

Audit Committee-Controls and Board
Expectations

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Corporate Governance Calls for....

- **Equitable treatment**
- **Disclosure and Transparency in decision making**
- **Accountability**
- **Role of Stakeholders**

Audit Committee

- **Qualified and Independent Audit Committee (AC)**
- **Meetings**
- **Powers**
- **Role**
- **Review of Information**

Role of Audit Committee-Few Matters

- **Oversight of the company's financial reporting process and the disclosure of its financial information**
- **Reviewing, with the management, the annual financial statements and auditor's report thereon before submission to the board for approval**
- **Reviewing, with the management, the quarterly financial statements before submission to the board for approval;**

- **Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.)**
- **Disclosure of any related party transactions**
- **Qualifications in the draft audit report**
- **Scrutiny of inter-corporate loans and investments;**

- **Valuation of undertakings or assets of the company, wherever it is necessary;**
- **Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department**
- **To look into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors**

- **Evaluation of internal financial controls and risk management systems;**
- **To review the functioning of the Whistle Blower mechanism;**
- **Approval of appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience and background, etc. of the candidate;**

Review of Information by Audit Committee

- 1. Management discussion and analysis of financial condition and results of operations;**
- 2. Statement of significant related party transactions (as defined by the Audit Committee), submitted by management;**
- 3. Management letters / letters of internal control weaknesses issued by the statutory auditors;**

4. Internal audit reports relating to internal control weaknesses; and

5. The appointment, removal and terms of remuneration of the Chief internal auditor

Business Model Overview-Tata Steel

- **Products and Brands**
- **Supply Chain and logistics**
- **Research and Development**
- **Technology**
- **Customer Focus and Market Segments**
- **Raw Material and Mining**
- **Manufacturing**

Audit Plan Focus-Tata Steel

- a. All operational and related activities are performed efficiently and effectively.**
- b. Significant financial, managerial and operating information that is relevant, accurate and reliable is provided on time.**
- c. Review the process of identification and management of Business Risks.**

- d. Resources are acquired economically, used efficiently and safeguarded adequately.**
- e. Employees' actions are in accordance with the Company's policies and procedures, Tata Code of Conduct and applicable laws and regulations.**
- f. Significant legislative and regulatory provisions impacting the organization are recognized and addressed appropriately.**

- g. Opportunities identified during audits, for improving management control, business targets and profitability, process efficiency and the organization's image, are communicated to the appropriate level of management.**
- h. Shareholders' and other Stakeholders' wealth and welfare are preserved, protected and enhanced.**

Management Discussion and Analysis

- a. Industry structure and developments.**
- b. Opportunities and Threats.**
- c. Segment-wise or product-wise performance.**
- d. Outlook**
- e. Risks and concerns.**
- f. Internal control systems and their adequacy.**

Risk Management

Internal Risk Factors

- **Culture, Values and Leadership**
- **Human Resource Management**
- **Financial Reporting Risks**
- **Liquidity and Leverage**
- **Contractual Compliance**
- **Compliance with Local Laws**
- **Intellectual Property management**
- **Engagement Execution**
- **Integration of Subsidiaries, if any**

External Risk Factors

- **Macro Economic Factors**
- **Exchange Rate Fluctuations**
- **Political Environment**
- **Competitive Environment**
- **Concentration of Revenues**
- **Inflation & Cost Structure**
- **Immigration Regulations**
- **Security & Business Continuity**
- **Technology Obsolescence**

Monitoring and Control Issues

- **Information in Standard Formats with analysis, wherever necessary**
- **Establishment of a Project, Purchase of a Unit, Merger, De-merger, etc.**
- **Fixed Assets Utilization and Physical Verification**
- **Inventory Valuation and Physical Verification**
- **Group Financial Transactions**

- **Availing and Utilization of Funds**
- **Cost Records**
- **Estimation and Actual Cash Flow**
- **Depreciation policy**
- **Monitoring of Fixed Deposits**
- **Annual Repairs and Maintenance –technical, financial and accounting**

- **Contingent Liabilities and Implications including Guarantees given**
- **Latest developments on Legal and Compliances**
- **Co-relation of Sales, Inventory, Work-in-Progress**
- **Transfer Pricing**
- **Insurance Management**

- **Dividend Distribution Policy**
- **Credibility of Reporting**
- **Subsidiary Operations, Monitoring and Reporting**
- **Tax Survey, Search**
- **System and Technology Authenticity**

*Let's **monitor** as well as **contribute** to
co-create a better corporate citizen.*

Thank you