



**Bank Saderat Iran
UAE**

Internal Audit Charter

Version: ACHR-005

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1. Introduction

Internal audit is regarded by Executive Management as an integral part of the internal control systems and operates as an independent appraisal function within the bank under the terms of this Charter, originally approved by the Audit Committee and accepted by the Executive Management. This Charter sets out the Purposes, Responsibilities, Lines of Accountability and Standards under which the function operates and provides authority to do so.

2. Mission

The mission of internal audit is to provide independent, objective assurance and consulting activity designed to add value and to improve an organization's operations. It shall help the organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve effectiveness of risk management, control and governance processes.

3. Scope

The scope of work of the internal audit department is to determine whether the organization's risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure.

- Risk are appropriately identified and managed.
- Significant financial, managerial, and operating information is accurate, reliable and timely.
- Safeguard the Bank's assets.
- Ensure compliance with the Bank's policies and procedures, statutory obligations and other regulatory requirements.
- Confirm the integrity of the Bank's financial and other information systems.
- Promote the efficient & economic use of the Bank's resources in interest of its strategic objectives.

4. Authority

The internal audit staff is authorized to:

- The Internal Audit function has the right of access to all properties, documents, books, records and information necessary.
- Have full and free access to the audit committee
- Allocate resources, set frequencies, select subjects, determine scopes of work and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the organization where they perform audits, as well as other specialized services from within the organization
- All staff of the Bank shall co-operate fully with persons appointed to carry out Internal Audit functions.

The internal audit staff is not authorized to:

- Perform any operational duties for the organization or its affiliates

- Initiate or approve accounting transactions external to the internal audit department.
- Direct the activities of any organization employee not employed by the internal audit department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

5. Responsibilities

The head and staff of internal audit have responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risk or control concerns identified by management, and submit that plan to the audit committee for review and approval.
- Implement the annual audit plan, as approved, including and as appropriate, any special task or projects requested by management and the audit committee.
- To review the risks to which the Bank is exposed and ensure that managers have an adequate understanding of the risk environment
- Perform consulting services, beyond internal audit assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training and advisory services.
- Issue periodic reports to the audit committee and executive management summarizing results of audit activities.
- Assist in the investigation of significant suspected fraudulent activities within the organization and notify executive management and the audit committee of the results.

The Executive Management responsibility to:

- Inform the internal Audit about developments, initiatives, projects, products and operational changes, and ensure that all associated risks, known and anticipated are identified and communicated at an early stage

6. Accountability

The head of internal audit in the discharge of his/her duties shall be accountable to management and the audit committee.

- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas as set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the organization and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Provide information periodically on the status of the annual audit plan and the sufficiency of the department resources

7. Independence

To provide for the independence of the internal auditing department, its personnel report to Head of internal audit, who reports administratively to the chief executive management and functionally to the board and audit committee.

8. Reporting Arrangements

Internal Audit reports functionally to the Chairman of the Audit Committee and administratively to the Executive Management. The Head of the Internal Audit function has free and untrammelled access to the Audit Committee.

8.1. Audit Planning

The Head of the Internal Audit will propose to the Audit Committee, annually, a program of work to be performed, taking into account the risks associated with the business activities involved and the overall risk profile of the Bank in UAE, OMAN & QATAR and will report quarterly to the Audit Committee progress on carrying out the program agreed by the Committee.

Variations to any work plan previously agreed by the Audit Committee shall be negotiated case-by-case with the Chairman of the Audit Committee and reported to the next meeting of the Audit Committee.

The Internal Auditor shall meet monthly with the Chairman of the Audit Committee to review progress on the audit plan and to track significant outstanding audit issues.

8.2. Detailed Audit Reports

The Internal Audit will provide a detailed written report to executive management on the results of individual audit projects. Business Unit management will be given the opportunity to provide responses to audit reports, including explanations of decisions to accept risks highlighted by Internal Audit. Once agreed, reports incorporating management responses and details of agreed corrective action where required, will be issued to the Audit Committee.

In addition, the Head of the Internal Audit will report promptly to the Executive Management and Chairman of the Audit Committee all matters likely to be of material concern to them.

8.3. Follow Up Process

The Head of the Internal Audit will produce an annual report to the Audit Committee setting out his/her opinion on the adequacy of arrangements for risk management and internal control. The aim of this report will be to inform the Executive Management the effectiveness of internal controls and risk management processes.

The annual report will also include:-

- an overview of Bank wide issues, including the adequacy of the control and compliance culture across the organization.
- an assessment of the adequacy of audit resources.
- a review of audit coverage against plan.
- Confirmation that Internal Audit work has been conducted in accordance with industry best practice, or if not, an explanation of any exceptions.

8.4. Meetings with Audit Committee

The Internal Auditor has the right to request a private meeting with the Audit Committee where necessary.

9. Relationship with External Audit

The Internal Audit function will liaise with the external auditors to seek to achieve complementary audit coverage and minimize duplication of effort. Audit documentation, including audit reports and risk assessments, will be made available to the Bank's external auditors.

10. Annual Review of Charter

The Head of the Internal Audit will review the Charter annually, taking into account any changes in legal requirements, regulatory or industry standards, and shall make recommendations to the Audit Committee (Executive Level) should any changes to these documents be considered necessary or desirable.

11. Internal Audit Standards

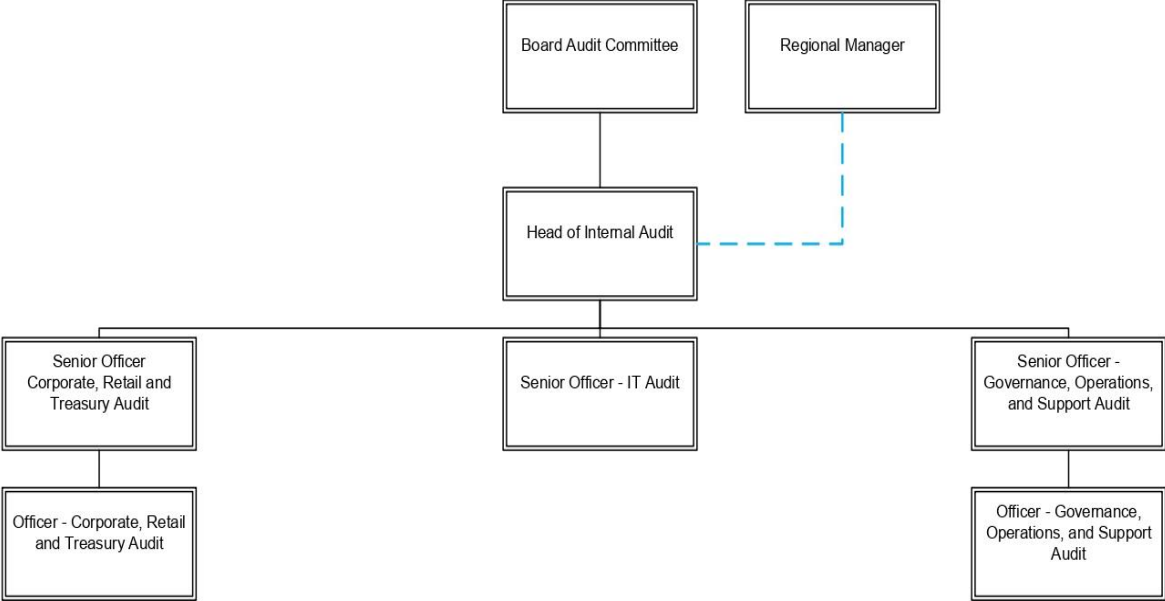
The Internal Audit function will aim to observe industry best practice.

The head of the Internal Audit will develop local operating standards covering:-

- audit planning, documentation and reporting processes.
- audit quality assessment.

And will be accountable to the Audit Committee for the proper establishment and maintenance of good working practices.

Structure of Internal Audit Department



Internal Audit Charter

Version History

Version	Date	Owner	Revision Description	Approved By
ACHR-001	2014	Internal Audit Department	Initial	Acceptance Committee
ACHR-002	26/03/2018	Internal Audit Department	Reviewed & Changed	Acceptance Committee
ACHR-003	14/09/2019	Internal Audit Department	Reviewed & Changed	Supervisory Board
ACHR-003	07/03/2020	Internal Audit Department	Reviewed & No Changes	Acceptance Committee
ACHR-004	21/04/2021	Internal Audit Department	Reviewed & Changed	Supervisory Board MOM No. 02 (2021)
ACHR-005	25/05/2022	Internal Audit Department	Reviewed & Changed	Supervisory Board MOM No. 02 (2022)
ACHR-005	27/02/2023	Internal Audit Department	Reviewed & No Changes	--
ACHR-005	27/03/2024	Internal Audit Department	Reviewed & No Changes	--