

## **INTERNAL AUDIT POLICY**

As all financial institutions granting loans to customers out of the fund invested by the public/ private people and loans granted by from other financial institutions, KLM Axiva Finvest limited is also required to ensure the quality of assets at its branches as well as the adherence of various norms, rules and procedures issued by the controllers/company to protect the interests of the investors, customers and the Company itself. To monitor the various audit activities at the branch level, an Audit and Inspection department has been formed at the corporate office and the audit staffs attached to this department posted at different regions visit branches/offices to conduct audit as per the norms. In addition, Officials from corporate office are also making surprise visits to branches to ensure the compliance of systems and procedures and instructions issued by controllers at the branch level.

### **Scope and Objective**

Internal Audit & Inspection is a systematic examination of all financial transactions/operations on a continuous basis to ensure accuracy, authenticity and due compliance with the internal systems, procedures and guidelines of the organization issued from time to time. The Main role of the internal audit is to supplement the efforts of the organization in carrying out simultaneous verification of transactions, detecting irregularities contemporaneously and getting them rectified at the earliest opportunity. The success of the system depends largely on timely detection and early rectification of irregularities thereby ensuring an efficient and effective internal control system at all operating units.

### **Different types of Audits**

1. Quarterly Audit and Inspection
2. Gold Verification Audit
3. Surprise Audit
4. Specific Purpose Audit

### **Quarterly audit and inspection**

All branches of KLM Axiva Finvest Limited are subjected to quarterly audit and inspection once in every three months. All transactions came through the various accounts in trial balance of the branch are checked. In addition, verification documents of loans, kyc etc. are also checked by the auditors. Variations if any are noted and given to the Branch



head for rectification before the completion of audit and the uncertified irregularities are reported to corporate office. Branches are required to submit the 1<sup>st</sup> reply regarding the status of uncertified irregularities within 15 days from the date of completion of audit to corporate office and the final rectification certificate (FRC) within 30 days.

Before the commencement of audit, counting of gold packets is done to tally the number of packets with the number of packets outstanding as per the system. Similarly tare weight of all the outstanding packets is also done.

On getting the audit report, audit department, at Head office will send a mail to the Branch advising for the rectification of irregularities within the time frame and on getting the first reply and final rectification certificate, close the audit report in the system.

### **Gold verification Audit**

Gold verification is the checking the quality and quantity of gold ornaments pledged against which the loan is granted. It is conducted at Branches at least once in a month and the number of audit increases according to the increase in gold loan outstanding as under.

Branch GL Outstanding	Periodicity (Minimum in a month)
Up to Rs. 1.00 Cr.	Once
1.00 Cr to 5.00 Cr.	Twice
5.00 Cr.to 10 Cr.	Thrice
Above 10.00 Cr.	Four

Before the commencement of gold verification, counting of gold packets is done to tally the number of packets with the number of packets outstanding as per the system. Similarly tare weight of all the outstanding packets is also done.

During gold verification audit, In addition to the 100% checking of gold ornaments pledged at the branch since the last audit date, 10% of the audited packets are also checked in random.

Branches are required to rectify the irregularities reported at the earliest and submit the reply within 14 days of completion of audit to the Audit department at Head office. On getting the reply, audit department will close the report after verifying the status of irregularity in the system.



**Surprise audit**

Surprise audit may be carried out by an official from head office or from audit department which normally covers physical cash verification, variations from the laid down procedures, checking of registers, counting of gold packets and security aspects. As the name indicates, there is surprise element and there is no periodicity for such an audit. Reports received are analysed at head office and remedial measures are initiated in needy cases.

**Specific purpose audit**

This audit is situation specific and is arranged by the Corporate Office. An auditor or a team of auditors preferable available in the neighbouring area of branch identified for the purpose will be asked to rush to the branch by the Audit & Inspection Department at Corporate Office who shall carry out limited or detailed audit of the branch as situation demands and also investigate the irregularities identified by the Audit Department and submit a detailed report. Audit department will scrutinise the report and forward it to the higher officials, operations and HR departments with their comments about the actions to be initiated.



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Approved by the Board of Directors on July 07, 2023;

Reviewed by the Board on May 14, 2024.