

# **THE INDIAN HOTELS COMPANY LIMITED**

## **INTERNAL AUDIT CHARTER**

Internal Audit is an independent and objective function, providing assurance and consulting activity that is guided by a philosophy of adding value to improve the performance of the organisation.

The function assists the organisation in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management and internal control.

The mission of Group Internal Audit (GIA) is to pursue the professional practice of Internal Auditing, complying with various regulations and laws, the Tata Code of Conduct and to assist IHCL in achieving its long term & short term strategic objectives.

### **Role and scope of work for Group Internal Audit**

The internal audit activity is established by the Audit Committee, which is a sub-committee of the Board of Directors. The function's responsibilities are defined by the Audit Committee and would include -

- Assessing the adequacy and effectiveness of the system of risk management and internal controls operated within the organisation
- Reviewing and evaluating compliance with policies, plans, procedures, laws and regulations;
- Assessing the reliability and integrity of information
- Safeguarding of assets

Role and scope of work is dynamic with growth - organic and inorganic - and will be reviewed every year.

### **Independence**

The Head of Group Internal Audit will report to the Chairman of the Audit Committee and administratively to the Managing Director & Chief Executive Officer of IHCL. The appointment of such Head of GIA must take place only with the approval of Audit Committee. Internal Audit at IHCL is a co-sourced activity, with in-house personnel working closely with and guiding independent professional firms.

The internal audit function will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content. Internal auditors will have no direct operational responsibility or authority

over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Internal auditors will demonstrate high professional standards in gathering, evaluating, and communicating information. They will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of GIA confirms the organizational independence of the internal audit function.

### **Organization**

The Head of Internal Audit will report to the Chairman of the Audit Committee and as part of this, the Committee will -

- Approve the internal audit charter
- Approve the risk based internal audit plan
- Approve the internal audit budget and resource plan
- Receive communications from Head of Internal Audit on the function's performance, relative to its plan and other matters
- Approve decisions regarding the appointment and removal of Head of Internal Audit
- Approve the remuneration of the Head of Internal Audit
- Make appropriate enquiries of management and Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.

### **Internal Audit Plan**

The Head of GIA will submit to the Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The Head of GIA will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. The Head of GIA will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee.

Each operating unit must be audited every year unless specifically excluded in consultation with senior management or Audit Committee. GIA must select independent professional firms to carry out audit activity and present such plan, along with fees payable, for approval of the Audit Committee on yearly basis. The Risk Register and Audit Calendar must be presented to Audit Committee every year.

### **Access**

GIA will have unrestricted access to all activities across IHCL, including access to records, associates and locations, in order to provide assurances to the Audit Committee. GIA will preserve security in respect of highly sensitive or confidential information.

### **Reporting**

Internal Audit reports will be prepared and issued by Head of GIA following the completion of audits at the various hotel units and Corporate functions, and will be distributed as appropriate. Such reports will also be communicated to the Audit Committee. The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations.

### **Responsibilities of the Head of GIA**

- Review and updation of risk register and mitigation plan at least once in a year
- Audit of every operating hotel unit once a year or at any other periodicity in consultation with senior management and Audit Committee
- To create assurance map and reliability assurance from the first and second lines of defence by way of Taj Positive Assurance Model (TPAM)
- Any other Internal audit assignment as advised by senior management or on specific instructions of Audit Committee

### **Conflict of Interest**

Should a conflict of interest arise in the work performed by members of the internal audit team, the conflict of interest should be escalated to the Head of GIA, who will take action accordingly. Where the conflict of interest is deemed material, the Head of GIA will report such conflict of interest to the senior management and the Chairman of Audit Committee, if need be.

Should the conflict arise with regard to the Head of GIA, he should alert / disclose to the senior management and the Chairman of Audit Committee, if need be.