INTERNAL FINANCIAL CONTROLS AND INTERNAL AUDIT POLICY

Introduction

Monarch Surveyors and Engineering Consultants Limited ("Monarch" or "the Company") acknowledges that a robust framework of Internal Financial Controls ("IFC") forms the backbone of sound corporate governance. An independent Internal Audit function complements this framework by providing assurance over design and operating effectiveness. Section 134(5)(e) of the Companies Act 2013 requires directors to confirm IFC adequacy and effectiveness, while Section 138 mandates appointment of an Internal Auditor. Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations 2015 ("SEBI LODR") reinforces Board responsibility for risk and control oversight, and recent SEBI circulars underscore the importance of internal audits covering IFC over financial reporting, cyber-security and IT systems. This Policy consolidates Monarch's commitment to maintaining a control environment proportionate to its scale and complexity yet scalable and adaptable to changes in business operations, technology and regulation.

Purpose

The Policy documents the principles and processes through which Monarch designs, implements, monitors and reports on IFC, and sets out the mandate, authority and operating procedures of the Internal Audit function. Its objectives are to provide reasonable assurance on the reliability of financial reporting, the safeguarding of assets, compliance with laws and contracts, efficiency of operations and overall stakeholder confidence.

Scope

The Policy applies to all business units, projects, subsidiaries, joint ventures and associates under Monarch's operational control, irrespective of geography. It extends to each system, process and activity that could materially affect the integrity of the consolidated financial statements or the attainment of corporate objectives.

Policy Statement

Monarch shall maintain a risk-based system of IFC aligned to the COSO "Internal Control – Integrated Framework". Controls are documented in narratives and risk-control matrices, tested periodically and enhanced continuously. **Controls shall be scalable and adaptable to changes in business operations, technology and regulatory requirements.** The Internal Audit function remains independent of executive management in both fact and appearance, reporting functionally to the Audit Committee and administratively to the Chief Executive Officer. Internal Audit engagements are delivered in-house with external specialists engaged for domain or forensic expertise. The standard audit cycle is **Quarterly.**

Governance

Ultimate accountability for IFC rests with the Board of Directors. The Audit Committee: (i) approves Internal Audit's budget and remuneration; (ii) reviews the independence and objectivity of Internal Audit **at least annually**; (iii) endorses the risk-based audit plan; and (iv) tracks remediation of findings. The Board may periodically review anonymised summaries of audit findings to validate consistency of control evaluations. The Head – Internal Audit has unrestricted access to records, personnel and assets, and communicates directly with the Audit Committee, Board and statutory auditors.

Internal Audit Methodology

Internal Audit begins with an enterprise risk assessment calibrated to risk appetite. The audit universe is prioritised on a rolling three-year basis, with high-risk areas reviewed more frequently. Each engagement is governed by a **formal Terms of Reference** detailing scope, objectives, timelines and resource allocation. Fieldwork employs sampling techniques, data-analytics tools and root-cause analysis. Observations are graded by significance and mapped to design or operating deficiencies. Regular coordination meetings with statutory auditors avoid duplication and promote efficiency.

IFC Testing Programme

Key controls over financial reporting are identified via walkthroughs, control-risk assessments and **Control Self-Assessments (CSA) completed by process owners**. Operating effectiveness is tested through inquiry, observation, inspection and reperformance; results are **mapped to financial-statement line items to assess materiality**. Scope explicitly covers IT general controls, user-access management, interface controls and automated control configurations. Deviations are evaluated for impact on assertions; compensating controls are assessed prior to aggregation. Testing aligns with SA 265 and SA 330 and facilitates reliance by statutory auditors.

Reporting

A comprehensive report is issued after each engagement, followed by a quarterly dashboard to the Audit Committee that includes open items, ageing, trend analysis and recurring control themes across business units. The Committee may request deep-dive reviews based on dashboard insights. **Significant IFC gaps or critical control failures are escalated to the Audit Committee Chair within three business days of identification.** An annual report on IFC adequacy supports the directors' responsibility statement under Section 134.

Record Retention

Audit working papers, risk assessments, testing evidence and management responses are retained for at least eight years from the final-report date or longer if litigation or regulation requires. **Electronic records are stored in secure, access-controlled repositories with encryption, back-up and disaster-recovery protocols.**

Quality Assurance and Improvement

The Internal Audit function undergoes an external quality assessment at least every five years, conducted by qualified professionals independent of Internal Audit, consistent with the Institute of Internal Auditors' International Professional Practices Framework and the ICAI Guidance Note on Audit of IFC. Interim self-assessments benchmark performance against charter mandates and KPIs. **Feedback from auditees is collected after each engagement** to enhance audit effectiveness.

Review of the Policy

Recognising the pace of regulatory change, this Policy is reviewed **annually** by the Audit Committee and updated as required; any major regulatory development triggers immediate review and Board-approved amendment.

Effective Date

This Policy comes into force on **April 1, 2025** and supersedes any earlier statements or procedures concerning internal financial controls and internal audit at Monarch.