



بنك دبي الإسلامي
Dubai Islamic Bank

Internal Audit Charter

Approving Authority: Board Audit Committee

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Contents

1. Internal Audit Department	1
2. Charter	1
3. Scope	1
4. IAD Structure and Organisation.....	1
5. Authority.....	2
6. Independence	2
7. Responsibilities	3
8. Internal Audit Plan	4
9. Reporting and Monitoring	5
10. Internal Audit Staff	5
11. Standards and Ethics	5
12. Quality Assurance and Improvement Program	6

1. INTERNAL AUDIT DEPARTMENT

- 1.1. Internal Audit is an independent and objective assurance and consulting activity / function that is guided by a philosophy of adding value to improve the control environment of the **(DIB)**.
- 1.2. DIB's Internal Audit Department (**IAD**) assists DIB in accomplishing its 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.
- 1.3. IAD is established by DIB's Board of Directors (**Board**). IAD's roles and responsibilities are defined by this Internal Audit Charter (**Charter**), DIB's Code of Corporate Governance, and by DIB's Board Audit Committee (**BAC**) as part of the BAC's direct oversight role for IAD. IAD is required to conform to specific regulations related to Internal Audit as issued by the Central Bank of the United Arab Emirates (**Central Bank**) and the Securities and Commodities Authority.

2. CHARTER

- 2.1. This Charter defines IAD's organisational position, purpose, authority, scope of work and responsibility. The Group Chief of Internal Audit shall periodically review the Charter to ensure it remains accurate and up-to-date, and confirm this annually to the BAC. Any proposed amendments to the Charter are subject to the formal approval of the BAC.

3. SCOPE

- 3.1. All activities of DIB and its subsidiaries fall within the scope of the Internal Audit function. IAD'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.
- 3.2. IAD's scope will also extend to suitable audit coverage of outsourced functions, as per approved and signed outsourced agreement, wherever applicable.
- 3.3. Any restrictions placed on IAD's authority may be construed as a 'Scope Limitation' and such restrictions shall be recorded in relevant Audit Reports, and communicated to the BAC by the Group Chief of Internal Audit.

4. IAD STRUCTURE AND ORGANISATION

- 4.1. IAD is headed by the Group Chief of Internal Audit who is accountable to the BAC. The department's headcount and organisational structure is the responsibility of the Group Chief of Internal Audit, in accordance with DIB's approved HR policies and guidelines, and subject to the guidance and approval of the BAC.
- 4.2. Staff members of IAD are organisationally independent of all other functions in DIB. To maintain this

independence in the discharge of their responsibilities, IAD 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. The Group Chief of Internal Audit reports functionally to the BAC, and administratively to DIB Group Chief Executive Officer.

- 4.3. The appointment, removal, performance appraisal and rewards of the Group Chief of Internal Audit is the responsibility of the BAC. IAD resources, manpower, budget and its operating plan are approved by, and subject to periodic review by, the BAC.
- 4.4. The Group Chief of Internal Audit will communicate and interact directly with the BAC, including in executive sessions and between BAC meetings as appropriate.

5. AUTHORITY

- 5.1. IAD 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 IAD staff.
- 5.2. In the event that access is required to any high level confidential or sensitive information, the Group Chief of Internal Audit shall liaise with senior management as appropriate for access. If in the opinion of Group Chief of Internal Audit any restriction on access shall limit IAD's ability to discharge its duties effectively, this will be escalated to senior management and thereafter to the BAC.

6. INDEPENDENCE

- 6.1. IAD is independent from DIB's management in matters of audit selection, risk analysis, audit scope and procedures, audit frequency and Audit Report content, to ensure necessary independence and objectivity.
- 6.2. 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.
- 6.3. The Group Chief of Internal Audit will confirm to the BAC, at least annually, the organisational independence of IAD. If the Group Chief of Internal Audit 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. RESPONSIBILITIES

- 7.1. IAD's primary objectives will be achieved through the performance of a comprehensive and systematic program of independent audits designed to:
- 7.1.1. Provide assurance that risks to which DIB's business are exposed have been identified, quantified and are monitored.
 - 7.1.2. 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 goals and objectives of DIB.
 - 7.1.3. Examine and evaluate the quality of Credit and Investment Portfolios, and related Credit and Investment Risk Management Processes, along with the adequacy of required provisions for potential losses.
 - 7.1.4. 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.
 - 7.1.5. Ascertain the degree of compliance with applicable laws, regulations, standards, policies, plans and procedures.
 - 7.1.6. Evaluate the means of safeguarding DIB's assets, both physical and virtual, and as appropriate verifying the existence of such assets.
 - 7.1.7. Track all outstanding audit issues and agreed action plans and escalate matters requiring further attention.
 - 7.1.8. Consider reports issued by DIB's external auditors, Central Bank examiners and Financial Audit Authority Auditors (Government of Dubai Auditors), as appropriate, for the purpose of providing optimal Audit coverage and Assurance to the BAC and senior management.
 - 7.1.9. Ensure that IAD conforms to the International Standards for the Professional Practice of Internal Auditing.
- 7.2. IAD's responsibilities also extend to performing internal Investigations, in line with the IAD Charter and DIB's approved Investigations Policy.
- 7.3. IAD's core responsibilities of Group Audit Function are as follows:
- 7.3.1. Support the BAC in oversight over applicable group subsidiaries and affiliates as per direction of BAC.

- 7.3.2. Monitor the audit plan of applicable group entities, audit results and management action and update BAC.
- 7.3.3. Review and ensure alignment of the Internal Audit charters adopted by applicable group entities with this Charter, assess any deviations and update the BAC for their feedback/approval.
- 7.3.4. Coordinate with applicable group entities in respect of material to be presented and discussed during BAC meetings.
- 7.3.5. Maintain an interactive line of communication with group entities in order to ensure that best audit practices are implemented across the group.
- 7.3.6. Provide guidance to group entities in order to manage Internal Audit's governance in accordance with the applicable laws, regulations and DIB expectations.
- 7.4. IAD will coordinate with the Internal Sharia Audit Department in:
 - 7.4.1. Exchanging findings and reports issued.
 - 7.4.2. Fulfilling the BAC's responsibilities related to the Internal Sharia Audit function, as detailed in the BAC's Terms of Reference.
- 7.5. IAD is required to prepare periodic MIS reports on its Audit and Investigation Assignments, status of Audit findings, status of Investigation assignments and other related information. These reports will be issued to the BAC and senior management.

8. INTERNAL AUDIT PLAN

- 8.1. On an annual basis, the Group Chief of Internal Audit will prepare and submit a risk-based Internal Audit plan to the BAC for review and approval. While preparing this annual Audit plan, the Group Chief of Internal Audit will seek input as appropriate from DIB senior management. The Group Chief of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the BAC.
- 8.2. The Group Chief of Internal Audit 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.
- 8.3. Performance against the approved annual Audit plan will be tabled periodically at BAC meetings by the Group Chief of Internal Audit.
- 8.4. The Group Chief of Internal Audit may update and approve IAD procedure / processes where it is

applicable to ensure compliance with IAD charter, Regulations and Relevant Standards.

9. REPORTING AND MONITORING

- 9.1. 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 results will be periodically communicated to the BAC.
- 9.2. Internal Audit reports will include management's responses and corrective actions taken, or to be taken, relating to specific Audit findings and recommendations along with a timetable for completion of actions. Audit findings agreed to be implemented post the issuance of the Audit Report, will be tracked by IAD as 'Open' or 'Overdue' Audit findings, until implementation.
- 9.3. In the event any Audit finding is disagreed with by the auditee, escalation under the DIB's dispute resolution / dispensation process must be followed by the auditee to resolve the dispute, failing which the finding will continue to be reported as an 'Open' finding.
- 9.4. If the Group Chief of Internal Audit believes that management has accepted a level of residual risk that may be unacceptable to DIB, he shall discuss the matter with senior management. If the matter is not resolved, the Group Chief of Internal Audit will report the matter to the BAC for discussion and final resolution.

10. INTERNAL AUDIT STAFF

- 10.1. The Group Chief of Internal Audit is responsible for assessing the skillset, resources and budget for the IAD and presenting this to the BAC. The Group Chief of Internal Audit monitors that IAD staff have an adequate mix of risk, business and professional audit skills to execute the approved Audit Plan, and to provide independent and effective challenge to senior management. Where necessary, specialist co-source may be engaged to support the approved Audit Plan.
- 10.2. The Group Chief of Internal Audit shall ensure that any IAD staff internally recruited do not engage in auditing activities for which they have had previous responsibility for a period of at least one financial year.
- 10.3. In the event a conflict arises, established procedures set out in the Audit Procedure Manual shall be followed.

11. STANDARDS AND ETHICS

- 11.1. IAD is governed with reference to the Institute of Internal Auditors (IIA) mandatory guidance including the definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (collectively referred to as the Standards).
- 11.2. The IIA's Practice Advisories and Practice Guides as well as processes from any relevant standards will

be adhered to. In addition, IAD will adhere to DIB's relevant policies and procedures as well as IAD's approved Internal Audit Policy.

- 11.3. The work of IAD will be performed to the mentioned Standards above, and as documented in the Internal Audit Policy Manual which will be reflective of Industry best practices.
- 11.4. Internal audit staff will at all times adhere to DIB's Code of Conduct, the IIA Code of Ethics and the highest personal professional standards.

12. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

- 12.1. IAD shall conduct regular review of its performance and effectiveness which shall include an independent external quality assurance review at least every five years. The Group Chief of Internal Audit will communicate to senior management and the BAC on the results of internal assessments and external assessments which are to be conducted at least once every five years.