



INTERNAL AUDIT CHARTER

Need for the charter

This charter establishes the purpose, authority and responsibilities for internal audit within the Personal Group of companies.

The establishment of a charter is a requirement of the global Institute of Internal Auditors (the IIA) FS Code, guidance relating to the Effective Internal Audit in the Financial Services Sector (FS Code) and approval of the charter is the responsibility of the Audit Committee.

Internal audit work is planned and performed with a view to reviewing and evaluating the risk management, control and governance arrangements that are in place, focusing in particular on how these arrangements help the Personal Group of companies to achieve its objectives.

Role and definition of internal auditing¹

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by introducing a systematic, disciplined approach in order to evaluate and improve the effectiveness of risk management, control, and governance processes”.

Internal audit is a key part of the assurance cycle and, can assist in informing and updating our risk profile.

Independence and ethics

The head of internal audit has unrestricted access to the Chair of Audit Committee to whom all significant concerns relating to the adequacy and effectiveness of risk management activities, internal control and governance are reported.

Responsibilities

In delivering internal audit, there is a responsibility to:

- Develop a flexible and risk based internal audit strategy with more detailed annual audit plans. The plan will be submitted to the Audit Committee for review and approval each year before work commences on delivery of that plan.
- Implement the audit plan as approved, including any additional tasks requested by management and the Audit Committee.
- Ensure the internal audit team consists of professional audit staff with sufficient knowledge, skills, and experience.

¹ Definition of Internal Auditing, Institute of Internal Auditors

- Establish a Quality Assurance and Improvement Program to ensure the quality and effective operation of internal audit activities.
- Perform advisory activities where appropriate, beyond internal audit's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design and training.
- Bring a systematic disciplined approach to evaluate and report on the effectiveness of risk management, internal control and governance processes.
- Highlight control weaknesses and required associated improvements together with corrective action recommended to management based on an acceptable and practicable timeframe.
- Undertake follow up reviews to ensure management has implemented agreed internal control improvements within specified and agreed timeframes.
- Provide a list of significant measurement goals and results to the Audit Committee to demonstrate the performance of the internal audit service.
- Liaise with the external auditor for the purpose of providing optimal audit coverage to the organisation.

Authority

The internal audit team is authorised to:

- Have unrestricted access to all functions, records, property and personnel which it considers necessary to fulfil its function.
- Have full and free access to the Audit Committee.
- Have the right to attend and observe all or part of Board meetings, meetings of sub-committees to the Board, any other Executive Committee meetings and any other key management decision making fora.
- Allocate resources, set timeframes, define review areas, develop scopes of work and apply techniques to accomplish the overall internal audit objectives.
- Obtain the required assistance from personnel within the Personal group of companies where audits will be performed, including other specialised services from within or outside the organisation.

The head of internal audit and internal audit staff are not authorised to:

- Perform any operational duties associated with the organisation.
- Initiate or approve accounting transactions on behalf of the organisation.

Key performance indicators (KPIs)

Full cooperation is required from key stakeholders and relevant business areas to ensure a smooth delivery of the plan. KPIs in respect of the delivery of the internal audit plan have been implemented and are regularly monitored.

Reporting

An assignment report will be issued following each internal audit assignment. The report will be issued in draft for comment by management, and then issued as a final report to management, with

the executive summary being provided to the Audit Committee. The final report will contain an action plan agreed with management to address any weaknesses identified by internal audit.

Progress reports will be issued to the Audit Committee and to management summarising outcomes of audit activities, including follow up reviews.

Data protection

Internal audit files need to include sufficient, reliable, relevant and useful evidence in order to support findings and conclusions. Personal data is not shared with unauthorised persons unless there is a valid and lawful requirement to do so.

The only exception would be where there is information on an internal audit file that external auditors have access to as part of their review of internal audit work or where there is a legal or ethical obligation to do so (such as providing information to support a fraud investigation based on internal audit findings).

Fraud

The Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit Committee recognises that internal audit is not responsible for identifying fraud; however internal audit will assess the risk of fraud and be aware of the risk of fraud when planning and undertaking any internal audit work.

Approval of the internal audit charter

The Audit Committee is responsible for approving the internal audit charter alongside the annual audit strategy.