



مصرف الائتمان العراقي
Credit Bank of Iraq

**Credit Bank of Iraq
Audit Committee Charter**

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1. Introduction

The Audit Committee is a committee emanating from the Bank's Board of Directors. It is formed and its powers are determined by the Board of Directors, and the committee is directly subordinate to the Board. Given the need to improve the supervisory role of the Board of Directors over the executive management, the committee aims to improve the Board's effective supervision of important transactions at the bank. The committee undertakes tasks related to all aspects of audit management, reviewing policies related to auditing, assisting the Board in performing its obligations with regard to supervising the quality and integrity of the bank's accounting practices, auditing, internal control, and financial reports, in addition to the bank's relationship with the auditors.

This regulation has been prepared in line with the Central Bank of Iraq Law No. (56) Of 2004, the Banking Law No. (94) Of 2004, the Companies Law No. (21) of 1997, the Supervisory Work/Compliance Activities Guide issued on 1/7/2020, the Guide The control work of the internal audit issued on 11/11/2019; And the instructions issued pursuant to these laws and their amendments, in addition to the governance controls and institutional management of information and communications technology in the banking sector, in addition to other regulatory requirements. In the event of any conflict between the applicable laws and these regulations, the legal texts shall prevail and shall be implemented in accordance with them.

2. Scope of work of the committee

The Board of Directors authorizes the Committee to undertake the following:

- 1- Carrying out the tasks and responsibilities that fall within the scope of this regulation.
- 2- The right to obtain - without restrictions - information about the management, employees, bank operations and all related information. The committee may request any information it deems necessary from any of the bank's employees.
- 3- Appointing independent advisors - according to need - to carry out the tasks assigned to the committee, provided that this appointment is justified.

3. Membership and term

- 1- The Chairman of the Audit Committee must be an independent member of the Board of Directors and may not be a member of any other committee emanating from the Board.
- 2- The committee shall consist of at least three members from among the independent members of the board, consultants or experts in the financial or auditing field with the approval of the Central Bank of Iraq.
- 3- The term of membership shall be the same as the term of membership of the Board of Directors, and shall not exceed 4 years, renewable for a maximum of 4 subsequent years.
- 4- The Chairman of the Board, the General Manager, the Managing Director, the Regional Director of the bank, or any official or bank employee must not be members of the Audit Committee.
- 5- All members of the committee must have academic qualifications and have appropriate practical experience, including:
 - Experience in audit practices and procedures
 - Understanding the means and methods of internal auditing and financial reporting procedures.

- Understanding the accounting principles applied to the bank's financial statements.
- Realizing the tasks and importance of the audit committee.
- The ability to read, understand and evaluate the bank's financial statements, including the balance sheet, income statement, cash flow statement, and list of changes in shareholders' equity.

4. The reporter of the committee

- 1- The committee's reporter is chosen either by the secretary of the council or any executive employee chosen by the committee, except for the director of the department concerned with the work of the concerned committee.
- 2- The committee reporter bears the following responsibilities:
 - Preparing and issuing invitations to meetings.
 - Preparing the contents of the agendas of all committee meetings and presenting them to the committee chairman for approval.
 - Preparing the minutes of each meeting held by the committee and obtaining its approval.
 - The committee reporter records the attendance of committee members at each meeting.
 - The committee reporter is responsible for scheduling all committee meetings, preparing a written agenda, and providing all members with a copy of it, in addition to information about the meeting, within a period of no less than five working days before the scheduled date of the meeting.
- 3- In the absence of the committee reporter, the committee chairman appoints another member to carry out his duties.

5. Quorum

- 1- Only the committee members, the committee reporter and the director of internal control are entitled to attend the committee meetings. However, any of the bank's management members or their representatives or specialists may be invited to attend the meetings, based on the committee's request.
- 2- The quorum of committee meetings shall be completed by the presence of at least two members of the committee, and in the event that the quorum is not reached, a new meeting shall be held.
- 3- The meeting of the committee - in which the quorum is reached - is considered sufficient to exercise all or any powers granted to the committee and to take any decisions based on those powers in accordance with the mandate of the Board of Directors.
- 4- The decisions of the committee shall be taken unanimously, or by a majority of votes, with install the reservations of those who disagree. If the vote is equal, the vote of the Committee Chairman shall be casting.

6. Meetings

- a- Regular meetings

1. The committee holds at least 4 periodic meetings per year in each quarter or as required, noting that the committee chairman is responsible for setting the dates of the meetings in coordination with the committee's reporter.
2. Meeting with the external auditor, the internal auditor, the compliance department official, and the anti-money laundering official at least (4) times a year, without the presence of any member of the executive management.
3. In the event of the absence of the Committee Chairman, the attending members shall choose one from among themselves to chair the meeting.

b- Conflict of interests

- 1- In the event of any conflict of interest, the concerned member shall not participate in the committee's discussions, nor in taking any decision related to the concerned matter.
- 2- The control departments in the bank must ensure that the transactions of related persons have been carried out in accordance with the approved policies and procedures, and the audit committee must review and monitor all transactions of related persons, and inform the Board of these transactions.
- 3- In the event of the absence of the Committee Chairman, the attending members shall choose one from among themselves to chair the meeting.

c- Minutes of meetings

1. The committee reporter records the events and decisions issued in all committee meetings, including recording the names of the attendees.
2. Minutes of meetings shall be signed by the Chairman of the Committee, and shall be made available prior to the next meeting to be approved by the members of the Committee.
3. Minutes of meetings shall be passed to all members of the Committee immediately, and to all members of the Board of Directors after approval.
4. The Committee shall keep written minutes of its meetings, in addition to a schedule of the Committee's decisions, which shall be submitted with the minutes of the meeting to the Board of Directors.

7. Duties of the Committee

In addition to what was stated in Banking Law No. (94) of 2004 and any other legislation regarding the tasks and powers of this committee, the Board determines the tasks and powers of the committee as follows:

First: General tasks

- 1- The scope, results, and adequacy of internal auditing, following up with the external auditor, and discussing his reports.
- 2- Accounting issues that have a fundamental impact on the bank's financial statements.
- 3- Reviewing the structure of the internal control and oversight systems from the Audit Committee and the Bank's Internal Audit Department at least once a year or whenever the need arises.

- 4- Ensure compliance with international standards and anti-money laundering in all activities and operations of the bank. The committee has the right to investigate, research and audit any operations, procedures or regulations that it deems affect the strength and safety of the bank.
- 5- Recommending to the Board of Directors to approve the bank's organizational structure, creating, canceling or merging organizational formations, and specifying and amending the tasks and specialties of these formations.
- 6- Reviewing executive management reports on the status of human resources.
- 7- Review the annual training and development plan and follow up on its implementation.
- 8- Review policies and instructions related to appointment, promotion, resignation, and termination of service for all bank employees, including executive management, taking into account the provisions of applicable laws.
- 9- Auditing and approving accounting procedures, the annual audit plan, and accounting controls.
- 10- Ensure that the bank adheres to the disclosures specified by the International Financial Reporting Standards (IFRS), Central Bank instructions, legislation and other relevant instructions, and ensure that the executive management is aware of the changes that occur in the International Financial Reporting Standards and others. of the relevant standards.
- 11- Include in the bank's annual report a report on the adequacy of internal control and oversight systems with regard to "financial reporting", so that the report includes, as a minimum, the following:
 - A paragraph explaining the responsibility of the internal auditor, in conjunction with the executive departments, to establish internal control and oversight systems regarding financial reporting in the bank and to maintain those systems.
 - A paragraph about the framework that the internal auditor used and evaluated to determine the effectiveness of the internal control and oversight systems.
 - Ensure compliance with international standards in all bank activities and operations.
 - Ensure the existence of an anti-money laundering and terrorist financing office linked to the Board, and responsible for implementing the "Special Operations" (Know Your Customer, KYC) policies and the tasks and duties resulting from that, including the office preparing periodic reports on its activity.
 - Monitoring US Tax Compliance (Foreign Account Tax Compliance Act, FATCA).
 - Disclosing weaknesses in the internal control and oversight systems that lead to the possibility of not being able to prevent or detect an incorrect statement that has a material impact.
 - A report from the external auditor stating his opinion on the effectiveness of the systems and internal control.
- 12- Reviewing the reports submitted by the bank to the Central Bank of Iraq.
- 13- Reviewing and monitoring the procedures that enable the employee to confidentially report any error in the financial reports, or any other matters, and the committee ensures that the necessary arrangements are in place for the independent investigation and employee protection, and ensures that the results of the investigation are followed up and dealt with objectively.
- 14- Reviewing Anti-Money laundering (AML)/ Combating the financing of terrorism(CFT) reports.

- 15- Follow up on the implementation of business continuity programs and recovery from disasters and crises, in coordination with the Information and Communications Technology Committee.
- 16- The possibility of obtaining advice and technical support from external sources, provided that this is done with the knowledge and approval of the Council.

Second: Tasks related to information and communications technology

- A. The Audit Committee must provide the Central Bank of Iraq with an annual report for the internal audit, and another for the external audit, respectively, that includes the executive management's response and the Board's review and recommendations regarding it, in accordance with the relevant information and technology (risks - controls) audit report template prepared by the Central Bank of Iraq, during the first quarter each year.
- B. The audit committee must include the responsibilities, powers, and scope of the Information and Communications Technology (ICT) audit within the audit charter on the one hand, and within procedures agreed upon with the external auditor on the other hand, and in accordance with and covering the controls issued by the Central Bank of Iraq in this regard.
- C. The committee must ensure that the bank's internal auditor and external auditor, when carrying out specialized audits of relevant information and technology, adhere to the following:
 1. Information and communication technology audit standards according to the latest update of the International Standard (ITAF) issued by the Information Systems Audit and Oversight Association (ISACA), including:
 - Carrying out audit missions within an approved plan in this regard that takes into account the relative importance of operations, the level of risks, and the degree of impact on the objectives and interests of the bank.
 - Providing and adhering to plans for training and continuing education by specialized staff in this regard.
 - Adhere to the standards of professional and administrative independence and ensure that there are no current and future conflicts of interest.
 - Commitment to standards of objectivity, exerting professional care and continuous maintenance of the level of competitiveness and professionalism of the knowledge and skills that must be enjoyed, and deep knowledge of the bank's various mechanisms and operations based on information and communication technology and other review and audit reports (financial, operational and legal), and the ability to evaluate the evidence commensurate with the case and situation General in detecting unacceptable practices that violate the provisions of laws, regulations and controls.
 2. Examining, evaluating and reviewing the operations of employing and managing information and communication technology resources, as well as the bank's operations that are based on them, and expressing a general opinion (Reasonable overall audit Assurance) regarding the overall risk level of information and related technology within an audit program that includes at least the axes mentioned in corporate governance and management controls information and communication technology issued by the Central Bank of Iraq, provided that the audit frequency for all or part of the axes is a minimum of

once a year at least in the event that the risks are assessed at a degree (5 or 4) according to the risk assessment scale specified in the controls issued by the aforementioned Central Bank of Iraq and at least once every two years if the risks are evaluated at a degree of (3), and at least once every three years if the risks are evaluated at a degree of (2 or 1), taking into account the continuous change in the level of risks and taking into account the fundamental changes that occur to the relevant information and technology environment during the aforementioned audit periods. That the Central Bank of Iraq be provided with audit reports for the first time, regardless of the degree of risk assessment, The evaluation processes for the aforementioned axes should include the bank's followed mechanisms, in terms of strategic planning and policy-making, written and approved principles and work procedures, mechanisms for employing various resources, including information and communications technology resources and the human element, mechanisms and tools for monitoring, improvement and development, and working to document and evaluate the results of the audit. Based on the importance of the differences and weak points (notes), as well as the activated controls and assessing the level of remaining risks related to each of them using a systematic standard for analyzing and measuring risks, including the agreed-upon corrective measures that are intended to be followed by the bank's management with specific dates for correction, with reference in a special table to The rank of the responsible person in the bank whose notes are responsible.

3. Regular procedures to follow up the audit results to ensure that the observations and discrepancies contained in the auditor's reports are addressed in a timely manner, and work to gradually raise the level of importance and risks in case of non-response, and inform the Board of this whenever necessary.
 4. Including performance evaluation mechanisms for ICT audit cadres with objective measurement criteria, provided that the evaluation processes are carried out by the Board represented by its Audit Committee, and according to the organizational administrative hierarchy of the audit departments.
- D. It is possible to assign the task of the internal auditor of information and related technology (internal IT audit) to a competent third party that is completely independent from the external auditor accredited in this regard (Outsourcing).
1. Appointing the internal auditor or recommending his removal, promotion or transfer after obtaining the approval of the Central Bank of Iraq.
 2. Establishing an internal audit charter that clarifies the purpose, status and validity of the internal audit activity within the bank.
 3. The internal audit ensures the availability of the necessary periodic assessment of the quality of the bank's accounts, its performance and the progress of operations, in compliance with international standards
 4. Studying and approving the internal audit plan.
 5. The internal audit manager and his assistant must have at least a bachelor's degree in accounting, bank management, financial and banking sciences, or one of the specializations related to banking work, and he must have experience and practice in control in accordance with the regulations and instructions issued by the Central Bank of Iraq..
 6. Request reports from the manager of Internal Audit.

7. When selecting internal audit employees, it is taken into account that they are specialists in accounting and auditing and have sufficient experience.
8. The Audit Committee must verify the availability of sufficient financial resources, and a sufficient number of qualified human resources, to manage internal audit and train them.
9. The Audit Committee must ensure that internal audit employees are not assigned any executive tasks and ensure their independence free from bias and conflicts of interest, while following the policy of roles among members of this department.
10. In the event that some internal audit activities are outsourced, the Board of Directors or the Audit Committee shall be ultimately responsible for quality control of any internal audit activities carried out by the third parties. The manager of the bank's internal audit department should assist the audit committee in evaluating the quality of any outsourced audit activities.
11. The Audit Committee follows up the Internal Audit Department in carrying out its duties as follows:
 - The Internal Audit Department is subject to the direct supervision of the Audit Committee, and reports directly to the Chairman of the Audit Committee.
 - It has the authority to communicate directly with the Board of Directors or the Chairman of the Board of Directors, the Audit Committee, the external auditor and the compliance controller in the bank.
 - Preparing a working guide for the policies and procedures of the Internal Audit Department, provided that the guide is approved by the Audit Committee and the Board of Directors, and is subject to review and updating by the Audit Committee every year or two at least.
 - Ensure that the internal auditor, in coordination with the external auditor, reviews the internal control and oversight systems of the bank's activities, review them annually and present them to the Board for approval.
 - Develop a risk-focused action plan and procedures that are updated annually and approved by the Board of Directors or its Audit Committee at the beginning of the year. The updated plan includes a basic requirement that the internal audit department visit the bank's branches at a minimum quarterly. The updated work plan and procedures must be implemented during the year and are followed up by the Audit Committee of the Board of Directors.
12. Establishing policy frameworks for internal audit and supervising the preparation of financial reports.
13. Supervising the bank's internal and external auditors and the bank's compliance activity and interacting with them, ensuring that all external audit work is carried out in a professional manner consistent with international accounting and international auditing standards.
14. Consider laws and regulations, other issues identified by auditors, compliance activity, and other oversight activities.
15. Supervising the development of accounting policies and practices by the bank.
16. Review third party opinions on the design and effectiveness of the overall risk governance framework and internal control system.

8. External audit

1. Proposing qualified persons to serve as external auditors or recommending their dismissal.
2. Providing means of direct communication between the external auditor and the committee.
3. Agreeing on the scope of the audit with the external auditor.
4. Receiving audit reports and ensuring that the bank's management takes the necessary corrective measures in a timely manner regarding problems identified by the external auditor.
5. Ensuring regular rotation of the external auditor between audit offices and their subsidiaries, affiliates, or affiliated companies in any way, every five years as a maximum, from the date of election.

9. Compliance management

1. The audit committee emanating from the Board of Directors must conduct an assessment of compliance management in an effective manner and present it to the Board of Directors at least once a year.
2. The Compliance Monitor must immediately inform the Board of Directors or the Audit Committee of any compliance failures that entail a significant risk of imposing legal or regulatory sanctions on the bank, or incurring financial losses and affecting its reputation. The reports prepared by the Director of the Compliance Department (Compliance Monitor) must be accurate, submitted in a timely manner, and be comprehensive in addressing the strengths and weaknesses of the bank's compliance practices. They must also accurately identify any significant risks, any financial violations, and other violations that expose the bank to significant risks.

10. Managing the Money Laundering and Terrorist Financing Reporting Section

- 1- Conducting an assessment of the money laundering and terrorist financing risks to which it is exposed.
- 2- Ensuring the existence of internal policies, procedures and controls in the field of combating money laundering and terrorist financing.
- 3- Monitoring compliance and combating money laundering and terrorist financing with the laws and regulations applicable to the bank and submitting a report thereon to the Board, and ensuring that the bank takes due diligence measures towards customers in accordance with the Anti-Money Laundering and Terrorism Financing Law No. (39) Of 2015 and the instructions issued thereunder.

11. Banking awareness and public protection:

The Department of Banking Awareness and Public Protection submits its reports to the Audit Committee on a quarterly basis, and to the Central Bank of Iraq, with a copy to be sent to the authorized director.

12. Review and Amendment of the Regulations:

The committee must have an internal work regulation that shows its tasks, scope of work, and procedures, including how reports are prepared to the Board of Directors and what is

expected of the members of the Board of Directors from their membership in that committee. This regulation is subject to annual review by the committee, in order to ensure the following:

- Covering all bank procedures.
- Ensuring compliance with the requirements of regulatory authorities.
- Staying informed of the latest developments regarding auditing, internal control and auditors, both at the local and international levels.
- Any other necessary amendments.

If there are any proposed amendments to the regulations, they will be presented to the Board of Directors for approval.