and effectively, Audit may also co-operate with other functions or assurance providers within the Company. Where such co-operation takes place, the work will be planned and carried out in such a way as to ensure that the independence and objectivity of Audit remain safeguarded.

Professional Standards

The work of Audit (internal and statutory) will adhere to the mandatory guidance including the Code



of Ethics and the Standards for the Professional Practice of Auditing.

Appointment of Auditors

The Audit Committee of Board of IKFHF is empowered to performance evaluation, appointment, or remove Internal and Statutory Auditors and reviews their annual remuneration each year.

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 by the Company to the RBI within 2 months from completion of the annual audit.

Framework for appointment of Statutory Auditors'

Audit Committee/Board of Directors of IKF shall appoint such number of statutory auditors after taking into consideration 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. Company, before appointing/re-appointing statutory auditors, shall obtain from proposed statutory auditors:

- (i) a written consent from proposed auditors to such proposed appointment/re-appointment and
- (ii) a certificate from them that the appointment/re-appointment, if made shall be in accordance with the conditions as may be prescribed under the Companies Act, 2013 and shall satisfy the criteria as provided under section 141 of the Companies Act, 2013 and
- (iii) a certificate in prescribed form "B" declaring that firm complies with all eligibility norms prescribed by RBI regarding appointment of statutory auditors

The Company while appointing statutory auditors, shall shortlist minimum of 2 audit firms for every vacancy of statutory auditors 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 auditors does not get delayed

While appointing any firm as statutory auditors, the time gap between any non-audit works (services mentioned at Section 144 of Companies Act, 2013, Internal assignments, special assignments, etc.) rendered by such firm for IKFHF should be at least one year, before or after its appointment as statutory auditors. However, during the tenure as statutory auditors, an audit firm may provide such services to the IKFHF which may not normally result in a conflict of interest, and IKFHF may take its own decision in this regard, in consultation with the Board or Audit Committee of Board.

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 auditors in compliance with statutory or regulatory requirements.
- (iv) Reporting on financial information or segments thereof

Tenure of Appointment

The Company shall appoint the statutory auditors for a continuous period of 3 years, subject to the audit firm satisfying the eligibility norms each year.

If the Company remove the statutory auditors before completion of 3 years tenure, then the Company shall inform RBI about it, along with reasons/justification for such removal, within 1 month of such a decision being taken.

Company shall not appoint same audit firm for six years after the completion of full or part of one term of audit tenure of the firm.

Intimation of Appointment of Statutory Auditor

Within one month of appointment/re-appointment of statutory auditors by the Company, intimation about such appointment/re-appointment shall be given to RBI in the form prescribed by RBI.