



# **Internal Audit Charter**

**Version 6.0**

British Arab Commercial Bank plc  
8-10 Mansion House Place  
London  
EC4N 8BJ  
020 7648 7777

## BACB Internal Audit Charter

### 1.1 About this charter

This Internal Audit Charter provides the framework for the conduct of the Internal Audit function in British Arab Commercial Bank plc ('BACB') and has been approved by the Audit Committee. It has been created with the objective of formally establishing the purpose, authority and responsibilities of the Internal Audit function.

### 1.2 Purpose and Objective

Internal Auditing is an independent, objective assurance and consulting activity designed to add value to and improve an organisation's operations and to protect the assets, reputation and sustainability of the organisation. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

A system of internal control is one of the primary means of managing risk and consequently the evaluation of its effectiveness is central to Internal Audit's responsibilities. The system of internal control comprises the policies, procedures and practices, as well as organisational culture that collectively support the Bank's effective operation in the pursuit of its objectives. This system of internal control enables a business to respond to significant business risks, be they of an operational, financial, compliance or other nature, and is the direct responsibility of the Executive Directors and the Audit Committee.

Internal Audits' objectives are to:

- safeguard the Bank by protecting the assets, reputation and sustainability of the Bank;
- perform assurance activities including business as usual and change;
- focus on key risk issues and controls (alongside other assurance providers);
- gauge and report on the risk and control culture;
- help assess and report agreed business actions are implemented sustainably; and
- conduct such internal audit work as is necessary to discharge its responsibilities.

### 1.3 Scope

All of BACB's activities (including outsourced activities) and legal entities are within the scope of Internal Audit. Internal Audit determines what areas within its scope should be included within the annual audit plan by adopting an independent risk-based approach.

Internal Audit does not necessarily cover all potential scope areas every year. The audit program includes obtaining an understanding of the processes and systems under audit, evaluating their adequacy, and testing the operating effectiveness of key controls. The scope of the work is unrestricted and may include the assessment of but not limited to:

- internal governance;
- information presented to the board for strategic decision making;
- setting of, and adherence to, risk appetite;
- risk and control culture;
- risks of poor customer treatment;
- capital, liquidity and other prudential regulatory risks;
- key corporate events; and
- outcomes of processes

Internal Audit can also, where appropriate, undertake special investigations, advisory services, agreed upon procedures and consulting engagements at the request of the Audit Committee, senior management and regulators. Internal Audit will coordinate activities with other internal and external providers of assurance and consulting services, as well as other control and monitoring functions, to ensure proper coverage and minimise duplication of efforts.

Notwithstanding Internal Audit's responsibilities to be alert to indications of the existence of fraud and weaknesses in internal control which would permit fraud to occur, the Internal Audit activity

## BACB Internal Audit Charter

will not undertake specific fraud-related work, except for investigations into alleged frauds, where appropriate and at the request of the Audit Committee, senior management or regulators.

### 1.4 Authority

The Internal Audit function of BACB derives its authority from the Board through the Audit Committee. The Bank's Internal Audit reports functionally to the Chair of the Audit Committee and administratively to the Chief Executive Officer (CEO).

The Head of Audit is authorised by the Audit Committee to have full and complete access to any of the organisation's records, properties and personnel. The Head of Audit is also authorised to designate members of the audit staff to have such full and complete access in the discharging of their responsibilities, and may engage experts to perform certain engagements which will be communicated to management. Internal Audit will ensure confidentiality is maintained over all information and records obtained in the course of carrying out audit activities.

### 1.5 Responsibilities of Internal Audit Function, Audit Committee and Management

#### (a) Responsibilities of Internal Audit Function:

- Perform an independent risk assessment based upon Internal Audit's own view of the structure and risk profile of the Bank. The risk assessment is updated on a sufficiently regular basis, usually annually, to ensure that the resulting assurance activity addresses all key risks on a timely basis and may take account of areas such as new or changing systems, business propositions, operations, and control processes coincident with their development, implementation, and/or expansion of the business or individual new products or systems. The risk assessment process may take account of the risk assessment performed by management, but should not be influenced by it.
- Prepare an annual Internal Audit Plan, setting out the timing and scope for Internal Audit assignments. The Internal Audit Plan (the "Plan") shall be reviewed and approved by the Audit Committee and communicated to the Board. The Audit Committee shall satisfy itself that the Plan addresses controls covering all key business risks, on an appropriate frequency. Any changes to the Plan shall be discussed with the Chair of the Audit Committee and will be communicated to that Committee. Internal Audit is responsible for planning, conducting, reporting and following up on audit assignments.
- Regularly review the Internal Audit Plan to ensure that it takes account of new and emerging risks.
- Review the adequacy of the design, implementation and operating effectiveness of controls established to manage the key risks identified and to ensure compliance with policies, plans, procedures and business objectives established by the Board.
- Assess whether all significant risks are identified and appropriately reported by Management and the Risk function to the Board and Executive Management.
- Identify, analyse, evaluate and record sufficient information during the execution of internal audit work to achieve the internal audit objectives.
- Maintain a quality assurance programme where all the Internal Audit documents such as Internal Audit Plan, Internal Audit Reports and the work papers will undergo an independent quality assurance review.
- Communicate the Audit results accurately and timely following the completion of audit work to the relevant stakeholders. All work performed by the function is supported and documented for future verification purposes and retained in accordance with the record retention policy.
- Accurate, transparent and timely reporting to the Audit Committee and other governing bodies depending on the remit of respective governing bodies. The report should include,

## BACB Internal Audit Charter

amongst other matters, significant risk and control issues including fraud, IT and other risks that have been accepted by the management but are detrimental to the Bank, key findings identified during the execution of the Audit Plan, root cause analysis, lesson-learned analysis and post-mortem review performed, a status update on the Audit Plan, key changes required in the plan (if any), and adherence to the organisation’s risk appetite.

- Maintain open communication and inform the Audit Committee and Management of emerging trends and best practices in internal auditing.
- Liaise on an ongoing basis with the Chief Risk Officer, external audit and other parties as appropriate to ensure proper coverage and avoid unnecessary duplication of effort.
- Track internal audit recommendations to resolution and report progress to the Audit Committee on a quarterly basis.
- Maintain professional audit staff with sufficient knowledge, skills, experience and professional certifications to meet the requirements of this Charter by engaging in continuous education and staff development.

**(b) Responsibilities of Management:** It is the responsibility of management to identify, understand and manage risks effectively, including taking appropriate and timely action in response to audit findings. It is also management’s responsibility to maintain a sound system of internal control and improvement of the same. The existence of an Internal Audit function, therefore, does not in any way relieve them of this responsibility.

Management is responsible for fraud prevention and detection. As Internal Audit performs its work programs, it will be observant of manifestations of the existence of fraud and weaknesses in internal control which would permit fraud to occur or would impede its detection.

**(c) Responsibilities of Audit Committee:**

The Audit Committee should make appropriate inquiries of management and the Head of Audit to determine whether there are any inappropriate scope or resource limitations.

## 1.6 Independence

Internal Audit staff will remain independent of the business and they shall report to the Head of Audit.

Internal Audit staff shall have no direct operational responsibility or authority over any of the activities they review. Therefore, they shall not develop nor install systems or procedures, prepare records or engage in any other activity which they would normally audit. Internal Audit staff with real or perceived conflicts of interest must inform the Head of Audit, then the Audit Committee, as soon as these issues become apparent so that appropriate safeguards can be put in place.

## 1.7 Professional competence and due care

The Internal Audit function will perform its duties with professional competence and due care. Internal Audit will adhere to (1) the Global Internal Audit Standards (2024 version, effective date 9 January 2025) and (2) the requirements set out within “Internal Audit Code of Practice” (effective January 2025), both of which were issued by the Chartered Institute of Internal Auditors.

## 1.8 Reporting and monitoring

At the end of each audit, the Head of Audit or designee will prepare a written report and distribute it as appropriate. Management responses to findings and action plans will be agreed, including deadlines and identification of those responsible for implementation. Internal Audit will be responsible for appropriate follow-up of audit findings and recommendations. All significant findings will remain in an open issues file until cleared by the Head of Audit or the Audit Committee.

The Audit Committee will be updated regularly on the work of Internal Audit through periodic and annual reports. The Head of Audit shall prepare reports of audit activities with significant findings

## BACB Internal Audit Charter

along with any relevant recommendations and provide periodic information on the status of the annual audit plan.

Periodically, the Head of Audit will meet with the Chair of the Audit Committee in private to discuss internal audit matters.

The performance of Internal Audit will be monitored through the implementation of a Quality Assurance and Improvement Programme, the results of which will be reported periodically to Senior Management and the Audit Committee.

### **1.9 Relationship with other Assurance Functions and Regulators**

Internal Audit should exercise through informed judgement as to how much reliance could be placed on the work of the other assurance functions following a thorough evaluation of the effectiveness of that function in relation to the area under review.

The external auditors fulfil a statutory duty. Effective collaboration between internal audit and the external auditors is imperative to ensure effective and efficient audit coverage and resolution of issues of mutual concern. Internal and external audit would meet at least annually, to plan the respective internal and external audits and discuss potential issues arising.

Internal Audit should establish and maintain a close and continuous relationship with the Bank's regulatory authorities, as is deemed necessary and appropriate.

## BACB Internal Audit Charter

---

## Document Control

---

**Title:** Internal Audit Charter  
**Date:** 6 February 2025  
**Author:** Russell Davis  
**Distribution:** Audit Committee  
**Filename:** BACB Internal Audit Charter Version 5.0

## Version Control

Version No.	Date	Author	Reviewer	Comment
1.0	15 January 2020	Russell Davis	Audit & Risk Committee Chairman	The Internal Audit Charter sets out the roles and responsibilities of Internal Audit and effectively represents the Policy framework within which Internal Audit operate.
2.0	26 January 2021	Russell Davis	Audit Committee Chairman	We have reviewed the existing Internal Audit Charter and have replaced the Audit, Risk and Conduct Committee with the Audit Committee reflecting the alignment of the board committees. In addition, we have assessed the Charter against the CIIA FS Code published in January 2021. There have been no other changes since the last review by the Audit, Risk and Conduct Committee in January 2020.
3.0	24 January 2022	Russell Davis	Audit Committee Chairman	We have performed the annual review and no updates are suggested, as the document adequately reflects extant guidance.
4.0	9 February 2023	Russell Davis	Audit Committee Chairman	We have performed the annual review and no updates are suggested, as the document adequately reflects extant guidance.
5.0	8 February 2024	Russell Davis	Audit Committee Chairman	We have performed the annual review and no updates are suggested, as the document adequately reflects extant guidance.

## BACB Internal Audit Charter

6.0	6 February 2025	Russell Davis	Audit Committee Chairman	We have performed the annual review and minor updates were made to reflect the updated Global Internal Audit Standards.
-----	-----------------	---------------	--------------------------	---

**Document Signoff**

<b>Nature of Signoff</b>	<b>Person</b>	<b>Signature</b>	<b>Date</b>	<b>Role</b>
Author	Russell Davis	RSD	30 January 2025	Head of IA
Approver	Paul Howard	Paul Howard	6 February 2025	Audit Committee Chair