

# PF Group Internal Audit Charter – 2022

## 1. Purpose and Mission

This charter sets out the overall role, responsibilities, approach and standards by which the Group Internal Audit ('GIA') team operates. It has been prepared with reference to the Standards and Guidance provided by the Institute of Internal Auditors ('IIA') including the guidance on Effective Internal Audit in the Financial Services Sector ('IIA Guidance').

GIA's purpose is to support the Provident Financial ('PF'), Vanquis Bank Limited ('VBL'), Moneybarn ('MB') and Cheque Exchange Limited ('CEL') Boards (together 'the Boards') and Executive Management in discharging their responsibility to protect the assets, reputation and sustainability of the organisation. It does this by assessing whether all significant risks are identified and appropriately reported by management and the Risk and Assurance functions to the Boards and Executive Management; assessing whether they are adequately controlled; and by challenging Executive Management to improve the effectiveness of governance, risk management and internal controls.

## 2. Standards for the Professional Practice of Internal Auditing

GIA will adhere to the IIA's International Professional Practices Framework mandatory guidance, including the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, the FS Code and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of GIA's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable, to guide operations.

The Group Chief Auditor will report to the PF and VBL Boards through the PFG & VBL Audit Committee annually regarding GIA's conformance to the Code of Ethics and the Standards. The Head of Internal Audit for MB will report on conformance through the MB Risk Committee and CEL Board.

## 3. Authority

The Group Chief Auditor will report functionally to the Chair of the PFG & VBL Audit Committee, and administratively to the Group Chief Executive Officer. Under SMCR the Group Chief Auditor also reports to the VBL Chief Executive Officer.

To establish, maintain, and assure that GIA has sufficient authority to fulfil its duties, the Boards, through the PFG & VBL Audit Committee, will:

- Approve the GIA charter;
- Approve the risk-based internal audit plan;

- Challenge GIA's resource plan;
- Receive communications from the Group Chief Auditor on GIA's performance relative to its plan and other matters; and
- Make appropriate inquiries of management and the Group Chief Auditor to determine whether there is inappropriate scope or resource limitations.

The PF Board, supported by the VBL Board, through the PFG & VBL Audit Committee, will approve all decisions regarding the performance evaluation, appointment, or removal of the Group Chief Auditor as well as their annual compensation and salary adjustment.

The Group Chief Auditor will communicate and interact directly with the PF and VBL Boards through the PFG & VBL Audit Committee, including in executive sessions and between meetings as appropriate.

The Heads of Internal Audit will report functionally and administratively to the Group Chief Auditor. Under SMCR the Head of Internal Audit for MB will also report to the Chair of the MB Risk Committee.

The Head of Internal Audit for MB will communicate and interact directly with the MB and CEL Boards through the MB Risk Committee and the CEL Board respectively, including where appropriate in executive sessions and between meetings.

The Boards, through the PFG & VBL Audit Committee, authorise GIA to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information;
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports; and
- Obtain assistance from the necessary personnel, as well as other specialised internal or external services, in order to complete the engagement.

GIA will also have free and unrestricted access to the Boards.

#### **4. Independence and Objectivity**

GIA will remain free from inappropriate interference by Executive Management or the Boards, including matters of audit selection, scope, procedures, frequency, timing, or report content, to ensure necessary independence and objectivity. If the Group Chief Auditor determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

GIA's internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

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

- Assessing specific operations for which they had responsibility within the previous year;
- Performing any operational duties for any of the Group's businesses;
- Initiating or approving transactions external to GIA; and
- Directing the activities of any employee not employed by GIA, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal auditors.

Where the Group Chief Auditor has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties. This is to a large extent dependent on the nature of the impairment, but appropriate parties could include the Group Chief Auditor or the Chair of the PFG & VBL Audit Committee. All impairments will be logged in the GIA Conflict Register ;
- Exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined;
- Make a balanced assessment of all the relevant circumstances; and
- Not be unduly influenced by their own interests or by others in forming judgments.

The Group Chief Auditor will confirm to the PF and VBL Boards through the PFG & VBL Audit Committee, at least annually, the organisational independence of the internal audit activity. The Head of Internal Audit for MB will do so through the MB Risk Committee and CEL Board.

The Group Chief Auditor will disclose to the PF and VBL Boards through the PFG & VBL Audit Committee, any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results. The Head of Internal Audit for MB will do so through the MB Risk Committee and CEL Board.

## 5. Scope of GIA Activities

GIA will carry out various types of assurance as follows:

	Standard Audit	Focused Audit	Change Assurance	Bespoke Review
Engagement Type	Audit Scoping Memo		Change Scoping Memo	Scoping Memo or E-mail Engagement
Fieldwork Type	RACM		Change Activity Log	Bespoke Activity Log
Report Type	Audit Report		Change Memorandum	Bespoke Memorandum
Overall Assessment Rating	YES		YES	YES or NO**
Risk & Control Culture Assessment Rating	YES		NO	NO
GIA Project / Programme Status Report Rating	NO		YES (Format to mirror local management reporting)	NO
Formal Audit Actions or Recommendations	Audit Actions Database		Audit Actions Database	Audit Actions Database or Recommendations

\*\*To be defined in the Audit Scoping Memo

Any exceptions to the methodology should be documented in the 'Key Events and Decisions Log'

The scope of GIA encompasses, but is not limited to, the objective examination of evidence for the purpose of providing independent assessments and evaluation of the adequacy and effectiveness of the Group’s governance, risk management, and internal control processes in relation to the organisation’s defined goals and objectives. Within this scope the following areas will be considered:

- Internal governance mechanisms – committees, organisational design, roles, responsibilities and accountabilities, risk management and financial controls and reporting;
- Setting of and adherence to risk appetite;
- The risk and control culture of the organisation;
- The broader culture of the organisation and the conduct of staff in the areas under review;
- Whether risks relating to the achievement of the organisation’s strategic objectives are appropriately identified and managed;
- Risks of poor customer treatment leading to conduct or reputational risks;
- Capital and liquidity management;
- Key corporate events including mergers, acquisitions, divestments and large scale change programmes/product launches;

- Reliability and integrity of strategic and operational management and financial information processes, including the means to identify, measure, classify, and report such information;
- Whether all actions are undertaken in compliance with relevant policies, procedures, and applicable laws, regulations, and governance standards;
- Whether the results of operations or programmes are consistent with established goals and objectives;
- Whether operations or programmes are being carried out effectively and efficiently;
- Whether established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organisation; and
- Whether resources and assets are acquired economically, used efficiently, and protected adequately.

The Group Chief Auditor and Heads of Internal Audit will report periodically to the Boards, via the PFG & VBL Audit Committee, regarding:

- GIA's purpose, authority, and responsibility;
- GIA's plan and performance relative to its plan;
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by the Boards;
- Results of audit engagements or other activities;
- Resource requirements; and
- Any response to risk by management that may be unacceptable to the organisation.

GIA may perform consulting and advisory services related to governance, risk management and control as appropriate for the organisation, but will not assume management responsibility through this activity. GIA may also evaluate specific operations at the request of the Boards or management, or their associated Committees.

Any GIA "consulting services" will be conducted as bespoke reviews. This is where the nature and scope of the services are agreed with the service requestor (most likely Group Exco). These services should fit the nature of Internal Audit and not interfere or conflict with the independence and objectivity of GIA. The consulting services intend to add value and improve PFG's governance, risk management, and control processes without assuming any management responsibility by the internal auditors. Examples include counselling, advice, facilitation, and training. In order to act upon PFG's purpose, the services provided by GIA need to be aligned with PFG's strategy and business objectives.

Based on its activity, GIA is responsible for reporting significant risk exposures and control issues identified to the Boards and their associated Committees, as appropriate, and to Senior Management, including fraud risks, governance issues, and other matters needed or requested.

Where GIA intend to place reliance on other risk management and assurance functions across the Group in executing audit work this can only be done once suitable validation of the results of their work has been performed.

## 6. Responsibility

The Group Chief Auditor and Heads of Internal Audit have responsibility to:

- At least annually, submit internal audit plans for the whole Group and for each of the individual businesses / product areas within the Group (i.e. VBL, MB and CEL or cards, loans and vehicle finance), including risk assessment criteria, to the Boards through the PFG & VBL Audit Committee for review and approval. The plans will include timing as well as resource requirements for the next fiscal/calendar year;
- Communicate the impact of resource limitations and any significant interim changes to the plan to senior management and the PF and VBL Boards through the PFG & VBL Audit Committee; and
- Communicate any significant deviation from the approved plan through the periodic activity reporting process to the Boards through the PFG & VBL Audit Committee.

The Group Chief Auditor and the Heads of Internal Audit have responsibility to:

- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties;
- Follow up on engagement findings and corrective actions, and report any corrective actions not effectively implemented. Any 'Moderate'-rated or above findings will require additional focus to confirm that the action(s) have been effectively implemented;
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld;
- Ensure GIA collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of this charter;
- Ensure trends and emerging issues that could impact the Group are considered and communicated appropriately;
- Ensure emerging trends and successful practices in internal auditing are considered;
- Establish and ensure adherence to the Methodology and Operating Procedure manual designed to guide GIA;
- Ensure adherence to relevant Corporate policies and procedures, unless they conflict with this charter. Any such conflicts will be resolved or otherwise communicated appropriately;
- Ensure conformance with the Standards detailed in Section 2, with the following qualifications:

- If GIA is prohibited by law or regulation from conformance with certain parts of the Standards, the Group Chief Auditor will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards;
- If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Group Chief Auditor will ensure that GIA conforms with the Standards, even if GIA also conforms with the more restrictive requirements of other authoritative bodies.
- At least annually, provide an assessment of the overall effectiveness of the governance, risk and control framework of the organisation.

### **7. Quality Assurance and Improvement Programme**

GIA will maintain a quality assurance and improvement programme that covers all aspects of the department's activity. The programme will include an evaluation of GIA's conformance with the Standards, and an evaluation of whether internal auditors apply the IIA's Code of Ethics. The programme will also assess the efficiency and effectiveness of the department and identify opportunities for improvement.

The Group Chief Auditor will communicate to the Boards via the PFG & VBL Audit Committee on GIA's quality assurance and improvement programme, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organisation.

The Group Chief Auditor is responsible for providing an annual self-assessment on the internal audit activity with regard to consistency with this charter (purpose, authority, responsibility) and performance relative to the plan. This will be supported by regular reporting on the performance of GIA against the departmental key KPIs.