

INTERNAL FINANCIAL CONTROL POLICY

Legal Framework

This policy has been formulated pursuant to Section 135 of the Companies Act, 2013, for ensuring the orderly and efficient conduct of the business of the Thacker And Company Limited ("TCL/Company") including adherence to the Company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records and the timely preparation of reliable financial information.

This policy has been adopted by the Board of Directors in their Meeting held on 31st January, 2018.

Objectives of Internal financial controls policy

- a. To establish a framework for effective control system.
- b. To mitigate the risk and provide reasonable assurance that operations are efficient and effective, assets are safeguarded and financial reporting is accurate and reliable.
- c. To ensure company's resources are used prudently and in an efficient & effective manner.
- d. To ensure information integrity, compliance with regulations and achievements of company's objectives through operational efficiency.

Elements for Internal control framework

- a. Policies and Procedures
- b. Delegation of Authority
- c. Trained and qualified staff
- d. Information technology controls
- e. Internal Audit
- f. Risk identification and assessment

Appointment of Internal Auditor to audit Internal Financial Controls

The company shall appoint an internal auditor, who shall be either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board of Directors, audit the internal financial controls of the Company.

Scope of Internal Audit

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the Internal Control System and the quality of performance in carrying out assigned responsibilities at the organizational, departmental, and functional level.

It includes:

- a) Reviewing the reliability and integrity of financial and operating information;
- b) Assessing compliance with policies, plans, and procedures;
- c) Assessing compliance with laws and regulations;
- d) Reviewing the means of safeguarding assets and verifying the existence of such assets;
- e) Verifying quality of Assets;
- f) Reviewing and appraising the economy and efficiency with which resources including IT Resources are employed;
- g) Reviewing established systems of internal control to ascertain whether they are functioning as designed;
- h) Monitoring and evaluating the effectiveness of the company's operational risk management processes;
- i) Examining and reporting on the adequacy of internal controls for all new or significantly modified information systems;
- j) Investigating and reporting on violations of policies and procedures, errors, fraud or misuse of company assets;
- k) Performing forensic audits when there are red flags that warrant investigation;
- l) Reviewing specific operations, programs, functions or activities at the request of the Audit Committee or management, as appropriate.

Additionally, the Internal Audit Report may include observations on following matters: -

1. Day-to-day functioning of business of the Company;
2. The Financial Statements of the Company specifying whether the financial statements have been prepared in accordance with the generally accepted accounting principles in India (Indian GAAP) and also in accordance with the standards on accounting issued

by Institute of Chartered Accountants of India and provisions of the Companies Act, 2013;

3. The books of accounts of the Company specifying whether the books of account are maintained in proper computer system under proper conditions and if they are kept updated with the latest software necessary to carry on the day to day functioning of the company smoothly;

And whether the maintenance of books of accounts is done by designated individuals under proper authorization and restricted access to avoid fraud, errors or omissions.

4. Accesses to spreadsheet of financial statements are password protected with designated individuals under proper authorization and restricted access to avoid fraud, errors or omissions.
5. The Company has policy and procedure of passing board resolutions to open a new bank account for its day-to-day financial transactions;
6. Revenue expenses incurred and paid by the Company are duly authorized and approved by the director / authorized person wherever necessary.
7. Capital expenditure and borrowings by the Company are duly authorized and approved by the director / authorized person wherever necessary.
8. Payment of Statutory dues by the Company like TDS, Service Tax and Profession Tax and returns to be filed are done within the specified due dates and are properly complied with and also maintained for record purpose, etc.

Internal Audit Plan

- a) The Internal Auditor may prepare an audit plan at the beginning of the year and may get it approved by the Audit Committee of the Board of Directors.
- b) Frequency of audit of an activity/ function should be determined based on the risk perception;
- c) However all activities of the company will be audited at least once a year.

Audit Sampling

- a) The internal auditor may perform sample verification where 100% verification is not warranted based on the risk perception;
- b) The internal auditor should design and select an audit sample, perform audit procedures thereon, and evaluate sample results so as to provide sufficient

appropriate audit evidence to meet the objectives of the internal audit engagement;

- c) When designing an audit sample, the internal auditor should consider the specific audit objectives, the population from which the internal auditor wishes to sample, and the sample size;
- d) The internal auditor should select sample items in such a way that the sample can be expected to be representative of the population. This requires that all items or sampling units in the population have an opportunity of being selected.

Audit Reporting

- (a) An audit report shall be prepared by the Auditor following the conclusion of each audit;

The report will be finalised after discussion with the head of department/activity under review;

- (b) The response should include a time-frame for anticipated completion of the action to be taken for rectifiable irregularities and an explanation for any recommendations that will not be addressed;
- (c) Timelines for closure of audit reports for various streams of audit -by which time all irregularities should be rectified, will be laid down;
- (d) For non-rectifiable irregularities, appropriate action be taken within the time prescribed by the operational guidelines. or permission for maintaining status quo obtained from appropriate authority;
- (e) The Internal Auditor will report findings to the Senior Management;
- (f) Internal Audit Report shall be placed before the Audit Committee and Board of Directors, at such frequency as may be laid down by the Board of Directors.

Documentation

The auditor shall prepare audit documentation on the basis of which he reached his conclusions

The documents may be kept in paper form or in electronic form. However, as far as possible electronic documentation methods shall be resorted to.

ACCOUNTING POLICIES

The Financial Statement will be prepared in accordance with Generally Accepted Accounting Principles under the historical cost convention followed on the accounting (except for certain revalued fixed assets) and recognizes income and expenditure on accrual basis except those with significant uncertainties.

The Company may adopt Accounting Policies to provide for:

1. Methods of depreciation, depletion and amortization.
2. Valuation of inventories, investments and Fixed Assets.
3. Treatment of retirement benefits
4. Treatment of contingent liabilities
5. Recording of foreign transactions and fluctuations in Transaction currency.
6. Recognition of revenue and estimation of expenditure for current and future period.
7. Tax and Government levies.

ANNUAL ACCOUNTS

The Balance sheet and Statement of Profit and Loss of the Company shall be in accordance with schedule III of Companies Act, 2013.

REVIEW OF OTHER AREAS

1. Employee

The Company considers employees as valuable resources to the organization and realizes that employee satisfaction is important for it to ensure their optimum productivity. The Company has various policies for benefit of employees. Such policies boost employee morale and play a vital role in their overall performance. The company has various policies i.e leave policy, medical policy etc. The company has well structured leave and leave encashment policy

2. Cash

The Company has adequate system in place to protect its cash balance which is managed at optimum level, under the supervision of a senior official of the Company. The expenses & other spending can only be done by the authorised person.

3. HR and Personnel

The company attaches high importance to transparent recruitments of qualified persons and effective training to retain talented employees and continuously upgrade their skill and

knowledge. They are entitled to leaves as per norms. There are annual reviews of employee performance.

4. Internal checks

The company, apart from statutory audit and secretarial audit, has a set mechanism for internal check which is being modified and upgraded as per requirements.

Review of the Internal Financial Control policy

The Internal Financial Control policy shall be reviewed at such frequency as may be determined by the Board of Directors.