



RAR FINCARE LIMITED

Internal Audit Policy

Approved by the Board in its meeting held on June 26, 2024



Contents

- Objective & Scope 2
- Objectives 2
- Scope of Audit 2
- Audit Checklist 3
- Audit Frequency 3
- Audit Reporting 3
- Sampling for Audit 4
- Code of Ethics 4
- Review of the Audit Policy 4

Internal Audit Policy

Objective & Scope

Although internal to the organization, internal auditing is an important tool for providing relatively independent view to the management, with objective assurance and designed to add value so as to bring about improvement in the organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

This document covers processes to be followed by RAR Fincare for internal audit purposes. Being a young NBFC with high aspirations, agile attitude and at the same time conforming to internal national best practices, it is appropriate for RAR Fincare to have an audit policy in place even though there are no RBI regulations mandating the same. This policy has been approved by the Audit Committee of the company and any changes to this policy has to go through the Committee's approval.

The internal audit department shall be adequately staffed with competent auditors. The auditors will be either employees on the rolls of the company either on normal / contract employment or outsourced to professionals whenever needed.

Objectives

All internal auditors should be and appear to be independent and objective in providing audit services.

Main objectives behind internal auditing are: -

- Identify deficiencies in the internal control system and suggest ways to fill such gaps
- Ensure compliance with respect to RAR Fincare's internal policies
- Ensure compliance with respect to RBI regulations
- Ensure that quality of RAR Fincare's assets are of acceptable standards
- Identify any deficiencies in RAR Fincare's processes, procedures and functions and advise the Company's top management in this regard

Scope of Audit

All present and future functions / activities of RAR Fincare would come under the purview of auditors. They shall have full and complete access to all information, programs, database and records relevant to the performance of an audit. Also, audit may be planned with or without prior intimation to the auditee unit.

Scope of audit may include: -

- Checking compliance with internal policies & plans and laws & regulations
- Assessing the reliability and accuracy of financial and operating information
- Verifying the measures for safeguarding assets and checking quality of assets
- Appraising the efficiency and effectiveness with which resources are deployed
- Monitoring the effectiveness company's operational risk management processes
- Checking all internal control systems to ascertain whether they are functioning as envisaged
- Audit specific programs / process/ functions when requested by RAR Fincare's management / audit management committee
- Investigating and reporting violations to policies & procedures / frauds / errors / misuse of company's assets
- Performing assessment when red flags are being raised

Also, when requested, auditors should provide advice and assistance to management by:

- Serving as a consulting resource while reviewing policies / processes / financial & administrative systems / organizational structures / administrative activities
- Serving as a consulting resource for the development of control procedures

Audit Checklist

Attached below is a list of checks that need to be performed during auditing. This list needs to be updated time to time based on the feedback from audit team.



Internal Audit Check
Points.xlsx

Audit Frequency

Frequency of an auditing a function can be determined based on the perception associated with that function. That being said, all processes in the company must be audited at least once in each quarter by internal auditors and once in each year by external auditors.

Audit Reporting

- After finalizing each audit, the auditor shall furnish a report
- The report should contain proper documentation on the basis of which he / she reached his / her conclusions
- This report should lay down a timeline by which all identified irregularities should be rectified
- For non-rectifiable irregularities, appropriate action be taken after consulting with RAR Fincare management or permission for maintaining status quo obtained from appropriate authority

- Audit findings need to be reported to the senior management. Any important points shall be reported to the Audit Management Committee of the Board
- The release of audit report to any employees shall be at the discretion of audit department

Auditors should check if all complaints are appropriately registered, handled and resolved, adherence to TAT, degree of satisfaction with the resolution provided as reported by customers and flag the lapses.

Sampling for Audit

- Auditing can be done on a sample when 100% verification is not warranted based on the risk perception. Samples should be selected in such a way that it is representative of the entire population.
- When choosing a sample, the auditor must be aware of the objective behind auditing, the population from where samples are taken and the sample size.
- Auditors shall evaluate sample results so as to provide sufficient and appropriate audit evidence to meet the objectives of the audit engagement.

Code of Ethics

The internal audit staff members are responsible for conducting themselves so that their integrity, objectivity, confidentiality and competency are not open to question. Internal auditors shall: -

- Possess the educational background, qualifications and competencies commensurate with their level of responsibility with providing assurance and consulting services to the company
- Exercise objectivity and diligence in the performance of their duties and responsibilities
- Exhibit loyalty in all matters pertaining to the affairs of the company and not be a party to illegal or improper activity
- Refrain from entering into any activity which may be in conflict with the interest of the company or which would prejudice their ability to objectively carry out their duties
- Be prudent in the use of information acquired in the course of their duties and not use confidential information for any personal gain or in a manner that knowingly would be detrimental to the interest of the company
- Use reasonable care to obtain sufficient factual evidence to support the conclusions drawn
- Reveal such material facts known to them which, if not revealed, could distort the reported results of the audit
- Continue to strive for improvement in the proficiency and effectiveness of their service

Review of the Audit Policy

The internal audit policy shall be reviewed once in three years. The audit committee is responsible for the review and modification of the internal audit policy.