



# Group Internal Audit Charter

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## 1. INTRODUCTION

The Group Internal Audit Charter (Charter) sets out the mandate, approach, responsibility, and authority of Group Internal Audit ("GIA"). The Charter sets out GIA's commitment to comply with the Chartered Institute of Internal Auditors' ("IIA") Guidance on Effective Internal Audit in Financial Services ("the Code") and the mandatory elements of IIA's International Professional Practices Framework (IPPF) which includes;

- Core Principles for the Professional Practice of Internal Auditing;
- Code of Ethics;
- International Standards for the Professional Practice of Internal Auditing ("Standards"); and
- Definition of Internal Auditing.

GIA aims to comply with all regulatory requirements for internal audit in all Standard Chartered Bank jurisdictions.

## 2. GIA'S ROLE & MANDATE

### 2.1 Purpose and Objective

GIA is an independent function whose primary role is to help the Board and Executive Management to protect the assets, reputation, and sustainability of the Group.

### 2.2 GIA's Responsibilities

To assess if all key risks have been identified and reported to the Board and Executive Management in line with the established risk management processes.

Consider business strategy, policies and procedures and the Group's key priorities in its evaluation. Additionally, assess if outcomes are achieved and business conducted in line with the objectives, risk appetite and valued behaviours of the organisation.

Work with the Group's other internal control functions, (such as Finance, Risk, and Compliance), and external assurance providers, where appropriate, to reduce duplicated efforts but does not place unqualified reliance on their work.

Consider culture and indicators in its work, and specifically how the observed behaviours may impact the risk and control environment.

Support long term improvements in the Group's control environment and track that corrective action plans are effectively implemented.

GIA is not restricted in looking into any aspect of the organisation as it delivers on its mandate. The Group Head, Internal Audit reports to the Audit Committee any restriction on scope and / or resources, for it to review and approve any material impact to the risk-based audit plan.

The Group Head, Internal Audit discusses, at least annually, with the Audit Committee and Executive Management, GIA's Mission, and the extent of GIA's commitment to the mandatory elements of the IIA IPPF.

### 2.3 Audit Methodology

GIA maintains a defined audit methodology in accordance with industry best practices, the IIA Standards and the Code.

## 2.4 Assurance

GIA's core assurance work is audits, and the main output is a graded report with an opinion on the control environment and, where applicable, other opinions.

GIA's other assurance work includes ungraded reviews, continuous risk assessment activities and other reviews to keep abreast of changing risks.

Assurance work is risk based, regulatory driven and delivered at the specific request of senior management, or the Audit Committee.

Where appropriate, GIA may provide copies of assurance reports to external parties including regulators and similar industry bodies.

## 3. SCOPE & APPROACH

### 3.1 Scope

GIA is the third line of defence that provides independent assurance on the effectiveness of controls supporting the activities of the first and second line of defence functions.

GIA's activities include independent assessments on the adequacy and effectiveness of risk management, control, and governance processes of the Group.

GIA presents information to the Board for strategic decision making, including a review of significant business process changes, key corporate events, new products and services, acquisitions, and divestments.

GIA reviews areas using risk-based cycles and does not cover all scope areas every year.

GIA does not perform consulting / advisory engagements.

### 3.2 Approach

GIA assesses the risk of the organisation and its activities (including outsourced activities and all legal entities) and considers regulatory audit requirements and expectations.

GIA formulates and executes an annual audit plan of assurance and review activity.

The audit plan is reviewed periodically to assess the impact of changing risks; any significant changes are discussed with senior management and approved by the Audit Committee.

The audit work includes understanding the processes and systems under audit review, evaluating the design of controls, their operating effectiveness, and outcomes of key controls.

GIA evaluates the potential for the occurrence of fraud risk and how the organisation manages fraud risk.

GIA considers management's control approach and whether the Group's actions achieve fair outcomes for clients, investors, our reputation, and the markets in which we operate.

## 4. AUTHORITY AND INDEPENDENCE

### 4.1 Confirmation of independence to the Audit Committee

The Group Head, Internal Audit annually confirms GIA's independence and objectivity to the Audit Committee. If GIA's independence or objectivity is impaired, the Group Head will disclose, upon occurrence, details of the impairment including implications, to the Audit Committee.

### 4.2 Independence

GIA will remain free from interference by any element in the Group, including in matters of audit selection, scope, procedures, frequency, timing, or report content. The following safeguards are in place:

- The Group Head, Internal Audit presents GIA's budget and resourcing to the Audit Committee for approval.
- The Audit Committee recommends the appointment and removal of the Group Head, Internal Audit whose remuneration is set by the Remuneration Committee (Comprised of independent Non-Executive Directors).
- The Group Head, Internal Audit reports to the Chair of the Audit Committee and administratively to the Group Chief Executive.
- The Chair of the Audit Committee sets the objectives of the Group Head, Internal Audit and appraises their performance at least annually. The views of the Group Chief Executive are considered.
- GIA staff have no direct operational responsibility over any of the activities they review. Conflict of interest controls are in place to identify and mitigate any conflicts.
- GIA may initiate direct communication with any member of staff, examine any activity or entity of the Group and has full and unconditional access to all information and physical properties.
- GIA maintains regular, timely, open, and honest communication with the external auditors, in respect to risk assessment, audit plans, audit results and themes.
- Where the Group Head of Internal Audit's tenure exceeds seven years, the Audit Committee should on an annual basis, discuss the Audit Committee Chairman's assessment of the Group Head of Internal Audit's independence and objectivity.

## 5. REPORTING

### 5.1 Reporting to Board Committees

GIA regularly reports the results of its work at multiple levels within the organisation. The key reporting from GIA is as follows:

#### The Audit Committee

- Results of audit work – statistically and with details of the most adverse reports and most significant issues.
- Analysis of themes and trends from GIA's work, and their impact on the organisation's risk profile.
- An independent view of management's reporting on the risk management of the organisation, management's remediation plans and significant overdue audit issues.
- Any management responses to risk that may be unacceptable to the organisation.
- GIA's people and functional strategy, including GIA's mission, vision, and priorities.
- The performance of the audit plan and any significant changes to it.
- GIA's resource plan and budget.
- The results of the quality assurance programme (at least annually).

## **Other Board Committees**

GIA tailors reporting on the results of its work to other Board committees on the risk areas under their responsibility.

### **5.2 Reporting to Executive Management**

GIA reports the results of its work to executive management as well as to various committees.

## **6. PEOPLE AND BEHAVIOURS**

### **6.1 GIA Resources and Skills**

The Group Head, Internal Audit is responsible for assessing the skillset, resources and budget for GIA and presenting this to the Audit Committee.

GIA monitors that its staff have an adequate mix of risk, business, and professional audit skills to execute the Plan, and to provide independent and effective challenge to senior management.

GIA operates an environment of continuous professional development, to ensure skills and knowledge are maintained and developed, including supporting professional certifications and qualifications.

### **6.2 Standards of Practice**

All staff in GIA must exhibit professional objectivity in their work. GIA staff should make a balanced assessment of all relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

### **6.3 External Resource**

Where necessary, external resources may be engaged to support the Plan.

## **7. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME (QAIP)**

### **7.1 QAIP Programme and Reporting**

GIA maintains a QAIP which assesses the efficiency and effectiveness of GIA's activities and identifies opportunities for improvement. This programme, overseen by the Group Head, Internal Audit, includes an evaluation of GIA's conformance with the Standards and the application of the IIA's Code of Ethics.

The Head of Quality Assurance will provide an independent report on the results of its work to the Audit Committee at least annually.

### **7.2 Externals Assessment**

GIA is also subject to an external assessment, at least every five years by an outside team of independent reviewers, to review GIA's conformance with the Global IIA Standards and code of ethics, and applicable mandatory regulatory requirements.

The assessment includes a review of the efficiency and effectiveness of the internal audit activity in carrying out this Charter and meeting the expectations of stakeholders.

## **8. RESPONSIBILITY**

### **8.1 Charter responsibility**

The Group Head, Internal Audit is responsible for reviewing this Charter, presenting it to the Audit Committee annually for approval, and ensuring GIA operates in accordance with the Charter.