

**JAI MATA GLASS LIMITED**

**INTERNAL FINANCIAL CONTROL POLICY**

## **INTRODUCTION**

Section 134 (5) (e) of the Companies Act, 2013 requires the Board of every Listed Company to lay down Internal Financial Control Policy to be followed by the Company which helps in ensuring the orderly and efficient conduct of its business, including adherence to 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 timely preparation of reliable financial information.

## **DEFINITIONS**

"**Audit Committee**" means Committee of Board of Directors of the Company constituted under the provisions of the Companies Act, 2013 and the Regulation 18 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

"**Board of Directors**" or "Board" in relation to a Company, means the collective body of Directors the Company. [Section 2(10) of the Companies Act, 2013]

"**Books or Books of account**" as per sub-section (12A) of Section 2 of Income Tax Act, 1961 means "Books or Books of account includes ledgers, day-books, cash books, account-books and other books, whether kept in written form or as print-outs of data stored in floppy, disc, tape or any other form of electro-magnetic data storage device."

"**Financial Statement**" as per Section 2(40) of Companies Act, 2013 in relation to a Company means a Statement which includes --

- (i) a balance sheet as at the end of the financial year;
- (ii) a profit and loss account, or in the case of a company carrying on any activity not for profit, an income and expenditure account for the financial year;
- (iii) cash flow statement for the financial year;
- (iv) a statement of changes in equity, if applicable; and
- (v) any explanatory note annexed to, or forming part of, any document referred to in sub-clause (i) to sub-clause (iv):

"**Internal Financial Control**" as per Section 134 (5) (e) of Companies Act, 2013 means "the policies and procedures adopted by the Company for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguard of its assets, the prevention and detection of its frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information."

"**Policy**" means "Internal Financial Control Policy."

## **OBJECTIVES**

The objectives of this Policy are;

- To mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded.
- Financial reporting is accurate and reliable.
- To ensure Company's resources are used prudently and in an efficient, effective and economical manner.
- Resources of the Company are adequately managed through effective internal controls.
- A framework for an effective internal control system which conveys to managers that they are responsible for ensuring that internal controls are established, documented, maintained and adhered to across the Company and to all Employees that they are responsible for adhering to those internal controls.
- To ensure the propriety of transactions, information integrity, compliance with regulations and achievement of Company's objectives through operational efficiency.

## **ELEMENTS OF INTERNAL CONTROL FRAMEWORK**

The essential elements of an effective internal financial control framework are:

- Structure and Culture of Organization;
- Delegation of Authority;
- Policies and Procedures;
- Trained and properly qualified staff;
- Information Technology Controls;
- Review Process e.g. internal audit;
- Liaison with auditors and legal advisors;
- Senior Management compliance assurance;
- Risk identification and assessment

## **KEYNOTES ON INTERNAL CONTROL POLICY:**

Internal Controls include reviews of the following areas:

- Senior management, to be responsible for establishment of overall policies and active oversight of parameters and controls.
- Internal audit, to ensure that independent assessments are made encompassing functioning of various compliances under various statues and Rules & Regulations framed there under, adequate systems and procedures are at place for physical verification of stocks of raw materials, finished goods, stores and spare parts, work- in-progress, fixed assets and other assets, proper books of accounts, vouchers along with supports and other documents are maintained, confirmation of balances from debtors, creditors and other parties are obtained periodically/ at year end and proper systems and procedures are at place for internal control at various

departments.

- Operational risks, including segregation of duties, checks and balances, protection of customer funds and securities, operating systems, management information systems, management reporting, front and back office operations, contingency planning and disaster recovery.
- And finally, to ensure that new products and activities are assimilated into the risk management system in a timely and appropriate manner.

**For Effective Financial Control, The Board Of Directors And Senior Management Shall Ensure:**

- Physical verification of all Fixed Assets at reasonable intervals.
- Adequate Internal Control procedure are at place for maintaining proper records in respect of sale/purchase of goods and services.
- All undisputed statutory dues including provident fund, Investor Education Protection Fund, Employee State Insurance, Income Tax, Sales Tax, Service Tax, Custom Duty, Excise Duty, Rates and Taxes and other Statutory dues are paid within the prescribed time.
- Funds availed on short term basis are not used for long term investment.
- The funds raised through Public issue, Right issue, Preferential/Private placement shall be used for the purposes as stated in Prospectus/Offer Letter.
- The Company shall comply with all applicable Statutory Laws, Rules and Regulations.
- No loan or deposits exceeding Rs. 20,000/- or more are taken or accepted from any person otherwise than by an account payee cheque or account payee bank draft (section 269 SS of Income Tax Act 1961).
- No loan or deposits exceeding Rs. 20,000/- or more are repaid otherwise than by an account payee cheque or account payee bank draft (section 269 T of Income Tax Act 1961).
- No expenditure exceeding 20,000/- is made otherwise than by an account payee cheque or account payee bank draft (section 40 A (3) of Income Tax Act 1961).

**ACCOUNTING POLICIES**

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

The Company may adopt Accounting Policies to provide for:

- Methods of depreciation, depletion and amortization.
- Valuation of inventories
- Treatment of goodwill.
- Valuation of investments
- Valuation of Fixed Assets.
- Treatment of contingent liabilities

## **BALANCE SHEET**

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

## **REGULATORY FRAMEWORK/REQUIREMENTS**

Internal Control Policy is framed as per the following regulatory requirements:

### **Relevant Extracts from Regulation 4 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

#### **Regulation 4 (1) (e) Disclosure and transparency**

The Company shall ensure timely and accurate disclosure on all material matters including the financial situation, performance, ownership and governance of the Company, in the following manner:-

- Information should be prepared and disclosed in accordance with the prescribed standard of accounting, financial and non-financial disclosure. [4 (1) (e) (i)]
- Channels for disseminating information shall provide for equal, timely and cost efficient access to relevant information by users. [4 (1) (e) (ii)]
- Minutes of meeting shall be maintained explicitly recording dissenting opinions, if any. [4 (1) (e) (iii)]

#### **Regulation 4 (1) (f) Responsibilities of Board of Directors**

The board of directors of the listed entity shall have the following responsibilities:-

- Reviewing and guiding corporate strategy, major plans of action, risk policy , annual budgets and business plans; setting performance objectives, monitoring implementation and corporate performance; and overseeing major capital expenditures, acquisition and disinvestments.
- Ensuring the integrity of the Company's accounting and financial reporting systems for risk management, financial and operational control, and compliance with Law and relevant standards.
- The board should ensure that, while rightly encouraging positive thinking, these do not result in over-optimism that either leads to significant risks not being recognized or exposes the Company to excessive risk.

### **Relevant Extracts from Regulation 18 (Audit Committee) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

The role of Audit Committee shall include the following:

1. Oversight of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible.
2. Recommendation for appointment, remuneration and terms of appointment of Auditors of the Company.
3. Approval of payment to statutory auditors for any other services rendered by the statutory

auditors.

4. Reviewing, with the management, the annual financial statements and Auditor's report thereon before submission to the board for approval, with particular reference to:
  - a. Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms clause (c) of sub-section (3) of Section 134 of the Companies Act, 2013.
  - b. Changes, if any, in accounting policies and practices and reasons for the same.
  - c. Major accounting entries involving estimates based on the exercise of judgment by management.
  - d. Significant adjustments made in the financial statements arising out of audit findings.
  - e. Compliances with listing and other legal requirements relating to financial statements.
  - f. Disclosures of any related party transactions.
  - g. Modifies opinion(s) in the draft audit report.
5. Reviewing, with the management, the quarterly financial statements before submission to the board for approval.
6. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the Board to take up steps in this matter.
7. Reviewing and monitoring the Auditor's independence and performance, and effectiveness of audit process.
8. Approval or any subsequent modifications of the transactions of the Company with related Parties.
9. Scrutiny of inter-corporate loans and investments.
10. Valuation of undertakings or Assets of the Company, wherever it is necessary.
11. Evaluation of internal financial controls and Risk Management systems.
12. Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems.
13. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit.
14. Discussion with internal auditors on significant findings and follow up thereon.
15. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board.
16. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
17. To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors.

18. To review the functioning of the Whistle Blower mechanism.
19. Approval of appointment of CFO after assessing the qualifications, experience & background, etc. of the candidate.
20. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

**Regulation 23 (Related Party transaction) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

1. The Company shall formulate the policy on materiality of related party transactions and on dealing with related party transaction. [23 (1)].
2. The Company shall disclose the policy on dealing with Related Party Transaction on its Website and a web link thereto shall be provided in the Annual Report.
3. All related party transaction shall require prior approval of the audit committee.
4. The audit committee shall review, at least on quarterly basis, the details of related party transactions entered into by the listed entity pursuant to each of the omnibus approvals.
5. Such omnibus approvals shall be valid for the period not exceeding one year and shall require fresh approvals after the expiry of one year.

**Companies Act 2013:**

“Books of Account” as per Section 2(13) of Companies Act, 2013 defines:

“Books of account” includes records maintained in respect of—

- (i) all sums of money received and expended by a company and matters in relation to which the receipts and expenditure take place;
- (ii) all sales and purchases of goods and services by the company;
- (iii) the assets and liabilities of the company; and
- (iv) the items of cost as may be prescribed under section 148 in the case of a company which belongs to any class of companies specified under that section;

**Provision of Section 128 of the Companies Act, 2013**

Every Company shall prepare and keep at its registered office books of account and other relevant books and papers and financial statement for every financial year and such books shall be kept on accrual basis and according to the double entry system of accounting

**Provided that** all or any of the books of account aforesaid and other relevant papers may be kept at such other place in India as the Board of Directors may decide and where such a decision is taken, the company shall, within seven days thereof, file with the Registrar a notice in writing giving the full address of that other place:

**Provided further that** the Company may keep such books of account or other relevant papers in

electronic mode in such manner as may be prescribed [Sub-Section (1) of Section 128].

### **Provision of Section 129 of the Companies Act, 2013**

The financial statements of the Company shall give a true and fair view of the state of affairs of the Company and shall comply with the accounting standards as notified under Section 133 and shall be in form as may be provided in schedule III [Sub-Section (1) of Section 129]

Without Prejudice to sub-section (1) where the financial statements of the Company do not comply with the accounting standards referred to in sub-section (1), the company shall disclose in its financial statements, the deviation from the accounting standards, the reasons for such deviation and the financial effects, if any, arising out of such deviation.[ sub-section(5) of Section 129]

### **Provision of Section 134 of the Companies Act, 2013**

1. The financial statement, including consolidated financial statement, if any, shall be approved by the Board of Directors before they are signed on behalf of the Board at least by the chairperson of the company where he is authorized by the Board or by two directors out of which one shall be managing director and the Chief Executive Officer, if he is a director in the company, the Chief Financial Officer and the company secretary of the company, wherever they are appointed, for submission to the auditor for his report thereon.
2. The auditors' report shall be attached to every financial statement.
3. There shall be attached to statement laid before a company in general meeting, a report by its Board of Directors which shall include-
  - a) The extract of the annual return as provided under sub-section (3) of section 92;
  - b) Number of meetings of the Board;
  - c) Directors' Responsibility Statement;
  - d) A statement on declaration given by the independent directors under sub-section (6) of section 149;
  - e) In case of a company covered under sub-section (1) of section 178, company's policy on directors' appointment and remuneration including criteria for determining qualifications, positive attributes, independence of a director and other matters provided under sub-section (3) of section 178;
  - f) Explanations or comments by the Board on every qualification, reservation or adverse remark or disclaimer made:-
    - i. By the auditor in his report and
    - ii. By the Company Secretary in practice in his secretarial audit report;
  - g) Particulars of loans, guarantees or investments under section 186,
  - h) Particulars of contracts or arrangements with related parties referred to in sub section (1) of Section 188 in the prescribed form;
  - i) The state of Company's affairs.
  - j) The amounts, if any, which it propose to carry to any reserves;

- k) The amount if any, which it recommends should be paid by way of dividend;
  - l) Material changes and commitments, if any, affecting the financial position of the company which have occurred between the end of the financial year of the company to which the financial statements relate and the date of the report.
  - m) The conservation of energy, technology absorption, foreign exchange earnings and outgo, in such manner as may be prescribed;
  - n) A statement indicating development and implementation of a risk management policy for the company including identification therein of elements of risk, if any, which in the opinion of the Board may threaten the existence of the company;
  - o) The details about the policy developed and implemented by the company on corporate social responsibility initiatives taken during the year;
  - p) In case of a listed company and every other public company having such paid-up share capital as may be prescribed, a statement indicating the manner in which formal annual evaluation has been made by the Board of its own performance and that of its committees and individual directors;
  - q) Such other matters as may be prescribed;
4. The report of Board of Directors shall be attached to the financial statements under this sub-section.
5. The Directors' Responsibility statement referred to in clause (c) of sub-section (3) shall state that:-
- a) In the preparation of annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
  - b) The directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the company at the end of the financial year and of the profit and loss of the company for that period;
  - c) The Directors had taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities;
  - d) The directors had prepared the annual accounts on a going concern basis; and
  - e) The directors had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively;
6. A signed copy of every financial statement, including consolidated financial Statement, if any, shall be issued, circulated or published along with a copy each of:-
- a) Any notes annexed to or forming part of such financial statement
  - b) The auditor's report; and
  - c) The Board's report referred to in sub-section (3).

### **Rule 8 of the Companies (Accounts) Rules, 2014**

The Board's Report shall be prepared based on the stand alone financial statements of the company and the report shall contain a separate section wherein a report on the performance and financial position of each of the subsidiaries, associates and joint venture companies included in the consolidated financial statement is presented [Rule 8(1)].

The details in respect of adequacy of internal financial controls with reference to the Financial Statements.

### **Provisions of Section 177 of the Companies Act, 2013**

The Audit Committee assists the Board in the discharge of its duties regarding the Group's financial statements, accounting policies and the maintenance of proper systems of risk management and internal control.

Every Audit Committee shall act in accordance with the terms of reference specified in writing by the Board which shall, inter alia, include—

- (i) the recommendation for appointment, remuneration and terms of appointment of auditors of the company;
- (ii) review and monitor the auditor's independence and performance, and effectiveness of audit process;
- (iii) examination of the financial statement and the auditors' report thereon;
- (iv) approval or any subsequent modification of transactions of the company with related parties;
- (v) scrutiny of inter-corporate loans and investments,
- (vi) valuation of undertakings or assets of the company, wherever it is necessary;
- (vii) evaluation of internal financial controls and risk management systems;
- (viii) monitoring the end use of funds raised through public offers and related matters;

The Audit Committee may call for the comments of the auditors about internal control, scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and may also discuss any related issues with the internal and statutory auditors and the management of the company.

### **INTERNAL AUDIT**

#### **Provision of Section 138 of the Companies Act, 2013**

Company shall be required to appoint an internal auditor, who shall either be a chartered accountant or a cost accountant, or such other professional as may be decided by the Board to conduct internal audit of the functions and activities of the company.

**Guidance note of Audit of Internal Financial Control over Financial Reporting issued by I.C.A.I in October, 2014**

Considering Significant expansion of scope of Internal Control in the Companies Act, 2013, to be considered by the management of Companies, detailed guidance note has been developed by ICAI whose relevant provisions will be implemented by the Company to imposed its systems, wherever required and feasible.

**Authority to Make Alterations To The Policy:**

The Board is authorized to make such alterations to this Policy as considered appropriate, subject, however, to the condition that such alterations shall be in consonance with the provisions of the Acts and Regulations.