

**INTERNAL  
AUDIT  
CHARTER**

INTERNAL AUDIT DEPARTMENT  
BRAC

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## 1. INTRODUCTION

This Charter provides a framework for the conduction of internal audit in BRAC and has been approved by the Finance, Audit and Risk Committee (hereafter referred to as “the committee”). This Charter primarily aims to define and establish:

- The Role of Internal Audit Department (IAD) of BRAC.
- The objective and scope of IAD of BRAC.
- A clear mandate to perform audit function.
- Internal Audit Department’s position within BRAC, its access to various records, departments and activities, its responsibility and accountability.

This Internal Audit Charter has been prepared as per Guidelines of IIA (Institute of Internal Auditors and ISACA Audit & Assurance Standard:1001 and Guideline:2001).

## 2. DEFINITION OF INTERNAL AUDIT

The IIA defines internal audit as follows:

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## 3. MISSION

The mission of internal audit department of BRAC is to enhance and protect organisational value by providing risk based and objective assurance, advice and insights.

## 4. ROLE

The Role of the Internal Audit Department is to assist the management by providing independent and objective assurance aligned with organisation’s strategy on operations and performance and assessing the effectiveness of internal control systems (including information systems), risk management and governance processes. The function aims to add value, improve operational efficiency, economy and effectiveness of such systems and processes.

## 5. OBJECTIVES

The primary objective of Internal Audit Department is to examine and evaluate whether BRAC's design of risk management, internal control system (including information systems) and governance processes, is adequate and functioning properly.

In addition, the objectives of Internal Audit Department include advising and recommending to senior management for improvements in internal control system, risk management systems and governance process.

In order to accomplish the objectives internal audit department must perform risk assessment in conjunction with the audit planning process to determine whether there are adequate mitigation actions within BRAC. The outcome of these risk assessments will determine areas of risk based audit focus.

## **6. RULES OF CONDUCT (Guidelines by IIA and ISACA Audit & Assurance Guidelines)**

### **Integrity**

Internal auditors:

- Shall perform their work with honesty, diligence and responsibility.
- Shall observe the law and make disclosures expected by the law and the profession.
- Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organisation;
- Shall respect and contribute to the legitimate and ethical objectives of the organisation;

### **Objectivity**

Internal auditors:

- Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organisation;
- Shall not accept anything that may impair or be presumed to impair their professional judgment.
- Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

### **Confidentiality**

Internal auditors:

- Shall be prudent in the use and protection of information acquired in the course of their duties. Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organisation.

Note:

- a) Access to the audit report is confidential and should be restricted to the

Finance, Audit and Risk Committee, Executive Director, Director Internal Audit and individuals within BRAC who have direct responsibility for the area reviewed.

- b) Obtain approval from Finance, Audit and Risk Committee, Executive Director, and Director Internal Audit of BRAC prior to releasing such information to external parties. In addition, advice from legal counsel should be obtained if such releases could result in any legal implications.

### Competency

Internal auditors:

- Shall engage in those services for which they have the necessary knowledge, skills, and experience.
- Shall perform internal audit services in accordance with the International Standards for the Professional Practice of Internal Auditing.
- Shall continually improve their proficiency and the effectiveness and quality of their services.

## 7. AUTHORITY

The Director, Internal Audit, Heads of Internal Audit, Managers and Audit Officials including Consultants / Specialists from other departments engaged to undertake special review, are authorised to:

- Have full, free and unrestricted access to all BRAC departments, Regional Offices, Area Offices, Branch Offices, Other Offices and Field Areas, affiliates, activities, information, properties, personnel, records, books, accounts and files relevant to the performance of audit function at any time.
- Determine scope of audit and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in various departments, Regional Offices, Area Offices, Branch Offices and Other Offices of BRAC where audit team performs audits.
- Obtain assistance of specialists/professionals/others where considered necessary from within BRAC or outside BRAC;
- Information accessed is to be strictly used for audit purpose only.

## 8. ORGANISATION

The Director, Internal Audit shall report administratively (annual performance evaluations & day to day operations) to the Executive Director and functionally (it means the committee would set the direction and approve the budgets and policies of internal auditing activity) to the Finance, Audit and Risk Committee. Appointment, removal, remuneration and performance review and appraisal of the Director is done by Executive Director in consultation with Board (**Attribute Standard, 1110: Organisational Independence**).

## 9. INDEPENDENCE

All internal audit activities shall remain free of influence by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective mental attitude.

Internal Auditors shall have no direct operational responsibility or authority over any of the activities audited. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.

- To maintain the independence of Internal Audit Department from other BRAC departments and other Offices, its personnel shall report to the Director-Internal Audit, who shall report to Finance, Audit and Risk Committee and Executive Director.
- Internal Audit Department shall be independent of the activities audited. The department must also be independent from the regular internal control process.
- Internal Audit Department shall exercise its assignment on its own initiative in all departments, Programmes, BRAC Enterprises, all Offices and activities of BRAC.
- Director- Internal Audit shall be authorised to communicate directly and on his own initiative, to the Chairperson-BRAC, the members of Finance and Audit Committee and the Board.
- The internal audit function should be subject to an independent review as and when required. This review can be carried out by independent professional's e.g. practicing firm of Chartered Accountants.
- Internal Auditors will report to the Director- Internal Audit for any situation in which a conflict of interest or bias is present or may be reasonably inferred.
- Director Internal Audit will confirm to the Finance & Audit Committee, at least annually, the organizational independence of internal audit activity.

## 10. SCOPE OF INTERNAL AUDIT

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organisation's internal control systems (including information systems), governance, risk management process aligned with organizational strategy, and the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives.

The details of scope are as follows:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on operations and reports and whether the organisation is in compliance.

- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing and appraising the economy and efficiency with which resources are employed.
- Reviewing operations or Programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or Programmes are being carried out as planned.
- Reviewing specific operations at the request of the Finance, Audit and Risk Committee or management, as appropriate.
- Monitoring and evaluating the effectiveness of the organisation's internal control systems (including information systems), risk management and governance process.
- Reviewing the quality of performance of external auditors and the degree of coordination with internal audit.
- Carrying-out of special investigations assigned by the Chairperson, Finance, Audit and Risk Committee, Executive Director, Managing Director and Director- Internal Audit.
- Ensuring all Programmes and financial activity of BRAC fall within the scope of the internal audit for independent appraisal. The Director- Internal Audit and Officials of audit department are, however, not allowed to:
  - ▷ Initiate or approve accounting transactions external to Internal Audit Department.
  - ▷ Direct the activities of any BRAC employee not employed by the Internal Audit Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

## 11. AUDIT PLANNING

Annually, Director, Internal Audit shall submit to Finance, Audit and Risk Committee with a copy to Executive Director an annual internal audit plan "the plan" including audit schedule, staffing and budget for the following fiscal year for review and approval. The plan is to be developed based on a prioritisation of the audit universe using a risk-based methodology. Any significant deviation from the formally approved work schedule shall be communicated to Executive Director and the Finance, Audit and Risk Committee through periodic activity reports.

## 12. RESPONSIBILITY

Director, Internal Audit has responsibility to:

- Formulate an Annual Audit Plan in consultation with management.
- Implement the Annual Audit Plan, special tasks or projects requested by the Executive Director, Managing Director, Finance, Audit and Risk Committee and the Chairperson-BRAC.
- Maintain requisite professional audit officials' strength with sufficient

knowledge, skills, experience, and professional qualifications to meet the requirements of this Charter.

- Issue periodic reports on a timely basis to the Senior Management, Executive Director, Managing Director and the Finance and Audit Committee summarising results of audit activities.
- Keep the Finance, Audit and Risk Committee informed of emerging trends and developments in internal auditing practices and give recommendations for necessary revisions in Internal Audit Charter and Internal Audit Manual, provide a list of significant measurement goals and results to the Finance and Audit Committee.
- Assist in the investigations and examination of significant suspected fraudulent activities and notify the Executive Director, Managing Director, and the Finance, Audit and Risk Committee of the results.
- Ensure control improvements are identified and corrective action recommended to the management based on an acceptable and practicable time frame.
- Ensure management is made aware of such improvements through the reporting process.
- Ensure through tracking that management implements the agreed control improvements on a timely basis, performing such follow-up work as Internal Audit deems necessary to ensure the improvements are adequate, effective and timely.
- Ensure appropriate and adequate controls are introduced into new areas of activity through major system, development work and other major process changes.
- Ensure that the department complies with sound internal auditing principles and best practices; seek guidance from the Institute of Internal Auditors (IIA) and Information Systems Audit and Control Association (ISACA).

**The Director and Officials of Internal Audit Department have responsibility to:**

- Follow the guidelines and methodology given in the Internal Audit Manual.
- Exercise due professional care in carrying out audit assignments.
- Maintain integrity and objectivity.

The internal audit process, however, does not relieve departmental heads/ managers of their responsibility for the maintenance and improvement of controls in their respective areas.

**13. ACCOUNTABILITY**

The Internal Audit Department shall be accountable to the Finance and Audit Committee and shall:

- Submit Annual Audit Plan to Finance, Audit and Risk Committee to take approval.
- Submit an assessment on the adequacy and effectiveness of BRAC's processes for controlling its activities and managing its risks in all the core areas of BRAC Programmes.
- Report significant issues related to the processes for controlling the activities

of BRAC together with recommendations for improvements to those processes.

- Provide information on the status and results of the annual audit plan on a quarterly basis.

#### 14. REPORTING

A written report will be prepared and issued by the Internal Audit Department following the conclusion of each audit in line with Internal Audit Manual and will be distributed as appropriate.

Internal Audit Department also submits the following executive reports:

- Summary of significant observation on monthly basis;
- Major irregularities of BRAC enterprises;
- Reporting to core issues to senior level management;
- Reporting on fraud related issues;
- Quarterly summary reporting of internal audit observation;
- Internal Audit Review Management Committee (IARMC) follow up summary;
- Summary of follow up report on external audit observation.

Internal Audit Department will send letters to management for reply on Internal Audit Report presented to the management as per stipulated time mentioned in the Internal Audit Manual.

The objective for sending reply is to know the action taken by the management after getting Internal Audit Report.

#### 15. INTERNAL AUDIT REVIEW MANAGEMENT COMMITTEE

Internal Audit Review Management Committee (IARMC) is a sub-committee of the Finance, Audit and Risk Committee, formed with a view to taking prompt action and ensure greater transparency.

After going through the internal audit report and reply, Internal Audit Department selects report for Audit Review meeting and organizes Audit Review Meeting.

Internal Audit Review Management Committee review the major findings brought by Internal Audit Department and settle them through discussion with programme management.

A separate ToR has been issued for describing the activities of IARMC.

#### 16. LIAISON WITH EXTERNAL AUDITOR

- Internal and external audit activities will be coordinated to ensure adequate audit coverage and to minimize duplication of effort.
- Meeting between internal and external auditor shall be held to discuss matters of mutual interest.

- Access to Internal Audit Programmes, working papers and reports shall be made available for review by external auditors.

#### 17. RELATIONSHIP WITH THE RISK MANAGEMENT DEPARTMENT

- Internal Audit Department will employ the risk management framework developed by the Risk Management Department to conduct the risk-based audits meticulously.
- The Risk Management function trains and mentors the management to support them in their functions through the identification of risks, The Internal Audit Department shall imbue areas of concern identified during the audits.
- Risk Management Department shall share the results of the risk assessment and prioritisation. These results can be used for input into Internal Audit's upcoming Audit Plans or prompt the programmatic area to solicit Internal Audit's feedback on respective recommendations.

#### 18. PEOPLE

- The appointment, dismissal, or replacement of top executives of Internal Audit Department will be placed by the Executive Director in consultation with the Executive Management Committee (EMC) and approval from Chair of the Finance and Audit Committee of BRAC.
- Finance, Audit and Risk Committee may review the responsibilities and staffing of the Internal Audit Department and also the quality control procedure of the department.

#### 19. PROFESSIONAL STANDARDS

The Internal Audit Department shall comply with the Institute of Internal Auditors' International Professional Practices Framework (IPPF) including its standards, core principles for the professional practice of internal auditing, definition of internal auditing, and code of ethics.

Work of the Internal Audit Department and results of each audit shall be confidential to BRAC and will not be disclosed to third parties, except to the external auditors, unless by the consent of Executive Director and/ or the Finance, Audit and Risk Committee.

Internal Audit Department shall ensure:

- That all internal audit assignments are undertaken with due professional care;
- Audits are completed by suitably skilled, experienced and competent auditors, whether internal or external resources are used;
- Audit programmes, working papers and reports are conducted and prepared in accordance with the required professional standards;
- All officials undertake training to maintain their professional development.

**20. SAFEGUARDING**

Safeguarding has always been a commitment of BRAC. Since its inception this principle embedded in different organizational and programmatic interventions. BRAC believes every one of its employees, suppliers, downstream partners, visitors, beneficiaries & community including children, young & vulnerable adults who come into contact, has the right to be protected from all forms of harm, abuse, such as sexual harassment, intimidation, violence, bullying, humiliation, discrimination, neglect and exploitation. BRAC commits to "Putting People First" in all activities & address safeguarding throughout its work.

Since 2018, BRAC started the process of strengthening its safeguarding compliance, and has committed to ensure safeguarding measures are incorporated across different aspects of the organisation including governance, human resources, partnership, recruitment, safe programme design, complaint mechanism and capacity development.

The Internal Audit Departments aim is to abet managements drive to protect its greater stakeholders, and the department shall achieve this by imbedding identification of noncompliance of safeguarding policies as an essence of all of the audits. Furthermore, the Internal Audit Department shall conduct specific Safeguarding Audits as per the Annual Internal Audit Plan. This involved the close monitoring of the Safeguarding issues as per the Safeguarding Register and periodical Internal Control Questionnaire of key staff in the BRAC.

Safeguarding audit process:

- The IAD will develop checklist and questionnaire jointly with the Safeguarding Unit and a design a methodology to find out safeguarding non-compliance and gaps
- IAD will do periodic audit of branch offices and interview relevant staff and programme participants with the audit tools
- The findings will be compiled, and report will be generated with qualitative and quantitative findings quarterly basis
- Based on the findings a specific recommendation will be formulated and shared with the Safeguarding Unit
- The Safeguarding Unit will formulate an action plan to address the recommendations in collaboration with the respective programmes, departments and enterprises
- The audit tool, questionnaire can be reviewed after some period based on needs and context.

**21. CONTINUITY AND IMPARTIALITY**

- Internal audit within BRAC shall be a permanent function.
- Internal Audit Department shall be objective and impartial in performing its assignments.
- Objectivity and impartiality entail that the Internal Audit Department itself seeks to avoid any conflict of interest. To this end, staff assignments within audit department shall be rotated periodically.
- Impartiality requires that Internal Audit Department is not involved in the operations of BRAC or in selecting or implementing internal control measures. However, Internal Audit Department may give

recommendations for strengthening internal control systems (including information systems), risk management and governance processes and can also give opinions on specific matters related to such systems and processes as per the request of senior management.

- In an effort to continually improve the internal audit function, the Internal Audit Department shall be encouraged to maintain professional relationship with other organizations' Internal Audit Departments. In addition, they shall be encouraged to maintain membership in and attend meeting of local, national and international organization that serve to promote the modern practices of auditing and internal auditing.

## 22. METHODOLOGY

Internal Audit Department shall apply the most appropriate risk based auditing methodology in conducting its work.

## 23. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

Internal audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the definition of internal auditing, information systems auditing and standards and an evaluation of whether internal auditors apply the Code of Ethics of IIA and ISACA. The program also assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement.

## 24. INTERNAL AUDIT FUNCTIONS DURING CRISIS SITUATION

Internal Audit Department shall focus on updating risk assessment and risk-based audit plan considering the situation, focusing on new or updated processes with higher risk profiles which arise due to the crisis situation presented. By identifying and prioritizing the emerging risks related to the pandemic that threaten the Organisation's top strategies, audit leaders can help executive leadership develop appropriate mitigation strategies to ensure business objectives will continue to be met.

### **Audit Methodology during crisis**

The Department shall devise a methodology to continue to provide its service under crisis scenario emphasising on agile audit approach and virtual auditing by leveraging technology. The expectations and relationship with management shall be improved by creating more contact and alignment moments and increasing the involvement of team members within the audit team.

### **Safety and Wellbeing of Internal Audit Staff**

Service delivery of the Department shall be performed in compliance with BRAC safeguarding and other core policies ensuring safety, security and wellbeing of the internal audit staff.

**Providing insights on crisis management**

During crisis, the Department shall provide real time advisory services to management and insights to top management over the recovery efforts and situation specific responsive activities of the organisation.

**25. REVIEW OF CHARTER**

This charter will be reviewed whenever necessary, to ensure an appropriate level of cost-effective, value-added internal audit services to BRAC.

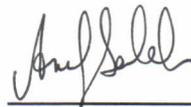
**26. EFFECTIVE DATE OF THE CHARTER**

This revised charter is effective for all Internal & Information Systems Audit and assurance engagements beginning on or after 25 April 2022.

Approved under the Signature of



Chair, Finance, Audit and Risk Committee



Executive Director

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