

**RISK  
MANAGEMENT  
POLICY  
  
OF  
  
INDIA TOURISM  
DEVELOPMENT  
CORPORATION**

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# CHAPTER-1

## RISK MANAGEMENT

***“Risk Management is a systematic way of protecting the concern’s resources and income against losses so that the aims of the business can be achieved without interruption”***

### 1.1 INTRODUCTION

Corporate governance is the system by which the Companies are directed and governed by the management in the best interest of the stake holders and others ensuring better management, greater transparency and timely financial reporting. The three key aspects of corporate governance includes, inter-alia, accountability, transparency and equality of treatment of all stakeholders. Since the pivotal role in any system of corporate governance is performed by the Board of Directors, they are primarily accountable and responsible for governance of their organization. Increased focus on directors’ and executives’ role and responsibilities requires systematic frameworks for implementing critical corporate governance principles on ethics, code of conduct, compensation, financial policies and financial reporting. The Company Secretary has to provide a flexible framework to streamline corporate governance programmes and ensure that the solution should support business risk management, policy documentation and change management, communication and awareness programmes, and provide powerful tools for performance monitoring and decision supports.

Securities and Exchange Board of India (SEBI), in exercise of powers conferred by Section 11(1) of the SEBI Act, 1992 read with Section 10 of the Securities Contracts (Regulation) Act, 1956, revised (October 2004) clause 49 of the Listing Agreement endeavour to improve the framework of corporate governance, to meet needs of dynamic market. These instructions, which finally came into effect from January 2006, mandated that apart from other disclosures “the company shall lay down procedure to inform board members about the risk assessment and minimisation procedures. These procedures shall be periodically reviewed to ensure that executive management controls risks through means of a properly defined framework”. Further, it was

stipulated that as part of the Director's Report or as an addition thereto a "Management discussion and analysis" report which, inter-alia, will include "risk and concerns" should form part of the Annual Report to the shareholders. Risk Management is not an event but a continuous process of identifying and assessing risk, reducing the potential threat that an undesirable event could pose and putting the system in place to address any such event.

## **1.2 WHAT IS RISK?**

Risk is defined as uncertainties resulting in adverse outcome, adverse in relation to planned objective or expectations. "Financial risks" are uncertainties resulting in adverse variation of profitability or outright losses.

In most cases it is observed that there is deviation in what is achieved from what was planned or what was expected. This unpredictability of future is due to uncertainties associated with the steps undertaken in the process or various external factors that influence the processes that are necessary to achieve the planned objective. Following example will elucidate the point at issue.

*"Say one has to keep an appointment that is very important and he has to reach in time. In order to keep the appointment one has to get ready well in time, arrange a transport and travel the distance to the place of appointment. All these factors are inseparably associated with the process of reaching the place of appointment. There are uncertainties associated with all of them. One may get ready early or be delayed, transport may become available well in time or there may be difficulty or delay in getting it, there may be traffic jam or traffic disorder or traffic flow may be very smooth, the vehicle may breakdown on the way or it may be a trouble-free drive. If everything goes well one would reach well in time. The uncertainties associated with the factors do not hurt him. But these uncertainties may also become instrumental in one's failing to reach in time. In other words, there is the risk of reaching late for the appointment, which is due to the uncertainties associated with factors mentioned above. These factors are the risk elements or contributors to the uncertainty. Risk may arise when these uncertainties affect adversely".*

Risk and opportunities go hand in hand. The opportunity for advancement cannot be achieved without taking risk. Corporate put its assets; tangible

(such as cash, technology, process and people) and intangible (such as goodwill, brand and information) at risk to achieve their business goal. However, their endeavour should be to minimise the losses and maximise the gains from such risks through a well defined risk management policy.

### **1.3 WHY BUSINESSES TAKE RISK?**

Risk in itself is not bad; risk is essential to progress, and failure is often a key part of learning. But there is need to learn to balance the possible negative consequences of risk against the potential benefits of its associated opportunity. Organisations take risk for the reasons indicated below:-

- (i) Additional distribution channel
- (ii) Increase or maintain customer base
- (iii) Improve customer relationship through service offerings; and
- (iv) Customer demand

### **1.4 RISK MANAGEMENT**

Risk Management is not a onetime event but a continuous process to identify and assess risk, reducing the potential threat that an undesirable event could pose and putting the system in place to address any such event. Risk management is as much about identifying opportunities as avoiding or mitigating losses. It is a logical and systematic process of establishing the context, identifying, analysing, evaluating, treating, monitoring, and communicating risks associated with any activity, function or process in a way that enables an organisation to minimise losses and maximise opportunities/profits.

“The risk management process” is essentially a part and parcel of the operations and management functions in every unit. It means each department and the executives therein are directly or indirectly involved in the risk management function. The effectiveness of the “risk management”, therefore, depends on the efficiency with which the managers/executives of different departments handle it as part of their role.

Thus, in short, risk management is:

- (i) a discipline for dealing with uncertainty
- (ii) a system of making choices

- (iii) a way for better understanding of potential liability; and
- (iv) a guide for responding to undesirable events

## **1.5 BENEFITS OF RISK MANAGEMENT**

Effective risk management can bring far-reaching benefits to any undertaking. Effective risk management structure supports better decision-making through a good understanding of risks and their likely impact. Ensuring that an organisation makes a cost effective use of risk management first involves creating an approach built up of well defined steps and then embedding them. The best policy/practices in corporate governance have been endowed with the following benefits,

- (i) Increased shareholder value
- (ii) Improved control and visibility
- (iii) Reduced compliance costs; and
- (iv) Improved business performance

The Corporate have to provide an integrated and flexible framework for documenting and assessing risks, defining controls, managing assessments and audits, identifying issues and implementing recommendations and remediation plans. The system should include powerful tools for risk analysis and monitoring such as configurable risk calculators and risk heat maps.

## **1.6 SCOPE AND PURPOSE OF RISK MANAGEMENT POLICY**

The key objectives of this policy are:

- Provide an overview of the principles of risk management.
- Explain approach adopted by the company for risk management.
- Define the organisational structure for effective risk management.

## CHAPTER-2

### RISK MANAGEMENT ORGANISATION

*Risk Management should not be seen as a responsibility of any particular Unit or Department rather must be seen as an enterprise wide activity*

#### 2.1 ORGANISATIONAL SETUP

A properly defined organisational structure for managing and reporting risks is pre-requisite for an effective risk management process. Risk Management is a consistent and continuous process for identification and assessment of risks, deciding the control and monitoring the exposure of the risk. A formal risk management structure at all levels, with defined roles & responsibilities of the Heads of Departments and employees of India Tourism Development Corporation for risk management activities is given in the succeeding paragraphs.

#### 2.2 RISK MANAGERS

Risk identification is carried out by the employees. It is a continuous process based on operating and financial results, concern areas, quarterly risk action taken notes and triggers for identification and modification. Heads of all Departments, as risk managers, are responsible for validating the identified risks, risk assessment (risk criteria), risk escalation matrix and prepare and execute action plans within their own areas of responsibility. Further, each of the Division/unit will nominate Nodal Officer for coordinating the risks of the respective division/unit.

#### 2.3 MONITORING AT CORPORATE LEVEL

- (i) A separate set up known as Corporate Risk Management Section (CRMS) under the overall direction, control and supervision of a senior executive will be set up at the corporate level, who will have powers for day to day implementation of the risk management process and will also collate updates from the risk managers and prepare the relevant Management

Information Report (MIR). This Department will maintain and update the risk records and will also be responsible for monitoring and reporting compliance of the risk management activities.

- (ii) The task of overseeing and ensuring compliance with the risk management policy rests in Risk Management Compliance Committee (RMCC) which is headed by a Director/Vice-President as the Chief Risk Officer who is also convener of the committee. This Committee will comprise of senior executives (vice presidents/general managers) across key functions for reviewing risks on quarterly basis for reporting to the Audit Committee/Board of Directors. The RMCC in addition to providing guidance and monitoring risk management procedures also provide quarterly updates to the Board of Directors/Audit Committee.
- (iii) The Board of Directors/Audit Committee at the apex level is responsible for developing and approving the risk management strategy, defining risk appetite, monitoring key risks and present disclosures in accordance with the regulatory requirements.

# CHAPTER–3

## RISK MANAGEMENT FRAMEWORK

*Risk comes from not knowing what you are doing*

### 3.1 INTRODUCTION

The key elements of the framework include risk structure, risk portfolio, risk measuring and monitoring and risk optimising. The overall objective of the risk management process is to optimise the risk-return relationship. Risk portfolio management cycle begins with risk identification and is followed by risk assessment, risk categorisation on the basis of risk appetite decided by the Management and finally recording of risks in the risk records.

### 3.2 RISK IDENTIFICATION

Risk identification refers not only to the systematic identification of risks but also to the identification of its root causes. Risk owners in respect of each identified risk are responsible for the execution of risk managing action which includes documentation of the root cause of the risk as well as the mitigation factors in place through suitable risk assessment tool. In selection of risk identification technology, following techniques may be considered:-

- Team - based brainstorming where workshops can prove effective in building commitment and making use of different experiences.
- Structured techniques such as flow charting, system design review, system analysis, hazard and operability studies, and operational modelling.
- For less clearly defined situations such as identification of strategic risks, processes with a more general structure such as “what – if” and scenario analysis could be used.

**Suggestion as per Review Report by Consultant in November, 2019:** The Responsibility of risk identification should be assigned to various department heads at each vertical who in turn report to the Risk Committee formed at major Vertical level. As such, a Risk Committee consisting of Vertical Head and key department heads should be formed for each major vertical for risk

management and all risk of that Vertical should be escalated through this Risk Committee to RMCC.

### **3.3 RISK ASSESSMENT**

Risk assessment refers to the quantification of the impact of risks to determine its potential severity and the probability of occurrence of the risk to determine its potential frequency. The objective of risk assessment exercise is to measure relative importance of risks to enable decision making on priorities. Risk assessment is a process that in many cases is not (at least not adequately) performed, even if risk management is implemented. It is one of the main objectives of Risk Manager to generate awareness of this fact, and also to facilitate use of Risk Assessment by providing practical examples.

Risks have to be properly analysed before being assessed and understood. Risk analysis is the phase where the level of the risk and its nature is assessed and understood. This information is the first input to decision makers on whether risks need to be treated or not and what is the most appropriate and cost effective risk treatment methodology.

Risk analysis involves:

- Thorough examination of the risk sources
- Its positive and negative consequences;
- The likelihood of consequences that may occur and the factors that affect them;
- Assessments of any existing controls or processes that tend to minimise or enhance positive risks.

The level of risk can be estimated by using statistical analysis and calculations combining impact and likelihood. Information used to estimate impact and likelihood usually comes from:

- Past experience or data and records,
- Reliable practices, international standards or guidelines,
- Market research and analysis,
- Experiments and prototypes,
- Economic, engineering and other models,
- Specialist or expert advice.

Suggestive procedure for each Head of the Department for determining the risk rating is indicated below:-

- (i) Likelihood of the event occurrence and severity level of the impact.
- (ii) Associate employees in determination of the risk rating.
- (iii) Ascertain existing/required key controls for minimising the identified risk including responsibility, type and extent of control.
- (iv) Prepare action plan for implementing and strengthening key controls.
- (v) On the basis of selective rating parameters from potential risk rating criteria to determine likelihood of event occurrence and severity level of impact.
- (vi) CRMS would provide functional support in regard to knowledge with respect to risks, controls and maintenance of relevant records.
- (vii) Head of the department is required to escalate the identified risk as per the risk escalation criteria.

**Suggestion as per Review Report by Consultant in November, 2019:**

Following criterion is suggested for objective assessment and evaluation of Risks in the company:-

**Likelihood of Occurrence (A)**

Description	Level
Rare	1
Likelihood	2
Moderate	3
High Likelihood	4
Almost Certain	5

**Severity of Impact (B)**

Description	Level
Very Low	1
Low	2
Moderate	3
High Impact	4
Very High	5

**Combined Score: Likelihood of Occurrence \* Severity of Impact = A \* B**

Thus, maximum combined score can be  $5*5=25$ , which indicates very high likelihood of occurrence and very high impact on the organization. Whereas, minimum combined score can be  $1.*1=1$ , which indicate very low likelihood of occurrence and negligible impact of risk.

**Depending upon Combined Score, Risks can be classified into 3 categories:-**

- Risks which are critical or high requiring immediate action (say with a combined score of 12 or above)
- Risks which are medium though not requiring immediate action but monitoring and some action plan is need ( say with combined score of 6 to 11)
- Risks which are low and therefore acceptable (combined score of below 6)

ITDC may customize above model of assessment and evaluation as per its requirements. For example, the company may like to monitor and review risks having very high likelihood of occurrence though having very low impact and vice versa.

### **3.4 RISK APPETITE**

Risk appetite refers to the tolerance limit an organisation has set in for itself to decide on the course of action it should make for management of risks. This “appetite” or tolerance for risk will vary with the Company’s strategy, evolving conditions in the industry and markets, competition, organisational culture as well as other external factors. Departmental heads are required to suggest these tolerance limits for approval by the Board of Directors.

### **3.5 RISK OPTIMIZING**

Risk optimizing involves managing the exposure of various risks and bringing them in line with the appetite of the company. Options for managing the risks include:

**3.5.1 Risk Avoidance** – It means withdrawal from activity where risk management is not cost effective (e.g. refuse orders, withdraw from projects). It is a rare possibility to avoid a risk completely. A riskless situation is as rare as a perfect human being. It can involve either absolute inconvenience or drastic action and generally risk avoidance is only possible at the planning stage of an operation.

**3.5.2 Risk Reduction** – Design controls to mitigate the risk in terms of its impact or reduce the likelihood of its occurrence (e.g. outsourcing, business continuity planning). In many ways physical risk reduction (or loss prevention, as it is often called) is the best way of dealing with any risk situation and usually it is possible to take steps to reduce the probability of loss, should it occur. Again, the ideal time to think of risk reduction measures is at the planning stage of any new project when considerable improvement can be achieved at little or no extra cost. The only cautionary note regarding risk reduction is that, as far as possible, expenditure should be related to potential future saving in losses and other risk costs. In other words, risk prevention generally should be evaluated in the same way as other investment projects.

**3.5.3 Risk Transfer** – Design measures to “pass on” the risk on a third party (e.g. insurance, sub-contracting). This refers to legal assignment of cost of certain potential losses to another. The insurance of risks is to occupy an important place, as it deals with those risks that could be transferred to an organisation that specialises in accepting them, at a price. The principal method of risk transfer is insurance. The value of the insurance lies in the financial security that company obtains by transferring to an insurer, in return for a premium for the risk of losses arising from the occurrence of a specified peril. Thus, insurance substitutes certainty for uncertainty. Insurance does not protect a company against all perils but it offers restoration, at least in part, of any resultant economic loss.

**3.5.4 Risk Retention** – It is also known as risk assumption or risk absorption. It is the most common risk management technique. This technique is used to take care of losses ranging from minor to major breakdown of operation. There are two types of retention methods for containing losses as under:-

- (i) Active Form:-Risk retained as part of deliberate management strategy after conscious evaluation of possible losses and causes.
- (ii) Passive Form:-Risk retention occurred through negligence.

### **3.6 INFORMATION FLOW FOR OVERALL WORKING AND REVIEW PROCEDURE OF RISK MANAGEMENT POLICY**

#### **3.6.1 Over-all working procedure**

##### **(a) Identification process**

- Employees identify risk through common sources such as operational and financial reports and concerned areas identified in various meetings.
- Corporate Risk Management Section (CRMS) assist in identification of risks by organising awareness workshops at regular intervals providing guidance with regard to the methodology for risk identification, assist in recording identified risks.
- Vice-President/General Manager validate and escalate the identified risk in his functional jurisdiction.

##### **(b) Assessment Process**

- Depending on the periodicity of occurrence and the severity, Vice President/ General Manager categorise the identified risk into inherent or residual risk, decide in consultation with the employees the rating, minimisation strategy and the extent of required control of identified risk.
- CRMS provide support by way of sharing knowledge about the risk and maintenance of records.

#### **3.6.2 Approval Methodology**

- Corporate Risk Management Section (CRMS) centrally maintains the records of risks; approved control measures and action plan and compile them for approval by the Risk Management Compliance Committee (RMCC).

- RMCC is the owner of risk records and all the identified risks control measures along with the action plan are reviewed and approved in the Committee meeting.
- Based on the identification of risk by employees and validation by Vice President/ General Manager, CRMS is to forward the summary of identified risk along with the changes, if any, to Risk Management Compliance Committee (RMCC) for review and approval.
- Risk Manager and CRMS will attend the meeting for any clarification required by RMCC.
- Based on the review and approval by the RMCC, CRMS carries out changes in the risk records and submits periodical reports through RMCC to the Audit Committee.
- Audit Committee submit periodic reports to the Board of Directors.

### 3.6.3 Risk Review Procedure at different levels

Level	Quarterly	Yearly
Risk Manager	Submit action taken note on risk review to CRMS	Detailed review of the existing portfolio of risk with reference to the changes in business process, operating structure, external changes, if any, and communicate proposed changes to CRMS.
Corporate Risk Management Section	Consolidate the Action Taken Notes received from Risk Managers for submission to Risk Management Compliance Committee.	<ul style="list-style-type: none"> <li>▪ Undertake a detailed review of the risk records for the purpose of identification of changes required in the risk profile.</li> <li>▪ Carryout the modification in the risk management process in consultation with Risk Managers.</li> <li>▪ Consolidate the changes for modification in the risk</li> </ul>

		<p>management process for approval of RMCC.</p> <ul style="list-style-type: none"> <li>▪ CRMS updates the risk records and the procedure as approved by the RMCC and Audit Committee.</li> </ul>
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### **Board level Risk Management Committee:**

As per revised Regulation 21 of SEBI (Listing Obligation and Disclosure Requirement) Regulation, 2015, relating to reconstitution of Risk Management Committee applicable to top 500 listed entities w.e.f. 01.04.2019, ITDC has formed a Risk Management Committee in the Board Meeting held on 26.09.2018. As per the requirement of SEBI Regulation, this committee may consist of Board Members as well as non-board members but majority of members shall consist of members of the Board and the chairperson shall be a member of the Board. The Board in its meeting held on 26.09.2018, 14.11.2018 and 22.07.2019 has approved the constitution of the Committee as under:

- |                                                |            |
|------------------------------------------------|------------|
| i) Shri Piyush Tiwari (Director- C&M)          | - Chairman |
| ii) Shri Pradip Kumar Das, (Director- Finance) | - Member   |
| iii) Dr. Paragbhai M. Sheth                    | - Member   |
| iv) VP (Hotels)                                | - Member   |
| v) VP (F&A), HOD                               | - Member   |
| vi) Company Secretary                          | - Member   |

The role and responsibilities of the Risk Management Committee in ITDC as approved by the Board in its meeting held on 14.11.2018 is as under:

- To see that the Risk Management Functions are being taken as per Risk management policy approved by the Board.
- To review the Risk Management policy from time to time.
- To review the action taken to mitigate the risks identified by different by different division.

**Periodical Review of Policy:** The management may periodically assess the changes in economic and business environment as well as in internal environment affecting the risk perception of the company and review the Risk Management Policy. Thereafter, the Board may approve changes in the policy to align with the prevailing business requirements.

## CHAPTER – 4

### RISK CATEGORISATION

**4.1** Classification of risks into various different categories helps to prioritise risks with in an entity. Risks in the case of ITDC have been categorised under the following heads:

Category of risk	Risk	Periodicity of Reporting
Economic risk	Dependence on one client.	Quarterly
Industrial Risk	Threat to market share.	Quarterly
Management and operational risk	Change in technology/ Up- gradation Reputation Risk	Half Yearly
	Risk of poor brand perception.	Quarterly
Personnel Risk	Cost and time overruns in completion of projects	Quarterly
	Non-availability of adequate skill sets.	Quarterly
Political RISK	Threat to property, Safety and security of people.	Half Yearly
Credit risk	Loss due to non-payment of dues by a client resulting in bad debts	Quarterly
Accounts related risk	Incorrect financial reporting	Quarterly
	Frauds	Quarterly
Liquidity risk	Cash Risk	Quarterly
	Interest rate risk (reinvestment risk)	Quarterly
	Uneconomic investments in joint ventures	Half Yearly
Pollution and environmental risks	Compliance with health and safety guidelines, emission standards and other environmental norms	Quarterly
System risk	System Capacity risk: <ul style="list-style-type: none"> <li>▪ System reliability risk,</li> <li>▪ Obsolescence risk,</li> <li>▪ Data integrity risk,</li> <li>▪ Coordinating and interface risk.</li> </ul>	Quarterly
Legal risk	Contractual risk and tax risk	Half Yearly

The analysis of above risks indicating the causes leading to the risk, impact on working of ITDC, mitigating factors, performance indicators and risk managers have been discussed in the succeeding Chapter 5.

## CHAPTER-5

### RISK ANALYSIS

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
<b>A. ECONOMIC RISK</b>					
<b>Dependence on one client.</b>	<ul style="list-style-type: none"> <li>▪ Failure to increase the client base.</li> <li>▪ Lack of market research.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Erosion of revenue.</li> <li>▪ Inconsistent or low return leading to loss of revenue.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase the client base through extensive marketing efforts which should strive to broaden its base so as to reduce its vulnerability of dependence on one client.</li> <li>▪ Fixation of targets for marketing personnel and review of the achievements against the targets on monthly basis.</li> </ul>	Monitoring the achievements against the targets on Quarterly basis.	Vice-President/G.M of Ashok Creative, Catering establishments and Event Management.
<b>B. INDUSTRIAL RISK</b>					
<b>Threat to market share.</b>	<ul style="list-style-type: none"> <li>▪ Increased competition from private players who offer ultra modern facilities at locations near ITDC hotels.</li> <li>▪ Competition from private Institutions.</li> <li>▪ Market recession due to slow down.</li> <li>▪ Increased discounts and credit periods offered by competitors.</li> <li>▪ Competitors acquire business by quoting very low rates (undercutting).</li> </ul>	Low utilisation of assets and loss of revenue and low profitability.	<ul style="list-style-type: none"> <li>▪ Revamping the facilities to match with ITDC competitors.</li> <li>▪ Representations to Government for providing financial assistance by way of interest free loans Grants etc.</li> <li>▪ Implementing innovative customer management solutions to gain loyalty and improve brand name.</li> <li>▪ Entering into long term contracts or MOUs with private clients – such as Airlines/ travel agents/ MNCs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Growth in market share vis-à-vis industry growth.</li> <li>▪ Increase in profitability and cash flow of the Units due to the suggested mitigating factors.</li> <li>▪ Compare average room rent of the quarter with the same quarter in the previous year.</li> </ul>	Vice-President/GM Hotels, Ashoka Tourist Services, ATT, AITD, & Director (Coml.). Event Management.

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
	<ul style="list-style-type: none"> <li>▪ Threat to client base. (ATT Transport – high rates of ITDC due to high overheads.</li> <li>▪ Unexpected market changes.</li> </ul>		<ul style="list-style-type: none"> <li>▪ Revamping the existing marketing intelligence with the object of going near the client and achieving higher customer satisfaction index.</li> <li>▪ Empowering the senior executives to allow discounts and extended credit period with in overall cap by amending Delegation of Powers.</li> <li>▪ Approach Govt. (central and States) for declaring certain activities of ITDC such as hotel, transport, air booking etc. as approved source.</li> <li>▪ Development of new products/services such as organising food festivals on regular intervals, providing catering services to various Air Lines.</li> <li>▪ Insurance against loss of revenue due to unexpected market scenario such as shifting of IPL cricket matches out of India due to elections.</li> <li>▪ Guaranteed campus placement (AIH &amp; TM.)</li> <li>▪ Widening client base/ diversifying into new segments.</li> <li>▪ Cost cutting and stringency measures for variable costs.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of students secured jobs through AIH &amp; TM of ITDC.</li> <li>▪ Compare the volume of business in the quarter with that of the same quarter in the previous year.</li> </ul>	

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
<b>C. MANAGEMENT AND OPERATIONAL RISK.</b>					
<b>Change in technology/ Up-gradation.</b>	<ul style="list-style-type: none"> <li>▪ Change in rules/act relating to food safety standards (such as HACCP and ISO standards).</li> <li>▪ Technological developments such as energy saving devices.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Non-adherence to safety standards as per Food Safety Act is a health hazard and may result in loss of client base.</li> <li>▪ Non-adherence of rules or provisions of Act attract penal provisions from Government.</li> <li>▪ Lack of use energy saving devices and alternative sources of energy result in increased expenditure.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Adherence to safety standards as per Food Safety Act.</li> <li>▪ Adoption of upgraded technology.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Time frame to the adherence to safety standards.</li> <li>▪ Extent of use of upgraded technology.</li> </ul>	Vice-President/GM of Hotels, Restaurants and catering establishments
<b>REPUTATION RISK</b>					
<b>Reputation Risk</b>	Risk of not attracting licences of a reputed background	Decreased brand perception and loss of revenue	Quality cost based selection of licences.	Number of reputed licences who were provided space	VP Hotels and HOD
<b>Risk of poor brand perception</b>	<ul style="list-style-type: none"> <li>▪ Delay in making payments to suppliers / transporters.</li> <li>▪ Cumbersome decision making procedures.</li> <li>▪ Poor customer satisfaction.</li> </ul>	Loss of credibility of ITDC. Risk of getting higher rates from transporters/ suppliers in subsequent tenders.	Payment to transporters and suppliers for event management is made on receipt of payment from the clients / actual beneficiaries. Efforts be made to streamline the system in such a way that the payment from clients is received early to enable ITDC to cut short delay in making payment to suppliers/transporters.  Following steps need be taken in this regard:-	Comparison of average time taken in processing the bills as compared to the time taken earlier.	Vice-President/GM ATT, Hotels, HOD Ashoka creative, Event Management & Engineering.

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
			<ul style="list-style-type: none"> <li>▪ Getting advance payments from actual users.</li> <li>▪ Timely raising of bills for balance payments.</li> <li>▪ Vigorous pursuance of the outstanding amounts.</li> </ul>		
<b>Cost and time overruns in completion of projects</b>	<ul style="list-style-type: none"> <li>▪ Considerable time spent in project initiation activities/ planning of projects.</li> <li>▪ Inadequate competition.</li> <li>▪ Delay in finalisation of contracts.</li> <li>▪ Non-receipt of response as per prescribed terms in the tender document due to inadequate competition.</li> <li>▪ Over/under estimation of time and resources.</li> <li>▪ Escalation of prices of inputs/ raw materials.</li> <li>▪ Non adherence of safety measures.</li> <li>▪ Disputes with the contractors.</li> <li>▪ Splitting of works for sound and light shows instead of awarding contract on turnkey basis. This is a specialised job and limited expertise for it is available.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Increase in the cost of project.</li> <li>▪ Delayed completion of works.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Prequalification of bidders.</li> <li>▪ Pre-bid meetings.</li> <li>▪ Ambiguities with contractors are minimised during tendering stage by providing technical/commercial clarifications.</li> <li>▪ Standard terms and conditions in agreements are reviewed before commencement of work.</li> <li>▪ Local constraints are factored into by preparing project costs and schedules.</li> <li>▪ Estimation is done based on past records and current market situation for accuracy.</li> <li>▪ Clear time line (Pert chart) to be drawn at the time of start of work.</li> <li>▪ Penalty clause to be built in into the contract.</li> <li>▪ Adequate safety guidelines are included in the tender to protect working personnel, equipment, and elimination of downtime due to fire, accident etc.</li> </ul>	Time and Cost overruns.	Vice-President/GM Engineering.

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
			<ul style="list-style-type: none"> <li>▪ Works relating to sound and light shows could be awarded on turnkey basis.</li> <li>▪ Delegations of Powers need review.</li> </ul>		
<b>D. PERSONNEL RISK</b>					
<b>Non-availability of adequate skill sets</b>	<ul style="list-style-type: none"> <li>▪ Absenteeism due to illness and other diseases in staff resulting in loss of productivity.</li> <li>▪ Restriction on compensation packages due to Government guidelines.</li> <li>▪ Identification of proper training needs of employees across all levels.</li> <li>▪ Non rotation of staff between departments.</li> <li>▪ Policy of promoting staff level employees to fill 50% of entry level officer grade vacancies.</li> <li>▪ Placement of staff and skilled and experienced officers in specific jobs to posts which require different attributes.</li> <li>▪ Irrational distribution of work among hotel operational staff.</li> </ul>	Low productivity	<ul style="list-style-type: none"> <li>▪ Preparation of training calendar &amp; imparting training according to plan.</li> <li>▪ Restructure benefits and perks in order to make overall salary structure more attractive.</li> <li>▪ Inter unit rotation and transfers after 3 to 5 years.</li> <li>▪ Introduction of performance based incentive schemes for individuals.</li> <li>▪ Regular health check-ups of staff.</li> <li>▪ The Company should have a dedicated knowledge management function within the organisation to disseminate knowledge on new products, markets and trade developments. This function should maintain links to important information sources relevant for the industry.</li> <li>▪ The Company should have a well documented Human Resource Policy and Procedures. The policies and procedures should address issues such as:</li> </ul>	Review the action taken.	Vice-President/GM Administration of all units

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
	<ul style="list-style-type: none"> <li>▪ High attrition rate in employees.</li> <li>▪ Large scale retirement in near future.</li> <li>▪ Lack of co-ordination between workload and the actual manpower.</li> </ul>		<ul style="list-style-type: none"> <li>a) Attracting and retaining key skilled staff.</li> <li>b) H.R plan should aim to identify and build second line for key positions.</li> <li>c) Career development plan.</li> <li>d) Training plan to equip new employees with relevant skills and to update skill of existing employees; training could be delivered in-house or through external institutions.</li> <li>▪ Promotion of staff to entry level officer-grade to be based on merit-cum-seniority.</li> <li>▪ The Company should have well documented and comprehensive H.R. Manual and an operational Manual which are accessible to all employees.</li> <li>▪ Placement of right man for the right job.</li> <li>▪ Rationalisation of work force in the hotels.</li> <li>▪ Competency mapping conducted for mid and low level management.</li> </ul>		

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
<b>E. POLITICAL RISK</b>					
<b>Threat to property, Safety and security of people.</b>	<ul style="list-style-type: none"> <li>▪ Government policies such as disinvestment.</li> <li>▪ Geo-physical developments (war, terrorist attack, fire, flood, riots).</li> <li>▪ External security threats.               <ul style="list-style-type: none"> <li>a) Sabotage.</li> <li>b) Terrorist attacks.</li> <li>c) Espionage</li> </ul> </li> <li>▪ Inadequate/ untimely information flow from security agencies in the country.</li> <li>▪ Natural calamities, such as earth quake, epidemics etc.</li> <li>▪ Loss of assets due to misappropriation, embezzlement and fraud etc.</li> </ul>		<ul style="list-style-type: none"> <li>▪ Representations to Government against unfavourable policies. (Disinvestment).</li> <li>▪ Insurance against war risk, fire, flood and riots and first and third party losses.</li> <li>▪ Improved security measures. Such as               <ul style="list-style-type: none"> <li>i. Installation of CCTV at strategic locations.</li> <li>ii. Provision of I.D. Caller facility on telephones.</li> <li>iii. Surveillance checks during day and night</li> <li>iv. Installation of Metal detectors at entry points.</li> <li>v. Provision of trolley mirrors.</li> <li>vi. Installation of baggage scanners.</li> <li>vii. Effective communication channel with in employees.</li> <li>viii. Liaison with external intelligence agencies.</li> </ul> </li> <li>▪ Insurance cover to be based on the value as reflected in the financial books to avoid under/over insurance.</li> <li>▪ Protect the budget from the risk of under insurance</li> </ul>	<ul style="list-style-type: none"> <li>▪ Number of incidents.</li> <li>▪ Number/ frequency of security drills</li> <li>▪ Insurance against threat to property.</li> <li>▪ Efficient and effective management of resources.</li> <li>▪ Prompt and regular pursuance of claims and settlement thereof.</li> </ul>	Vice-President/GMF&A and VIGILANCE & SECURITY, Hotels and HOD

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
			<ul style="list-style-type: none"> <li>▪ Regular checking of fire fighting equipments and fire and bomb detection mock drills.</li> <li>▪ Periodic security briefings to employees.</li> <li>▪ Display of Identity cards by employees.</li> <li>▪ Monthly safety inspection schedules and emergency evacuation plans.</li> <li>▪ Security audit by CISF.</li> </ul>		
<b>F. CREDIT RISK</b>					
<b>Loss due to non-payment of dues by a client resulting in bad debts.</b>	<ul style="list-style-type: none"> <li>▪ Allowing credit to non-creditworthy person/entity.</li> <li>▪ Allowing credit more than the prescribed limit.</li> <li>▪ Default in making payment/non-payment by the client.</li> <li>▪ Non-availability of authorisation letters/requisitions</li> </ul>		<ul style="list-style-type: none"> <li>▪ The main object of risk management is achieving compatibility in risk and business policies. Thus, there should be well defined credit policy of the company indicating the category of persons/entities to which credit can be granted based of their credibility.</li> <li>▪ There should be a clear and unambiguous Delegation of Powers for allowing the credit.</li> <li>▪ Proper documentation of credits allowed should be made. Telephonic requests for credits should be got confirmed from the indenter. Requests along with the approvals for allowing credit should be scanned to prevent non-recovery of dues due to non-availability of records.</li> </ul>	Well defined credit policy.	Vice-President/GM – ACCOUNTS of all units

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
			<ul style="list-style-type: none"> <li>▪ The system should be so programmed that the bill is generated along with the airlines ticket/ use of vehicles (ATT) or at the time of departure of the guest (Hotels). The bills should be got signed from the official receiving the ticket/using the vehicle or the guest.</li> <li>▪ Proper processing and pursuance at sufficiently high level of amounts outstanding should be made.</li> <li>▪ The list of amounts remaining outstanding beyond the limits indicated in the credit policy should be reviewed periodically by a high level committee of executives. The details of amounts outstanding should include the name and designation of the official allowing the credit.</li> <li>▪ Periodical confirmation of outstanding amounts/debts due from the clients should be obtained.</li> <li>▪ Advances received from customers should be periodically reconciled and credited to the respective customers.</li> </ul>		

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
<b>Incorrect financial reporting</b>	<ul style="list-style-type: none"> <li>▪ Potential Human error such as carelessness, distraction, mistake of judgement, misunderstanding of instructions.</li> <li>▪ Lack of accounting and internal control systems.</li> <li>▪ Integrity of the management.</li> <li>▪ Lack of knowledge about the Accounting Standards.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Inappropriate audit opinion when financial statements are materially misstated.</li> <li>▪ Non-compliance of the policies of accounting and internal control systems resulting in loss of stakeholder's confidence on account of incorrect projection of financial health.</li> </ul>	<ul style="list-style-type: none"> <li>▪ All policies and procedures adopted by ITDC should assist in achieving management's objectives of safeguarding of assets, prevention and detection fraud and errors, accuracy and completeness of accounting records and timely preparation of reliable financial statements.</li> <li>▪ System of internal control should be under continuous supervision to determine that it is functioning as prescribed and is modified as changes in conditions warrant.</li> <li>▪ Financial statements should be subject to quarterly audit by internal auditors and by statutory auditors as per the requirement of the Company's Act.</li> </ul>	The financial statements depict "True and Fair" view of the state of affairs of ITDC as certified by the statutory auditors.	Vice-President/GM FINANCE AND ACCOUNTS.
<b>Frauds</b>	<ul style="list-style-type: none"> <li>▪ Non-compliance of rules and regulations.</li> <li>▪ Incorrect reporting of transactions.</li> <li>▪ Lack of supervision of the immediate officer.</li> </ul>	Loss of cash/ stores/assets.	<ul style="list-style-type: none"> <li>▪ Strict observance of internal controls</li> <li>▪ Periodical transfers of employees/incumbents especially where financial transactions are involved.</li> <li>▪ Periodical training and information to employees on compliance issues and policies.</li> </ul>	Ensure that internal controls are strictly observed. Action taken against the erring officials.	Vice-Presidents/GMs.

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
<b>H. LIQUIDITY RISK</b>					
<b>Cash Risk</b>	Crystallisation of contingent liabilities arising due to failure to comply with any or all the applicable laws regulations, code of conduct and standards of good practices.	Outflow of cash and liquidity crunch.	<ul style="list-style-type: none"> <li>▪ ITDC should re-examine/reassess contingent liabilities and take a view to what extent these could be treated as specific liabilities.</li> <li>▪ Solicit expert legal opinions for cases lying in the court of law/tribunals.</li> <li>▪ Bases on the reviews and legal opinions ITDC should provide for a cushion in its financial statements to any such eventuality.</li> </ul>	Results of reviews and opinions.	Vice-President <ul style="list-style-type: none"> <li>▪ Finance and Accounts</li> <li>▪ Legal</li> </ul>
<b>Interest rate risk (Reinvestment risk)</b>	<ul style="list-style-type: none"> <li>▪ Adverse movement in interest rates.</li> <li>▪ Uncertainty in regard to interest rates at which future cash flows could be reinvested.</li> </ul>	Inconsistent/low interest income.	<ul style="list-style-type: none"> <li>▪ ITDC should prepare periodically – on quarterly or six monthly basis – its cash flow with a view to ascertain to what extent the available surplus funds could be invested on long term basis, say three to five years, for ensuring better rate of return and higher profitability.</li> <li>▪ The company should also consider the feasibility of putting funds in other approved investment plans for getting higher returns.</li> </ul>	Review made, if any, and the outcome thereof.	<ul style="list-style-type: none"> <li>▪ Vice-President</li> <li>▪ Finance and Accounts</li> </ul>
<b>Uneconomic investments in joint ventures.</b>	<ul style="list-style-type: none"> <li>▪ Improper feasibility assessments in joint ventures.</li> <li>▪ Failure of the Joint Ventures to reach expected objectives and to pay dividends.</li> </ul>	<ul style="list-style-type: none"> <li>▪ Uneconomic investments in joint ventures</li> <li>▪ Recurring expenditure on continuation of uneconomic joint</li> </ul>	<ul style="list-style-type: none"> <li>▪ Efforts be made to               <ol style="list-style-type: none"> <li>a) run the joint ventures profitably.</li> <li>b) lease out or to give these units on hire.</li> </ol> </li> </ul>	Progress made in the efforts to revive/lease out/hire the uneconomic joint ventures.	Vice-President (F&A), Director (commercial)

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
	<ul style="list-style-type: none"> <li>▪ Lack of control and monitoring on the part of ITDC.</li> </ul>	ventures	<ul style="list-style-type: none"> <li>▪ Officers of ITDC on the Board of Joint Ventures should submit reports, including exception reporting, on the financial health of the joint ventures after attending each Board Meeting and suggest measures for improving the investment viability.</li> <li>▪ There should be dedicated team to monitor the working of Joint Ventures and take follow up action on the reports of the official directors.</li> </ul>		
<b>I. POLLUTION AND ENVIRONMENTAL RISKS</b>					
<b>Compliance with health and safety guidelines, emission standards and other environmental norms</b>	Non-adherence to health and safety guidelines.	Compliance with health and safety guidelines, emission standards and other environmental norms.	<ul style="list-style-type: none"> <li>▪ Company should formulate the policy and objectives of environmental management systems keeping in view the mandatory legislative compliance and information about significant environmental impact of its activities, products or services.</li> <li>▪ The documented policy should be communicated to all employees and is available to the public by way of posters, signage and notices.</li> <li>▪ Identify environmental attributes of its activities, products and services and determine those attributes that would have a significant effect on environment.</li> </ul>	Ensure that the policy has been framed and is being implemented	Vice-President/GM HOTEL & Engineering.

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
			<ul style="list-style-type: none"> <li>▪ Establish environmental goals and targets in line with its environmental policy.</li> <li>▪ Employees are adequately trained to competently carry out their assigned environmental responsibility</li> <li>▪ Documentation describing how environmental management system is being implemented.</li> <li>▪ Mandatory observance of earth hour by switching off unnecessary lights and gadgets.</li> <li>▪ Awareness workshops to be held from time to time.</li> </ul>		
<b>J. SYSTEM RISK</b>					
<p><b>System Capacity risk,</b></p> <ul style="list-style-type: none"> <li>• <b>System reliability risk,</b></li> <li>• <b>Obsolescence risk,</b></li> <li>• <b>Data integrity risk,</b></li> <li>• <b>Coordinating and interface risk.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Inappropriate system development methodology.</li> <li>• Non-adoption of upgraded technology.</li> <li>• Improper coordination between various branches.</li> </ul>		<ul style="list-style-type: none"> <li>▪ The organisation should have efficient and effective program delivery mechanism which has the potential to deliver existing services, cheaper and provide range of additional services including programme performance information with greater efficiency, security and control than are available from manual systems.</li> <li>▪ There should be an off-site back up facility and business contingency plan that is tested and evaluated on regular basis.</li> </ul>	Contribution of IT to be measured in terms of operational efficiency, transparency, accountability and good governance.	Vice-President (IT)

Risk	Root cause	Impact	Mitigating factor	Performance indicator	Risk Manager
			<ul style="list-style-type: none"> <li>▪ The issue relating to security and virus infection, access control and appropriate virus control procedures for its systems and servers should be properly addressed.</li> <li>▪ Personnel should be extensively trained to keep abreast of technological developments in their respective fields.</li> <li>▪ Timely up gradation of hardware and/or software commensurate with latest technology.</li> <li>▪ Latest awareness of I T field by way of seminars, books and magazines etc.</li> </ul>		
<b>K. LEGAL RISK</b>					
<b>Contractual risk and tax risk</b>	<ul style="list-style-type: none"> <li>▪ Disputes with licensees/contractors due to non observance of conditions of agreement/contract.</li> <li>▪ Non-observance of the terms and conditions of engagement of contractual personnel.</li> <li>▪ Tax disputes.</li> <li>▪ Non-payment/delayed payment of statutory dues.</li> </ul>	Loss of time and resources of ITDC.	<ul style="list-style-type: none"> <li>▪ Strict observance of terms and conditions of agreement/contract/appointments.</li> <li>▪ Amicable settlement of disputes without any extra financial liability.</li> </ul>	Review the action taken.	Vice-President Legal

# **CHAPTER-6**

## **AUDIT OF RISK MANAGEMENT POLICY**

### **6.1 OBJECT**

The object of audit is to ensure efficiency and effectiveness of the Risk Management Policy (herein after called as policy) of ITDC by examining the ongoing monitoring and reviewing process. This process makes sure that the specified management action plans remain relevant and up dated. In continuously changing environment factors affecting the likelihood and consequences of a risk are also likely to change. This is true also for factors affecting the cost of risk management options.

While audit may and should assess implementation of the policy the scope of audit should be limiting the impact of implementation of the Policy and the policy per se should not be questioned. Audit of policy being knowledge based in which conclusions emerge from interpretation, call for special skill, knowledge and competence of audit personnel.

The Internal Audit activity should assist in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement. Based on the results of the assessment, the internal audit activity should evaluate the adequacy and effectiveness of controls encompassing the governance, operations and information systems.

This should include:

- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with laws, regulations and contracts.

### **6.2 AUDIT GUIDELINES**

The guidelines for audit of risk records are indicated below:-

#### **(i) Records maintained by Risk Managers**

- Review/ persue the centrally maintained records of risk, approved control measures and action plan.

- Check the efficacy and implementation status of each identified risk as reported, on quarterly/ yearly basis, by the risk managers to the Corporate Risk Management Section (CRMS).
- Obtain and verify the reasons for delay or default in furnishing the implementation status to CRMS.
- Obtain and verify information received from various risk managers with regard to difficulties in implementation of mitigation factors/action plan. Check/test the criteria approved by CRMS for assessing the implementation of the risk minimising procedure.
- Check, verify and report on the adequacy and accuracy of the risk control records in respect of implementation of policy maintained by the risk Managers.
- Check the efficacy of changes made in the risk profile, risk appetite and risk management procedures due to changes in business process, operating and regulatory environments etc.

**(ii) Records maintained by CRM Section**

- Check and ensure that the Action Taken Notes received from the Risk Managers are properly consolidated along with the reasons for delays and defaults for submission to RMCC.
- Check that the changes in the risks, related controls and the action plan based on the quarterly reports from the risk managers are escalated to RMCC for approval.
- Check that CRMS has updated the risk records in terms of approval accorded by RMCC and Audit Committee.
- Check that the quarterly reports are submitted to the Board of Directors.

**6.3 AUDIT REPORTING**

Reports are a major means of control by Management. Inadequate and untimely reporting can lead to unwise decisions or ill-considered action. The reports must be prompt, accurate, concise and complete. Additionally, it should be impartial in presenting a fair picture of what has been done and usable in CRMS/RMCC/Audit Committee, to fit in the pattern of organisational responsibility.

The Internal Audit report should broadly be prepared in the following manner:-

- (i) Introduction– This should contain the name of the risk manager, number of risks audited, number of control/action plans audited, dates of audit etc.
- (ii) Overall observations of Internal Audit – This section should indicate adequacy and accuracy of action taken by the risk managers on RMCC directions, continuous assessment/identification of new risks, its root causes and required action plan, involvement of employees at working level, risk management training/awareness, record keeping, and any other remarks/suggestions.
- (iii) General – This section should provide information on delays and defaults in submission of action taken notes by the risk managers to CRMS and in consolidation thereof by CRMS for submission to RMCC. The extent to which the action plan has been implemented by the risk managers and CRMS may be categorised in three groups viz. A, B & C on the basis of the following criteria:-
  - (a) 100% action
  - (b) 50% to 99% action; and
  - (c) 0% to 49% action

The Internal Auditor should submit quarterly reports of the risks audited to the Chairman RMCC.