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## ***Internal Audit Charter***

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### Version Control

Version	Date Issued	Brief Summary of Change	Owner
0.1	13/03/2023	Initial Draft for Executive Committee discussion	Internal Audit Manager
0.2	29/03/2023	Submitted to Audit Committee for approval / signing	Internal Audit Manager
1	29/03/2023	Version to sign following amends from AC	Internal Audit Manager
2	01/03/2024	Version to sign following new Chair of Audit Committee appointment and change in job title	Head of Internal Audit

## 1 Introduction

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of National Deposit Friendly Society Limited (“the Society”). It assists the Society in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Society’s risk management, control, and governance processes. Any reference to the Society includes its subsidiaries, National Friendly Financial Solutions Limited (NFFS) and National Friendly Software Solutions Limited (NFSS).

## 2 Role

The internal audit function has been established by the Board of Directors of the Society (the “Board”) and the charter agreed by the Audit Committee on behalf of the Society. The internal audit responsibilities are defined by the Audit Committee as part of its oversight role with overall Senior Manager function (SMF5) responsibility for internal audit currently residing with the Head of Internal Audit.

## 3 Professionalism

The internal audit activity will govern itself by adherence to The Institute of Internal Auditors’ mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (“Standards”). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity’s performance.

The Institute of Internal Auditors’ Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the internal audit activity will adhere to the Society’s relevant policies and procedures and the internal audit activity’s standard operating procedures manual.

## 4 Authority

The internal audit function of the Society derives its authority from the Board through the Audit Committee. The internal audit function, with strict accountability for confidentiality and safeguarding records and information obtained, is authorised to have full, free, and unrestricted access to all the Society’s records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity will also have free and unrestricted access to the Audit Committee.

## 5 Organisation

The Head of Internal Audit will report functionally to the Audit Committee and administratively to the Chief Executive Officer (CEO). The Head of Internal Audit will communicate and interact directly with the Audit Committee, including in executive sessions and between Audit Committee and board meetings as appropriate.

## 6 Independence and Objectivity

To permit maintenance of an independent and objective approach, the internal audit function is free from interference by any element in the Society, including in respect of matters of selection of audit engagements, scope, procedures, frequency, timing, or report content. The Head of Internal Audit has no direct operational responsibility or authority over any of the activities audited. Whilst the Head of Internal Audit may be a member of the Executive Committee, they do not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity concerning areas audited, that may impair judgment.

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 relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

Internal Audit may use the services of an external provider where appropriate subject matter expertise is required on a specific audit. The Head of Internal Audit will maintain internal auditor profiles to ensure that those undertaking internal audits on behalf of the Society are sufficiently competent and not conflicted. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the internal audit function.

The Head of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## 7 Responsibility

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Society's governance, risk management, and internal control processes in relation to the Society's defined goals and objectives, including outsourced activities.

Internal control objectives considered by internal audit include, but not limited to:

- 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.
- safeguarding of assets

The internal audit function is responsible for evaluating all processes ('audit universe') of the Society including governance processes and risk management processes. It may also perform consulting and advisory services related to governance, risk management and control as appropriate for the Society. It may also evaluate specific operations at the request of the Board, the Audit Committee or senior management, as appropriate. 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.

## 8 Internal Audit Plan

At least annually, the Head of Internal Audit will submit to the Board 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 financial/calendar year. The Head of Internal Audit will communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

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 Audit Committee. Prior to submission to the Board for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan will be communicated through periodic activity reporting or the agreed deferral process.

Staff **MUST NOT**, under any circumstance, provide anyone external to the Society (except for Audit Committee, Board members and external auditors) with copies of any internal audit reports or documents produced by Internal Audit without receiving permission from the Head of Internal Audit in the first instance, or if absent, the CEO or Head of Legal and Compliance.

## 9 Reporting and Monitoring

The Internal Audit function will prepare a written report, which will be authorised for issue by the Head of Internal Audit following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Executive Committee and the Board, via the Audit Committee. The internal audit report may include

management’s response and corrective action taken or to be taken regarding the specific findings and recommendations. Management’s response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented. The internal audit activity will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.


## 10 Periodic Assessment

The Head of Internal Audit is responsible also for providing periodically a self-assessment on the internal audit activity about its consistency with the Audit Charter (purpose, authority, responsibility) and performance relative to its plan.

In addition, the Head of Internal Audit will communicate to senior management and the Audit Committee on the internal audit activity’s quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

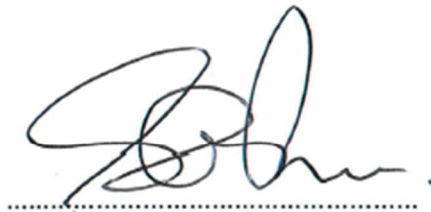
## 11 Approval

Internal Audit Charter approved by:



CEO

Date 15/5/24



Chair of the Audit Committee

Date 15/5/24