

1. Overview

1.1 Introduction

This Internal Audit Charter (the/this Charter) records the agreed upon purpose, authority, and responsibility of the Bank's internal audit function.

This Charter serves to ensure that the Internal Audit Department (IAD) of the Bank is operating in compliance with the International Professional Practices Framework (IPPF) issued by the Institute of Internal Auditors as well as with the Regulations and Standards issued by the Central Bank of the UAE.

1.2 Purpose and Mission

The purpose of the Bank's Internal Audit Department (IAD) is to provide independent, objective assurance and consulting services designed to add value and improve the Bank's operations.

The IAD mission is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The IAD helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

1.3 Standards for the Professional Practice of Internal Auditing

The IAD governs itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the definition of Internal Auditing.

In addition to IPPF, IAD will follow the standards published by ISACA for all technology audits and will comply with all audit-specific guidelines that are published by the Central Bank of the UAE.

The Chief Audit Officer (CAO) will report periodically to senior management and the Board Audit Committee (BAC) regarding the IAD's conformance to the Code of Ethics and, the Standards.

1.4 Authority

The Chief Audit Officer reports functionally to the BAC and administratively to the Chief Executive Officer (CEO).

To establish, maintain, and assure that The Bank's Internal Audit Department has sufficient authority to fulfill its duties, the Board Audit Committee will:

- Approve this Charter,
- Approve the risk-based Internal Audit plan,
- Approve the IAD's budget and resource plan,

- Receive communications from the CAO on IAD's performance relative to its plan and other matters,
- Approve decisions regarding the appointment and removal of the CAO,
- Approve the remuneration of the CAO,
- Make appropriate inquiries of management and the CAO to determine whether there is inappropriate scope or resource limitations.

The CAO will have unrestricted access to, and communicate and interact directly with, the Chairman and other members of the Board Audit Committee including private meetings without management present.

The Board Audit Committee authorizes the IAD to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information,
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives and issue reports,
- Obtain assistance from the necessary personnel of the Bank, as well as other specialized services (co-sourcing audit activities, resource augmentation etc.) from within or outside the Bank, in order to complete the engagement.

1.5 Independence and Objectivity

The CAO will ensure that IAD remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the CAO determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

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

- Assessing specific operations for which they had functional responsibility within the previous year,
- Performing any operational duties for the Bank or its affiliates
- Initiating or approving transactions external to the internal audit activity
- Directing the activities of any Bank employee not employed by the IAD department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors

Where the CAO has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties,
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined,
- Make balanced assessments of all available and relevant facts and circumstances,
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The CAO will confirm to the BAC, at least annually, the organizational independence of the IAD.

The CAO will disclose to BAC any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

1.6 Scope of Internal Audit Activities

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the BAC, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Bank.

Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the Bank's strategic objectives are appropriately identified and managed,
- The actions of the Bank's officers, directors, employees, and contractors are in compliance with the Bank's policies, procedures, and applicable laws, regulations, and governance standards,
- The results of the Bank's operations or programs are consistent with established goals and objectives and are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Bank,
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity,
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The CAO will report periodically to senior management and BAC regarding:

- The IAD's purpose, authority, and responsibility,
- The IAD's plan and performance relative to its plan,

- The IAD's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues,
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the BAC,
- Results of audit engagements or other activities like special reviews and investigations,
- Resource requirements,
- Any response to risk by management that may be unacceptable

The CAO also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers, as needed. IAD may perform advisory and consulting activities, the nature and scope of which will be agreed with the stakeholders, provided IAD does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

1.7 Responsibility

The CAO has the responsibility to:

- Submit, at least annually, to senior management and the BAC a risk-based internal audit plan for review and approval,
- Communicate to senior management and the BAC the impact of resource limitations, if any, on the internal audit plan,
- Review and adjust the internal audit plan, as necessary, in response to changes in the Bank's business, risks, operations, programs, systems, and controls,
- Communicate to senior management and the BAC any significant interim changes to the internal audit plan,
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties,
- Follow up on engagement findings and corrective actions, and report periodically to senior management and the BAC any corrective actions not effectively implemented,
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld,
- Ensure that IAD collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this Charter,
- Ensure trends and emerging issues that could impact the Bank are considered and communicated to senior management and the BAC as appropriate,
- Ensure emerging trends and successful practices in internal auditing are considered,

- Establish and ensure adherence to policies and procedures designed to guide IAD activity,
- Ensure adherence with the Bank's relevant policies and procedures unless such policies and procedures conflict with this Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the BAC,
- Ensure conformance of IAD with the IPPF Standards published by IIA and the Regulations and Standards published by Central Bank of the UAE.

1.8 Quality Assurance and Improvement Program

IAD will maintain a quality assurance and improvement program (QAIP) that covers all aspects of the IAD. The program will include an evaluation of IAD's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of IAD and identify opportunities for improvement.

The CAO will communicate to senior management and the BAC on IAD's QAIP, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Bank.

2. Policy Governance

2.1 Ownership and Approving Authority

This Charter shall be owned by Chief Audit Officer and has been approved by the Board Audit Committee. Any changes that are not substantive but incidental or administrative in nature, do not require a sign-off by the Board Audit Committee. These can be approved by the CAO under intimation to BAC during the next major revision.

2.2 Deviations

Any deviations, including any addenda, shall be on an exceptional basis and must be documented by the CAO and approved by BAC.

2.3 Review

This Charter shall be reviewed every 2 years, or as appropriate and approved by the issuer, to ensure continued relevance.

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