

# **INTERNAL AUDIT CHARTER**

## **SECURE TRUST BANK PLC**

## **Internal Audit Charter**

1. This Charter is based on the standard template for an Internal Audit Function Charter, which was last reviewed and updated by the Chartered Institute of Internal Auditors ('CIIA' or 'IIA') on 22 September 2020.
2. Internal auditing is an independent and objective assurance activity that is guided by a philosophy of adding value to improve the operations of Secure Trust Bank PLC ('STB' or 'the Group').
3. STB Internal Audit ('Internal Audit') assists the Group in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation's risk management, control, and governance processes.
4. The Internal Audit function comprises the Chief Internal Auditor and the in-house internal audit team. The Chief Internal Auditor is able to engage Subject Matter Experts and additional resource as required from a panel of co source providers who include 'Big 4' and mid-tier consulting firms in order to supplement the skills and experience provided by the Internal Audit team.

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## **Purpose**

5. Internal Audit's purpose and remit are established by the Board Audit Committee. Internal Audit's responsibilities are defined by the Board Audit Committee as part of their oversight role.
  6. The primary role of Internal Audit is to help the Board and Executive Management to protect the assets, reputation and sustainability of the organisation.
  7. It does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk function to the Board and Executive Management; assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.
  8. The IIA and the Institute of Directors endorse the "Three Lines of Defence" model as a way of explaining the relationship between management functions and as a guide to how responsibilities should be divided:
    - the first line of defence – functions that own and manage risk;
    - the second line of defence – functions that oversee or specialise in risk management, compliance, etc. and
    - the third line of defence – functions that provide independent assurance and in particular internal audit.
  9. At STB, Internal Audit provides the third line of defence within the risk management framework.
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## **Professionalism**

10. Internal Audit will govern itself, within the framework set by the Audit Committee, 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 Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing (Standards). This guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of Internal Audit's performance. In performance of its work Internal Audit will also give attention to the guidance on Effective Internal Audit in the Financial Services Sector, issued by the IIA Committee on Internal Audit Guidance for Financial Services.
  11. The IIA's Practice Advisories, Practice Guides, and Position Papers will also be referenced as applicable to guide operations. In addition, Internal Audit activity will adhere to the Group's relevant policies and procedures and Internal Audit's standard operating procedures manual.
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## **Authority**

12. Internal Audit receives its authority to act from the Board Audit Committee. Internal Audit, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are required to assist Internal Audit in fulfilling its roles and responsibilities. The Chief Internal Auditor will also have free and unrestricted access to the Board. Any disagreement over the authority of Internal Audit will be referred to the Audit Committee Chairman for adjudication, with final appeal to the Board of Directors.
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## **Organisation**

13. The Chief Internal Auditor will report to the Chairman of the Audit Committee and administratively to the Chief Executive Officer.
14. The Chief Internal Auditor will, subject to invitation from the Chairman of the STB Board Risk Committee, be invited to attend the Board Risk Committee to provide commentary concerning the effectiveness of the current control framework.
15. The Chief Internal Auditor will, subject to the authorisation of the Chairman of the STB Executive Committee ('ExCo'), have a right of attendance at the ExCo.

16. The Audit Committee will approve decisions regarding the appointment and removal of the Chief Internal Auditor. The Chairman of the Audit Committee will make a recommendation to the Remuneration Committee with regards to the performance evaluation and remuneration of the Chief Internal Auditor.
  17. The Chief Internal Auditor will communicate and interact directly with the Audit Committee and Chief Executive Officer, including in executive sessions and between Audit Committee meetings as appropriate.
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### **Independence and objectivity**

18. The Chief Internal Auditor will ensure that Internal Audit will avoid any conflicts of interest and remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.
  19. Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment;
  20. Internal auditors will not have responsibility for risk management including setting the risk appetite for the Group and imposing risk management processes.
  21. Internal auditors must exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors must make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.
  22. The Chief Internal Auditor will confirm to the Audit Committee, at least annually, the organisational independence of Internal Audit.
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### **Responsibility**

23. The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by Internal Audit include:
  - Consistency of operations or programs with established objectives and goals and effective performance;
  - Effectiveness and efficiency of operations and employment of resources;
  - Compliance with significant policies, plans, procedures, laws, and regulations;
  - Reliability and integrity of management and financial information processes, including the means to identify, measure, classify, and report such information; and
  - Safeguarding of assets.
24. Internal Audit is responsible for evaluating all processes (the 'audit universe') of the entity including governance processes and risk management processes. It also assists the Audit Committee in evaluating the quality of performance of external auditors.
25. Internal Audit may evaluate specific operations at the request of the Audit Committee or management, as appropriate.

26. Based on its activity, Internal Audit is responsible for reporting significant risk exposures and control issues identified to the Audit Committee and to senior management, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.
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#### **Internal Audit plan**

27. At least annually, the Chief Internal Auditor will submit to the Audit Committee an Internal Audit plan for review and approval, including risk assessment criteria. The Internal Audit plan will include timing as well as budget and resource requirements for the next fiscal/calendar year. The annual plan forms part of a rolling Internal Audit plan which is updated by the Chief Internal Auditor throughout the year and is subject to review and approval by the Audit Committee. The Chief Internal Auditor will communicate the impact of resource limitations and significant interim changes to both senior management and the Audit Committee.
28. 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 Board. In formulating the audit plan, business strategy and business developments, areas of regulatory focus and change and emerging risks will be taken into consideration. The audit plan will focus on areas of highest risk. Prior to submission to the Audit Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved Internal Audit plan will be approved by the Audit Committee and communicated through the periodic activity reporting process.
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#### **Reporting and monitoring**

29. A written report will be prepared and issued by the Chief Internal Auditor or designee following the conclusion of each internal audit engagement and will be discussed and distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.
30. The Internal Audit report will include management's proposals for corrective action taken or to be taken in regard to the specific observations. Management's proposals will include a timetable for anticipated completion of action to be taken.
31. Internal Audit will be responsible for monitoring follow-up on engagement findings and management actions. All management actions will remain open until Internal Audit has agreed that they are closed.
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### **Interaction with other internal and external providers of assurance**

32. Internal Audit will share information and coordinate activities with other parties (including Risk Management, Compliance, Finance and external parties) while remaining at all times independent of those functions and parties.
33. Internal Audit will take account of the work undertaken by other parties in either its risk assessment or determination of the level of audit testing where it is possible to do so. Any judgment which results in less intense Internal Audit scrutiny will only be made after due consideration of the purpose of the work undertaken and the independence and objectivity, competence, working practices and effectiveness of the other parties.

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### **Periodic assessment**

34. The Chief Internal Auditor is responsible for providing periodically a self-assessment on Internal Audit as regards its consistency with the Audit Charter (purpose, authority, and responsibility) and performance relative to its Plan.

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### **Quality assurance and improvement programme**

35. The Chief Internal Auditor will maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity. The programme will include an evaluation of the Internal Audit activity's conformance to the Standards and the Code of Ethics. The programme also assesses the efficiency and effectiveness of the Internal Audit activity and identifies opportunities for improvement.
36. The Chief Internal Auditor will communicate to senior management and the Board on conformance to the Code of Ethics and the Standards and the results of the quality assurance and improvement programme, including results of ongoing internal assessments and external assessments conducted at least every five years.

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Approved by the Secure Trust Bank PLC Audit Committee on [27 September 2023]