

# Group Internal Audit Charter

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# Group Internal Audit Charter

## VISION AND PURPOSE

The Group Internal Audit (GIA) vision is “to be a dynamic audit function of insightful professionals who protect the Group’s customers and stakeholders in achieving a sustainable future.”

AIB Group operates under a three lines of defence risk governance model. As the third line of defence, GIA is a fundamental part of AIB’s corporate governance and risk management framework. The purpose of GIA is to strengthen AIB’s ability to create, protect and sustain value by providing the Board and management with independent, risk-based, and objective assurance, insights, and foresight over the effectiveness of the governance, risk management and internal control framework within AIB.

## MANDATE

### Authority

GIA derives its authority from the AIB Group Board of Directors through the Board Audit Committee (BAC). The Group Head of Internal Audit (GHIA), in the performance of his/her duties has the following rights and authorities.

- Full, free, and unrestricted access to all levels of management and staff and to the Board, as well as all information and properties relating to the operations of the Group, its subsidiaries, its affiliates, and joint ventures as appropriate.
- The right to be notified, on a timely basis, of any major event or information relating to potential or actual governance, risk management or control failures.
- The right of attendance at management committees and meetings as deemed appropriate by GIA to fulfil its role; and
- The right to be informed promptly of any major acquisition / re-organisation or disposal that may have a material impact on the governance, risk management or internal control environment of the Group.

All activities undertaken within, and on behalf of, the AIB Group are within the scope of GIA. This includes the activities of subsidiaries and joint ventures (as appropriate).

This Charter is applicable to AIB subsidiaries (Tier 2). GIA assists the subsidiary Audit Committees in carrying out their corporate governance responsibilities by providing an independent view on the key risks, and on the adequacy and effectiveness of the system of governance, risk management and internal control in managing these

risks. This can be achieved through Group audits with subsidiary coverage or subsidiary specific audits.

GIA's three-year audit plan is presented to the BAC for approval annually. The audit plan includes subsidiary (Tier 2) coverage and individual audit plans are presented for approval to the subsidiary Audit Committees. GIA periodically reports to Group and subsidiary Audit Committees on GIA's performance relative to the Group and subsidiary audit plans through GIA Group reporting or subsidiary specific GIA audit team reporting.

The Executive Leadership Team (ELT) work with the Board and management throughout the organisation to enable GIA's unrestricted access to data, records, information, personnel, and physical properties necessary to fulfil the internal audit mandate.

### **Responsibility and Scope**

GIA's primary responsibility is to the AIB Group Board of Directors through the BAC and Subsidiary Board of Directors through the Subsidiary BACs.

GIA supports the AIB Board of Directors in carrying out its corporate governance responsibilities by providing an independent view on the key risks facing the Group, and on the adequacy and effectiveness of the system of governance, risk management and the internal control culture that manages these risks.

The scope of GIA's activities encompasses, but is not limited to, objective examination of evidence for the purpose of providing independent assessments on the adequacy and effectiveness of Financial Reporting, Governance, and Risk Management.

GIA provides this independent view through the delivery of a risk-based audit plan. The frequency and scope of audit coverage is determined from the on-going assessment of risk. GIA uses a continuous monitoring process to support the identification of potential emerging risks.

The audit plan is determined on the identification and assessment of the key risks of the organisation and the development of a three-year audit plan which provides audit assessment of the audit universe. The GIA audit plan determines the scope of work for GIA and includes, in line with GIA's risk-based approach as appropriate:

- assessing whether the processes (e.g. appraisal and remuneration), actions (e.g., decision making), 'tone at the top' and observed behaviours across the organisation are in line with the AIB values, risk appetite and policies.
- assessing the adequacy and effectiveness of the risk management, compliance, and finance functions.
- assessing the accuracy of key management information presented to the Board and executive management for strategic and operational decision making.

- evaluating whether business and risk management is adequately designing products, and services in line with customer interests, and conduct regulation.
- verifying that established processes and systems enable compliance with AIB policies, procedures, relevant laws, and regulations including finance, capital, and liquidity requirements; and
- conducting periodic reviews of significant business process changes, and material change programmes to ensure key risks are adequately addressed and reported.

A detailed audit plan is presented for approval to the BAC on an annual basis. GIA focuses its resources on the areas of highest risk as part of a three-year audit cycle.

Execution of the audit plan includes obtaining an understanding of risks, processes and systems and evaluating the design adequacy and the operating effectiveness of key controls. Audit work is underpinned by comprehensive methodology and procedural documentation.

The GHIA uses professional judgement when relying on work undertaken by risk management, compliance, or external auditors in either their risk assessment or their determination of the level of audit testing of the activities under review.

GIA has a Special Investigations Unit (SIU) which undertakes specific and independent investigations, related to potential cases of internal fraud and/or a result of a Protected Disclosure.

At least annually the GHIA will review and consider any changes to the Mandate or to the GIA Charter and proposed changes are presented to the BAC for approval.

## GOVERNANCE, INDEPENDENCE, AND OBJECTIVITY

### Governance and Independence

The GHIA reports directly to the Chair of the BAC. The BAC is responsible for the appointment, approval of remuneration and termination of the GHIA. The GHIA reports administratively to the Group Chief Executive Officer (CEO).

*‘Monitor and review the scope, nature, and effectiveness of the work of the internal audit function, including co-sourced activity. The Committee shall also approve and have oversight of the delivery of the annual audit plan and the three year audit plan, ensuring that the function has the necessary skilled resources and access to information to enable it to fulfil its mandate, and is equipped to perform in accordance with appropriate professional standards.’ (Board Audit Committee, Terms of Reference, December 2024).*

The BAC along with Executive Management should set the right ‘tone at the top’ to ensure support for, and acceptance of, internal audit at all levels of the organisation.

To ensure that GIA has sufficient authority and independence to fulfil its duties the following terms of reference are set out:

- The annual performance objectives, and performance review of the GHIA are completed by the Chair of the BAC.
- The BAC approves the budget and resource plan for GIA on an annual basis.
- The GHIA has direct and unrestricted access to the Audit Committee (including subsidiary Audit Committees) and meets with the Chair of the BAC and subsidiary Audit Committees on a regular basis, without management being present.
- GIA is independent of the business management activities of the Group. GIA is not involved directly in revenue generation or in the management and financial performance of any business line.
- GIA has no direct operational responsibility or authority over any of the activities audited. Accordingly, it will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair an internal auditor's judgement.

As per the IIA definition of Internal Audit, GIA may provide limited advisory services to management. It is not GIA's current practice to complete or provide advisory services, however, the GHIA with the prior approval of the BAC may undertake advisory engagements.

### Objectivity

The GHIA confirms the independence and objectivity of GIA to the BAC on an annual basis and discloses any impairment to independence or objectivity (actual, perceived or potential) appropriately.

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

GIA staff will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. GIA staff will make a balanced assessment of all the relevant circumstances and will not be unduly influenced by their own interests or by others in forming judgments. GIA staff have a responsibility for maintaining their own and the GIA's objectivity.

GIA staff recruited from other functions within the AIB Group will not provide audit assurance on specific operations for which they were previously responsible for at least 12 months after they have joined GIA

### REPORTING AND MONITORING

A report is prepared and issued by GIA following the conclusion of each internal audit engagement and is distributed to the required stakeholders. The results of GIA's engagements are communicated to the BAC.

Bi-annually the GHIA provides an Internal Audit Opinion to the BAC. The Internal Audit Opinion is an independent assessment of the overall effectiveness of the Bank's governance, and risk and control frameworks. As part of the Opinion, GIA include an assessment of the 'control environment' and the 'control culture' within the bank.

The GHIA periodically reports to senior management and the BAC on GIA's performance relative to its plan. Material changes to the internal audit plan are submitted to BAC for approval. Reporting also includes significant risk exposures and control issues, including fraud risks, governance issues, and other matters required or requested by business leaders and the Board.

### **STANDARDS AND PROFESSIONALISM**

GIA governs itself by adherence to the mandatory elements of the Chartered Institute of Internal Auditors (IIA) International Professional Practices Framework (IPPF) and the Chartered Institute of Internal Auditors (UK & IRL) Code of Practice.

GIA aligns with the principles set out in the Basel Committee on Banking Supervision (BCBS) guidance on internal audit functions in banks (BCBS223) and EBA guidelines on internal governance as stated in EBA/GL/2021/05.

GIA adheres to the Group's policies and procedures, including but not limited to, AIB's Code of Business Ethics and Conflict of Interest policies, and to GIA's methodology and procedures. GIA identifies and fulfils its regulatory obligations as the Group's third line of defence.

GIA engages with professional services firms and industry bodies / groups when required to ensure that GIA's operations are in line with current standards, practices, and guidance. Co-sourcing activities are permitted in line with regulatory guidance and internal processes.

### **QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

GIA maintains a quality assurance and improvement program (QAIP) that covers the internal audit activity. This includes:

- an evaluation of internal audits conformance with the GIA audit methodology and with the Definition of Internal Auditing and the International Professional Practices Framework (IPPF) for Internal Audit.
- an evaluation of whether internal auditors comply with the Code of Ethics.
- maintaining an up-to-date set of audit policies and procedures.
- performance and effectiveness measures for the internal audit function that are continuously improved in line with industry developments; and
- ensuring GIA collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit

charter through assessment of skills/competencies, continued professional development training, recruitment, or co-sourcing with external third parties.

The GHIA communicates to the BAC on the internal audit quality assurance outcomes at least annually, including details of the scope, number of assessments, the conclusions of the assessors and any corrective action plans.

The GHIA will arrange for a formal external assessment of the GIA function to be conducted at least every five years. The External Quality Assessment (EQA) will consider and report on compliance with the IIA International Professional Practices Framework (IPPF) and standards. The GHIA will ensure that the results of the EQA review are communicated to the BAC. The last EQA was completed in 2021.

### **RELATIONSHIP WITH REGULATORS AND EXTERNAL AUDITORS**

GIA will meet with the Group's regulators / supervisors and external auditors periodically and will support sharing of information relevant to carrying out their respective responsibilities.

GIA acknowledges the GHIA's obligations under Section 38 of the Central Bank (Supervision and Enforcement) Act, 2013

### **APPROVAL:**

The GHIA reviews the Audit Charter and presents it to the BAC for approval annually.