

# Saga plc Internal Audit Charter

July 2020

## Mission and Purpose

This Charter defines the purpose, authority and responsibility of the internal audit activity and establishes the internal audit functions position within the organisation at Saga plc, it authorises unrestricted access to records, personnel and physical properties relevant to the performance of engagements and defines the scope of internal audit activities. The charter is owned by the Internal Audit Director (IAD) and approved by the Audit Committee of Saga plc and business unit Audit Committees.

The objective of IA is to help protect the assets, reputation, and sustainability of the organisation by providing independent, reliable, valued, and timely assurance to the Board and Executive Management. This is done by acting as a reliable third-line of defence in assessing and reporting on the effectiveness of the governance, risk management and control frameworks within the Group companies, and assisting management to identify significant risks and remedial actions necessary to improve the internal risk and control environment.

## Scope and Activities

IA acts as the third line of defence within Saga's three-line of defence risk management framework. All activities of the Group fall within the scope of IA's remit and there are no restrictions on the scope of IA's work.

IA undertakes the following high-level activities, objectively and independently from management:

- Assessing and reporting (to the plc Audit Committee and business unit Audit and Risk Committees, and to management as appropriate) on the effectiveness of the design and operation of the framework of controls which enable risk to be assessed and managed.
- Assessing organisational culture through audit assignments and thematic reviews and report the output (to the plc Audit Committee and business unit Audit and Risk Committees, and to management as appropriate).
- Assessing the adequacy and effectiveness of other internal control functions such as Risk Management, Compliance and Finance.
- Investigating and reporting on cases of suspected financial crime and employee fraud and malpractice, at the request of management.
- Undertaking designated advisory projects for management, provided they do not threaten IA's actual or perceived independence from management.

IA is responsible for performing these activities effectively and efficiently, but it is not responsible for setting Saga's risk appetite or for the effectiveness of the framework of controls.

## Responsibilities

The IAD is responsible for:

- Developing and delivering an agile annual Audit Plan using an appropriate risk-based methodology. The plan will be discussed with Executive Management before being submitted to the Audit Committees for review and approval.
- Adjusting the Audit Plan to ensure adequate coverage of new and emerging risks, arising from changes in market conditions, regulation, business strategy and known significant incidents. Approval for changes will be sought from the Saga plc and business unit Audit Committees.
- Providing periodic reports from the results of the annual audit plan engagements to the Saga plc and business unit Audit Committees summarising the status of the Audit Plan, the results of audit activities, details of significant issues identified and the sufficiency of department resources to discharge the Audit Plan.
- Monitoring follow-up action taken by management to remedy weaknesses identified by IA. Further assurance work, known as “Issues Assurance”, will be undertaken to ensure that appropriate and effective action has been taken to address all “High” rated issues.
- Maintaining a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Maintaining a close relationship and sharing relevant information with internal control functions and the appointed external auditors.
- Evaluating specific operations at the request of the Audit Committee or Management, as appropriate with adjustment of the Audit Plan to ensure adequate coverage of new and emerging risk arising from changes in market conditions, regulation, business strategy and known significant incidents. Approval for changes will be sought from the Saga plc and business unit Audit Committees.
- Managing, maintaining, and communicating performance of the Quality Assurance and Improvement Program (QAIP) in compliance with the IIA’s Standards.
- Ensuring that every activity, including out-sourced activities, and every entity of Saga plc falls within the audit universe of the Internal Audit function.

## Co-Source Assurance

Internal Audit will utilise co-source arrangements, where subject matter expertise is required, for some, but not complete, oversight of the internal audit function. The IAD will retain oversight, responsibility and control throughout the execution and delivery of the audit assignment.

## Independence and Objectivity

IA staff will, at all times, be objective, constructive and not be influenced by personal, business or other issues, which may impair impartiality in accordance with the IIA’s code of ethics and standards. The IAD and staff of the IA Department are specifically not authorised to:

- Perform any operational duties for the organisation or its affiliates.
- Initiate or approve accounting transactions external to the Internal Auditing Department,

- Direct the activities of any member of staff not employed by IA, except to the extent such employees have been appropriately assigned to audit teams or to otherwise assist, or
- Set the risk appetite for the Group or impose risk management processes.

The IAD's primary reporting line is to the Chair of the plc Audit Committee (and the Chairs of the business unit Audit Committees) for accountability, direction, and independence. The plc Chair is responsible for the appointment, removal, and recommended remuneration of the IAD. The IAD has a secondary reporting line to the Group Chief Financial Officer (CFO), for administrative purposes.

If IA's independence or objectivity is impaired, the details of the impairment will be reported to the Board, Saga plc Audit Committee Chair, and the Chair of the appropriate business unit Audit Committees. IA maintains a Conflicts of Interest register, which details any potential conflicts faced by any member of the audit team, along with the mitigating action that will be taken to avoid these conflicts from crystallising. The register is reviewed periodically by Group Risk.

The IAD and Internal Audit function will remain objective in the evaluation and assessment of internal audit engagements to carry out their duties in a professional, unbiased, and fair manner.

### **Relationship with other Assurance functions**

IA will consider the work of other assurance functions within Saga as well as the external auditors and the Group's regulators, when determining the scope of IA activity in any business area.

Through the exercise of informed judgement, the IAD is responsible for determining how much reliance can be placed on the work of other assurance functions following a thorough evaluation of the effectiveness of that function in relation to the area under review.

The IAD will establish and maintain an open and transparent relationship with the Group's regulatory authorities, and external auditors.

### **Professional Standards**

It is mandatory for all IA staff to comply with:

- The Saga Values
- The International Standards for the Practice of Internal Auditing issued by the Chartered Institute of Internal Auditors (CIIA) including the Core Principles for the Professional Practice of Internal Auditing and the CIIA's Code of Ethics, to the extent that they are compatible with legal and regulatory requirements and Saga's policies and business standards.
- The CIIA 'Effective Internal Audit in the Financial Services Sector' guidance, to the extent determined by the Saga plc Audit Committee.
- The Saga Internal Audit methodology.

The IAD will report periodically to the Audit Committee regarding Internal Audits conformance to the IIA's Code of Ethics and to the Standards.

### **Rights of Access and Authority**

IA derives its authority from the Saga plc Board via the Saga plc Audit Committee. The IAD and IA staff are authorised to:

- Have unrestricted and prompt access to all information, functions, records, property, and staff anywhere within Saga relevant to their role,
- Have uninhibited right of access to the Chair of the Saga plc Audit Committee, the Chairs of the business unit Audit Committees and to the Group Chief Executive Officer, and
- The IAD has the right to attend and observe all, or part of, Board and Executive Committee meetings if considered relevant or necessary to attend.

## **Internal Audit Effectiveness Assessment**

The Saga plc Audit Committee will assess the performance of the IA function on behalf of the Board using agreed performance measures. To aid this assessment, Internal Audit will maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of the internal audit activity. The IAD will communicate at least annually to senior management and the Audit Committee on the Internal Audit functions QAIP, including assessments of conformance to IIA Standards and results of internal assessments (both ongoing and periodic).

In addition, an external assessment of the effectiveness of the function will be completed at least every five years.

Lynn Fournier  
Internal Audit Director