

Saga plc Internal Audit Charter

September 2019

Introduction

This charter sets out the purpose, scope and responsibilities for the Saga Group Internal Audit (IA) function. The charter is owned by the Head of Audit (HoA) and approved by the Audit Committee of Saga plc.

Purpose

The objective of the IA team 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 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 control environment.

Reporting line

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

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 Group 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 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 HoA 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 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” and a selection of “Medium” 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.

Independence

IA staff will, at all times, be objective, constructive and not be influenced by personal, business or other issues, which may impair impartiality. The HoA 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, or
- 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.

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.

Relationship with other Assurance

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 HoA 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 HoA 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 Way Values.
- The International Standards for the Practice of Internal Auditing issued by the Chartered Institute of Internal Auditors (CIIA) 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.

Rights of Access and Authority

IA derives its authority from the Saga plc Board via the Saga plc Audit Committee. The HoA 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, and
- Have uninhibited right of access to the Chair of the Saga plc Audit Committee and to the Group Chief Executive Officer.

Performance Indicators

The Saga plc Audit Committee will assess the performance of the IA function on behalf of the Board using agreed performance measures, and an external assessment of the effectiveness of the function at least every five years.

Lynn Fournier
Head of Internal Audit