



بنك دبي الإسلامي
Dubai Islamic Bank

INTERNAL AUDIT CHARTER

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1. CHARTER

This Charter defines the Group Internal Audit (GIA) organisational position, purpose, authority, scope of work and responsibility. Group Chief of Internal Audit (GCIA) shall review the internal audit charter, at least once every three years, to ensure accuracy and continuing relevance, and confirm this annually to the Board Audit Committee (BAC). Any proposed amendments to the charter are subject to BAC formal approval.

2. GROUP INTERNAL AUDIT MISSION AND PURPOSE

- 2.1. GIA is established by DIB's Board of Directors (Board) with the role and responsibilities as defined in this charter, DIB's Code of Corporate Governance and as part of BAC's direct oversight role.
- 2.2. GIA's **mission** is to enhance and protect the organizational value by providing risk-based and objective assurance, advice and insight.
- 2.3. GIA's **purpose** is to support the achievement of DIB vision to be "the most progressive Islamic financial institution in the world" by providing independent and objective *assurance* and *consulting* services designed to add value and improve DIB's operations.
- 2.4. GIA supports the achievement of the corporate objectives through a systematic and disciplined approach in periodically and systematically evaluating, and reporting on, the effectiveness of DIB's risk management, internal controls and governance processes.

3. STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING:

- 3.1. GIA will govern itself by adherence to the specific regulations related to Internal Audit as issued by the Central Bank of the United Arab Emirates, the Securities and Commodities Authority and the mandatory elements of the IIA's International Professional Practices Framework (IPPF) including its Standards, Core Principles, Definition of Internal Auditing, and the Code of Ethics.
- 3.2. GIA will adhere to DIB's relevant policies and procedures. The work of GIA will be performed in conformance to the Standards mentioned above, and as documented in the Internal Audit Manual which will be reflective of industry best practices.
- 3.3. Internal audit staff shall at all times adhere to DIB's Code of Conduct, the IIA Code of Ethics and the highest personal professional standards.

4. AUTHORITY

- 4.1. GIA is headed by the GCIA who is accountable to BAC. To ensure organizational independence is achieved, GIA reports functionally to BAC and administratively to GCEO.
- 4.2. BAC shall ensure that the internal audit activity has sufficient authority to fulfil its duties by:
 - Approving the internal audit charter.
 - Approving a timely, risk-based and agile internal audit plan.
 - Approving the internal audit budget and resource plan.
 - Providing unrestricted access to the GCIA who will communicate and interact directly with the BAC, including in executive sessions and between BAC meetings as appropriate.
 - GIA shall have full access to all information, records and documents within the functional areas listed in its operational scope. All such information, records and documents will be treated with the utmost confidentiality and security by GIA staff.
 - In the event that access is required to any high level confidential or sensitive information, the GCIA shall liaise with senior management as appropriate for access. If in the GCIA's opinion any restriction on access shall limit GIA ability to discharge its duties effectively, this will be escalated to senior management and thereafter to the BAC.

5. SCOPE

- 5.1. The scope of the internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent evaluation of the adequacy, efficiency and effectiveness of the internal control system, risk management and compliance functions, and governance systems and processes of the entire Bank, including the Bank's subsidiaries and branches.
- 5.2. All activities of DIB and its subsidiaries fall within the scope of the Group Internal Audit. GIA's role for audit coverage responsibilities in relation to DIB and its subsidiaries, associates and joint ventures is as directed and approved from time to time by the BAC.
- 5.3. GIA scope will also extend to suitable audit coverage of outsourced functions, as per approved and signed outsourced agreements, wherever applicable.
- 5.4. Any restrictions placed on GIA authority may be construed as a Scope Limitation and such restrictions shall be recorded in relevant Audit Reports, and communicated by GCIA to the BAC.

6. GIA STRUCTURE AND ORGANISATION

- 6.1. The department's headcount and organisational structure is the GCIA's responsibility, in accordance with DIB's approved HR policies and guidelines, and subject to the guidance and approval of the BAC.
- 6.2. Staff members of GIA are organisationally independent of all other functions in DIB. To maintain this independence in the discharge of their responsibilities, GIA staff members are neither assigned to, nor are they expected to engage in, activities which are related to day-to-day management, operational or control functions of DIB. GCIA reports functionally to the BAC, and administratively to DIB Group Chief Executive Officer.
- 6.3. The appointment, removal, performance appraisal and rewards of the Group Chief of Internal Audit is the responsibility of the BAC. GIA resources, manpower, budget and its operating plan are approved by, and subject to periodic review by, the BAC.
- 6.4. GCIA shall ensure that GIA resources possess collectively the right mix of knowledge and skills, and are effectively deployed to ensure the accomplishment of the audit plan. Where necessary, specialist co-sourcing may be engaged to support the approved Audit Plan.
- 6.5. GCIA shall ensure that any GIA staff recruited internally do not engage in auditing activities for which they have had previous responsibility, observing a cooling off-period of at least one financial year.
- 6.6. In the event a conflict arises, established procedures set out in the Audit Manual shall be followed.

7. INDEPENDENCE

- 7.1. GCIA communicates and interacts directly with the Board Audit Committee, and ensures that GIA is independent and free from interference in determining the scope of internal auditing, performing the work and communicating the results. GCIA shall disclose any such interference to BAC and discuss the implications.
- 7.2. 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 objective judgment. Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process 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.
- 7.3. GCIA will confirm to the BAC, at least annually, the organisational independence of GIA. If GCIA determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to the BAC or the appropriate parties.
- 7.4. Where the GCIA has or expected to have roles and / or responsibilities outside of Internal Audit, safeguards will be put in place to limit any impairment to independence or objectivity and will be subject to BAC approval.

8. RESPONSIBILITY

- 8.1. GCIA shall ensure managing GIA appropriately for it to fulfil its mandate, while ensuring conformance with IIA standards.
- 8.2. GCIA shall submit, at least annually, a risk-based internal audit plan for BAC's approval. GCIA shall ensure that GIA has access to appropriate resources with regard to competency and skill and shall communicate to senior management and BAC the impact of resource limitation on the plan.
- 8.3. GIA's primary objectives will be achieved through the performance of a comprehensive and systematic program of independent audits designed to:
 - Provide assurance that risks to which DIB's business are exposed to have been identified, quantified and are monitored.
 - Recommend operating enhancements and provide independent assurance as to the adequacy, efficiency and effectiveness of DIB's Compliance, Governance, Risk Management and Internal Control processes, in carrying out assigned responsibilities to achieve the stated objectives.
 - Review the Credit and Investment Portfolio, and related end-to-end processes, along with the risk management processes and the adequacy of required provisions for potential losses.
 - Evaluate the reliability and integrity of Management Information Systems and the means used to identify, measure, classify, and report such information, based on which business decisions are made by DIB's management.
 - Ascertain the degree of compliance with applicable laws, regulations, standards, policies, plans and procedures.
 - Evaluate the means of safeguarding DIB's assets, both physical and virtual, and as appropriate verifying the existence of such assets.
 - Track all outstanding audit issues and agreed action plans and escalate matters requiring further attention.
 - Consider reports issued by DIB's external auditors, Central Bank examiners and Financial Audit Authority auditors, Securities and Commodities Authority (SCA) and other regulatory bodies, as appropriate, for the purpose of providing optimal audit coverage and assurance to the BAC and senior management.
- 8.4. GIA's core oversight responsibilities over applicable group subsidiaries and affiliates are as follows:
 - GCIA shall support BAC's oversight by ensuring adequate and timely flow of information.
 - GCIA shall maintain an interactive line of communication with group entities in order to ensure that audit best practices are implemented across the group. Provide guidance to group entities in managing Internal Audit's governance in accordance with applicable laws and regulations.
 - GCIA shall review and ensure alignment of the internal audit charters adopted by applicable group entities with GIA DIBUAE charter, assess any deviations and update the BAC for their feedback/approval.
 - GCIA shall monitor the audit plan of applicable group entities, audit results and management action. GCIA is required to submit to BAC periodic Subsidiaries MIS reports on any material fines, fraud cases, regulatory reviews, critical issues facing the bank, progress against the annual audit plan, status update on the overall audit issues follow-up, high level summary of the audit reports.
- 8.5. GIA will coordinate with the Internal Sharia Audit Department in:
 - Exchanging findings and reports issued.
 - Fulfilling the BAC's responsibilities related to the Internal Sharia Audit function, as detailed in the BAC's Terms of Reference.
- 8.6. GIA is required to prepare periodic MIS reports on the results of its work and following up on the agreed-to corrective actions. These reports will be issued to the BAC and senior management.
- 8.7. GCIA shall share information, coordinate activities and consider relying upon the work of other internal/external assurance providers to ensure proper coverage and minimize duplication of efforts.

9. INTERNAL AUDIT PLAN

- 9.1. GCIA shall establish a risk-based audit plan to determine GIA priorities, consistent with DIB's goals. The internal audit plan must be based on documented risk assessment undertaken at least annually. The input of senior management and the Board shall be considered in this process. GCIA shall submit the risk-based annual audit plan to BAC for review and approval.
- 9.2. GCIA shall consider accepting proposed consulting engagements based on the potential to improve management of risks, add value and improve DIB's operations. Accepted consulting engagement shall be added to the plan.
- 9.3. GCIA will communicate the impact of resource limitations and significant interim changes to senior management and the BAC.
- 9.4. Performance against the approved annual audit plan will be tabled periodically at BAC meetings. GCIA will review and adjust the internal audit plan, as necessary, in response to changes in DIB's business, risks, operations, programs, systems, and controls. Shifting any audit assignment from the current year's audit plan, to be conducted in subsequent year(s), will be communicated to BAC and subject to their approval.
- 9.5. GCIA may update and approve GIA procedure / processes where it is applicable to ensure compliance with GIA charter, regulations and relevant standards.

10. REPORTING AND MONITORING

- 10.1. GCIA shall report periodically to senior management and BAC on the results of the performance relative to the audit plan and on its conformance with the Code of Ethics and the Standards. The reporting shall include:
 - Independence of the internal audit activity
 - Conformance with the Code of Ethics and the Standards
 - The audit plan and progress against the plan
 - Results of audit activities
 - Resource requirements
 - Management's response to risk that in the GCIA's judgment may be unacceptable
- 10.2. A written report will be prepared and issued to the Head of an auditee department following the conclusion of each audit engagement, with copies distributed as appropriate. Internal audit reports will include management's corrective actions to be taken along with a target completion date. The status of the audit findings will be tracked by GIA as "Open" or "Overdue" until implementation. Any extension of the target date shall be approved as per the Target Date Extension Approval Matrix.
- 10.3. In the event any audit finding is disagreed with by the auditee, the issue will be escalated to GCIA for further discussion at the Chief/GCEO/BAC level. The status of the issue will continue to be reported as 'Open' until reaching a positive outcome.

11. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

- 11.1. GIA shall maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity including its evaluation of conformance to IIA standards. The QAIP shall include both:
 - Internal assessment: Ongoing monitoring and periodic self-assessments
 - External assessment: to be conducted at least once every 5 years by a qualified, independent assessor.
- 11.2. GCIA shall report periodically to senior management and BAC on the QAIP results.