



# AUDIT COMMITTEE CHARTER

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*This document outlines the composition, powers and role of the Audit Committee at  
Tanla Solutions Limited.*

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## **(A) Qualified and Independent Audit Committee**

A qualified and independent audit committee has been set up by the company, giving the terms of reference subject to the following:

- i. The audit committee shall have minimum three directors as members. Two-thirds of the members of audit committee shall be independent directors.
- ii. All members of audit committee shall be financially literate and at least one member shall have accounting or related financial management expertise.

Explanation 1: The term “financially literate” means the ability to read and understand basic financial statements i.e. balance sheet, profit and loss account, and statement of cash flows.

Explanation 2: A member will be considered to have accounting or related financial management expertise if he or she possesses experience in finance or accounting, or requisite professional certification in accounting, or any other comparable experience or background which results in the individual’s financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer with financial oversight responsibilities.

- iii. The Chairman of the Audit Committee shall be an independent director and shall be present at Annual General Meeting to answer shareholder queries.
- iv. The audit committee may invite such of the executives, as it considers appropriate (and particularly the head of the finance function) to be present at the meetings of the committee, but on occasions it may also meet without the presence of any executives of the company. The finance director, head of internal audit and a representative of the statutory auditor may be present as invitees for the meetings of the audit committee.
- v. The Company Secretary shall act as the secretary to the committee.
- vi. The auditors of a company and the key managerial personnel shall have a right to be heard in the meetings of the Audit Committee when it considers the auditor’s report but shall not have the right to vote.
- vii. The Board’s report under sub-section (3) of section 134 shall disclose the composition of an Audit Committee and where the Board had not accepted any recommendation of the Audit Committee, the same shall be disclosed in such report along with the reasons therefor.

**(B) Meeting of Audit Committee:**

The audit committee should meet at least four times in a year and not more than four months shall elapse between two meetings. The quorum shall be either two members or one third of the members of the audit committee whichever is greater, but there should be a minimum of two independent members present.

**(C) Powers of Audit Committee**

The audit committee shall have powers, which should include the following:

- i. To investigate any activity within its terms of reference
- ii. To have full access to information contained in the records of the company
- iii. To seek information from any employee
- iv. To obtain outside legal or other professional advice
- v. To secure attendance of outsiders with relevant expertise, if it considers necessary

**(D) Role of Audit Committee**

The role of the audit committee shall include the following:

- i. Overseeing of the company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible
- ii. Recommending to the Board, the appointment, re-appointment, terms of appointment or reappointment and, if required, the replacement or removal of the statutory auditor and the fixation of audit fees
- iii. Approving the payment to be made to the statutory auditors for any other services rendered by the statutory auditors
- iv. Reviewing, with the management, the annual financial statements before submission to the board for approval, with particular reference to:
  - a) Matters required to be included in the Director's Responsibility Statement to be included in the Board's report in terms of clause (c) of sub-section 3 of section 134 of the Companies Act, 2013.
  - b) Changes, if any, in accounting policies and practices and reasons for the same
  - c) Major accounting entries involving estimates based on the exercise of judgment by management
  - d) Significant adjustments made in the financial statements arising out of audit findings
  - e) Compliance with listing and other legal requirements relating to financial statements
  - f) Disclosure of any related party transactions



g) Qualifications in the draft audit report

v. Reviewing, with the management, the quarterly financial statements before © Tanla Solutions Limited Last updated on December 01, 2015 4 submission to the board for approval.

vi. Reviewing, with the management, the statement of uses / application of funds raised through an issue (public issue, rights issue, preferential issue, etc.), the statement of funds utilized for purposes other than those stated in the offer document / prospectus / notice and the report submitted by the monitoring agency monitoring the utilization of proceeds of a public or rights issue, and making appropriate recommendations to the board to take up steps in this matter;

vii. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;

viii. Reviewing, with the management, performance of statutory and internal auditor's adequacy of the internal control systems

ix. Reviewing the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit

x. Discussing with internal auditors any significant findings and follow up thereon

xi. Reviewing the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board

xii. Discussing with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern

xiii. Looking into the reasons for substantial defaults in the payment to the depositors, debenture holders, shareholders (in case of nonpayment of declared dividends) and creditors

xiv. Overseeing the vigil mechanism which shall provide for adequate safeguards against victimization of employees and directors who avail of the vigil mechanism and also to take action against repeated frivolous complaints filed by director or employee

xv. Carrying out any other function as is mentioned in the terms of reference of the Audit Committee.

- xvi. Reviewing and monitoring the auditor's independence and performance, and effectiveness of audit process;
- xvii. Examination of the financial statement and the auditors' report thereon; xviii. Scrutinizing the inter-corporate loans and investments;
- xix. Valuation of undertakings or assets of the company, wherever it is necessary;
- xx. Evaluating the internal financial controls and risk management systems;
- xxi. Monitoring the end use of funds raised through public offers and related matters.
- xxii. Approving the 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;
- xxiii. Calling for comments of the auditors about internal control systems, the scope of audit, including the observations of the auditors and review of financial statement before their submission to the Board and discussing any related issues with the internal and statutory auditors and the management of the company, if any.
- xxiv. Approving of any subsequent modification of transactions of the company with related parties as under:

All related party transactions shall require approval of the Audit Committee and the Audit Committee may make omnibus approval for related party transactions proposed to be entered into by the company subject to the following conditions, namely: -

1. The Audit Committee shall, after obtaining approval of the Board of Directors, specify the criteria for making the omnibus approval which shall include the following, namely:
  - a) maximum value of the transactions to be decided annually.
  - b) the maximum value per transaction to be decided annually.
  - c) extent and manner of disclosures to be made to the Audit Committee at the time of seeking omnibus approval. The following details shall be furnished and the omnibus approval shall contain or indicate the following:

- i. name of the related parties;
  - ii. nature and duration of the transaction;
  - iii. maximum amount of transaction that can be entered into;
  - iv. the indicative base price or current contracted price and the formula for variation in the price, if any; and
  - v. any other information relevant or important for the Audit Committee to take a decision on the proposed transaction:
- d) review, at such intervals as the Audit Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
- e) transactions exceeding ten percent of the annual consolidated turnover as per the last audited financial statements of the Company will be subject to the omnibus approval by the Audit Committee and approval of the shareholders at © Tanla Solutions Limited Last updated on December 01, 2016 the duly convened general meeting.
2. The Audit Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: -
- (a) repetitiveness of the transactions (in past or in future);
  - (b) justification for the need of omnibus approval.
3. The Audit Committee shall satisfy itself on the need for omnibus approval for transactions of repetitive nature and that such approval is in the interest of the company. Provided that where the need for related party transaction cannot be foreseen and aforesaid details are not available, audit committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.
4. Omnibus approval shall be valid for a period not exceeding one financial year and shall require fresh approval after the expiry of such financial year.
5. Omnibus approval shall not be made for transactions in respect of selling or disposing of the undertaking of the company.
6. All material related party transactions shall require approval of the shareholders through resolution and the related parties shall abstain from voting on such resolutions whether the entity is a related party to the particular transaction or not.
7. The provisions of the aforesaid sub-regulation shall not be applicable in the following cases:

- a) transactions entered into between two government companies;
- b) transactions entered into between a holding company and its wholly owned subsidiary whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval.

Explanation: For the purpose of clause (a), "government company(ies)" means any company in which not less than fifty-one per cent. of the paid-up share capital is held by the Central Government, or by any State Government or Governments, or partly by the Central Government and partly by one or more State Governments, and includes a company which is a subsidiary company of such a Government company;

8. The provisions of this regulation shall be applicable to all prospective transactions.

9. For the purpose of this regulation, all entities falling under the definition of related parties shall abstain from voting irrespective of whether the entity is a party to the particular transaction or not.

10. All existing material related party contracts or arrangements entered into prior to the date of notification of these regulations and which may continue beyond such date shall be placed for approval of the shareholders in the first General Meeting subsequent to notification of these regulations.

11. Any other conditions as the Audit Committee may deem fit.

#### **E. Review of information by Audit Committee:**

The Audit Committee shall mandatorily review the following information:

- i. Management discussion and analysis of financial condition and results of operations;
- ii. Statement of significant related party transactions (as defined by the audit committee) submitted by management;
- iii. Management letters / letters of internal control weaknesses issued by the statutory auditors;
- iv. Internal audit reports relating to internal control weaknesses; and



v. The appointment, removal and terms of remuneration of the Chief internal auditor shall be subject to review by the Audit Committee.

vi. Annual statement of funds utilized for purposes other than those stated in the offer document/prospectus/notice in terms of Regulation 32 (7) of the SEBI (LODR) Regulations, 2015.

vii. Statement of deviation(s) or variation(s) as specified in Regulation 32(1) of the SEBI (LODR) Regulations.