



CMC Markets Internal Audit Charter

Internal audit charter

INTRODUCTION

This charter defines and explains the purpose, objectives, authority and responsibility of the Internal Audit function for CMC Markets. Where there are significant considerations that impact CMC Markets from any of its affiliates, these will also be part of Internal Audit's remit.

This charter has been approved by the Audit Committee on 29th March 2023.

For reference, the Institute of Internal Auditors (IIA) defines Internal Auditing as follows:

"Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

MISSION AND SCOPE OF WORK

The mission of the Internal Auditing function is to provide independent, objective assurance and consulting services designed to add value and improve CMC Markets' operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of work of the Internal Audit function is to determine whether CMC Markets' network of risk management, control and governance processes, as designed, represented and operated by management, are adequate and functioning in a manner so as to provide reasonable assurance that:

- risks are appropriately identified and managed
- governance mechanisms operate effectively
- significant financial, managerial, and operating information is accurate, reliable, and timely
- employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations
- resources are acquired economically, used efficiently, and adequately protected
- programmes, plans and objectives are achieved
- quality and continuous improvement are fostered in the organisation's control process
- significant legislative or regulatory issues impacting the organization are recognised and addressed properly



Opportunities for improving management control, profitability and the organisation's image may be identified during audits. They will be communicated to the appropriate level of management.

ACCOUNTABILITY

The Internal Audit function shall operate in compliance with all relevant IIA Standards and Code of Ethics and shall be accountable to management and the Audit Committee to:

- provide annually an assessment on the adequacy and overall effectiveness of governance, risk and the control framework of the organisation and an annual Internal Audit plan that is aligned to this
- report significant issues related to the processes for controlling the activities of CMC Markets, including potential improvements to those processes, and provide information concerning outstanding actions not completed within agreed timescales which arise from our internal audit reviews.
- provide information periodically on the status and results of the annual audit plan and the sufficiency of resources allocated to internal audit activity

INDEPENDENCE

To provide for the independence of the Internal Auditing function, staff working on the internal audit engagement will report to the Engagement Partner, who reports to the Audit Committee in a manner outlined in the above section on Accountability.

Day-to-day liaison with the organisation will be principally through the Chief Financial Officer. The Head of Internal Audit will meet with members of the Audit Committee, the Chief Executive and other relevant Directors, in line with requirements, throughout the year.

To preserve both the perception and reality of its independence and objectivity, Internal Audit will not:

- be responsible for the implementation of corrective measures
- second staff, or provide consultancy services to business functions, if this is in anyway likely to conflict with Internal Audit independence
- allow members of Internal Audit who are seconded, or undertake consultancy assignments, to be involved in audits of the areas involved within a year of the original assignment
- delegate their judgment on audit matters to others, unless otherwise agreed with the Audit Committee
- have any direct authority over, or responsibility for, any system, procedure, or activity, which they may be responsible for auditing or reviewing



RESPONSIBILITY

The Engagement Partner and staff of the internal auditing function have responsibility to:

- develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval.
- review the audit plan periodically during the year and submit any changes to the Audit Committee for approval
- implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee.
- perform additional work as requested by management, beyond internal audit assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services.
- issue periodic reports to the Audit Committee and management summarising results of audit activities.
- provide a list of significant measurement goals and results to the audit committee.
- assist in the investigation of significant suspected fraudulent activities within the organisation and notify management and the Audit Committee of the results.
- consider the scope of work of the external auditors and other sources of assurance, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion.
- liaise with the external auditor on a regular basis to ensure there is effective communication and collaboration.
- keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- report to the Audit Committee, at least annually, with an assessment of the overall effectiveness of the governance, and risk and control framework of the organisation, together with an analysis of themes and trends emerging from Internal Audit work in line with the CIIA published recommendations.

SPECIAL REVIEWS AND CONSULTING SERVICES

Internal Audit's main purpose is to provide assurance in accordance with this Charter to the Audit Committee and management.



However, Internal Audit may perform special reviews and/or consulting activities from time to time as requested by management, the Audit Committee, the Board/ Management Committee or the FCA. The Engagement Partner will ensure that the function's involvement in consulting activities does not compromise the department's independence and objectivity. Where situations occur that may affect the function's independence and objectivity, the Engagement Partner will report matter to the Audit Committee for resolution.

AUTHORITY

The Engagement Partner and staff of the internal function are authorised to:

- have unrestricted access to all functions, records, property, and personnel.
- have full and free access to the Audit Committee.
- allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- obtain the necessary assistance of personnel in units of the organisation where they perform audits, as well as other specialised services from within the organisation.

The Engagement Partner and staff of the internal auditing department are not authorised to:

- perform any operational duties for CMC Markets or its affiliates.
- initiate or approve accounting transactions.
- direct the activities of any CMC Markets employee, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

CONFIDENTIALITY

Internal Audit will ensure that confidentiality is maintained over all information and records obtained in carrying out audits.

STANDARDS OF AUDIT PRACTICE

The internal auditing department will meet the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors. Internal Audit will also apply proportionately the guidance published in July 2013 by the CIIA regarding the expectations of Internal Audit functions in the financial services sector.

The Engagement Partner is responsible for ensuring that all audit work is performed with proficiency and professionalism, including the application of sufficient knowledge, skills and competence to perform audits effectively.

Internal Audit staff will be given appropriate training and development necessary to ensure they have the capability to meet their responsibilities.