



Internal Audit Charter

One97 Communications Limited

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Introduction

Internal Audit Charter defines the purpose, authority, scope, and responsibilities of the Internal Audit function within **One97 Communications Limited** (“Paytm” or “One97” or “Company”). The Charter is reviewed and approved by the Audit Committee of One97 Communications Limited as and when required.

(Note: The word ‘Audit Committee’ has been invariably used in this document and refers to either the ‘Board’ or ‘Audit Committee’, as applicable)

Purpose & Mission

The Internal Audit function is established by the Board and its responsibilities are defined by the Audit Committee of One97, as part of their oversight role.

The purpose of the Internal Audit function is to provide independent and objective assurance on the adequacy of internal controls over the design and operating effectiveness of the business processes. Further, it assists One97 in accomplishing its objectives by bringing defined approach to evaluate and improve the effectiveness of the organization's governance, risk management, and internal control processes.

Companies (Auditor’s Report) Order, 2020 clause 3 (xiv) requires *‘whether the company has an internal audit system commensurate with the size and nature of its business’*. Internal audit function ensures that sufficient number of reviews are conducted in line with the applicable risks and business landscape / volume.

Authority

The Internal Audit function is authorized to free and unrestricted access to all of One97’s records, functions, physical properties, and personnel pertinent to carrying out any engagement with strict accountability for confidentiality and safeguard of records and information. Internal Audit function is also authorised to allocate resources, set frequencies, select subjects, determine scope of work, and apply techniques required to accomplish audit objectives. The Internal Audit function will also have a free and unrestricted access to the Audit Committee and the Board.

Organization

The Head of Internal Audit (Head- IA) shall report functionally to the Audit Committee and administratively to the CEO*. The Audit Committee shall approve the Internal Audit Charter, Internal Audit Plan, Internal Audit budget and decisions regarding appointment and removal of Head – IA. Audit Committee shall also receive communications from the Head-IA on Internal Audit’s performance relative to its plan with summary of Critical & High risk internal audit findings.

**Reporting was changed from Group CFO to CEO from 26th July 2022.*

Head-IA may be invited to the Audit Committee meetings to address risks and issues identified during the Internal Audit activities.

Independence and Objectivity

Internal Auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal Auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment.

Scope and Responsibilities

The scope of internal audit encompasses and is not limited to, the evaluation of design of processes and operating effectiveness of the processes designed by the management. IA also plays an advisory role to provide recommendations for improvement the effectiveness of the organization's governance, risk management & internal control processes. Few key responsibilities include:

- Considering the scope of work of the external auditors, as appropriate, for providing optimal audit coverage to the organization at a reasonable overall cost.
- Proposing a risk-based audit plan (using risk universe to include regulatory, technology, cyber risk, operational, financial etc.) for key business processes and submitting this plan to the Audit Committee for review and approval; updating the plan as needed.
- Implementing the approved audit plan and any special reviews requested by the Audit Committee.
- Developing and managing a team of audit professionals with appropriate knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluating the systems and processes established to ensure compliance with policies, plans, procedures, laws, and regulations having a significant impact on the organization.
- Evaluating the means of safeguarding assets, data and, as appropriate, verifying the security, existence/ availability of such assets.
- Identifying gaps in availability/adequacy of existing documentation
- Issuing periodic reports to the audit committee and senior management summarizing the status of audit plan, results of audit activities, and details of significant issues identified.

- Monitoring the management's implementation plan and corrective actions taken to remediate the issues identified as part of Internal Audit activities. For Critical risk issues, IA to obtain the update on implementation / progress within a week of communication of the findings.

Internal Audit Plan

- Internal Audit team will prepare, in consultation with and approval of the Audit Committee, an annual internal audit plan, based on assessment of key risks having regard for the current operations and the strategic plan. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal/calendar year.
- At least annually, the Head-IA / service provider shall discuss the internal audit plan with One97 management and the Board.
- The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including inputs of the Audit Committee, senior management and the Board. The plan will be reviewed and adjusted, as necessary, in response to changes in the organization's operations, business risks, regulations, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to the Audit Committee and the management.

Relationship with external auditors

- Internal Audit will maintain a close working relationship with external auditors. External auditors should be kept informed of Internal Audit activities and results, and be allowed free access to all internal audit reports.
- Communication with external auditors should be of mutual recognition and respect, leading to a joint improvement in performance and avoidance of overlapping of work.

Reporting and Monitoring

- A written report shall be prepared and issued by the Head-IA / service provider following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.
- At each Committee meeting, Head - IA / service provider will submit a report to the Audit Committee outlining the outcome of all internal audit activities undertaken since the previous reporting period, with the following appendices:
 - Progress Report on scheduled Internal Audit activities
 - Summary of Critical and High risk findings and recommendations or any other key audit findings with management action items
 - Report on audit recommendation's follow-up
 - Any other significant operational risks and issues that require consideration and approval by the Audit Committee

- The internal audit report will include management's response and corrective action taken or to be taken in regard to specific findings and recommendations. Management's response should include a timetable for anticipated completion of action to be taken and/or an explanation for any corrective action that will not be implemented.
- Internal Audit will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until cleared / implemented by the management.

Management

The primary responsibilities of the Management with respect to internal audits includes below:

- Implementing and maintaining a system of internal controls, and retaining accounting records and other management information suitable for running the business.
- Deciding on actions required on findings presented based on Internal Audit's work. Further, ensuring that Internal Auditor personnel have appropriate access to resources to be able to report to senior management, including the Audit Committee.

Professionalism

Internal Audit team will adopt guidance and best practices issued by professional bodies like Institute of Internal Auditors (IIA), The Institute of Chartered Accountants of India (ICAI) and other Global regulatory and professional associations.

In addition to the above, the Internal Audit function will also adhere to relevant policies and procedures of the company including the company's Code of Conduct.

Confidentiality

Personnel performing the internal audit assignments and those with access to internal audit work papers are expected to maintain confidentiality of any sensitive/confidential data. Internal Audit team shall be prudent in the use and protection of information acquired in the course of their duties. Internal Audit team shall not use collected information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

Co-Sourcing / Out-Sourcing

Head-IA, with approval of Audit Committee, may engage a credible service provider to execute the internal audit plan on a co-sourcing / out-sourcing basis.

Head-IA shall also provide the terms of reference, methodology, approach and style to the service provider.

The Head-IA should ensure that the service provider has an adequate knowledge and that the work performed by service provider is independent and objective.

Risk Rating Criteria

The risk rating is assigned to audit observations within the range of Critical to Low and is a function of the impact & likelihood as per the defined matrix. Parameters are defined to determine the impact & likelihood of an audit observation.

Impact	Severe	High	Critical	Critical
	Significant	Medium	High	Critical
	Moderate	Low	Medium	High
	Minor	Low	Low	Medium
		Unlikely	Possible	Likely
		Likelihood		

Quality Assurance and Improvement Programme

Internal Audit (IA) team will perform the responsibilities as recommended by IIA standards, policies etc. IA team will carry out the audit work and related tasks in accordance with the IA manual.

The Head of Internal Audit will ensure that the audit team has the skills and experience commensurate with the risks of the organisation. Where appropriate, independent internal or external technical specialists will be engaged to supplement the core team, and quality assurance and improvement practices. Where Internal Audit uses external resource, either to alleviate temporary resource constraints or for any other reason(s), such resource will be required to comply with the IA Charter and IA Manual.

In addition, internal audit will be subject to a quality assessment (QA) by an independent third-party auditors at-least once in every 5 years to ensure its quality meets with the prescribed and recommended standards and compliance with IA Charter and IA Manual.

These assessments will ensure that the Internal Audit function maintains conformance with all relevant Internal Audit standards of audit practice, is adequately resourced, free from constraint and has the appropriate standing within the Group.

Limitations

General

Internal Audit is a review and support activity. It does not relieve management of its responsibility for identification, evaluation and management of risks.

Internal Audit will make recommendations for improvements, but it is management's responsibility to implement these recommendations or other actions it deems to be appropriate. However, Internal Audit will report all risks that have been identified and in its opinion, are not satisfactorily addressed.

To ensure transparency, the Internal Audit would report audit results to both the management and those charged with governance (the Audit Committee).

Fraud

Identification and prevention of fraud is a managerial responsibility. The Internal Audit function may assist management to identify fraud risks faced by various business units, and can assist management in recording appropriate controls that could minimize effects of the risks. However, the department(s)/functions(s) concerned may require assistance of specialist fraud examiners or investigators since Internal Auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud.

Internal Audit will report any red flags in connection to fraud in its findings to the management during normal process of its activities.

Internal Audit will also take into consideration the various policies like Anti-Bribery and Corruption policy, Code of Conduct, among others when reporting on any potential areas of fraud.

Exceptions

Any exceptions to the purpose, authority or responsibility of Internal Audit function must be approved in advance by the Audit Committee.