

**Industrial and Commercial Bank of China Limited**  
**Abu Dhabi Branch**

**INTERNAL AUDIT CHARTER**

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## 1 General Provisions

- 1.1 The *Internal Audit Charter of Industrial and Commercial Bank of China Abu Dhabi Branch* (the “Charter”) is formulated in compliance with *CBUAE Circular No. 3017/2018 Re Internal Controls, Compliance and Internal Audit*, the *Articles of Association of Industrial and Commercial Bank of China* and with reference to the *International Professional Practices Framework of the Institute of Internal Auditors (IIA)*, with the aim to improve corporate governance, reinforce internal control and risk management, strengthen the internal audit system, and enhance the independence and effectiveness of internal audit.
- 1.2 By applying a set of systematic and standard procedures and methods, internal audit independently and objectively reviews, evaluates, supervises and improves the efficiency and effectiveness of the Branch’s business operation, risk management, internal control and corporate governance and helps the Branch to achieve its operational management goals and values.
- 1.3 The purposes of the Branch's internal audit function are as follows:
  - to promote compliance of the Branch with relevant laws, regulations and the Head Office’s policies and procedures;
  - to provide recommendations on risk management, corporate governance and internal control and to promote improvements in business operations and management activities; and
  - to provide assurance that all key risks are within acceptable level.

## 2 Organizational Structure

- 2.1 The ICBC Group (the "Group") has set up an independent and vertical internal audit management system. The Internal Audit Bureau of the Head Office (IABHO) is accountable and reports to the Board of Directors (BOD) of the Bank. The IABHO’s work is supervised and evaluated by the Audit Committee of BOD. The IABHO should notify the Board of Supervisors and the Senior Management of the audit information and major audit results.
- 2.2 The internal audit system of the Group’s overseas institution is composed of the IABHO and internal audit departments of overseas institutions. The IABHO manages and provides guidance to the internal audit departments of overseas branches and affiliates.

- 2.3 Abiding by the local regulatory requirements and the Head Office's policies, the Branch establishes and maintains a dedicated Internal Audit Department (IAD) which is independent from its respective business, risk management, and internal control and compliance functions. With necessary audit resources, the IAD carries out its supervision and evaluation activities within the Branch independently, objectively and efficiently.
- 2.4 To ensure the independence of the internal audit function from operational and business function, the IAD has its functional reporting line to IABHO. The IAD also has a administrative reporting line to the senior management of the Branch.

### **3 Scope and Responsibilities**

- 3.1 Every activity and every department of the Branch, including outsourced activities, fall within the overall scope of IAD.
- 3.2 To fulfill its responsibilities, IAD:
- identifies and assesses potential risks to the Branch'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 on recommendations to make sure that effective remedial action is being taken;
  - carries out non-routine assurance engagements. These comprise project audits, special requests and special investigations. Project audits are intended to provide recommendations at an early stage of a project. Special requests and special investigations are unplanned audit engagements performed at the request of the Senior Management or the IABHO;
  - carries out formal consulting engagements. These are part of the Annual Audit Plan, agreed with the management and intended to improve the Branch's management, risk management and internal controls; and

- coordinates with external auditor and other control functions at the Branch to ensure proper coverage and avoid duplication of effort.

3.3 The Head of IAD is responsible for:

- ensuring IIA International Standards for Professional Practice of Internal Auditing, including IIA's Code of Ethics, are complied throughout the audit activities.
- arranging the annual internal audit plan process reasonably, managing IAD staff to complete audit tasks timely and avoiding conflicts of interest.
- communicating the audit results to appropriate parties.
- establishing follow-up process to monitor and ensure the management actions have been effectively implemented.
- acquiring human resources with sufficient qualifications and skills to effectively deliver on the mandate for professional competence, and to audit to the required level.
- ensuring that the IA staff acquires appropriate ongoing training in order to meet the growing technical complexity of the Branch's activities, and the increasing diversity of tasks that need to be undertaken as a result of the introduction of new products and processes within the Branch and other developments in the financial sector.

3.4 The internal audit function cannot be outsourced. But when necessary, IAD may outsource limited and particular audit activities to external experts after the approval of IABHO. In such cases, the responsibility for those activities remains with IAD.

3.5 IAD may, at the request of the General Manager or Deputy General Manager, provide assurance to parties outside the organization.

## 4 Authority

4.1 IAD is authorized, whenever relevant for performing its assignments:

- to have access to all of the Branch's information, physical properties and personnel; and
- to attend as an observer any internal meeting at the Branch.

## **5 Annual Audit Plan and Report**

- 5.1 IAD prepares an Annual Audit Plan. The plan is based on a risk analysis and on input from Senior Management and line managers. In addition, all areas of the Branch are subject to an audit with a frequency determined by the risk rating of the area (audit cycle).
- 5.2 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 IABHO for approval. If needed, adjustments can be made to the plan during the year. Significant changes are communicated to Senior Management for comment and to the IABHO for approval.
- 5.3 IAD is responsible for planning, conducting, reporting and following up on audit engagements included in the Annual Audit Plan, and decides on the objectives, scope and timing of audits.
- 5.4 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. IAD communicates the results of the audit and follow-up exercises to Senior Management and submits the audit report and follow-up report to the IABHO.
- 5.5 IAD submits an annual work report to the General Manager and the Deputy General Manager for comment and submits it to the IABHO.
- 5.6 Engagements must be performed with proficiency and due professional care.
- 5.7 IAD maintains high 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 when needed.

## **6 Standards**

- 6.1 IAD adheres to the requirements and standards of CBUAE and the Head Office.
- 6.2 IAD adheres to the standards of leading professional practice, such as those published by the Institute of Internal Auditors (IIA) and the Information Systems Audit and Control Association (ISACA).

## **7 Implementation**

- 7.1 The Charter was approved by the IABHO on 22<sup>nd</sup> April 2019.
- 7.2 The Head of Internal Audit Department, in consultation with the General Manager and the Deputy General Manager, is hereby authorized to issue more detailed policies, procedures and guidance consistent with the provisions of this Charter, as appropriate.