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# **Freemen Investments Pvt Ltd Internal Audit Policy**

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## **1. Objective**

The objective of this Internal Audit Policy is to establish a structured framework for conducting internal audits at Freeman Investments Private Limited. The audit process is aimed at evaluating and enhancing the effectiveness of the company's risk management, internal control, and governance systems, while ensuring compliance with relevant regulations mandated by the Reserve Bank of India (RBI).

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## **2. Scope**

This policy applies to all departments, functions, and activities of the company, including but not limited to branch operations, information systems, human resources, lending, and compliance. The internal audit will cover financial and operational risks, regulatory compliance, and internal processes to ensure the company operates effectively and securely.

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## **3. Regulatory Framework**

The Internal Audit Policy complies with the following guidelines:

- RBI Master Directions for NBFCs – Non-Systemically Important Non-Deposit Taking Companies (NBFC-NSI-ND).
  - RBI's Risk Management Guidelines for NBFCs.
  - RBI Scale-Based Regulation (SBR) for NBFCs, focusing on Base Layer entities.
  - Income Recognition, Asset Classification, and Provisioning (IRACP) norms.
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#### 4. Internal Audit Committee

The Internal Audit Committee (IAC) will consist of:

- Managing Director
- Chief Financial Officer
- Head of Compliance (if applicable)
- Head of Internal Audit (if applicable)
- Independent Directors (if applicable)

#### Responsibilities:

- Approve the internal audit plan and ensure adherence to internal controls.
- Review audit findings and oversee the implementation of corrective measures.
- Ensure follow-up on audit recommendations and timely resolution of deficiencies.

**Frequency:** The IAC will meet at least quarterly to review internal audit findings.

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#### 5. Audit Universe

The audit universe includes all current and future activities of the company, ensuring comprehensive risk and operational oversight.

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## **6. Internal Audit Process**

### **6.1. Risk-Based Audit**

The audit will follow a risk-based approach, focusing on areas with high risk, including:

- Credit risk (loan portfolio management, NPAs)
- Liquidity risk (asset-liability management)
- Operational risk (internal processes, fraud prevention)
- Compliance risk (KYC/AML compliance, RBI norms)
- IT risks (data security, cybersecurity)

### **6.2. Scope of Audits**

The internal audit will assess:

- Adequacy of internal controls and risk management strategies.
- Compliance with RBI regulations and internal policies.
- Operational efficiency, IT infrastructure & financial reporting processes.

### **6.3. Frequency of Audits**

High-risk areas such as credit and liquidity management will be audited quarterly. Other areas like IT and operations will be reviewed at least annually, based on the risk assessment.

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## **7. Audit Reporting**

Following each audit, an audit report will be prepared, discussing key findings, deficiencies, and recommendations. The report will be:

- Finalized after discussion with the concerned department head.
- Presented to the Internal Audit Committee for review.
- Distributed to senior management for action plans and corrective measures.

Timelines for rectification will be specified in the report, with follow-up procedures to ensure timely compliance.

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## **8. Follow-up and Corrective Action**

An action plan will be developed for all audit findings, with clear timelines for remediation. The internal auditors will monitor the progress of corrective actions and provide updates to the IAC. Unresolved issues will be escalated to senior management or the Board of Directors.

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## **9. Independence of Internal Auditors**

Internal auditors will operate independently of the departments they audit. They will report directly to the Internal Audit Committee or the Board of Directors to maintain objectivity and impartiality in the audit process.

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## **10. Manpower**

The Internal Audit Department will be staffed with competent auditors, either from the company's employees or through outsourcing as needed. External auditors may be appointed for specific audits requiring specialized expertise.

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## **11. Code of Ethics**

Internal auditors must:

- Maintain integrity, objectivity, and confidentiality.
  - Avoid conflicts of interest.
  - Use prudent judgment and sufficient evidence to support audit conclusions.
  - Continuously improve their proficiency and service quality.
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## **12. Access to Information**

Internal auditors will have unrestricted access to all necessary information, databases, records, facilities, and personnel relevant to their audits. They must handle all information in accordance with company policies.

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## **13. Audit Plan**

At the beginning of each financial year, the Head of Internal Audit will prepare a risk-based audit plan, which will be approved by the Audit Committee. The plan will outline audit activities, their frequency, and prioritization based on the risk profile of each area.

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## **14. Review of the Policy**

This Internal Audit Policy will be reviewed annually or as needed, based on changes in the regulatory environment or business needs. Any amendments will be subject to approval by the Board of Directors.

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## **15. Conclusion**

The Internal Audit Policy provides a robust framework for auditing the company's internal controls, risk management, and regulatory compliance. It ensures that Freeman Investments Private Limited adheres to both internal policies and RBI guidelines, promoting operational efficiency and governance.

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