

## DECCAN GOLD MINES LIMITED

Corporate Identity Number (CIN): L51900MH1984PLC034662

Registered Office: Parinee Crescenzo, 803, 8<sup>th</sup> Floor, Opp. MCA

C 38-39, G Block, Bandra Kurla Complex, Bandra (East), Mumbai 400051

Tel. No.: +91 22 33040797, Fax: +91 22 33040779

Corporate Office: No 5, 19<sup>th</sup> Main Road, 4<sup>th</sup> Sector, HSR Layout, Bangalore 560102

Tel No. : +91 80 6715 5700, Fax: +91 80 6715 5701

Email: [info@deccangoldmines.com](mailto:info@deccangoldmines.com)

Website: [www.deccangoldmines.com](http://www.deccangoldmines.com)

---

## CHARTER FOR THE AUDIT COMMITTEE OF THE BOARD

*(Approved by the Board of Directors on March 31, 2019)*

### 1. Objectives

The Audit Committee's role shall flow directly from the Board of Directors' (hereinafter referred as the "**Board**") overview function on corporate governance; which holds the Management accountable to the Board and the Board, in turn, accountable to the shareholders. The Management of the Company has the overall responsibility to prepare financial statements in accordance with generally accepted accounting principles. The Company's Independent Auditors has the responsibility to audit those financial statements. The Audit Committee's responsibility is one of overseeing the financial information. However, the Audit Committee has no obligation to provide any expert or other special assurance as to the Company's financial statements.

Acting as catalysts in helping the organization achieve its objectives, the primary role of the Audit Committee is that of assisting the Board in overseeing the:-

- Accuracy, Integrity and transparency of the Company's financial statements.
- Qualification and independence of the statutory auditors.
- Performance of the Company's statutory auditors and the Internal Audit function.
- Adequacy and reliability of the internal control system.
- Approval of transactions with related parties.
- The role, responsibilities and powers of the Committee shall include the matter set out in this Charter and such other items as may be prescribed by applicable laws or by Board as amended from time to time.

### 2. Composition

- The Audit Committee shall comprise of at least three directors as members of the Committee, out of which at least two-third members shall be Independent Directors. (Independence would be decided upon by the Board and in accordance with the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (hereinafter referred as the "**Listing Regulations**") and Companies Act, 2013 (hereinafter referred as the "**Act**") and such other legal and regulatory environment that may be applicable to the Company.
- All members of Audit Committee shall be 'financially literate' (which at minimum means possessing a working familiarity with the basic finance and accounting practices) and at least one member shall, member shall have accounting or related financial management expertise.
- The Board shall designate one of the members of the Audit Committee as the Chairman of the Committee who shall be an Independent Director.
- The Company Secretary shall act as the Secretary to the Committee Meetings.

### 3. Meetings

- a) The quorum necessary for transacting business at a meeting of the Committee shall be two members or one-third of the members of the Audit Committee; whichever is greater with at least two Independent Directors. A duly convened meeting of the Committee at which the requisite quorum is present shall be competent to exercise all or any of the authorities, powers and discretions vested in or exercisable by the Committee.
- b) The Committee shall meet at least 4 times in a year and not more than 120 days shall elapse between two successive meetings.
- c) The audit committee at its discretion shall invite the finance director or head of the finance function and a representative of the statutory auditor and Internal Auditor and any other such executives to be present at the meetings of the committee.
- d) The Chairman of the Committee shall attend the Annual General Meeting to answer shareholder queries and provide any clarifications on matters relating to audit.

### 4. Authority

The Committee shall act and have powers in accordance with the terms of reference specified in writing, by the Board, which shall include the following:

- a) To investigate any activity within the scope of this Charter or referred to it by the Board and for this purpose, shall have full access to information contained in the books of accounts and the Company's facilities and personnel.
- b) To seek information from and have direct access to any employee, key managerial personnel or director of the Company, to perform its duties effectively.
- c) To secure assistance and attendance of outsiders with relevant knowledge/expertise in accounting, legal or other matters, if it considers necessary.
- d) To engage independent counsel and other advisors as it deems appropriate to perform its duties and responsibilities.
- e) To engage a registered valuer taking into consideration such qualification and experience as may be considered appropriate in case of valuations required in respect of any property, stocks, shares, debentures, securities, goodwill, assets, liabilities or networth of a company.
- f) To determine the provision of appropriate funding by the Company for compensation to the Statutory auditors, other advisors/experts that the Committee chooses to engage and other ordinary administrative expenses of the Committee.

### 5. Responsibilities and Duties

The following are the responsibilities and duties of the Audit Committee. The Audit Committee may diverge from these responsibilities and may assume such other responsibilities as it deems necessary or appropriate in carrying out its functions.

#### **a. Responsibilities and Duties in relation to Internal Audit (commensurate with the size and operations of the Company)**

- Reviewing on a regular basis the adequacy of the internal audit function, approval of the audit plan and its execution, reporting structure, budget, coverage and frequency of the Internal Audit plan.
- Review the appointment, removal, performance and terms of remuneration of the Chief Internal Auditor.
- Review the regular internal reports to management prepared by the internal audit department, as well as management's response thereto.
- Review 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.
- Discuss with internal auditors any significant findings and follow-up thereon.
- Review Internal Audit Reports relating to the internal control weaknesses.

## **b. Responsibilities and Duties in relation to Statutory/ Independent Auditors**

- Discussion with Independent Auditors before the audit commences of the nature, scope and approach of the audit.
- Post-audit discussion with Independent Auditors to ascertain areas of concern. Review of the performance of the Independent Auditors.
- Conducting a “post-audit review” of the financial statements and audit findings including any suggestions for improvements provided to management by the Independent Auditors.
- Annually obtaining and reviewing a report by the Independent Auditor describing; the audit firm’s internal quality control procedures any material issues raised by the most recent internal quality control review or peer review of the firm any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm any steps taken to deal with any such issues all relationships between the Independent Auditor and the Company so as to assess the Auditor’s independence.
- Reviewing and evaluating the lead partner of the Independent Auditor as well as if necessary to consider rotation of Auditor in consultation with the Management.
- Regularly reviewing with the Independent Auditor any audit problems or difficulties and management’s response thereon.
- Recommend to the Board, the appointment, re-appointment, removal of the statutory auditors, fixation of audit fee and also approval for payment for any other services rendered by the Statutory Auditors. While considering such appointment, the Committee shall consider:
  - i. Whether the qualifications and experience of the auditors is commensurate with the size and requirements of the Company.
  - ii. Whether the qualifications and experience of the auditors is commensurate with the size and requirements of the Company.
  - iii. Any order or pending proceeding relating to professional matters of conduct against the proposed auditor before the Institute of Chartered Accountants of India or any competent authority or any Court.
  - iv. The Committee may call for other information from the proposed Auditors as it may deem fit.
- Review, with the Statutory auditors, certain information relating to the auditor’s judgments about the quality, not just the acceptability, of the Company’s accounting principles as applied to its financial reporting and the discussion would generally include
  - i. Matters as the consistency of the application of the Company’s accounting policies, and the clarity and completeness of the Company’s financial statements, which include related disclosures.
  - ii. Items that have a significant impact on the representational faithfulness, verifiability, and neutrality of the accounting information included in the financial statements.
- Review and suitably reply to the report(s) forwarded by the auditors on the matters where the auditors have sufficient reasons to believe that an offence involving fraud, is being or has been committed against the company by officers or employees of the company. Such reply should be forwarded within prescribed period.

## **c. Responsibilities in relation to the Company’s financial statements**

- Review of the Company’s accounting policies, internal accounting controls, financial and risk management policies and such other matters as the Audit Committee deems appropriate.
- Overseeing of the company’s financial reporting process and the disclosure of its financial information to ensure that the financial statements are correct, sufficient and credible. Review and discuss the audited financial statements with management and the Independent Auditors and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles.

- Reviewing with management the annual financial statements before submission to the Board of Directors, focusing primarily on:
  - i. Any change in accounting policies and practices
  - ii. Major accounting entries based on exercise of judgment by management
  - iii. Qualifications in draft audit report
  - iv. Significant adjustments arising out of audit
  - v. The going concern assumption
  - vi. Compliance with accounting standards applicable to the Company
  - vii. Any related party transactions i.e. transactions of the company of material nature, with Promoters or the management, their subsidiaries or relatives etc. that may have potential conflict with the interests of the Company at large.
- Reviewing before release of the financial statements audited or otherwise, the Director's Report, and such other matters which form part of the Annual Report of the Company.
- Discussing with the management and the Independent Auditor the following;
  - i. Annual audited financial statements.
  - ii. Quarterly financial statements.
  - iii. Disclosures under "Management's Discussion and Analysis of Financial Condition.
  - iv. Results of Operations.
  - v. Financial statements/forms to be released or submitted to any legal or regulatory authority
- Discuss and review with the management;
  - i. earnings press releases.
  - ii. financial information provided to analysts
  - iii. earnings guidance provided to analysts and rating agencies.
  - iv. policies with respect to risk assessment and risk management.
  - v. the major financial risk exposures and the steps management has taken to monitor and control such exposures
- Reviewing;
  - i. Major issues as to the adequacy of the company's internal controls and any special audit steps adopted in light of material control deficiencies
  - ii. Analyses prepared by the management and/or the independent auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements
  - iii. Analyses of the effects of alternative GAAP methods on the financial statements
  - iv. The effect of regulatory and accounting initiatives
  - v. Off-balance sheet structures on the financial statements

#### **d. Internal Control**

The responsibilities and duties in relation to the Internal control shall include

- Review with the management, Statutory and internal auditors, the scope of internal audit, adequacy of internal control systems and ensure adherence thereto and any other related issues.
- Review Management letters / letters of internal control weaknesses issued by statutory / internal auditors.
- Review management's report on internal control and statutory auditor's attestation/observations on management's assertion.
- Evaluation of Internal Financial Controls.

#### **e. Whistle blowing / vigil mechanism**

The Committee shall review the Company's arrangements for its directors and employees to raise concerns, in confidence, about possible wrongdoing in financial reporting, accounting, auditing or any other genuine concerns. The mechanism shall provide adequate safeguards against victimization of persons who use such mechanism and make provision for direct access to the Chairman of the Audit Committee in appropriate or exceptional cases. The Committee shall ensure that these arrangements allow independent investigation of such matters and appropriate follow up action. In case of any conflict of interest, the Committee Members would disassociate from such investigation

#### **f. Risk Management**

- Evaluate Risk Management System.
- Discuss with the management, the Company's policies with respect to risk assessment and risk management, including appropriate guidelines to govern the process, as well as the Company's major financial risk exposures including policy for foreign exchange and derivative transactions and the steps management has undertaken to control them.

#### **g. Related party transactions**

- Review and approve the statement of all related party transactions submitted by the management, including the material related party transactions as decided by the policy.
- The committee may grant, after obtaining approval of the Board, omnibus approval for related party transactions proposed to be entered into by the Company subject to the following conditions, namely
  - i. maximum value of the transactions, in aggregate, which can be allowed under the omnibus route in a year;
  - ii. maximum value per transaction which can be allowed;
  - iii. extent and manner of disclosures to be made to the Committee at the time of seeking omnibus approval;
  - iv. review, at such intervals as the Committee may deem fit, related party transaction entered into by the company pursuant to each of the omnibus approval made;
- The Committee shall consider the following factors while specifying the criteria for making omnibus approval, namely: –
  - i. repetitiveness of the transactions (in past or in future);
  - ii. Justification for the need of omnibus approval.
- 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.
- Where the need for related party transaction cannot be foreseen and aforesaid details are not available, the committee may make omnibus approval for such transactions subject to their value not exceeding rupees one crore per transaction.

## **h. Insider Trading**

- To review policies in relation to the implementation of the Code of Conduct for Prevention of Insider Trading.
- To note and take on record the disclosures and report as submitted by the Compliance Officer on a quarterly basis.
- To inquire, investigate and report to the Board, the case of leak of unpublished price sensitive information or suspected lead of unpublished price sensitive information by the insider in terms of the "Institutional Mechanism for Prevention of Insider Trading" as approved by the Board of Directors.
- To provide directions on any penal action to be initiated, in case of any violation of the SEBI (Prohibition of Insider Trading) Regulations, 2015 or the Code, by any person.

## **i. Subsidiary company oversight**

Review the financial statements, in particular, the investments made by the unlisted subsidiary companies.

## **6. Review of Compliance**

- Review of the processes and procedures for management's monitoring of compliance with requirements of various statutes, rules and regulations and policies of the Company.
- Review Compliance reports every quarter regarding non-compliance reports and seek clarifications and explanations in ensuring best compliance based on compliance and report by internal and external auditors.
- The adoption of appropriate remedial measures, including appropriate steps or sanctions to stop any material violations that are ongoing, to prevent any material violation that has yet to occur, and to remedy or otherwise appropriately address any material violation that has already occurred and to minimize the likelihood of its recurrence.
- Evaluate the adequacy and effectiveness of the management reporting and control systems used to monitor adherence to policies, rules and regulations.
- Review the contractual obligations of the Company and continuously assess compliance process.
- Review the policies of the Company and recommend improvements. Identifying and reporting of the potential risk factors with necessary remedial.

## **7. Other General Responsibilities**

- Regularly report to the Board of Directors its conclusions with respect to the various matters that the Audit Committee has considered as well as the independence of the Auditor to the full Board.
- Review and reassess the adequacy of this Charter annually and submit it to the Board of Directors for consideration and approval.
- Review management's monitoring of compliance with Company's standards of Business conduct
- Reviewing in conjunction with counsel, any legal matters that could have a significant impact on the Company's financial statement
- Overseeing and reviewing of the Company's asset management policies, including an annual review of the Company's investment policies and performance for cash and short term investments.
- Reporting regularly to the Board with respect to;
  - i. the quality or integrity of the Company's financial statements
  - ii. Company's compliance with legal or regulatory requirements
  - iii. the performance of the Independent Auditor as well as the Internal Audit function.

- Setting clear policies for hiring employees or former employees of the Independent Auditors
- Reviewing whether the audit of the Company is of high standard
- Presenting its conclusions with respect to the independence of the Auditor to the full Board

## **8. Reporting**

- The Audit Committee will report and update the Board, periodically, on various matters that it has considered as well as on the independence of the Auditors.
- The Annual Report of the Company shall disclose the composition of the Audit Committee, brief description of the scope of the Audit Committee Charter, names of members, Chairperson, meetings and attendance.
- The recommendations of the Audit Committee on any matter relating to financial management including the audit report, shall be binding on the Board. If the Board does not accept the recommendations of the Audit Committee, it shall record the reasons thereof and communicate such reasons to the shareholders.
- Reporting regularly to the Board with respect to:
  - i. The quality or integrity of the Company's financial statements.
  - ii. The Company's compliance with legal or regulatory requirements;
  - iii. The performance of the Statutory auditor as well as the Internal Audit Function;
  - iv. 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.
- The Audit Committee will record its summaries of recommendations to the Board which will be incorporated as a part of the minutes of the Board of Directors meeting at which those recommendations are presented.