

INTERNAL FINANCIAL CONTROL POLICY

“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.”

OBJECTIVES

The objectives of this Policy are

- To mitigate risks and provide reasonable assurance that operations are efficient and effective, and assets are safeguarded.
- To ensure that financial reporting is accurate and reliable.
- To ensure Company’s resources are used prudently and in an efficient, effective and economical manner.
- To ensure that Resources of the Company are adequately managed through effective 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 of Organization;
- Delegations of Authority;
- Policies and procedures;
- Trained and properly qualified staff;

- Review process e.g. internal audit;
- Liaison with auditors and legal advisors;

KEYNOTES ON INTERNAL CONTROL POLICY:

Internal Controls include reviews of the following areas:

Internal controls encompass a set of rules, policies, and procedures an organization implements to provide reasonable assurance that

- its financial reports are reliable
- its operations are effective and efficient, and
- its activities comply with applicable laws and regulations.

Towards this, periodical review of the following existing policies will be made by the management from time to time for the efficient conduct of the business/operation of the company.

- Delegation of authority Investment Policy
- Human Resources Policy
- Operations Manual Policy
- Internal Business Policy Corporate Social Responsibility Policy

Internal Audit

The Company shall be required to appoint an Internal Auditor, who shall be a Chartered Accountant/Firm of Chartered Accountants as may be decided by the Board of Directors to conduct the internal audit of the transactions of the Company and to report on the adherence to the policies and statutory requirements.

Internal audit, to ensure that independent assessments are made encompassing functioning of various compliances under various statutes and Rules & Regulations framed there under, adequate systems and procedures are at place for keeping proper books of accounts, vouchers along with supportings and other documents are

maintained, confirmation of balances from banks are obtained periodically/ at year end and proper systems and procedures are at place for internal control .

For Effective Financial Control, Senior Management Shall Ensure:

- Adequate Internal Control procedures are at place for maintaining proper records in respect of purchase of assets and consumables as well as while receiving services from vendors.
- Adequate Internal Control procedures are at place for maintaining proper records in respect of services provided to the clients.
- All undisputed statutory dues including provident fund, Investor Education Protection Fund, Employee State Insurance, Income Tax, Sales Tax, Service Tax, Rates and Taxes and other Statutory dues are paid within the prescribed time.
- The Company shall comply with all applicable Statutory Laws, Rules and Regulations.
- No expenditure exceeding 15,000/- is made otherwise than by an account payee cheque or account payee draft or Interbank transactions

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

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 and applicable standards, rules and statutes.

Where in the preparation of financial statements, a treatment different from that prescribed in an Accounting Standard has been followed, the fact shall be disclosed in the financial statements.

CHECKLIST FOR ACCOUNTING FUNCTIONS

1.1.0 The main functions of an Accounting Unit are as under:

- 1.1.1 To maintain proper books of accounts to record the various financial transactions on a day to day basis.
- 1.1.2 To coordinate with the various branches/ offices in the matter of compiling/ consolidating and preparing the accounts of the organisation and get the financial accounts duly audited at the end of the financial period(s)

1.2.0 Statutory requirements with regard to maintenance of Books of Accounts

The company shall keep books of account as per the Statutory requirements at its registered office or any other place as resolved under intimation to ROC.

1.3.0 The main accounting functions are

- i. Accounting of Income from Services on raising of duly authorized proper invoice (this does not include accounting of brokerage income pertaining to Mutual Fund distribution which is system driven by various fund houses.)
- ii. Lodging the Cheques and other instruments into the Bank and to ensure realisation of the proceeds within a reasonable time.
- iii. To ensure that cheques dishonoured are properly followed up with the bank and taken up with the Payer and appropriate action given effect to.
- iv. Payment of Expenses upon proper authorization and accounting thereof.
- v. Operation of bank Accounts.
- vi. Monitoring transfer of funds.
- vii. Preparation of bank Reconciliation statement
- viii. Compliance with audit observations of Internal, CAG and Statutory auditors.
- ix. Maintenance of Asset Register.
- x. Preparation of the Annual Accounts of the Company, and presentation of the audited Accounts of the Company including obtaining audit report from the Comptroller and Auditor General (CAG)
- xi. To present to the Board and the top management of the Company the operating results on a quarterly basis
- xii. Taxation (Direct as well as Indirect) matters of the Company including filing of the Returns and Statements.

2. PAYMENTS

2. 1.0 PAYMENTS – AUTHORISATION – ISSUE OF CHEQUES

- 2.1.1 All payments must be supported by a Payment voucher. The Payment voucher is common for all payments whether Expenses of Revenue or Capital nature.
- 2.1.2 The voucher for payment should be prepared which should be duly authorized after getting proper sanction of the expenses by the Competent Authority as per the delegation of the power. All Payment vouchers should be supported by original bills/ invoices alongwith departmental note duly approved for payment

by Competent Authority. For Petty expenses (like payment to sweeper, Conveyance, labour charges, etc) where bills are not available, payment to be ensured on due approval of the Competent Authority.

2.2.0 CASH PAYMENTS

2.2.1 Payments can be made in cash in respect of all staff disbursements such as reimbursement of expenses, local traveling, refreshments, Medical expenses etc not exceeding Rs 15000/- per transaction

2.2.2 Payments to outsiders against goods supplied or services rendered can be made by cash upto Rs. 5000/- per transaction

2.3.0 CANCELLATION OF CHEQUES AND ISSUE OF NEW CHEQUES

2.3.1 It may be necessary to cancel a cheque and issue a fresh cheque in the following circumstances.

- i. where the cheque has been lost by the party or lost in transit
- ii. where the cheque is torn or mutilated
- iii. where the cheque has become stale

2.3.2 When the cheque is lost or misplaced, immediately on receipt of intimation 'STOP PAYMENT' instruction should be issued to Allahabad Bank.

2.3.3 An entry should be made in the Books by crediting 'stale cheques' Account and debiting the particular account for which payment is made. The fresh cheque in lieu of the cancelled cheque should be issued debiting 'stale cheques' Account.

2.3.4 On receipt of a request from the payee for issue of a fresh cheque, the same may be issued debiting 'stale cheques' account, after collecting the original cheque from the party.

2.3.5 Amounts remaining unclaimed in the 'stale cheques' account for more than 3 years as of the date of closing of Accounts should be transferred to 'Miscellaneous Income' Account after obtaining sanction from the CEO/ CFO in absence of CEO.

2.4.0 PAYMENTS THRU NATIONAL ELECTRONIC FUND TRANSFER (NEFT)

2.4.1 NEFT/RTGS mode of payment to be adopted wherever feasible as safe and secure mode of alternate payment.

3. GUIDELINES ON ACCOUNTING OF VARIOUS EXPENSES

3.0.0 Salaries & Allowances

3.0.1 The components of salaries and allowance to the permanent employee of ABFL are generally as follows

- i. Basic Pay
- ii. Dearness Allowance

- iii. House Rent Allowance
- iv. Special Allowance
- v. Conveyance
- vi. Medical
- vii. Food/Staff welfare
- viii. Telephone
- ix. Provident Fund
- x. Leave Travel Assistance (Annual)

- 3.0.2 The salary is to be prepared as per the existing HR policy or existing practice in cases where matter is sub-judice, and not covered under HR Policy.
- 3.0.3 All employees on roll of the Company are required to open Account with Allahabad Bank to facilitate crediting of salary to their respective accounts on the salary day.
- 3.0.4 Payment of salary by cheque shall be made only in case of newly joined employees whose account opening with Allahabad Bank is in process. Company shall not credit salary of the employee in an account maintained by him/her in any other than Allahabad Bank.
- 3.0.5 The Employees's contribution to PF and Other deductions are accounted through the Salary Journal.
- 3.0.6 Provident Fund are accounted and paid as per the statutory requirements. .
- 3.0.7 It shall be ensured by the Officer in charge of Accounts Dept that the contribution of the employee as well as employer is paid to the PF Department well within the prescribed time limit.

3.1.0 Leave Encashment

- 3.1.1 The facility for encashment of Privilege Leave is available to employees as per the HR policy of the company.

3.2.0 Gratuity

- 3.2.1 Gratuity eligibility will be as per the Payment of Gratuity Act.

3.3.0 Staff Benefits

- 3.4.1 Staff welfare such as Insurance policy, etc shall be governed as per the existing HR policy.

3.5.0 Officials on deputation from Allahabad Bank

Officials on deputation from Allahabad Bank are entitled for salary payment, perquisites and other benefits as per the Allahabad Bank rules. The salary expenses incurred by Allahabad Bank during the course of deputation shall be reimbursed against the claim. Other perks & benefits shall be allowed to these officers as per the existing guidelines of Allahabad Bank in vogue.

3.6.0 Traveling Expenses

3.6.1 The components of traveling expenses are as follows.

- i. Traveling Expenses
- ii. Conveyance Charges
- iii. Halting Allowance
- iv. Lodging and Boarding Expenses
- v. Car Hire Charges

All the above shall be governed by HR policy / Allahabad Bank policy as per the applicability to the particular employee

3.6.2 Employees, who would be required to travel during the course of their duty, would be entitled to travel expenses, as per the HR policy/ Allahabad Bank policy as per the applicability to the particular employee.

3.7.0 Brokerage

3.7.1 Brokerage received/paid in respect of each business segment shall be accounted separately as follows

- i. Brokerage Received- Brokerage on Mutual Fund Distribution
- ii. Brokerage Received- On Investment
- iii. Brokerage Paid

3.8.0 Advertisement/Notices

Expenses for Advertisement/ Notices to be duly sanctioned by the Competent Authority under the approved discretionary power and the expenses so incurred shall be charged to the head Advertisement, and TDS shall be deducted at the applicable rates before making the payment.

3.9.0 Annual Maintenance Charges

3.9.1 All revenue expenses connected to IT/System maintenance including AMCs shall be debited to Annual Maintenance Charges

3.9.2 The cost of CDs, Tapes, Cartridges and other computer consumables shall also be absorbed as expenditure under the head Repair and Maintenance-office Equipment Account and not to be treated as capital items. However computer stationary shall be debited to 'Printing and Stationary Account'.

3.9.3 Any purchase of Computer or related software shall be debited to Office Equipment / Computer/ Computer Software.

3.9.4 TDS at the applicable rates shall be deducted before debiting/making the payment.

3.10.0 Courier Charges

3.10.1 Amount paid to Courier agencies shall be debited to this account, Dispatch Register to be maintained and the bills raised by the courier agency monthly/periodically should be compared with the Proof of dispatch (POD) to ensure the accuracy of the bill charged.

3.10.2 TDS at the applicable rates shall be deducted before debiting/making the payment.

3.11.0 Postage

The expenses incurred for postage which includes registered and ordinary post shall be debited to the head Postage account.

3.12.0 Rates and Taxes

In case of rent payment for office premises, etc the expenses relating to the above shall be debited to the Rent of office head and applicable TDS to be deducted. Further applicable Municipal taxes relating to the office premises, etc to be paid to the debit of Rates and Taxes account.

3.13.0 Office expenses/ R & M Office expenses

3.13.1 Expenses for maintenance and upkeeping of premises to be paid to debit Office expenses/ R & M Office expenses.

3.14.0 Electricity Charges

3.14.1 In case of payment of Electricity charges the expenses shall be debited to the head "Electricity charges"

3.15.0 Repairs and Maintenance- Office Equipment

3.15.1 Repairs and maintenance expenses incurred for company owned assets are debited to this account.

3.16.0 Depreciation

3.16.1 Depreciation on Company owned assets at the appropriate rate is to be provided for in the books every year. Rates of depreciation on various classes of assets are to be charged as per the provisions of the Companies Act, 2013

3.16.2 The total depreciation on all assets shall be debited to **Depreciation Account** and credited to **Provision for Depreciation Account**.

3.17.0 Printing and Stationary

3.17.1 Printing and stationery viz. purchase of stationery for office use, printing of letter heads, visiting cards, Vouchers, Photocopying, Annual report and printing of any other Official document etc shall be paid on approval by Competent Authority by debiting to the above account.

3.17.2 TDS at the applicable rates shall be deducted while booking the expenses in respect of amount paid to Printers if it is a work order.

3.18.0 Training Expenses

3.18.1 Expenses incurred on training imparted to employees include the following

- i. Participation fees and other expenses including faculty fees paid
- ii. Expenses on travelling.

- iii. Expenses on Boarding and Lodging.
 - iv. Training Hall rent and Food and Beverage expenses
- 3.18.2 It is imperative that any expense incurred under the above head which is incurred directly in connection with training should be debited to training expenses account

3.19.0 Recruitment Expenses

- 3.19.1 All expenses on recruitment including medical examination fees for examining new recruits (Pre Employment Medical Examination) are charged to this head.

3.20.0 Board Meeting Expenses

All expenses in connection with Board Meetings and Audit Committee Meetings are to be accounted under this head.

3.21.0 Books and Periodicals

- 3.21.1 Cost of newspapers and periodicals and Books purchased for use in departments or for the office library are accounted under the above head including subscription to online data bases.

3.22.0 Legal Charges

- 3.22.1 Legal Charges in respect of all matters should be debited to this head of account.
- 3.22.2 Legal charges includes lawyer's fees, Court fees, other expenses on drafting, typing, photocopying of legal papers etc.
- TDS at the applicable rates shall be deducted while booking the expenses.

3.23.0 Auditors Remuneration/Auditors Expenses/Auditors Travelling Expenses/Internal Auditors fees

- 3.23.1 Audit Fees of Statutory Auditors is fixed by the Board of Directors of the company.
- 3.23.2 Only fees paid/payable to Statutory Auditors should be debited under this head. Tax Audit fees paid to Statutory Auditors should also be debited to this head.
- 3.23.3 Fees paid to Internal/Concurrent auditors shall be accounted under the head Internal Auditors fees
- 3.23.4 Any payment for snacks/meals etc shall be debited to Auditors expenses account and payment relating to Travel by Auditors shall be debited to Auditors Travelling expenses.
- TDS at the applicable rates shall be deducted while booking the expenses.

3.24.0 Professional Charges

- 3.24.1 This expense is incurred on hiring of out side Consultants/Professionals for consultancy services.
- TDS at the applicable rates shall be deducted while booking the expenses.

3.25.0 Bank Charges

- 3.25.1 Charges if any debited by the bank should be accounted under this head.

3.25.2 It shall be ensured that the charges debited by the bank are as per the norms .

3.26.0 Membership and Subscription

3.26.1 This expense is incurred on renewal of membership of trade associations, fees and other subscription charges to be paid to SEBI/ NSE/BSE/NSDL and other annual subscriptions.

3.27.0 Return Filing Fees

3.27.1 Registration and filing charges paid if any. The filing fees paid to Registrar of Companies etc should be accounted under the head ROC expenses.

3.28.0 Insurance Charges

3.28.1 Insurance Premium paid for keeping the properties of the Company insured covering all assets are accounted under this head.

4. CAPITAL EXPENDITURE

4.1.0 Capital Expenditure shall be incurred strictly on the basis of need based requirements and after getting due authorisation.

4.1.1 And the capital assets purchased are classified as under for the purpose of accounting.

- a. **Furniture and Fixtures** which includes all types of office furniture like tables, chairs, almirahs, filing cabinets, racks, book cases, cash box, safe, trays, fans, water coolers, air coolers, exhaust fans, light fittings, voltage stabilizers,etc
- b. **Office Equipments** under which heading all office machines like Fax Machines, desk/printer calculators, duplicating machines, photo copiers, franking machines, wall clocks, Air Conditioners, Computers and such other mechanical devices used for office working are classified.
- c. **Motor Cars** - The cars purchased in the name of the Company for Company's own use are to be shown here

4.1.2 The cost of individual items of assets costing Rs.5000/- or less shall be written off in the year of purchase.

4.1.3 Immediately on purchase of a capital item as noted above, an entry shall be made in the Assets Register to be maintained at the respective offices. The Asset Register is a statutory book and has to be maintained invariably on a day to day basis.

4.1.4 The cost of cabins, partitions, etc. is not to be capitalised but should be debited to Repairs Maintenance Account.

This policy shall come into force as on the date of approval by the Board of Directors of ABFL and it shall be reviewed by the Management in the first quarter of every financial year.