

CROWN TOURS LTD

INTERNAL FINANCIAL CONTROL POLICY

A. 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 that is adequate and are operating efficiently.

The Company at present is adhering to internal Financial Control commensurate with its size and operation which is now reduced into writing in terms of the requirements of Companies Act, 2013 read with Rule 8(5)(viii) of Companies (Accounts) Rules, 2014 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

B. STATUTORY REQUIREMENTS W.R.T. INTERNAL FINANCIAL CONTROL FRAMEWORK

Following is the summary of the requirements specified under the Companies Act, 2013, SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 and the above referred GN related to internal financial control framework:

- a) **Directors' Responsibility Statement:** Section 134 (5) (e) of the Act, requires the Directors' Responsibility Statement to state that the Directors, in the case of a listed Company, had laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and were operating effectively. Further, Section 134 (5) (f) of the Act requires that the directors had devised proper systems to ensure compliance with the provisions of all applicable laws and such systems were adequate and operating effectively. Sub-rule 8(5) of the Companies (Accounts) Rules, 2014 requires that the Directors' Report shall include the details in respect of adequacy of internal financial controls with reference to the Financial Statements.
- b) **Independent Directors:** Section 149 (8) of the Act requires that the Company and Independent Directors shall abide by the provisions specified in Schedule IV to the Act. Schedule IV to the Act lays down the Code for Independent Directors. Clause II (4) of Schedule IV states that the Independent Directors shall satisfy themselves on the integrity of financial information and that financial controls and the systems of risk management are robust and defensible.
- c) **Audit Committee:** Section 177 (4) (vii) of the Act states that the terms of reference of Audit Committee shall, inter alia, include 'Evaluation of Internal Financial Controls and Risk Management Systems'. Pursuant to Section 177 (5) of the Act, the Audit Committee may call for the comments of the Auditors about the internal control systems, the scope of audit, etc. Further, the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 requires that the Audit Committee of the listed entity shall oversight of the listed entity's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible; review quarterly and annual financial statements, in particular, the investments made by the unlisted subsidiary and the funds borrowed and its utilization etc.
- d) **Statutory Auditors:** Section 143 (3) (i) of the Act provides that the auditor of a Company shall, inter-alia, report whether the Company has adequate internal financial controls system in place and the operating effectiveness of such controls, in their report on the financial statements of the Company. This section is applicable for the financial years commencing on or after 1st April 2015.

- e) **Guidance Note:** Keeping in view the above provisions of the Act, ICAI has issued a Guidance Note on Audit of Internal Financial Controls over Financial Reporting on 15th September 2015. The GN is divided into following parts:

Part-A	Overview
Part-B	Detailed Guidance
Section-I	Background
Section-II	Reporting of IFC under the Companies Act, 2013
Section-III	Overview of Internal controls as per SA-315
Section-IV	Technical Guidance on Audit of IFC over Financial Reporting
Section-V	Implementation Guidance

The GN defines the Internal Financial Control Over financial Reporting (IFC) as a process designed to provide reasonable assurance regarding the reliability of the financial reporting and the preparation of financial statements for external purposes in accordance with GAAPs. A Company's IFC includes those policies and procedures that:

- (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the Company;
- (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAPs, and that receipts and expenditures of the Company are being made only in accordance with authorisations of management and directors of the Company; and
- (iii) Provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the Company's assets that could have a material effect on the financial statements.

The internal controls have been detailed in Standard on Auditing (SA) 315 issued by the ICAI. It explains following five components of internal control which relate to audit of the financial statement:

1. Control environment;
2. Entity's risk assessment process;
3. Control activities;
4. Information system and communication;
5. Monitoring of controls

The GN provides the audit procedure which would typically involve the following steps:

1. Planning;
2. Design and implementation;
3. Operating effectiveness;
4. Reporting.

- f) **Listing Regulations 2015:** The concept of internal financial controls is not new in India for listed companies. Regulation 17 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 requires certification by the CEO/CFO stating that (i) they accept responsibility for establishing and maintaining internal controls for financial reporting ; (ii) they have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting; (iii) they have disclosed to the auditors and the audit committee, deficiencies in the design or operation of such internal controls, if any, of which they are aware; and (iv) the steps they have taken or propose to take to rectify those deficiencies.

“**Internal Financial Control**” or ‘IFC’ 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, safeguard of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and the timely preparation of reliable financial information”.

“**Policy**” means *Internal Financial Control Policy*.

C. 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 managed in an efficient, effective and economical manner.
- IFC is a framework for an effective internal control system which conveys to Officials and the employees of the company that they are responsible for ensuring that the internal controls are established, documented, maintained and adhered to across the Company by all Employees
- To ensure the propriety of transactions, sources of information, accountability, ownership, integrity, compliance with regulations and achievement through operational efficiency.

D. ELEMENTS OF INTERNAL CONTROL FRAMEWORK

The essential elements of proper internal financial control framework are:

- Organizational Structure is well defined with culture, team spirit; Delegations of Authority is clearly spelt out
- Policies and procedures are clear and documented
- Transparency in recruitment of staffs is maintained and recruited staffs are properly Trained;
- Information Technology controls are advanced
- Review process besides statutory audit internal audit are in place
- Liaison with auditors and legal advisors; Senior Management compliance assurance;
- Risk identification and assessment and mitigation process exist.

E. KEY NOTES 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 proper systems and procedures are at place for internal control at various departments,
- Independent assessments are made encompassing functioning of various compliances under various statues and Rules & Regulations framed there under,
- Proper books of accounts vouchers along with supporting documents are maintained, confirmation of balances from debtors, creditors and other parties are obtained at year end

For Effective Financial Control, the Board of Directors and Senior Management shall Ensure:

- Physical verification of cash and all Fixed Assets are at reasonable intervals.
- Adequate Internal Control procedure is at place for maintaining proper records in respect of providing and availing services.
- All undisputed statutory dues including provident fund, Income Tax, Service Tax, Rates and Taxes and other statutory dues are paid within the prescribed time.
- Funds availed on short term are not used for long term purposes investment. Cash and bank balances are monitored at regular intervals

- 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 and/or
- repaid from/to any person excepting through an account payee cheque or bank draft (Section 269SS and 269T of Income Tax Act, 1961).

No cash transaction exceeding Rs 20000/.

F. ACCOUNTING POLICIES

The Financial Statement will be prepared in accordance with Indian Generally Accepted Accounting Principles (“GAP”) under the historical cost convention followed on the accounting (except for certain revalued fixed assets) 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 investments and Fixed Assets.
- Treatment of retirement benefits
- Recognition of profit on long term contracts
- Treatment of contingent liabilities
- Recording of foreign transactions and fluctuations in Transaction currency.
- Recognition of revenue and estimation of expenditure for current and future period.
- Tax and Government levies.
- Treatment of borrowing cost

G. ANNUAL/HALF YEARLY ACCOUNTS

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

1. Policies and Procedures are in place and adhered to for ensuring the orderly and efficient conduct of business.

Efficient conduct of business is essential to keep pace with the competitive world and to ensure that the Company is working at peak efficiency. Following are some of the components for efficient conduct of business:

Customer Satisfaction

Policy

The Company recognizes that effective resolution of customer complaints and proper feedback is crucial for good customer relations and hence it has a policy to satisfy the existing customer’s without delay simultaneously exploring new customer continuously in domestic as well as international market.

Procedure

The Company has therefore developed a website www.crownrajasthan.com for customer query and resolution of the same.

Employee Satisfaction

Policy

The Company considers employees as valuable resources to the organization and recognizes that employee satisfaction is priority area to ensure their optimum productivity. The Company has various benchmarks for transparent recruitment of qualified staff together with good training policies for benefit of employees.

Procedure

For the above, the company conducts various training programs to enhance the skills of its employees.

Technology

Policy

Being a part of service industry, company does not involve any kind of special technology. However, the basic technology changes are taken place regularly.

Procedure

Company uses secure and reliable technology. The Company also has its own Yatra software for recording of financial transactions.

Communication

Policy

The Company places top priority on effective communication. It has an open door policy for its stakeholders, employees as well as customers so that they can communicate with ease. All policies are expressly communicated to the concerned and also hosted on the website www.crownrajasthan.com and for investor relations www.crownjaipur.org

Adherence to Company's policies

The Company has been disseminating all its policies to the concerned/affected persons and whenever possible, acknowledgements are taken to the effect that they have understood the policies and will abide by the same in letter and spirit. The Company also periodically reviews the policies and update them.

Safeguarding of Its Assets

The Company has to safeguard its moveable and immovable assets against accidental losses, corruption, misuse or theft.

Company's assets include:

- Tangible Assets
- Intangible Assets
- Employees

Tangible Assets & Intangible Assets

All vehicle for hire, other vehicles, Furniture, Office Equipment, Software are adequately protected under Insurance Policy with Insurance Company approved by IRDA.

Computer Systems and Electronic Technology

Computer systems, programme and information required to be protected from theft or misuse. It is the employee's responsibility to safeguard any information which they have in their custody and control. The Company has been availing the services of cyber-security expert to protect the company's electronic data, including customer information, passwords, financial accounts and work product. Employees are advised to regularly change their passwords to sensitive areas of business.

Cash

The Company has adequate system in place to protect its cash and bank balance which is managed at optimum level, under the supervision of a senior official of the Company.

Credit

Efforts are made to make collections on time with constant follow up on aging analysis

Audits and Internal Checks

The Company apart from statutory audit has an internal audit mechanism which is being modified/upgraded as per the requirements.

2. Prevention and detection of frauds and errors

The Company has put in place systems and procedures to guide employees for undertaking various transaction(s) within and outside organization and to conduct the same in a transparent & uniform manner by way of delegation and adherence to Company's HR Policies, Code of Business Ethics, and covenants mentioned in the appointment letter.

Fraud

Company believes in prevention rather than cure and has developed system of identifying possible risk/fraud areas. This will be further upgraded regularly

- Forgery or unauthorized alteration of any documents or account including cheque, bank draft, E-banking transaction(s) or any other financial instrument etc. of the Company.
- Falsifying record such as pay-rolls, removing the documents from files and/or replacing it by a fraudulent note etc.
- Willful suppression of facts/deception in matter of appointment, placements, submission of reports, etc. as a result of which a wrongful gain(s) is/are made to one and wrongful loss(s) to the others.
- Utilizing Company funds for personal or other than official purposes.
- Authorizing or releasing payments for services not rendered.
- Destruction, disposition, removal of records or any other assets of the Company with intention to manipulate and misrepresent the facts so as to create suspicion/suppression/cheating as a result of which objective assessment/decision would not be arrived at.
- Any other act that falls under the fraudulent activity.

Fraud prevention and detection

The Company has designed fraud prevention and detection measures considering the fraud risk as such they may need to be flexible, adoptable and continuously changing to meet the various changes in fraud risk.

The Company has in place various essential elements of fraud detection process which inter alia include:

- Internal Control
- Internal Audit by an External Independent Agency
- Statutory Audit carried throughout the year to review and reporting. Bill watch system
- File management system Mechanism of authorization
- Centralized fund routing through Registered & Corporate office at Kanpur Reconciliation of all bank accounts regularly.

There is frequent supervision of all employees and reviews of their work especially those who have access to financial records. The Company has adequate internal controls to prevent fraud from occurring and detective controls to reveal any inconsistency. In case of violation of Code of Business Ethics, the gradual system of punishments has been laid down, depending on the gravity of the misdeed which presumably acts as a deterrent for violating the said Code.

3. Accuracy and completeness of the accounting records

The Company needs to prepare its accounts as per the provisions of Companies Act 2013. The Company has comprehensive software which is capable of recording all accounting entries in a proper manner. Further, Company has to maintain complete accounting records in order to finalize the same so that final accounts can be drawn as per the prevailing provisions of Companies Act and Accounting Standards. Company has successfully implemented YATRA software at all its locations across Rajasthan for accounts and commercial department.

4. Timely preparation of reliable financial information.

Under the existing listing agreement with the stock exchange, the Company is required to publish unaudited quarterly/yearly financial results and also audited financial results at the end of the year within the time frame prescribed under the listing agreement.

The said information is also uploaded on the Company's website. In case of approved quarterly results, the same are intimated to the Stock Exchanges within 15 minutes from the conclusion of the meeting of Board of Directors and also published in leading newspapers within 48 hours.

The Company has inbuilt mechanism for timely preparation of reliable financial information within given time and the Company has a track records of doing the same without undue delay.

Review of the policy by Audit Committee

The above policy has been reviewed by the Audit Committee in terms Section 177 of the Companies Act, 2013. and will, be further amended/modified proactively from time to time

1. RELATED PARTY TRANSACTION

A Policy has been formulated to examine, approve and recommend to the Board materiality of related party transactions and also on dealing with related party transaction.

2. VIGIL MECHANISM

The Company has formulated and adopted a Vigil Mechanism / Whistle Blower Policy, pursuant to the provisions of section 177(9) of the Companies Act, 2013, The Chairman of Audit Committee is responsible to address all Protected Disclosures concerning financial/accounting matters, Vigilance Officer and employees at the levels of Administrators/Management and Company Secretary and Vigilance Officer is to hear the grievances of the other employees of the Company. The Vigil Mechanism / Whistle Blower Policy has also been posted on the website.

3. RISK MANAGEMENT

The Board constituted a Risk Management Policy which is responsible responsibility to assist the Board on have a check upon all the risk factors that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks and assist the Board to overcome these Risks. A Risk Management Policy was reviewed and approved by the Board and Audit Committee and the same is available on the website.