



**BANCO DE PORTUGAL**  
EUROSYSTEM

## **BANCO DE PORTUGAL INTERNAL AUDIT CHARTER**

### **1. Purpose**

Through the Internal Audit Charter, the Board of Directors of the Banco de Portugal sets the mission, authority and responsibilities of the Audit Department (*Departamento de Auditoria* – DAU) and its contribution to the Bank's governance in undertaking its mission.

### **2. Mission**

The Audit Department provides independent, objective assurance and consulting services, which aims to add value to improve the operations of the Banco de Portugal. The Audit Department helps the Bank accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness and efficiency of the Bank's governance, risk management, and controls processes, and promoting the implementation of adequate controls considering the reasonability of the associated costs.

The Audit Department is also responsible for participating in the tasks and joint internal audit missions performed by the ESCB/Eurosystem/SSM, in accordance with the internal audit policy and procedures approved by the ECB Governing Council.

### **3. Independence and Objectivity**

The internal audit activity will remain free from interference by any element in the Bank, performing its mission independently, including matters of audit selection, scope, approach, frequency, timing or report content of the results.

The Audit Department reports hierarchically to the Governor and has unrestricted access to, and communicates and interacts directly with, the Board of Directors and the Audit Committee.

There can be no hierarchical relationship between internal auditors and any other staff contacted during the audits, including the department and business heads, each of whom must report solely to the governing bodies and organisational units which they belong to.

Auditors shall not have direct authority or operational responsibility for any of the activities audited. They shall generally avoid and disclose any conflicts of interest when performing their tasks which can impair its independence or objectivity.

Auditors shall not participate in audit engagements involving areas or processes in which they may have worked within the preceding year, or in any assurance activities in which their objectivity may be impaired due to other specific circumstances.

The Audit Department shall confirm its organisational independence to the Banco de Portugal's governing bodies on an annual basis. Any facts or circumstances which may impair the independence or objectivity of the Audit Department or any auditor in particular, in fact or appearance, must be disclosed to the head of the Audit Department, who must inform, whenever necessary, the Governor and the Chair of the Audit Committee.

### **4. Conformity with the IIA Standards and Code of Ethics**

The Audit Department will govern itself by adherence to the [International Standards for the Professional Practice of Internal Auditing of The Institute of Internal Auditors](#) (IIA), as well as its [Code of Ethics](#).

## 5. Proficiency and Due Professional Care

The Audit Department shall perform its duties according to high standards of proficiency and professional care.

Therefore, the knowledge and skills necessary for achieving its objectives and effectively accomplishing its responsibilities must be acquired and maintained.

## 6. Responsibilities

The Audit Department performs its audits according to an annual plan, approved on a three-year basis, by the Board of Directors. Any relevant changes to the audit plan must be approved by the Governor and communicated to the Audit Committee. The Governor or the Audit Committee may decide on the performance of audits not included in the annual audit plan, or any special investigations or inquiries.

The Audit Department shall:

- (a)* prepare, preferably involving the members of the governing bodies and department heads of the Banco de Portugal, the annual audit plan based on an adequate risk assessment methodology;
- (b)* submit the annual audit plan, including other activities, to the Audit Committee and the Board of Directors for a preliminary and final approval, respectively;
- (c)* ensure the execution of its audit plan, communicating any relevant changes to appropriate parties;
- (d)* report the results of the audits to the Board of Directors, heads of department and managers of other organisational units involved, and the Audit Committee;
- (e)* regularly report to the Board of Directors, through the Governor, the level of execution of the annual audit plan and other activities and relevant matters.
- (f)* regularly monitor and assess the implementation status of the recommendations issued by the Audit Department, reporting the results to the Board of Directors and Audit Committee;
- (g)* promote communication and interaction with the internal control, risk management and compliance functions, to ensure the flowing of information flows and the articulation between the governance areas;
- (h)* coordinate work performed and exchange information with the Bank's external auditor, to ensure accomplishment of the mutual responsibilities, the adequate coverage of the Bank's activities, and eliminate the duplication of work;
- (i)* acts as a liaison with the ECB's external auditor.

The head of the Audit Department, as the person responsible for the internal audit function, sets in an Audit Manual the principles and procedures designed to guide the Audit Department and the execution of internal audits, within the framework provided by the Internal Audit Charter.

## **7. Access to Information**

In undertaking their independent assurance responsibilities, the Audit Department and its auditors have full, free and unrestricted access to all functions, personnel, documents, records, information, systems, premises (including those with restricted access), equipment and any other Bank resources.

All the requested information shall be truthful and integer, provided within the required time, thus ensuring the reliability and accuracy of the available information.

The Audit Department maintains permanent access to inquire registers and databases of the Bank's operational incidents and complaints.

Without prejudice to the mentioned above, the Audit Department may require permanent access to inquire any of the IT system or databases to ensure carrying out its function effectively.

The Audit Department shall disclose to the Governor and the Audit Committee any attempt to impede or interfere in the effective execution of its duties.

## **8. Quality Assessment**

The Audit Department shall maintain a quality assurance and improvement program aiming to ensure and enhance the quality of all aspects of the internal audit function. This program involves (i) the development and standardisation of internal audit methodologies and processes, to reinforce audit mechanisms based on risk, effectiveness and efficiency; as well as (ii) continuous and periodic reviews, including internal and external quality reviews, in compliance with international standards.

## **9. Relationship with the Audit Committee**

See "Audit Committee Charter".

## **10. Review**

This Charter is reviewed, at least, every three years.