

1. Purpose

The purpose of Internal Audit is to add value and improve esure's operations through independent, objective assurance and consulting activities. Internal Audit assists management to achieve objectives by systematically evaluating the effectiveness of risk management, control and governance processes and identifying areas for improvement.

2. Role and Scope

The role of Internal Audit is to develop risk-based audit plans that provide an assessment of the design and effectiveness of governance arrangements, risk management systems and internal control frameworks across the esure Group.

To fulfil this role, Internal Audit shall:

- Validate the key risks to esure's operations, using information from key stakeholders including Risk Management and Compliance functions;
- Identify and evaluate controls established to manage key risks;
- Review established policies, procedures and processes to provide assurance that they are designed appropriately and are operating effectively to achieve objectives;
- Undertake audit engagements as agreed by the Audit Committee; and
- Report to the Audit Committee and Management on findings of audit engagements and make recommendations for improvement.

3. Authority

The Chief Audit Officer (CAO) reports directly to Chair of the Audit Committee, with a reporting line to the Chief Executive Officer in respect of day to day operations. To ensure that Internal Audit has sufficient authority to fulfil its duties, the Audit Committee will:

- Approve the Internal Audit Charter and review it on an annual basis;
- Approve the risk based Internal Audit plan and any significant changes to the plan;
- Approve decisions in respect of the appointment of a Chief Audit Officer as well as Internal Audit's budget and resource plan;
- Review reports in respect of progress against agreed audit plans; and
- Ensure that the scope and resource of the Internal Audit remains appropriate to support esure in its management of risk and achievement of objectives.

The Audit Committee authorises the Internal Audit function to:

- Have full, free and unrestricted access to all functions, records, property and personnel pertinent to the scope of audit engagement (subject to handling information confidentially in line with established security principles);
- Allocate assurance resource, determine scope of audit engagements and audit methodology to deliver audit objectives; and
- Obtain internal or external support to ensure appropriate resource is available to deliver audit engagements including specialist and technical resource as required.

4. Independence and Objectivity

The independence of the Internal Audit function is established through its direct reporting line to the Audit Committee. To maintain its independence, Internal Audit shall have free and unrestricted access to the Chair of the Audit Committee, as well as the Chair of the Board, should this be required.

Internal Audit should not have any operational responsibility for any activities across esure's operations and is not authorised to perform any tasks that contribute to day to day control procedures.

The independence of Internal Audit should be confirmed to the Board at least annually. Any conflicts that arise that could impact the independence or objectivity of Internal Audit should be reported to the Audit Committee as soon as they arise.

5. Responsibility

5.1 Audit Planning

The Chief Audit Officer will submit, at least annually, to the Audit Committee, a risk based Internal Audit Plan for review and approval.

Audit plans will be based on risk assessments, identification of business objectives and key risks, and will be developed in liaison with Risk and Compliance functions.

The agreed plan will be communicated to the Board and Senior Management once approved. Any proposed changes to the plan (e.g. as a result of emerging risks or issues) will be referred to the Audit Committee for review and approval.

5.2 Audit Delivery

Internal Audit will be responsible for agreeing Internal Audit Terms of Reference with managers appointed as responsible by accountable executive owners.

Audit scopes will be produced confirming the detail and timing of audits as well as access to personnel and information required to deliver the work.

Audit fieldwork shall be conducted in a professional and timely manner with findings discussed and validated with management as the audit progresses.

5.3 Audit Reporting

Internal Audit shall report the findings of Internal Audit engagements to management through Internal Audit Reports using the gradings provided at Appendix I in respect of findings significance and overall assurance over design and effectiveness.

Internal Audit reports will be issued to the Audit Committee once finalised and included in periodic reporting to the Committee.

5.4 Audit Follow Up

Internal Audit shall develop and maintain a follow up programme to monitor action taken by management in response to audit findings and recommendations. A log of follow up activity will be maintained, and Internal Audit will be responsible for the formal acceptance of closure of agreed actions within agreed target dates. The CAO has the authority to amend target dates where requested by management, with the exception of high or critical priority actions which must be referred to the Audit Committee to confirm the acceptance of the change.

If an agreement cannot be reached in respect of the closure of agreed actions, this will be referred to the Audit Committee to assess the associated risks and confirm or challenge acceptance.

5.5 Audit Procedures

Responsibilities will be carried out in line with the following:

- Internal Audit Methodology;
- Internal Audit Follow Up Programme; and
- Quality Assurance and Continuous Improvement Programme

5.6 Internal Audit Standards

Internal Audit is responsible for carrying out Internal Audit activities in accordance with the International Standards for the Professional Practice of Internal Auditing and shall confirm this to the Audit Committee at least annually.

Guidance issued by the Chartered Institute of Internal Auditors in respect of “Effective Internal Audit in the Financial Services Sector” will also be followed as appropriate.

6. Quality Assurance and Improvement

The CAO will establish and maintain a Quality Assurance and Improvement Programme (QAIP) that covers all aspects of Internal Audit Activity. This will include an evaluation of Internal Audit’s conformance with International Standards and the IIA Code of Ethics.

7. Review and Approvals

Chief Audit Officer	Date 9 November 2021
Audit Committee Chair	Date 16 November 2021
Chief Executive Officer	Date 16 November 2021

Appendix I: Internal Audit gradings

Overall Assurance Grading

Level of Assurance	Adequacy of Design	Operational Effectiveness
Substantial	In all material aspects, the key controls mitigate the risks.	To a material extent, all key controls are operating effectively.
Adequate	Overall, key controls mitigate the risks, although some medium / low level risks are not fully mitigated.	The majority of key controls are operating effectively.
Partial	The controls in place mitigate a proportion of the risk.	Some key controls are not operating effectively, although mitigating actions are in place.
Limited	A material number of key controls are either not in place or do not materially mitigate the risks.	The operational effectiveness of controls is inadequate
No	Minimal or no controls in place	Controls are missing, ineffective or not being performed

Findings and Recommendation Significance

Priority	Impact to objectives / risk management	Remedial Action
Critical	Issues that have a fundamental impact on the business from a financial, reputational or regulatory perspective or major impact on business operations.	Remedial action must be taken urgently
High	Risk or Issues where there is an increased risk of loss, fraud, impropriety, poor value for money, or failure to achieve organisational objectives. Such risk could have an adverse impact on the business.	Remedial action must be taken promptly
Medium	Risk or issues that although not fundamental, expose business systems or processes to a less immediate level of threatening risk or poor value for money. Such a risk could impact operational objectives.	Remedial action should be taken on a timely basis
Low	Areas that individually have no significant impact, but where management would benefit from improved controls and/or have the opportunity to achieve greater effectiveness and/or efficiency.	Remedial action should be incorporated into management plans
Improvement Opportunity	Areas that do not necessarily represent risks or issues but provide management with areas that could benefit from increased efficiency or effectiveness.	Action can be taken at management discretion