

Presentation to WIRC

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HEAD - Corp Audit & Assurance

Godrej Industries & Associate Companies (GILAC)



3rd June 2017

AGENDA

- ❖ **Role of IA in GILAC**
- ❖ **Risk & Compliance Frame-work**
- ❖ **Concluding Thoughts**
- ❖ **Questions**



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Message from the Chairman



- The name 'Godrej' represents *Quality, Integrity* and *Trust...*
- Godrej is committed to the highest standards of *business ethics and integrity*, as well as *strict observance and compliance* with the laws and regulations governing its business operations.

Chairman's expectations from IA – “No Surprises”

INTERNAL AUDIT IN GODREJ

- Deep rooted function, established over 50 years
- Independence of the function
 - Reporting to the Group Chairman
 - Reporting to the respective Audit Committees
 - Representation in the Business Executive Committees
- Services rendered to all Group Companies
- Charter approved by the Board of Directors.
- Majorly In house function – comprising of a team of 40 people in India & Abroad
- Blend of Specialists/ Professionals – Process, IT, Forensics, Risk Mgmt.
- Need based outsourcing – specialized / technical reviews.

Function's role – well appreciated, taken seriously !

Partnering with Business – Our Journey from 2009...

- Understanding Stake-holder expectations
- Understanding business Risks, Imperatives, Complexities
- Proactive involvement in Business Initiatives
- Early Warning Signals – LIGHT HOUSE
- Change in the approach to Audit

Understand the Customers & their expectations - key to success !

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❖ Role of IA in GILAC

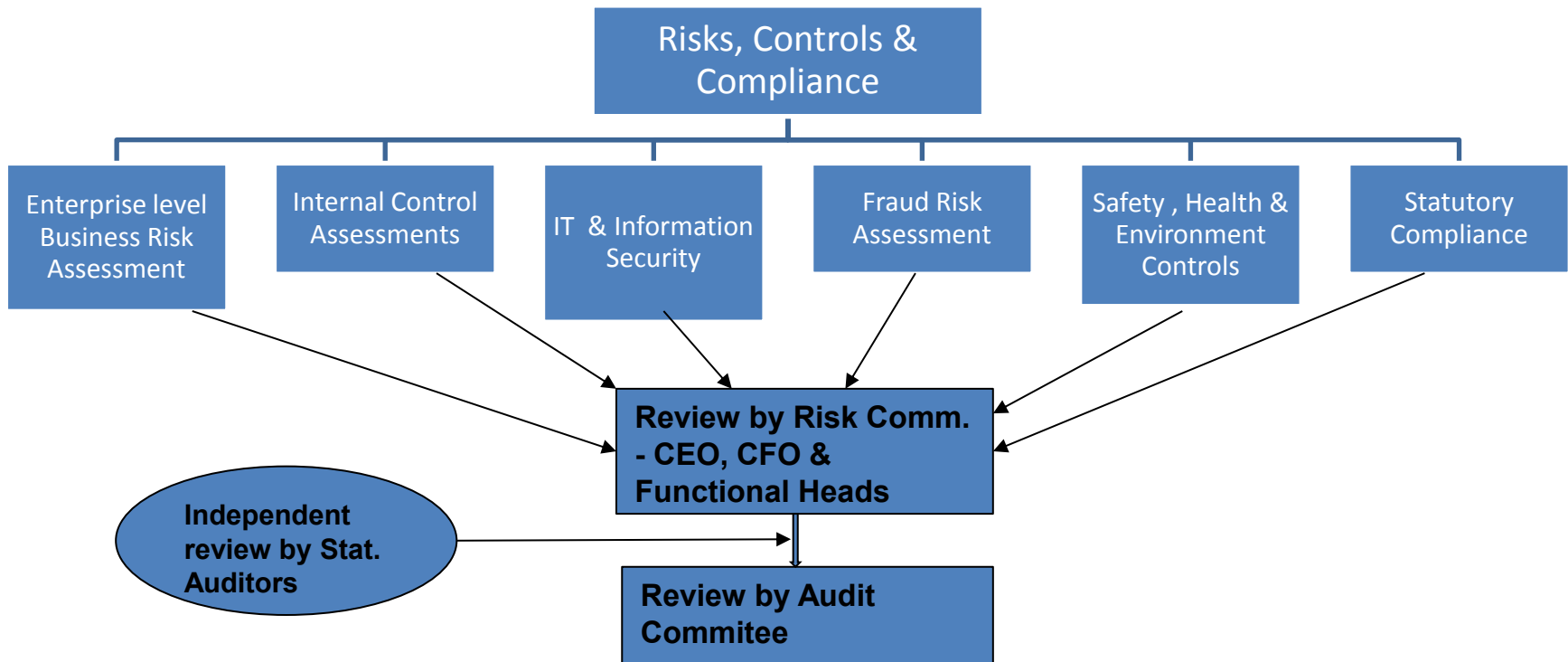
❖ **Risk & Compliance Frame-work**

❖ Concluding Thoughts

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Risks, Controls & Compliance Framework @GILAC



1. Enterprise Wide Business Risk Assessment

Scope :

- Identification of Risks @ Business Level
- Prioritise top 10 risks on the basis of - Impact & Probability of Occurrence
- Identify Risk Owners for each of these risks and help draw up Mitigation plans
- Risks not forming a part of top 10 risks - Incorporated in Audit Reviews

Assessment Methodology

- Once in every three years Zero bases assessments conducted using Big4s
 - All Risks reviewed by Risk Committee on a quarterly basis
 - Mitigation plans validated by Internal Audit Team
- Risks – Mitigation Plans – KPIs

2. Internal Control Assessments

Scope

- Methods team draws up SOPs for each and every function/ Factory/ Branch – Process wise & Sub Process wise
- Business teams involve the Methods team whenever there is a new initiative.
- SOPs circulated to functional teams and aligned with them
- Role wise Authorisation Matrix defined– Financial, Functional & Administrative Authorities
- Risks & Controls in each Process identified & clearly marked in the SOP
- Based on Business & Audit teams feedback , these SOPs / Authorisations are revised.

Assessment Methodology

- The summary of these Risks and Controls form the basis of the Internal Control Assessment Sheet.
- Audit Team during their reviews/ visits check & track compliances

SOX – ICoFR – in our DNA !!

3. IT System Controls , Access Controls

Scope

- IT Audit team involved right from pre-implementation stage
 - All contracts >Rs.25 lacs , Internal Audit team gets involved at RFP stage itself to track SLAs/ Commitments
- Controls are built into the system at the time of implementation itself.
- Access Control Matrix (ACM) is jointly defined by Functional Head, IT and Audit
- Any Access within the defined methodology is approved by IT based on this matrix
- Conflicting roles if any are referred for approval to the IT audit team
- Access rights granted after evaluating the Risk& Mitigation plans.

Assessment Methodology

- Once in a year review of all Access Conflicts
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- All Conflicting rights mitigations checked through the internal control assessments.
- Configuration checks Once in two years to check any major changes and its impact
- IT DR assessments

4. Information Security Risks

Scope

- Identify Risks in the Group Level IT land-scape at the beginning of the year
- Factor any new technologies / initiatives to be launched during the year
- Involve proactively in pre-security risk assessment along with IT team in plugging any Security Risks
- Co-ordinate with Industry Experts in areas of Cyber Risks
- IT & Information Security Apex level steering committee at Group level

Assessment Methodology

- Identify risk areas for regular review
- Identify consultants to review such risks & ensure implementation of recommendations

Stay one-up on the learning curve

4. Fraud Risk Assessments

Scope

- Implementation of Independent Whistle blower Reporting mechanism
- Ethics Awareness campaigns & Dilemma workshops for all employees
 - For new joiners – at the time of Induction
 - For existing employees –Awareness sessions / E-mailers
 - Learnings from Frauds – to all CEOs/ CFOs once every two months Newsletter
- Informal feedback networks through periodic interactions
- Databank of all past cases and feedbacks

Complaints Investigation Process

- Well laid down policy on the role and responsibilities
- Alignment of the Business Head, HR Head and Functional Head
- Joint investigation by IA & HR.
- Reasons for fraud – Control Violations checked and Process gaps if any rectified through SOPs

Zero Tolerance on Fraud.

5. Safety, Health & Environmental Controls

Scope

- Software implementation across Godrej to track SHE compliances
- All Safety Initiatives tracked and Self rated by the respective locations SHE team
- Ensuring Implementation of Business Continuity Plans & Emergency Response Procedures

Assessment Methodology

- Surprise Audits of all Safety & Health Compliances through out the year
- Review of all Incident Reporting & check on Corrective actions
- Regular check on BCP-ER Drills & review of responses/ Corrective actions.

100 -0 IS OUR GOAL

100% COMPLIANCE – ZERO FATALITIES !!

6. Statutory Compliance

Scope

- Implementation of Legatrix Software – managed by a law firm Legasis (based out of Pune)
- 400+ laws of the land covered (Central, State and Municipal laws)
- All changes to the laws updated within 24 to 48 hours .
- Each compliance is a task with a task owner and frequency
- Compliances categorised – Critical, High, Medium, Low
 - Critical & High are those where non-compliance can have impact on the CEO/ Directors/ Reputation
- Updating by the task owner as per the frequency with proof of compliance attached

Assessment Methodology

- Regular monitoring on compliance status through the software
- Tracking all Critical & High Compliances on a monthly/ quarterly basis
- Test check the proof of compliances to confirm compliances.

Compliance is part of our Value System

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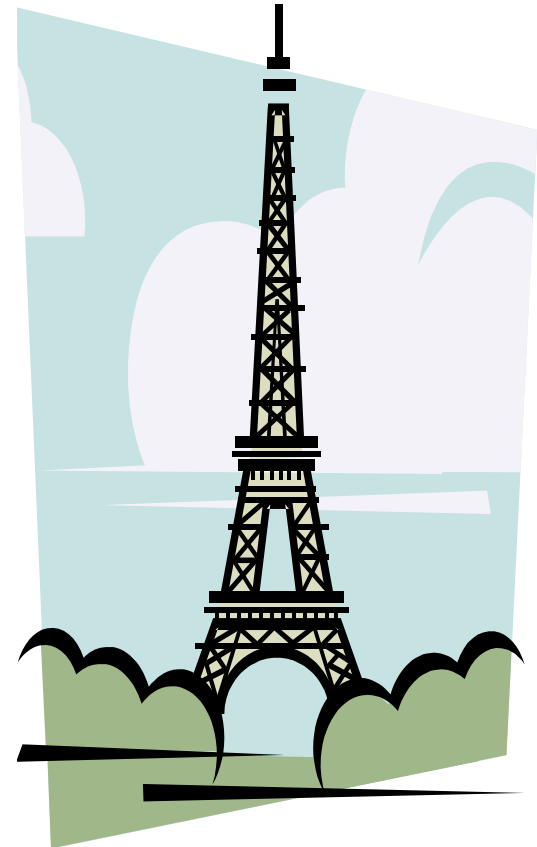
❖ **Concluding Thoughts**

❖ Questions



Remember !!

- ❖ We are not Experts ... neither we claim to be one..
- ❖ We don't have knowledge of Business / Functional intricacies
- ❖ We are not on a fault finding mission
- ❖ We focus on Process..
- ❖ Our approach is Commonsensical
- ❖ Ask logical questions.....
- ❖ Open mind....



We can also demonstrate value

❖ Auditors – Part of the Solution



❖ Auditing by Walking Around



❖ Continuous Monitoring & Effective Use of Technology



❖ Think one step ahead ...



To Conclude

- Independence is a “State of Mind’
- Help Business without compromising on our Role
- Positive, Friendly & Proactive Approach – “ Win – Win”
- Use Technology – to our advantage
- Seek Expert help – Wherever necessary
 - Understand we are not “Master of all Traits”
- There are huge opportunities waiting to be grabbed
- Restricting ourselves to a “Financial/ Statutory scope” is limiting ourselves
- Expanding our horizons. Thinking in terms of Risks & Analytical mind...

Right approach/ attitude will make us Business Partners...

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THANK YOU FOR YOUR TIME AND CONSIDERATION