Internal Audit Charter of the Bank of Finland

1 Purpose, application and updating

This Internal Audit Charter, approved by the Bank of Finland Board on 21 May 2025, sets out the principles and procedures to be followed in internal auditing within the Bank of Finland and as part of the European System of Central Banks (ESCB) and the Single Supervisory Mechanism (SSM). The IIA Global Internal Audit Standards[1] are applied in internal auditing.

In addition to following this Charter, the Bank of Finland's Internal Audit Unit adheres to the Internal Auditors Committee (IAC) Mandate and Audit Charter for the Eurosystem/ESCB and the SSM, the IAC Manual and other principles agreed by the IAC. Furthermore, the Internal Audit Unit adheres to the Internal Audit Charter of the Financial Supervisory Authority (FIN-FSA) approved by the FIN-FSA Board.

The Head of Internal Audit assesses the need to update this Internal Audit Charter each year and, as necessary, presents amendments to the Bank of Finland Board for approval.

2 Unit's mission and purpose

The Bank of Finland's Internal Audit Unit, which operates independently of other functions, is responsible for the internal auditing of both the Bank of Finland and the Financial Supervisory Authority (FIN-FSA). Internal Audit also participates in the work of the Internal Auditors Committee of the ESCB and the SSM.

Internal auditing is an independent and objective assurance and advisory service designed to improve and add value to the operations of the Bank of Finland and the FIN-FSA. It helps the organisations accomplish their objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of governance, risk management and control processes.

Internal auditing strengthens the ability of the Bank of Finland and the FIN-FSA to create, protect and sustain value by providing their governing bodies with independent, risk-based and objective assurance, advice, insight and foresight. In this context, the governing bodies are the Bank of Finland Board and its members, and the FIN-FSA's Board and its Director General.

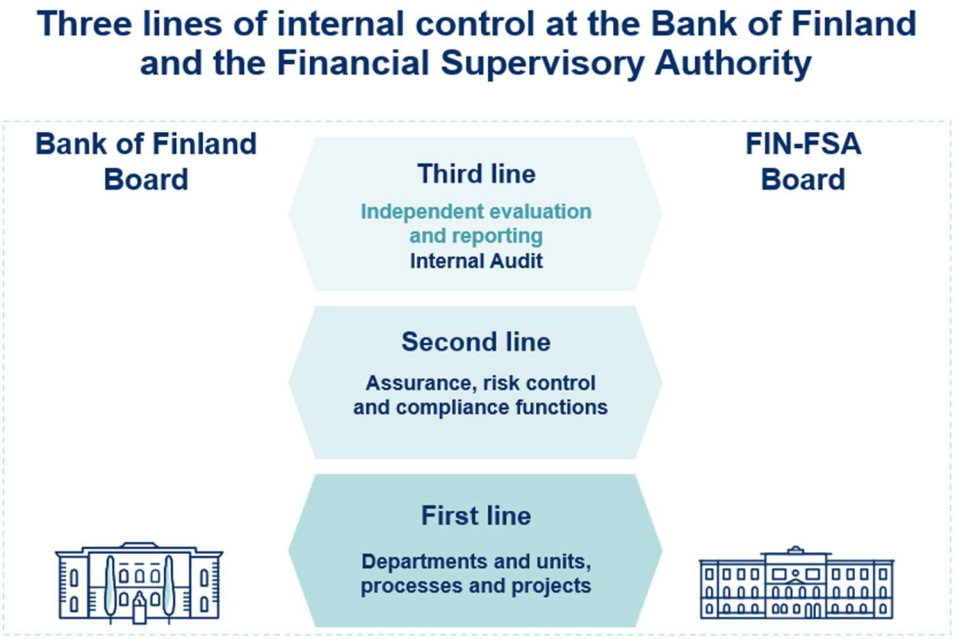
Internal auditing enhances the following at the Bank of Finland and the FIN-FSA:

- achievement of objectives
- governance, risk-management and control processes

[1] The Institute of Internal Auditors: Global Internal Audit Standards™

- decision-making and oversight
- reputation and credibility with stakeholders
- ability to serve the public interest.

Internal auditing is part of sound governance at both the Bank of Finland and the FIN-FSA, and it forms one of the three lines of internal control.



3 Role, responsibilities and authority

Internal Audit operates administratively under the Governor of the Bank of Finland as an independent unit, separate from the other functions of the Bank of Finland and the Financial Supervisory Authority (FIN-FSA). It is accountable for its activities to the Bank of Finland Board. The Head of Internal Audit is a chief audit executive as defined in the Global Internal Audit Standards.

The Internal Audit Unit is responsible for the internal auditing of the Bank of Finland's activities and is required to report to the Bank of Finland Board. The Unit is also responsible for the internal auditing of the FIN-FSA's activities and is required to report to the FIN-FSA Board.

In audits coordinated by the IAC, the Unit is also responsible for the results of its own work and reports these to the IAC, which in turn reports to the decision-

making bodies of the European Central Bank (ECB). The Governor appoints the Bank of Finland's IAC members.

Internal Audit may audit all functions of the Bank of Finland and all other supporting functions that the Bank of Finland has the duty and right to oversee. Outsourced services are included in the scope of Internal Audit to the extent specified in the outsourcing agreements.

For the purpose of carrying out its auditing tasks (incl. monitoring of the operating environment), Internal Audit has:

- the authority to freely determine the scope, timing and methods of its audits
- unrestricted access to all functions, property, files and documents, subject to the provisions on secrecy
- the right to obtain necessary expert assistance from the entity being audited and from other staff of the Bank of Finland and the FIN-FSA.

Internal Audit operates independently of the functions that are subject to auditing. It has no decision-making authority over the functions that are subject to auditing, and no operating responsibilities regarding these functions.

4 Other guiding principles

Internal Audit shall conduct its work in conformance with the IIA's Global Internal Audit Standards and with the International Professional Practices Framework.

Internal auditors must be independent of the functions they audit and objective in their work. Auditors must refrain from assessing any activities for which they have been responsible during the preceding 12-month period. In performing their duties, they shall observe the disqualification provisions set out in the Administrative Procedure Act.

Internal Audit must report annually to the Bank of Finland Board on any factors that may impair its independence or objectivity, and on any material deviations from the Global Internal Audit Standards.

In carrying out its work, Internal Audit must use the information it obtains with due professional care and comply with the Bank of Finland's Ethical Rules of Conduct, including the Bank of Finland's insider policy rules. Internal Audit is required to comply with the Bank of Finland's practices regarding professional secrecy and its document classification and handling rules, and to take into account the confidentiality and data protection requirements at all stages of information processing and throughout the information life cycle.

Internal Audit must, as a whole, possess or acquire the necessary information, skills and other competences for performing its tasks. Internal Audit must ensure

the continuous professional development required for its tasks. Internal Audit may acquire external assistance for undertaking its tasks.

5 Activity planning and reporting

Each year, the Head of Internal Audit draws up and presents the Internal Audit Unit's activity plan and resource requirements as part of the Bank of Finland's activity planning process for approval by the Bank's Board. The activity and resource plans include the auditing work for the Bank of Finland and for the FIN-FSA, collaboration with the IAC and other stakeholders, and tasks concerning Internal Audit's work and staff development. The Head of Internal Audit reports to the Bank of Finland Board about progress with implementing the activity plan as part of the Bank's performance monitoring process.

The implementation of internal auditing is based on the internal audit plans approved annually by the Bank's Board and the FIN-FSA Board. The Head of Internal Audit reports to the Bank of Finland Board on the progress with the implementation of the internal audit plan for the Bank of Finland. Correspondingly, the Head of Internal Audit reports to the FIN-FSA Board on the progress with the implementation of the internal audit plan for the FIN-FSA.

The Bank of Finland's internal audit plan is prepared by the Head of Internal Audit on the basis of a documented risk assessment. In preparing the internal audit plan, the following are taken into account:

- legislation, principles, strategy and objectives pertaining to the Bank of Finland's activities
- assessments of the risks of the activities and the effectiveness of risk management and the control processes
- material changes that have occurred in the Bank of Finland's organisation, activities, systems and control
- the sufficiency of coverage (time and content) of audits for high risk areas of the Bank of Finland
- the views of the Bank of Finland Board members and senior management concerning entities to be internally audited.

The annual internal audit plan includes IAC audit engagements that the ECB's Governing Council has approved for implementation in the IAC's annual audit plan.

The Bank of Finland's internal audit plan also includes monitoring of recommendations. Furthermore, the internal audit plan makes provision for undertaking unexpected and unplanned tasks. Any significant need to deviate

from the approved internal audit plan will be brought to the Bank's Board by the Head of Internal Audit for the Board's consideration and approval.

6 Services and working methods

Internal Audit delivers its services using audit methods and, to a limited extent, consulting methods.

6.1 Audit mission

An audit mission is an assessment and assurance service. It includes information acquisition and analysis, on the basis of which observations, assessments and conclusions are made and recommendations presented for the further development of activities. The purpose is to produce for senior management an objective and independent assessment of the condition of the entity or activity being audited.

The auditing process consists of the following key stages: planning, fieldwork, reporting and follow-up of recommendations.

6.1.1 Planning

An audit programme is drafted at the start of each audit mission. The audit programme is based on a preliminary assessment of the risks of the activities to be audited. The draft audit programme sets out the audit objectives, scope, limitations, assessment criteria, procedures, implementation method, timetable and resources. The draft audit programme is discussed with those responsible for the audited activity during the kick-off meeting of the audit. The final audit programme requires the approval of the Head of Internal Audit. The audit programmes of the IAC audit missions are subject to IAC approval.

6.1.2 Fieldwork

Internal Audit shall acquire such information as is sufficient for achieving the audit mission objectives and is reliable, relevant and useful. Information will be acquired mainly by examining existing material, using analytical methods, implementing test measures, making observations and interviewing key individuals. For each matter audited, an assessment is made of the observed conditions in relation to the assessment criteria, the causes of any differences detected, the effect of such differences and findings, and the measures that should be taken to further develop the activities. Internal auditors shall document the necessary information and verifications.

During the audit, the Head of Internal Audit may, if necessary, update the audit programme and/or report to senior management if there are any observed non-conformities that are significant in nature or severity.

6.1.3 Reporting

A draft audit report is prepared, containing an executive summary, background information, the findings of the audit and recommendations for mitigating the risks associated with the findings. Individuals in charge of the entity being audited are given the opportunity to comment on the draft report. A closing session is held with the management of the audited entity if necessary. The final audit report is subject to the approval of the Head of Internal Audit.

In response to the audit report recommendations, the line managers responsible for the audited activities must declare their plan of action, including the implementation timetable and persons responsible. The final audit report is circulated to the audited entity's management and other responsible parties affected by the results and by any recommendations.

The members of the Bank's Board shall be separately supplied with audit reports in the case of audits concerning activities of the Bank of Finland. The audit results can be brought for discussion at a meeting of the Bank's Board in a manner separately agreed by the Governor and the Head of Internal Audit. Instead of, or in addition to, written reporting, the audit results may be presented orally.

In IAC audit missions, the audit results concerning the Bank of Finland are subject to approval by the Head of Internal Audit prior to their being reported to the IAC.

6.1.4 Follow-up of recommendations

Internal Audit shall monitor and assess the implementation of the recommendations issued in audit reports and shall, in a follow-up system, maintain an overview of progress with the actions. Line managers in charge of activities shall have constant sight of the recommendations for which they are responsible.

The results of the follow-up on the recommendations concerning the activities of the Bank of Finland are reported to the Bank's Board at least once a year, and more often if necessary. Monitoring implementation of the recommendations made in IAC audits shall be reported to the IAC as well.

6.2 Consultation

Consultation is about advice and related activities. Consulting methods include the provision of advice (e.g. individual statements and comments), guidance on self-assessment, and training related to internal auditing matters. In

development projects, Internal Audit may be represented by a steering group, project group or support group, but these will have no operational responsibility.

Regarding requests for consultation, the planning, methods, reporting and monitoring shall be separately agreed with the requesting party.

7 Quality assurance

Internal Audit shall develop and maintain a quality assurance and improvement programme that accords with the Global Internal Audit Standards. The quality assurance system shall include both ongoing quality assurance measures and periodic internal and external quality assessments.

Ongoing quality assurance is based on the monitoring of engagement performance, feedback obtained from engagements and the monitoring of resource utilisation. The purpose of this supervision is to ensure that each audit or other engagement is appropriately planned, of sufficient scope, with sound and properly documented observations and conclusions, and that the reporting is consistent with the conclusions. Both the Head of Internal Audit and internal auditors are responsible, within their respective roles, for the quality of the work and for ensuring conformance with the Global Internal Audit Standards.

8 Collaboration with other entities

The Head of Internal Audit is responsible for the necessary exchange of information and for coordination with the Bank of Finland's internal assurance, risk control and compliance functions, while ensuring that the independence of internal auditing is maintained in this context.

Responsibilities are separately defined for the Head of Internal Audit concerning the handling, investigation and reporting of notifications of activities contrary to the Bank of Finland's rules and guidance (e.g. statutory internal whistleblowing channel).

The Head of Internal Audit at the Bank of Finland is responsible for communicating with the external auditors and for coordinating cooperation with them at the Bank of Finland.