

**INTERNAL FINANCIAL CONTROL POLICY**

**BACKGROUND**

The policy framed under the authority of the board of directors seeks to define policies and procedures to be 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.

**DEFINITION**

- i. "Board of Directors" or "Board" in relation to a Company means the collective body of Directors of the Company. [Section 2(10) of the Companies Act, 2013]
- ii. "Books and paper" and "Books or paper" as per section 2(12) of the Companies Act, 2013 'Books and paper' and 'Books or paper' include books of account, deeds, vouchers, writings, documents, minutes and registers maintained on paper or in electronic form.
- iii. "Books of account" as per section 2(13) of the Companies Act, 2013 '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;
- iv. "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 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) 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)
- v. "Internal Financial Controls" 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

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accuracy and completeness of the accounting records, and the timely preparation of reliable financial information." vi. "Policy" means "Internal Financial Controls Policy."

**OBJECTIVE**

- i. To mitigate risks and provide reasonable assurance that operations are efficient and effective, assets are safeguarded.
- ii. Financial reporting is accurate and reliable.
- iii. To ensure companies resources are used prudently and in an efficient, effective and economical manner.
- iv. Resources of the company are adequately managed through effective internal controls.
- v. 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.
- vi. To ensure the propriety of transactions, information integrity, compliance with regulations and achievements of company's objective through operational efficiency.

**PURPOSE AND SCOPE**

The purpose of the policy to make informed the employees of the internal financial controls of the company which is established by the board of the company to serve the stakeholders of the company. The company has framed the policy, procedures, and methods with regard to execute the operations of the company in a manner to achieve the objectives. Policy is basically a process which encompasses systems, policies and procedures that protect the assets of the Company, create reliable financial reporting, promote compliance with laws and regulations and achieve effective and efficient o operations. These systems are not only related to accounting and reporting but also relates to the organization's culture, communication process both internal and external, which include, handling of funds received and expenditure incurred by the Company, preparing appropriate and timely financial report to the Board and Officers, conducting the annual audit of the Company, Company's financial statements, evaluating staff and progress, maintaining records of its properties and maintaining personal and conflict of interest policies.

Internal control policy is prepared in accordance with ensure the compliance with the company policies and the laws applicable to the company. Whole Time Director and Chief Financial Officer are mainly responsible for implementing and maintaining the internal financial control and assist and recommend to the board to carry out the operation in the most compliant manner.

## **INTERNAL CONTROL FRAMEWORK**

The company shall create, maintain accounting records and prepares maintains and manages the control framework in the respective fields:

### **1. Journal Book (Day Book)**

- Records all day-to-day transactions in chronological order.
- Essential for initial recording of financial activities.

### **2. Ledger**

- Classified summary of transactions posted from journals.
- Helps in preparing trial balances and financial statements.

### **3. Cash Book**

- A detailed record of all cash and bank transactions.
- Often maintained separately to monitor liquidity and prevent fraud.

### **4. Purchase Register**

- Tracks all purchases (cash or credit).
- Helps ensure procurement policies and approvals are followed.

### **5. Sales Register**

- Records all sales invoices.
- Supports revenue recognition and tax compliance.

### **6. Fixed Asset Register**

- Lists all fixed assets with acquisition date, cost, depreciation, etc.
- Helps safeguard assets and track depreciation as per law.

### **7. Inventory Register / Stock Register**

- Maintains records of inventory movement and levels.
- Supports control over physical assets and valuation.

### **8. Payroll Register**

- Records salary details, statutory deductions, bonuses, etc.
- Ensures HR and statutory compliance (PF, ESI, and TDS).

## **9. Bank Reconciliation Statements**

- Regular reconciliation of bank book with actual bank statements.
- Identifies timing differences, errors, or frauds.

## **10. Statutory Registers**

- Registers required under the Companies Act, such as:
  - Register of Members
  - Register of Directors
  - Register of Charges, etc.

### **Additional Records Supporting IFC:**

- **Audit Trail (ERP/software logs)**
- **Internal audit reports**
- **Budget vs. actual analysis**
- **Internal checklists and control documentation**

### **ELEMENTS OF INTERNAL FINANCIAL CONTROLS:**

1. Company policies
2. Responsibilities of the management
3. Delegation of Authority
4. Experienced and Trained workforce
5. Internal Audit System
6. Culture of the organization

### **COMPANIES ACT PROVISIONS WITH REPECT TO THE FINANCIAL CONTROLS**

In case of any issue and concerns Internal Auditor shall report to the Audit Committee and recommend the actions taken in this regard. The Audit committee in result shall forward the same to the board of Directors.

As per Section 134(5) (e) of the Companies Act, 2013 requires that Board of Directors shall lay down the details in respect of adequacy of internal financial controls with reference to the Financial Statements for the efficient functioning of the organization and achievement of the objectives.

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As per Section 143(3) (i) of the Companies Act, 2013 requires statutory Auditors shall make statement in the Audit Report regarding adequacy of internal Financial; Controls and operating effectiveness of such controls.

**SECTION 128. BOOKS OF ACCOUNT, ETC., TO BE KEPT BY COMPANY**

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 which give a true and fair view of the state of the affairs of the company, including that of its branch office or offices, if any, and explain the transactions effected both at the registered office and its branches 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.

**SECTION 129. FINANCIAL STATEMENT**

(1) The financial statement shall give a true and fair view of the state of affairs of the company or companies comply with the accounting standards notified under section 133 and shall be in the form or forms as may be provided for different class or classes of companies in Schedule III:

Provided that the items contained in such financial statements shall be in accordance with the accounting standards:

At every annual general meeting of a company, the Board of Directors of the company shall lay before such meeting financial statements for the financial year

Where the financial statements of a 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.

**SECTION 134. FINANCIAL STATEMENT, BOARD'S REPORT, ETC**

(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 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, if any, and the Chief Executive Officer, the Chief

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Financial Officer and the Company Secretary of the company, wherever they are appointed, or in the case of One Person Company, only by one director, for submission to the auditor for his report thereon.

The auditors' report shall be attached to every financial statement.

(3) There shall be attached to statements laid before a company in general meeting, a report by its Board of Directors, which shall include –

(a) the web address, if any, where annual return referred to in sub-section (3) of section 92 has been placed;

(b) Number of meetings of the Board;

(c) Directors' Responsibility Statement;

(ca) details in respect of frauds reported by auditors under sub-section (12) of section 143 other than those which are reportable to the Central Government;

(d) A statement on declaration given by 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 the company's affairs;

(j) The amounts, if any, which it proposes to, carry to any reserves;

(k) The amount, if any, which it recommends should be paid by way of dividend;

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- (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 annual evaluation of the performance of the Board, its Committees and of individual directors has been made;
- (q) Such other matters as may be prescribed.

**AS PER THE COMPANIES (ACCOUNTS) RULES, 2014**

The Board's Report shall be prepared based on the stand alone financial statements of the company and shall report on the highlights of performance of subsidiaries, associates and joint venture companies and their contribution to the overall performance of the company during the period under report.

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

**AS PER SECTION 177(4) (VII)** the audit committee shall evaluate the internal financial controls of the company as well the risk management systems. Audit committee shall ensure with the duties and responsibilities as mentioned in section 177.

As per the compliance of regulation 138 company shall appoint an 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.

**AS PER COMPANIES (ACCOUNTS) RULES, 2014**

Rule 13- The Audit Committee of the company or the Board shall, in consultation with the Internal Auditor, formulate the scope, functioning, periodicity and methodology for conducting the internal audit.

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Related party transactions shall be as per the section 188 of the act.

**RESPONSIBILITY AND ACCOUNTABILITY**

Board of Directors, KMPs, Management and the employees of the company all are responsible in their sphere of the work to ensure proper internal control in the operations of the business. All of them shall be having proper knowledge and skills with respect to the sphere of the jobs. This ensures proper training on their respective jobs responsibilities. Adequate supervision by the higher levels over the operations. Internal Auditors also engage with the activities to ensure the proper financial control is in place and recommends any changes needed to the Audit committee. All levels of internal control are subject to examination by the statutory auditors who are required to report on the adequacy of internal controls over finance and compliance of the company.

**INTERPRETATION**

In any circumstance where the terms of this Policy differ from any existing or newly enacted law, rule or regulation governing the Company, the law, rule, or regulation will take precedence over this Policy and procedures until such time as this Policy is changed to conform to the law, rule or regulation.

**AMENDMENTS TO THE POLICY**

The Board shall have the power to clarify any doubts or rectify any anomalies that may exist in connection with the effective execution of this Policy. The Board reserves the right to or amends this Policy from time to time based on changing requirements as prescribed by SEBI/Stock Exchange(s).

**PUBLICATION OF POLICY**

The policy shall come into effect from July 22, 2025. A copy of the policy shall be made available on the website of the Company.

Note: In case of any amendment(s), clarification(s), circular(s) etc. issued by the relevant authorities including SEBI, not being consistent with the provisions laid down under this Policy, then such amendment(s), clarification(s), circular(s) etc. shall prevail upon the provision shall under and this Policy shall stand amended accordingly from the effective date as laid down under such amendment(s), clarification(s), circular(s) etc.