

### **1. Role of the Internal Audit Division**

The Internal Audit Division is an independent division designed to improve FFA Private Bank's operations and help it accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Division shall report directly to the Chairman and General Manager for the purpose of the day-to-day direction needed by the Division in the mediation of audit scope and scheduling, plus budgetary and personnel concerns.

The Division shall report directly to the Audit Committee for the purpose of the direction needed by the division in the implementation of its operational plans, plus authority and ethics concerns. The head of Internal Audit shall have direct access to the Board of Directors in any instance where he believes that such access is needed to fulfill the stated objectives of the division.

The Internal Audit Division will perform its duty and supervise all Internal Audit functions within all the Groups division and subsidiaries, including FFA (Dubai) Limited.

### **2. Authority**

The Head of Internal Audit is authorized to oversee a broad and comprehensive, risk based program of internal auditing within FFA Private Bank. The Board of Directors grants the Division authorization for full and complete access to any FFA Private Bank records, in any form, and its activities, physical properties and personnel relevant to a review. The Head of Internal Audit is required to report any restriction placed upon such access, other than for established regulatory requirements, to the Audit Committee.

Internal Auditors will handle documents and information given to them during a periodic review in the same prudent manner as by those employees normally accountable for them. Further, Internal Auditors understand that certain FFA Private Bank items are confidential in nature and they will make special arrangements when examining and reporting upon such items.

### **3. Responsibility**

The Division has no direct responsibility or any authority over any of the activities or operations it reviews. Internal Audit is a managerial control that functions by measuring and evaluating the effectiveness of other controls. Management is not relieved of any assigned responsibilities because Internal Auditors perform the evaluative reviews with which they have been charged.

### **4. Independence**

The Division shall be free from control or undue influence in the selection and application of audit scope, techniques, procedures and programs.

The Division shall be free from control or undue influence in the determination of facts revealed by the examination or in the development of recommendations or opinions as a result of the examination.

The Division shall be free from undue influence in the selection of areas, activities, personal relationships, and managerial policies to be examined. No legitimate source of information is to be closed to the auditor.

### **5. System Implementation**

The Division will participate, in an advisory capacity, in the planning, development, implementation, and modification of major computer-based and manual systems to ensure that:

- a. Adequate controls are incorporated in the system;
- b. A thorough testing of the system is performed at appropriate stages;
- c. System documentation is complete and accurate; and
- d. The intended purpose and objective of the system implementation or modification is met.

### **6. Scope**

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of the organization's system of internal control and the quality of performance in carrying out assigned responsibilities. It includes, but is not limited to:

- a. Reviewing the reliability and integrity of financial information and the means used to identify, measure, classify and report such information;
- b. Reviewing the compliance with internal and regulatory rules and regulations of market transactions and the reliability and integrity of related financial information;
- c. Reviewing and assessing, credit, market and operational risks related to Capital Markets and Wealth Management activities and ensure compliance with FFA Private Bank's risk policies
- d. Reviewing the reliability and integrity of risk management systems and procedures.
- e. Reviewing the means of safeguarding Company and Clients assets, ensuring that proper due diligence is conducted on sub-custodians and correspondents and, as appropriate, verifying the existence of such assets through daily weekly and Monthly reconciliations;
- f. Reviewing, in cooperation with the compliance officers, the systems established and ensure compliance with those policies, plans, procedures, laws and regulations that could have a significant impact on operations and reports and whether the organization is in compliance;
- g. Recommending operating improvements;
- h. Assisting in the deterrence of fraud by examining and evaluating the adequacy and effectiveness of control, commensurate with the extent of the potential exposure or risk in the various segments of FFA Private Bank's operations;
- i. Performing special reviews requested by Management or the Board of Directors;

## **7. Reporting**

At the conclusion of each audit, the Internal Auditor will hold a meeting with the individual in charge of the division or activity under review, during which all findings, conclusions and recommendations will be discussed and any differences of opinion will be settled or so noted.

The Internal Auditor will prepare and issue a draft audit report after the meeting is held. The division or activity or subsidiary audited will be provided an opportunity to respond in writing to the findings, conclusions and recommendations of the Internal Auditors; and such response will be made part of the Internal Auditors' final audit report. The Head of Internal Audit will distribute all final audit reports to the relevant managers of the area audited, and will make the reports available to the Chairman and General Manager, and to the Audit Committee

The Division will conduct follow-up reviews on audit reports, in the manner deemed necessary or as directed by the Internal Audit Committee.

## **8. Detection, Investigation and Reporting of Fraud**

The Division of Internal Audit shall be notified in all cases where the discovery of circumstances suggests a reasonable possibility that assets have, or are thought to have, been lost through security breaches in the financial and operating systems.

The Division will perform sufficient tests to identify the weaknesses in financial and operating procedures, both automated and manual, which permitted the loss and will recommend improvements to correct the weaknesses and incorporate appropriate tests in future audits to disclose the existence of similar weaknesses in other areas of FFA.

## **9. Detection of Errors or Irregularities**

The Audit Committee shall be notified at once if an Internal Auditor believes that a significant error or irregularity may exist in an area under review or in any other area of FFA. If an individual is involved, the Audit Committee will disclose the potential significant errors or irregularities directly to the Board of Directors.

## **10. FFA (Dubai) Limited**

The Internal Audit Division will ensure that it has access to all FFA (Dubai) Limited databases and collected all relevant documents in order to perform an efficient risk-focused internal audit.

As an Authorized Firm in the Dubai Financial Center, FFA (Dubai) Limited scope of business is limited to advisory and arranging Custody, Credit and deals in Investments.

Therefore, review and assessment of the reliability and integrity of financial information related to Client dealings as well as client assets shall be performed off-site and access to all platforms used by FFA (Dubai) Limited clients will be made accessible to the Internal Audit Division.

The Division shall access all records and documents available at the Accounting Division in charge of FFA (Dubai) Limited general accounting.

The Division shall coordinate with FFA (Dubai) Limited Chief Operating Officer in order to assess the adequacy of

the overall financial control environment, assess the adequacy of key financial and accounting internal controls, evaluate compliance with significant corporate policies and procedures, and identify opportunities for process and internal control improvement.