

Corporate Management Services

Internal Audit Charter

Corporate Management Services (CMS) is the department of Mahindra and Mahindra Limited (M&M Ltd) that conducts Internal Audits. CMS is a group function and the Head of CMS i.e. Chief Internal Auditor (CIA) sets the high standards for Internal Audit for the Group.

This charter defines the purpose, authority, responsibility and independence of CMS as approved by the Audit Committee at its meeting held on 9th February, 2022.

CMS Purpose

CMS will focus on providing independent assurance to stakeholders on the adequacy and appropriateness of controls across the organization and support the senior management in enhancing governance while achieving its strategic, operational, financial, and compliance objectives.

Authority, Rights & Responsibility

CMS derives its authority from the Board of Directors and Audit Committee of M&M Ltd to which it has open access. CMS has, for the purpose of its work unrestricted access to any, and all of M&M Ltd and Group Companies' physical records, electronic records, physical properties, and personnel. All employees of M&M Ltd and the Group Companies are required to assist the Internal Audit activity in fulfilling its function.

During the performance of CMS duties, the Internal Audit team member(s) may have access to or receive confidential information. They shall maintain confidentiality of such information and shall not communicate such information to any person either directly or indirectly, including by way of making a recommendation for trading in Securities of the Company. CMS shall enter into Non-Disclosure Agreement with the listed Group companies.

Independence and Objectivity

1. CMS shall remain free of influence by any element in the organization, in matters of audit selection, scope, procedures, frequency, timing, or report content to maintain independence and objectivity.
2. The CIA shall report administratively to the Chairman of the Company and Functionally to the Audit Committee.
3. The Audit Committee shall approve all decisions regarding the performance evaluation, appointment, or removal of the Chief Internal Auditor as well as his terms of remuneration.
4. CMS shall have no direct operational responsibility or authority over any of the activities they review. Accordingly, CMS shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would impair its independence as an auditor.
5. CMS shall have an impartial, unbiased attitude and avoid any conflict of interest.

Should a conflict of interest arise in the work performed by members of the CMS or outsourced professional firms, the conflict of interest should be escalated to the CIA, who will take appropriate action. Where the conflict of interest is deemed material or where the conflict of interest arises with regard to CIA, he will report such conflict of interest to the Chairman of the Company and if need be to the Chairman of Audit Committee,

Accountability and Scope of Work

A) Planning

1. The Internal Audit plan shall be prepared based on a prioritization of the Audit Universe using risk based methodology and inputs of the senior management and the Audit Committee.
2. The Internal Audit plan shall be presented to the Audit Committee by the CIA.
3. To undertake certain specific assignments, CIA may appoint independent professional firms. Such plans will be presented to and approved by the Audit Committee.

B) Audits and Reporting

1. Implementing the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee from time to time.
2. Reporting arrangements including format of the report and distribution list will be standardized. The audit report shall include the auditee's response / corrective action against the findings and recommendations. The person responsible along with the anticipated dates for completion of action will also be included.
3. The findings of any internal investigations/ audit /review by CIA into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature or significant findings relating to internal control / process weakness and reporting the matter to the Audit Committee along with the action plan.
4. The CIA may also release flash reports to alert the management on need to strengthen controls or when there are reasonable grounds for suspicion of any major irregularity, fraud or theft.
5. To monitor and verify the adequacy and effectiveness of the operation of CMS (internal audit system) and partner firms.

C) Action taken on CMS reports

Action taken against Audit recommendations will be reviewed and recommendations unactioned beyond the due date shall be tracked and presented in the Audit Committee Meetings.

D) Investigations

Conduct special investigations as directed by the Audit Committee / Management or suo-moto in case of matters of suspected fraud, irregularity or failure of internal control system after keeping Management informed. In certain specific investigations the CIA may appoint an independent professional firm.

E) Best Practices and Benchmarking

The unique advantage CMS enjoys is the exposure to multiple businesses and a variety of business situations. CMS shall leverage this position to :

- (a) Highlight best practices in different operations.
- (b) Conduct benchmarking exercises within the Group.

The Internal Audit Team:

The Internal Audit team would comprise of CIA, Mentors, Audit Leads, Auditors and an independent Quality Control function.

The Internal audit team shall have a requisite blend of professionals from finance, technical and commercial backgrounds. The team should be imparted requisite training based on the assessment.