

DEPARTMENT	OEC-IAD-IA-P-01	ISSUE DATE	REVISION #
AUDIT	INTERNAL AUDIT POLICY AND PROCEDURE	2015-12-01	2.0
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PURPOSE

The Internal Audit Department conducts independent reviews of the Company procedures and operations. These reviews provide management with an independent assessment of the various operations and systems of control. The reviews also help to ensure that Company resources are used efficiently and effectively while helping the Company to achieve its mission (FTR). It is the intention of the Internal Audit Department to perform this service with professional care and with minimal disruption to business operations.

SCOPE

While carrying out the duties, Internal Auditor is responsible for utilizing a systematic, disciplined approach in evaluating and improving the effectiveness of internal controls and should include the following:

- a) Developing and maintaining a comprehensive audit program necessary to ensure compliance with policies and procedures necessary to safeguard the company.
- b) Communicating the results of audits and reviews by preparing Quarterly reports, including recommendation for modifications of the practices, policies and procedures as per the audit findings.
- c) Establishing and maintaining a quality assurance program to evaluate the Internal Audit operations. This program should include the following:

Uniformity of working paper preparation, audit sampling, working paper review, report preparation and review, report communication and issuance and record retention.

REFERENCE

N.A.

RESPONSIBILITY

The Internal Audit function was established at the direction of the Board of Directors and derives its authority directly from the Management. The Internal Audit Department reports administratively to the Director, Internal Audit. The scope of Internal Audit's responsibility is defined within this policy. Internal Auditor is authorized to conduct a comprehensive internal audit program within the company including the Branches and is responsible for keeping the Director informed of unusual communication or other matters of significance.

PROCEDURE / DESCRIPTION OF ACTIVITIES

Independence:-

In order to maintain independence and objectivity, the Internal Audit function has no direct responsibility or any authority over the activities or operations that are subject to review, nor should Internal Audit develop or install procedures, prepare records or engage in activities that would normally be subject to review. However, Internal Audit may be consulted when new systems or procedures are designed to ensure they adequately address internal controls.

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Internal Audit is a service function organized and operated primarily for the purpose of conducting audits, in accordance with Policies and Procedure. The evidential matter gathered from these audits forms the basis for furnishing opinions and other relevant information to the members of HOD and senior management.

Opinions and other information furnished may attest to the adequacy of internal control, the degree of compliance with established policies and procedures and/or their effectiveness and efficiency in achieving organizational objectives. The Internal Auditor may also recommend cost effective courses of action for management to consider in improving efficiencies that have been identified during an audit.

Confidentiality:-

All information obtained during an internal audit is deemed confidential unless otherwise instructed. It is understood that certain items are confidential in nature and special arrangements may be required when examining and reporting on such items.

Internal Audit will handle all information obtained during a review in the same prudent manner as the original custodian of the information. Internal Audit respects the value and ownership of information received and will not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

Audit reports are considered highly confidential:-

They are distributed to the respective Department - Vice President and to the Directors as requested. The VP will provide the same to the Head of the department (Branch Manager/Senior Manager/Manager/Assistant Manager) for closing the Gap. Other individuals interested in the audit report may gain access of the reports with the approval of the appropriate Department Vice President /HOD/Internal Audit.

Internal Auditor is expected to remain cautious with all information obtained during the course of an audit. When discussing matters pertaining to an audit or any other company matters, Internal Auditor must always remain careful and be certain to limit those conversations exclusively to appropriate personnel of the Company. Internal Auditor has an obligation to never carelessly discuss any information obtained during the course of audit assignments, whether within or outside the Company.

Code of Ethics & Conduct:-

Ethics:-

The Internal Auditor shall subscribe to the Code of Ethics established by the Institute of Internal Auditors, as well as adhere to the policies set forth by the management of OEC Records Management Company Pvt Ltd. In addition, the Internal Auditor will uphold the following:

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a) Integrity: - Ascertain trust and thus provide the basis for dependence on the judgment of Internal Audit. Be tactful, honest, objective and realistic in all relationships as a representative of OEC Records Management Company Pvt Ltd.

b) Objectivity: - Show the highest level of professional objectivity in gathering, evaluating and communicating information about the department under examination. Make balanced assessments of all the relevant circumstances and do not become influenced by individual interests or by others in forming judgments.

c) Confidentiality: - Respect the value and ownership of information received. Do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.

d) Competency: - Apply the knowledge, skills and experience required in the performance of internal auditing services and continually improve the proficiency, effectiveness and quality of the services provided.

Standards of Conduct:-

Internal Audit Department will adhere to the following standards of conduct:

a) Service: - Preserve a commitment to carry out all responsibilities with an attitude of service toward the Company maintaining a sincere and dignified attitude.

b) Excellence: - Uphold a high standard of service and a commitment to quality in performing all projects and assignments.

c) Leadership: - Provide significant examples which emphasize high ethical and moral standards.

d) Professionalism: - Conduct Audit in a manner that reflects favorably on the Company and the individual. Exercise skill, integrity, maturity and tact in all relations.

Responsibility for Detection of Errors or Irregularities:-

Internal Auditor is responsible for examining and evaluating the adequacy and effectiveness of internal controls. Audit procedures alone are not designed to guarantee the detection of fraud.

An error is an unintentional mistake which includes mathematical or clerical mistakes in the underlying records and data from which the financial statements or other reports are prepared, mistakes in the application of accounting principles and oversight or misinterpretation of facts that existed at the time the reports were prepared.

An irregularity is an intentional distortion of financial statements or other reported data

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or misappropriation of the assets. As soon as it has been determined that an irregularity does exist, the Internal Audit will notify the Director Internal that an irregularity has been identified and if the Director, Internal Audit believes that a material error or an irregularity exists in the department under review or in any other department of the company, the implications of the error or irregularity and its disposition should be reviewed with the responsible Vice President and the HOD has to resolve the extent of the problem.

Departments covered under Internal Audit:-

Internal Audit's primary activity is the implementation of regular Process audits of all the departments of OEC Records Management Company Pvt Ltd as listed below:-

1. Admin Department
2. Collection Department
3. CS Department
4. Finance Department
5. HR Department
6. IT & Infra Department
7. Operations Department
8. Sales Department
9. Security Department.
10. Software Department.

Internal Audit will consist of critical reviews of all the processes, policies and procedures and internal controls that diminish specific risks of the department. These audits examine the use of resources to determine if they are being used in the most effective and efficient manner to fulfill the company's objective.

Internal Review of accounting and financial Process will also determine if commitments, authorizations and the receipt and disbursement of funds are properly and accurately recorded and reported. The audit also determines if there are sufficient controls over cash and other assets and that there is adequate process controls over the acquisition and use of resources. Unlike external financial audits, internal financial audits do not prepare or express professional opinions on the financial statements fairness.

Internal Audit will identify existing control weaknesses, assist in determining the amount of loss and recommending corrective measures to prevent additional losses.

Internal Audit will work with outside agencies to determine if misconduct occurred at Branches. Internal Audit will review the disaster recovery plans, system back up procedures and the general security of data and the Server. The purpose of these audits is to evaluate the accuracy, effectiveness and efficiency of the Company electronic and information processing systems.

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Internal Audit will also conduct surprise Audit once or Twice in year to determine the effectiveness of the policies and procedures.

AUDIT PLANNING

Develop the Audit Plan:-

Internal Auditor is responsible for developing a risk based Audit Plan in consultation with the reporting Director that includes Departments subject to Quarterly review, each financial year and surprise audit.

The Audit Plan is an electronic document showing specific audits to be performed by the Internal Audit Department. Audit Plan is presented to the Director for review and approval.

The development of the Audit Plan includes a review of the Companies risk assessment in which business process are identified and evaluated according to the policies and procedure. The majority of audits are planned. However, that does not preclude Internal Audit from conducting unplanned audits.

Prior to any audit the Internal Auditor will discuss the engagement with the Director. The discussion will include the scope, purpose and estimated time frame of the audit. As unplanned projects are required, they are included in the overall plan for the year.

The annual Audit Plan will be submitted to the Director for review and approval. Any proposed changes to the approved Audit Plan will be presented to the Director.

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AUDIT PROCESS

Overview and Conduct of the Audit Process:-

Internal Audit will determine ways to minimize risks and increase efficiencies within the area. An audit will result in a certain amount of time being diverted from Department personnel's usual routine. One of the key objectives is to minimize this time and avoid disrupting on-going activities.

a) PLAN: - The Internal Audit Department will develop an audit plan based on a review of all pertinent information. Sources may include, but are not limited to: a risk assessment, internal and external evaluations and management guidance.

b) NOTIFY: - The Internal Audit Department will intimate the department manager and the senior managers of the process to be audited through an email the scope and objectives of the audit, how long it is expected to last and what the responsibilities for all parties are in the audit process. Any factors that may impact the audit should be raised at this time. Factors include vacations, financial year end reporting requirements, etc.

c) TEST: - Testing will include interviews with the staff, review of procedures and manuals, compliance with the Company policies and statutory laws and regulations and assessing the adequacy of internal controls.

d) COMMUNICATE: - Keep the department that is undergoing the audit updated on the status of the audit on a regular basis especially if there are any findings. There may be instances where the findings can be addressed immediately.

e) DRAFT AUDIT REPORT: - The draft audit report will include the Summary Findings, Risk Category, Risk Implications Audit Recommendations, Plan of Action, Remedial Plan, Person Responsible and Date of Implementation. Draft Audit Report will be sent to the respective HOD's marking carbon copy to the Director, Internal Audit within 7 days from the completion of the Audit of the location.

f) DISCUSSION:- After the Review of the Draft Report, HOD shall have a discussion with the Audit Department in the presence of Director Internal Audit/Manager Special Projects and along with their respective reporting authority for the points that the HOD wants clarification upon and to decide the Plan of Action within 2 calendar days. If the HOD decides not to have a discussion on the Audit Report then the Remedial plan with the date of implementation should reach the Audit Department within 3 calendar days (does not include holidays and Sundays) from the date of receipt of draft report by the HOD.

f) FINAL AUDIT REPORT:- After the Discussion the Internal Audit Department will release the Final Audit Report to the HOD marking a carbon copy to Director Internal Audit on or the next day of discussion to confirm the facts.

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g) REVIEW: - The final version of the audit Report will be reviewed by the HOD on the same or the next day.

h) DISTRIBUTE: - The HOD has to then release the report to the audited department marking a copy to the Internal Audit Department on the same day or next day of the receipt of the final report for Gap Closure and have a specific target date of completion for the corrective actions. The time window for the Response for the Audited Department is normally 2 calendar days.

i) VERIFY: -The Internal Audit Department will normally conduct a follow up on the Management Responses to the audit Findings and Recommendations within a reasonable time frame of 15 days. This subsequent review will be discussed with the Director Internal Audit.

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AUDIT PROCEDURES

Evidential Matter:-

Evidential matter obtained during the course of fieldwork provides the documented basis for the auditor's opinions, observations and recommendations as expressed in the auditor's opinions, observations and recommendations as noted in the audit report. The Internal Audit Department is obligated by professional standards to act objectively, exercise due professional care and collect sufficient and relevant information to provide a sound basis for audit observations and recommendations. Auditors must obtain all evidence necessary for the effective completion of the audit. The decision on how much evidence is enough and what type to seek requires the exercise of the auditor's judgment based on experience, education and intuition. A thorough knowledge of the concepts underlying audit evidence will help the auditor to improve the audit quality and efficiency of the process. Internal Auditing require that work papers possess certain attributes to provide a sound basis for audit observations and opinions and to be considered as evidential matter.

These attributes are:

- a) Sufficient information is factual and adequate so that a prudent, informed person would reach the same conclusions as the auditor
- b) Information is reliable and the best attainable through use of appropriate audit techniques
- c) Relevant information supports audit findings and recommendations and is consistent with the audit objectives for the audit
- d) Useful information helps the organization meet its goals. It also provides a reference for the preparer when called upon to answer questions.

Types of evidence:-

If the evidence supports the basic test of sufficiency, competence and relevance, it may be used to support the auditor's findings. The following outlines the different types of evidence obtained during the course of an audit:

- a) **Physical evidence:** - Obtained through observation and inquiry
- b) **Testimonial evidence:** - Based on interviews and statements from involved persons
- c) **Documentary evidence:-** Consists of reports, logs, registers, minutes, memoranda, contracts, extracts from accounting records, formal charts and specifications of documentation flows, systems design, operational and organizational structure

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d) Analytical evidence: - Secured by analysis of information collected by the auditor.

Documentation of Evidential Matter:-

Standards for the Professional Practice of Internal Auditing require that audit work papers reflect the details of the evidence upon which the auditor has relied. The Internal Auditor must maintain adequate documentation of the audit, including the basis and extent of planning, the work performed and the results and findings of the audit. This will allow the work papers to serve both as tools to aid the auditor in performing their work and as written evidence of the work done to support the auditor's report. Information included in work papers should be sufficient and relevant to provide a sound basis for audit findings and recommendations.

In the process of collecting evidential matter, the auditor is required to perform audit testing to support all observations and opinions. During the performance of such testing, the auditor is not required to test the population in its entirety. Audit sampling may be employed. Audit sampling is performing an audit test on less than 100% of a population. In "sampling", the auditor accepts the risk that some or all errors will not be found and the conclusions drawn (i.e. all transactions were proper and accurate) may be wrong. The type of sampling used and the number of items selected should be based on the auditors understanding of the relative risks and exposures of the areas audited.

Types of Samples:-

a) Statistical or probability sampling: - Allows the auditor to stipulate, with a given level of confidence, the condition of a large population by reviewing only a percentage of the total items. Several sampling techniques are available to the auditor.

b) Attribute sampling: - Used when the auditor has identified the expected frequency or occurrence of an event.

c) Variable sampling: - Used when the auditor samples for values in a population which vary from item to item.

d) Judgment sampling: - Used when it is not essential to have a precise determination of the probable condition of the universe, or where it is not possible, practical or necessary to use statistical sampling.

Risk Rating in Relation to Audit Findings:-

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a) High Priority Risk: - As this is a high priority issue, immediate management attention is required. This is a serious internal control or risk management issue that if not mitigated, may, with a high degree of certainty, lead to:

- Substantial losses, possibly in conjunction with other weaknesses in the control framework or the organizational entity or process being audited.
- Serious violation of corporate strategies, policies, or values.
- Serious reputation damage, such as negative publicity in national or international media.
- Significant adverse regulatory impact, such as loss of operating licenses or material fines.

b) Medium Risk: - As this is a medium-priority issue, timely HOD attention is warranted. This is an internal control or risk management issue that could lead to:

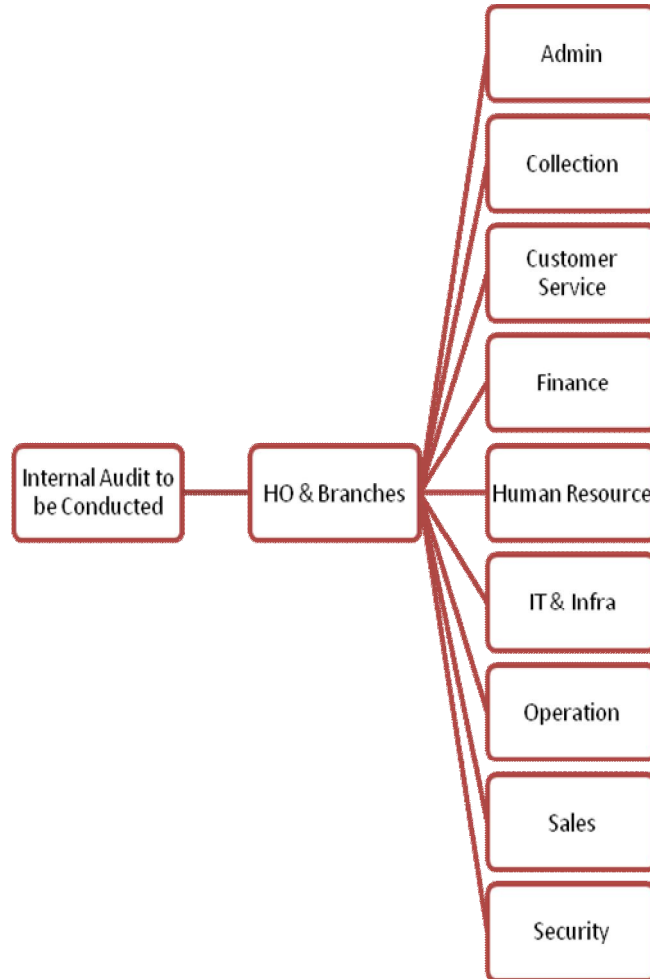
- Financial losses (stipulate levels).
- Loss of controls within the organizational entity or process being audited.
- Reputation damage, such as negative publicity in local or regional media.
- Adverse regulatory impact, such as public sanctions or immaterial fines.

c) Low Risk: - As this is a low priority issue, routine Reporting Authorities attention is warranted. This is an internal control or risk management issue, the solution to which may lead to improvement in the quality and/or efficiency of the organizational entity or process being audited. Risks are limited.

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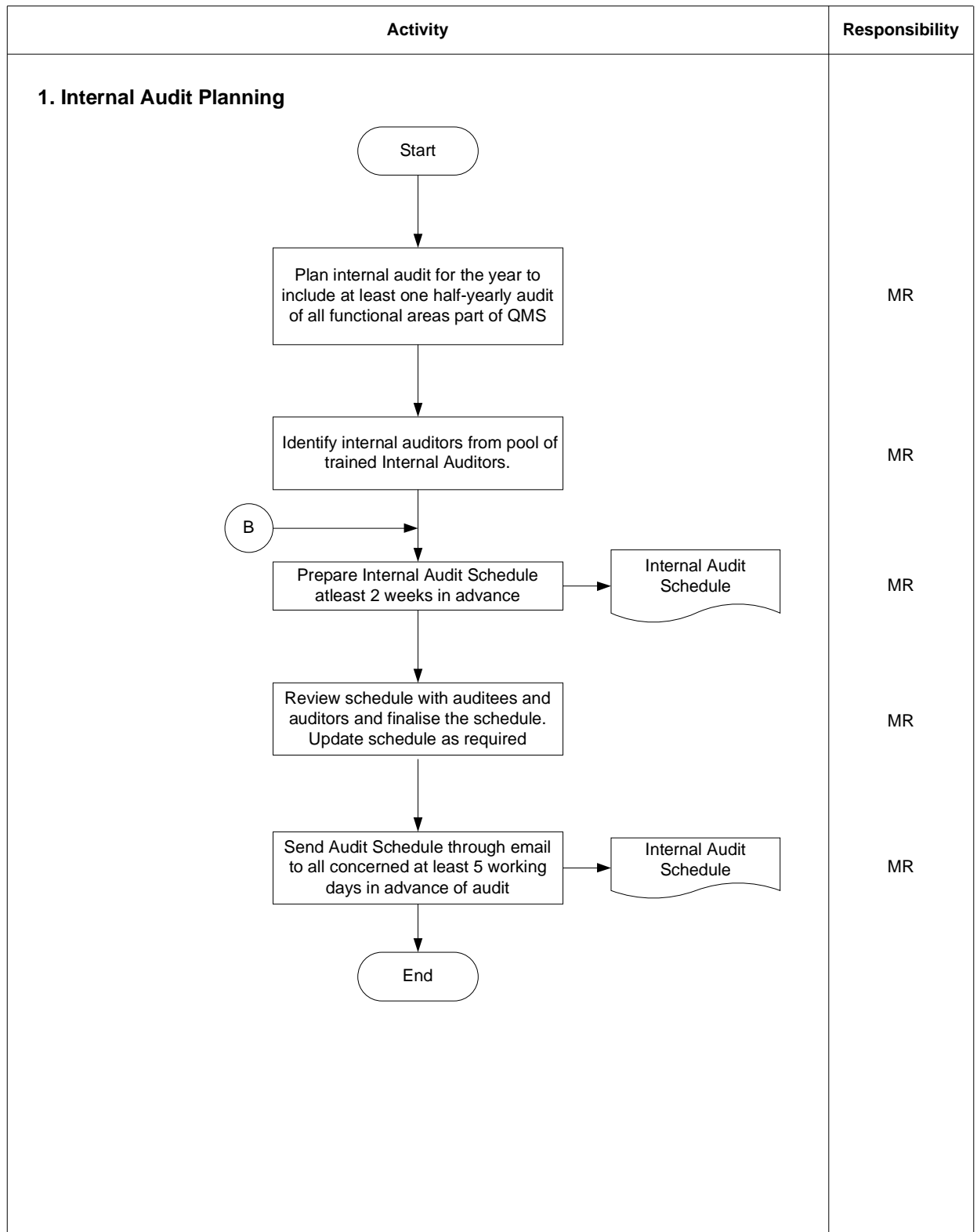
ENCLOSURES

Flow Chart of Audit



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Internal Audit Process:



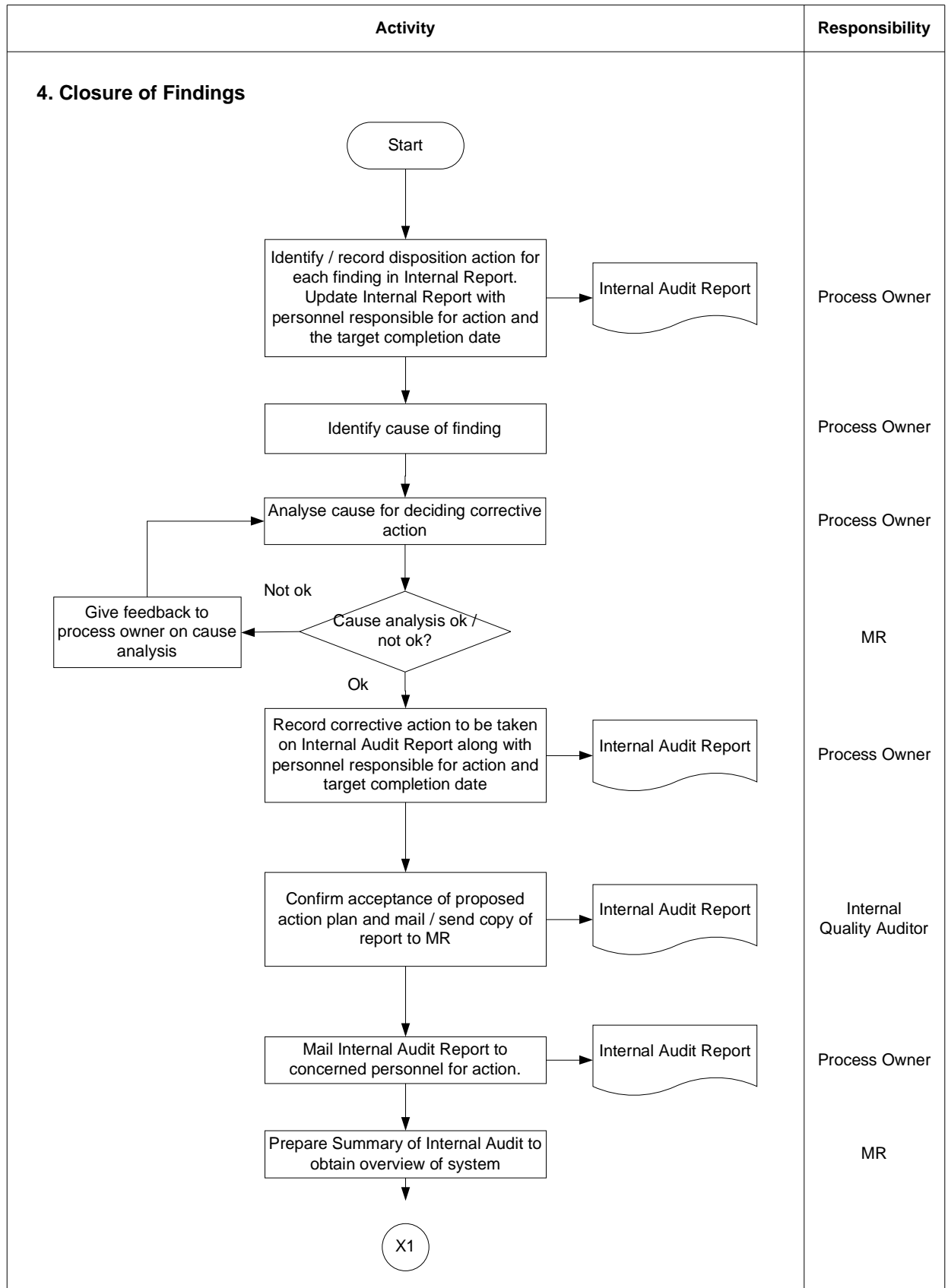
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Activity	Responsibility
<p>2. Preparation and Execution of Audit</p> <pre> graph TD Start([Start]) --> Step1[Study previous audit reports, Manual, processes and instructions prior to audit. Update Audit Checklist] Documents[Documents] --> Step1 Step1 --> Step2[Conduct audit as per Internal Audit Schedule so as to cover all relevant clauses of ISO 9001 Standard in all areas in scope. Use checklist for audit if required] InternalAuditSchedule[Internal Audit Schedule] --> Step2 Step2 --> Step3[Collect evidence through interviews, examination of documents, observation of activities and conditions in the audit areas] Step3 --> Step4[Come to mutual agreement of finding with auditee] Step4 --> End([End]) </pre>	<p>Internal Auditor</p> <p>Internal Auditor / External Auditor (if required)</p> <p>Internal Auditor</p> <p>Internal Auditor</p>

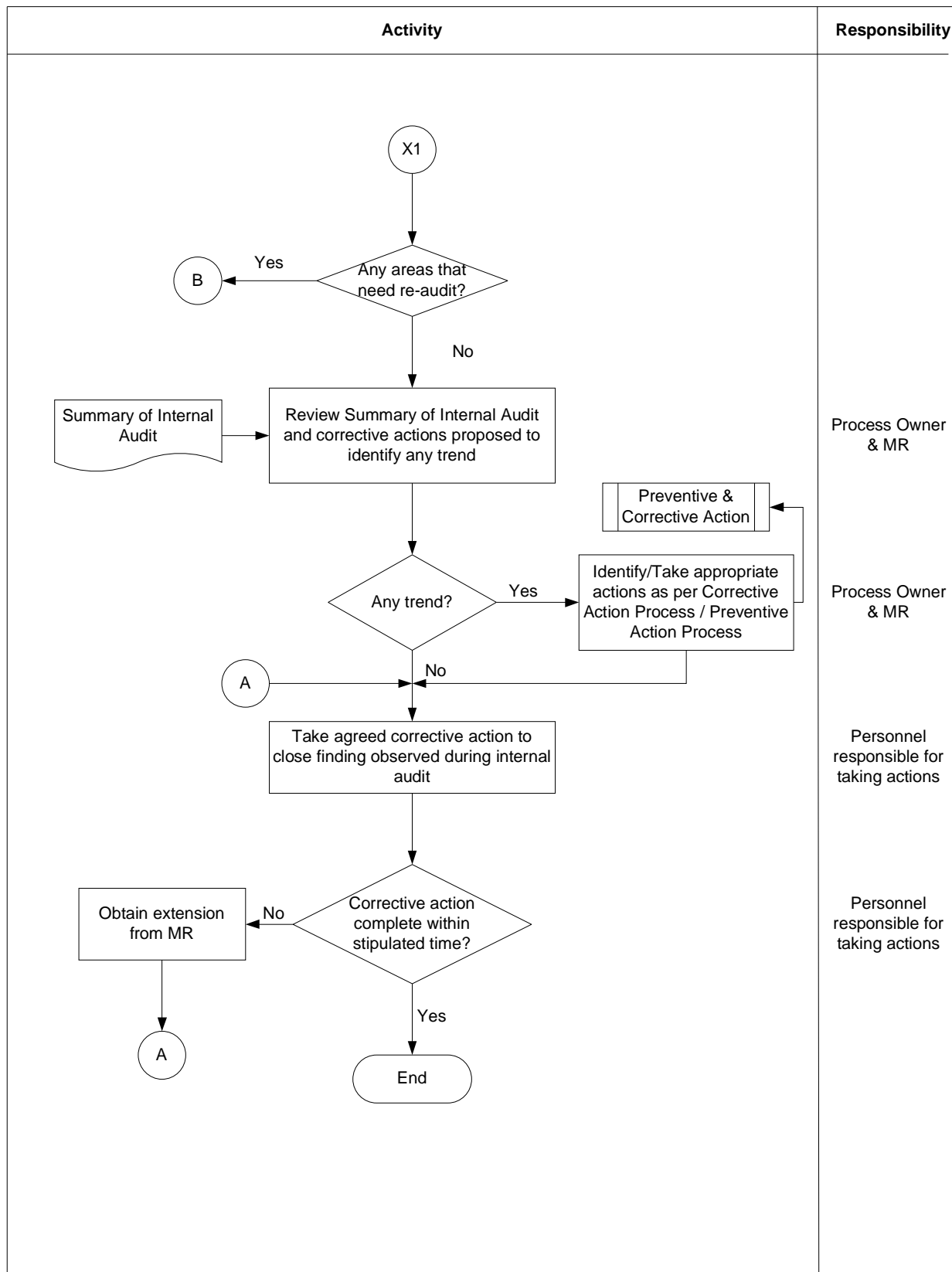
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Activity	Responsibility
<p>3. Reporting of Audit Findings</p> <pre> graph TD Start([Start]) --> Step1[Document audit findings in Internal Audit Report] Step1 --> Report1[Internal Audit Report] Step1 --> Step2[Complete Internal Audit Reports for non-conformances and observations] Step2 --> Report2[Internal Audit Report] Step2 --> Step3[Obtain consent of auditee on Internal Audit Report to indicate acceptance of finding] Step3 --> Step4[Give details in Internal Audit Report regarding Process Location Process / Product] Step4 --> End([End]) </pre>	<p>Internal Auditor</p> <p>Internal Auditor</p> <p>Internal Auditor</p> <p>Internal Auditor</p>

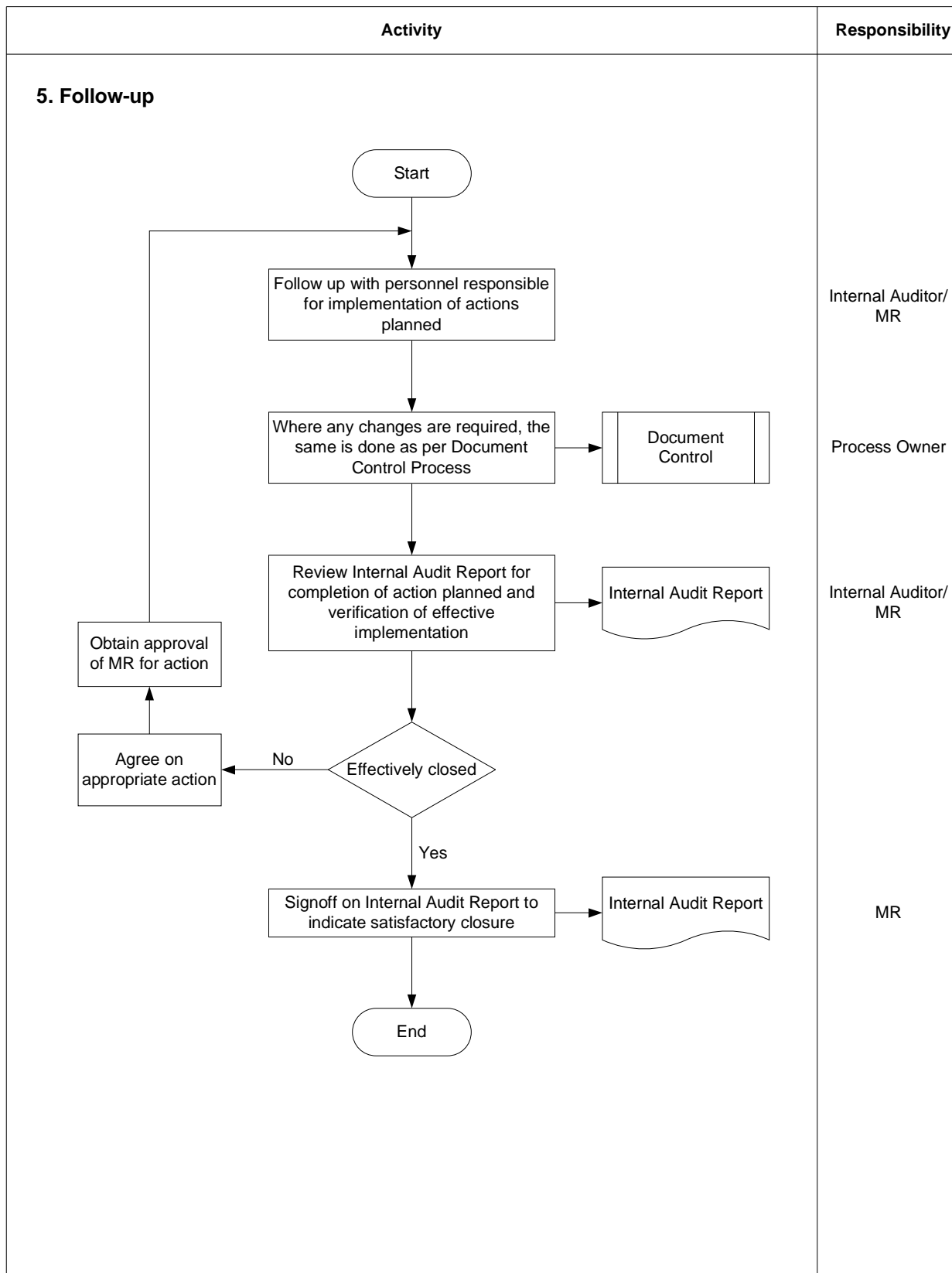
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Activity	Responsibility
<p>6. Management Review</p> <pre> graph TD Start([Start]) --> Process[Present results of audit including the findings and actions taken to close findings to management at Management Review meeting] Reports[Internal Audit Reports] --> Process Process --> Review[Management Review] Review --> End([End]) </pre>	<p>MR</p>

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TAT						
Audit Date	Draft Report Date	Discussion Date		Final Report Date	Review and send to Dept by the HOD	Department Date for Implementation Date in the Report
Today	Within 7 days from the date of completion of the Audit of the location.	Discussion Required	Discussion Not Required	On or the next day of the discussion	On or next day of the receipt date of the final report date.	Within 2 days from the date of receipt from the HOD.
		Within 2 days from the receipt date of the Draft Audit Report.	Within 3 days from the receipt date of the Draft Audit Report.			
Eg:- Mon, 14-Jul-2014	Mon, 21-Jul-2014	Wed, 23-Jul-2014	Thu, 24-Jul-2014	Fri, 25-Jul-2014	Mon, 28-Jul-2014	Wed, 30-Jul-2014

Within 7 Days from the Date of Audit Completed for the location

within 7 days these formalities should be completed and reach Audit Department for Gap Closure (Excluding Sundays & Holidays)

Time Lines (Draft Report -> Discussion->Final Report->Implementation Date):- Within 15 days the process should be completed i.e., from the date the Draft Report sent to HOD till the Date of Implementation received to Audit.

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FORMATS / EXHIBITS

Audit Report & Gap Closure Format – **OEC-AUDIT-E01**

Sr. No.	Observation	Risk Category	Risk	Recommendations	Action Plan	Policy change required	Remedial Plan	Person responsible	Date to be implemented by
1									
2									
3									
4									
5									
6									
7									
8									
9									
10									