

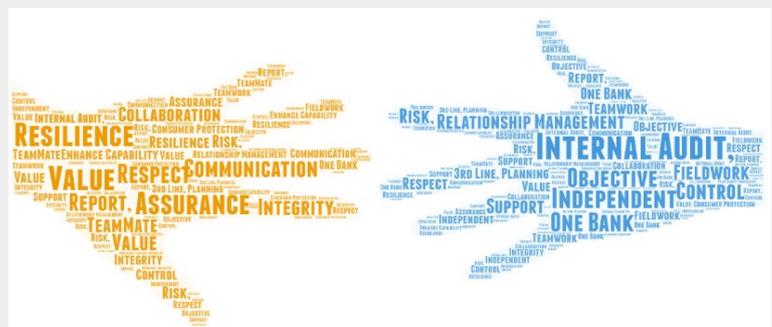


Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Internal Audit Charter

Internal Audit Division (IAD)



March 2025

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Internal Audit's Vision, Mission and Purpose

VISION: Transform from best in class to a standard setting internal audit team. Providing industry leading insights, foresight and partnership to the Bank and Industry Peers.

MISSION: A trusted advisor, collaborating with and supporting the Bank in the delivery of its strategic themes and developing efficiencies in the way we work.

PURPOSE: Provide high quality, value adding, independent assurance that the risk management, governance and internal control environment of the Bank are operating effectively.

Central Bank of Ireland Commission: Statement of Responsibility

- The Commission require and support the Internal Audit Division (IAD). The Commission has established the Audit Committee to provide support to the Commission in meeting its responsibilities for issues relating to risk, control and governance. Members of the Executive Leadership Team attend meetings of the Audit Committee.
- IAD assists the Central Bank of Ireland (the Bank) achieve its strategic themes by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Audit Committee Oversight

To establish, maintain, and ensure that IAD has sufficient authority to fulfil its duties, the audit committee will:

- Discuss with the Head of Internal Audit Division (HIAD) and senior management the appropriate authority, role, responsibilities, scope, and services of the internal audit division.
- Ensure the HIAD has unrestricted access to and communicates and interacts directly with the audit committee, including in private meetings without senior management present.



- Participate in discussions with the HIAD and senior management about the “essential conditions,” described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.
- Collaborate with senior management to determine the qualifications and competencies the organisation expects in a Head of Internal Audit, as described in the Global Internal Audit Standards. Authorise the appointment and removal of the Head of Internal Audit.
- Approve the internal audit division’s staffing requirements.
- On an annual basis, the HIAD will submit to the Audit Committee an Internal Audit Plan for review and approval based on a prioritisation of IAD’s audit universe using a risk-based methodology. Changes to the audit plan will be presented to the Audit Committee for approval.
- This Charter is reviewed by and discussed with the Audit Committee on an annual basis. Any additional material changes to the content of this Charter outside of the review cycle will also be brought to the Audit Committee. The Audit Committee confirms that this Charter accurately reflects their understanding and expectations of IAD.
- This Charter was approved by the Audit Committee in March 2025.

Internal Audit Independence

- IAD confirm they are independent and self-governing through adherence to the mandatory elements of The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), including the Global Internal Audit Standards. This mandatory guidance constitutes principles of the fundamental requirements for the professional practise of internal auditing and for evaluating the effectiveness of IAD’s performance. The Global standards were effective from 9 January 2025.
- IAD will have no direct operational responsibility or authority over any of the activities audited. Accordingly, it will not implement internal controls, develop procedures, install systems, prepare data or engage in any other activity that may impair IAD’s objective judgement. It is the responsibility of Bank Management to ensure that all audit actions are addressed satisfactorily.
- IAD staff will disclose impairment, exhibit objectivity, make balanced assessments and take necessary precautions to ensure objectivity. Any impairment of independence or objectivity will be disclosed to appropriate parties.
- IAD will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing or report content to permit maintenance of necessary independence and objectivity.
- The HIAD will disclose to the Audit Committee, any interference and related implications in determining the scope of Internal Audit performing work or communicating results.



- The HIAD will also confirm their organisational independence to the Internal Auditors Committee (IAC) of the European System of Central banks (ESCB), at least annually.

Internal Audit Authority

- IAD derives its authority from the Commission. With strict accountability for safekeeping and confidentiality, IAD is authorised full, free and unrestricted access to all of the Bank's data, records, information, physical properties and personnel pertinent to fulfil their mandate. IAD will also have free and unrestricted access to Management, the Governor and members of the Commission.
- The HIAD reports directly to the Governor as appropriate. The HIAD only reports to the Director of Strategy and Governance for budgetary and administrative purposes.

Internal Audit Mandate

The Role of IAD

- The mandate of IAD is to provide a systematic, disciplined approach to evaluating and improving the effectiveness of the Bank's governance, risk management and control processes. This mandate facilitates IAD in providing objective assurance, advice, insight and foresight.
- IAD perform advisory and consultancy services related to governance, risk management and control. It may also provide advisory and consultancy services at the request of the Commission or Management.
- IAD finalised their 2024-2026 Internal Audit Strategy in March 2024. The Strategic actions are monitored and tracked throughout the year.
- IAD follow up on open audit actions and provide assurance on closed actions. IAD provide a status of these to the Audit Committee.
- IAD assess and investigate internal Protected Disclosures in accordance with the [Internal Disclosures Policy](#) of the Bank.
- It is the responsibility of the Bank's operational management to establish appropriate systems of internal controls. Thus, operational management acts as the first line of defence. The risk management, control, compliance and oversight functions established and deployed by Management represent the second line of defence.



Responsibilities of IAD

- IAD discharges its responsibilities and the expectations of key stakeholders by evaluating, on a risk based approach:
 - the implementation of risk management processes and consistency of operations;
 - compliance with applicable laws, regulations and policies;
 - the reliability and integrity of the financial and other controls, processes and systems to ensure that risks are effectively managed, value for money is assessed and that the Bank’s assets and operations are properly accounted for and safeguarded from loss;
 - the consistency of operations;
 - the reliability and integrity of management information processes and systems;
 - the operation of the Bank’s corporate governance processes; and
 - the design, implementation and effectiveness of the Bank’s ethics-related objectives, programmes and activities.

Reporting and Monitoring

- The HIAD will communicate to the Audit Committee on its performance relative to its Plan. IAD submit written reports at least four times a year to the Governor and the Audit Committee, to provide an assessment of how effectively its mandate is met. This will include details of internal audit activities, delivery of the three year strategy and conformance with the IPPF.
- The HIAD will meet the Governor on a regular basis to provide updates on the work of IAD.
- The Director of Strategy and Governance will discuss the annual performance of the HIAD with the Governor and Audit Committee.
- Based on its activity, IAD is responsible for reporting significant risk exposures and control issues to the Commission and to Senior Management, including those relating to fraud.

External Engagement

External Service Providers

- IAD engages with key professional services firms under an established framework agreement to ensure operating practices and work processes are in line with current standards and industry best practices. IAD co-source certain audits to supplement the skill-set within the division.



The Internal Auditors Committee of the European System of Central Banks

- IAD is a member of the IAC and is responsible for auditing the local components of ESCB and Single Supervisory Mechanism (SSM) engagements in accordance with binding practices for audit work assigned to the IAC by the Governing Council under ESCB audit policy. The Internal Audit Charter of the ESCB and SSM is available [here](#).
- IAD report to the IAC on the outcome of ESCB and SSM audits and any other audit related issues.
- IAD participate in secondment arrangements with other Internal Audit functions across the Eurosystem.

Other Assurance Providers

- IAD co-ordinates with other external and internal assurance providers where appropriate.

Quality Assurance and Improvement Programme

- IAD maintains a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of the Internal Audit activity. The programme includes an evaluation of IAD's conformance with the IPPF, including the IIA Global Standards. The programme also assesses the efficiency and effectiveness of IAD and identifies opportunities for improvement. IAD communicate the results of the QAIP to the Audit Committee periodically.
- An external quality assessment (EQA) is conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Bank to test whether IAD meets the standards set by the IIA. The most recent EQA was in 2022 and the next EQA is due in 2027. IAD communicate the results of the EQA and the status of the actions to the Audit Committee periodically.



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