



البنك السعودي للاستثمار  
The Saudi Investment Bank

## Board Audit Committee Charter


Description, roles, responsibilities and reporting lines for the Audit Committee of the Board at the Saudi Investment Bank

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Document Control




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## 1. Introduction

### 1.1 Charter Purpose

The purpose of this charter is to provide guidance to effectively operate and manage the Board Audit Committee of The Saudi Investment Bank

### 1.2 SAIB documents for use in tandem


- SAIB Governance Manual
- SAIB Internal Audit Charter
- Board Corporate Governance Sub-Committee Charter
- Management Compliance Committee Charter
- Risk Management Policy
- Interim and Annual financial reports
- Internal Audit reports
- Quarterly Report regarding deficiencies identified by the Business and Support Units including:
  - a. Open, on-target and remediated deficiencies
  - b. Whether deficiencies relate to the design or operating effectiveness of controls
  - c. Summary of completed and in process engagements

### 1.3 Regulatory Documents for Reference

- SAMA Fit and Proper form
- SAMA Corporate Governance Guidelines
- CMA Corporate Governance Regulations
- Basel Corporate Governance Guidelines
- IIA Professional Practice of Internal Auditing
- SAMA Compliance Manual
- SAMA Internal Controls Guidelines -2013

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## 1.4 Ownership and Amendments

This charter is owned by the Governance function which shall be responsible for updating it in co-ordination with Chief Internal Auditor, as well as with the Audit Committee.

## 2. Charter Body

### 2.1 Committee Introduction


- 2.1.1 The primary purpose of the Board Audit Committee is to assist the Board of Directors in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control including IT system control, the internal and external audit process & ethical and environmental issues
- 2.1.2 The Committee shall also assist the Board of Directors through input from the Management Compliance Committee to monitor compliance with laws, regulations and the code of conduct
- 2.1.3 As a committee reporting to the board of directors, the audit committee shall have full access to all employees, committees, records, systems, legal consultants, internal and external auditors,

### 2.2 Composition


#### 2.2.1 Requirements

- 2.2.1.1 Based on a recommendation by the Board of Directors the General Assembly shall approve the formation of the Board Audit Committee, as per prevailing rules and regulations
- 2.2.1.2 The committee shall comprise of a minimum of 3 and maximum of 5 non-executive members from inside and outside the Board; their appointments and remuneration must be approved by the General Assembly
- 2.2.1.3 The members shall not be from the bank's staff, customers, agents, or advisors

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- 2.2.1.4 Members of the Board Audit Committee should not have availed any financing facilities (credit card, credit facility, guarantees...etc) from the bank in his own name or in concert with his family members (first-degree) of more than 300,000 SAR
- 2.2.1.5 The members of the committee should have academic qualifications and professional experience in; auditing and risk management, relevant knowledge of accounting standards, and the capacity to read financial reports and understand related rules and regulations issued by the relevant entities
- 2.2.1.6 One member at least should be an expert in audit, financial and reporting affairs
- 2.2.1.7 The Chairman and Members of the Board Audit Committee shall be appointed by the General Assembly for a period of three years, renewable for a maximum of two additional terms
- 2.2.1.8 The Chairman of the Board must not be Chairman of the Board Audit Committee
- 2.2.1.9 The Chairman of the Board Audit Committee must not be related to other members of the Board or have any financial or business relationship with any members of the Board and Senior management

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## 2.2.2 Members

2.2.2.1 The Board Audit Committee comprises of the following members

1. Independent Board Member
2. Independent Board Member
3. Independent External Member
4. Independent External Member
5. Independent External Member
6. Chief Internal Auditor (*secretary*)

2.2.2.2 The Committee shall have the right to invite any staff within the organization to attend the Committee meeting(s), as deemed necessary, subject to the approval of its Chairman

2.2.2.3 Notwithstanding section 2.2.1 above, the Board Nomination and Remuneration Committee shall recommend to the Board of Directors a list of nominees for the appointment of the Audit Committee members, accompanied with their remuneration package, in line with the prevailing market compensations, to ensure the bank attracts the desired expertise.

2.2.2.4 In case of dismissal or resignation of any of its members, a replacement shall be appointed from the list provided by the Nomination and Remuneration Committee and in line with sections 2.2.1 and 2.5 of this charter. The appointment shall be subject to SAMA's no objection, and his final appointment shall be ratified in the first General Assembly meeting.

2.2.2.5 All committee members are expected to maintain confidentiality on all issues, in compliance with Article 19 of the Banking Control Law.

2.2.2.6 Every audit committee member should confirm his/her independency in writing on annual basis.


## 2.2.3 Chairman, Vice Chairman and Secretary

2.2.3.1 The Chairman of the Committee:

- Must be Independent Board Member to be nominated by the Board
- Must not be the Chairman of the Board
- Must be Approved by SAMA
- should not have a relationship with executive directors or key executives of the bank that could affect his independence.

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- 2.2.3.2 The Vice Chairman of the Committee will be:
- In the absence of the Chairman, his designee becomes the Chairman of the session
- 2.2.3.3 The Secretary of the Committee will be:
- Recommended by the CEO
  - Approved by the Audit Committee.

## 2.3 Roles and Responsibilities

### 2.3.1 General Responsibilities

- 2.3.1.1 Ensure quality and accuracy of financial accounting and financial statements
- 2.3.1.2 Recommend to the General Assembly the appointment of the External Auditors
- 2.3.1.3 Resolve any disagreements between management and the external auditor regarding financial reporting
- 2.3.1.4 Pre-approve all auditing and non-audit services with the external auditors
- 2.3.1.5 Retain independent counsel, accountants, or others to advise the committee or assist in the conduct of an investigation
- 2.3.1.6 Review the accounting policies in force and advise the Board of Directors of any recommendations regarding them
- 2.3.1.7 Ensure effective communication and coordination with the Board Risk Committee to facilitate the exchange of information and effective coverage of all risks, including emerging risks, and any needed adjustments to the risk governance framework of the bank
- 2.3.1.8 Provide a platform for open communication between Internal Audit, the External Auditors, and the Board of Directors
- 2.3.1.9 Recommend the appointment of the Chief Internal Auditor and recommend to the Board Nomination and Remuneration Committee the Chief Internal Auditor's remuneration
- 2.3.1.10 Exercise oversight over special inquiries and investigations as and when necessary

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- 2.3.1.11 Evaluation of regulatory examiners reports, any international developments such as recommendation from the Basle committee, International Organization of Securities and Exchange Commissions, etc. which may impinge on financial reporting or any other relevant banking aspects.
- 2.3.1.12 Since the Committee is authorized by the Board to obtain outside legal or other independent professional advice, the Committee can secure the attendance of outsiders with relevant experience. Private meetings with any of the above parties or other employees and officers can also be held. However, when the Committee invites Bank officers or employees, they should be invited through the Chief Executive Officer who can also attend the meeting. The Board Audit Committee, however, has the right to decide to conduct such meetings without the presence of the Chief Executive Officer.
- 2.3.1.13 Maintain an ongoing assessment of the quality and performance of the audit committee.
- 2.3.1.14 Review the assessment of possible materiality of a loss in the event of a breakdown of a system and relate it to the cost of maintaining the system of controls in coordination with the Business Continuity Management.

## 2.3.2 Financial Statement Responsibilities

- 2.3.2.1 Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understand their impact on the financial statements.
- 2.3.2.2 Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- 2.3.2.3 Review annual and quarterly financial statements and external audit findings with the management and external auditors before submission to the Board of Directors and provide its recommendations thereof.
- 2.3.2.4 Review with management and the external auditors, any difficulties encountered during the audit process.
- 2.3.2.5 Review the following:
- Contracts and other agreements, including proposed or planned mergers, and acquisition or selling of assets, ensuring these are shown in the financial statements.
  - Review all transactions with related parties that are required to be disclosed, ensuring that there is an established framework for these.

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approvals, appropriate reasons for these transactions, and reflecting these approvals in the financial statements

- Review with the management and internal and external auditors any changes in the internal control of the financial reports, that significantly impacted, or may impact the bank
- The list of all current lawsuits provided by the bank's Legal Department
- The committee may ask external legal advisors to provide legal advice regarding financial matters that may affect the financial status of the bank


### 2.3.3 Internal Control Responsibilities

- 2.3.3.1 Understand the scope of internal and external auditors' review of internal control over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses
- 2.3.3.2 Review the effectiveness of the Bank's internal control system, including information technology security and control
- 2.3.3.3 Annual evaluation of Internal Controls under SAMA's Guidelines dated February 2013

### 2.3.4 Internal Audit Responsibilities

- 2.3.4.1 Review with management and the Chief Internal Auditor (CIA) the policy, activities, staffing, and organizational structure of the internal audit department
- 2.3.4.2 Review the effectiveness and independence of the internal audit department, including compliance with International Professional Practices Framework for Internal Auditing by IIA Inc. (USA) and Saudi Arabian Monetary Agency (SAMA) guidelines
- 2.3.4.3 Review and concur with the Board, the appointment, replacement, or dismissal of the CIA
- 2.3.4.4 Review, at least once per year, the performance of the CIA and recommend to the Board of Directors the annual compensation and salary adjustment
- 2.3.4.5 Meet, on a regular basis and separately, with the CIA, to discuss any matters that the Committee or Internal Audit believes should be discussed privately
- 2.3.4.6 Review and approve the annual audit plan and all major changes to the plan throughout the year.
- 2.3.4.7 Review achievement of the internal audit plan through the year through quarterly progress reports and evaluate the sufficiency of resources to

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ensure successful completion of the plan.


- 2.3.4.8 Obtain the necessary clarification from management on the size and value of losses resulting from a failure in the internal audit system
- 2.3.4.9 Review the Bank's policies regarding transactions with stakeholders, obtain a list of such transactions, review whether these have been approved by the General Assembly, and ensure their proper disclosure in the financial statements
- 2.3.4.10 Obtain declaration of independence from Chief Internal Auditor at least once a year
- 2.3.4.11 Review the Internal Audit policy once every two years and charter every year for their onward submission and approval from the Board.

### **2.3.5 External Audit Responsibilities**

- 2.3.5.1 Review the external auditors' proposed audit scope and approach, including coordination of audit effort with internal audit
- 2.3.5.2 Report the committee's recommendations on external audit services to the Board of Directors and to the General Assembly for approval
- 2.3.5.3 In the case of a dismissal of or resignation by one of the external auditors, the review the reasons that triggered this action, and adopt the suitable solutions while maintaining confidentiality. The committee's decision to maintain the external auditor or not requires approval from the Board of Directors and SAMA must be notified
- 2.3.5.4 Review the annual audit plan before starting the audit process
- 2.3.5.5 Monitor the relationship between external auditors and management, in addition to supervising the cooperation and coordination between them
- 2.3.5.6 Ensure external auditors are working in a positive environment, and separately from the management, to express their feedback and ideas in a clear, transparent and professional way
- 2.3.5.7 Obtain confirmation from external auditors on an annual basis that they are working independently as per regulations and professional standards
- 2.3.5.8 Recommend substituting or rotating external auditors regularly as per SAMA's guidelines.
- 2.3.5.9 Ensure the key signing partner of external auditors is substituted at least

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every three years to achieve proper independence.

- 2.3.5.10 Approve the external auditors' report.
- 2.3.5.11 Review and discuss the management letter and review the closure of identified weaknesses.
- 2.3.5.12 Review the performance of the external auditors, and recommend the appointment or discharge of the external auditors
- 2.3.5.13 Meet regularly, and separately, with the external auditors to discuss any matters that auditors believe should be discussed privately

## **2.3.6 Compliance Responsibilities**

- 2.3.6.1 Review the bank's compliance annual program
- 2.3.6.2 Approve the bank's compliance annual report to SAMA
- 2.3.6.3 Review, through the Management Compliance Committee, the effectiveness of system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up (including disciplinary action) of any instances of noncompliance
- 2.3.6.4 Review the findings of the Compliance Assessment Report as submitted by the Management Compliance Committee and provide input as needed
- 2.3.6.5 Review the findings of any examinations by SAMA, and any auditor's observations
- 2.3.6.6 Review the process for communicating the code of conduct to the Bank personnel, and for monitoring compliance therewith
- 2.3.6.7 Obtain regular updates from management and bank legal counsel regarding compliance matters
- 2.3.6.8 Evaluate the bank's compliance programs and their adherence to legal requirements and effectiveness in a regular manner, and inform the Board of Directors of any deficiencies, and corrective actions
- 2.3.6.9 The audit committee should review Anti-money laundering processes as an important compliance risk area that they would follow up to ensure that there is compliance to the laws and policies
- 2.3.6.10 Confirm, in co-ordination with the Management Compliance Committee, the presence of an ongoing Compliance training plan for all members of the Board, and the bank

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- 2.3.6.11 Review subsidiary's compliance quarterly report and raise necessary recommendations to the Board as needed
- 2.3.6.12 Ensuring compliance with provisions of the Banking Control and other laws and SAMA's rules and regulations.
- 2.3.6.13 Approve and review the process for communicating the whistle blowing policy and monitor received cases on quarterly basis.

## 2.3.7 IT Systems Control Responsibilities


- 2.3.7.1 Identify the proper controls to obtain trusted financial data from the banking system, while taking into consideration the following points which will be reviewed with the management, and external and internal auditors:
  - I. The nature and effectiveness of the Bank's IT systems controls and security, and their vulnerabilities
  - II. Results or key recommendations from external and internal auditors with regards to IT systems and controls, and the senior management response mechanism, including timeframe to act upon these recommendations to fix vulnerabilities and high risks in control systems, and supervise the main activities
  - III. Request from management to keep the committee updated on advanced technologies in financial statement processing, ensuring the necessary controls are in place to guarantee sound and trusted financial statements, and coordinate with internal and external auditors to ensure full coverage of risks affecting IT systems controls
- 2.3.7.2 Confirm the effectiveness of the bank's IT systems control, security, and vulnerabilities
- 2.3.7.3 Review results or key recommendations from external and internal auditors with regards to IT systems and controls

## 2.4 Meetings

- 2.4.1 The Board Audit Committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require
- 2.4.2 At least 50% of the committee members must be present to have a quorum for a meeting to be held
- 2.4.3 No Board Audit committee member may be deputized by another person to act on

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his/her behalf on the committee (no voting by proxy shall be permitted)

- 2.4.4 A member may connect to the meeting via videoconference or any other similar means provided that all other members can hear and speak to him clearly. A member attendance shall be considered as if he personally attended for the purpose of meeting the quorum and casting his vote as long as other members physically attending the meeting sign the minutes
- 2.4.5 The Committee shall make decisions by a majority vote of members participating in the meeting
- 2.4.6 In case of a tie, the Chairman of the committee will have a casting vote
- 2.4.7 The dissenting members can register their disagreement mentioning the reasons for their dissent
- 2.4.8 The minutes of the proceedings of the Audit Committee will be circulated to all members of the Board who have the right to request a clarification for any issue from the committee.

## 2.5 Term

- 2.5.1 The Committee's term is 3 years, or until the end of the term of the present Board, whichever comes first
- 2.5.2 The term of the Board member elected should also be linked to his membership term in the Board of Directors
- 2.5.3 An existing member may be reappointed following the election of a new Board subject to a maximum of two additional terms

## 2.6 Reporting Provisions

- 2.6.1 The Board Audit Committee shall report to the Board of Directors and make available its minutes of meetings to the Board of Directors. The Chairman of the committee shall brief the Board on any significant matters arising.
- 2.6.2 The Management Compliance Committee shall make the minutes of its meetings available to the Board Audit Committee

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