

**AUDIT POLICY OF
MAANAVEEYA DEVELOPMENT & FINANCE
PRIVATE LIMITED**

Preamble:

Presently there is no statutory or regulatory requirement for NBFCs to have an audit policy. However, Board of Maanaveeya had indicated that the company may formulate an Audit Policy for a more focused approach on audit functions. Accordingly, the Policy has been formulated so as to define Statutory, Secretarial and Internal Audit as an independent and objective activity designed to add value and improve the company's operations.

In today's dynamic regulatory environment, ensuring compliance with statutory, internal, and secretarial audit requirements is essential for maintaining financial transparency, corporate governance, and operational efficiency. Audits serve as a crucial mechanism to evaluate the integrity of financial statements, adherence to legal frameworks, and effectiveness of internal controls.

This policy aims to establish a structured approach for conducting Statutory Audit, Internal Audit, and Secretarial Audit, outlining their applicability, appointment procedures, audit scope, testing methodologies, and reporting requirements. By implementing these audits, the organization ensures compliance with legal mandates, strengthens governance practices, mitigates risks, and fosters stakeholder confidence. The policy provides a clear framework for audit processes, ensuring accountability, accuracy, and reliability in financial and corporate disclosures.

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Statutory auditors' policy:

The Reserve Bank of India (RBI) has established comprehensive guidelines for the appointment and functioning of Statutory Auditors (SAs) in Non-Banking Financial Companies (NBFCs). These guidelines encompass aspects such as applicability, appointment procedures and reporting requirements.

I. Objectives:

The objective of the Statutory Auditors Policy is to establish a framework for the appointment, scope, responsibilities, and reporting of statutory auditors in compliance with the Companies Act, 2013 and other applicable laws. This policy aims to:

- **Ensure Compliance:** Adhere to statutory audit requirements as per legal and regulatory provisions.
- **Financial Accuracy:** Ensure that the company's financial statements provide a true and fair view of its financial position.
- **Enhance Transparency:** Strengthen corporate governance by maintaining accountability and credibility in financial reporting.
- **Audit Independence:** Ensure that statutory auditors function independently and objectively, free from any conflict of interest.
- **Fraud Detection & Risk Mitigation:** Identify potential financial irregularities, fraud risks, and ensure internal controls are effective.
- **Stakeholder Confidence:** Build trust among shareholders, investors, regulators, and other stakeholders by ensuring reliable financial disclosures.

II. Applicability:

The RBI guidelines on the appointment of SAs are applicable to all NBFCs with specific provisions based on asset size:

- **NBFCs with Asset Size of ₹1,000 Crore and Above:** These entities are required to adhere strictly to the RBI's guidelines concerning the appointment of SAs.
- **NBFCs with Asset Size Below ₹1,000 Crore:** While these entities have the option to continue with their existing procedures for appointing auditors, they are encouraged to adopt the RBI's guidelines to enhance audit quality and compliance.

Asset size of Maanaveeya is more than ₹1,000 Crores, hence it is mandatory to adhere strictly to the RBI's guidelines concerning the appointment of SAs.

III. Appointment of Statutory Auditors:

The Board of Directors approves the appointment based on recommendations from the Audit Committee of the Board (ACB) subject to below criteria

The process for appointing SAs involves several key steps:

a. Number of Audit Firms:

- **Asset Size of ₹15,000 Crore and Above:** A minimum of two audit firms must be appointed as joint auditors.
- **Asset Size Below ₹15,000 Crore:** One audit firm should be appointed.

It's essential to ensure that joint auditors do not have common partners and are not part of the same network.

Maanaveeya asset size is below ₹15,000 Crores, one audit firm should be appointed.

b. Eligibility Criteria for Audit Firms:

- **Full-Time Partners (FTPs):** The required number of FTPs varies based on the NBFC's asset size. For instance, NBFCs with assets above ₹15,000 crore require a minimum of 5 FTPs, with at least 4 being Fellow Chartered Accountants (FCAs) associated with the firm for a minimum of three years.
- **Audit Experience:** The firm should have relevant audit experience, particularly as Statutory Central/Branch Auditors in commercial banks, UCBs, NBFCs, or All India Financial Institutions (AIFIs).
- **Professional Staff:** A requisite number of professional staff, including audit and article clerks, should be employed, with specifics depending on the NBFC's asset size.

In case of Maanaveeya, which falls under above ₹ 1,000 crore and Up to ₹15,000 crore, following Eligibility Criteria is applicable.

Particulars	Number
Minimum No. of Full-Time partners (FTPs) associated with the firm for a period of at least three (3) years	3
Out of total FTPs, Minimum No. of Fellow Chartered Accountant (FCA) Partners associated with the firm for a period of at least three (3) years	2
Minimum No. of Full Time Partners/ Paid CAs with CISA/ISA Qualification	1
Minimum No. of years of Audit Experience of the firm	8
Minimum No. of Professional staff	12

c. Independence of Auditors:

- The Audit Committee of the Board (ACB) or the Local Management Committee (LMC) must monitor and assess the independence of the auditors, ensuring there are no conflicts of interest.
- A cooling-off period of at least one year is mandated between any non-audit work by the SAs for the NBFC or its group entities and their appointment as auditors.

d. Tenure and Rotation:

- Auditors are appointed for a continuous period of three years, subject to annual performance reviews.
- After completing their term, a cooling-off period of six years is required before the same auditor or audit firm can be reappointed by the same NBFC.

e. Regulatory Reporting:

NBFCs are required to inform the Regional Office of the RBI about the appointment of SAs annually, within one month of such appointment, using the prescribed format.

IV. Audit Scope and Testing:

The scope and testing of the statutory audit for NBFCs covered under the Companies Act, RBI directions, Auditing standards issued by ICAI.

Some of the critical points are as below.

- **Internal Controls Evaluation:** Reviewing the effectiveness of internal controls over financial reporting and operational processes.
- **Loan Portfolio Examination:** Evaluating the quality of the loan portfolio, including credit appraisal processes, documentation, and recovery mechanisms.
- **Verification of Financial Statements:** Ensuring that the financial statements present a true and fair view of the NBFC's financial position.
- **Regulatory Compliance:** Assessing adherence to RBI regulations, including asset classification, provisioning norms, and other prudential guidelines

V. Reporting Requirements:

- Audit report and financial statements under Section 143 of the Companies Act, 2013
- **Additional Report to the Board:** In addition to the above, auditors must submit a separate report to the Board of Directors highlighting specific areas such as compliance with the RBI's registration requirements, adherence to net owned fund criteria and other defined criteria's.

Secretarial audit policy:

I.Objective:

The objective of the Secretarial Auditors Policy is to establish a structured approach for the appointment, roles, responsibilities, and reporting of secretarial auditors in compliance with the Companies Act, 2013 and other applicable regulations. This policy aims to:

- **Ensure Regulatory Compliance:** Verify adherence to corporate laws, SEBI regulations (in case of listed entities), and other statutory requirements.
- **Strengthen Corporate Governance:** Promote transparency, ethical practices, and accountability in corporate operations.
- **Identify Non-Compliance Risks:** Detect and address gaps in statutory filings, board processes, and regulatory obligations.
- **Enhance Stakeholder Confidence:** Assure shareholders, investors, and regulators that the company is operating within legal frameworks.
- **Improve Internal Controls:** Ensure that the company maintains proper records, board resolutions, and secretarial practices.
- **Facilitate Timely Reporting:** Provide accurate and timely submission of the Secretarial Audit Report as part of the Board's annual disclosures.

II.Applicability:

Under the Companies Act, 2013, the requirement for conducting a Secretarial Audit is primarily applicable to certain classes of companies. Specifically, as per Section 204 of the Act, the following companies are mandated to annex a Secretarial Audit Report with their Board's report:

- Every Listed Company: Companies with any of their securities listed on a recognized stock exchange.
- Every Public Limited Company as per the most recent audited financial statements:
 - Having a paid-up share capital of fifty crore rupees or more; or
 - Having a turnover of two hundred fifty crore rupees or more.
 - having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more.
- Every Private Limited Company as per the most recent audited financial statements:
 - having outstanding loans or borrowings from banks or public financial institutions of one hundred crore rupees or more.
- Currently Maanaveeya outstanding debt from banks or public financial institutions is more than one hundred crore rupees, hence Secretarial audit is applicable to the Company.

III.Appointment of Secretarial Auditor:

The Board of Directors of the company is responsible for appointing a Secretarial Auditor, who must be a member of the Institute of Company Secretaries of India (ICSI) and hold a Certificate of Practice. The appointment should be made by passing a resolution at a duly convened Board meeting. It's advisable to obtain consent from the proposed auditor before the appointment.

Tenure and Rotation:

The Secretarial Auditors are appointed on an annual basis, with reappointment contingent upon a review of their performance for the preceding year. Subject to the recommendation of the Audit Committee and approval of the Board, they may be reappointed for a continuous term of up to three years. Each year within the term is subject to satisfactory performance evaluation.

IV.Audit Scope and Testing:

The Secretarial Audit encompasses a comprehensive check on the company's compliance with various laws, rules, and regulations. The scope includes, but is not limited to:

- **Companies Act, 2013:** Verification of compliance with provisions related to meetings, maintenance of records, filings, and other statutory requirements.
- **Securities Contracts (Regulation) Act, 1956:** Ensuring adherence to regulations concerning securities.
- **Depositories Act, 1996:** Compliance with rules governing depositories and related operations.
- **Foreign Exchange Management Act, 1999 (FEMA):** Monitoring compliance related to Foreign Direct Investment (FDI), Overseas Direct Investment (ODI), and External Commercial Borrowings (ECB).
- **Securities and Exchange Board of India (SEBI) Act, 1992:** Adherence to guidelines prescribed under various SEBI regulations.
- **Secretarial Standards:** Ensuring compliance with the Secretarial Standards issued by ICSI.

The auditor employs various testing methods as per secretarial auditors issued by ICSI, including examination of records, documents, and minutes, to assess the company's adherence to applicable laws and standards.

V.Reporting:

Upon completion of the audit, the Secretarial Auditor is required to provide a report in the prescribed format, i.e Form No. MR-3, as per the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014. This report should detail the company's compliance status, highlight any non-compliance issues, and suggest corrective measures. The report must be annexed to the Board's report presented in the company's Annual Report.

Internal audit policy:

I. Objectives:

Internal auditors review the design of internal controls and support adherence to those controls of the internal audit indicators. They propose business process improvements and document any material irregularities to enable further corrective action if it is warranted under the circumstances. The detailed objectives of internal auditing are:

- a. To ascertain compliance with statutory and regulatory requirements;
- b. To ascertain compliance with norms laid down by the company;
- c. To ascertain whether quality of assets is as per approved norms;
- d. To advise the management of any deficiencies in processes, procedures, and functions;
- e. To identify deficiencies in the internal control system and recommend procedures to plug the control gaps.

II. Applicability:

- All Listed Companies: Every company listed on a stock exchange in India is required to have an internal audit function.
- Unlisted Public Companies: Unlisted public companies meeting any of these criteria during the previous financial year also need an internal audit:
 - Turnover of ₹200 Crore or more.
 - Paid-up share capital of ₹50 Crore or more.
 - Outstanding loans/borrowings exceeding ₹100 Crore from banks/financial institutions at any point.
 - Outstanding deposits exceeding ₹25 Crore at any point.
- Internal audit applicability for Private Companies: Private companies meeting any of the following criteria in the preceding financial year require the internal audit:
 - Turnover of ₹200 Crore or more.
 - Outstanding loans/borrowings exceeding ₹100 Crore from banks/financial institutions at any point.

Currently Maanaveeya outstanding debt from banks or public financial institutions is more than one hundred crore rupees, hence Internal audit is applicable to the Company.

III. Appointment of Internal auditors:

The Board of Directors of the company is responsible for appointing Internal auditor as per the recommendations received from the Audit Committee. Internal auditor can be a Chartered Accountant (CA), Cost Accountant (CMA), or any other qualified professional with relevant experience. The appointment should be made by passing a resolution at a duly convened Board meeting. It's advisable to obtain consent from the proposed auditor before the appointment.

Eligibility Criteria for Internal auditor:

- The Internal Auditor shall possess the educational background, qualifications and competencies commensurate with their level of responsibility with providing assurance and consulting services to the company.
- The Internal Auditor shall possess minimum 3 years' prior experience in the audit function.
- The auditors will generally be Practicing Chartered Accountant Firm.

Code of Ethics:

Internal Auditor is responsible for conducting themselves so that their integrity, objectivity, confidentiality, and competency are not open to question.

Internal Auditors shall:

- 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; and
- Continue to strive for improvement in the proficiency and effectiveness of their service

Tenure and Rotation:

The Internal Auditors are appointed on an annual basis, with reappointment contingent upon a review of their performance for the preceding year. Subject to the recommendation of the Audit Committee and approval of the Board, they may be reappointed for a continuous term of up to three years. Each year within the term is subject to satisfactory performance evaluation.

IV. Scope and Testing:

The scope of internal audit encompasses the examination and evaluation of the adequacy and effectiveness of the Internal Control System and the quality of performance in carrying out assigned responsibilities at the organizational, departmental, and functional level. It includes the following activities:

- a) To prepare audit plan and implement the same.
- b) Reviewing the reliability and integrity of financial and operating information
Assessing compliance with policies, plans, and procedures;
- d) Assessing compliance with laws and regulations;
- e) Reviewing the means of safeguarding assets and verifying the existence of such assets;
- f) Verifying quality of Assets;
- g) Reviewing established systems of internal control to ascertain whether they are functioning as designed;
- h) Monitoring and evaluating the effectiveness of the company's operational risk management processes;
- i) Investigating and reporting on violations of policies and procedures, errors, fraud or misuse of company assets;
- j) Reviewing specific operations, programs, functions or activities at the request of the Audit Committee or management, as appropriate;
- k) Providing advice and assistance to the management, when requested, on internal control procedures and systems

Detailed Internal audit scope will be shared at their appointment by the management with internal audit team. Updated Internal Audit Scope with any changes as applicable shall be shared at the beginning of each financial year.

Access to information:

- Internal Auditor has the authority to audit all functions of the company as per the detailed scope provided by the company and shall have full and complete access to all information, programmes, database, records, facilities and personnel relevant to the performance of an audit.
- Documents and information given to internal auditors during a review will be handled consistent with company policy and in the same manner as the employees are normally accountable for them

Audit Universe:

Audit universe includes all the present and future activities in the company.

Audit Plan:

Internal Auditor shall prepare an audit plan at the beginning of the year.

- Frequency of audit of an activity/ function should be determined based on the risk perception.
- However all activities of the company will be audited at least 4 times a year

Audit Sampling:

- The internal auditor may perform sample verification where 100% verification is not warranted based on the risk perception
- The internal auditor should design and select an audit sample, perform audit procedures thereon, and evaluate sample results so as to provide sufficient appropriate audit evidence to meet the objectives of the internal audit engagement.
- When designing an audit sample, the internal auditor should consider the specific audit objectives, the population from which the internal auditor wishes to sample, and the sample size.
- The internal auditor should select sample items in such a way that the sample can be expected to be representative of the population. This requires that all items or sampling units in the population have an opportunity of being selected.

Auditee responsibilities:

- The division/department/employee or activity under review is to provide full cooperation to the Internal Auditors.
- Where verification of valuables viz, gold ornaments, cash etc. are involved there will be no prior intimation of audit to the auditee unit. Even in other cases there may be occasions when audit is planned without prior intimation. The auditee unit shall furnish information to the auditor whenever required.
- Head of the auditee department is responsible for developing action plans and implementing the recommendations contained in the audit report or alternatives that meet the objectives of the recommendations.

Documentation:

- The auditor shall prepare audit documentation on the basis of which he reached his conclusions
- The documents may be kept in paper form or in electronic form. However, as far as possible electronic documentation methods shall be resorted to.
- The retention period of audit documents will be laid out in the respective manual

The documentation will be recalled in case of any dispute on the audit findings.

V. Audit reporting:

- An audit report shall be prepared by the Internal Auditor following the conclusion of each audit on quarterly basis. The report will be finalized after discussion with CFO/the Managing Director.
- The response should include a time-frame for anticipated completion of the action to be taken for rectifiable irregularities and an explanation for any recommendations that will not be addressed.
- Timelines for closure of audit reports for various streams of audit -by which time all irregularities should be rectified- will be laid down
- For non-rectifiable irregularities, appropriate action be taken within the time prescribed by the operational guidelines or permission for maintaining status quo obtained from appropriate authority
- The distribution of the report, obtention of the comments, determination of the adequacy thereof and taking up the matter again if needed will be carried out by internal auditor
- The Internal Auditor will report findings to CFO/the Managing Director.
- Compliance with the Internal Audit report shall be reported to the audit committee on a quarterly basis.

Note: The Risk-Based Internal Audit (RBIA) framework is currently applicable only to Banks, Deposit-taking NBFCs, and NBFCs with an asset base of ₹5,000 crore and above. Accordingly, As Maanaveeya's asset size is below this threshold, RBIA is not presently applicable. Accordingly, the Audit Policy was recommended by the Audit Committee at its meeting held on June 11, 2025 and approved by the Board on June 12, 2025 with the advice to defer implementation of RBIA framework until it becomes a regulatory requirement or until the Company has established a robust RBIA framework and supporting systems. Meanwhile, the Internal Auditors are encouraged to incorporate elements of a risk-based approach, to the extent feasible, leveraging their professional experience and existing methodologies.

Review of the Audit policy:

- This Audit policy shall be reviewed annually.
- The revised audit policy submitted by the management shall be reviewed and recommended by Audit committee for approval of Board of Directors of the company.
- Any statutory or regulatory changes would automatically be applicable until the next policy review.