



INTERNAL AUDIT CHARTER

INTERNAL AUDIT DEPARTMENT
STICHTING BRAC INTERNATIONAL

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1. INTRODUCTION

This Charter provides a framework for the conduction of Internal Audit in Stichting BRAC International and has been approved by the Chairperson and the Finance and Audit Committee of BRAC International. This Charter primarily aims to define and establish:

- The Role of Internal Audit Department (IAD).
- The objectives and scope of Internal Audit Department (IAD).
- A clear mandate to perform audit function.
- The Internal Audit Department's position, 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)

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

2. DEFINITION OF INTERNAL AUDIT

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 internal control systems (including information systems), risk management and governance processes.

3. ROLE

The Role of the Internal Audit Department is to assist the management by providing independent and objective assurance aligned with organization's strategy on operations and performance and by 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.

4. OBJECTIVES

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

In addition, the objectives of Internal Audit Department include advising and recommending to senior management for the improvements of such systems and processes.



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.

5. 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 and Audit Committee, Executive Director, Director Internal Audit and individuals within Stichting BRAC International who have direct responsibility for the area reviewed.
- b) Obtain approval from Finance and Audit 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.

6. AUTHORITY

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

- Have full, free and unrestricted access to the entire organization including all Departments, Country offices, Regional Offices, Area Offices, Branch Offices, Other Offices and Field Areas, affiliates, activities, information, properties, personnel, records, books, accounts, information systems 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 where audit team performs audits.
- Obtain assistance of specialists/ professionals/others where considered necessary from within or outside Stichting BRAC International.
- Information accessed is to be strictly used for audit purpose only.

7. ORGANIZATION

The Director Internal Audit shall report administratively (annual performance evaluations & day to day operations) to the Executive Director and functionally to the Finance and Audit Committee however the Executive Director may consult with the Finance and Audit Committee during the annual performance appraisal of the Director, Internal Audit.

The Finance & Audit Committee will

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Approve the internal audit budget and resource plan.
- Receiving communications from the Director Internal Audit on the internal audit activity's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Director Internal Audit to determine whether there is inappropriate scope or resource limitations.



8. INDEPENDENCE

All internal audit activities shall remain free of influence by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of independence in appearance and objective mental attitude. Shall disclose the details of the impairment to the appropriate parties if independence is impaired in fact or in appearance.

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 departments and offices, its personnel shall report to the Director- Internal Audit who shall report to the Executive Director and Finance and Audit Committee.
- 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, Enterprises, all Offices and activities of countries where Stichting BRAC International operates.
- Director- Internal Audit shall be authorized to communicate directly, and on his/her own initiative, to the Chairperson, the members of Finance and Audit Committee and the Board.
- The Internal Audit function should be subject to a periodic self-review by other persons within the organization with sufficient knowledge of internal audit practices and an independent external review as and when required (at least once every five years). Independent review should be carried out by qualified and independent professionals from outside organization e.g. practicing firm of Chartered Accountants and in conformance with the ISACA information systems audit and assurance standards.
- 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.

9. SCOPE OF INTERNAL AUDIT

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the organization's internal control systems (including information systems), risk management and governance processes aligned with organizational strategy, and the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives. Furthermore, it also includes overall independent review of respective BRAC International Country Offices which shall be conducted as per the Annual Internal Audit Plan of IAD Head Office in BRAC International. The details of the 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 organization 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 and Audit Committee or management, as appropriate.
- Monitoring and evaluating the effectiveness of the organization's internal control systems (including information systems), risk management and governance processes.
- 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 and Audit Committee, Executive Director and Director- Internal Audit.
- Ensuring all Programmes and financial activity 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 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.

10. AUDIT PLANNING

Annually, the Director, Internal Audit shall submit to Finance and Audit Committee with 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 prioritization of the audit universe using a risk-based methodology including input of country management, senior management of Head Office and Finance & Audit Committee. Any significant deviation from the formally approved work schedule shall be communicated to Executive Director and the Finance and Audit Committee through periodic activity reports.



11. RESPONSIBILITY

Director, Internal Audit has responsibility to:

- Formulate an Annual Internal Audit Plan in consultation with management.
- Implement the Annual Internal Audit Plan, special tasks or projects requested by the Executive Director, Finance and Audit Committee and the Chairperson.
- 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, and the Finance and Audit Committee summarizing results of audit activities.
- Keep the Finance and Audit Committee informed of emerging trends and developments in internal auditing and information systems 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, and the Finance and Audit 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.



12. ACCOUNTABILITY

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

- Submit Annual Internal Audit Plan to Finance and Audit Committee to take approval.
- Submit an assessment on the adequacy and effectiveness of processes for controlling its activities and managing its risks in all the core areas of Programmes.
- Report significant issues related to the processes for controlling the activities together with recommendations for improvements to those processes.
- Provide information on the status and results of the annual internal audit plan on a quarterly basis.
- Will report to the board on the purpose, responsibility & authority as well as performance related to audit plan and budget.

13. 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 results will also be communicated to the Finance & Audit Committee. In terms of Country Office Audits, an exit meeting shall be conducted before issuance of the report to discuss the contents of the audit observations with the respective Country Director/ Chief Executive Officer/ Managing Director.

Internal Audit Department will send the Internal Audit Reports to the appropriate level as prescribed in Internal Audit Manual. Internal audit report may include management's response with corrective and preventive action(s) taken or to be taken in regard to the specific findings and recommendations. Management's response whether included within the final audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action(s) to be taken and an explanation for any preventive and corrective action that will not be implemented.

Internal audit activity will responsible for appropriate follow up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

14. INTERNAL AUDIT REVIEW MANAGEMENT COMMITTEE

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

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



IARMC 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.

15. RELATIONSHIP 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.
- Provide access to Internal Audit Programs, Working papers, documentation and evidence and reports shall be made available for review by external auditors.

16. 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, consequently, the Internal Audit Department will aid as a facilitator to design the risk workshops and provide feedback. The Internal Audit Department shall also imbue areas of concern identified during the audits to solicit the workshops appropriately.
- Risk Management Department shall share the results of the risk assessment and prioritization. These results can be used for input into Internal Audits upcoming Audit Plans or prompt the programmatic area to solicit Internal Audit's feedback on respective recommendations.

17. PEOPLE

- The appointment, dismissal or replacement of top executives of Internal Audit Department will be done by the Executive Director in consultation with the Chairperson and approval from Finance & Audit Committee.
- Finance and Audit Committee may review the responsibilities and staffing of the Internal Audit Department and also the quality control procedure of the department.

18. PROFESSIONAL STANDARDS

The Internal Audit Department shall comply with the internal audit and information systems audit standards, guidelines and global best practices.



Work of the Internal Audit Department and results of each audit shall be confidential and will not be disclosed to third parties, except to the external auditors, unless by the consent of Executive Director and/ or the Finance and Audit 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 Programs, working papers and reports are conducted and prepared in accordance with the required professional standards.
- All officials undertake training to maintain their professional development.

19. INTEGRATED INTEGRITY FRAMEWORK

The Integrity Framework is a systematic and comprehensive approach that brings together instruments, processes and structures for fostering integrity and preventing corruption within the organization. IIA clearly defines the objective of the Internal Audit Function to add value and improve an organizations operation and most importantly to aid in establishing a cornerstone for good governance. Through this Framework alongside IIA three line defense model, as adopted in BI, Internal Audit Department will support as an advisor to the management to implement the integrity instruments.

Internal Audit Department shall aid the management to translate the concept of Integrity Framework in policy making, i.e.- as defined by OECD. Further, the Internal Audit Department shall perceive the Control Environment to observe respective program's commitment to ethical values.

The ultimate ownership over the Ethics and Integrity Framework lies with the management, however it is the greater responsibility of the entire organization to set the highest standards of ethical conduct. The internal audit shall facilitate necessary reviews and compliance check, once the integrated integrity framework is developed and implemented by the management.

20. SAFEGUARDING

BRAC recognizes that some of its people are more at risk than others and therefore is committed to safeguard all of its people. BRAC has pledged to protect all of its employees, and programme participants against abuse, that is against sexual harassment, intimidation and violence, bullying, humiliation and discrimination, neglect and exploitation.

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 non-compliance 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 International countries.

21. CONTINUITY AND IMPARTIALITY

- Internal audit shall be a permanent function.
- Internal Audit Department shall be objective and impartial in performing its assignments.
- Objectivity and impartiality entails 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 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. 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.

Director Internal Audit will communicate to senior management and the Finance & Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessment and external assessments conducted as and when required.

23. INTERNAL AUDIT FUNCTIONS DURING A CRISIS SITUATION

It is clear that internal audit functions have been inconsistently impacted by crisis situation, like COVID-19. The effect appears to vary by industry, geographic location, relevant government mandates, and perception of value provided by the functions. During such situation internal audit department shall focus on updating risk assessment and risk-based audit plan based considering the situation, focusing on new or updated processes with



higher risk profiles such as cybersecurity, identity access management, and remote working arrangements.

Agility Amid Crisis

Increasing the frequency of the risk assessment is important to reprioritize the organization's top risks during times of crisis. By identifying and prioritizing the emerging risks related to the pandemic that threaten the business's top strategies, audit leaders can help executive leadership develop appropriate mitigation strategies to ensure business objectives will continue to be met.

Safety and Wellbeing of Internal Audit Staff

The health, safety and well-being of people is paramount and Internal Audit is no exception. More flexibility needs to be practiced than usual and in the absence of physical proximity, regular calls/video check ins will be important to keep people on track, to identify any welfare issues early and to ward off feelings of isolation.

Reassess the Audit Plan

The Annual Internal Audit Plan shall be revisited to review the entire scope of work. Certain redeployments may need to be paused for the time being, for others the changes may be more driven by the logistics of which audit work can be performed remotely. As ever, risk assessment will be at the heart all the decisions. In times of rapid change, agility is key so hence the audit plan needs to be kept under review for the foreseeable future.

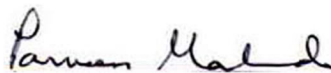
24. REVIEW OF CHARTER

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

25. EFFECTIVE DATE OF THE CHARTER

This revised charter is effective for all Internal & Information Systems Audit and assurance engagement beginning on or after 18 June 2021.

Approved this under the Signature of



Chair, Finance and Audit Committee



Executive Director

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