

# GROUP INTERNAL AUDIT INTERNAL AUDIT CHARTER 2022

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## **I. DEFINITION**

This Internal Audit Charter formally defines Group Internal Audit's (GIA) purpose, authority, scope and responsibility within RAKBANK and its subsidiaries, collectively referred to as 'the Group'.

The Charter also establishes GIA's position within the Group, including the Chief Internal Auditor's (CIA) reporting lines and authority to access records, personnel, and physical properties relevant to the performance of engagements; general approach to internal audit activity, protocols for liaising with the Group's second line of defence functions and external parties; and requirements to comply with the Institute of Internal Auditors' (IIA) Standards and Code of Ethics; and regulations as published by the Central Bank of the UAE (CBUAE).

## **II. PURPOSE**

The primary objective role of Internal Audit is to assist the Board and Executive Management to protect the assets, reputation and sustainability of the organization.

Internal Audit provides independent assurance and consulting services to the Board and Executive Management on the quality and effectiveness of governance, risk management and internal controls to monitor, manage and mitigate key risks in order to achieve the Group's objectives.

The above is a mandatory definition of the purpose of Internal Audit as established by the IIA. GIA subscribes to this definition and also aims to comply with the IIA's Standards and Code of Ethics.

## **III. AUTHORITY**

The rights and responsibilities of GIA, established by the Board with strict accountability for confidentiality and safeguarding of records and information are to have:

- Access to the Board and all its sub-committees.
- Full and unrestricted access to all functions, information, systems, premises, property and personnel of the Group and its third parties.
- Full and free access to all relevant external agencies, regulatory bodies and statutory auditors.
- Full assistance of all the Group's employees and/or from outside for specialized services to support GIA in fulfilling its roles and responsibilities.
- Notification in advance of new developments, initiatives, projects, products and operational changes to ensure that all associated risks, known and anticipated are identified and communicated at an early stage.

## **IV. SCOPE**

There is no aspect of the Group which GIA is restricted from reviewing as part of its mandate. As the third line of defence, GIA assesses not only the processes implemented by the Group's first and second lines of defence, but also the quality of their work. GIA's scope includes the following:

- Identification, assessment and management of risks inherent to the Group strategy and operating model.
- The actions of the Group's officers, directors, employees, and contractors are in compliance with the Group's policies, procedures, and applicable laws, regulations, and governance standards.
- Timely and accurate reporting of significant financial, managerial, operational and other information necessary to make informed decisions.
- Where core banking and support services are outsourced, the identification, assessment and management of risks associated with such activity in line with Group policy and regulatory requirements.

## **V. ACCOUNTABILITY**

The CIA, and the GIA function, is accountable to the Board Audit Committee (BAC) for:

- An assessment of the adequacy and effectiveness of the Group's governance, risk management and internal control framework.
- Reporting on the status of significant internal control issues.
- Periodically providing information on the status of the annual audit plan, adequacy of resources and GIA compliance with international standards.

## **VI. RESPONSIBILITY**

The CIA with the support of the GIA function, is responsible for:

- Proposing an Internal Audit Charter to the BAC for its approval, performing annual reviews and proposing relevant changes.
- Developing an annual audit plan using an appropriate risk-based methodology, including any risk or control concerns identified by Management, and submitting that plan to the BAC for review and approval, as well as periodic updates.
- Executing the approved annual audit plan, including any special tasks or projects requested by Management or the BAC.
- Implementing a suitable methodology that covers all aspects of audit work and material risks of the Group.
- Maintaining professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Evaluating and assessing significant merging / consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation and / or expansion.
- Issuing periodic reports to the BAC and Management summarising the results of audit activities.
- Keeping the BAC informed of emerging trends and successful practices in GIA.
- Considering the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the group at a reasonable overall cost.
- Receiving, analysing and investigating whistleblowing cases and providing appropriate details to the BAC periodically.
- Assessing the sufficiency of resources to deliver the function's objectives, and communicating the impact of resource limitations to Management and the Board.
- Developing and implementing a training plan for internal auditors.
- Follow-up on engagement findings and corrective actions, and reports periodically to senior management and any corrective actions not effectively implemented.
- Ensure conformance of the internal audit activity with the IPPF standards.
- Reporting promptly to the CBUAE, violations of Central Bank Law, regulations, instructions and any Matters of Significance in line with the Group's Disclosure Policy and with prior notification to the Chair of the BAC.

## **VII. INTERNAL AUDIT APPROACH**

GIA's approach ensures independent and objective assurance in assessing:

- The effectiveness of the design and operation of the control framework that enables risk to be assessed and managed.
- The effectiveness of management actions to address deficiencies in the control framework.
- Cases of suspected fraud, financial crime and malpractice.
- Consulting engagements.

## **VIII. INTERACTION WITH OTHER CONTROL FUNCTIONS**

In evaluating the effectiveness of the Group's governance, risk management and internal controls, GIA may rely on the work of the control functions post evaluation of the effectiveness of those functions and the quality of their work.

## **IX. RELYING ON THE WORK OF OTHERS**

GIA coordinates with the Group's internal and external assurance and consulting service providers to ensure adequate overall audit coverage of the Group's operations and to minimise any duplication of efforts.

Where it is possible to place reliance on the work performed by others, the CIA will consider the competency, objectivity and due professional care of the assurance or consulting service providers and obtain a clear understanding of their scope, objectives and results of the work performed. The CIA will remain accountable and responsible for ensuring adequate support for conclusions and opinion reached by GIA.

## **X. CONSULTING SERVICES**

At the request of the Board, its sub-committees or Executive Management, GIA may provide advisory services on specific areas of management concern, issues or events. These services extend to ad hoc advice given to management on risk, governance or control matters provided that the advice does not conflict with the responsibilities of GIA, as otherwise stated.

The risk rating, execution and reporting of advisory engagements may be performed using the same methodology employed for standard audit reviews.

## **XI. INDEPENDENCE AND OBJECTIVITY**

The CIA, and Internal Audit staff will:

- Be impartial, unbiased and avoid any conflict of interest.
- 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.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgement.

The CIA, and Internal Audit staff, do not:

- Direct or approve business strategy, plans, policies, procedures or processes.
- Direct or approve projects including systems implementation or enhancements.
- Direct the activities of any Group employee not employed by GIA except to the extent that such employees have been appropriately assigned to audit teams or otherwise assist internal auditors.
- Have direct responsibility or authority over any operational activities reviewed.
- Relieve others of any operational responsibilities.
- Perform any responsibility where conflict of interest is present (or perceived) or where an impartial or unbiased attitude or objectivity cannot be assured.

Any non-conformance to the above must be reported to the CIA.

To reinforce its independence and objectivity, GIA has a direct reporting line and unrestricted access to the BAC and an administrative reporting line to the CEO.

The BAC is responsible for appointing and removing the CIA, setting their objectives and appraising their performance at least annually. The Chair of the BAC is responsible for recommending the remuneration of the CIA to the Board Nomination and Remuneration Committee.

## **XII. PERSONNEL AND RESOURCING**

It is the responsibility of the CIA to ensure that GIA has sufficient resources and appropriately trained and experienced staff, who are sufficiently competent to examine all areas in which the Group conducts business and adhere to the IIA's Code of Ethics. The continued professional competence of internal auditors will be ensured by way of systematic and relevant training and sufficient up to date knowledge of auditing techniques and financial services activities. Appropriately skilled resources may be in-sourced from third parties when considered necessary. The BAC provides oversight in regard to the adequacy of GIA resourcing.

## **XIII. STANDARDS AND QUALITY ASSURANCE**

GIA has adopted the IIA's International Standards for the Professional Practice of Internal Auditing, the Code of Ethics and the Guidance for Effective Internal Audit in the Financial Services Sector.

GIA will conduct internal reviews of its effectiveness and will communicate the results of these reviews to the BAC annually.

The CIA will appoint an external quality assessor, at least once every five years, to perform an independent review of the effectiveness of GIA. The CIA will communicate the results of this review to the BAC and Executive Management, including:

- The scope and frequency of reviews.
- Qualifications and independence of the assessment team.
- Conclusions of the assessor.
- Corrective action plans (if any).

## **XIV. GENERAL**

This Charter will be reviewed annually and approved by the BAC to ensure it remains relevant and complies with applicable policies, standards and good practice.