



# CAPITALINDIA

## Home Loans

### AUDIT POLICY

<b>Version</b>	2.0
<b>Owned By</b>	Finance Department
<b>Approved By</b>	Board of Directors
<b>Effective From</b>	February 05, 2025

➤ **Objective:**

Primary objective of this document is:

- To ensure that Statutory Audit and Internal Audit is conducted effectively and completed within stipulated timelines.
- Accountability and responsibilities of persons responsible for assisting audit completion is accurately defined.
- Lay down the procedures pertaining to Audit Conduct.
- Define the way in which activities are to be performed to facilitate consistent conformity to requirement of statutory regulations including guidelines and circulars issued by National Housing Bank ("NHB").

➤ **Key Process Owners**

S.no.	Key Process Owners
1.	Chief Executive officer ("CEO")
2.	Chief Finance Office ("CFO") & Finance Controller ("FC")
3.	Chief Risk Officer ("CRO")
4.	Chief Business Officer ("CBO")
5.	Head Operations & Service
6.	Company Secretary ("CS")
7.	Head - Human Resource ("HR")
8.	Head - Information technology ("IT")

➤ **Extent of Coverage**

The coverage to this document is limited to the following aspects:

1. Statutory Audit
2. Internal Audit

**1) STATUTORY AUDIT**

- ✓ **Selection and Appointment of Auditors:** Statutory Auditor shall be appointed as per the procedures prescribed under the Companies Act, 2013 and by NHB, if any. In addition to these, the Company shall make best effort to appoint statutory auditor from the reputed list of Firm of Chartered Accountants, preferably from the Top 10 CA firms in India. The said firm should have the experience of conducting statutory audits of Housing Finance Companies ("HFCs") and Non-Banking Financial Companies ("NBFCs").

✓ **Frequency**

No.	Process
1.	Quarterly Limited review (i.e., quarter ended June, September and December)
2.	Statutory Audit for the Financial Year (April to March)

- ✓ **Scope:** Scope of the Statutory Auditor shall be governed as per the requirements of the Companies Act, 2013 and NHB, as applicable.

✓ Process:

#### A. Initiation

No.	Process
1.	Finance & Accounts Department is responsible to ensure: - <ul style="list-style-type: none"><li>- Maintaining proper book of accounts</li><li>- Accurate Accounting</li><li>- Providing Final Trial Balance and Draft Financial Statements / Information to auditors</li><li>- Maintenance of records for Statutory and regulatory compliance.</li><li>- Co-ordination with other departments for smooth functioning of audits.</li></ul>

#### B. Approvals / Review / Reporting

No.	Process
1.	Draft financial statements / information to be verified by Finance Controller / CFO
2.	Submission of Draft financial statements / information along with other details as requested by Statutory Auditors for performing limited review / audit.
2.	Finance Controller / CFO shall put the financial statements / information before management.
3.	Management will put the draft financial statements / information before Audit committee for review and thereafter to Board for approvals.
4.	The said financial statements / information to be executed as authorized by the Board.
5.	Executed financial statements / information along with the Auditors report may be submitted to regulators and other stakeholders.

#### C. Key Inputs and Outputs

Input	Output
<ul style="list-style-type: none"><li>1. Final trial balance</li><li>2. Draft financial statements / information</li><li>3. Statutory records</li><li>4. Accounting vouchers</li><li>5. Recon and registers</li><li>6. Loan files &amp; security documents</li><li>7. Credit &amp; all related Policies</li><li>8. Loan accounting reports from system</li><li>9. Vendor agreements</li><li>10. Minutes of Board &amp; other committee meetings</li><li>11. IT &amp; other assets register</li></ul>	<ul style="list-style-type: none"><li>1. Audited financial statements / information</li><li>2. Auditor's report</li><li>3. Director's report</li></ul>

#### D. Activity & Responsibility

Activity	Person / Department Responsible
Maintaining proper book of accounts and records	Finance Controller
Final Trial Balance & Draft financial statements / information	Finance Controller
Policy review, Loan Files, Collateral Files, Credit Underwriting, Vendor agreements	CRO & Head Operations & Service
Employees related data	Head – HR
Secretarial and other regulatory related data	CS
IT policies & system audit	Head - IT

## E. Key Documents & Key Reports

No.	Requirement Details
1.	Invoices / Vouchers
2.	Tally / Omnifin Back ups
3.	Fixed assets register
4.	Bank reconciliation statements
5.	Balance confirmation
6.	Specific ledger recon, if any
7.	Borrowings & other treasury related documents
8.	Statutory registers and reconciliations, if any
9.	Returns and reports submitted to Regulator / Statutory Authorities
10.	Secretarial records / ROC forms / Minutes etc.
11.	Trial Balance & Draft Financial Statements / Information
12.	Loan files & property documents
13.	Credit policy & other policy documents

### ✓ Reporting:

- 1) Auditor's report shall be addressed to the Shareholder for Annual financial statements and to the Board of Directors for the quarterly interim financial information.
- 2) Statutory auditors shall give presentation to Audit Committee on a quarterly basis about the audit status, findings, if any.

### ✓ Rotation: Rotation of Statutory auditors shall be governed as per the provisions given under Companies Act, 2013 and by NHB.

## 2) INTERNAL AUDIT

### ✓ Selection and Appointment of Auditors: Internal Audit Head shall be appointed as per the procedures prescribed under the Companies Act, 2013 and by NHB under "Directions on managing risks and code of conduct in outsourcing of financial services by NBFCs". The Internal Audit Head along with the support staff, if any shall present the draft Audit Report to the Management. If required, the Internal Audit Head can take help of external consultant or audit firm to assist in the audit process.

### ✓ Frequency

Sr. No.	Area	Frequency
1	Funding Operations	Quarterly
2	Compliance Review	Half Yearly
3	Accounting Operations	Half Yearly
4	Human Resources	Annual
5	Information technology (as per NHB circular)	Annual
6	RCM testing	Annual

✓ Scope

Sr. No.	Scope of work
A.	<p><b>OPERATIONS</b></p> <p><b>Credit risk evaluation Framework</b></p> <ul style="list-style-type: none"> <li>◆ Review of documented Credit Risk framework and adherence to the defined framework</li> <li>◆ Credit checks such as CIBIL, World Check, Financials, etc.</li> <li>◆ Credit Committee evaluation and approval process</li> <li>◆ Ongoing monitoring of the robustness of credit history of the borrowers</li> </ul> <p><b>Asset Monitoring Process</b></p> <ul style="list-style-type: none"> <li>◆ Compliances to Conditions subsequent</li> <li>◆ Interest and Principal collection and default monitoring</li> <li>◆ Recovery of loans</li> <li>◆ Ongoing process of valuation of the collaterals</li> <li>◆ Ongoing cash cover maintained for outstanding loans</li> <li>◆ Asset monitoring process including site visits and escrow monitoring</li> <li>◆ Review of the Early warning signal process for identifying stressed accounts</li> </ul> <p><b>Operations Audit</b></p> <ul style="list-style-type: none"> <li>◆ Loan processing including KYC documentation of borrowers</li> <li>◆ Adequacy of documentation of loan files including loan agreements, collateral documentation, legal, due diligences, etc.</li> <li>◆ Verification that local legal filings have been completed (NHB, CERSAI, CRILC, charge registration)</li> <li>◆ Compliances to Conditions precedent to the loan</li> <li>◆ Closure of loans</li> <li>◆ Review of policies and procedures defined</li> </ul>
B.	<p><b>ACCOUNTS &amp; FINANCE</b></p> <ul style="list-style-type: none"> <li>◆ Review of expenses accounted, (Bank payment and Cash payment)</li> <li>◆ Borrowings</li> <li>◆ Review of property investments</li> <li>◆ Review of Advances</li> <li>◆ Review of Income</li> <li>◆ Review of Bank Reconciliation</li> <li>◆ Review of Fixed Assets</li> <li>◆ Physical verification of cash</li> <li>◆ Review of the process of NPA classification in accordance with NHB requirement and requisite provisioning.</li> <li>◆ Review of Investment transactions done through broker as per the RBI/NHB guidelines.</li> </ul>
	<ul style="list-style-type: none"> <li>◆ Receivables management</li> <li>◆ System controls relating to creation of account codes, access matrix, password parameters, master maintenance, etc.</li> <li>◆ Review of policies &amp; procedures w.r.t payment/expenses &amp; JV authorisation, periodic reporting template and segregation of duties &amp; responsibility.</li> </ul>

Sr. No.	Scope of work
C	<b>SELECTED COMPLIANCES</b> <ul style="list-style-type: none"> <li>◆ Companies Act, 2013</li> <li>◆ TDS - deductions, workings, payments, return filings.</li> <li>◆ GST - workings, payments, cenvat credit, return filings.</li> <li>◆ Profession Tax - payment and returns</li> <li>◆ Provident Fund - payment and returns</li> <li>◆ Stamp Duty payments</li> </ul>
D	<b>HUMAN RESOURCE</b> <ul style="list-style-type: none"> <li>◆ Review of compliance with HR policies</li> <li>◆ Recruitment related processes</li> <li>◆ Employee Insurance</li> <li>◆ Review of employee records</li> <li>◆ Review of payroll process</li> <li>◆ Full and Final (F&amp;F) settlement process</li> <li>◆ Process of monitoring the work of outsourced employees.</li> </ul>
E	<b>INFORMATION SECURITY AND INFORMATION TECHNOLOGY</b> <ul style="list-style-type: none"> <li>◆ Adherence to the NHB Circular on Information Technology Framework</li> </ul>
F	<b>RISK CONTROL MATRIX</b> <ul style="list-style-type: none"> <li>◆ Updating and testing</li> </ul>

✓ Process:

#### A. Approvals/Review/Reporting

No.	Process
1.	Submission of data request made by Internal Auditor for performing internal audit.
2.	Draft audit report to be vetted by respective departments head
3.	Draft audit report to be to be put for management discussion & finalization
4.	Management will put the draft report before Audit Committee / Board for discussion for review and their record.
3.	The said internal report may be submitted to regulators and other stakeholders, if required.

#### B. Key Inputs and Outputs

Input	Output
1. Final trial balance 2. Draft financial statements / information 3. Statutory records 4. Accounting vouchers 5. Recon and registers 6. Loan files & security documents 7. Credit & all related Policies 8. Loan accounting reports from system 9. Vendor agreements 10. Minutes of Board & other committee meetings 11. IT & other assets register	1. Internal Audit Report

### C. Activity & Responsibility

Activity	Person / Department Responsible
Maintaining proper book of accounts and records	Finance Controller
Final Trial Balance & Draft financial statements / information	Finance Controller
Policy review, Loan Files, Collateral Files, Credit Underwriting, Vendor agreements	CRO & Head Operations & Service
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### D. Key Documents & Key Reports

No.	Requirement Details
1.	Invoices / Vouchers
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4.	Bank reconciliation statements
5.	Balance confirmation
6.	Specific ledger reconciliation, if any
7.	Borrowings & other treasury related documents
8.	Statutory registers and reconciliations, if any
9.	Returns and Reports submitted to Regulator / Statutory Authorities
10.	Secretarial Registers / ROC forms / Minutes etc.
11.	Trial Balance & Draft Financial Statements / Information
12.	Loan files & property documents
13.	Credit policy & other policy documents

#### ✓ Reporting:

- 1) Internal Auditor's report shall be addressed to the Board of Directors.
- 2) Internal auditors shall give presentation to Audit Committee on a quarterly basis about the audit status, findings, if any.

#### ✓ Rotation: Rotation of the internal auditors shall be governed as per the provisions given under Companies Act, 2013 and by NHB, if any.