

## **Purpose and Mission**

The purpose of Bank of Sharjah's Internal Audit department is to provide independent, objective assurance and consulting services in line with Standards 1000, 1000.A1, and 1000.C1 designed to add value and improve Bank of Sharjah's operations. The nature of the assurance services provided is objective examination of evidence for the purpose of providing an independent assessment on risk management, controls, and governance processes for Bank of Sharjah. The consulting services provided are advisory in nature and related directly to activities within the organisation and providing an independent opinion as a third line of defence on Policies and Procedures to various stakeholders within the bank.

The Mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit department helps Bank of Sharjah accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

## **Standards for the Professional Practice of Internal Auditing**

The Internal Audit department will govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The Group Head of Internal Audit will report periodically to Executive Management and the Board Audit Committee regarding the Internal Audit department's conformance to the Code of Ethics and the Standards.

## **Authority**

The Group Head of Internal Audit will report functionally to the Board Audit Committee and administratively (i.e., day-to-day operations) to the General Manager of the bank. To establish, maintain, and assure that Bank of Sharjah's Internal Audit department has sufficient authority to fulfill its duties, the Board Audit Committee will:

- Approve the Internal Audit department's charter.
- Approve the risk-based Internal Audit plan.
- Approve the Internal Audit department's budget and resource plan.
- Receive communications from the Group Head of Internal Audit on the Internal Audit department's performance relative to its plan and other matters.
- Approve decisions regarding the appointment and removal of the Group Head of Internal Audit.
- Approve the annual appraisal and remuneration of the Group Head of Internal Audit.
- Make appropriate inquiries of management and the Group Head of Internal Audit to determine whether there is inappropriate scope or resource limitations.

The Group Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Board Audit Committee including in private meetings without management present.

The Board Audit Committee authorises the Internal Audit department to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.

- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Bank of Sharjah, as well as other specialised services from within or outside Bank of Sharjah in order to complete the engagement.

### **Independence and Objectivity**

The Group Head of Internal Audit will ensure that the Internal Audit department remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Group Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for Bank of Sharjah or its affiliates.
- Initiating or approving transactions external to the Internal Audit department.
- Directing the activities of any Bank of Sharjah employee not employed by the Internal Audit department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Auditors.

Where the Group Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of Internal Auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal Auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Group Head of Internal Audit will confirm to the Board Audit Committee, at least annually, the organisational independence of the Internal Audit department. Internal Auditors will confirm their Independence and Objectivity through an annual declaration of Conflict of Interest process.

The Group Head of Internal Audit will disclose to the Board Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

### **Scope of Internal Audit Activities**

The scope of Internal Audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Board Audit Committee, Executive Management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Bank of Sharjah.

Internal Audit assessments include evaluating whether:

- Risks relating to the achievement of Bank of Sharjah's strategic objectives are appropriately identified and managed.
- The actions of Bank of Sharjah's officers, directors, employees, and contractors are in compliance with Bank of Sharjah's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Bank of Sharjah.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The Group Head of Internal Audit will report periodically to Executive Management and the Board Audit Committee regarding:

- The Internal Audit department purpose, authority, and responsibility.
- The Internal Audit department's plan and performance relative to its plan.
- The Internal Audit department's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Board Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by Executive Management that may be unacceptable to Bank of Sharjah.

The Group Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit department may perform advisory and related client service activities, the nature and scope of which will be agreed with the client, provided the Internal Audit department does not assume management responsibility.

Bank of Sharjah Internal Audit department has a strategic alliance agreement with a Big 4 firm to support the Internal Audit Department in execution of the Risk Based Audit Plan. The roles and responsibilities are documented and highlighted in the applicable Engagement Letters and relevant aspects of the Internal Audit Manual.

All Information Security audits are to be performed in compliance with ISO27001 and the UAE's NESI Information Assurance Standards.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## Responsibility

The Group Head of Internal Audit has the responsibility to:

- Submit, at least annually, to Executive Management and the Board Audit Committee a risk-based Internal Audit plan for review and approval.
- Communicate to Executive Management and the Board Audit Committee the impact of resource limitations on the Internal Audit plan.
- Review and adjust the Internal Audit plan, as necessary, in response to changes in Bank of Sharjah's business, risks, operations, programs, systems, and controls.
- Communicate to Executive Management and the Board Audit Committee any significant interim changes to the Internal Audit plan.
- Ensure each engagement of the Internal Audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions quarterly, and report periodically to Executive Management and the Board Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure the Internal Audit department collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter and Continuing Professional Development as documented in the Internal Audit Manual.
- Ensure trends and emerging issues that could impact Bank of Sharjah are considered and communicated to Executive Management and the Board Audit Committee as appropriate.
- Ensure emerging trends and successful practices in Internal Auditing are considered.
- Establish and ensure adherence to Policies and Procedures designed to guide the Internal Audit department.
- Ensure adherence to Bank of Sharjah's relevant Policies and Procedures, unless such Policies and Procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to Executive Management and the Board Audit Committee.
- Ensure conformance of the Internal Audit department with the Standards, with the following qualifications:
  - If the Internal Audit department is prohibited by law or regulation from conformance with certain parts of the Standards, the Group Head of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
  - If the Standards are used in conjunction with requirements issued by the UAE Central Bank, the Group Head of Internal Audit will ensure that the Internal Audit department conforms to the Standards, even if the Internal Audit department also conforms with the more restrictive requirements of the UAE Central Bank.

### **Quality Assurance and Improvement Program (QAIP)**

The Internal Audit department will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit department. The program will include an evaluation of the Internal Audit department's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit department and identify opportunities for improvement.

The Group Head of Internal Audit will communicate to Executive Management and the Board Audit Committee on the Internal Audit department's Quality Assurance and Improvement Program (QAIP), including results of internal assessments (both ongoing and periodic) while periodic Audit Committee and Executive Management surveys are performed on an annual basis and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Bank of Sharjah.

### **Minutes and Retention Policy**

The Board Audit Committee will maintain written minutes of its meetings and these will be signed by the Chairman and Secretary of the Committee. Copies of the minutes will be forwarded to the Corporate Secretary of the Group for inclusion in the appropriate Board agenda.

Internal Audit department will maintain the documents as per Bank of Sharjah retention policy and as mandated by the regulations of the UAE Central Bank.

### **Frequency of review of the Internal Audit Charter**

The Internal Audit Charter will be reviewed once every year and will be updated if required. The Charter will be published and made available both internally and publicly in line with the Central Bank of UAE Regulations and Standards.