

# **Supra Pacific Financial Services Limited**

## **7) Policy -Internal Financial Controls**

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### **Introduction**

Section 134 (5) (e) of the Companies Act, 2013 requires Directors of a listed company to state in their Directors' Responsibility Statement that they have laid down internal financial controls to be followed by the Company and that such policy is adequate and are operating efficiently.

As per Section 177 (4) (vii) of the Companies Act, 2013, the Audit Committee shall evaluate the internal financial control.

Code of Independent Director (Schedules IV of the Companies Act, 2013) states that directors satisfy themselves on the integrity of financial information and that financial control and the systems of risk management are robust and defensible.

As per Section 143 (3) (i), Statutory Auditors are required to make a statement in their Auditor's Report, whether the company has adequate Internal Financial Control system in place and the operating effectiveness of such controls.

Rule 8 (5)(viii) of the Companies (Accounts) Rules, 2014 states that the details in respect of adequacy of internal financial controls with reference to the Financial Statements, shall be given in Board report.

The Company has made a reasonable Internal Financial Control in place which is being enumerated below in terms of the new definition provided under the Companies Act, 2013.

Internal Financial Controls include the following:

1. Policies and Procedures for ensuring the orderly and efficient conduct of its business including adherence to Company's policies.
2. Safeguarding of its assets.
3. Prevention and detection of frauds and errors.
4. Accuracy and completeness of the accounting records and,
5. Timely preparation of reliable financial information.

### **Intent**

Internal Financial Control is a means by which an organization's resources are directed, monitored, and measured. It plays an important role in detecting and preventing fraud and protecting the organization's resources, both physical (e.g., machinery and property) and intangible (e.g.: reputation or intellectual property such as trademarks).

Internal Financial Control is all of the policies and procedures management uses to achieve the following objectives:

- **Safeguard Assets** - well designed internal controls protect assets from accidental loss or loss from fraud;
- **Ensure the Reliability and Integrity of Financial Information** - Internal controls ensure that management has accurate, timely and complete information, including accounting records, in order to plan, monitor and report business operations;
- **Ensure Compliance** - Internal controls help to ensure that the Company is in compliance with all the laws and regulations affecting the operations of our business;
- **Promote Efficient and Effective Operations** - Internal controls provide an environment in which managers and staff can maximize the efficiency and effectiveness of their operations;
- **Accomplishment of Goals and Objectives** - Internal controls system provide a mechanism for management to monitor the achievement of operational goals and objectives.
- **Identify and Manage the Risks**- To look at all the risks facing an organization and manage those risks proactively. These risks may be in the form of reputational risk, operational risk, strategic risk, market risk and so on.

## Definitions

“Act” means the Companies Act, 2013 and the Rules framed thereunder, including any modifications, amendments, clarifications, circulars or re-enactments thereof.

“Audit Committee” means a Committee of the Board of Directors of the Company, constituted as per the provisions of Section 177 of the Companies Act, 2013.

“Board of Directors” or “Board” in relation to a Company means the collective body of the Directors of the Company.

“Company” means Supra Pacific Management Consultancy Limited.

“Listing Agreement” means Equity Listing Agreement of the Company with the Stock Exchange.

“Policy” means the current policy on Internal Financial Control, including amendments, if any, from time to time.

## Framework for Internal Control

The framework of a good Internal Control System includes:

- **Control Environment:**  
A sound control environment is created by management through communication, attitude and example. This includes a focus on integrity, a commitment to investigating discrepancies, diligence in designing systems and assigning responsibilities.

- **Risk Assessment:**

This involves identifying the areas in which the greatest threat or risk of inaccuracies or loss exist. To be most efficient, the greatest risks should receive the greatest amount of effort and level of control.

- **Monitoring and Reviewing:**

The system of internal control should be periodically reviewed by management. By performing a periodic assessment, management assures that internal control activities have not become obsolete or lost due to turnover or other factors. They should also be enhanced to remain sufficient for the current state of risks.

- **Information and Communication:**

The availability of information and a clear and evident plan for communicating responsibilities and expectations is paramount to a good internal control system.

- **Control Activities:**

These are the activities that occur within an internal control system.

### **Role of the Audit Committee:**

Section 177 of the Companies Act, 2013 requires the Audit Committee to evaluate the Internal Financial Control Systems while performing its duties.

This can be achieved by the Committee through increased involvement in the Company's Internal Controls Assessment process. For this, the Audit Committee may:

- Actively participate in the risk assessment process;
- Understand major risks faced by the company and key controls;
- Define the role of internal audit and actively participate in the annual internal audit planning;
- Meet with the internal audit head on a regular basis;
- Seek test results and other relevant information on Internal Financial Control on a real time basis;
- Understand how management addresses the risks highlighted by test of internal controls.

For the Audit Committee to demonstrate that it has taken necessary steps to evaluate the Internal Financial Control systems, it may call for the comments of the Internal Auditors and the Statutory Auditors about the Company's Internal Control Systems, scope of audit, etc, as this would give them additional insights on the assessment of such controls.

The Committee may, if required, also seek external help or expert advice and guidance for the evaluation of Internal Financial Controls.

### **Amendments in Law:**

This Policy shall be suitably amended, modified and improved to meet the changing business needs and in respect to any subsequent amendment/modification in the Listing Agreement and/or applicable laws in this regard.

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