

# INTERNAL CONTROL SYSTEM

## SAMTEL INDIA LIMITED

### **INTRODUCTION**

SAMTEL believes that the reinforcement of the company's corporate governance plays a pivotal role in achieving "a fair and transparent management deserving of stakeholders' confidence", and the Company intends to increase its effectiveness by improving the quality of its internal controls.

The Company acknowledges that the achievement of effective and efficient business processes, the accuracy of financial reports, the compliance with relevant laws and regulations, and the preservation of company's assets are the management's responsibility.

Accordingly, the Company as an ongoing process prepares and refines its framework, including the internal regulations, to ensure fair business activity in compliance with the relevant acts, laws, rules, regulations, guidelines. etc.

### **OBJECTIVE**

Internal Control Process of SAMTEL is aimed to provide a reasonable assurance that the Company achieves its objectives in the following categories:

- Reliability of financial reporting
- Effectiveness and efficiency of operations,
- Compliance with applicable laws and regulations

### **INTERNAL CONTROL - METHODS**

- Authorization of transactions review of each particular transaction by an appropriate authorized person.
- Segregation of duties separating authorization, custody, and record keeping roles to prevent fraud and/ or error by one person.
- Retention of records – maintaining appropriate documents to substantiate the authorized transactions.
- Supervision or monitoring of operations observation and review of ongoing operational activities.
- Physical safeguards usage of cameras, locks, physical barriers, etc. to protect property.
- Top-level reviews analysis of actual results versus organizational goals or plans, periodic and regular operational reviews, metrics, and other key performance indicators (KPIs).

- IT general controls                      Controls related to: a) Security, to ensure access to systems and data is restricted to authorized personnel, such as usage of passwords and review of access logs; and b) Change management, to ensure program code is properly controlled.
- Setting budgets to establish the criteria for expected state of affairs of the Company.
- Determining the various risks associated with the operations and activities of the Company and taking effective measures to control the same.
- Complying with the Code of Conduct, Performance Evaluation Mechanism, Compliance Mechanism, Vigil Mechanism/ Whistle Blower Policy, Prevention of Sexual Harassment Policy, Risk Management Policy, Policy for Prevention of Fraud, Related Party Transaction Policy, etc. so as to ensure the effective control within the Company.

### **FRAMEWORK**

- The Board recognizes its responsibilities to present a fair, balanced and understandable assessment of Company's Position and prospects. The Board has accountability for reviewing and approving the effectiveness of internal controls operated by the Company, including financial, operations and compliance controls and risk management.
- The Chairman & Managing Director / Joint Managing Directors of the Company has the overall responsibility for designing and implementing effective internal control. More than any other individual, they set the "tone at the top" that affects integrity and ethics and other factors of a positive control environment and for fulfilling this duty they provide leadership and direction to Head of Department.
- Head of Department, in turn, assign responsibility for establishment of more specific internal control policies and procedures to personnel responsible for the department functions.
- Every Employee in an organization has the responsibility for internal control to some extent. All employees produce information used in the internal control system or take other actions needed to affect control. Also, all personnel are responsible for communicating to seniors about the problems in operations, non-compliances with the code of conduct / applicable laws, or other policy violations or illegal actions.

### **ADDITIONAL MEASURES**

#### 1. Audit Committee

The audit committee, performs the following functions:

- (i) Review and monitor the auditor's independence and performance, and effectiveness of audit process;

- (ii) Examination of the financial statement and the auditors' report thereon;
- (iii) Approval or any subsequent modification of transactions of the company with related parties;
- (iv) Scrutiny of inter-corporate loans and investments;
- (v) Valuation of undertakings or assets of the company, wherever it is necessary;
- (vi) Evaluation of internal financial controls and risk management systems;
- (vii) Monitoring the end use of funds raised through public offers and related matters.

Audit Committee is also responsible for monitoring the adequacy of the internal controls of the Company.

## 2. Internal & Statutory Audit

The Internal auditors and statutory auditors of the Company measures the effectiveness of internal control through the following efforts.

- To assess whether the controls are properly designed, implemented and working effectively, and make recommendations to the management on how to improve internal control.
- To provide reasonable assurance that internal controls involved in the financial reporting process are effective, they are tested by the statutory auditors, who are required to opine on the internal controls of the company and the reliability of their financial reporting. **DISCLOSURE** This policy shall be posted on the Company's website ([www.kajariaceramics.com](http://www.kajariaceramics.com)). **REVIEW OF THE PROGRAM** The internal control system will be reviewed and revised by the Audit Committee and recommended to Board of Directors for approval.

### **DISCLOSURE**

This policy shall be posted on the Company's website ([www.samtelgroup.com](http://www.samtelgroup.com)).

### **REVIEW OF THE PROGRAM**

The internal control system will be reviewed and revised from time to time by the Audit Committee and recommended to Board of Directors for approval.