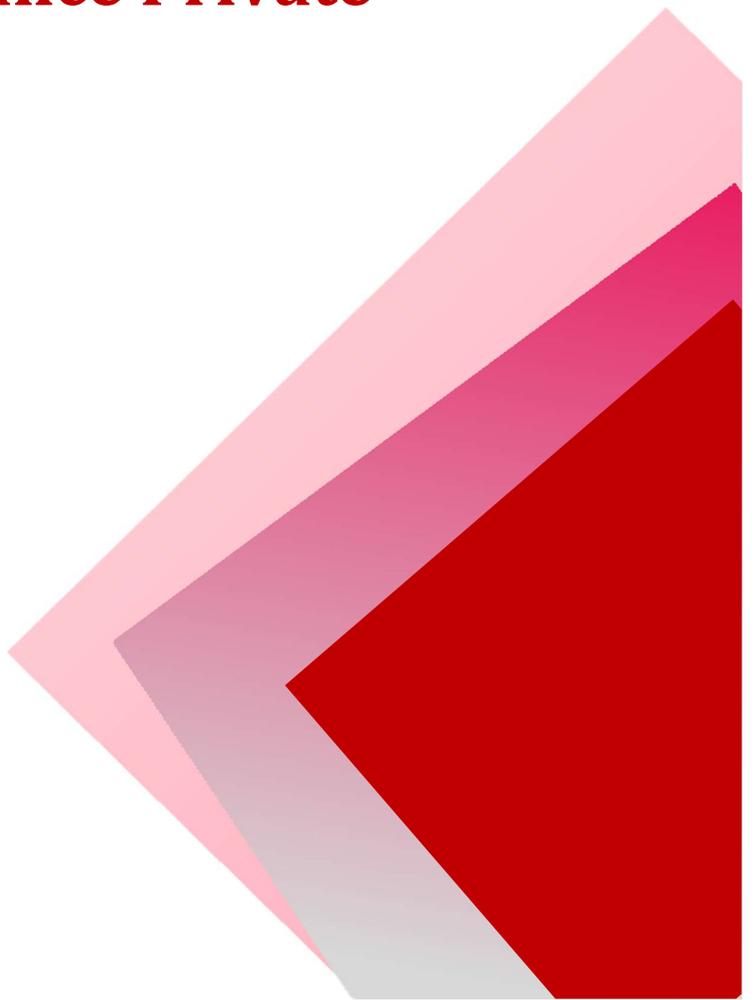


# Internal Audit Policy and Manual

**Servitium Micro Finance Private  
Limited**



Document Control Page

<b>Document Name</b>	:	<b>Servitium Micro Finance Private Limited – Internal Audit Policy and Manual</b>
----------------------	---	---

<b>Document Owner</b>	:	<b>Servitium Micro Finance Private Limited</b>
<b>Review By</b>	:	<b>Board of Directors/ Executive Committee</b>
<b>Approved By</b>	:	<b>Board of Directors</b>

<b>Classification</b>	:	<b>Internal Use Only</b>
<b>Policy Reviewed Date</b>	:	<b>16/12/2025</b>

## PART A: INTERNAL AUDIT POLICY

### 1. Preamble

Though there is no statutory or regulatory requirement for NBFC's to have an internal audit policy, the Board of Directors of Servitium Micro Finance Private Limited, as a part of their oversight function considers Internal Auditing as an independent and objective consulting activity designed to add value and improve the company's operations. Internal Audit assists the company in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the company's risk management, control and governance processes. The responsibilities of Internal Audit function are defined by this Policy.

The procedure of audit need to be documented for the different streams of activities viz HO departments, information system, operational information etc. Audit manuals or checklist will be followed for all audit streams to facilitate the audit activity.

### 2. Objective

The objectives of internal auditing are:

- i. To ascertain compliance with established norms, policies, plans and relevant laws and regulations laid down by the company;
- ii. To ascertain whether quality of assets is as per approved norms;
- iii. To advise the management about any deficiencies in processes, procedures, and functions;
- iv. To determine the integrity, security, and controls in the information system are at acceptable standards; and
- v. To identify deficiencies in the internal control system and recommend procedures to plug the control gaps.
- vi. To identify the areas for improvement to make operations more efficient, economical and effective.

- vii. To help to determine liability by noticing negligence fraud in accounting record committed by employees in performing to their assigned duties.

### 3. Scope

- (I) The scope of internal auditing 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:

- a) Reviewing the reliability and integrity of financial and operating information.
  - b) Assessing compliance with policies, plans, and procedures.
  - c) Assessing compliance with laws and regulations.
  - d) Reviewing the means of safeguarding assets and verifying the existence of such Assets;
  - e) Verifying quality of Assets;
  - f) Reviewing and appraising the economy and efficiency with which resources including IT Resources are employed;
  - 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) Examining and reporting on the adequacy of internal controls for all new or significantly modified information systems.
  - j) Investigating and reporting on violations of policies and procedures, errors, fraud or misuses of company's assets.
  - k) Conducting special operations, programs, functions or activities at the request of the Audit Committee or management, as appropriate.
  - l) Reporting findings and making recommendations for corrective actions to the management or before audit committee and following up on the implementation of these action.
- (II) The Internal Audit Department will provide advice and assistance to the management, when requested, by:
    - a) Serving as a consulting resource for the review of policies and procedures, financial and administrative systems, organizational structures, and other related administrative activities;
    - b) Serving as a consulting resource for the development of control procedures for new or significantly modified functional areas and computer-based financial and Management Information Systems (MIS).

## 4. Audit Universe

Audit universe includes a comprehensive list of all auditable entities within the organization such as departments, process and systems that could be subjected to an audit for all the present and future activities in the company.

## 5. Audit Plan

Frequency of audit of an activity/ function should be determined based on the risk perception.

### 1. Risk Perception

Risk perception refers to the organization's understanding and evaluation of potential threats or vulnerabilities associated with its business operations, processes, products, and entities. In the context of internal audit, risk perception is a qualitative and quantitative assessment of the probability of occurrence of adverse events and their impact on the achievement of the company's strategic, financial, operational, and compliance objectives.

Risk perception is derived from:

- Historical audit findings and recurrence of issues
- Volume and complexity of transactions
- Regulatory changes and non-compliance risks
- Operational environment and external threats
- Fraud vulnerability and control deficiencies
- Management concerns and whistleblower complaints

This perception helps to prioritize audit resources and define the audit coverage and periodicity based on inherent and residual risk levels.

### 2. Risk Matrix Framework for Determining Audit Frequency and Coverage

To adopt a risk-based approach, the Internal Audit Function uses a **Risk Matrix Framework** that categorizes auditable entities or processes based on **two key parameters**:

- **Likelihood (Probability)** of risk occurrence
- **Impact (Severity)** if the risk materializes

## 2.1 Risk Rating Criteria

Risk Level	Impact	Likelihood	Examples
<b>High</b>	Severe financial, regulatory or reputational loss	Frequent or probable occurrence	Credit appraisal, Branch cash handling, Loan disbursement, KYC/AML compliance
<b>Medium</b>	Moderate impact, possible reputational damage	Possible occurrence	HR processes, Vendor management, IT backups

<b>Low</b>	Low financial or operational impact	Rare or unlikely	Admin activities, Internal MIS, Stationery procurement
------------	-------------------------------------	------------------	--

## 2.2 Audit Frequency Based on Risk Rating

Risk Level	Audit Frequency	Audit Coverage
<b>High</b>	Every 2 months or less	Detailed review with sampling and walkthroughs
<b>Medium</b>	Every 3 months	Focused review of controls and exceptions
<b>Low</b>	Every 3 months	Limited scope review or desktop audit

## 2.3 Coverage Determination Factors

In addition to risk level, coverage shall also consider:

- Process/system changes since last audit
- Prior audit observations and their closure status
- Volume and value of transactions
- New regulatory or business developments
- Stakeholder or management requests

## 3. Dynamic Risk Assessment and Audit Plan Review

It is a continuous process of identifying and evaluating hazards in a changing environment to mitigate risk in real time. The risk perception and matrix shall be reviewed annually or upon significant business or regulatory changes. This enables the Internal Audit team to:

- I. Re-calibrate the audit universe
- II. Re-prioritize audit activities
- III. Adjust the audit plan dynamically based on emerging risks
  - i. However, all activities of the company will be audited at least once a year.
  - ii. The frequency of HO audit will be on quarterly basis or as may be required for the lesser frequency as given above.
  - iii. The audit frequency may be changed by conducting surprise audits as and when required.

## 6. Audit Sampling

- i. The internal auditor may perform sample verification where 100% verification is not warranted based on the risk perception. However, where major lapses are observed/ reported, 100% verification is warranted.
- ii. 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.
- iii. 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.
- iv. 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.

## 7. Audit Reporting

- i. An audit report shall be prepared by the Auditor following the conclusion of each audit. The report will be finalized after discussion with the head of department/branch, about the finding during inspection.
- ii. The response should include a timeframe for anticipated completion of the action to be taken for rectifiable irregularities, and an explanation should be called for any lapses which has not been addressed within time frames from the hearing officially.

- iii. Timelines for closure of audit reports for various streams of audit -by which time all irregularities should be rectified- will be laid down
- iv. For non-rectifiable irregularities, appropriate action to be taken within the time prescribed by the operational guidelines or permission for maintaining status quo obtained from appropriate authority (except regulatory violations and high risk matters)
- v. 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 audit department.
- vi. The Internal Audit department will report findings to the senior management. Any important points shall be reported to the ACB.
- vii. Head of the Internal Audit department shall report to the audit committee on quarterly basis.
- viii. Audit will be completed as under:-

<b>Particulars</b>	<b>TAT</b>
Frequency of Audit	Quarterly
Completion of Audit	Before completion of next Quarter
Sharing preliminary observations with departments	Same day of finding during the Audit to give them time to close the observations
Getting the observation sheet (not closed)	At the end of the audit
Finalizing the Audit Report and sending the same to concerned persons	T+3 days (T means last day of audit).
Reply on all observations by Branch	Within 15 working days of receiving the report for Auditor
Closer of Audit report & HO, Audit Department.	Within 15 Working days after receiving satisfactory reply form Branch.
Presenting the observations to Audit Committee	Quarterly

## 8. Compliance Monitoring and Closure of Audit Report

- i. There shall be guidelines specifying the timeline for rectification/closure of audit report. The audit once finalized and communicated to the auditee shall be rectified within 15 days from the date of issue of such audit report.
- ii. On receipt of the satisfactory compliance report from the branch, HO Audit department will close the Audit report within 15 days and a closer report to be sent to the Branch.
- iii. Auditor should re-verify the status of compliance provided by the branch in next audit and there shall be a mechanism to report the recurrence of irregularity once reported. Further the pending issues in the closed audit reports shall be incorporated in the current audit report.

A detailed Audit closure governance process is attached as to this policy.

## 9. Documentation

- i. The auditor shall prepare audit documentation on the basis of which he reached his conclusions
- ii. The documents may be kept in paper or in electronic form. However, as far as possible electronic documentation methods shall be resorted to.
- iii. The retention period of audit documents will be for 5 years from the date of completion of internal audit. The documentation will be recalled in case of any dispute on the audit findings

## 10. Organization

- i. The 'Head – Internal Audit' shall report administratively to the management and functionally to the Audit Committee of the Board.
- ii. The Internal Audit department should be and appear to be independent and objective in providing its services.

## 11. Manpower and Outsourcing

- i. Company shall have an Internal Audit department adequately staffed with competent auditors.

- ii. The auditors will generally be employees on the pay-rolls of the company either on normal or on the basis of contractual employment.
- iii. The company may appoint professional(s) or firm of professionals on contract as Internal Auditors of the company.

## 12. Code of Ethics

Internal Audit staff members are responsible for conducting themselves so that their integrity, objectivity, confidentiality, professionalism and competency are not open to question.

Internal Auditors shall:

- a. Possess the educational background, qualifications and competencies commensurate with their level of responsibility with providing assurance and consulting services to the company.
- b. Exercise objectivity, and diligence in the performance of their duties and responsibilities.
- c. Exhibit loyalty in all matters pertaining to the affairs of the company and not be a party to illegal or improper activity;
- d. 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;
- e. 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;
- f. Use reasonable care to obtain sufficient factual evidence to support the conclusions drawn.
- g. Reveal such material facts known to them which, if not revealed, could distort the reported results of the audit; and
- h. Continue to strive for improvement in the proficiency and effectiveness of their service.
- i. **Audit Committee:** Member of audit committee
  - (i) **Chairman-** Independent director of the board
  - (ii) **Member-** a) Independent Director, b) Managing Director, c) Operation Manager, d) Internal Audit Head & e) Risk & MIS Head.

### 13. Access to Information

- i. Internal Audit has the authority to audit all functions of the company and shall have full and complete access to all information, programs, database, records, facilities and personnel relevant to the performance of an audit.
- ii. 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.

### 14. Auditee Responsibilities

- i. The division/department or activity under review is to provide full cooperation to the Internal Audit Department, which includes providing accurate and complete information to the Auditor.
- ii. Where verification of valuables viz, 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.
- iii. After receiving the Audit report head of the auditee department/ branch is responsible for reviewing findings and taking corrective action plans and implementing the recommendations contained in the audit report or alternatives that meet the objectives of the recommendations.

### 15. Review of The Audit Policy

- i. The Internal Audit policy shall be reviewed once in a year.
- ii. The Audit committee is responsible for the review and modification of the Internal Audit policy.

## PART B: INTERNAL AUDIT MANUAL

### 1. Purpose of Manual

This Internal Audit Manual is developed to standardize guide and assist the internal audit wing of the Company/Internal Auditor to provide independent, objective, value-added and advisory services in order to improve the achievement level of the Company. More specifically this manual is intended to provide internal audit wing of Company / Internal Auditor with tools and information for assessing risk in processes

and activities, developing an appropriate internal audit work programme and planning, performing and reporting on audit engagements. It acts as a hand book for auditors, ensuring consistency, efficiency and quality across different audits and help to improve the overall operation of an organization by highlighting risks and providing recommendations.

## 2. Position & Mission of Internal Audit

Internal Audit in the Company should aid the Company in strengthening its management systems, procedures and internal controls to prevent errors and frauds and deviations from the laid down procedures and processes in consonance and aligned with the overall objectives of the Company.

The major scope of internal audit activity is summarized below:

- a) Planning of Annual Audit Programme
- b) Assessment of Internal Controls within the Department
- c) Risk Assessment and Sampling to narrow down areas of focus
- d) Internal Audit will act as both an assurance activity (evaluating and monitoring) and a consultive activity (providing advice).
- e) Reporting on the adequacy and effectiveness of the functioning of the Internal controls and major deviations there from, suggesting improvement to existing systems and procedures.
- f) Tracking compliance to audit findings and preparation of report for the consideration of the Audit Committee of the board helping them make informed decisions and address vulnerabilities.
- g) Report on significant deviations from the applicable compliance norms and Annual budgets of the Company

### Financial Compliance

There should also be focus on financial compliance while conducting different types of audits as mentioned below:

1. Transaction audit includes examination of all relevant vouchers of receipts and expenditure as per the cashbook / bank book to establish the expenditure with reference to the activities and that the authority approving the expenditure has not exceeded its powers.
2. That expenditure of a personal nature is not charged to the Company.

3. Compliance audit means examination of documents as to whether money spent was legally available for expenditure and sanctioned by the competent authority.
4. That the expenditure incurred are strictly as per the contractual obligations, as per the contract documents and are arising out of compliance with statutory requirement.
5. Financial Reports Review includes Trial balance Audit and audit of the Annual financial statements for compliance with the requirement of the Companies Act, and the accounting standards before they re-submitted to the Statutory Auditors of the Company.

### 3. Job description of internal auditors

1. To visit all prescribed departments of SMPL and in branches to carry out internal audit in accordance with the approved audit programme.
2. To issue Audit Requisition to various departments and also in branches for production of relevant accounting records, registers, files, returns and other documents required to be checked during the course of audit.
3. To conduct physical verification of the cash book and cash balance on the date of commencement of audit. Findings of the physical verification shall be reported in the Internal Audit Report.
4. To obtain a general view of all accounts, records maintained by the SMPL to prepare detailed plan of audit.
5. To evaluate the effectiveness of Internal Control System followed in the SMPL.
6. To review the compliance with the existing Statutory requirements, financial rules, regulations, procedures etc. and instructions/orders issued by the competent authorities
7. To conduct a detailed check of accounts of records for the period as given in the approved audit programme.
8. To verify whether the Cash book is written in the prescribed form and maintained according to Companies Act and other applicable Statutory Provisions.
9. To verify the correctness of opening balance, totaling of receipt and expenditure shown in the cash book and closing balance for the period of audit.
10. To examine the receipts and disbursements with reference to relevant supporting documents and registers.
11. To identify the areas of wastage of resources, cases of general misuse of funds or properties and misappropriations of financial resources, if any.

12. To verify the reconciliation statements pertaining to bank and loans and advances.
13. To verify whether parking funds in banks etc. beyond authorized period, if any and the funds have been placed with the banks or other places based on the competitive rates of interest.
14. To conduct review of the procurement of goods and services and checking whether the same has been done as per the prescribed guidelines
15. To conduct performance review of specific scheme (including but not limited to incentive scheme) objectives and outcomes, if any.
16. To conduct review of the status of past audit reports, Statutory Audit observations and other audit findings and its compliances.
17. To conduct review of the budgetary compliances
18. To prepare draft audit reports in the prescribed format enclosing relevant documents.
19. To submit the draft audit report to the concerned Departmental Head within 7 days of the date of completion of the audit.
20. To perform any other duties assigned by SMPL.
21. To Submit final Internal Audit report after discussion the draft reports and after considering further information to the management of the Company.

#### 4. Professional Standards of Internal Auditors

The Internal Auditors are expected to maintain the following professional standards:

- **Objectivity:** Internal Auditors should acknowledge and incorporate all information received from SMPL without withholding any information which may distort the reporting of activities under review. Internal Auditors shall be fair in reporting and any deviations from the laid down systems and procedures. without fear or favour.
- **Competency:** They should possess thorough knowledge of the internal audit process and techniques to perform their services successfully. They should continuously improve their proficiency.
- **Confidentiality:** Internal Auditors should not disclose the information acquired during audit to any person other than the Company unless there is a legal or professional obligation to do so. They should not use the information for any personal gain or in any other manner, which is detrimental to the SMPL.

- **Integrity:** Internal Auditors should comply with ethical principles and code of conduct governing the auditor's professional behavior and responsibilities, which include; Integrity, Objectivity and fairness, Confidentiality and Technical Standards.
- **Space Compliance:** Auditors must comply with all applicable rules and regulations and should report any violations to head of the audit at HO, immediately.

## 5. Audit Quality

The services rendered by the Internal Auditors are expected to be of high quality and the quality can be maintained by following:

1. By deploying professionally qualified personnel for conducting the Audit.
2. Understanding the functioning of the SMPL going to be audited, including thorough knowledge of the various rules and regulations as applicable on the Company
3. Frequent discussions with the SMPL and its officers at the field and Head Office level
4. Use of standard sampling methods
5. Use of Computer Assisted Audit Techniques (CAATs)
6. By adopting the format of report as persisted by the Company.

## 6. Computer Assisted Audit Techniques (CAATs)

Computer Assisted Audit Techniques (CAATs) is the practice of using computers to facilitate and speed up the audit process by using spread sheets, word processors, advance software packages involving use of statistical analysis etc. to analyse the data and transactions

Usage of CAAT increases economy and efficiency in audit covering huge volume of transactions saves times and focuses on areas of risk.

While planning an audit, the auditor may use both combinations of manual as well as computer assisted audit techniques in relation to the situation and context.

While deciding use of CAATs, the Internal Auditors may consider the following factors:

- Availability of CAATS with the SMPL.
- IT infrastructure.
- Availability of data and data sources.
- Economy and time constraints.

Audit Quality will be subjected to the review by Audit Committee.

## SCOPE OF INTERNAL AUDIT

Format of Internal Audit Report is enclosed at Annexure-I.

Areas to be covered in Internal Audit:

- I. Mobilization of Funds
- II. Deployment of Funds
- III. Accounting and Record Keeping
- IV. Human Resources Management
- V. General Administration Matters.
- VI. Statutory Compliances
- VII. Action Taken On Previous Internal Audit Observations
- VIII. Legal Matters
- IX. Project Works/Capital Expenditure
- X. Loan Sourcing
- XI. Recovery and Repayment of Loans a Provisioning and Write Off
- XII. Cyber Security and IT Structure Related Compliances including compliance of rules and regulations prescribed by RBI regarding the same
- XIII. Risk Management Framework
- XIV. Trial Balance
- XV. Fraud prevention and detection
- XVI. Safe guarding assets
- XVII. Others

## GUIDELINES FOR INTERNAL AUDIT REPORT

1. No objection shall be booked or reflected in draft audit report without discussing the matter with the concerned Department Head HO/Branch, without issue of initial draft Audit report. Initial observations issued by Internal Auditors shall be complied by the respective department head HO/Branch within 2 days from the date of issue and returned to the Internal Auditors with necessary reply under the signature of the head of the department HO/Branch.
2. In case the reply of the officer is found to be satisfactory, the objection need not be incorporated in the Audit Report. The original initial draft audit observations with reply thereon shall be appended with the Audit Report for reference.

## Policies and Manuals: Internal Audit Policy and Manual

3. If initial draft Audit report is not returned within stipulated time or returned with unsatisfactory replies, the Auditor shall incorporate the objection in the Audit report without waiting for an indefinite period for the reply.
4. The Head of the Audit Teams should check the supporting Audit evidence for each observation that is proposed to be put in the report. He should satisfy himself about the sufficiency and relevance of the evidence. Then He/she should prepare a Draft Audit Report.
5. The format of the draft report shall be same as final report after approval by the concerned authority. All the applicable quality checks equally holds good for draft report also except that the title of the report shall be "Draft Internal Audit Report".
6. Qualities of a good report

The Internal Auditors should exercise due professional care to ensure that the internal audit report, inter alia, is:

1. Clear and not ambiguous
2. Factual – presents all significant matters with disclosure of material facts
3. Communicate key information first
4. Specific
5. Concise
6. Timely and
7. Complies with generally accepted audit procedures
8. Preparing the Internal Audit Report: Internal Auditor(s) shall use a standard format for reporting audit observations.

The Internal Audit Report and important observations should be placed before the Audit Committee once in a quarter.

### Classification of observation

The observations found in Internal Audit will be classified as under:

Category A: Most Critical

Category B: More Critical

Category C: Critical

S. No.	Category A: Most Critical	Category B: More Critical	Category C: Critical
1.	Non-Compliance of regulatory and statutory compliances	Non-Compliance of internal process	Non maintenance of/ completion of/ updating of Registers
2.	Involves substantial monetary value.	Non-Reconciliation of Bank Accounts	Matters which could be verified during the next spell of audit and could be cleared at Department level

## Policies and Manuals: Internal Audit Policy and Manual

3.	Where loss of revenue to the Company is involved	Non recovery/ Short recovery of loans	Recovery dues
4.	Non remittance / Short remittance of Statutory Deductions	Deviations from the approved Budget/ Programme of works	Non-compliance of previous Audit observations
5.	Non filing of Statutory Returns in time	Non-renewal of Security Deposits/ Bank Guaranties etc.	Non maintenance of proper Records
6.	Major/Serious Fraud, suspected frauds, serious irregularities/ discrepancies which needs Management intervention		Any other matter which Internal Auditor feels which needs to be brought to the notice of Department Head
7.	Misappropriation of funds Lack of proper security to the Assets of the Company	Long pending Category observations	
8.	Non-compliance to the Statutory Provisions and Internal Control Guidelines of the Company	Any other matters on which AUDIT COMMITTEE attention is required	
9.	Lack Control of Internal system/Internal Guidelines / policies which may lead to major fraud, risk etc.		
10.	Long pending Category observations		
11.	Any other matters which Internal Auditor feels it is most critical		

### Audit Closure Governance

Audit closer governance refer to the first stage of audit. It involves the formal closing of an audit after finding 5 are communicated with satisfactory addressing of the shortcomings printed out by the auditor to ensure compliance.

### Closure Process Flow

The audit report closure procedures involves a structured flow that starts from initiate findings to final verification ensuring that all the issues pointed out during audit are

addressed and audit cycle is completed. The steps of closure process flow are as under:

✓ **Issuance of Audit Report:**

- Upon completion of fieldwork, the internal audit team shall issue a detailed audit report containing observations, risk ratings (High/Medium/Low), root causes, and recommended corrective actions.

✓ **Management Response and Action Plan:**

- The audited department / branch shall provide a formal response within 15 working days, including:
  - Acceptance or rebuttal of findings (with justification)
  - Corrective and preventive action plan
  - Timeline for implementation
  - Designated responsible person

✓ **Audit Observation Tracker (AOT):**

- All findings and action items shall be recorded in a centralized Audit Observation Tracker, updated regularly and monitored by the Internal Audit Department.

✓ **Periodic Follow-up and Validation:**

- Follow-ups shall be conducted at pre-defined intervals based on risk rating (e.g., monthly for high risk, quarterly for medium risk).
- The Internal Audit team shall validate the implementation of corrective actions through evidence review or re-audit.

✓ **Closure Approval:**

- An audit observation shall be considered closed only after validation and supporting documentation.
- Closure of High-risk findings requires review and approval by the Audit Committee of the Board.
- Medium and Low-risk findings may be closed with Head-Internal Audit's approval.

✓ **Escalation Matrix:**

- In case of non-compliance or delay in implementation beyond agreed timelines:
  - (i) 1st escalation: Department Head
  - (ii) 2nd escalation: / Functional Head/ Operation Head
  - (iii) 3rd escalation: - MD

**Even it is not resolved that the matter to be placed before audit committee of the board.**

❖ **Reporting to Audit Committee**

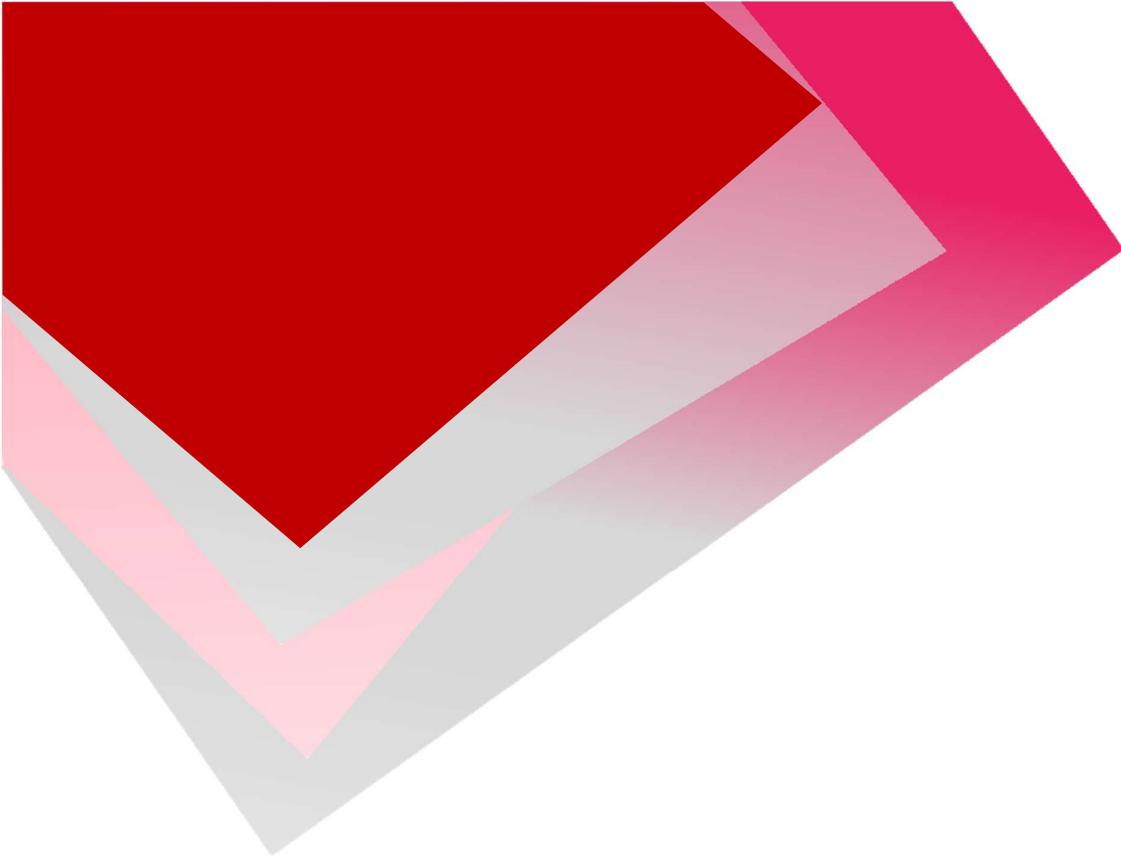
- A quarterly status report on pending and closed audit observations (with risk classification) shall be presented to the Audit Committee.
- Long pending or repeated observations shall be separately flagged with root cause analysis and justification from the respective departments.

❖ **Documentation and Record Keeping**

- All audit closure documentation including evidence, closure memos, and approvals shall be digitally archived for a minimum of 5 years.
- Closure status of previous audits shall be a key input for risk-based audit planning and entity risk scoring.

❖ **Conclusion:**

This internal Audit Policy and Manual provide the framework/guidelines for the internal audit function to evaluate and contribute to the improvement of management control and governance system in the organization. High quality financial reporting plays an important role in providing integrity and reliability of the financial information that helps to provide the management and Audit committee of the board towards continuous improvement of the Audit process. Stress to be given to continuous monitoring and regular review of the policy and appropriate timing for the staff to cope up with the technological advancement in the field of audit.



**Servitium Micro Finance Private Limited**

**Address: 24/1, Old Calcutta Road, Chowdhury Para, Rahara,  
Kolkata - 700118**

