



Annex 2 to XacBank Board Resolution R-2024-47
Dated 07 November 2024



INTERNAL AUDIT CHARTER OF XACBANK

AMENDED AND RESTATED

Version	0.3
Approved date	22 March 2016, Board Resolution R-2016-05
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Next review date	November 2027
Approved by	Board of Directors
Author	Chief Auditor
Related documents	Charter of the Audit Committee of the Board of Directors of XacBank Internal audit policy of XacBank
Scope	Internal audit operation at XacBank
Reference code	
Revision 0.1	The revision was made based on the recommendations of the Audit Committee issued on 24, March 2015 and pursuant to the discussions and decisions at its regular meeting held on 25 March 2015, the Board of Directors of XacBank.
Revision 0.2	The review has been performed on each clauses of The Charter for conformance with (1) BOM regulations; (2) International Professional Practices Framework (IPPF) standards of Institute of Internal Auditors (IIA)
Revision 0.3	The review was conducted to ensure conformance with the new The Global Internal Audit Standards of Institute of Internal Auditors (IIA).

CONTENTS

ARTICLE ONE. PURPOSE OF INTERNAL AUDITING.....4

ARTICLE TWO. AUDIT SCOPE AND OBJECTIVE.....4

ARTICLE THREE. INDEPENDENCE AND OBJECTIVITY.....5

ARTICLE FOUR. ASSURANCE AND ADVISORY SERVICE.....5

ARTICLE FIVE. RESPONSIBILITIES.....6

ARTICLE SIX. AUTHORITY AND RIGHTS.....7

ARTICLE SEVEN. COMMUNICATION WITH EXTERNAL AUDITORS AND
REGULATORS.....7

ARTICLE EIGHT. FRAUD INVESTIGATION.....8

ARTICLE NINE. PROFESSIONAL STANDARDS.....8

ARTICLE ONE. PURPOSE OF INTERNAL AUDITING

- 1.1. The purpose of the internal audit function is to strengthen XacBank's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

ARTICLE TWO. AUDIT SCOPE AND OBJECTIVE

- 2.1. Objective of internal audit shall be to provide recommendations for improvement of bank's operations, assessment of current and evolving risks, and evaluating the effectiveness of governance, risk management and internal control processes of XacBank in the following directions:
 - 2.1.1. Whether the auditee's governance, organizational structure and responsibilities are optimal and appropriate;
 - 2.1.2. Whether risks relating to the achievement of strategic objectives are appropriately identified and managed;
 - 2.1.3. Whether there is a timely and effective implementation of appropriate controls into auditee's operational functions;
 - 2.1.4. Whether an internal control system is established, and second-line of defense function is in place across all operations;
 - 2.1.5. Whether sufficient policy, procedure and guidelines are in place;
 - 2.1.6. Whether there is an effective implementation of internal control in banking operations across all areas;
 - 2.1.7. Whether bank's resources and assets are properly accounted for;
 - 2.1.8. Whether the controls into banking operations are effective and in place;
 - 2.1.9. Whether an appropriate risk management system is in place and functioning;
 - 2.1.10. Whether financial, operational, accounting and other reports, information and data transmitted to relevant customers, senior management and shareholders are accurate, reliable and generated in a timely manner;
 - 2.1.11. Whether bank's activities are in compliance with local legislations, XacBank's policies, regulations and procedures;
 - 2.1.12. Whether financial and operational information is complete and reliable.

ARTICLE THREE. INDEPENDENCE AND OBJECTIVITY

- 3.1. Internal Auditors shall at all times maintain their independence, objectivity and professionalism in fulfilling their responsibilities. The Internal Audit shall be free from interference in determining its audit selection, scope of work, procedures, frequency,

timing or report content in order to maintain an independent and objective mind set.

- 3.2. Internal Audit shall have independent reporting line to the Audit Committee, as well as an administrative reporting line to the XacBank's CEO. Internal auditors shall declare any conflict of interests or impairment that may affect their participation in an audit engagement and bring to the attention of the Audit Committee and Senior Management any impairments to independence, objectivity or professionalism.
- 3.3. Internal auditors are not permitted to implement bank's day-to-day internal control, develop procedures, install systems, prepare records, or engage in any other activity that may impair the internal auditor's judgement.
- 3.4. Internal Audit shall have no direct operational responsibility or authority over XacBank.
- 3.5. Furthermore, Internal Audit shall not implement internal control system, each department and division is responsible for the establishment and management of its internal control system.

ARTICLE FOUR ASSURANCE AND ADVISORY SERVICE

4.1. Assurance

- 4.1.1. Internal Audit shall provide reasonable assurance to the shareholders and stakeholders of XacBank that the organization is functioning effectively and efficiently.
- 4.1.2. Internal Audit shall ensure the adequacy of the strategic, operational, financial, and compliance objectives of XacBank.
- 4.1.3. Internal auditor must refrain from assessing specific operations for which they were previously responsible in the last one-year period. Any such action may impair their judgement.
- 4.1.4. Internal auditor may give recommendations and/or advice on improvement of operations.
- 4.1.5. The chief auditor must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.
- 4.1.6. When nonconformance with the Purpose of Internal Auditing, the Code of Ethics, or the Global Internal Audit Standards impacts the overall scope or operation of the internal audit activity, the Chief auditor must disclose the nonconformance and the impact to CEO, Audit Committee and the Board of Directors.

4.2. Advisory service

Internal Audit shall provide advisory services to XacBank.

- 4.2.1. To ensure auditee's operation is in compliance with applicable law,

regulations and rules, policies and procedures.

- 4.2.2. To make recommendations for improving business operation after completion of the assessment of the auditee's business processes.
- 4.2.3. To make recommendations on current and potential risks to the auditee's operation.

ARTICLE FIVE. RESPONSIBILITIES

- 5.1. Internal Audit shall be responsible for planning, conducting, reporting and follow-up of risk-based audits, investigations, special tasks, and determining the scope and timing of an audit engagement. Audit fieldwork shall be conducted in a professional and timely manner. Internal Audit shall be responsible for reporting to senior management, CEO and Audit Committee the results of an audit fieldwork findings and its appropriate recommendations in an open manner.
- 5.2. Internal audit shall be responsible:
 - 5.2.1. To submit annual risk-based audit plan including scope of audit work to the Audit Committee for approval. The plan shall be aligned with risk management and internal control system of XacBank, incorporating key and emerging risks and/or concerns identified by external oversight organization.
 - 5.2.2. To implement the annual audit plan, and conduct any special tasks, investigations or projects requested by Audit Committee or external oversight organization.
 - 5.2.3. To report quarterly to the Audit Committee on significant audit findings, with relevant recommendations and management responses.
 - 5.2.4. To report to the Audit Committee on the implementation progress and other relevant changes to the audit plan.
 - 5.2.5. To identify and consider emerging trends and issues that could may impact the bank and communicate to the Audit Committee and the senior management as appropriate.
 - 5.2.6. To manage and oversee internal audit activities.
 - 5.2.7. To develop, maintain and communicate Quality Assurance and Improvement Program that covers all aspects of internal audit function.
 - 5.2.8. Periodically review the internal audit charter as well as a result of significant changes in regulations, standards, organizational structure, key personal changes and risk profile.
 - 5.2.9. Chief Auditor shall communicate to the Audit Committee and the senior management on the "essential conditions," described in the Global Internal Audit Standards, which establish the foundation that enables an effective internal audit function.

ARTICLE SIX. AUTHORITY AND RIGHTS

- 6.1. Internal audit shall have the authority and right to:
 - 6.1.1. Chief Auditor shall have the authority to determine scope of audit work, frequency of audit, and allocation of resources to ensure that internal audit objectives are achieved. If deemed necessary, Chief Auditor shall have the right to make alterations into audit program and timing of audit as to avoid disruptions of an approved audit plan scope of work.
 - 6.1.2. Chief Auditor has a right to develop, manage and own the budget and staffing of Internal Audit with the approval of Audit Committee.
 - 6.1.3. Chief Auditor shall have free and unrestricted access to XacBank Board and Audit Committee
 - 6.1.4. Chief auditor shall receive full support and cooperation from management at all levels of operations.
 - 6.1.5. Internal Audit shall have the right of full and unrestricted access to all of XacBank and auditee's premises and property. This right of access extends to customers, suppliers, tenderers, past and current banking businesses including communicating directly with all levels of staff and management as well as requesting any staff member to furnish all information and explanation that are deemed necessary for the completion of any audit.

ARTICLE SEVEN. COMMUNICATION WITH EXTERNAL AUDITORS AND REGULATORS

- 7.1. Internal Audit shall have an effective collaboration with external auditors and other regulators. To avoid any duplication in an audit work, IA shall provide external auditors with annual audit plan, reports and any other relevant documents.
- 7.2. Internal Audit shall not be responsible for External Auditors and regulators intended purpose of use of reports and documents prepared by IA.

ARTICLE EIGHT. FRAUD INVESTIGATION

- 8.1. Internal Audit shall conduct investigations into fraud or any other suspicious incidents or activities upon the request of CEO or the Audit Committee. In the event of referral to the law enforcement authorities or legal proceedings all documents and materials, investigativework procedures including interview notes pertaining to the investigation shall be adequate.
- 8.2. The internal auditors involved in the investigation shall maintain confidentiality in order not to jeopardize the XacBank's or the auditee's position.
- 8.3. Internal Audit shall submit the investigation report to the management.

ARTICLE NINE PROFESSIONAL STANDARDS

- 9.1. Internal auditors shall exhibit the highest level of professionalism in gathering, evaluating, and communicating information about the activity or process being examined. Internal Audit shall adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements as well as the Internal



Auditor's code of ethics and XacBank's policies and regulations.

- 9.2. Internal auditors shall act professionally in all dealings with personnel, clients and other external parties.