



MONARCH SURVEYORS & ENGINEERING CONSULTANTS LIMITED

(Formerly known as Monarch Surveyors & Engineering Consultants Pvt. Ltd.)

सहसा विदधीत न क्रियामविवेकः परमापदां पदम्

INTERNAL FINANCIAL CONTROLS AND INTERNAL AUDIT POLICY

1. 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 the design and operating effectiveness of controls.

Section 134(5)(e) of the Companies Act, 2013 requires Directors to confirm the adequacy and effectiveness of IFC, while Section 138 mandates the appointment of an Internal Auditor. Regulation 17 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") reinforces the Board's responsibility for risk and control oversight. Recent SEBI circulars further underscore the importance of internal audits covering IFC over financial reporting, cybersecurity, and IT systems.

This Policy consolidates Monarch's commitment to maintaining a control environment proportionate to its scale and complexity, while remaining scalable and adaptable to changes in business operations, technology, and regulation.

2. Purpose

This 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.

The objectives of this Policy are to provide reasonable assurance regarding:

- reliability of financial reporting;
- safeguarding of assets;
- compliance with applicable laws, regulations, and contracts;
- efficiency and effectiveness of operations; and
- enhancement of stakeholder confidence.

3. Scope

This Policy applies to all business units, projects, subsidiaries, joint ventures, and associates under Monarch's operational control, irrespective of geography.

It covers every system, process, and activity that could materially affect the integrity of the consolidated financial statements or the achievement of corporate objectives.

Monarch House, CTS No 434/1, B T Kawade Road, Ghorpadi, Pune 411 036, Maharashtra. India.

CIN No.: L45203PN1999PLC013830 | D&B D-U-N-S: 91 663 2276

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4. Policy Statement

Monarch shall maintain a risk-based system of Internal Financial Controls aligned with the COSO “Internal Control – Integrated Framework”.

Controls shall be documented through process narratives and risk-control matrices, tested periodically, and continuously enhanced. Controls shall remain scalable and adaptable to changes in business operations, technology, and regulatory requirements.

The Internal Audit function shall remain independent of executive management, both in fact and appearance, reporting functionally to the Audit Committee and administratively to the Chief Executive Officer. Internal Audit engagements may be conducted in-house, with external specialists engaged where domain expertise or forensic capability is required.

The standard Internal Audit cycle shall be **quarterly**.

5. Governance

5.1 Board of Directors

Ultimate accountability for Internal Financial Controls rests with the Board of Directors.

5.2 Audit Committee

The Audit Committee shall:

- approve the Internal Audit budget and remuneration;
- review the independence and objectivity of Internal Audit at least annually;
- endorse the risk-based Internal Audit plan; and
- monitor the status and remediation of audit findings.

The Board may periodically review anonymised summaries of audit findings to ensure consistency in control evaluation across the Company.

5.3 Head – Internal Audit

The Head – Internal Audit shall have unrestricted access to records, personnel, and assets and shall communicate directly with the Audit Committee, the Board of Directors, and the Statutory Auditors.

6. Internal Audit Methodology

Internal Audit begins with an enterprise-wide risk assessment calibrated to the Company’s 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**, which defines the scope, objectives, timelines, and resource allocation.

Audit fieldwork employs sampling techniques, data-analytics tools, and root-cause analysis.

Observations are graded based on significance and categorised as design or operating deficiencies.

Regular coordination meetings with Statutory Auditors are conducted to avoid duplication and promote audit efficiency.

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7. IFC Testing Programme

Key controls over financial reporting are identified through walkthroughs, control-risk assessments, and **Control Self-Assessments (CSA)** completed by process owners.

Operating effectiveness is tested through inquiry, observation, inspection, and reperformance. Test results are mapped to relevant financial-statement line items to assess materiality.

The testing scope explicitly covers:

- IT general controls;
- user-access management;
- interface controls; and
- automated control configurations.

Control deviations are evaluated for their impact on financial assertions. Compensating controls are assessed prior to aggregation. Testing aligns with SA 265 and SA 330 and facilitates reliance by Statutory Auditors.

8. Reporting

A detailed Internal Audit report is issued after each engagement. In addition, a quarterly dashboard is presented to the Audit Committee, covering:

- open audit items and ageing;
- trend analysis; and
- recurring control themes across business units.

The Audit Committee may request focused or deep-dive reviews based on dashboard insights. Significant IFC gaps or critical control failures are escalated to the Chairperson of the Audit Committee within **three business days** of identification.

An annual report on IFC adequacy supports the Directors' Responsibility Statement under Section 134 of the Companies Act, 2013.

9. Record Retention

Audit working papers, risk assessments, testing evidence, and management responses shall be retained for a minimum of **eight years** from the date of the final audit report, or longer where required due to litigation or regulatory requirements.

Electronic records shall be stored in secure, access-controlled repositories with encryption, backup, and disaster-recovery protocols.

10. Quality Assurance and Improvement

The Internal Audit function shall undergo an external quality assessment at least once every **five years**, conducted by qualified professionals independent of the Internal Audit function. This assessment shall be consistent with the Institute of Internal Auditors' International Professional Practices Framework and the ICAI Guidance Note on Audit of IFC.

Interim self-assessments shall benchmark performance against the approved audit charter and key performance indicators. Feedback from auditees shall be collected after each engagement to improve audit effectiveness.

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11. Review of the Policy

This Policy shall be reviewed **annually** by the Audit Committee and updated as necessary. Any major regulatory development shall trigger an immediate review and, where required, a Board-approved amendment.

12. Effective Date

This Policy shall come into force on **1 April 2026** and shall supersede all earlier policies or procedures relating to Internal Financial Controls and Internal Audit at Monarch.

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