



Internal Audit Charter

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1. INTRODUCTION

Internal Audit is an independent and objective assurance and consulting function designed to add value to operations and improve an organisation's internal control environment. It helps an organisation to accomplish its objectives by bringing a systematic, disciplined approach to the evaluation and improvement of risk management, internal controls and governance processes.

The Internal Audit Charter is prepared in line with the requirement of *Standard 1000 – Purpose, Authority, and Responsibility* of the Institute of Internal Auditors (IIA)'s International Standards (2017) for the Professional Practice of Internal Auditing.

2. ROLE

The role and responsibilities of the Internal Audit Department (Internal Audit function) is established by the Board of Directors in compliance with the section 54 of the Banking Act and also the guideline on Corporate Governance issued by the Bank of Mauritius.

The internal audit function's responsibilities are defined by the Audit Committee of the Board of Directors (the "Audit Committee") as part of their oversight role.

3. PROFESSIONALISM

The Internal Audit function will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit function's performance.

In addition, the internal audit function will adhere to the Bank's relevant policies and procedures and the Internal Audit Policy.

4. AUTHORITY

The internal audit function, with strict accountability for confidentiality and safeguarding records and information, is authorized full, free, and unrestricted access to any and all of organization's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit function in fulfilling its roles and responsibilities. The internal audit function will also have free and unrestricted access to the Audit Committee.

5. ORGANIZATION

The Manager Internal Audit will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the Chief Operating Officer.

The Audit Committee will:

- Approve the internal audit charter;
- Approve the risk based internal audit plan;
- Approve the internal audit budget (if applicable) and resource plan;
- Receive communications from the Manager Internal Audit on the internal audit function's performance relative to its plan and other matters;
- Approve decisions regarding the appointment and removal of the Manager Internal Audit;
- Approve the remuneration of the Manager Internal Audit; and
- Make appropriate inquiries of management and the Manager Internal Audit to determine whether there is inappropriate scope, limitations of scope or resource limitations.

The Manager Internal Audit will meet with Audit Committee members at least once every quarter and will communicate and interact directly with the Audit Committee, including in executive sessions and between Audit Committee meetings as appropriate.

6. INDEPENDENCE AND OBJECTIVITY

The internal audit function will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited and the Manager Internal Audit shall not be responsible for any other function in the Bank. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor's judgment and objectivity. Accordingly, management will be responsible for the implementation of internal controls and their effectiveness on an ongoing basis.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the controls, activities or processes being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments. Any actual or perceived conflict of interest will be declared by the Internal Auditor and communicated to the Manager Internal Audit or Senior Management as appropriate. The Manager Internal Audit will confirm to the Audit Committee and the Board of Directors, at least annually, the organizational independence of the internal audit function.

In case of conflicts, incidents or impediments which may arise during or after completion of audits, the matters will be resolved with the Managers and VPs concerned in the first

instance. If no satisfactory resolution is reached, the matters will be escalated to the Chief Operating Officer and Managing Director & Chief Operating Officer as appropriate. Any unsolved conflict or incident of significance to the internal audit function will be reported to the Audit Committee. The same principle will apply to any risk as being at such a high level that the Bank would normally not tolerate and which, in the opinion of the Manager Internal Audit, is not being mitigated at an acceptable level.

While the internal audit department will follow the Bank's human resources policies and procedures for hiring, compensation, performance appraisals and other staff matters, these will be completed without undue interference from management. Decisions on hiring and movement of staff will be communicated to the Audit Committee and approval will be obtained where appropriate.

7. RESPONSIBILITY

The scope of internal audit encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. This includes but not limited to:

- Evaluating risk exposure relating to achievement of the organization's strategic objectives;
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have an impact on the organization.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are deployed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations, plans or programs are being carried out as planned;
- Monitoring and evaluating of governance processes;
- Monitoring and evaluating the effectiveness of the organization's risk management processes;
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit;
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organization;
- Reporting periodically on the internal audit function's purpose, authority, responsibility, and performance relative to its plan;
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee;
- Evaluating specific operations, information or systems at the request of Senior Management with approval from the Audit Committee as appropriate; and

- Evaluating and monitoring of the system of internal control should be capable of responding quickly to evolving risks facing the Bank arising from factors within the Bank and to changes in the business environment and to report immediately to appropriate level of management any significant failings or weaknesses that are identified.

8. INTERNAL AUDIT PLAN

At least annually, the Manager Internal Audit will submit to the Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of details of the branches and Departments/ Business Units to be inspected as well as the time scale (number of man-days) for each inspection as well as budget and resource requirements for the next fiscal/calendar year.

The Manager Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The internal audit plan will be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Audit Committee. The internal audit plan will take into consideration the strategic plans of the Bank where applicable.

The Manager Internal Audit will review and adjust the plan, as necessary, in response to changes in the organization's business, risks, operations, programs, systems, and controls. This pro-active approach will consider the current and expected future changes which may impact the bank. Any significant deviation from the approved internal audit plan will be communicated to senior management and the Audit Committee through periodic activity reports.

9. REPORTING AND MONITORING

A written report will be prepared and issued by the Manager Internal Audit or designee following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The internal audit department will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain open until cleared.

The Manager Internal Audit will periodically report to senior management and the Audit Committee on the internal audit function's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and

control issues, including fraud risks, governance issues, and other matters needed or requested by senior management and the Audit Committee.

10. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The internal audit function will maintain a quality assurance and improvement program that covers all aspects of the internal audit function. The program will include an evaluation of the internal audit function's conformance with the Definition of Internal Auditing and the *Standards* and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the internal audit function and identifies opportunities for improvement.

The Manager Internal Audit will communicate to senior management and the Audit Committee on the internal audit function's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

11. REVIEW

The Internal Audit Charter will be reviewed yearly or earlier if so required.