

## Introduction

Kuhoo Finance Private Limited (the “Company”) is registered with RBI as a Base Layer NBFC. The company is primarily engaged in retail lending activities, primarily in the segment of student education.

As per the company’s strategy, its target markets are primarily students, and its lending products include education loans as well as sundry loans for tuition fees and living expenses. For the smooth functioning of its lending activity the company understands the requirement to adhere to RBI guidelines issued from time to time.

This policy is prepared in line with the requirements prescribed by Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 and various RBI notifications / directions [“RBI Regulations”] issued in this regard.

## Scope

The policy has been prepared with the objective to address following points for Statutory Audit and Information System Audit:

1. Objective for Audit
2. Roles and Responsibilities
3. Eligibility of Appointment
4. Appointment Procedure
5. Intimation to RBI
6. Minimum Scope of Audit
7. Communication channels
8. Critical points for Audit

## Statutory Audit

### 1. Objective For Statutory Audit

The policy has been formulated considering the relevant provisions of Chapter X of the Companies Act, 2013 and Companies (Audit and Auditors) Rules, 2014 provide for the appointment of statutory auditors in a Company registered under the Companies Act, 2013 and RBI prescribed regulations for Appointment of Statutory Auditors of Non-Banking Finance Companies.

The objective of this Policy is to:

- 1.1. Establish the basic eligibility for appointment of Statutory Auditors of the company
- 1.2. Formalize the procedure appointment of company’s auditors
- 1.3. Enhance Accountability and Transparency to the stakeholders
- 1.4. Determination of minimum Scope of Audit
- 1.5. Ensure compliance with regulatory guidelines

## 2. Roles And Responsibilities

### 2.1. Board of Directors

The responsibility of the board of directors for the appointment and performance evaluation of the statutory Auditor is:

- To evaluate, monitor and assess the independence of the auditors based on the “conflict of interest” position evaluate in terms of relevant regulatory provisions, standards and best practices and raise concerns, if any.
- To recommend the appointment of Statutory Auditor in the Annual General Meeting.
- To address the concerns of the appointed Statutory auditor in the audit
- To evaluate a conflict of interest arising from other services by proposed / appointed statutory auditors
- To review the performance of the Statutory Auditor
- To submit the lapse or negligence in audit responsibilities to the RBI on recommendation of the board
- To recommend the audit fees to be paid to the Statutory Auditor
- To examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose

## 3. Eligibility for Appointment

The Board of Directors shall determine the criteria for the appointment of Statutory Auditor. The eligibility of statutory Auditor as determined by the board shall include at least the below:

- 3.1. The audit firm proposed to be appointed as SAs, should be duly qualified for appointment as auditor of a company in terms of Section 141 of the Companies Act, 2013.
- 3.2. The audit firm should not be under debarment by any Government Agency, National Financial Reporting Authority (NFRA), the Institute of Chartered Accountants of India (ICAI), RBI or Other Financial Regulators.
- 3.3. The Company shall ensure that the appointment of SAs is in line with the ICAI’s Code of Ethics/any other such standards adopted and does not give rise to any conflict of interest.
- 3.4. If any partner of a Chartered Accountant firm is a director in any Company, the said firm shall not be appointed as SA of any of the group entities of the Company.
- 3.5. The auditors should have capability and experience in deploying Computer Assisted Audit Tools and Techniques (CAATTs) and Generalized Audit Software (GAS), commensurate with the degree/ complexity of computer environment of the Entities where the accounting and business data reside in order to achieve audit objectives.
- 3.6. Written consent of the auditor to such appointment as required as per provisions of Companies Act, 2013 shall be taken.

#### 4. Procedure for Appointment of Auditors

A basic internal procedure, shall in addition to the Companies Act 2013 and applicable rules, guide the company in appointment of auditor as laid down below:

- 4.1. Identification of prospective appointment of auditors
- 4.2. Evaluation of eligibility of the auditors by board of directors
- 4.3. Recommendation of the at least 2 names for consideration by the Shareholders
- 4.4. Finalization of proprietor / firm to be appointed as auditors
- 4.5. Obtaining declaration as mandatory by RBI regulations dated 27<sup>th</sup> April 2021
- 4.6. Determination of Remuneration to be paid to auditors.
- 4.7. Communication of Appointment of Statutory Auditors  
*(Note: The Appointment letter issued to the statutory auditors shall incorporate a reference to Master Direction - Non-Banking Financial Companies Auditor's Report (Reserve Bank) Directions, 2016 as specified in letter through which Certificate of Registration is issued)*

- 4.8. Filing requisite forms as per Companies Act 2013

**Note: For Statutory Auditors any specific procedure prescribed by the ICAI and Companies Act, 2013 shall be adhered to by the company.**

#### 5. Intimation to RBI

The company shall intimate to RBI in the form prescribed by RBI in Guidelines for Appointment of Statutory Central Auditors (SCAs)/Statutory Auditors (SAs) of Commercial Banks (excluding RRBs), UCBs and NBFCs (including HFCs) dated 27<sup>th</sup> April 2021 at each appointment / reappointment within 30 days from the date of such appointment / reappointment.

#### 6. Minimum Scope of Audit

The board of directors or other responsible authority as determined by the board shall determine the minimum scope, including but not limited to:

- 6.1. Identify and examine all the overall aspects that need to be audited of an enterprise pertaining to the financial statements.
- 6.2. Auditors need to ascertain correctness, sufficiency and reliability of the information and source data. For this purpose, the auditor should evaluate accounting systems and internal controls.
- 6.3. Auditors should determine that Disclosure of overall relevant information in the financial statements has been made in accordance with statute and accounting standards.
- 6.4. A detailed study and analysis of internal control and accounting system.
- 6.5. Verification of accounting transaction and balances through necessary test on check basis, enquiries and verification
- 6.6. Financial statements are compared to the summary of transactions and events recorded in the underlying accounts.

- 6.7. Assessing the consistency of accounting policies that are applied while the financial statements are prepared by the management and the disclosure to the effect should be adequate.
- 6.8. Evaluation of Disclosures made in the Financial Statements of the company.

## 7. Communication Channel

The company shall ensure the access to auditors to their appropriate reporting and communication channels for Statutory Audit, as below:

- 7.1. The management including CEO /CFO / COO (for operational discussions) and
- 7.2. A direct communication to “Those Charged with Governance” i.e. the board of directors

*Note: Auditors shall be invited to the AGM as per relevant section of the Companies Act 2013 and shall have a right to be heard at the meeting.*

## 8. Critical points for Audit

- 8.1. The company as well as the auditor shall ensure adherence with regulations for Statutory Audit issued by Companies Act 2013 as well as Standards on auditing issued by the Institute of Chartered Accountants of India from time to time, including but not limited to:
  - 8.1.1. Tenure (as prescribed under section 139 of the Companies Act 2013)
  - 8.1.2. Communication of Acceptance of Audit and Engagement Letter (as per SA 210)
  - 8.1.3. Remuneration
  - 8.1.4. Restriction on other services (as per section 141 of the Companies Act 2013)
- 8.2. Auditor shall issue separate Auditor’s Report to the Board of Directors as prescribed in the Master Direction - Non-Banking Financial Companies Auditor’s Report (Reserve Bank) Directions, 2016.
- 8.3. Auditor shall also issue a Statutory Auditor’s Certificate on an annual basis based on the format provided by RBI.
- 8.4. The Auditor’s removal shall be as per procedure prescribed in the Companies Act 2013.
- 8.5. The company shall not restrain or restrict auditors to communicate with retiring Statutory Auditors and fulfill their other responsibilities for acceptance of audit

## Information System Audit

### 1. Objective for IS Audit

The policy has been formulated considering the relevant provisions of Reserve Bank of India (Information Technology Governance, Risk, Controls and Assurance Practices) Directions, 2023.

The objective of this Policy is primarily to:

1. Establish criteria for appointment of company’s
2. Information System Auditor
3. Enhance Accountability and Transparency to the stakeholders
4. Determination of minimum Scope of Audit

5. Ensure compliance with regulatory guidelines
6. Ensure implementation of the suggestions / observations of the auditor

## 2. Roles And Responsibilities

### 2.1. Board of Directors

The responsibility of the board of directors for the appointment and performance evaluation of the statutory Auditor is:

- To appoint the IS Auditors for the company
- To evaluate, monitor and assess the independence of the auditors based on the “conflict of interest” position evaluate in terms of relevant regulatory provisions, standards and best practices and raise concerns, if any.
- To review the performance of the Information System Auditor
- To determine the audit fees to be paid to the IS Auditor.
- To examine and ensure that the income of the partner from the firm/LLP is adequate for considering them as full-time exclusively associated partners, which will ensure the capability of the firm for the purpose
- Exercising oversight of IS Audit of the company

### 2.2. IT Strategy Committee

- Recommend Appointment of IS Auditor to the board of directors
- To address the concerns of the appointed IS auditor
- To review the performance of the IS Auditor
- Review critical issues highlighted related to IT / information security / cyber security and
- Develop appropriate direction and guidance to the board of directors
- Determine Critical areas of IS Audit such as mandate, purpose, authority, audit universe, periodicity of Audit.

## 3. Eligibility of auditor appointment under Information System Audit:

- 3.1. The auditors/a partner in the audit firm should have a DISA / CISA qualification
- 3.2. Adequate Experience in performing IS audit of financial sector entities as determined by the board
- 3.3. Understanding of IS auditing standards, guidelines, and best practices is crucial. Familiarity with frameworks like COBIT (Control Objectives for Information and Related Technologies) is often expected
- 3.4. Relevant Technical skills such as Proficiency in IT systems, networks, databases, and security technologies. Auditors should be able to understand and assess the IT controls in place.
- 3.5. Membership of ISACA or any other professional organizations which emphasize integrity, confidentiality, and professionalism, if considered necessary by the board

## 4. Procedure for Appointment of Auditors

- 4.1. Identification of prospective appointment of auditor
- 4.2. Evaluation of eligibility of the auditors by board of directors
- 4.3. Recommendation of the at least 2 names for consideration by the Shareholders
- 4.4. Finalization of proprietor / firm to be appointed as auditors
- 4.5. Determination of Remuneration to be paid to auditors.
- 4.6. Communication of Appointment of Statutory Auditors
- 4.7. Filing forms as per Companies Act 2013

## 5. Minimum Scope of Audit

IT committee shall determine the scope of IS Audit on the basis of below stated points:

### 5.1. Security and Access of Hardware

- Desktops
- Servers
- Printers
- Off-site devices

### 5.2. Security, access, updation, and appropriateness of Software installed, including:

#### 5.2.1. System

- Loan Management System
- Loan Operating System
- Any other Software adopted / purchased from outsourced vendors

#### 5.2.2. Application

- Core Application
- Other related applications
- Other user and systems maintenance tools

### 5.3. Connectivity (Networks)

- Local Area Network
- Wide Area Network
- Virtual Private Network

### 5.4. Infrastructure

- Office
- Data-Centre
- Physical Security

### 5.5. People

- Password Protection
- Access Rights
- Maker-Checker Concepts

## 5.6. Data

- Handling confidential information
- Data Storage Procedures / Data Backup Procedures
- Data Recovery and Backup Procedures

## 5.7. Backup and Recovery Procedures of the company

## 6. Communication Channel

The company shall ensure the access to auditors to their appropriate reporting and communication channels for Statutory Auditors, as below:

6.1. The IT Committee and its members (for operational discussions) and

6.2. A direct communication line shall also be available with the board of directors (specifically director who has IT experience)

## 7. Critical Aspects of IS Audit

### 7.1. Audit Planning

IS Audit planning shall be adopted by adopting a risk-based audit approach as determined by the IT strategy committee in consultation with Risk Management Committee. The company shall ensure that the IS audit plan covers all critical areas of IT with high-risk exposure on its operations on an annual basis, and all other areas at a minimum interval of once every three years.

### 7.2. Periodicity

The periodicity shall be as determined by the board of directors but shall be on at least annual basis. Company may in future adopt a continuous auditing approach for critical systems, performing control and risk assessments on a more frequent basis.

### 7.3. Report

The report format shall be as decided by the IS Auditor and IT committee at the inception of the audit engagement. It shall at minimum include recommendations and observations as prescribed in the RBI Directions for Information Technology.

**Note: The Auditor may provide the report of the organization it is registered with such as ICAI post discussing the reporting format with IT committee**

## **Exception Handling**

The policy shall always be updated with extant regulatory provisions. However, in case of conflict between the Policy and regulations, the regulatory provisions shall always supersede the policy.

The updated policy shall be adhered at all the times and exceptions if any to the policy shall be approved by the board of directors after recording a reason in writing.