This charter describes the role of the Internal Audit function.

**Mission**

The mission of Internal Audit (IA) is to help ensure that the Bank's operations are conducted according to the highest standards by providing an independent, objective assurance function and by advising on best practice. IA helps the Bank accomplish its objectives by evaluating and improving the effectiveness of risk management, control, and governance systems and processes. IA aims to promote effective controls at reasonable cost.

**Independence and objectivity**

To ensure independence, the Head of Internal Audit reports to the General Manager and the Deputy General Manager and to the Audit Committee.

To maintain objectivity, IA does not have operational responsibility for or authority over any of the activities audited. Each business unit is responsible for its own operations including internal controls.

**Scope and responsibilities**

Every activity and every entity of the Bank, including outsourced activities, falls within the overall scope of IA.

To fulfil its responsibilities, IA:

- Identifies and assesses potential risks to the Bank’s operations.
- Reviews the adequacy of controls established to ensure compliance with policies and procedures.
- Assesses the reliability and integrity of financial and operational information.
- Assesses the means of safeguarding assets.
- Appraises the effectiveness and efficiency of operations.
- Follows up recommendations to make sure that effective remedial action is taken.
- Carries out ad hoc appraisals, investigations or reviews requested by Management or the Audit Committee.
- Coordinates with external audit and other control functions at the Bank to ensure proper coverage and avoid duplication of effort.

When necessary, IA may outsource or co-source some of its audit engagements to external experts. In such cases the responsibility for these engagements remains with IA.
Authority

IA is authorised, whenever relevant for performing its assignments,

• to have access to all of the Bank’s information, physical properties and personnel;
• to attend as an observer any internal meeting at the Bank.

Accountability

IA prepares an annual audit plan. The plan is based on a risk analysis and on input from Management and line managers. In addition, all areas of the Bank are subject to an audit with a frequency determined by the risk rating of the area (audit cycle).

The annual audit plan provides information about the planned audit work. The draft plan, including the audit cycle for the coming year, is presented to the General Manager and the Deputy General Manager for comment, and to the Audit Committee for approval. In case of need, adjustments can be made to the plan during the year. Significant changes are communicated to Management for comment and to the Audit Committee for approval.

IA is responsible for planning, conducting, reporting and following up on audit engagements included in the audit plan, and decides on the objectives, scope and timing of audits.

Audit fieldwork is conducted in a professional and timely manner. Communication of results includes an open process to agree on the facts and the validity of audit recommendations. In all cases, follow-up work is undertaken to ensure an adequate response to audit recommendations. IA communicates the results of the follow-up exercises to Management and the Audit Committee.

IA submits an annual report to the General Manager and the Deputy General Manager for comment and to the Audit Committee for approval.

Engagements must be performed with proficiency and due professional care.

IA maintains a quality assurance and improvement programme that covers both internal and external assessments. The internal assessments include ongoing monitoring of the quality of internal audit work. External, independent assessments are conducted once every five years.

Standards

IA adheres to the standards of leading professional practice, such as those published by the Institute of Internal Auditors and the Information Systems Audit and Control Association, as well as the relevant reports and recommendations of the Basel Committee on Banking Supervision.

Implementation

This revision of the Charter was approved by the Audit Committee on 12 May 2014. The Head of Internal Audit, in consultation with the General Manager and the Deputy General Manager, is hereby authorised to issue more detailed policies, procedures and guidance consistent with the provisions of this Charter, as appropriate.