

Internal Audit Checklist

for NBFCs

1. REGULATORY COMPLIANCE

RBI Registration & Licensing

- ☐ Valid Certificate of Registration (CoR) from RBI
- ☐ Compliance with minimum Net Owned Fund (NOF) requirements
- ☐ Annual renewal of registration where applicable
- ☐ Adherence to RBI's fit and proper criteria for directors/key management
- ☐ Compliance with foreign investment norms (if applicable)

RBI Master Directions Compliance

- ☐ Adherence to RBI Master Direction on NBFCs (Non-Deposit taking/Deposit taking)
- ☐ Compliance with prudential norms for asset classification
- ☐ Income recognition and provisioning norms followed
- ☐ Capital adequacy ratio maintained as per RBI norms
- ☐ Exposure norms compliance (single/group borrower limits)

Regulatory Returns & Reporting

- ☐ Timely submission of NBS returns to RBI
- ☐ Monthly/Quarterly returns filed within stipulated time
- ☐ Annual audited financials submitted to RBI
- ☐ Compliance with XBRL filing requirements
- ☐ Asset-Liability Management (ALM) returns filed

2. GOVERNANCE & BOARD OVERSIGHT

Board Composition & Meetings

- ☐ Minimum number of independent directors as per RBI norms
- ☐ Board meetings held as per regulatory requirements
- ☐ Proper recording of board minutes and resolutions
- ☐ Board committees constituted (Audit, Risk, Nomination & Remuneration)
- ☐ Annual board evaluation conducted

Key Management Personnel

- ☐ CEO/MD appointment approved by RBI (where required)
- ☐ Fit and proper criteria compliance for key personnel
- ☐ Proper succession planning in place
- ☐ Related party transaction approvals
- ☐ Conflict of interest declarations maintained



3. RISK MANAGEMENT FRAMEWORK

Credit Risk Management

- ☐ Board-approved credit policy in place
- ☐ Credit appraisal process documented and followed
- ☐ Loan sanctioning authority matrix defined
- ☐ Regular credit review and monitoring mechanisms
- ☐ Early warning signals system implemented
- ☐ Stress testing conducted periodically

Operational Risk Management

- ☐ Operational risk policy approved by board
- ☐ Risk and control self-assessment (RCSA) conducted
- ☐ Key risk indicators (KRIs) monitored
- ☐ Business continuity plan in place and tested
- ☐ Incident reporting and management system operational

Market & Liquidity Risk

- ☐ Asset-liability management policy in place
- ☐ Interest rate risk management framework
- ☐ Liquidity risk monitoring and reporting
- ☐ Investment policy compliance
- ☐ Derivative usage policy (if applicable)



4. LENDING OPERATIONS

Loan Origination

- ☐ KYC/AML compliance for all borrowers
- ☐ Credit appraisal documentation complete
- ☐ Legal and technical due diligence conducted
- ☐ Loan agreement execution and documentation
- ☐ Disbursement controls and authorization
- ☐ Insurance coverage obtained where required

Loan Administration

- ☐ Loan accounting and classification accuracy
- ☐ Interest calculation and charging verification
- ☐ EMI/installment collection monitoring
- ☐ Overdue tracking and follow-up procedures
- ☐ Restructuring/rescheduling approvals and documentation
- ☐ Recovery and collection procedures

Asset Quality Management

- ☐ NPA identification and classification accuracy
- ☐ Provisioning calculations as per RBI norms
- ☐ Write-off policy and approvals
- ☐ Recovery efforts documentation
- ☐ Legal action initiation and monitoring
- ☐ Asset reconstruction/sale processes



5. TREASURY & INVESTMENT OPERATIONS

Investment Portfolio Management

- ☐ Investment policy compliance
- ☐ Board/committee approvals for investments
- ☐ Valuation methodology accuracy
- ☐ Market risk assessment and monitoring
- ☐ Concentration limits adherence
- ☐ Liquidity management effectiveness

Borrowing & Funding

- ☐ Borrowing policy and limits compliance
- ☐ Cost of funds optimization
- ☐ Debt servicing obligations met
- ☐ Covenant compliance monitoring
- ☐ Credit rating maintenance
- ☐ Alternative funding source diversification

6. INFORMATION TECHNOLOGY & CYBER SECURITY

IT Governance

- ☐ IT policy and strategy alignment with business
- ☐ IT steering committee functioning
- ☐ Vendor management and outsourcing controls
- ☐ Change management procedures
- ☐ System backup and disaster recovery
- ☐ IT audit and security assessments



Data Protection & Privacy

- ☐ Data protection policy implementation
- ☐ Customer data security measures
- ☐ Access controls and user management
- ☐ Cyber security incident response plan
- ☐ Regular security awareness training
- ☐ Compliance with data localization norms

7. CUSTOMER PROTECTION & FAIR PRACTICES

Fair Practices Code

- ☐ Board-approved Fair Practices Code
- ☐ Transparent pricing and charges disclosure
- ☐ Grievance redressal mechanism
- ☐ Customer education and awareness programs
- ☐ Outsourcing guidelines compliance
- ☐ Recovery practices alignment with RBI guidelines

Customer Service Standards

- ☐ Service level agreements defined and monitored
- ☐ Customer complaint resolution tracking
- ☐ Turnaround time compliance
- ☐ Customer satisfaction surveys
- ☐ Digital channel security and functionality
- ☐ Accessibility features for differently-abled customers



8. ANTI-MONEY LAUNDERING (AML) & KYC

KYC Compliance

- ☐ KYC policy updated as per RBI guidelines
- ☐ Customer due diligence procedures
- ☐ Periodic KYC updation compliance
- ☐ Risk categorization of customers
- ☐ Enhanced due diligence for high-risk customers
- ☐ Record maintenance and retrieval systems

AML Framework

- ☐ AML policy and procedures implementation
- ☐ Suspicious transaction monitoring system
- ☐ STR/CTR filing with FIU-IND
- ☐ Staff training on AML/CFT measures
- ☐ Independent AML audit conducted
- ☐ Designated Director/Principal Officer appointment

9. FINANCIAL REPORTING & ACCOUNTING

Financial Statements Preparation

- ☐ Compliance with applicable accounting standards
- ☐ Revenue recognition accuracy
- ☐ Provision and reserve calculations
- ☐ Related party transaction disclosures
- ☐ Segment reporting compliance
- ☐ Notes to accounts completeness



Management Information Systems

- ☐ MIS accuracy and timeliness
- ☐ Key performance indicators monitoring
- ☐ Exception reporting mechanisms
- ☐ Reconciliation procedures
- ☐ Financial controls testing
- ☐ Month-end/year-end closing procedures

10. HUMAN RESOURCES & COMPENSATION

HR Policies & Procedures

- ☐ Recruitment and selection processes
- ☐ Performance management system
- ☐ Training and development programs
- ☐ Code of conduct implementation
- ☐ Whistle-blower policy and mechanism
- ☐ Employee grievance handling

Compensation & Benefits

- ☐ Remuneration policy compliance
- ☐ Variable pay and incentive structures
- ☐ Statutory compliance (PF, ESI, etc.)
- ☐ Leave and attendance management
- ☐ Employee insurance and benefits
- ☐ Separation and exit procedures



11. INTERNAL AUDIT FUNCTION

Audit Framework

- ☐ Internal audit charter and independence
- ☐ Risk-based audit planning
- ☐ Audit universe coverage
- ☐ Audit methodology and standards
- ☐ Quality assurance and improvement program
- ☐ Audit committee reporting

Audit Execution & Follow-up

- ☐ Audit execution as per approved plan
- ☐ Audit findings documentation and rating
- ☐ Management response and action plans
- ☐ Follow-up and closure tracking
- ☐ Trend analysis and root cause identification
- ☐ Coordination with external auditors

12. OUTSOURCING & VENDOR MANAGEMENT

Outsourcing Governance

- ☐ Outsourcing policy as per RBI guidelines
- ☐ Board approval for material outsourcing
- ☐ Due diligence on service providers
- ☐ Service level agreements and monitoring
- ☐ Business continuity arrangements
- ☐ Exit strategy and transition planning



Vendor Risk Management

- ☐ Vendor onboarding procedures
- ☐ Performance monitoring and review
- ☐ Information security requirements
- ☐ Compliance monitoring
- ☐ Payment processing and controls
- ☐ Contract management and renewals

AUDIT SIGN-OFF

Audit Completion Checklist

- ☐ All audit areas covered as per scope
- ☐ Findings discussed with management
- ☐ Management responses obtained
- ☐ Action plans with timelines agreed
- ☐ Draft report reviewed by audit head
- ☐ Final report issued to audit committee

