

# Group Audit Charter

Approved April 2024

## 1. INTRODUCTION

The Group Audit Charter defines the purpose of Group Audit (GA) for Lloyds Banking Group plc, its subgroups, subsidiaries, and all legal entities (“the Group”).

This Charter applies to all the Group. It will be presented to the Group Audit Committee for review and approval annually to establish the GA mandate. The GA mandate is the function’s role (2.1), authority (2.3), and responsibilities (3.1).

## 2. GROUP AUDIT

### 2.1 ROLE OF GROUP AUDIT

- 2.1.1 The primary role of GA is to conduct and deliver internal audit services to help the Boards and Executive Management protect the assets, reputation, and sustainability of the Group. GA does this by:
- Assessing whether all significant risks are identified and reported appropriately to the Boards and Executive Management of the Group;
  - Assessing the design and operation of key controls to determine whether they are effective at mitigating significant risks e.g. to ensure customers are treated fairly, to protect the capital, and / or financial position; and
  - Challenging Executive Management to improve the effectiveness of governance, risk management, and internal controls, by providing assurance over the effectiveness of the first and second line of defence functions.
- 2.1.2 GA acts as a single independent internal audit function, reporting to the Group Audit Committee and the Board and providing services to LBGs subgroups, subsidiaries, and legal entities, where applicable, through Inter-Group Service Agreements.
- 2.1.3 GA undertakes assurance activity to assess the effectiveness of first and second line management in identifying and mitigating risks through performing reviews and engaging with committees / executive management, providing opinion, challenge and informal advice on risk and the control environment. GA does not provide formal advisory services.
- 2.1.4 Where appropriate, GA may also provide assurance to external parties including regulators and similar industry bodies. This assurance follows standard GA audit methodology and procedures.
- 2.1.5 In exceptional circumstances, GA may choose to outsource assurance activity where appropriately skilled resource are not available.
- 2.1.6 The GA vision is “Enabling better outcomes for the Group by being the leading Internal Audit team that sets the standard for others to aspire.”
- 2.1.7 The GA purpose is “Helping Britain Prosper by supporting the Group to achieve its strategy through valuable insight, interventions and championing effective governance, risk management and control.”

## 2.2 SCOPE AND PURPOSE OF GROUP AUDIT

- 2.2.1 GA is the third line of defence within the Group's Risk Management Framework.
- 2.2.2 The scope of GA's work is unrestricted and is based on GA's independent assessment of the key risks faced by the Group and how effectively these risks are being managed.
- 2.2.3 GA undertakes assurance projects or related engagements that can be at the request of the relevant Audit Committee or a third party. In addition, GA may review lessons learned analysis if a significant adverse event has occurred. GA validates that management actions arising from audits have sustainably mitigated the risks identified.

## 2.3 GROUP AUDIT INDEPENDENCE AND AUTHORITY

- 2.3.1 GA receives its mandate and authority from the Group Audit Committee.
- 2.3.2 GA has a full, free, and unrestricted right of access to all of the Group's data, records, personnel, fora, property, and management information, necessary to fulfil its mandate. This is considered to give a right to audit over all legal entities within the Group.
- 2.3.3 GA is independent of the Group's operational management and has no direct operational responsibility or authority over the activities it reviews.
- 2.3.4 The Group Chief Internal Auditor (Group CIA) has a direct reporting line to the Chair of the Group Audit Committee and a secondary reporting line to the Group Chief Executive for administrative purposes only. The Group CIA attends the Group Executive Committee and has appropriate standing and authority within the organisation.
- 2.3.5 All GA staff report directly or indirectly to the Group CIA. They are responsible for being independent, objective, and constructive in the conduct of their work and avoiding conflicts of interest and personal, business, or other issues that may impair impartiality.
- 2.3.6 Audit Directors who are CIAs of subgroups and subsidiaries report directly/indirectly to the Group CIA, in addition to any required reporting line to the governance structure of the subgroup/subsidiary.
- 2.3.7 In addition, the Group CIA has accountability for conduct investigations carried out within the Group Conduct Investigations team, a first line activity. This includes the whistleblowing framework, and significant or material investigations. The Group CIA is also the CIA for Lloyds Bank plc and Bank of Scotland plc (the Ring-Fenced Bank). Established safeguards are in place to manage any potential conflicts of interest. Safeguards are reviewed annually and are managed by the GA Chief Operating Office.

## 2.4 STANDARDS OF INTERNAL AUDIT PRACTICE

- 2.4.1 GA operates in accordance with the Institute of Internal Auditor's (IIA) International Professional Practices Framework (IPPF, 2017), which includes the International Standards for the Professional Practice of Internal Auditing and the Code of Ethics. Additionally, GA operates in accordance with the Chartered Institute of Internal Auditor's (CIIA) Internal Audit Financial Services Code of Practice, as well as regulatory requirements and guidelines for internal audit in applicable jurisdictions.

- 2.4.2 GA staff are required to follow the IIA's Code of Ethics which is a statement of principles and expectations governing behaviour required in the conduct of internal auditing. In addition, GA staff must comply with the Group's Code of Ethics and Responsibilities.
- 2.4.3 GA staff must also comply with the Group's policies and procedures together with relevant professional bodies' standards of conduct, and possess the knowledge, skills, and disciplines necessary to discharge their responsibilities.

### 3. CHIEF INTERNAL AUDITOR RESPONSIBILITIES

3.1 The responsibilities of the audit function, managed by the Group CIA, include:

- Developing and delivering an audit plan that focuses on the key risks to the Group.
- Attending and presenting reports as appropriate, at the relevant Audit Committees, Risk Committees and to senior management. This reporting will include reporting significant findings and their root causes and providing opinions periodically on the overall effectiveness on the governance, risk management and control environment.
- Providing the relevant Audit Committees with a regular assessment of GA's resources, skills, and ensuring that GA has the competencies to perform the internal audit services outlined in the GA charter.
- Providing the relevant Audit Committees with a regular assessment of compliance with the IIA Code of Ethics.
- The Group CIA is responsible for maintaining a Quality Assurance function with the standing and experience to meaningfully challenge GA's performance, assess adherence to policies, procedures, and applicable regulatory / industry guidance, and to annually report GA's effectiveness.
- If GA's independence or objectivity becomes impaired, the Group CIA will disclose details, including any safeguards, to all relevant Audit Committees.
- Accessing additional expertise, where required, through the use of third parties e.g. professional services firms. In appointing third parties GA considers the following factors: competence, independence, and objectivity.

### 4. AUDIT COMMITTEE RESPONSIBILITIES

The Audit Committee responsibilities are reflected within the individual Audit Committee Terms of Reference. The Group Audit Committee are responsible for ensuring that GA has the necessary resources and access to information to enable it to perform its mandate; and obtaining an independent external assessment of the GA function in line with the CIIA standards, at least once every five years. The Group Audit Committee oversee the relationship with the Group's external auditors.