



# Internal Audit Charter

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<b>Summary</b>	This document outlines the mission of the Internal Audit Department within MAB.
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<b>Version</b>	1.0
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<b>Date</b>	April 2024
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## Document control

### Distribution list

Name	Title	Department
Audit Committee Members	N/A	N/A
Risk and Compliance Committee Members	N/A	N/A
All Directors (if not included in the above)	N/A	N/A
Co-source Provider	N/A	N/A

### External document references

Title	Version	Date	Author
Internal Audit Methodology	1.0	24/04/24	Iain Daire, Internal Audit Manager
Internal Audit Plan	N/A	N/A	Iain Daire, Internal Audit Manager
Internal Audit Execution Document	1.0	24/04/24	Iain Daire, Internal Audit Manager
International Professional Practices Framework (IPPF) - The IIA's Core Principles, Definition of Internal Auditing, Code of Ethics, and Standards.	N/A	N/A	N/A
Financial Services Code of Practice	N/A	N/A	N/A

### Version history

Document Owner	SMF5 Holder
Document Author	Internal Audit Manager
Approved By	Audit Committee
Date Approved	24/04/24
Frequency of Review	Annual
Next Review	March 2025
Comments / Updates	10/01/24 - V0.1 - Initial draft by ID. 24/04/24 - V0.2 - Changes made and added to MAB policy template.

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## 1. Introduction

Mortgage Advice Bureau Limited, Mortgage Advice Bureau (Derby) Limited and Capital Protect Limited (“MAB”) are regulated by the Financial Conduct Authority (FCA) under the provisions of the Financial Services and Markets Act 2000 for mortgages and mortgage protection, etc. The Internal Audit Charter is a statement of the purpose, position, authority, and responsibility of Internal Audit at Mortgage Advice Bureau (MAB), consistent with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors inc. (IIA). This is held in our shared Internal Audit folder, published externally on MAB’s website and internally on Chatter.

NB: Where ‘MAB’ is recorded within this document it relates also to its Group operations as well, unless stated otherwise, where MAB has the controlling share in the business as illustrated in the corporate structure chart shown in Appendix E of the Internal Audit Methodology document.

## 2. Purpose and Mission of Internal Audit

The purpose of MAB’s Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve MAB’s operations. The mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. The Internal Audit Department helps MAB accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management and control processes.

## 3. Standards for the Professional Practice of Internal Auditing

The Internal Audit Department will govern itself by adherence to the mandatory elements of the IIA’s IPPF, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practices of Internal Auditing, and the Definition of Internal Auditing. The SMF5 Holder (Internal Audit Manager if required to deputise/attend) will report at least annually to Executive’s and the Audit Committee regarding the Internal Audit Department’s conformance to the Code of Ethics and the Standards.

## 4. Authority

The Internal Audit Manager will report functionally to the SMF5 Holder and Chair of the Audit Committee and administratively i.e. day-to-day operations, to the Head of Operational Risk / Chief Risk Officer. To establish, maintain and assure that MAB’s Internal Audit Department has sufficient authority to fulfil its duties, the Audit Committee will approve the Internal Audit Charter; the risk-based Internal Audit Plan; the Internal Audit Department’s Budget and Resource Plan; receive communications from the Internal Audit Manager / Chief Risk Officer / SMF5 Holder on the Internal Audit Department’s performance in relation to its Plan and other matters; and make appropriate inquiries of SMF5 Holder and the Internal Audit Manager to determine whether there is appropriate scope and adequately skilled resource.

The Internal Audit Manager will have unfettered access on a one-to-one basis to communicate and interact directly with MAB’s Team Members and Members of the Board, including in private meetings without management present.

The Audit Committee authorises the Internal Audit Department to have free and unrestricted access to all functions, records, property, personnel pertinent to carrying out any engagement and are subject to accountability for confidentiality and the safeguarding of records and information; allocate

resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish Internal Audit objectives and issue reports; and obtain assistance from the necessary personnel of MAB, as well as other specialised services from within and outside of MAB, in order to complete the engagement. However, any instances where highly sensitive information is required, Internal Audit will work alongside the SMF5 Holder and Audit Committee Chair to ascertain the most appropriate means to share / corroborate the data for the specific requirement.

All MAB's people must co-operate fully with and support Internal Audit so that deadlines for completing Internal Audit work and issuance of Internal Audit reports to the Audit Committee are met.

Internal Auditors are personally accountable for safeguarding and using appropriately any information to which they are given access.

## **5. Independence and Objectivity**

The SMF5 Holder and Internal Audit Manager will ensure that the Internal Audit Department remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of Internal Audit selection, scope, procedures, frequency, timing, and report content. If the SMF5 Holder and/or Internal Audit Manager determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, so that no quality compromises are made, and that they do not subordinate their judgement on Internal Audit matters to others.

The SMF5 Holder and Internal Audit Manager will have no direct operational responsibility or authority over any of the activities audited. Accordingly, the SMF5 Holder and Internal Audit Manager will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgement including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for MAB and / or affiliates.
- Initiating or approving transactions external to the Internal Audit Department.
- Directing the activities of any of MAB's Team Members not employed by the Internal Audit Department, except to the extent that such employees have been appropriately assigned to auditing or to otherwise assist Internal Auditors.

Where the SMF5 Holder and/or Internal Audit Manager has or is expected to have roles and/or responsibilities that fall outside of Internal Auditing, safeguards will be established to limit impairments to independence or objectivity. Internal Auditors will disclose any impairment of independence or objectivity, in fact or appearance to the appropriate parties; exhibit professional objectivity in gathering, evaluating and communicating information about the activity or process being examined; make balanced assessments of all available and relevant facts and circumstances; and take necessary precautions to avoid being unduly influenced by their own interests or by others in informing judgements.

The SMF5 Holder will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit Department. In addition, the SMF5 Holder will disclose to the Audit Committee any interference and related implications in determining the scope of Internal Auditing, performing work and / or communicating results.

## 6. Scope of Internal Audit Activities

The scope of Internal Audit activities encompasses (but is not limited to), the objective examinations of the evidence for the purpose of providing independent assessments to the Audit Committee, Management and outside parties on the adequacy and effectiveness of governance, risk management and control processes for MAB. Internal Audit assessments include:

- In accordance with the Internal Audit Plan, to undertake a programme of reviews of key functional areas, processes, and systems to ensure that material risks are identified and managed. These will include, but will not be limited to, reviews of; design and operating effectiveness of the internal governance structures and processes of the organisation; the setting of, and adherence to, risk appetite; the risk and control culture of the organisation; risks of poor customer treatment giving rise to conduct or reputational risk; key corporate events; and outcome of processes.
- Evaluating whether risks relating to the achievement of MAB's strategic objectives are appropriately identified and managed.
- The actions of MAB's Offices, Executive's, other Team Members, and contractors are in compliance with MAB's policies, procedures and applicable laws, regulations and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact MAB.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The SMF5 Holder will report periodically to the Audit Committee and the Internal Audit Manager will report periodically to Executive's regarding the Internal Audit Department's purpose, authority and responsibility; Standards and action plans to address any significant conformance issues; significant risk exposures and control issues, including fraud risks, governance issues and other matters requiring the attention of, or requested by the Audit Committee; Results of Internal Audit engagements or other activities (all finalised Internal Audit reports will also be presented to the Risk and Compliance Committee); resource requirements; and any response to risk by management that may be unacceptable to MAB.

The Internal Audit Manager will coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers, as needed. The Internal Audit Department may perform advisory and related 'client' service activities, the nature and scope of which will be agreed with the 'client', provided Internal Audit Department does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

It should be noted at the time of publication, MAB is undertaking several consolidation workstreams to integrate a number of operational functions within the Group subsidiaries into a single platform and / or process approach.

The Scope of Internal Audit Activities will therefore be limited initially to testing within the MAB environment only (unless stated otherwise) and updated no less than annually to include other Group subsidiaries once the integration process relating to the specific function has been completed.

## **7. Responsibility**

The SMF5 Holder has the responsibility, although these can be delegated to the Internal Audit Manager on request or in the absence of the SMF5 Holder, to cover the following areas:

### **Internal Audit Planning**

- Submit, at least annually, to Executive's and the Audit Committee a risk-based Internal Audit Plan.
- Meet with Executive's and other relevant key individuals periodically. The purpose of these meetings is to; ensure that Internal Audit is aware of and understands business developments, risks, etc., and incorporate these, where necessary within the Internal Audit Planning and delivery.
- Review and adjust the Internal Audit Plan, as necessary, in response to changes in MAB's business, risks, operations, programmes, systems and controls. Communicate to Executive's and the Audit Committee any significant interim changes to the Internal Audit Plan.
- Develop an annual Internal Audit budget, which is maintained through regular review and assessment.

### **Fieldwork and Action Tracking**

- Ensure each engagement of the Internal Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results and the communication of the engagement results within applicable conclusions and recommendations to appropriate parties.
- From time-to-time Internal Audit may complete advisory or consultancy reviews. In these instances, an assessment will be made to ensure this will not compromise Internal Audit's independence and objectivity.
- Internal Audit may co-source certain Internal Audit assignments due to resourcing constraints or to provide specialised expertise or to obtain benchmarking against similar organisations. Any such provider will be required to comply with the principles of this Charter and must be independent to the area(s) reviewed.
- Follow up on engagement findings, corrective actions (including, where possible any systemic issues) and solutions identified, report periodically to Executive's and the Audit Committee any corrective actions not effectively implemented.

### **Policies and Procedures**

- Ensure effective and relevant quality review procedures, aligned to the relevant standards are conducted by an experienced / senior member of the Internal Audit Department.
- Ensure that processes and systems are established to enable compliance with the policies, procedures, laws, and regulations that could significantly impact MAB.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Department.

- Ensure adherence to MAB's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to Executive's and the Audit Committee.

### **Team Skills and Knowledge**

- Ensure that the Internal Audit Department collectively possesses or obtains the knowledge and skills and other competencies needed to meet the requirements of the Internal Audit Charter.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.
- Ensure trends and emerging issues that could impact MAB are considered and communicated to Executive's and the Audit Committee, as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Ensure conformance of the Internal Audit Department with the Standards with the following qualifications:
  - If the Internal Audit Department is prohibited by law or regulation from conformance with certain parts of the Standards, the SMF5 Holder will ensure appropriate disclosures and will ensure conformance with all other parts of the Standard.
  - If the Standards are used in conjunction with requirements issued by other authoritative bodies, the SMF5 Holder will ensure that the Internal Audit Department conforms with the Standards, even if the Internal Audit Department also conforms with the more restrictive of the other authoritative bodies.

### **Other Key Areas**

- Provide the Audit Committee with a regular assessment as to whether the Internal Audit budget is sufficient to recruit and retain staff or procure other appropriate resources to deliver the Internal Audit Plan.
- The SMF5 Holder will meet with MAB's regulator, on request from either party, to discuss any aspect of Internal Audit work or findings. Generally, the CEO, Audit Committee Chair, relevant Executive's and other relevant key individuals will be made aware of both the occurrence of the meeting in advance and the matters discussed. This may not occur in exceptional instances, for example as specifically requested by the regulator or if the matters discussed relate to whistleblowing or suspicions of fraud by Executive's. If requested to perform specific assurance work by any regulatory body, Internal Audit will ensure that the Internal Audit Plan is re-arranged to accommodate the request.
- Support the External Auditors in fulfilling their statutory duty through successful collaboration between Internal and External Audit, allowing effective and efficient audit coverage. Internal Audit will meet External Audit, at least annually to discuss Plans and any issues arising to provide cost-effective audit coverage to MAB.
- Although Internal Audit does not currently rely on the work of Second-Line Internal Audit will support and work in collaboration with them and review their plans to ensure that work



undertaken is not duplicated, there are no gaps and that work undertaken does not prohibit the business from other control development activity, etc.

- The Audit Committee recognises that management is responsible for controls to reasonably prevent and detect fraud. Furthermore, the Audit Committee recognises that Internal Audit is not responsible for identifying fraud; however, Internal Audit will be aware of the risk of fraud when planning and undertaking any assignments.

## **8. Quality Assurance and Improvement Programme**

The SMF5 Holder will continually monitor the team's conformance against the Standards and evaluate whether the Internal Auditors apply the IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Department and identify opportunities for improvement.

The SMF5 Holder will communicate with Executive's and the Audit Committee on the results of any internal assessments (both ongoing and periodic) and external assessment conducted at least once every five years by a qualified, independent assessor or assessment team from outside of MAB.