



Internal Audit Charter

X CentralBankUAE
@ CentralBankUAE
in Central Bank of the UAE

CentralBankoftheUAE
Central Bank of the UAE

المصرف-المركزي.امارات
www.centralbank.ae

Central Bank of the UAE:



المصرف-المركزي.امارات
www.centralbank.ae



Content

- 1 Introduction**
- 2 Purpose of internal Audit**
- 3 Main principles and rules**
- 4 Independence and objectivity**



1. INTRODUCTION

The Internal Audit Charter ('Charter') is a formal document approved by the Board Audit Committee ('BAC') that defines the Internal Audit Function's purpose, authority, responsibility, and position within the Central Bank of the United Arab Emirates ('Central Bank' or 'CBUAE').

The Charter establishes the Internal Audit Function's reporting lines, authorizing access to records, personnel, and physical properties relevant to the performance of audit engagements; and defines the scope of internal audit activities.

2. PURPOSE OF INTERNAL AUDIT

The purpose of Internal Audit Function is to contribute to the achievement of CBUAE's objectives by providing independent, objective assurance and advisory services designed to assess the effectiveness of governance, risk management, and internal controls.

3. MAIN PRINCIPLES AND RULES

3.1 Standards for the Professional Practice of Internal Auditing

The Internal Audit Function shall conform to the Global Internal Audit Standards ('GIAS') set by the Institute of Internal Auditors ('IIA') which includes: Purpose of Internal Auditing, Ethics and Professionalism, Governing the Internal Audit Function, Managing the Internal Audit Function, Performing Internal Audit Services. The Internal Audit Function shall cover the topical requirements and global guidance as required by the standards when and where applicable base on the requirements set by the IIA.

In addition, the Internal Audit Function shall adhere to the CBUAE relevant policies and procedures as well as the Internal Audit Framework Methodology, unless any of them conflicts with the Charter. In case of any conflict arise, it will be treated as guided by GIAS.

Moreover, the Internal Audit Function shall adhere to applicable laws and regulation set by the relevant legislators which include UAE Accountability Authority ('UAEAA').

3.2 Organisational Position and Reporting Relationship.

Internal Audit Function shall report functionally to the BAC and administratively (i.e., day-to-day operations) to H.E. The Governor. The Internal Audit Function shall meet to BAC at least 4 times annually to present the current status and activities of the Internal Audit Function.



3.3 Authority of Internal Audit

Internal Audit Function shall have unrestricted access to, and communicate and interact directly with the BAC.

The BAC authorises Internal Audit Function to:

- a) 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.
- b) Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- c) Obtain assistance from the necessary personnel of CBUAE, as well as other specialised services from within or outside CBUAE, in order to complete the engagement.
- d) To evaluate whether the human resources are appropriate and sufficient to achieve the internal audit plan.

4. INDEPENDENCE AND OBJECTIVITY

Internal Audit Function shall ensure that it 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 Chief Internal Audit Officer ('CIAO') determines that independence or objectivity may be impaired in fact or appearance, the details of impairment should be disclosed to appropriate parties. The determination of appropriate parties is dependent upon the expectations of the Internal Audit Function's and the CIAO's responsibilities to senior management and the BAC as described in this Charter, as well as the nature of the impairment.

4.1 Responsibility of Internal Audit

The Internal Audit Function has the responsibility to:



- a) Develop and implement a strategy for the internal audit function.
- b) Submit, at least annually, to the BAC a risk-based internal audit plan for review and approval, and to H.E. The Governor for information.
- c) Communicate to the BAC the impact of resource limitations on the internal audit plan, and to H.E. The Governor for information.
- d) Review and adjust the internal audit plan.
- e) Communicate to the BAC any significant interim changes to the internal audit plan, and to H.E. The Governor for information.
- f) Ensure each engagement of the internal audit plan is executed.
- g) Follow up on engagement findings and corrective actions, and report periodically to H.E. The Governor and the BAC any corrective actions not effectively implemented.
- h) Ensure the principles of integrity, objectivity, competency, due professional care, and confidentiality are applied and upheld.
- i) Ensure the Internal Audit Function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Charter.
- j) Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Function.
- k) Ensure adherence to CBUAE's relevant policies and procedures and to the Standards.

The CIAO shall report periodically to the BAC, and H.E. The Governor

4.2 Three Lines Model

The Internal Audit Function has a key role in the governance structure to assure on the management of risk and achieving of CBUAE's objectives. The Board of Directors ('BOD') delegates to the executive management primary ownership and responsibility to provide leadership and direction to achieve the CBUAE's objectives.

- The first line are the departments carrying out the official mandate of the CBUAE, and the support functions. They are the operational management who has ownership, responsibility and accountability for directly assessing,



controlling and mitigating risks.

- The second line or the risk and control departments are responsible for ongoing review, monitoring and facilitating the implementation of effective risk management practices by operational management and assist risk owners in reporting adequate risk related information.
- The third line is the Internal Audit Function, which provides independent assurance on the effectiveness of governance, risk management, and internal controls, including the manner in which the first and second lines achieve risk management and control objectives.

4.3 Relationship with other external stakeholders

The Internal Audit Function, when required from time to time, coordinate with other external stakeholders such as: the External Auditors, UAE Accountability Authority and other regulatory bodies. The level and type of coordination and cooperation with them shall be carried in accordance with the relevant laws and regulations, and procedures of CBUAE.

4.4 Quality assurance and improvement programme

The Internal Audit Function shall develop, implement, and maintain a quality assurance and improvement programme that covers all aspects of the Internal Audit Function. The programme shall include an evaluation of the Internal Audit Function's conformity with GIAS.

The Internal Audit Function shall communicate to the BAC and H.E. The Governor on the results of Internal Audit Function's quality assurance and improvement programme, including results of periodic self-assessment as well as external assessments, and the developed action plans to address instances of nonconformance with the standards and opportunities for improvement, including a proposed timeline for actions. External assessment shall be conducted once every five years by a qualified, independent assessor, assessment team from outside the CBUAE as per the scope approved by the BAC or through self-assessment with independent validation.