

# Internal Audit Charter for Metro Bank

## Purpose

The purpose of Internal Audit is to strengthen Metro Bank'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. Metro Bank is defined as Metro Bank Holdings Plc and its subsidiaries.

Internal Audit enhances Metro Bank's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.

At Metro Bank:

- Internal auditing is performed by competent colleagues in conformance with The IIA's Global Internal Audit Standards™, which are set in the public interest.
- Internal Audit is independently positioned with direct accountability to the Board.
- Internal auditors are free from undue influence and committed to making objective assessments.

## ***Commitment to Adhering to the Global Internal Audit Standards***

Metro Bank's Internal Audit function will adhere to the mandatory elements of The IIA's International Professional Practices Framework, which are the Global Internal Audit Standards (GIAS) and Topical Requirements. The Chief Internal Auditor (CIA) will report at least annually to the Audit Committee and senior management regarding Internal Audit's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

## Mandate

### ***Authority***

Metro Bank's Audit Committee grants Internal Audit the mandate to provide the Board and senior management with objective assurance, advice, insight, and foresight.

Internal Audit's authority is created by its direct reporting relationship to the Board. Such authority allows for unrestricted access to the Board.

The Audit Committee, on behalf of the Board, authorises Internal Audit to:

- Have full and unrestricted access to all functions, data, records, information, physical property, and personnel pertinent to carrying out Internal Audit's responsibilities. Internal auditors are accountable for confidentiality and safeguarding records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques, and issue communications to accomplish the Internal Audit's objectives.

- Obtain assistance from third party providers to complete internal audit services.

### ***Independence, Organisational Position, and Reporting Relationships***

The CIA will be positioned at a level in the organisation that enables internal audit services and responsibilities to be performed without interference from Management, thereby establishing the independence of Internal Audit. (See “Authority” section.) The CIA will report functionally to the Chair of Audit Committee and administratively (for example, day-to-day operations) to the Chief Executive Officer. This positioning provides the organisational authority and status to bring matters directly to senior management and escalate matters to the Board, when necessary, without interference and supports the internal auditors’ ability to maintain objectivity. Internal Audit colleagues can also escalate their concerns directly to the CIA or the Chair of Audit Committee if required.

The CIA will confirm to the Audit Committee, at least annually, the organisational independence of Internal Audit. If the governance structure does not support organisational independence, the CIA will document the characteristics of the governance structure limiting independence and any safeguards employed to achieve the principle of independence. The CIA will disclose to the Audit Committee any interference internal auditors encounter related to the scope, performance, or communication of internal audit work and results. The disclosure will include communicating the implications of such interference on Internal Audit’s effectiveness and ability to fulfill its mandate.

### ***Changes to the Mandate and Charter***

Circumstances may justify a follow-up discussion between the CIA, Board, Audit Committee and senior management on the Internal Audit mandate or other aspects of the Internal Audit charter. Such circumstances may include but are not limited to:

- A significant change in the GIAS.
- A significant acquisition or reorganisation within the organisation.
- Significant changes in the CIA, Board, and/or senior management.
- Significant changes to the organisation’s strategies, objectives, risk profile, or the environment in which the organisation operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services.

## Board Oversight

The Metro Bank Board and Audit Committee Terms of Reference outline the responsibilities of the Board and Audit Committee for the oversight of Internal Audit.

## Chief Internal Auditor Roles and Responsibilities

### *Ethics and Professionalism*

The CIA will ensure that internal auditors:

- Conform with the GIAS, including the principles of Ethics and Professionalism: integrity, objectivity, competency, due professional care, and confidentiality.
- Understand, respect, meet, and contribute to the legitimate and ethical expectations of the organisation and be able to recognize conduct that is contrary to those expectations.
- Encourage and promote an ethics-based culture in the organisation.
- Report organisational behavior that is inconsistent with the organisation's ethical expectations, as described in applicable policies and procedures.

### **Objectivity**

The CIA will ensure that Internal Audit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of engagement selection, scope, procedures, frequency, timing, and communication. If the CIA determines that objectivity may be impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively such that they believe in their work product, do not compromise quality, and do not subordinate their judgment on audit matters to others, either in fact or appearance.

Internal auditors will have no direct operational responsibility or authority over any of the activities they review. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, or engage in other activities that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing operational duties for Metro Bank.
- Initiating or approving transactions external to Internal Audit.
- Directing the activities of any Metro Bank colleague not employed by Internal Audit, except to the extent that such colleagues have been appropriately assigned to Internal Audit teams or to assist internal auditors.

Internal auditors will:

- Disclose impairments of independence or objectivity, in fact or appearance, to appropriate parties and at least annually, such as the CIA, Board, Management, or others.
- Exhibit professional objectivity in gathering, evaluating, and communicating information.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid conflicts of interest, bias, and undue influence.

### ***Managing Internal Audit***

The CIA has the responsibility to:

- At least annually, develop a risk-based internal audit plan that considers the input of the board and senior management. Discuss the plan with the board and senior management and submit the plan to the board for review and approval.
- Communicate the impact of resource limitations on the internal audit plan to the Audit Committee and senior management.
- Review and adjust the internal audit plan, as necessary, in response to changes in Metro Bank's business, risks, operations, programmes, systems, and controls.
- Communicate with the Audit Committee and senior management if there are significant interim changes to the internal audit plan.
- Ensure internal audit engagements are performed, documented, and communicated in accordance with the GIAS.
- Follow up on audit findings and confirm the implementation of management actions and communicate the results of Internal Audit services to the Audit Committee and senior management periodically and for each engagement as appropriate.
- Ensure IA collectively possesses or obtains the knowledge, skills, and other competencies and qualifications needed to meet the requirements of the GIAS and fulfill the IA mandate.
- Identify and consider trends and emerging issues that could impact Metro Bank and communicate to the board and senior management as appropriate.
- Consider emerging trends and successful practices in internal auditing.
- Establish and ensure adherence to methodologies designed to guide Internal Audit.
- Ensure adherence to Metro Bank's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit charter or the GIAS. Any such conflicts will be resolved or documented and communicated to the board and senior management.
- Coordinate activities and consider relying upon the work of other internal and external providers of assurance and advisory services. If the CIA cannot achieve an appropriate level of coordination, the issue must be communicated to senior management and if necessary escalated to the board.

### ***Communication with the Audit Committee and Senior Management***

The CIA will report periodically to the Audit Committee and senior management regarding:

- Internal Audit's mandate.
- The Internal Audit plan and performance relative to its plan.
- Internal Audit budget.
- Significant revisions to the Internal Audit plan and budget.
- Potential impairments to independence, including relevant disclosures as applicable.
- Results from the quality assurance and improvement programme, which include Internal Audit's conformance with the GIAS and action plans to address Internal Audit's deficiencies and opportunities for improvement.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other areas of focus for the board.
- Results of assurance and advisory services.
- Resource requirements.
- Management's responses to risk that Internal Audit determine may be unacceptable or acceptance of a risk that is beyond Metro Bank's risk appetite.

### ***Quality Assurance and Improvement Programme***

The CIA will develop, implement, and maintain a quality assurance and improvement programme that covers all aspects of Internal Audit. The programme will include external and internal assessments of Internal Audit's conformance with the GIAS, as well as performance measurement to assess Internal Audit's progress toward the achievement of its objectives and promotion of continuous improvement.

The assessment will include plans to address Internal Audit's deficiencies and opportunities for improvement.

Annually, the CIA will communicate with the Audit Committee and senior management about Internal Audit's Quality Assurance and Improvement Programme, including the results of internal assessments (ongoing monitoring and periodic self-assessments) and external assessments. External assessments will be conducted at least once every five years by a qualified, independent assessor or assessment team from outside Metro Bank; qualifications must include at least one assessor holding an active Certified Internal Auditor® credential.

### **Scope and Types of Internal Audit Services**

The scope of internal audit services covers the entire breadth of the organisation, including all Metro Bank's activities, assets, and personnel (and third parties where relevant).

The scope of Internal Audit activities also encompasses but is not limited to objective examinations of evidence to provide independent assurance and advisory services to the Board and management on the adequacy and effectiveness of governance, risk management, and control processes for Metro Bank.

The nature and scope of advisory services may be agreed with the party requesting the service, provided Internal Audit does not assume management responsibility. Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during advisory engagements. These opportunities will be communicated to the appropriate level of management.

Internal audit engagements may include evaluating whether:

- Risks relating to the achievement of Metro Bank's strategic objectives are appropriately identified and managed.
- The actions of Metro Bank's officers, directors, management, colleagues, and contractors or other relevant parties comply with Metro Bank's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations and change programmes are consistent with established goals and objectives.
- Operations and programmes are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact Metro Bank.
- The integrity of information and the means used to identify, measure, analyze, classify, and report such information is reliable.

**Revision History:**

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