

## **IFCI Venture Capital Funds Ltd.**

### **Scope of Work for Internal Audit**

#### **I. Verification of Financial Accounts & procedures.**

- (a) To verify Income recognition & accrual of Expenses under various heads;
- (b) To review accrual of Income in the Memoranda accounts;
- (c) To check recoveries from settlement cases approved by the Competent authority and levy/ recovery of interest/ penal interest, etc. as per terms of approval;
- (d) To provide Comments on system of maintenance of Books of account, preparation of Trial Balance, passing of entries, writing of vouchers, etc.;
- (e) To verify equity investments held by IFCI Venture through matching balances of equity shares in De-mat/ Custodial accounts/ physical checking of shares,
- (f) To check deployment of surplus funds ensuring proper procedures & due authorizations.
- (g) Monitoring of accounts to avoid down-gradation and recovery of NPAs.

#### **II. Inspection of handling operational matters.**

- (a) To ensure compliance of terms & conditions of sanction & disbursement for equity and loan cases.
- (b) To review information flow on status of operations, Annual reports and Balance Confirmation Certificates from assisted companies at regular intervals;
- (c) To review on periodical basis the status of available security with regard to pledge of shares.
- (d) To review efforts for recovering/ optimizing recoveries of investments and specific suggestions in respect thereof;
- (e) To review compliance of terms & conditions by assisted companies;
- (f) In cases of joint financing by other institutions, to review the status of other lender's actions;
- (g) To check the adequacy of insurance of fixed assets of assisted concerns;
- (h) To check adequacy of monitoring mechanism for protecting IFCI Venture's interest;
- (i) To check expiry of limitation period of filing of suits;
- (j) To review suit filed cases and monitoring mechanism for early monetization, including decreed cases;
- (k) To review the functions and reporting by the Nominee Directors.

**III. Compliance of statutory requirements under various laws/ regulatory norms relating to following:-**

- (a) Income Tax;
- (b) Corporate Laws;
- (c) Companies Act, 2013;
- (d) Service Tax;
- (e) Provident Fund & other establishment laws;
- (f) Payment of Gratuity Act;
- (g) Reserve Bank of India's Guidelines;
- (h) Listing Agreement for Debt Securities;
- (i) Accounting Standards;
- (j) Any other law/ rules/ regulations as may be applicable to the Company.

**IV. Compliance of Corporate Governance.**

- (a) Assessment of reporting mechanism to the Board of Directors and various Sub-Committees of the Board as well as Executives of IFCI Venture.
- (b) Reporting of material developments/ deficiencies in operations to the Board.
- (c) Review of annual Corporate Governance Report.
- (d) Internal Reporting mechanism.

**V. Observations on Administrative matters.**

- (a) Checking of validity of Insurance policies & adequacy of risk coverage for assets of the company.
- (b) Checking of Administration matters including Salaries bills and other payments to staff, calculation of interest on loans to employees etc.,
- (c) Checking of timely payment of telephone, electricity & other bills.
- (d) Review of functioning of internal systems and to suggest measures for improvement.

**VI. Risk Management/ Internal Control System to be followed by IFCI Venture.**

- (a) To ensure risks are appropriately identified and managed.
- (b) To ensure Risk Management Processes are robust and cover all major risks applicable to the Company.
- (c) To evaluate and contribute to the improvement of risk management, control, and governance systems in an organization and achieving the organizational objectives.

- (d) To ensure organization's actions are in compliance with policies, standards, procedures, Code of Conduct and applicable laws and regulations.
- (e) To ensure quality and continuous improvement are fostered in the Organization's control process.
- (f) Significant regulatory and legislative issues impacting the Organization are recognized and addressed properly.
- (g) To help Statutory Auditors of IFCI Venture, in case of any need in respect of auditing of accounts of IFCI Venture and to furnish any certificates as may be desired by them.