



Avanti Finance Private Limited

Terms of Reference – Audit Committee

This document was:

Version	Drafted by	Reviewed by	Committee approval date	Board approval and adoption date
Version 1	Mr. Sushil Thaker	Mr. Rahul Gupta, CEO	-	September 24, 2022
Version 2	Ms. Preeti Nair, Head of Internal Audit	Mr. Sushil Thaker, CFO	June 30, 2026	July 06, 2026

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1. Purpose/ Objective of Audit Committee:

- a) Assist the Board in providing oversight on the integrity of the Organization's financial operations and internal controls
- b) Assist the board in achieving its responsibilities regarding financial statements, financial reporting and effective internal controls.
- c) To promote accountability and transparency in financial transactions and accounting systems
- d) Monitor the effectiveness of the internal and external auditors.
- e) Assessment of control framework of the company, including: compliance, assurance, financial crime prevention, managing conflicts of interest, adherence to ethical principles and independence.
- f) To facilitate timely communication and corrective action.
- g) Review of any instance of Fraud and breach of internal controls.
- h) Review of value of fraud and its recovery status as applicable.
- i) Instance of long pending reconciliation issue with partner/lender.

2. Reporting responsibility:

- a) Regularly report to the board of directors about committee activities, issues, and related recommendations which may materially impact the financial condition and/or internal control systems of the business after every Audit Committee meeting
- b) Provide an open avenue of communication between internal audit, the external auditors, and the board of directors.
- c) Report annually to the shareholders, describing the committee's composition, responsibilities and how they were discharged, and any other information required by rule, including approval of non-audit services.
- d) Prepare written minutes of all Committee meetings

3. Powers of the Committee:

- a) To call for any information it requires from management, internal/external auditors about the financial integrity and internal control systems of the organisation.
- b) To investigate any matter in relation to the items specified in terms of reference or referred to it by the Board and for this purpose the Committee has power to obtain legal or professional advice from external sources. The Committee for this purpose shall have full access to information contained in the records of the company.
- c) To determine the composition of the committee, the quorum of the committee.
- d) To determine the frequency of meetings of the audit committee.

4. Terms of Reference of the Committee:

A) Financial related

- a) Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- b) Review with management, with internal auditors and external auditors the results of the audit, including any difficulties encountered.

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- c) Review with management and the external auditors all matters required to be communicated to the committee under generally accepted auditing Standards.
- d) To oversee the financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible
- e) To review, with the management, financial statements before submission to the Board for approval
- f) To approve/agree on key accounting policies of the Company and/or changes therein
- g) To review, with the management, the annual financial statements and auditor's report thereon before submission to the Board for approval, with particular reference to the following:
 - i. Matters required to be included in the Director's Responsibility Statement which forms part of the Directors' Report in terms of clause (c) of sub-section 3 of Section 134 of the Companies Act, 2013
 - ii. Changes, if any, in accounting policies and practices and reasons for the same
 - iii. Major accounting entries involving estimates based on the exercise of judgment by management
 - iv. Significant adjustments made in the financial statements arising out of audit findings
 - v. Compliance with Regulations and other legal requirements relating to financial statements.
 - vi. Disclosure of any related party transactions
 - vii. Modified opinions in the draft audit report
- h) To review the following other information:
 - i. Management discussion and analysis of financial condition and results of operations
 - ii. Statement of significant related party transactions (as defined by audit committee), submitted by management
 - iii. Management letters/letters of internal control weaknesses issued by the statutory auditors
 - iv. Internal audit reports relating to internal control weakness.
- i) Delegation of Approval Matrix-Fraud

SI No	Designation	Limits	Mode of Operation
1	CEO and any one member of the Credit Committee of Executives ('CCE')	Upto INR 2 crores	CRO & 1 member of CCE + CEO
2	CEO and any one Director	Above INR 2 crores	Jointly

(B) Audit related

Internal Audit

- a) Approve the Risk Based Internal Audit Policy
- b) Approve functional risk assessment
- c) Approve the 3 year and annual audit plan and all major changes to the plan. Review the internal audit activity's performance relative to its plan.
- d) Review the effectiveness of the internal audit function, including conformance with The Institute of Internal Auditors' the Definition of Internal Auditing, Code of Ethics and the International Standards for Professional Practice of Internal Auditing.
- e) Review the performance of the Internal audit function and concur with the annual budget for the function.
- f) On a regular basis, meet separately with the Internal Auditor's (if there exist external internal auditors or co-sourced external auditors) to discuss any matters that the committee or internal audit believes should be discussed privately
- g) To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the internal the department, reporting structure coverage and frequency of internal audit (includes different types of inspection/audits conducted within the company, their periodicity and scheduling)
- h) To discuss with internal auditor(s) (external and or company's own internal audit head) any significant findings and follow up thereon and also includes follow up action on the audit and inspection reports, particularly for unsatisfactory compliance with inspection reports, delay in compliance and non-rectification of deficiencies and omissions on the part of inspecting officials to detect serious irregularities
- i) To review the findings of any internal investigations by the internal auditor(s) (external and or company's own internal audit head) into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board
- j) To evaluate internal financial control and risk management system

External Audit

- a) To recommend to the Board, the appointment, remuneration and terms of appointment and, if required, replacement or removal of the statutory auditor and/or branch / co-sourced internal auditor(s)
- b) To approve payment to statutory auditors for any other services rendered by the statutory auditor
- c) Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit.
- d) Review the effectiveness of audit process and adequacy of the internal control system and review the performance of the external auditors.
- e) Review and confirm the independence of the external auditors from the auditors on relationships between the auditors and the company, including non-audit services, and discussing the relationships with the auditors.
- f) On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

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- g) To discuss with statutory auditors before the audit commences, to ascertain any area of concern.
- h) To appoint, compensate, retain and oversee the work of an external audit firm engaged (including resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Bank. Each such accounting firm shall report directly to the Committee.

Compliance

- a) Review of pricing and rationale of inter-corporate loans and investments;
- b) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance.
- c) Reports of inspection by Reserve Bank of India (RBI);
- d) Review the findings of any examinations by other regulatory agencies.
- e) Review the process for communicating the code of conduct to company personnel, and for monitoring compliance therewith.
- f) Obtain regular updates from management and company legal counsel regarding compliance matters.

C) Others

- a) To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.
- b) To review the Information System Audit of the internal systems and processes to assess operational risks faced by the NBFCs.
- c) Review and approval of including modification of transactions of the company with related parties.
- d) Valuation of undertakings or assets of the company, wherever it is necessary.
- e) To review the functioning of the Whistle Blower mechanism including establishing procedures for –
 - i. the receipt, retention and treatment of complaints received regarding accounting, internal accounting controls or auditing matters; and
 - ii. the confidential, anonymous submission by employees regarding questionable accounting or auditing matters.
- f) The appointment, removal and terms of remuneration of the Chief Financial Officer shall be subject to review by the Audit Committee