

# Internal Audit Charter

Internal audit is an independent and objective assurance and consulting activity that aims to add value to the operations of The CPP Group ('The Group').

It assists The Group by bringing a systematic and disciplined approach to evaluating and making recommendations to improve the effectiveness of the organisation's risk management, control, and governance processes.

## Role

The internal audit function is overseen by the Group Audit Committee who define its responsibilities and level of activity throughout The Group.

## Professionalism

Internal audit will govern itself by adherence to The Institute of Internal Auditors' guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (including the specific guidance on Internal Auditing within Financial Services where applicable) other than where specifically noted in this document.

In addition, internal audit activity will adhere to Group policies and procedures and the documented internal audit process maps and procedures as appropriate.

## Authority

The internal audit team, with strict accountability for confidentiality and safeguarding of records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist internal audit activity. Internal audit also have free and unrestricted access to the Board.

## Organisation

The Group Director of Audit, Risk and Assurance has a dual reporting line to the Chair of the Board Audit Committee and the Group Chief Finance Officer.

The Board Audit Committee has oversight of all decisions regarding the performance evaluation, appointment or removal of the Group Director of Audit, Risk and Assurance and has input into their compensation.

The Group Director of Audit, Risk and Assurance will communicate and interact directly with the Audit Committee between Audit Committee meetings as appropriate.

## Independence and Objectivity

Although the Group maintains a 3 lines of defence model, it also incorporates some combined assurance principles and all of the Groups Assurance functions (Internal Audit, Risk, Information Security and Data Governance) have a joint reporting line through the Director

of Audit, Risk and Assurance. This reflects the scale of the Group and aims to provide the most effective assurance coverage across all the Groups entities and activities, however it means that Internal Audit is not fully independent of the other assurance activities and some active steps are needed to ensure that the function continues to work independently. This includes the use of external resource to execute audits where the Director of Audit, Risk and Assurance has direct responsibility e.g. Risk along with the identification of areas within the Audit Plan where they have been actively involved, these are clearly marked for the consideration of the Audit Committee.

Within the team, internal auditors 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 internal audits judgement, other than whilst undertaking consultative work which is agreed by the Audit Committee.

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

The Group Director of Audit, Risk and Assurance highlights to the Audit Committee, as part of the annual planning paper any points of non-independence for further consideration.

### **Responsibility**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequate and effectiveness of the organisation's governance, risk management, and internal control processes in relation to the organisation's defined goals and objectives. Internal control objectives considered by internal audit include:

- Design of operational, financial and technical controls;
- Effectiveness and efficiency in the employment of resources throughout all processes;
- Compliance with significant policies, procedures, laws and regulations;
- Reliability and integrity of management and financial information, including the means to identify, measure, classify and report such information;
- Effectiveness of the Groups information security and data controls; and
- Safeguarding of assets.

Internal audit is responsible for evaluating all processes including governance processes and risk management via the maintenance of an audit universe.

Internal audit may perform consulting and advisory services relating to governance, risk management and control as appropriate for the organisation. It may also evaluate specific operations at the request of the Audit Committee or Senior Management, as appropriate.

## Internal Audit Plan

The Director of Audit, Risk and Assurance will submit to the Audit Committee an annual internal audit plan for review and approval. The Internal Audit Planning Paper will include:

- An overview of the audits to be performed;
- Timings and high level resource budgets for the work being performed;
- Overall resource requirements for the coming year, including a note of the impact of any resource restrictions.

The internal audit plan will be developed based on a prioritisation of the audit universe using a risk based methodology, including input from Senior Management. Prior to submission to the Audit Committee the plan will be discussed with appropriate Senior Management including the Group CEO.

The Group Director of Audit, Risk and Assurance will undertake continual assessment of the plan against changes in the risk environment within CPP. Any significant adjustments to the plan will be communicated to the Audit Committee for approval.

## Reporting and Monitoring

The internal audit team will issue a report following the conclusion of each audit. This will be distributed to appropriate Management and Senior Management. The report will include internal audits observations along with agreed management corrective actions, all actions will be allocated a business owner and will include an agreed date for completion.

The internal audit team will monitor the completion of actions by asking for updates and confirmations from management of the completion of agreed work. Where agreed actions are for high risk issues the audit team will request evidence of completion.

## Periodic Assessment

The Director of Audit, Risk and Assurance will undertake a periodic self-assessment of internal audit activity, the outcome of this will be reported to the Audit Committee. Along with this Internal Audit is included within the audit universe and will be subject to periodic external assessments on a risk basis.