Synergy - Finance

Charter & Organization Booklet

Management Audit & Assurance Services (MA&AS)

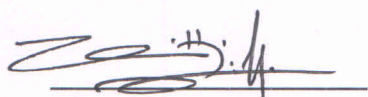| Document No.	MA&AS/ Charter & Organization/ SOP/002
Version No.	1.2
Title	SOP for MA&AS Organization Management

Version Control

Version no.	Reason for change	Date	Location
1.0	NA	31-07-2013	Ahmedabad
1.1	Yearly Process Review – Updated with changed operating Model	15-07-2017	Ahmedabad
1.2	Yearly Process Review - Alignment with current practices	27-03-2018	Ahmedabad

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Glossary

Term	Definition
MA&AS	Management Audit and Assurance Services – the formal name given to the Internal Audit function in Adani
BPT	Business Process Transformation – in this context refers to the Synergy F&A Transformation Program which has re-designed the Internal Audit function
APEX	The senior decision making forum in Adani Group, chaired by the Chairman of the Board (Gautam Adani)
BU	Business Unit
KRA	Key Result Areas
KPI	Key Performance Indicators
IIA	The Institute of Internal Auditors (IIA) is the recognized international standard setting body for the internal audit profession and awards the Certified Internal Auditor designation internationally through rigorous written examination.
COSO	The Committee of Sponsoring Organizations of the Treadway Commission (COSO) is a joint initiative of five private sector organizations, established in the United States, dedicated to providing thought leadership to executive management and governance entities on critical aspects of organizational governance, business ethics, internal control, enterprise risk management, fraud, and financial reporting. COSO has established a common internal control model against which companies and organizations may assess their control systems. COSO is supported by five supporting organizations, including the Institute of Management Accountants (IMA), the American Accounting Association (AAA), and the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA) and Financial Executives International (FEI).
ERM	Enterprise risk management (ERM) provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the organization's objectives (risks and opportunities), assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress. By identifying and proactively addressing risks and opportunities, business enterprises protect and create value for their stakeholders, including owners, employees, customers, regulators, and society overall. The COSO ERM framework is a commonly used one to describe the function
CRO	Chief Risk Officer – A role that is typically used in many global organizations to head the ERM function. Typically reporting to the CFO or CEO or Chairman of the Board.

1 MA&AS Charter

1.1 Introduction & Context

The charter for MA&AS defines the scope of the function, specific accountabilities and responsibilities, interfaces with business and other corporate functions and a broad framework for performance and personnel management. It is intended to be a terms of reference / ready-reckoner for the head of the function as well as for business and corporate functions heads who actively interface with this organization. Detailed organization structure, job descriptions and competencies, KPIs / KRAs are not covered in the Charter. These are described in this document in the subsequent chapters. This charter is based on the new operating model that was developed as part of Synergy Business Process Transformation (BPT) and signed off by the APEX.

1.2 Definition

The Institute of Internal Audits (IIA) defines Internal Audit as *an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.*

Internal auditing is a catalyst for improving an organization's governance, risk management and management controls by providing insight and recommendations based on analyses and assessments of data and business processes. Internal auditing, along with assurance services provides value to governing bodies and senior management as an objective source of independent advice. This function within Adani Group is formally called MA&AS (Management Audit and Assurance Services).

1.3 Accountabilities and responsibilities

In line with best practices, to discharge its role around audit and assurance, MA&AS will be accountable and responsible for the following broad activities:

- Defining the scope of the audit & assurance activities aligning with the mandate from the Audit Committee of the Board and in consultation with the senior management of businesses and corporate functions

- Conducting its review following a rigorous, pre-defined process and furnishing objective analysis, appraisals and recommendations related to the activities reviewed. This will include ensuring accurate formulation of SOP, checking compliance with and reporting deviations from SOP, providing inputs to the audited entity towards root cause analysis of issue, designing corrective and preventive actions

- The audited entity (process owner) will be accountable and responsible for designing and implementing the corrective & preventive measures. MA&AS will be accountable and responsible for

  - Monitoring the implementation of the corrective and preventive measures

  - For assuring the Audit Committee and senior management that a) it was implemented on the ground, and b) it was effective in the sense that it addressed the root cause identified by MA&AS

The section below lays out the scope of MA&AS as per the new operating model with examples of typical audit assignments / assurance engagements that fall within this scope. The section also lays down activities that will be out of scope of MA&AS. The scope is intended to serve as a guideline at the beginning of every audit planning cycle.

1.4 Scope of MA&AS

Category	Description / Examples
Transaction Audit	
Transaction Audit	Audit of transactional activities carried out within the BU. Examples include: ■ Audit of payables and receivables (post facto audit) ■ Materials management audit including physical verification & accounting of assets and inventory ■ Revenue audit e.g. billing vs. contract
Operations & Management Audit	
Procedural Compliance Check	■ Checking on-the-ground adherence to policies and SOPs for all BU and Corporate Functions ■ This includes engineering / O&M functions as well as strategic functions such as evaluation of new business opportunities, M&A etc.
Assurance of policies and SOPs	■ Periodic review of policies and SOPs in BU and Corporate Functions. This is a pre-facto / proactive exercise independent of whether any specific issues

	being identified through an audit. The policies and SOP prioritization would be done using a risk-based approach ▪ The scope of this activity includes all SOPs & policies including those related to engineering (civil, mechanical, electrical, instrumentation) / O&M processes. The purpose of the review is not to point out technical adequacy issues but to ensure that from a controls perspective the SOP is robust ▪ MA&AS will then monitor and track implementation of changes and provide independent assurance to management that process gaps have been fixed ▪ MA&AS will use a co-sourcing model on an as-needed basis to conduct this activity
Cost control	▪ Identification of cost control opportunities e.g. revenue management, fuel management, sales, procurement and contracts, admin and F&A expenses ▪ Cost competitiveness of existing procurement and admin contracts
Promise to Performance Audit	Audit of performance against stated objectives / benefits; areas covered in this are: ▪ CAPEX projects including bill verification, drawing vs. actual, material reconciliation ▪ Value engineering initiatives ▪ Other large initiatives e.g. BPT, new ventures ▪ Pre-implementation review for projects as required
Functional Audit	Audit of function specific areas e.g. IT architecture, IT security, HR practices
Special projects	Assignments / audits based on specific requests from the management e.g. due diligence for a proposed M&A transaction

MA&AS will execute the scope in the section above either using internal resources or through a co-sourcing arrangement. The requirement for co-sourcing will be decided on a case to case basis.

Following areas will be out of scope of MA&AS:

As per the new operating model (defined as part of BPT), it is important to note that following categories of activities are **outside the scope of MA&AS**:

- **Identification of value engineering initiatives for performance improvement** using deep industry knowledge, industry specific frameworks and tools; Examples in this category include:

    - Review and analyze efficiency parameters against designed parameters and its impact for various equipment e.g. boiler, generator, turbine, ash handling plant etc.

    - Review of coal blending process and its impact

    - Analysis of reports on Station Heat Rate (SHR), Plant Availability Factor (PAF), Plant Load Factor (PLF) & Auxiliary consumption and comparing with Design / Standards / Target parameters

    - Analysis of shut downs / break downs and its justification & resultant modifications in Plant

- **Review and assure strategic business decisions e.g.** opening new power plants / mines, expansion into new businesses or geography, M&A.

- **Proactively monitor emerging risks and their impact on the Group e.g.** changes in macroeconomic environment, business regulations, and political situation.

1.5 Role of MA&AS in Assurance

Management assurance is a key function of MA&AS, discharged through the conduct of in-scope activities mentioned in the previous section. **MA&AS will provide three levels of assurance**. Note that all of the assurance activities mentioned below will be scoped, planned and **executed as part of the regular audit cycle taking a risk-based approach**.

<u>Level 1</u>: **MA&AS will provide** assurance that **policies and processes (SOPs) are complied with**. MA&AS will check for compliance and report in case of deviations to the policies / SOPs in place. This will include all **SOPs[1] for all functions** including engineering / O&M SOPs and SOPs for strategic functions such as M&A.

<u>Level 2</u>: Assurance around **issue resolution of audit findings;** for the issues discovered through transactional / operations audit, MA&AS will be responsible for conducting the following activities:

- Providing inputs towards root cause analysis of the audit finding
- Providing inputs towards designing corrective and preventive actions
- Monitoring implementation to closure

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[1] As per guideline, all department and processes will have SOPs, which will be stored centrally. MA&AS will flag the absence of an SOP as an audit observation only when it comes up through the normal risk based audit cycle.

Level 3: **Periodic assurance of policies and processes leveraging co-sourcing as needed.** This is a pre-facto / proactive exercise independent of whether any specific issues were identified through an audit. The policies and SOP prioritization would be done using a risk-based approach. The scope of this activity includes all SOPs and policies including those related to engineering (civil, mechanical, electrical, instrumentation) / O&M processes. The mandate of MA&AS will be to identify gaps in internal controls as opposed to technical adequacy assessment. Such gaps could be gaps arising out of improper implementation of policies or gaps in the policies and procedures which had arisen now (due to external or internal factors) and which did not exist when the policies and procedures were framed or which existed but were possibly overlooked or under estimated or missed while framing the policies and procedures. MA&AS will report to the management about significant gaps in internal control, identify necessary measures to plug such gaps or weaknesses and suggest the same to the process owner. Based on mutual consultation thereafter, the same will be confirmed by both MA&AS and process owner for submission to and confirmation by the Senior Management / Audit Committee. Once the measures suggested are confirmed, the process owner will implement the same (with appropriate information / intimation to Senior Management) and the accountability / responsibility for such implementation shall totally vest with the process owner only. The accountability and responsibility of MA&AS shall be to review / report on the status of implementation and, post full implementation, to re-test the gaps and report compliance to the Senior Management / Audit Committee.

The above process (of policy / SOP review) could also be triggered by routine transactional audit if an incorrect transaction is observed and the root-cause-analysis performed by MA&AS is linked back to a control issue in the relevant process / policy. It would be triggered whenever a new SOP is created in the organization i.e. every new SOP must be vetted by MA&AS from controls appropriateness before it is released to operations. It would also be triggered when an SOP is changed substantially.

The scope of assurance function of MA&AS is further clarified by an understanding of the role of Senior Management, Audit Committee and Board of Directors around assurance. This is explained below:

- MA&AS as part of its function conducts several process reviews across the organization based on the Audit plan.   Based on the observations and findings of the process review (on review and testing of the process with a sample of transactions), MA&AS generates its views on the extent of comfort it can communicate on the processes from an internal control and risk perspective. Based on the summation of these observations over various months / quarters, MA&AS finalizes its views on Assurance aspect of systems and places it before the Senior Management / Audit Committee. It is then for the Senior Management / Audit Committee to examine all related

matters / submissions and come to a conclusion on the level of assurance which it can place on the organizational systems and procedures.

- The Senior Management / Audit Committee are free to agree / disagree in full or in part with the views of the MA&AS. If they are not fully in agreement, they can direct the MA&AS to perform such other checks and controls testing as they may feel necessary and appropriate, and based on the conclusions of such checks and control testing, they may conclude their final view on the matter.

- The ultimate authority for confirming to the Board of Directors on the assurance aspects is with the Audit Committee which may use the observations of MA&AS, Statutory Auditors, operating management representation etc. to firm up on its views.

1.6 Internal Control Framework

For identification of internal control issues, MA&AS should develop, maintain and use an industry-standard internal control framework customized for each of the functions in the scope of the audit. One of the most commonly used internal control frameworks implemented by organizations is 'Internal Control – Integrated Framework' developed by Committee of Sponsoring Organizations of the Treadway Commission (COSO). The control framework suggested by COSO has five components of internal control:

- Control Environment
- Risk Assessment
- Control Activities
- Information and Communication
- Monitoring Activities

These components are relevant to an entire entity and to the entity level, its subsidiaries, division, or any of its individual operating units, functions, or other subsets of the entity. In the appendix there are two sample templates used for assessment of controls and control deficiency.

- The file 'COSO Testing template' is the sample for the template used for assessing organizational control environment for effective internal control at an overall level.

- The file 'Purchase to Pay Control Objective' is the sample for the template used for control review of a typical purchase to pay process

These are customized templates and depend on the maturity of the audit environment, areas to be reviewed, depth of the review etc. It is recommended that MA&AS uses these as guidelines to frame its own control framework that is best fit for Adani. Please also note that for certain specialized functions such as IT, there are specific frameworks such as 'Control Objectives for Information and related Technology' (COBIT) developed by IT Governance Institute (ITGI) which should be adapted. For areas that are audited in a co-sourced model, it is expected that the service provider will bring in its own control framework in line with industry best practices.

1.7 Relationship with Enterprise Risk Management (ERM)

It is understood that in the near future, Adani Group will set up an ERM function. In this context, the role of MA&AS and its relationship with ERM needs to be clarified. This is explained below.

First and foremost, MA&AS and ERM are two distinct functions. In best practice organizations, they are not a part of each other and serve different roles. An ERM function is typically led by the Chief Risk Officer (CRO). The organization (CEO, CFO and Divisional / Functional Heads) with assistance from the Chief Risk Officer (CRO) will assess risk appetite of the organization, identify enterprise wide and function / process wise risk, existence and effectiveness of mitigation tools for such risks, corrective actions required etc. The same team formulates enterprise wide risk management policies and procedures. These procedures / SOPs are reviewed by the MA&AS from internal control perspective. Based on the inputs provided by MA&AS the organization finalizes its risk management procedures which are then issued for implementation by the respective functions / departments.

The responsibility to implement the risk management policies and procedures are that of the ERM function and BU senior management.   In the event during implementation if there are some practical or fundamental issues creating implementation bottlenecks in the policies and procedures, the process owner raises the same with the organization and here MA&AS will play a role in jointly evaluating such issues with the process owners (as an independent agency) and provide its suggestions on the possible corrective actions required.   Based on all the inputs received from the process owner and MA&AS, the CRO and the senior management finalizes the changes required in such policies and procedures and communicates them to the respective process owners for implementation.

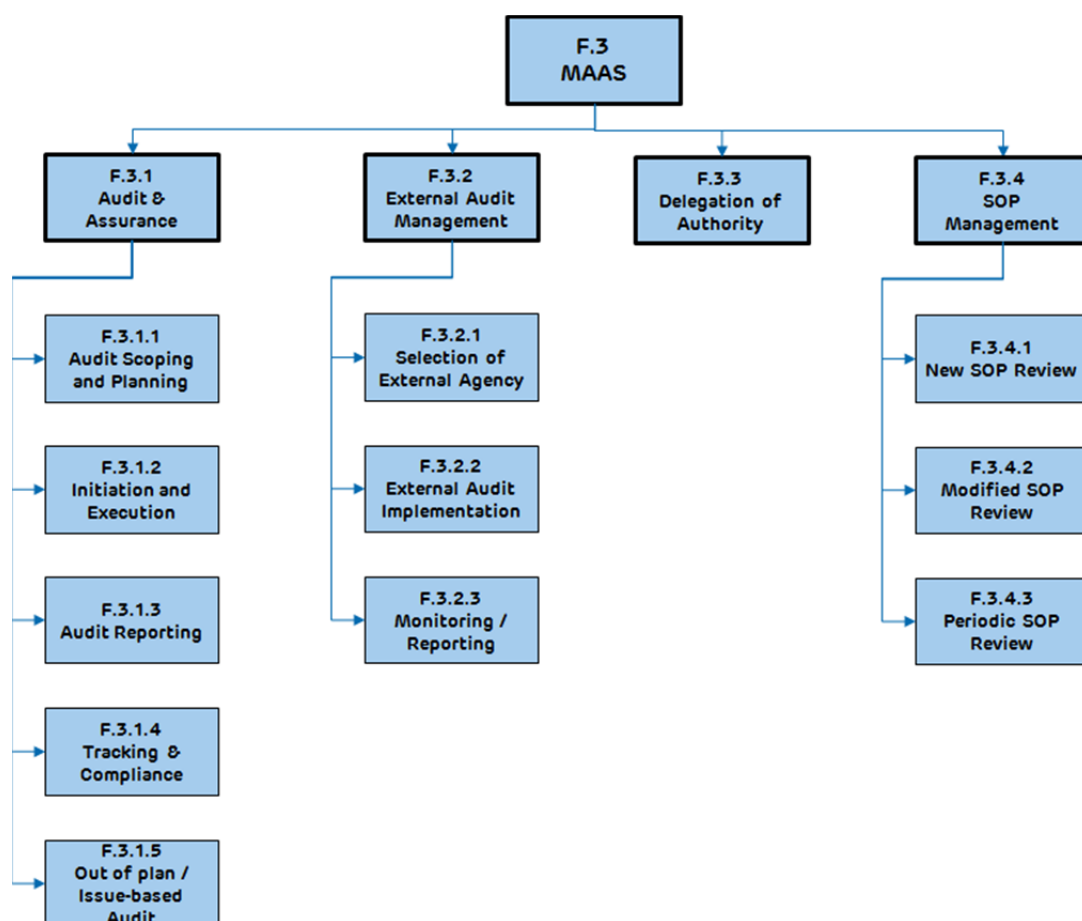In summary, the role of MA&AS vis-à-vis an ERM framework would be to review the ERM processes / SOPs and assure from a controls perspective.

MA&AS should avoid undertaking the following ERM-related roles:

- Setting the risk appetite
- Imposing risk management process
- Taking decision on risk responses & mitigation measures
- Implementing risk responses on management behalf
- Taking accountability for risk management

1.8 Process Taxonomy

Following is the process taxonomy for Internal Audit (MA&AS). It defines the key activities that are performed against the scope described above.

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 │  Audit &    │   │ External Audit│  │ Delegation of│   │     SOP      │
 │  Assurance  │   │  Management   │  │  Authority   │   │  Management  │
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- **F.3.1.1** Audit Scoping and Planning
- **F.3.1.2** Initiation and Execution
- **F.3.1.3** Audit Reporting
- **F.3.1.4** Tracking & Compliance
- **F.3.1.5** Out of plan / Issue-based Audit

- **F.3.2.1** Selection of External Agency
- **F.3.2.2** External Audit Implementation
- **F.3.2.3** Monitoring / Reporting

- **F.3.4.1** New SOP Review
- **F.3.4.2** Modified SOP Review
- **F.3.4.3** Periodic SOP Review

The specific **activities** aligned to the taxonomy are explained below:

i) **Audit & Assurance**

- **Scoping and Planning**

    - Develop audit scope and plan for the group using a structured **Risk Based approach** (explained in this document). This will be done in coordination with the senior management (Chairman / BU Heads / Group Function Heads)

    - **Submit annual audit plans** based on risk assessment, including periodic revisions, for the review and approval of the Audit Committee

    - Prepare quarterly and monthly plan for execution

- Ascertain the resourcing requirements and plan for bringing in external partner firms (**co-sourcing**; guidelines provided in this document)

- **Execution:**

  - Execute the audit engagements as per plan; the process involves data collection (e.g. from SAP), meetings with process owners to understand the process better, if required, documenting findings in AMS system

  - Assess compliance with established standards of business ethics and the procedures for reporting violations or probable violations of Company policies.

  - Identify instances of potential fraud, and investigate as required

  - Conduct surprise audits where required

- **Audit Reporting:**

  - Coordinate with management to finalize audit reports with actions and target dates

  - Report regularly on progress and results (Chairman, Audit Committee)

  - Coordinate special reviews (not included in Audit Universe) at the request of management or the Audit Committee. These reviews include providing assistance in case of accounting or controls breakdown and investigation of fraud or irregularity

- **Tracking & Compliance:**

  - Facilitate periodic discussions with process owners and functional heads on audit observations and track implementation of recommendations that may be either preventive or corrective and also ensure its effectiveness and continuous follow up

  - Evaluate any plans or actions taken to correct audit findings. If the disposition is considered unsatisfactory, see that further discussions are held to achieve satisfactory disposition. Report to the audit committee on the status of dispositions

  - **Review the preventive actions** taken by the management and **provide assurance on their effectiveness**

  - Provide support for *self-assessment* by management

- **Out of plan / Issue/based Audit:**

  - Conduct out of plan / issue-based audits as per request from senior management

  - Conduct surprise audits if required

    ii)   **External Audit Management / Co-sourcing Management**:

- Appoint **external audit firms** (through a technical evaluation / RFP process) to execute the audit plan and allocate areas to the external audit firms based on the nature and criticality of the area

- **Coordinate with the external audit firms** to ensure they discharge their responsibility in an efficient and timely manner

- Plan and coordinate control reviews conducted by external audit firms in the specific areas e.g. systems audit

- Review performance of external audit firms, and take corrective steps if required

    iii)   **Delegation of Authority:**

- Review of existing / new DoAs with concerned management (when a DoA is updated or created, or as need basis based on request from the management)

- Ensure segregation of duties between various functions

    iv)   **SOP Management:**

- Review new SOPS created (per scope stated in section 1.4) and provide assurance around internal controls

- Review in case of any change to existing SOPs by the process owners

- Conduct periodic review of policies and processes (SOPs) using a risk based approach, and provide reasonable assurance to management

1.8.1 Risk Based Approach for Audit Planning

Organizations with a complex and diversified set of businesses such as the Adani Group are increasingly facing new risk management challenges owing to changing business conditions. In this scenario, risk based approach for internal audit planning becomes an important and relevant methodology due to two main reasons:

- Provides a disciplined and structured approach that helps the internal audit department provide reasonable assurance that key processes are functioning as intended and will enable the organization to meet its goals.

- Helps in prioritization of the most critical aspects of company's governance, risk and control processes, while keeping in mind resource constraints

MA&AS will implement a risk based approach for audit planning through a structured **methodology** as presented in the graphic below:
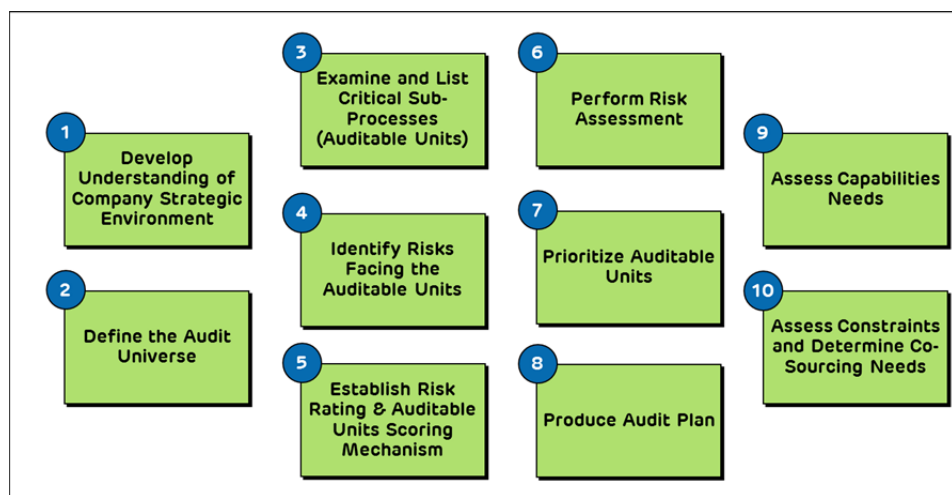
Detailed methodology and the process steps have been explain in the process booklet for the department.

1.8.2 Co-sourcing - Guidelines

Depending upon the scope, the internal audit function is mandated to conduct a wide variety of audit and assurance activities, ranging from audit of financial transactions (e.g. invoices) to promise-to-performance check of key initiatives (e.g. large scale CAPEX projects). In the context of a large corporate group (such as AEL) with multiple business units that are in growing phase and are geographically distributed, the task of internal audit and assurance function becomes even more challenging. To address such challenges, co-sourcing of internal audit is a commonly adopted industry practice. In terms of definition, **Co-sourcing** is a sourcing arrangement where an external provider is contracted to assist the in-house team with specific internal audit and assurance engagement projects. Typically, the reasons / drivers for deciding to co-source within an organization range from tactical to strategic.

Co-sourcing is proposed as a sourcing option within the MA&AS operating model. The decision to co-source will be taken **on a case to case basis**, based on a careful assessment of the audit plan and internal staff capabilities and subsequent identification of gap areas. The Group Head of MA&AS will be responsible and accountable for driving the co-sourcing decision, in consultation with the Chairman / BU CEO, if required. **It is to be noted that all co-sourcing for technical**

(value engineering) matters will be done by the business; MA&AS will have no role in this.

The key-considerations while making a decision in favor of co-sourcing model are defined below:

i) Access to **subject matter expertise and professionals**: Audit engagements that require specific technical skills (e.g. in areas such as IT, supply chain, security) which are not present in-house can be a potential candidate for co-sourcing

ii) **Scalability and flexibility** for changing business needs: Co-sourcing provider can extend support to MA&AS for audit of specific initiatives e.g. year-end projects, business process transformation initiatives etc. Specifically, when the requirement is immediate as well as unique and scaling up (resources, capabilities) within MA&AS is difficult, the co-sourcing should be considered.

iii) Address **resourcing and location** challenges: In situations where MA&AS can't adequately staff an assignment (for a particular assignment, in a particular location) in a cost effective manner, co-sourcing support can be considered

iv) Access to **leading IA methodologies**, **best practices & provider infrastructure**: Co-sourcing can be considered as a strategic option if there is an opportunity (and mandate) to leverage the provider's proven methodologies and best practices, or to leverage audit tools / systems which will require a lot of investment.

When the co-sourcing option is used for accessing subject matter expertise or leading methodologies, the **transfer / sharing of knowledge for building internal expertise** (where there is scope) should be a conscious objective and the engagement structure should ensure the same.

Selection of Co-sourcing Provider

The provider for co-sourcing contract will be selected through a RFP process. While selecting the provider, following **criteri**a needs to be considered:

i) Experience in providing IA services to organizations of similar size and industry

ii) Industry focus (expertise) and multi-disciplinary approach

iii) Use of flexible and effective risk based internal audit approach

iv) Tools and methodologies

v) Cultural compatibility with the organization

vi) Access to resources with specialized skills and right experience

vii) Resources in the right locations (global reach, if applicable)

viii) Thought leadership and knowledge sharing capabilities

ix) Cost vs. benefit of services

The above mentioned process (RFP, detailed criteria) will be followed only in-case of large co-sourcing contracts (e.g. group wide IT audit). For regular co-sourcing contracts (e.g. audits of individual depots in agro) a simpler process of engaging an external firm will be followed.

Implementation

After the selection of the co-sourcing provider, MA&AS will be responsible for implementation / program management of the co-sourcing relationship. Designated MA&AS personnel would collaborate with the provider to establish a timeline and project plan for the audit engagement, with clearly defined deliverables, issue tracking mechanism and check points (reporting). MA&AS will coordinate the on-boarding of the provider (providing organization context and practices) and ensure effective internal communication.

Monitoring / Reporting

MA&AS will be responsible for arranging **periodic reviews / meetings of the provider with its Head and management sponsor**, with key points of discussion being: status of the project plan, results of the completed audits, issue tracking & resolution, auditee satisfaction and cooperation. Periodic meetings and updates with the Audit Committee should also be arranged for critical assignments. Overall review of the provider's performance and results should be undertaken on a periodic basis to assess effectiveness of the co-sourcing relationship.

1.9 Relationship with Other Functions

1.9.1 Relationship with Audit Committee

The Board of Directors pursues its oversight responsibility for financial statements and internal controls through the Audit Committee. At the beginning of the year,

the Audit Committee review and concurs the annual internal audit plan post submission by MA&AS.

On a periodic basis, MA&AS reports the following to the Audit Committee of the Board:

i) Progress against the annual internal audit plan

ii) Performance of the internal audit department

iii) Significant audit findings

iv) Implementation status of the recommended and agreed upon actions

v) Assurance on effectiveness of corrective and preventive actions

vi) Assurance on effectiveness of internal policies and SOPs (per agreed scope in section 1.4)

At least, on a quarterly basis the Management Audit & Assurance Services (MA&AS) reports significant audit findings and assurance reports to members of the Audit Committee during the Audit Committee meeting. The Executive Summary of various reports to the members of the Audit Committee and the concerned Directors and is sent before 7 days of an audit committee meeting. All internal audit reports are tabled in the meeting and presentations of significant findings are made to the Audit Committee. The exceptions to be discussed are selected based on risk and value parameters.

1.9.2 Relationship with BU Senior Management and Department Heads

Given the nature of work (critical analysis) of internal audit, maintaining a balanced relationship with the senior management (BU CEO, BU CFO) and operations heads within the BU is a crucial and challenging task for the internal auditor. Efficient and constructive communication at various stages of the audit is important for the department to be effective and achieve value add for the organization. This relationship is proposed to be maintained along following touch points and interfaces:

i) **Planning & Scoping**: MA&AS will work collaboratively with the senior management (BU CFO, BU CEO, Operations Heads) within the BU for defining the audit scope and creation of the audit plan. This is especially important in the proposed '**Risk Based Approach**' for internal audit, as the management will be responsible for **identifying and prioritizing the business risks**, and MA&AS will facilitate the process to arrive at the audit scope and plan. Also, MA&AS needs to have regular dialogue with the BU senior management (BU

CFO & BU CEO) to receive requests for any specific audits (not captured in scope earlier during planning stage) and discuss its integration in the audit plan. In this context, Sector heads for different BUs within MA&AS and Group head of MA&AS (for alignment at corporate level) will be responsible for maintaining this interface.

ii) **Execution (Conduct of Audit)**: Sector heads and processing team will interact with the department heads for conduct of the audit as per plan. This will involve alignment of dates / schedule, discussions for understanding the processes audited and co-ordination for execution on the ground (data collection, physical checks etc.). The BU management will be responsible for providing complete access to all records, property and personnel related to the performance of its duties. Also, they will be responsible for coordinating with the external audit firms (co-sourcing providers) to ensure they discharge their responsibility in an efficient and timely manner.

iii) **Reporting:** Post audit, MA&AS personnel will create a draft report with observations which will be received by the department heads for inputs / clarifications. The **department heads will be responsible for providing timely response in written form** to the draft report observations. This interface is managed through the automated AMS workflow **(Audit Management System)** and in person meetings if necessary. After receiving the inputs, MA&AS personnel will create the final report which will be shared over the workflow with all relevant stakeholders within the BU. The final report will include timelines for action by the relevant BU department heads.

iv) **Tracking & Escalation**: MA&AS personnel will follow up with relevant stakeholders for implementation of recommendations (corrective & preventive action) and for resolution of issues. Also, MA&AS will escalate with senior management as required in case of non-compliance by process owners. This interface is also facilitated through AMS which generates auto alerts as per agreed completion date for follow up of audit observations. **The tracking and follow-up for non-implemented recommendations will continue for two quarters, post which the Sector Head / Group Head will escalate the issue to the Chairman for resolution**.

In summary, BU senior management (BU CEO, BU CFO) will be responsible for providing MA&AS with full support and cooperation at all levels of operations and provide timely implementation of corrective actions. **There will be RSLAs in place for providing data, response to queries and compliance updates**. These will be incorporated into the Audit Management System (AMS). Also, BU senior management will be responsible for promptly informing Internal Audit of known or suspected cases of fraudulent nature involving company's financial assets.

It is important to note that BU senior management (BU CEO, BU CFO) will be responsible for **maintaining internal control (including fraud related controls), proper accounting records and other management information**. While the MA&AS department will play an active role in identifying deficiencies in the control environment and suggest improvements, the process does not relieve the BU heads of their responsibility for ownership, maintenance and improvement of controls in their respective areas.

MA&AS will also participate in the periodic business review meetings held in the BU so as to remain up to date about the BU priorities (especially if there is any change with implication of audit plan).

1.9.3 Relationship with Function Heads

For effective conduct of internal audit of various corporate functions, MA&AS will maintain a balanced relationship with the **functional heads (shared services such as HR, IT, Secretarial**) within the corporate. Efficient and constructive communication at various stages of the audit needs to be maintained. This relationship will be maintained along the various touch points and interfaces, in a manner similar to as explained in the relationship with BU department heads (role of department heads replaced with that of function heads) in the previous section.

1.9.4 Relationship with Process Owners

MA&AS will review processes / SOPs as part of its audit process for adequacy of controls, will report gaps as discovered and will provide inputs for changes to the SOPs to address the gaps. For finalizing and effecting any process related changes based on MA&AS recommendations, the **responsibility and accountability will lie with the pre-designated process owners**.

Following table provides the list of process owners for reference:

Department / Function	Process Owner
BU Operations	Respective BU Department Heads
F&A Corporate Functions – Treasury, Investor Relations, Taxation, Secretarial, Insurance	Respective Corporate Function Heads
F&A Shared Service Processes[1]: B2P, R2R,	Operational Controller (within Group

O2C	CFO's office)
BU FP&A	Respective BU FP&A Heads
Services FP&A	Respective Corporate Function Heads
Non F&A Corporate Functions: HR, IT, Legal, Admin, Security, Corporate Communication & others	Respective Corporate Function Heads

1) *Note that for Tax and Treasury back-end work done at Shared Services, process ownership will rest with the Corporate Function Head*

1.9.5 Relationship with Statutory Auditors

MA&AS is responsible for liaising with the Audit Committee for coordinating internal and statutory audit efforts to ensure adequate audit coverage, minimize duplication and achieve synergy of audit efforts. Co-ordination of audit efforts involves:

i) Periodic meetings with Audit Committee and Statutory Auditors regarding the Company's internal audit universe, scope of the areas proposed to be covered, risk assessment updates, audit plans and the Internal Audit annual audit schedule.

ii) Access to statutory auditors of internal controls documentation and reports. Common understanding of audit techniques, methods, audit approach, and terminology to effectively coordinate work and rely on the work of one another.

iii) Exchange of audit reports through the Audit Committee.

1.9.6 Relationship with External Firms

MA&AS and the external firms (co-sourcing arrangement) partner together in conducting internal audits and assurance engagements in the organization. Interface with external firms will happen as explain below:

i) MA&AS will be responsible for selection of partner firms through a RFP process.

ii) External firms will be primarily responsible for carrying out the scope of work assigned to them within the agreed timeline. They will maintain communication with designated personnel in MA&AS.

iii) MA&AS will perform an oversight and program management function for the work done by the external firm.

1.9.7 Relationship with Other Functions

Human Resource (HR)
MA&AS will work closely with HR to ensure adequate development of its employees. Areas of integration with HR will include:

i)   Recruitment for open positions

ii) Competency mapping

iii) Learning and development (trainings)

iv) Career aspirations and needs of employees

Information Technology
MA&AS will collaborate closely with IT department to design and implement automation initiatives for internal audit processes.

1.10 Principle of Independence and Authorizations for MA&AS

An effective internal audit and management assurance function provides independent assurance to the board of directors and senior management on the quality and effectiveness of the organization's internal control, risk management and governance systems and processes, thereby helping the board and senior management protect their organization and its reputation. The function should therefore be given the freedom to develop an independent and informed view of the risks faced by the organization based on their access to all relevant records and data, their enquiries, and their professional competence. The function should be able to discuss their views, findings and conclusions directly with the audit committee and the board of directors, thereby helping the board to oversee senior management.

To enable MA&AS to function in line with the principles of independence, the following organizational construct and guidelines have been defined:

- **All internal audit personnel report to the Group Head of Internal Audit (aka Group Head of MA&AS), who in turn reports to the Chairman / Managing Director for administrative purposes, and respective Sector Heads reports to the Audit Committee to provide assurance and report on risks and controls**

- The Group Head and Sector Heads (MA&AS) are authorized to communicate directly and suo moto, to the Senior Management and the members of the Audit Committee
- Audit Function is independent of the activities and operations audited. The function is also independent from routine internal control processes
- The Internal Audit function is not involved in selecting or implementing internal control measures (preparation of SOPs will be the responsibility of BU). However, the function will give recommendations for strengthening internal controls and can also give opinions on specific matters related to internal control procedures as per the request of Senior Management (part of the assurance functions of MA&AS).
- Internal auditors recruited from within the company shall not audit the period during which the person handled operational responsibilities.
- The Group Head (MA&AS) and the audit staff do not accept anything that may impair or be presumed to impair their professional judgment.
- The Group Head (MA&AS) and the audit staff shall disclose all material facts known to them that, if not disclosed, may distort the reporting of the activities under review
- The Audit Committee shall evaluate the performance of the Internal Audit function on a periodic basis.

The Management Audit & Assurance Services (MA&AS) is authorized to:

i) Have full and free access and freedom to report to the Audit Committee, and Senior Management of Adani Group.

ii) Have complete & unrestricted access at all reasonable times:

   a. to all books, documents, records, accounts and other information necessary for the performance of audit engagements

   b. to enter any premises & physical properties relevant to the performance of audit engagements

   c. to request any officer to furnish such information and explanations as are necessary for the performance of audit engagement

iii) Delegate duties, allocate resources and select required techniques to accomplish objectives

iv) Obtain necessary assistance of personnel involved in operations being audited and other specialized services within and outside the organization

v) Modify the audit scope or frequency of coverage at the request of management on account of major changes in processes or systems,

acquisitions, restructuring of business activities, or the nature of audit findings.

The Management Audit & Assurance Services (MA&AS) is **not authorized to**:

i) Perform any operational duties for the organization, Initiate or approve accounting transactions

ii) Assume responsibility for design, installation, operation or control of any commercial procedures

iii) Conduct themselves in any manner that may impair or presumed to impair their unbiased assessment

iv) Design and drive corrective and preventive initiatives; MA&AS will responsible for tracking compliance, certifying that corrective and preventive actions are effective and reviewing and reporting promise to performance

1.11 Code of Conduct & Ethics

MA&AS will adhere to the code of conduct as laid down for the internal auditing profession by the international professional association, **Institute of Internal Auditors**. This association has laid down a **code of ethics** (as part of the International Professional Practices Framework) in order to promote ethical culture in the internal audit profession. The principles (to be upheld by the internal auditors) defined in the IIA's code of ethics are as follows:

- **Integrity**: The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.

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

- **Confidentiality**: Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so

- **Competency**: Internal auditors apply the knowledge, skills, and experience needed in the performance of internal audit services.

Group Head of MA&AS will be responsible for ensuring adherence to this code of ethics and the corresponding rules of conduct.
(*Source: IIA, https://global.theiia.org/standards-guidance/mandatory-guidance/Pages/Code-of-Ethics.aspx*)

1.12 Internal Audit Standards

MA&AS will conduct its activities in **conformance with the IIA's International Standards for the Professional Practice of Internal Auditing (Standards)**. The standards are principle focused and provide a framework for performing and promoting internal auditing. These standards are regularly reviewed and updated to maintain relevance to the changing business and economic environment. The standards are divided between two types:

- **Attribute Standards**: These address the attributes of organizations and individuals performing internal auditing.
- **Performance Standards**: These describe the nature of internal auditing and provide quality criteria against which the performance of these services can be measured.

(*Source: IIA, https://global.theiia.org/standards-guidance/mandatory-guidance/Pages/Standards-With-Introduction.aspx*)

While the IIA's standards are the primary guidelines to be followed by MA&AS, these will be further supplemented with the Standards on Internal Audit (SIA) as provided by the Institute of Chartered Accountants of India (ICAI), one of the foremost associations in conduct of internal audit in India.
(*Source: ICAI, http://www.icai.org/new_post.html?post_id=597&c_id=145*)

Group Head of MA&AS will be responsible for ensuring the department's conformance to audit standards proposed by professional associations (IIA, ICAI).

1.13 Fraud Prevention and Detection

MA&AS will have following role and responsibility with respect to fraud prevention and detection within the group:

- While the primary responsibility for prevention and detection of frauds is that of the management, MA&AS would, however, help the management fulfill its responsibilities relating to fraud prevention and detection.

- MA&AS personnel should have reasonable knowledge of factors that might increase the risk of opportunities for frauds in an entity and exercise reasonable care and professional skepticism while carrying out internal audit.
- The department will obtain an understanding of the various aspects of control environment and evaluate the same for operating effectiveness.
- Further, MA&AS will evaluate the mechanism in place for supervision and assessment of internal controls (as part of periodic policy / process review) to identify instances of any actual or possible breaches therein and to take corrective action on a timely basis.
- MA&AS will carefully review and assess conclusions drawn from audit evidence obtained. Actual or suspected fraud or any other misappropriation of assets should be immediately reported to management.
- MA&AS will document fraud risk factors as being present during the assessment of policies and procedures

The role of MA&AS with respect to fraud management is envisaged to be in line with the audit standards proposed by ICAI (*SIA 11: Considerations of fraud in an Internal Audit*).

MA&AS will include fraud risk assessment in its regular audit and assurance activities (embedded in the scope) and will not conduct separate audits for fraud detection, unless there is a specific request from the management. Following techniques can be employed by MA&AS personnel in audit execution and data analysis with respect to fraud detection:

- Find Missing Number in Sequence

- Finding Duplicate in data

- Round Number - Round No. transactions may be symptomatic of casualness / mysterious deals or settlements or frauds.

- Repetitive Odd Number - Repetition of odd number are very rare coincident and must be examined in detailed for any irregularities.

- Classification - Arranging data into homogenous group or classes according to some common characteristics present in the data.

- Single Transaction - An Isolated outlier is an observation in a data set which is far extreme in value from the others in the data set. It is an unusually large or an unusually small value compared to the others.

- Stratification - Dividing large data and rearranging it into Strata

- Bendford's Law - Benford's Law is a mathematical tool that can be applied on the full database to overview millions of transactions

- Same person approval for similar transactions

- Odd type documents for similar transactions - Certain payment are always supported by scanned / fax document.

- Some novel methods that can also be used (e.g. Tiger Team Tests, Theory of Inverse Logic, Principle of Mirror Imaging, etc.)

1.14 MA&AS and Whistleblower Policy

As per IIA's position statement on the topic, the internal audit department should use their best endeavors to ensure that the enterprise has appropriate and effective whistleblowing policies and procedures.

Specifically MA&AS can have following roles:

- Be a part of the investigations as per the Whistle-blower policies and procedures of the company; the initiation of the investigation needs to be mandated by the Audit Committee / Compliance officer for Whistleblower policy / Senior Management. This will be done only if there is no conflict of interest with respect to MA&AS conducting the investigation.

- Be given a role as a formal contact point of concerns to be raised

- Receive information from a whistleblower during the course of its audit execution

- Become a whistleblower in case of fraud situations being unearthed as part of regular audit execution

The exact role of MA&AS needs to be outlined with respect to the whistleblower policy of the company.

1.15 Personnel Strategy

MA&AS will very clearly lay down the job descriptions and competency requirements for its various roles. MA&AS is committed to provide requisite training and supervision to its employees enabling them to perform their job appropriately. Clear set of competency requirements will also provide a definite career path to the employees. To aid in an employee's holistic career development within the internal audit function, periodic rotation of employees across the different audit areas and BUs will be done. This will provide exposure to the employees across the different set of activities carried out by the internal audit function. The details of job

accountabilities, competency requirements, training needs and career path are available in further sections in the document.

1.16 Performance Management

MA&AS' performance will be assessed based on defined KPIs covering department operations (% audit coverage, timeliness of reports, % of accepted recommendations etc.), customer satisfaction (results from survey among CEOs, CFOs, COOs; no other process owners to be included in the survey) and people parameters (employee satisfaction, trainings etc.). The Group Head of MA&AS will be accountable and responsible for meeting the targets agreed against the department KPIs at the beginning of each financial year. The Group Head of MA&AS, with the assistance of the Sector Heads will also be responsible for tracking and reporting against these KPIs on a quarterly basis to the Chairman. The relevant automation required to track these KPIs will be implemented by Group Head of MA&AS with approval from Chairman. The key performance indicators for MA&AS have been presented in detail in a subsequent section in this document.

Group Head of MA&AS, along with Sector heads will be responsible for ensuring quality of the work conducted by audit team members. This will be carried out through an assessment of the audit reports created by audit personnel that will eventually feed into the appraisal / performance review of the specific audit personnel. The assessment of audit reports will not be conducted on a report by report basis, but at a collated level at the time of appraisal of the auditor. Key criteria to be considered in this assessment are as follows:

- Reporting format and ease of understanding by the reader

- Ability to connect the reader with the issue with appropriate risk and impact information and convey the final message in a crisp and sharp manner

- Ability to balance scope coverage, breadth and depth of the review conducted.

- Process gaps identified categorized into extremely sensitive, sensitive and normal

- Value generated in terms of confirmed (by auditee) cost savings brought out, compliance related liabilities, revenue leakages and other cost and revenue optimization opportunities.

- Timeliness in reporting

- Acceptance of the suggestions given in the report

2 Organization Structure

2.1 Design Principles

As part of the Synergy BPT operating model, **MA&AS will continue to remain centralized as a corporate function, with direct administrative reporting to Chairman. In its internal audit role, MA&AS will have direct reporting to the Audit committee of the Board.**

A dedicated role, **Group Head of MA&AS, will manage all internal audit and assurance activities across businesses.** Under the Group Head of MA&AS, the department will be structured along **sector wise audit teams.** These teams will be responsible for execution of all audit engagement as per plan and scope for MA&AS, for a particular sector. These will be headed by the **Sectors heads**, and they will have direct reporting to the Group Head of MA&AS. Sectors heads will be assigned for following **five sectors**: **Energy, Resources, Logistics, Agro, Corporate & other businesses**. Within a sector's audit team, execution will be managed by the audit managers. It is important to note here that the sector teams will have central administrative reporting (centralized payroll for all sector aligned MA&AS personnel), and the allocation to a particular sector is only for audit execution point of view. There will not be any differentiation among the audit managers in terms of type of role to be performed. Also, the alignment to a particular sector team will not be permanent, and employees can be moved across different sectors as part of a rotation program.

The individual sector teams will also have analytics capabilities embedded in them, and will leverage the analytics tool (IDEA) for the purpose of data analysis. It is to be noted that for areas requiring deep domain expertise such as IT audit, MA&AS will follow a co-sourcing model and deploy experts on an assignment basis. The MA&AS team will be responsible for program managing the co-sourcing engagements.

This operating model will serve the following purpose

- Ensure strong control and consistency
- Strengthening capabilities (e.g. analytics) across the department
- Create deep as well as broad knowledge across company businesses and audit activities
- Adoption of common practices and following standard templates and drafts

The overall organization structure is shown in the following page.

2.2 Organization Structure

```
                                    ┌──────────────────────┐
                                    │   Group Chairman /    │
                                    │  Managing Director    │
                                    └──────────────────────┘
                                               │
• Establishes procedure / policies  ┌──────────────────────┐        ┌──────────────┐
• Oversee the expert and Sector Team │    Group Head         │        │    Audit     │
• Handles escalations                │     MA&AS             │        │  Committee   │
• Drives to continuous improvement   └──────────────────────┘        └──────────────┘
                                               │                            │
        ┌──────────┬──────────────┬────────────┼─────────────┬──────────────┘
        │          │              │            │             │
┌───────────┐┌───────────┐┌───────────┐┌───────────┐┌──────────────┐
│Sector Head ││Sector Head ││Sector Head ││Sector Head ││ Sector Head   │
│  Energy    ││ Resources  ││ Logistics  ││   Agro     ││Corporate & Other│
│            ││            ││            ││            ││  Business     │
└───────────┘└───────────┘└───────────┘└───────────┘└──────────────┘
      │           │            │             │              │
┌───────────┐┌───────────┐┌───────────┐┌───────────┐┌──────────────┐
│   Audit    ││   Audit    ││   Audit    ││   Audit    ││    Audit      │
│  Managers  ││  Managers  ││  Managers  ││  Managers  ││   Managers    │
└───────────┘└───────────┘└───────────┘└───────────┘└──────────────┘
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- Execute audit & assurance engagements and report finding
- Agrees observations and root causes, with process owners and BU leads
- Monitors implementation of corrective and preventive to closure
- Drives to continuous improvement
- Escalates to Group Head of MA&AS, BU Leadership

3 Job Descriptions for MA&AS

Following are the job descriptions for the key roles in the MA&AS function. They have been developed using the standard Adani format, specified by Group HR. The role-specific competencies (see next section) have been defined by the Synergy BPT team while the broad behavioral competencies (see next section) have been developed by Adani HR and are standard across all functions.

Job Description – Group Head of MA&AS

Unique Job Role	Group Head of MA&AS	Date Last Updated	20-May-2013
Business/Function/Site	Function	Department	MA&AS
Direct Reporting To (UJR)	Chairman / Managing Director	Functional Area (e.g. Sales & Marketing)	Internal Audit
Dotted Reporting to (UJR) (if applicable)	N/A	Sub Functional Area (E.g. Sales)	
Job ID (filled centrally)		Job Band (filled centrally)	

Job Purpose

To ensure effective functioning of Internal Audit and Management assurance department (MA&AS) by ensuring risk based, exhaustive and timely audit and reporting, and act as a single point of contact for any matters related to Internal Audit and Assurance

Key Accountabilities / KRA Guidelines

No.	Key Accountabilities / KRA Guidelines
1.	Oversee / lead the audit scoping and planning exercise and achieve alignment with Chairman and Audit Committee; ensure adherence to risk based approach
2.	Report audit findings and critical issues to Senior Management in a timely manner
3.	Provide assurance through critical and diagnostic view on control, risk and action required to senior management (Chairman, Managing Director & APEX

	Members)
4.	Provide reasonable assurance on the effectiveness of internal policies and processes (SOPs) from controls perspective through periodic review and suggest improvements based on gaps identified
5.	Manage relationships with internal senior stakeholders
6.	Oversee the work of Sector audit teams within MA&AS
7.	Identify co-sourcing requirements and lead / oversee selection of appropriate partners and effective framing of contract; Undertake periodic review of the external partner firms
8.	Follow up and escalate on audit recommendations; Assure effectiveness of the corrective & preventive actions
9.	Oversee / lead critical audit and assurance engagements (e.g. audit of large projects)
10.	Establish and ensure efficient, effective and robust Internal Audit and assurance processes; Take ownership of overall quality of the function
11.	Understand the trends in the internal audit / assurance landscape and recent developments and their potential impact on the Group; communicate the same to the Senior Management
12.	Ensure custody of required records (audit & assurance reports) and documentation
13.	Act as a single point of contact for management in the function
14.	Encourage and promote a culture of creativity, discipline and people connect. Provide clear leadership and promote and foster a team culture consistent with the organization's values
15.	Work closely with HR to ensure recruitment of appropriately skilled employees and establishing appropriate remuneration levels and performance based conditions for employee within the organization's framework
16.	Create an environment that encourages employee motivation & retention, high levels of employee engagement and ensures employee satisfaction; Driving capability building of MA&AS personnel through training
17.	Drive a culture of continuous improvement and undertake continuous improvement projects; capture latest industry trends (tools, methodologies)
18.	Develop annual budget for the department and ensure no overrun on Budget / Approved costs.

19.	Design and drive cost control and reduction measures within MA&AS
20.	Ensure department KPIs are met / exceeded

Competencies

Competencies	Proficiency Level (1-4)
A. Adani Behavioral Competencies	
• Strategic Orientation	3
• Customer Orientation	3
• Entrepreneurial Mindset	3
• Decision Making	3
• Execution Focus	3
• Planning and Organizing	3
• Leadership	3
• Teamwork & Collaboration	3
• Effective Communication	3
B. Role-specific Competencies	
• Business / Industry Specific Knowledge and Acumen	4
• Risk and Control	4
• Process Excellence and Project Management	4
• Research, Investigation and Data Collection	3
• Data Analytics	4
• Systems Orientation	4

• Knowledge of regulatory, legal and economic environment	4
• Conflict Resolution	4

Experience & Educational Requirements

EDUCATIONAL QUALIFICATIONS:	• B.Com / B. Tech / MBA / CA (at least one) • Certified Internal Auditor (desirable)
RELEVANT EXPERIENCE:	• 22-25 years of experience in Internal audit and management assurance function • 8-10 years of experience in leading Internal Audit in a large Indian conglomerate

Job Description – Sector Head

Unique Job Role	Sector Head	Date Last Updated	20-May-2013
Business/Function/Site	Function	Department	MA&AS
Direct Reporting To (UJR)	Group Head of MA&AS & Audit Committee of the Board	Functional Area (e.g. Sales & Marketing)	Internal Audit
Dotted Reporting to (UJR) (if applicable)	N/A	Sub Functional Area (E.g. Sales)	N/A
Job ID (filled centrally)		Job Band (filled centrally)	

Job Purpose

To ensure effective and comprehensive execution of audit and assurance engagements for the sector through robust planning, timely reporting & escalation and overall program management

Key Accountabilities / KRA Guidelines

No.	Key Accountabilities / KRA Guidelines
1.	Lead the audit scoping and planning exercise for the sector, as per risk based approach
2.	Develop detailed audit execution plan (annual, quarterly) as per agreed scope and allocate resources accordingly
3.	Oversee / lead execution of audit and assurance engagement within the sector
4.	Examine the effectiveness of internal control system, policies and processes through evaluation and make recommendations
5.	Ensure timely reporting of audit findings for the sector to Senior management & Audit Committee. Ensure timely response to queries raised by Audit Committee.
6.	Liaise with the sector heads (BU, corporate) for discussion of audit observations and follow ups
7.	Review and escalate on implementation of Audit Recommendation
8.	Ensure implementation of internal audit processes and tools within the sector; ensure standardization
9.	Drive continuous improvement initiatives (e.g. automation, analytics) within MA&AS to improve efficiency and strengthen assurance
10.	Manage / lead specific and critical audit projects and assurance engagements per plan
11.	Program manage and liaise with external partner firms (co-sourcing) as required
12.	Drive training / awareness initiatives in MA&AS
13.	Assist the Group Head of MA&AS in capture and reporting of department MIS

Competencies

Competencies	Proficiency Level (1-4)
A. Adani Behavioral Competencies	

• Strategic Orientation	2
• Customer Orientation	2
• Entrepreneurial Mindset	2
• Decision Making	2
• Execution Focus	2
• Planning and Organizing	2
• Leadership	2
• Teamwork & Collaboration	2
• Effective Communication	2
B. Role-specific Competencies	
• Business / Industry Specific Knowledge and Acumen	3
• Risk and Control	3
• Process Excellence and Project Management	3
• Research, Investigation and Data Collection	3
• Data Analytics	3
• Systems Orientation	3
• Knowledge of regulatory, legal and economic environment	3
• Conflict Resolution	3

Experience & Educational Requirements

EDUCATION:	• B.Com / B. Tech / MBA / CA (at least one)
RELEVANT EXPERIENCE:	• ~12-15 years of experience overall with 5-6 years' experience in in Internal Audit and Management Assurance, and rest in F&A / operations

Job Description – Audit Manager

Unique Job Role	Audit Manager	Date Last Updated	07-May-2013
Business/Function/Site	Function	Department	MA&AS
Direct Reporting To (UJR)	Sector Head	Functional Area	Internal Audit
Dotted Reporting to (UJR) (if applicable)	N/A	Sub Functional Area	N/A
Job ID (filled centrally)		Job Band (filled centrally)	

Job Purpose

To ensure timely and accurate execution of assigned audit and assurance engagements and reporting of findings

Key Accountabilities / KRA Guidelines

No.	Key Accountabilities / KRA Guidelines
1.	Execute the assigned audit and assurance engagements as per the defined guidelines / templates and timelines
2.	Keep the Sector Head up-to-date on progress / ensure prompt escalation in case of issues
3.	Track progress of the assigned engagements and follow up actions by the process owners
4.	Liaise with BU personnel for discussion on audit findings and clarifications
5.	Liaise with external partner firms for execution of audit engagements, as required
6.	Develop industry specific knowledge (aligned to sector's business) and other relevant domain knowledge
7.	Develop proficiency in the Internal Audit tools (e.g. automation systems, analytics tools) and methodologies

8.	Cultivate strong relationship and work culture within the team.

Competencies

Competencies	Proficiency Level (1-4)
A. Adani Behavioral Competencies	
• Strategic Orientation	1
• Customer Orientation	1
• Entrepreneurial Mindset	1
• Decision Making	1
• Execution Focus	1
• Planning and Organizing	1
• Leadership	NA
• Teamwork & Collaboration	1
• Effective Communication	1
B. Role-specific Competencies	
• Business / Industry Specific Knowledge and Acumen	2
• Risk and Control	2
• Process Excellence and Project Management	2
• Research, Investigation and Data Collection	2
• Data Analytics	2
• Systems Orientation	2
• Knowledge of regulatory, legal and economic	2

environment	
• Conflict Resolution	2

Experience & Educational Requirements

EDUCATIONAL QUALIFICATIONS:	• B.Com / B. Tech / MBA / CA (at least one)
RELEVANT EXPERIENCE:	• 2-3 years of experience in any business operations or accounting / shared services

4 Competencies

4.1 Role Specific Competencies

#	Competency Name	Competency Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
1	**Business / Industry Specific Knowledge and Acumen**	Functional	- Basic awareness of the organization's business and objectives - Awareness of specific BU's (or corporate function based on alignment) business, processes and policies	- Good understanding of specific BU's (or corporate function based on alignment) business, processes and policies	- Thorough understanding of the company's business, processes and policies - In depth understanding of specific BU's (or corporate function based on alignment) business, processes and policies - Awareness of industry frameworks and benchmarks	- Expert understanding of the company's business, strategy, risks and policy framework - Strong understanding of relevant industry benchmarks and where to use them
2	**Risk and Control**	Functional	n/a	-Understands the relationship between risks, controls and governance and how to apply these in internal activities	- Understands risk based approach for Internal Audit and employs the framework in audit scoping and planning exercise - Applies, manages and monitors the application of an internationally accepted control framework (e.g.	- Ensures internal audit activities are aligned with and enhance the organisation's risk management, through adoption of risk based approach for internal

#	Competency Name	Competency Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
					COSO) to all auditing and consulting activities	audit
3	**Process Excellence & Project Management**	Functional	n/a	- Executes audit engagements with minimum oversight - Good understanding of department's processes and activities (end to end workflow) - Ability to liaise with external partners for audit activity	- Prepares audit plan and participates effectively in the audit scoping exercise -Leads large audit engagements - Ability to identify operational risks and provide executable solutions -Ability to program manage the external partners for audit activity; provide inputs for review -Ability to lead the budgeting exercise for the department	- Ownership of overall audit scoping and planning exercise - Ownership of overall department's processes - Identifies co-sourcing opportunities and leads selection of partner firms; undertakes performance review -Ability to lead the organization through process improvement on a continuous basis
4	**Research, Investigation and Data Collection**	Technical / Functional	- Prepares for an interview, sets the environment and conducts the	- Independently prepares for an interview, set the environment and	- Chairs a meeting with a range or organizational personnel, determining the agenda and issues to be	n/a

#	Competency Name	Competency Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
			interview with support from others -Displays active listening skills -Practices a range of questioning techniques -Produces accurate written meeting notes - Employs appropriate management tools and operational research modeling techniques to business issues	conducts the interview -Asks pertinent and probing questions -Uses questionnaire and surveys as part of audit engagement - Selects and uses appropriate management tools and operational research modeling techniques to business issues - Can effectively appraise a process	discussed - Designs and employs the usage of questionnaire or survey for an engagement - Compares, evaluates and selects appropriate management and operational tools for research and investigation	
5	**Data Analytics**	Technical / Functional	-Applies basis data sampling and analysis techniques	- Applies data sampling and analysis techniques to auditing activities, including	- Employs Excel, queries, organisation's systems, or third party providers data extraction software - Awareness of advanced	- Samples and analyses data for internal audit activities and manages these activities - Expert understanding

#	Competency Name	Competency Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
				where appropriate, statistical methodologies -Uses benchmarking data adequately	analytical techniques - Employs relevant analysis tools	of advanced analytical techniques and their application -Draws organizational operational and strategic implications out of analysis results -Conversant with, and able to challenge the use of, data collection and analysis methods employed
6	**Systems Orientation**	Technical	-Basic working knowledge of the overall AMS system -Basic working knowledge of other automation and analytical tools (e.g. IDEA) used by the department -Basic computer skills	- Advanced knowledge of the AMS system - Comprehensive working knowledge of other automation and analytical tools (e.g. IDEA) used by the department - Ability to identify automation	-Ownership of all tools used by the department - Ability to coordinate with automation vendor on defining requirements and implementing any changes - Awareness of relevant tools available in the market -Strong system orientation in	-Ownership of all tools used by the department -Strong system orientation in terms of leveraging automation as a way of continuous improvement in the way of working -Ability to prepare and evaluate high level

#	Competency Name	Competency Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
			(email, MS Office)	opportunities to improve efficiency -Strong computer skills	terms of leveraging automation as a way of continuous improvement in the way of working	business case for automation
7	**Knowledge of regulatory, legal and economic environment**	Functional	- Demonstrates an understanding of the nature and laws of legal evidence	- Demonstrates a basic level understanding of the impact of legislation and regulation (e.g. trade legislation and regulations, labor laws, civil and penal laws, contract law etc.)	- Independently, and in routine situations, takes into account the impact of legislation and regulation (e.g. trade legislation and regulations, labor laws, civil and penal laws, contract law etc.) - Is aware of and takes into account impact of economic factors such as inflation, exchange rates, interest rates, overall economic environment	- Independently, and in complex and unique situations, takes into account the impact of legislation and regulations (e.g. trade legislation and regulations, labor laws, civil and penal laws, contract law etc.) - Is aware of takes into account impact of both macro-economic and micro-economic factors (such as inflation, exchange rates, interest rates, overall economic environment, resource

#	Competency Name	Competency Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
						allocation, etc.) in complex situations and analysis
8	**Conflict Resolution**	Functional	- Captures and paraphrases dissenting opinions accurately - Listens well	- Addresses disagreement and conflicts in ways that build relationships	- Spots potential conflicts and minimizes disruption through win-win solutions - Handles difficult people with tact and diplomacy	- Displays clear leadership in crisis and conflicts (effective communication at senior levels) - Encourage debate and open discussions

4.2 Adani Competencies

Adani competencies are as detailed out by Corporate HR in Adani Competency Framework. These need to be refreshed as and when they get updated by HR

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
1	**Strategic Orientation**	1a. Objectives formulation	Understands the organization's objectives and	Establishes a link between short-term actions in daily	Constantly reviews own objectives to ensure they support Adani's long-term	Recognizes the impact of the market, the society, and the environment on

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
		and implementation plans keeping in view long term interests	strategies	business and their long-term implications for the department and its market position	strategic aims, and makes changes or challenges if they do not	long-term tasks, opportunities and trends from the company as a whole. Takes the impact into consideration when developing long-term strategies. Reviews own actions in relation to the business strategy, Adani´s Vision and tries to take the overall context into consideration at the planning stage
1	**Strategic Orientation**	1b. Opportunities capitalization and risk mitigation	Takes the medium- and long-term consequences of own decisions on economic success and customer relations into consideration	Reviews own actions in relation to the divisional strategy and try to take the context into consideration at the planning stage. Anticipates future problems or	Makes complex ideas, issues and situations clear and understandable, and can relate these to the wider context of the organization	Is able to think in scenarios and to design alternative business strategies and visions

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
				complex issues		
2	**Customer Orientation**	2a. Understanding and responding to customer needs	Understands the explicit needs of the customer and offers solutions that cater to them	Probes to understands the real/ underlying needs of the customer, beyond those expressed initially and assists the customer to choose amongst solutions best suited to meet them	Develops a well assessed opinion on customers current as well as future needs and customizes existing solutions to meet them	Analyzes trends in customer needs both for existing and potential customers and sets benchmark standards in solutions for addressing them
2	**Customer Orientation**	2b. Managing customer relationships	Develops rapport with customers by regularly interacting with them and meeting their expectations	Builds trust and maintains good relationships with customers by demonstrating in-depth understanding of customer issues beyond own area of work, and exceeds	Advises/ supports customers on matters directly and indirectly related to immediate business and consistently strives to deliver superior customer experience	Works with the customer as a trusted business partner by creating long term value for them on an ongoing basis to ensure customer loyalty & retention

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
				their expectations		
2	**Customer Orientation**	2c. Driving customer focus	Understands and acts upon customer feedback and suggestions relevant to own work area	Sensitizes others about the importance of customer feedback and uses customer feedback to conduct action planning for improvement	Continuously monitors effectiveness of customer service mechanisms; advocates customers' point of view and reiterates customer importance at various forums	Creates a work environment where customers' interests act as the driving force and transforms systems/ processes to ensure superior customer experience consistently
3	**Entrepreneurial Mindset**	3a. Proactive identification of business opportunities, ideas and needs and an orientation towards a 'big picture' view	Takes sufficient time to identify and initiate change and innovation processes. Acts immediately in a crisis or difficult situation and takes repeated action against obstacles to resolve the situation.	Establishes challenging goals for him/herself where achievement is not certain, and introduces appropriate measures. Volunteers for challenging assignments or projects in or outside own field	Able to spot opportunities and problems in the medium-term (3 to12 months), and develops new approaches, products and services based on these. Uses networks to seek fresh ideas. Encourages different agencies to pool resources and expertise.	Sees and acts on long-term (beyond 12 months) opportunities and problems. Formulates completely new and 'off the wall' ideas and concepts, which create a potential opportunity, and uses innovative approaches to allow them to be realized. These may address underlying needs that

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
				Is prepared to make decisions that are not accepted by all or that are outside his/her specific authority		have not yet been identified by customers.
4	**Execution Focus**	4a. Driving Results/ Managing Obstacles / Persistence	Accepts responsibility for own work and ensures that the job is completed on time	Conveys a sense of urgency to own and other related departments and follows up to ensure that the job is completed on time Does not give up easily and remains focused in the face of obstacles	Takes numerous sustained actions/multiple approaches over time for achievement of assigned goals for self and team Anticipates potential problems/obstacles and takes steps including preparing contingency plans to overcome the same	Invests time and resource to transform systems and processes to significantly enhance the team's efficiency, effectiveness and ability to achieve results Elicits full commitment from team in all initiatives, despite surmounting odds
4	**Execution Focus**	4b. Adherence to procedures/ processes/	Has an understanding of basic standards and procedures pertaining to own	Drives the implementation of required standards around safety and quality; ensures	Drives a process-driven culture across teams by insisting on process-adherence and methodical approach to	Is a role model for others in the organization. Sets an example of high standards and procedures in the organization.

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
		quality	area. Strives to produce work, which meets the standard expected	compliance	delivering products and services	Champions process orientation and initiatives across company / function
4	**Execution Focus**	4c. Performance Monitoring	Monitors own quality of work to ensure adherence to set levels of performance	Monitors owns and others progress against specific targets, milestones or deadlines as per a defined plan for self and others	Monitors data to identify data gaps, inadequacies in existing metrics and proposes relevant metrics to monitor performance	Creates a metrics driven performance culture with systems to track information/organize data, generate early warning signals, drive automatic course correction, leading to an overall improvement in performance
4	**Execution Focus**	4d. Developing Expertise	Tries to gain knowledge and be a subject matter expert in his domain. Constantly tries to challenge his/her own knowledge base.	Uses his subject matter knowledge at his/her job and motivates the team to follow the same	Challenges and drives his team to learn and understand more about their job area. Displays high degree of domain expertise.	Drives the organization in being the best in every sphere and domain. Ensures this agenda is suitably anchored with the help of senior management assistance and training.

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
5	**Planning & Organizing**	5a. Establishing Priorities/ Set plans	Breaks-down the given task into activities; Plans own work and daily activities	Recognizes priorities, dependencies, and critical paths important to the sequencing of activities and plans work accordingly	Drives clarity and structure through creating a framework for planning within which individuals and teams can operate	Excels in managing and delivering projects/ initiatives that involve long term/ complex planning that impact multiple stakeholders, i.e., customers, employees and the business
5	**Planning & Organizing**	5b. Resource Mobilization	Is able to identify and mobilize required resources for successful completion of work	Ensures effective allocation of work activities and resources; Takes initiative and utilizes all available resources to ensure a high level of operational efficiencies in assigned work	Anticipates additional resource requirements; re-directs resources, activities/assignments as required to ensure timely completion of the assigned work	Develops systems to mobilize and meet future resource requirements.
5	**Planning & Organizing**	5c. Risk identification and Risk	Is able to identify major/ obvious risks involved related to own area of work	Is able to assess the inherent risks involved within own area of work and ensures mitigation	Develops systems and processes to proactively identify different risks involved (financial customer, business, etc.),	Is able to build a culture of risk identification and mitigation throughout the organization; champions the case of efficient risk

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
		mitigation		of the same	putting in checks to raise timely flags, etc., and is able to mitigate the same effectively with the help of systems and processes	planning at the business level keeping in mind the long-term implications for Adani
6	**Decision Making**	6a. Impact of Decisions	Considers impact only on own work area while making decisions	Considers impact on directly involved parties when making decisions	Takes team, corporate and customer perspective into account when making decisions Is able to balance conflicting stakeholder concerns while making decisions	Ensures decisions are consistent with the larger goals of the organization; Ensures that a wide range of potential long term implications on internal and external stakeholders are fully thought through
6	**Decision Making**	6b. Timeliness of Decisions	Demonstrates ability to take timely decisions when clear guidelines and policies are defined	Demonstrates ability to take timely decisions based on one's earlier experience and precedence in the organization, even where clear guidelines and policies are not	Makes timely decision even when faced with unprecedented situations based on available information and expert opinions	Takes timely decisions that have a significant or long-term impact, having consulted and involved others where appropriate; Able to balance conflicting stakeholder perspectives

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
				defined		
6	**Decision Making**	6c. Ownership for Self & Team Decisions	Takes ownership for one's decisions and any outcome thereof	Takes ownership for any decisions taken by one's team	Takes ownership of any decisions taken with one's consultation that may have an impact on the organization Takes decisions even when a tough stance is necessary	Ensures that others are accountable for decisions taken by them in the organization and they understand the impact of the decisions Stands by decisions even if they are unpopular if they are for the good of the organization
7	**Collaboration and Teamwork**	7a. Achieving team goals	Is aware of team & organizational goals and places shared goals before individual interests;	Identifies and provides resources including information, skills, knowledge required by team members to accomplish objectives and goals; Helps the team to understand their	Accomplishes goals by partnering effectively with other teams and individuals at all levels in the organization; Commits to and contributes to all team activities, participating actively in team meetings, discussions etc.	Sets clear team expectations, finds alternative ways to achieve goals and works towards building team commitment; Actively supports teamwork and information sharing across business levels, functions and

| #	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
				roles by clarifying accountability and monitoring their performance		organizational boundaries
7	**Collaboration and Teamwork**	7b. Cooperation and Coordination	Communicates expectations clearly and keeps others informed of decisions and provides feedback	Actively seeks out views and encourages contributions of everyone within the team; Shares information in a timely, honest and open manner within and across teams	Recognizes dysfunctional individuals/group interactions and addresses them through suitable interventions; Develops relationships based on transparency and trust; sets a collaborative group climate with a open and friendly culture and removes barriers to effective teamwork	Publicly credit others who have performed well; Ensures that performance feedback and recognition system support a team environment; Coordinates activities across multiple teams to focus on long-term benefit to all parties
8	**Leadership**	8a. Create Shared Vision & Goals	Is able to effectively communicate objectives/ roles to team members	Is able to communicate the broader team objective to each member and establish the link to	Constantly communicates the big picture and shared purpose to the key stakeholders by communicating the linkages to the overall	Is able to create a compelling vision of the future that transcends across teams and organization, obtains commitment from the key

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
				their individual roles Shares the rationale behind the goals and solicits feedback on the same	organizational goals Is able to drive the stakeholders to believe in the need/ appropriateness of the goal and their ability to achieve it	stakeholders towards the larger purpose
8	**Leadership**	8b. Team Alignment	Is able to give clear directions to the team members Listens to other team members	Cascades team goals to individual goals and targets in consultation with the team members Is open to new ideas of others. Acknowledges differences in opinion within the team, and shows respect towards opinions contrary to one's own	Is able to correctly assess the capabilities/ interests of team members and align targets/ goals to capabilities/ interests Actively encourages new ideas from others. Values differences in background, approach and targets of various team members, builds on their strengths	Is able to drive alignment of goals and objectives for diverse/ cross-functional teams Proactively strives for diversity within the team to encourage new/ diverse idea generation. Brings conflicts within a Team out into the open and supports a mutually beneficial resolution of conflicts, takes action to resolve the conflicts, not to hide them or avoid the

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
						issues
8	**Leadership**	8c. Lead by Example	Extends a helping hand towards peers, subordinates in case of any need Uses formal authority and power in a fair and equitable manner	Takes initiative to perform challenging or undesirable tasks to support others Makes a personal effort to treat all group / department members fairly and maintains confidentiality Admits own mistakes and corrects if necessary Stands up for own beliefs	Makes extra effort to guide the team members in identifying and replicating success; Works upon challenges posed by others and co-opts them into finding a solution and getting their acceptance Takes pride in being trustworthy Delivers on commitments, inspite of constraints	Enjoys a very high credibility amongst peers, superiors and subordinates and is seen as a role model for inspiration by others both personally and professionally Inculcates personal and organisational values within team members Walks the talk even in the most difficult situations
9	**Effective Communication**	9a. Channel of Communication	Seeks assistance in identifying and utilizing appropriate communication channels to convey	Is aware of and uses appropriately existing formal intra/inter departmental	Identifies barriers to communication in the present system and takes action to eliminate/	Establishes, maintains and regularly evaluates to continuously improve the formal and informal communication systems

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
			information	communication channels in order to communicate effectively	minimize them Is able to assist others in selecting and using appropriate organizational communication systems	to support effective communication within the organization and external environment
9	**Effective Communication**	9b. Focused Communication	Is able to articulate simple ideas, concepts or a position in a form so that others can readily understand the message	Communicates easily, with a clear sense of audience and appropriate tone Uses active listening and addresses specific points of disagreement in response to others	Articulates complex issues in a concise, readily-understood manner; Simplifies issues by using similar situations, past experiences, anecdotes or graphical presentations	Fosters two-way communication by listening to feedback, asking questions to clarify, and paraphrasing understanding Promotes organization's messages, products and services to internal and external stakeholders in a purposeful and timely manner which gains and sustains their support
9	**Effective Communication**	9c. Influence	Uses direct persuasion in a discussion or	Adapts oneself based on situational requirements/ to influence and	Uses experts or third parties to influence, or takes multiple/different actions or makes complex	Uses complex influencing strategies to reach a goal or have an affect;

#	Competency	Competency Sub Group	Proficiency Level 1	Proficiency Level 2	Proficiency Level 3	Proficiency Level 4
			presentation	negotiate with specific audience - selects the most appropriate mix of persuasion, request, coercion, etc., best suited to the situation	staged arguments; Tactfully/ politely expresses disagreement with others	Negotiates to produce win-win outcomes on complex issues with individuals and groups that have diverse opinions and views

5 Career Path
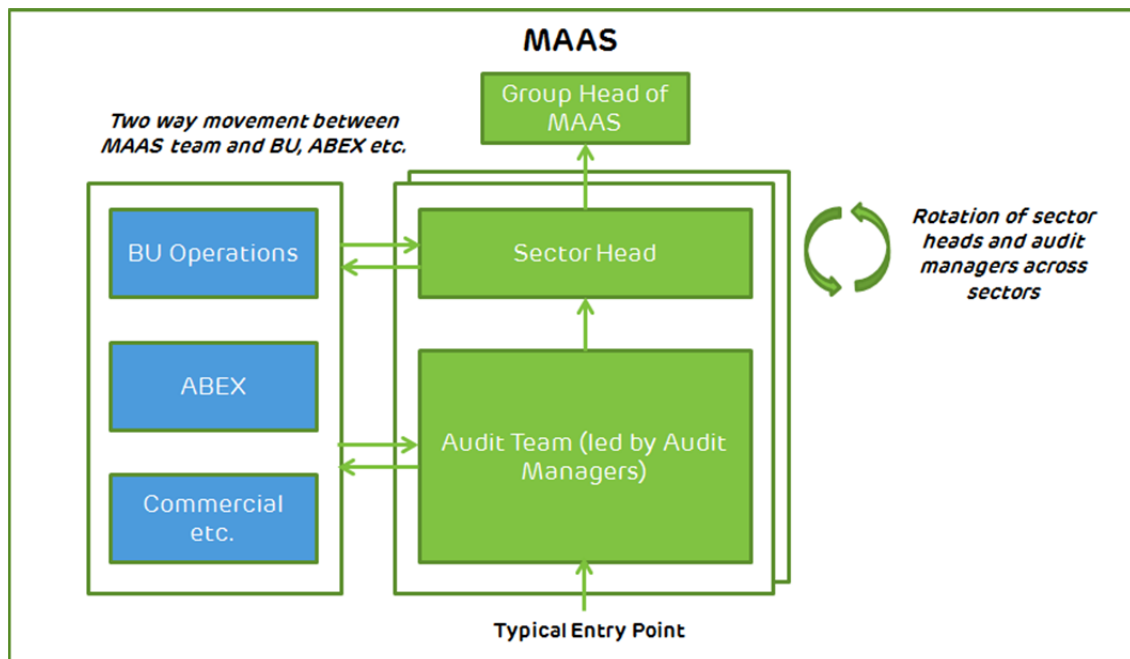
In the new organization design for MA&AS, typically, a **new employee** will join the internal audit (MA&AS) as **a member of the internal audit team** in one of the sectors.

Within a particular sector, the audit and assurance engagements are conducted / led by the **audit managers**. There will be no differentiation as such between the type of audit engagements conducted by the audit managers, and they will be **rotated across different engagements** to gain exposure to different types of engagements. There is no position specific hierarchy within a sector's audit team. A tenured audit manager will lead larger audit engagements and can lead a small team (of junior audit team members) reporting to him for the same, while a junior employee can be assigned smaller tasks to gain experience. Employees can grow vertically into tenured / senior audit managers within a particular sector, headed by the **Sector Head**. Also, audit managers, after a particular duration (3-4 years), will be **encouraged to rotate across to a different sector** for exposure and experience. Each stint in a particular sector should be of at least 3 years. Experienced audit managers (with exposure across at least 2 sectors) can step into the role of a sector head.

Internal audit department can also source **employees / audit managers from BU operations or shared services (e.g. ABEX – for payment audit) through a rotation program**. Based on aptitude, interest and competency level, employees can join the MA&AS team. This will be managed through an internal job posting mechanism, handled by HR department. The rotation can work both ways, with MA&AS personnel also having the opportunity to join ABEX or BU operations. **The rotation facility will**

be available across all levels / roles within MA&AS i.e. audit managers, sector heads will have opportunity for rotation with ABEX / BU operations.

Sector heads can also move laterally to different sectors (with a minimum duration of 3 years heading a particular sector) and will grow vertically to eventually step into the role of the **Group Head of MA&AS**. To be eligible, a sector head must have had experience of working across at least two sectors as a sector head.

6 Governance

This document details out the governance and review mechanism in Internal Audit

Forum	Domain	Attendees	Frequency
MA&AS Internal Performance Review (for Internal Audit and Management Assurance performance)	• Review key MA&AS metrics (KPIs) and discuss outliers • Review issues related to MA&AS audit and assurance engagement execution (as raised by any BU, corporate function) • Discuss progress on on-going audit and assurance engagements (including co-sourced engagements) and high level planning for upcoming assignments • Discuss any critical findings that need urgent escalation and attention of management • Discuss status of recommended corrective and preventive actions, and plan to measure effectiveness of the preventive actions • Discuss plan for Audit Committee meetings • Review performance of Co-sourcing partners and discuss any actions if required • Discuss and incorporate any changes in the audit plan basis requests received from senior management (BU CFO / CEO,	• Group Head of MA&AS • Sector Heads • Other special invitees (e.g. external co-sourcing partners)	Monthly

Forum	Domain	Attendees	Frequency
	corporate function heads) • Identify continuous improvement areas and discuss proposed initiatives • Significant issues discussed and resolved or escalated for resolution in session with Chairman or Audit committee		
Chairman's Review of MA&AS Performance	• Review performance of MA&AS (one on one) with Chairman (around key metrics such as % audit coverage etc.) • Discuss performance of Co-sourcing partners from an administrative and financial point of view • Discuss any changes required in the audit plan (receive special request from Chairman, if any) • Discuss continuous improvement areas and on-going / proposed initiatives	• Chairman • Group Head of MA&AS • Other special invitees	Half-yearly
Audit Committee Meeting – MA&AS Reporting	• Summary reporting of key audit observations and follow up (if any from earlier observations) by MA&AS and discussion in the Audit Committee • Get approval from Audit committee on the audit scope (annual exercise) and plan • Discuss any changes required in the audit plan (receive special request from Audit Committee, if any)	• Audit Committee • Chairman • Group Head of MA&AS • Other special invitees (e.g. relevant sector heads)	Quarterly
Chairman Review of Audit Findings	• Reporting of key audit observations (detailed, where required) and follow up (if any from earlier observations) by MA&AS • Escalate / highlight any critical pending follow ups to an audit finding / action from management	• Chairman • Group Head of MA&AS • Other special invitees •	Quarterly
BU and	• Intimate and receive alignment	• Sector Head (BU	Monthly

Forum	Domain	Attendees	Frequency
MA&AS Discussion Forum	on audit plan (upcoming engagements) • Escalate / highlight any critical pending follow ups to an audit finding / action from management • Discuss any changes required in the audit plan (receive special request from BU senior management, if any) • Discuss any issues in audit engagement execution • Significant issues discussed and resolved or escalated for resolution in session with Chairman or Audit committee • Monthly meetings with key BUs; less frequent meetings with smaller BUs / group companies	specific) • BU CEO • BU CFO • Relevant Senior Management (department heads) based on agenda	

7 Department MIS / Key Metrics

Category	KPI Parameter	KPI Metric	UoM
Operations	% audit scope coverage	• # aspects covered / # aspects planned (target to be specified per 3-tier classification H-M-L e.g. complete 100% of H, 60% of M and 40% of L)	%
	Timeliness of audit coverage	• # reports released on plan / total number of reports	%
	% of acceptance	• # recommendations accepted by business / # MA&AS recommendations	%
	New initiatives completion	• % completion of new initiatives taken by MA&AS (target as per plan)	%
	# requests from the business for a review / audit / advice	• # Instances where an audit was initiated at the explicit request of a business (target is 60%)	#
Customer Related	Customer Satisfaction Survey	• Survey of business CEOs / CFOs / COOs focusing on value added by IA to business (scale of 1 to 5 supported by qualitative findings)	

Customer Satisfaction Survey

As per the definition, Internal Audit department is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. In order to assess the effectiveness and value add by the MA&AS beyond the quantitative operations parameters / KPIs, it is important to take feedback from BU heads, who are the key customers for the services provided by MA&AS. Following guidelines are being provided for capturing this feedback:

- The feedback will be captured through an independent survey carried out by a third party to be appointed by the Chairman and Group Head of MA&AS (mutual agreement)

- The survey will be conducted on a quarterly basis

- The following management personnel will be included in the survey – BU CEO, BU CFO, BU COOs; no other process owners to be included in the survey

- The survey will ask for quantitative ratings (scale of 1 to 5) across various dimensions of MA&AS performance as perceived by customers, supported by qualitative findings

- The survey ratings and comments will be collated across the various sectors / BUs and normalized (based on a criteria capturing importance of sector / BU through a weight factor) and thereafter shared with the Chairman and Group Head of MA&AS

8 Training & Development

Training programs for the Internal Audit function will fall into one of the following buckets:

- **Mandatory trainings**: These will be pre-determined based on common functional requirements of each role within the Internal Audit function. Examples include new hire trainings, internal audit starter kit trainings, leadership trainings etc.
- **Inputs from PMS**: Training needs identified at individual level, in coordination with HR, based on the inputs from PMS
- **Knowledge / Skill building industry trainings**: External (industry associations, service providers) seminars, conferences, certifications etc. for knowledge enhancement, skill building and awareness creation about the latest trends / tools / methodologies / best practices in the field of internal audit
- **Knowledge Sharing**: Periodic sessions (taken by internal experts or external expert speakers) for MA&AS personnel on specific audit topics / domain areas for knowledge sharing.

All these will feed into building the annual training calendar for the function. These have been explained in detail in the subsequent sections.

8.1 Mandatory Trainings

Mandatory trainings are identified based on the functional knowledge and skills required to perform each role. Unless mandatory trainings are satisfactorily completed, staff will not be allowed to operate in the particular role.

New Hire Training

All new hires in the Internal Audit team will have to go through the New Hire training module. The new hire training will be as per the HR guidelines. From an IA perspective, below are the modules that need to be included as part of the new hire training. HR may wish to add any other modules deemed necessary over and above the ones stated below:

Training Module	Components
Business Capsule	• Overview of Adani businesses • Reporting structure
Firm Policies	• Admin, IT, HR, T&E
Career Management	• Career planning, Career path, Training

Training Module	Components
Behavioral Guidelines & Best Practices	• Core values, Culture, Norms at Adani group • Etiquette / protocol for Conducting meetings, Negotiations, Written & Oral communication • Work Ethics

Internal Audit Starter Kit (for new hires into the Audit Team)

Training Category	Training Module	Components
Technical	System Training	• Overview of the automation systems used such as document management system
	Audit Management System (AMS) Training	• AMS overview • AMS terminology & technology • AMS features: User interface, workflow, shortcuts, user settings & parameters, tips & tricks to gain efficiency
	Data Analytics Software (IDEA) Training	• Basic overview of the software • IDEA terminology & technology • IDEA features: User interface, workflow, analysis options (techniques), shortcuts, user settings & parameters, tips & tricks to gain efficiency
	MS Office Basic	• MS Excel • MS Word • MS Power-point • MS Visio • MS Project
Functional	Internal Audit Overview	• IA department objectives • IA organization structure • Overview of all the functions and different types of audit activities carried out by the IA department • Overview of governance mechanism and reporting (e.g. to Audit Committee)
	Domain Knowledge	• **Governance, risk and control concepts and frameworks** (basic) • **Fraud Assessment** (basic) • Overview of regulatory, legal and economic environment pertinent to the firm
	Business Capsule	• Overview of business operations

Training Category	Training Module	Components
		• Deep-dive of specific BU / corporate function (based on alignment) • Overview of interfaces with other BUs, functions
	Sop and other job related training	• Overall audit approach and methodology (risk based internal audit, audit cycles, audit universe) • SOPs for various processes (data collection, interview techniques) and audit activities
	Analytics Training	• Analytical tools and techniques (statistical sampling techniques, basic population analytics, simple modeling techniques, fraud assessment analytics)
	Report Writing	• Approach and best practices for IA report writing • Standard templates
Behavioral	General	• Team work approach, Time management, Zero defect processing, Productivity, Positive Attitude
	Communication	• Effective Oral & Written communication • E-Mail Etiquettes - Do's and Don'ts in writing E-Mails • Senior Stakeholder Management

Internal Audit Sector Head / Senior Audit Managers

Employees moving into senior roles (e.g. sectors heads) within the IA department will needs to be trained on few mandatory functional and behavioral modules

Training Category	Training Module	Components
Technical	Advanced IDEA	• Advanced techniques, Reports, Metrics
	Advanced MS Office	• MS Excel (advanced) • MS Outlook • MS PowerPoint • MS Project • MS Visio
Functional	Operations	• Managing operations, Driving process rigor &

Training Category	Training Module	Components
	Management	efficiency, Quality monitoring, Process standardization
	Domain Knowledge	**Standards on Internal Audit** (issued by Internal Audit Standards Board) **International Framework for Assurance Engagements** (issued by International Auditing and Assurance Standards Board) **Quality and Control** Concepts (ISO standards, Six Sigma, TQM) **Governance, risk and control concepts and frameworks** (advanced) **Fraud Assessment** (advanced) - Detailed module on regulatory, legal and economic environment pertinent to the firm
	Audit Scoping and Planning	- Effective and optimal scoping and planning of audit activities (finalizing audit calendar) in alignment with senior management and audit committee - Effectively applying risk based approach (risk identification, scoring, prioritization) - Co-sourcing: Identifying opportunities, selecting service providers, managing and monitoring
Behavioral	Professional Skill Development	Interpersonal Skill, Multitasking, Negotiation, Presentation, Motivational, Coaching & Mentoring
	People Management	Goal & objective setting, Effective delegation and work allocation, Motivating staff, Monitoring performance, Developing team members
	Leadership	- Audit specific leadership training (e.g. effective communication with senior management, audit committee) - To include both external (e.g. Institute of Internal Auditors, Corporate Executive Boards) and internal (HR) modules
	Relationship Building	Cultivate strong relationships with internal & external stakeholders

8.2 Training inputs from PMS

PMS inputs are sent to managers / reviewers of respective department heads. These trainings are then collated and shortlisted based on relevance. HR reviews all training requirements for consistency & alignment and consolidates them into a single training calendar which is then shared with all the concerned departments.

8.3 Knowledge / skill building industry trainings

The focus of the Internal Audit function needs to be closely aligned to organization's strategy and business activities (and therefore the specific risks the organization is subjected to) as well as the regulatory guidelines laid down for the corporate sector. As both these factors evolve / change with time, the IA function also needs to change and update itself with the latest trends, methodologies and best practices. This knowledge gathering and skill enhancement needs to be done on an ongoing basis and is critical to effective functioning of the IA function. This will be addressed through following modules /programs:

- **Seminars / Conferences**: Members of the IA department will be encouraged to participate in the seminars / conferences organized by key industry associations (e.g. conferences organized by various chapters **of Institute of Internal Auditors India** (IIAI), Internal Audit Standards Board (IASB) of Institute of Chartered Accounts of India (ICAI), Conference of Indian Industry (CII)) and service providers (e.g. top 4 audit firms, CEB). The head of the IA will be responsible for selecting the members for attending the events and identifying the relevant events. Some **examples** of conferences/ seminars organized (currently on calendar) by IIAI chapters are:

  o Governance in uncertain times

  o Emerging and new competencies of IA / CAE (chief audit executive)

  o IA leadership in multi-cultural teams

  o Audit Report Writing workshop

  o Data analytics and continuous auditing

  o Auditing in SAP environment

  o Internal Audit - Procurement , Inventory , Logistics in a manufacturing set up

- **Certifications**: Members of the IA department can enroll for various learning courses (online, classroom) provided by recognized industry bodies / associations (e.g. **IIA, IASB / ICAI, CII**) and get themselves certified. These programs will need to be approved by the head of IA, while keeping the HR

department in the loop. Some examples of certifications / courses offered by IIA, IASB / ICAI are:

- o Certified Internal Auditor (**CIA**): Only globally accepted certification for internal auditors and remains the standard by which individuals demonstrate their competency and professionalism in the internal auditing field. It is organized by IIA.

- o **Certificate course on Internal Audit**: This course organized by IASB / ICAI initiates the members to structural approach toward internal audit and managing intricacies of dynamic business environment. This is only open to its members (CAs).

- o Certification in **Control Self-Assessment** (CCSA): The certification exam tests the understanding of important CSA fundamentals, processes, and related topics such as risk, controls, and business objectives. It is organized by IIA.

- o Certification in Risk Management Assurance (**CRMA**): The certification is designed to help Internal Audit professionals in providing assurance on core business processes in risk management and governance. It is organized by IIA.

- o Lead Auditor Training Course: Organized by CII Institute of quality, this training course helps to understand and review the structure & basic requirements of ISO 9001:2008. The training program will also provide both technical knowledge and practical skills essential to become competent Lead Auditor. The Course qualifies for QMS auditor certification with **NABET** (National Accreditation Board for Education & Training), a Board set up by the Quality Council of India (**QCI**).

8.4 Knowledge / skill building industry trainings

Building domain expertise (with respect to internal audit) and keeping updated with latest regulatory changes is integral to MA&AS's successful functioning. Towards this end, it is proposed that department will conduct monthly knowledge sharing sessions for MA&AS personnel. These sessions will be conducted by internal personnel or external experts on specific topics (e.g. fraud assessment using IDEA) and latest changes (effected, in discussions) in the regulatory environment and their impact on the responsibilities of the internal audit department. While the MA&AS department (responsibility of Group Head of MA&AS) will be responsible for identifying the topics and relevant experts, HR department will be responsible for managing the logistics of these trainings / sessions in case of external experts need to be arranged.

9 HOTO (Hand-Over Take-Over)

Hand-Over Take-over checklist will be referred to whenever there is a change of personnel in a role. The person assuming the role should take over items as per checklist from the incumbent

Role	HOTO Checklist
Group Head of MA&AS	• Relationships (contact details) with external stakeholders (audit firms etc.) and internal stakeholders • All performance improvement initiatives and transition (e.g. automation) projects in progress • List and status (all relevant documents) of specific internal audit assignments being executed by the team • List of departmental KRAs defined for the year • List of personal KRAs defined for the year • Performance review reports of the internal audit teams • Last appraisal reports of team leads • List of training needs identified (if any) for Team leads • List of pending issues (including queries from BUs) and escalations • Internal Audit department's performance review reports from last 3 months • Audit Committee presentations from last 1 year • Chairman review presentation from last 6 months
Sector Head	• Relationships (contact details) with external stakeholders (audit firms etc.) and internal stakeholders • All performance improvement initiatives and transition (e.g. automation) projects in progress, being driven by the relevant individual • List and status (all relevant documents) of specific internal audit assignments being executed by the team in the specific sector • List of personal KRAs defined for the year • Performance review reports of the internal audit teams for the sector • Last appraisal reports of audit managers • List of training needs identified (if any) for audit managers • List of pending issues (including queries from sector senior managements) and escalations
Audit Manager	• List (including all relevant documents, communications and issues) and current status of all audit tasks under process by the individual • List of personal KRAs defined for the year

10 Continuous Improvement Framework

Continuous improvement initiatives for the Internal Audit function are four-fold:

Ongoing training and skill development in staff

The proposed training and certification programs as part of BPT have been described in detail in Section 8. Going forward, the training curriculum should be refreshed on an annual basis given the needs of the business and the changing scope of the IA function. The improvement ideas would be reviewed with the Chairman as part of the annual planning and budgeting cycle; the business stakeholders (CFO / CEO) will be consulted to ensure that internal audit skill development is aligned to business needs. Specifically, if audit of a specific area assumes greater importance in coming years, such training should be identified as part of the annual planning cycle and incorporated. Similarly, as new businesses such as Mining get into operational mode, there will be a requirement to build understanding of the industry among audit staff.

Self-assessment to build awareness and capabilities in the business teams

The internal Audit organization will provide businesses with the appropriate templates and checklists to enable them to do a self-assessment of certain areas on a regular basis. IA will follow up to determine if the self-assessment was done rigorously or not. The purpose is to build awareness within the business around the importance of procedural compliance, controls and management of operational risk. The self-assessment process has been described in detail in the process booklet.

Using co-sourcing model as a trigger for continuous improvement

The exposure to external specialists in a co-sourced model should be used to build capabilities in Adani staff. After every engagement, Adani staff will be asked to prepare a report compiling lessons learnt, new methodologies and templates that can be re-used in the future to reduce dependency on external personnel and training new staff. Over a period of time, this will build capabilities in the in-house team

Automation

The automation changes from BPT have been proposed as part of the BRD document. Going forward, the automation agenda should be refreshed on an annual basis given the emerging best practices (garnered through conferences, training events, industry interactions). The improvement ideas would be reviewed with the Chairman as part of the annual planning and budgeting cycle and implemented with support from the Adani IT team. In the future, as more off-the-shelf systems come in, the Group should undertake periodic evaluations to determine if a switch to such a system will be beneficial or not.

Appendix: Internal Control Frameworks

COSO
Testing-Template.xls

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Appendix: Internal Control Frameworks