

GHCL LIMITED INTERNAL AUDIT CHARTER



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A handwritten signature in blue ink, appearing to be 'J. Singh'.





GHCL Limited

Internal Audit Charter

1. Internal audit Mission:

The Board of Directors, the Audit & Compliance Committee, and the Management of the Company are committed to maintaining the highest standards of corporate governance, adopting sustainable practices, and endeavoring to strengthen the Internal audit functions of the company.

The internal audit functions are expected to give reasonable assurance for

- effectiveness and efficiency of operations,
- reliability of financial reporting and
- compliance with applicable laws and regulations

by examining and evaluating the adequacy and effectiveness of the internal control system, risk management, and compliance with conditions of corporate governance.

Internal audit will help management, achieve its business targets including cost reduction, maximization of turnover and profit, and improving efficiency and effectiveness of process/operations through

- Best practices and Benchmarking:** This involves identifying, facilitating, transferring, and implementing Best Practices and Benchmarking through financial and operations reviews across business units/ locations of the company including its subsidiaries if any.
- Financial, business process, and compliance audit:** This will provide independent assurance of the reliability and integrity of financial/ operational information & reporting and compliance with key company policies and regulations.
- Operation Reviews:** This involves conducting operations reviews in partnership with the business team to improve business processes continuously in terms of quality, reliability, responsiveness, and cost.

- The objective of Internal audit:** The objective of internal audit is to provide independent, objective assurance and consulting services that are guided by the philosophy to **add value** by using a disciplined systematic approach to evaluate and improve the effectiveness of risk management, control, and corporate governance processes and the integrity of the company's operations.





The internal audit is expected to assist the management and the Audit & Compliance Committee in the effective discharge of their responsibilities by furnishing them with analysis, appraisals, recommendations, advice, and information concerning the activities that it audits and by promoting effective control and sound business practices.

The prime objectives of internal audit are

- (a) Examine whether employees' actions comply with policies, codes of conduct, standards, procedures, and applicable laws and regulations.
- (b) Whether resources are economically acquired, efficiently used, and adequately protected.
- (c) Whether significant legislative and regulatory issues impacting the company are recognized and addressed appropriately.
- (d) Examine and evaluate whether the company's framework of risk management, control, and governance processes is adequate and functioning properly.
- (e) Ensure that quality and continuous improvement are fostered in the Company's control and risk management process.

- 3. Scope of Internal Audit:** The scope of the internal audit would be framed, designed, and developed every year by the Chief Financial Officer in consultation with the unit heads, compliance officer, and internal auditors. The draft scope of work shall be placed before the Audit & Compliance committee for deliberation and approval. Once the audit scope for a particular financial year is approved by the Audit & Compliance committee the same shall be considered final. The internal auditor is supposed to work within the boundary of the approved scope of work and submit its final report to the Audit & Compliance committee subject to the condition that all inputs/ responses of respective department/ process owners and unit heads have been appropriately recorded.

The broad guideline for the setting of the scope of internal audit are as follows:

- (a) To review the compliance with the provisions of the Code of Conduct to regulate, monitor, and report trading by Designated Persons in the listed shares of the company or its subsidiaries, if any.
- (b) The review of the financial and management information system, including electronic information systems.
- (c) The testing of both transactions and functioning of specific internal control procedures at various departments and offices.
- (d) The examination and evaluation of the adequacy and effectiveness of the internal control system at various operations and activities of the company i.e. internal control over the financial reporting





- (e) The review of the application and effectiveness of the risk management procedures and risk assessment methodologies at the operational and functional level of the company.
- (f) To review adherence with the compliance software and suggest improvements in the software.
- (g) To review the safety procedures followed across the company and whether they comply with the established safety standards.
- (h) The review of the accuracy and reliability of the accounting records and the financial reports.
- (i) The evaluation and adherence to legal and regulatory frameworks, policies, and procedures as indicated and mandated by relevant regulatory bodies of India from time to time.
- (j) Identifying opportunities for cost savings and recommending cost efficiencies.
- (k) The evaluation of the effectiveness of the existing policies and procedures and make recommendations for improvements.
- (l) Identify fraud risks faced by the company and suggest appropriate controls to minimize these risks.

4. Internal auditor's Authority and Responsibilities:

The Internal auditors are authorized to

- (a) Determine the scope of work in consultation with the management and as approved by the Audit & Compliance Committee and apply techniques required to accomplish audit objectives.
- (b) Have unrestricted access to all departments, offices, activities, records, information, properties, and personnel, relevant to the performance of audit function.
- (c) Obtain the necessary assistance of personnel in various departments/offices of the company wherever the audit is performed.
- (d) Consult with the management on matters such as the design of internal controls, business controls, risk management activities, and corporate governance processes.
- (e) Obtain the assistance of specialists/professionals, when it is necessary from within or outside of the company, only post discussion and agreement with the company.

The internal audit teams have the following **responsibilities**

- (a) Evaluate the adequacy and expertise of resources deployed and if expertise or resources are not available, internal audit firms together with the company can seek assistance externally through a co-sourcing assignment.
- (b) Implement the risk-based annual audit plan in a timely and effective manner;
- (c) Maintain requisite audit staff strength comprising Chartered accountants, Certified information system auditors, and other professionals competent to carry out internal audits;





- (d) In case the nature of an audit area requires some specific knowledge or expertise in a particular field, it will depute specialized staff having relevant knowledge and experience for these assignments.
- (e) Use such audit tools and techniques that will support the effective discharge of internal audit responsibilities.
- (f) Obtain final annual audit plans from the CFO and issue periodic reports on a timely basis to the respective unit heads, Managing Director, Chief Financial Officer, and any other designated person by CFO.
- (g) The audit staff of the internal audit team has responsibilities to exercise due professional care in carrying out audit assignments and maintain integrity and objectivity.

5. Internal auditor's accountability:

The internal audit team, in the discharge of their duties, shall be accountable to the Audit & Compliance Committee of the Company, however, the internal audit team has no operating responsibilities or authority over the departmental operations that it audits.

The internal auditor shall

- (a) Submit an assessment on the adequacy and effectiveness of the company's processes for controlling its activities and managing its risks in the areas of the operations on an annual basis;
- (b) Report significant issues related to the audit processes, together with recommendations for improvements.
- (c) Provide information on the status and results of the annual audit plan on a periodic basis.
- (d) Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, safety, health, and environment)

6. Independence of Internal auditor firm:

The internal audit team is independent of the senior and working management of the company so that it can provide an independent opinion on the effectiveness of the internal control system, risk management, and governance of the company.

7. Appointment of Internal audit Firms:

GHCL believes that, in order to maintain the independence of internal audit functions and quality reporting, the internal auditor shall be outsourced to outside professional firms having sufficient manpower, infrastructure, and capabilities in the internal audit domain. Keeping this philosophy in mind,





- the company will outsource its internal audit function to reputed, independent firms of Chartered Accountants who have the requisite experience, capabilities, national standing and ranking, specialized skills and knowledge, etc.
- the selection of such independent outsourced firms will be carefully done after following proper due diligence.
- considering the size, volume, complexities, and geographical spread of the company, it may appoint one or more independent outsourced firms as its internal auditors to provide internal audit services.
- The internal audit work allocation amongst such firms will be done based on the geographical locations/ functions of the company and in discussion with the Chief Financial Officer and the Managing Director of the company and they may be on periodic rotation to ensure that each region is audited by different audit firms and the company benefits as the rotation adds different dimensions and contributes.
- The appointment and remuneration of internal auditors shall be placed before the Audit & Compliance Committee for their approval.
- The person in charge of corporate finance & accounts or internal audit coordinator designated by the CFO is the Single Point of Contact (SPOC) of the company to coordinate with the internal audit firms and the company to ensure the smooth functioning of the internal audit function.

8. Conduct an internal audit assignment:

(a) Setting up Scope of Work:

- The Internal Auditors with the management team will jointly prepare the Audit Plan and present the same before the Audit & Compliance Committee through the Company Secretary & Compliance Officer of the Company;
- The scope of the internal audit will also be made available to the Statutory Auditors of the company and their feedback/ input need to be considered.
- The internal audit firms shall agree and finalize the Audit Calendar and Plan, detailing the coverage and period of the audit;
- Based on the Annual Internal audit plan, the internal audit firm shall plan the efforts for audit areas to complete the audits mentioned therein. The internal audit firms shall allocate their staff and if needed shall depute additional staff up to the completion of the audit assignment.





- Quality reviews shall be performed for the identified areas of the audit.

(b) Assignment Execution

- Opening meetings shall be held before the commencement of the audit reviews proposed. Such an opening meeting should be conducted and attended at the very minimum by the unit head, Process Owners, representatives from the finance & accounts of the company, and any other person that the management requires it to be attended.
- The meeting will introduce the scope, objectives, internal audit approach, and process grading parameters and seek specific expectations if any of the auditees. The said meeting will also establish the communication and escalation protocols and seek to obtain buy-in from the auditees/ process owner for the internal audit engagement.
- The audit team shall have access to all the documents including but not limited to the procedures manual, and financial reports which must be enabling the Audit team to fulfill its assignment.

(c) Assignment Finalisation and Reporting:

- The draft internal audit report shall be issued by the internal audit team in line with the timeline agreed upon between the management and the internal auditor.
- The draft audit report shall be concise, clear, constructive, and objective and it shall detail the audit scope, the audit findings, and results and recommended actions to be taken.
- The audit report shall further make clear observed deficiencies or weaknesses and risks for the company. Process owners/heads of the department / Internal Audit Head/ CFO shall provide their comments on the draft report in line with the timeline agreed upon between the management and the auditor.
- The internal audit team will take management comments, into its consideration, either by revising the content of their report or including an 'additional auditors comment' section in the body of their report.





(d) Distribution of the Final Internal audit report:

- The internal audit team will circulate the final report addressed to the Audit & Compliance Committee and send it to the CFO, Managing Director, Compliance officer, and such other person as may be mutually agreed, through a soft copy.
- The hard copy of the final internal audit report shall be sent to the designated persons, as may be mutually agreed upon.

(e) Audit & Compliance Committee

A senior representative (partner or director) of the internal audit firm shall be available to present the findings of the Audit to the pre-audit and or Audit & Compliance Committee of the company as and when required and also present any information/ clarification/ explanation/ recommendation as may be sought by the Audit & Compliance Committee.

(f) Assignment Report recommendations and management action plans follow up:

- The management will ensure that its recommendations and the management action plans have been implemented as per their remediation plans.
- The audit team shall perform a quarterly post-implementation status review for all remediation plans about High, Medium risk observations.
- Copies of the internal audit report shall also be made available to the statutory auditors of the company.

(g) Archiving the audit record:

The audit report shall be archived at the end of each audit. All supporting documents along with the final reports will be stored and archived as per the policy of the company.

9. Disclosure of the Policy on the website of the company:

The Policy is available on the website of the company i.e. www.ghcl.co.in

10. Amendment and Review of the Policy: The policy shall be reviewed by the Audit & Compliance Committee periodically and updated accordingly.





11. CHANGE LOG

1.	Type of Document	Policy
2.	Document created on	December 23, 2022
3.	Recommended by Audit & Compliance Committee	January 31, 2023
4.	Approved by Board of Directors	January 31, 2023
5.	Reviewed by Managing Director	April 1, 2024
6.	Document Control	Corporate Secretarial

For GHCL Limited


RS Jalan
Managing Director

