

Terms of reference of the Audit & Compliance Committee

1 Definitions

In these Terms of Reference the following words and phrases shall have the meanings assigned to them below:

“ADAA”	means Abu Dhabi Accountability Authority;
“Bank”	means Abu Dhabi Commercial Bank PJSC;
“Board”	means the Board of Directors of the Bank;
“Commercial Companies Law”	means Federal Law No. 2 of 2015 Concerning Commercial Companies (as amended);
“Corporate Governance Regulations”	means best practices as determined by the Board from time to time and any relevant regulation in force from time to time including the SCA Guidelines;
“Executive Director”	means a director who dedicates his activity on a full time basis to the management of, or receives a monthly or yearly salary, from the Bank;
“Independent Director”	means a director that meets the independence requirements defined in the Corporate Governance Regulations;
“Non Executive Director”	means a director who neither dedicates his activity on a full time basis to the management of nor receives a monthly or yearly salary from the Bank;
“NCHR”	means the Board’s Nomination, Compensation & HR Committee; and
“SCA Guidelines”	means the Securities & Commodities Authority (SCA) Resolution N. (7R.M.) of 2016 concerning the standards of institutional discipline and governance of public shareholding companies.

2 Purpose

The purpose of the Audit & Compliance Committee (“the Committee”) is to enable the Board to fulfil its responsibilities in relation to the oversight of:

- 2.1 the integrity of the Bank’s financial statements;
- 2.2 the qualifications, independence and performance of the Bank’s external auditors;
- 2.3 the qualifications, independence and performance of the Bank’s internal audit department;
- 2.4 the Bank’s internal controls, including internal controls over financial reporting and disclosure; and
- 2.5 the Bank’s compliance with legal and regulatory requirements, and with the Bank’s policies (unless specifically delegated to other Board committees).

3 Membership

- 3.1 The members of the Committee will be appointed by the Board, duly considering the recommendations of the Nominations, Compensation & HR Committee of the Board. Any member of the Committee may be removed or replaced at any time by the Board.
- 3.2 The Committee will comprise a minimum three and maximum five Non-Executive Directors and the majority of these directors shall be Independent Directors. All members of the Committee must be financially literate, at least one member must be an accounting and financial expert, and at least two members must have an understanding of the financial services industry. The Chairman of the Board shall not be a member of the Committee.
- 3.3 The Chairman of the Committee must be an Independent Director. The Board shall regularly review the composition of the Committee.
- 3.4 Any previous partner of the current external auditor of the Bank's accounts may not be a member of the Committee for two years commencing on the expiry date of his capacity as partner or any of his financial interests in the independent audit firm, whichever comes later.
- 3.5 The Committee shall comprise only members of the Board, but shall be permitted to require any members of the Bank's management, or third parties, to attend meetings on a temporary or permanent basis, as shall be required to assist the Committee with its duties.
- 3.6 The Committee members shall be appointed for an initial period of 3 years. Following expiration of that period, the member may be reappointed by the Board provided that such appointment does not compromise the Committee member's independence. Where a director who is a member of the Committee leaves office, the Board shall appoint a new member to the Committee. Where a director who is a member of the Committee is no longer classified as an Independent Director such director shall, on the request of the Board, resign as a member of the Committee and be replaced with an Independent Director where so required to maintain majority independence as per paragraph 3.2.

4 Meetings

- 4.1.1 The Committee will meet at the head office of the Bank or at any other place deemed appropriate by the Committee. Meetings shall take place at least once in every three months. Meetings shall be convened upon a written notice of the Chairman of the Committee or the Committee secretary in agreement with the Chairman of the Committee. Committee meetings may also be convened by the Chairman of the Committee or the secretary on the request of 2 members of the Committee. The Chairman of the Board, the Group Chief Executive Officer (GCEO), the Chief Internal Auditor, the external auditors, the Group Chief Risk Officer or the Group Chief Financial Officer may also request meetings through the Committee's secretary, who shall consult with the Committee Chairman to determine whether a meeting should be convened.
- 4.1.2 Meetings will be held before finalization of the annual financial statements and to coincide with the announcement of the Bank's interim results.
- 4.1.3 The Chairman of the Committee shall develop the agenda for each meeting with contribution from the Secretary, the Group Chief Financial Officer, the Group Chief Internal Auditor, the Chief Compliance and Enterprise Risk Officer or the external auditors.
- 4.1.4 The agenda and pre-reading material for each meeting shall be provided to the Committee members 5 and 3 days in advance respectively.
- 4.1.5 The Committee will regularly enter into discussions with the external auditors, without management present, and also discussions with the Group Chief Internal Auditor, without management present. After such sessions the Committee shall also meet with only members of the Committee present. The Committee may invite any director, or the external auditors, or any staff member of the Bank, or any other person, to attend meetings and to assist in its discussions. The external auditors may attend and be heard at any meeting of the Committee.

4.1.6 A Committee meeting will not be valid unless a majority of its members are in attendance or represented.

4.2 Resolutions

4.2.1 Resolutions of the Committee shall be adopted by a majority of votes of members present or represented. In the event of a tie the Chairman of the Committee shall have a casting vote.

4.2.2 An absent Committee member may authorize another member to vote on his behalf provided that the member present does not hold more than one proxy.

4.2.3 Without prejudice to the above clause, the Committee may exceptionally take some decisions based on resolutions by circulation, provided that:

- (a) Members unanimously agree that the case that necessitates a resolution by circulation is urgent;
- (b) the resolutions are delivered to the members in writing (which may include delivery by email) and accompanied by all the supporting documents and papers as necessary for revising it; and
- (c) any resolution by circulation must be agreed upon unanimously by the members and must be submitted to the succeeding meeting of the Committee to be included in the minutes of such meeting.

4.3 Minutes

4.3.1 Minutes of Committee meetings should be recorded and signed by the members attending the meeting and the secretary within 10 working days of the meeting. A dissenting member may enter his objections in the minutes of the meetings. In case one of the members refuses to sign, his objection shall be recorded in the minutes together with the reason/s for his objection, if given, and a copy of the minutes¹.

4.3.2 The Committee will keep minutes of its meetings. The minutes will mention the person responsible for completion of tasks discussed at the Committee meeting.

4.3.3 Final copies of the minutes shall be:

- (a) signed by attending Committee members;
- (b) submitted to the Board for consideration at the next full Board meeting;
- (c) submitted to the Board Secretariat for filing; and
- (d) published on the Bank's Board portal

5 Reporting

5.1 The Committee shall report to the Board and will provide periodic updates to them on audit and compliance issues. The Committee shall, where appropriate, make recommendations for action by the Board at their next meeting subsequent to that of the Committee.

5.2 The Committee shall submit regular reports to the Board specifying its actions, findings and recommendations as frequently as requested by the Board.

5.3 The Committee shall be required to make short presentations to the Board on a semi annual basis, or when required by the Board, more regularly.

5.4 Where so required by the Board, the Committee shall submit reports to the Board on the following:

- (a) the performance of the auditor in the review of the financial statements and information for the Committee;

Note: 1: SCA Guidelines, Article 8a: It shall be recorded in the minutes of the Board of Directors or its committees the details of matters considered and the resolutions that have been made, including any reservations of members or dissenting views expressed. These minutes of meetings shall be signed by the members who attend the meeting as well as the secretary of the meeting. In case one of the members refuses to sign, his objection shall be recorded in the minutes together with the reasons of objection, if given, and a copy of the minutes shall be sent to members to keep them.

- (b) management's cooperation with the external auditor;
- (c) the procedures applied to appoint and dismiss the external auditor (including compliance with Statutory Auditors Appointment Rules issued by Abu Dhabi Accountability Authority) and whether the current appointment should be renewed or not; and
- (d) the evaluation of the Committee on the independence of the external auditor.

6 Powers of the Committee

The Committee shall have the appropriate authority to discharge its duties and responsibilities. In addition, it is specifically empowered to:

- 6.1 institute or authorize investigations into any matter;
- 6.2 seek information from any employee; and
- 6.3 appoint or retain external independent professionals and consultants for advising or assisting the Committee on legal, accounting, or other matters, to the extent it deems necessary or appropriate.

7 Duties and responsibilities

7.1 External auditors

- 7.1.1 The Committee will recommend the external auditors for Bank audits, subject to approval by the full Board and annual general meeting of shareholders. The Committee also will review and recommend any fees paid to the external auditors and review and approve the dismissal of the external auditors. The Committee will make recommendations on the rotation of the external audit firm, or of the partner of the firm in charge of the Bank's audit, to ensure the independence of the external auditors.
- 7.1.2 The Committee will also establish the Bank's policies for selection and rotation of external auditors (including compliance with Statutory Auditors Appointment Rules issued by Abu Dhabi Accountability Authority).
- 7.1.3 The Committee shall also:
 - (a) report to the Board on any matters that, in the Committee's opinion, necessitate an action and provide recommendations on the necessary steps;
 - (b) follow up and monitor the independence and objectivity of the external auditor and discuss with the external auditor the nature, scope and efficiency of the audit in accordance with applicable auditing/accounting standards;
 - (c) ensure the timely action by the Bank relating to matters contained in the external auditor's letters.
- 7.1.4 The Committee will review with management and the external auditors:
 - (a) the audit plan prior to commencement of the audit and suggest changes in the light of new requirements of the Bank;
 - (b) the external auditor's qualitative judgments about the appropriateness of accounting principles and financial disclosures;
 - (c) any changes to the Bank's accounting and financial reporting that are recommended by management or by the external auditors;
 - (d) the accounting treatment of significant risks and uncertainties;

- (e) key estimates and judgments of management that may be material to the Bank's financial reporting;
 - (f) significant auditing and finance reporting issues discussed during the period, and their resolution;
 - (g) any serious difficulties or disputes with management encountered during the course of the audit; and
 - (h) any significant findings and recommendations made by the external auditors, together with management's responses to them.
- 7.1.5 The Committee will conduct a post-audit discussion to ascertain areas of any concerns. The Committee will review the auditors' management letter and ensure corrective actions by management.
- 7.1.6 In cases of non approval by the Board of the Committee's recommendations on the election, appointment, resignation or dismissal of the external auditor, the Board shall include in the Bank's Governance Report, a statement articulating such recommendations and the reason(s) behind the Board's disapproval thereof.

7.2 Financial statements and disclosures

7.2.1 The Committee shall:

- (a) monitor, and as part of its normal course of activity and after closure of accounts in any quarter, ensure the integrity of the financial statements and the yearly, half-yearly and quarterly reports and in this regard particularly pay close attention to:
 - (i) any changes to the accounting policies and practices;
 - (ii) the aspects subjected to the management's judgment;
 - (iii) the substantial amendments resulting from the audit;
 - (iv) ongoing concerns;
 - (v) compliance with the accounting standards; and
 - (vi) compliance with legal requirements and regulations as relevant to the preparation of financial reports
- (b) consider any significant and unusual matters contained or to be contained in such financial reports and accounts and give due consideration of any issues raised by the Group Chief Financial Officer (or the person taking up his tasks), or external auditors.

7.2.2 The Committee will review with management and the external auditors and approve or, if appropriate, recommend for approval by the Board before the Bank publicly discloses this information:

- (a) the annual audited financial statements, together with the report of the external auditors, and the interim unaudited financial statements, together with the interim review report of the external auditors thereon, before they are approved by the Board;
- (b) management's discussion and analysis relating to the annual audited financial statements and interim financial statements; and
- (c) all financial information in material public disclosure documents including press releases, prospectuses and other public offering documents.

- 7.2.3 The Committee shall ensure that a process is in place to prevent former employees of external auditors from being employed by the Bank before the lapse of two years at least as of the date of such employees' quitting an audit engagement with the Bank².

7.3 Internal audit function

- 7.3.1 The Committee will confirm and assure the independence of the internal audit department. The Committee shall have responsibility and authority to appoint and, where necessary, remove, the Group Chief Internal Auditor. Any such appointment shall be made after consultation with and, where the Committee considers appropriate, taking into consideration the Bank GCEO's opinions. The final decision shall lie with the Committee. The Committee shall also have the responsibility and authority to conduct the performance evaluation and set remuneration levels for the Group Chief Internal Auditor. Such evaluation and remuneration shall be finalized only after consultation with and, where the Committee considers appropriate, taking into consideration the Bank GCEO's opinions. The final decision shall remain with the Committee.
- 7.3.2 The Committee will review the coordination of the internal and external audits with the internal audit department and the external auditors, to assure completeness of coverage, to reduce redundancy and to make effective use of audit resources.
- 7.3.3 The committee shall appoint a compliance officer within Internal Audit Group to receive and examine complaints through whistle blowing, collect necessary information and provide reports/notifications to relevant departments and notify Abu Dhabi Accountability Authority (ADAA) of any violations as per law 14 of year 2008 of ADAA.
- 7.3.4 The Committee may periodically consider whether an independent, third party review of internal audit processes is appropriate.
- 7.3.5 The Committee will review with management and with the Group Chief Internal Auditor:
- (a) the annual risk assessment methodology/approach & its outcome/report, annual audit schedule, scope, and conduct of the internal audit department's audit plan for the Bank;
 - (b) any changes (cancellation and replacement of audits) to audit schedule during the year;
 - (c) any significant findings during the period and management's responses to them;
 - (d) any difficulties the internal audit department encountered while conducting audits, including any restrictions on the scope of their work or access to required information;
 - (e) the internal audit department's budget, and staffing;
 - (f) the internal audit department's charter;
 - (g) any investigations or special project assignments carried out by the internal audit department;

Notes:

2: SCA Guidelines (Article 36.4): None of the employees of the auditing office at the company's senior executive management may be appointed before the lapse of two years at least as of the date of such employee's quitting the company's auditing office.

- (h) the effectiveness of the internal audit function including compliance with Institute of Internal Auditors' Standards for Professional Practice of Internal Auditing; and
- (i) results of annual internal quality assurance program of IAG activities.

7.3.6 The Committee shall approve:

- (a) the annual risk assessment outcome/report;
- (b) annual audit plan;
- (c) changes (cancellation and replacement of audits) to audit plan during the year;
- (d) budget;
- (e) organization structure, staffing; and
- (f) charter, internal audit manual.

7.4 System of internal controls

7.4.1 The Committee shall:

- (a) review and oversee the financial and internal control systems and risk management;
- (b) discuss the internal control system with the management to ensure the latter's performance of its duties towards the development of efficient internal control systems;
- (c) consider the findings of principal investigations in internal control matters assigned thereto by the Board or carried out by the Committee's initiative with the management's knowledge; and
- (d) ensure coordination between the internal auditors and the external auditor, the availability of necessary resources, and verification and monitoring of the efficiency of, the internal control body.

7.4.2 The Committee will ensure that Bank has a comprehensive policy on internal control.

7.4.3 The Committee will annually consider the effectiveness of the Bank's internal control systems, including information systems, and technology security and control.

7.4.4 The Committee will review the scope of the internal and external auditors' review of the Bank's internal controls over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

7.4.5 The Committee will review investigation reports relating to any misconduct, conflict of interest, and fraud.

7.4.6 Committee should review/investigate all matters related to integrity of Senior Management including conflict of interest or non-adherence to standards of conduct.

7.5 Compliance function

7.5.1 The Committee will review the Bank's compliance policy and its ongoing implementation to assess the extent to which Bank is managing its compliance and conduct risks effectively, and recommend necessary changes in the policy to the Board.

7.5.2 The Committee will review the effectiveness of the system for monitoring compliance with legal and regulatory requirements, and the results of management action relating to any instances of non-compliance.

- 7.5.3 The Committee will obtain regular updates from management regarding compliance matters and the Bank's Group Compliance regarding compliance with applicable laws, regulations, agreements and major legislative & regulatory developments.

7.6 Periodic responsibilities

The Committee will:

- 7.6.1 Review, discuss and update the Audit & Compliance Committee Terms of Reference annually, requesting board approval for proposed changes.
- 7.6.2 Review policies and procedures covering Bank officers' expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of those areas by the internal audit department or by the external auditors.
- 7.6.3 Develop "Whistle blowing Policy" through which employees of the Bank can confidentially notify any of their doubts on potential abnormalities in the financial reports or Internal Controls or any other matters and ensure proper arrangements are available to allow independent and fair investigation of such abnormalities.
- 7.6.4 Prepare and oversee the Bank's procurement policy³.
- 7.6.5 Review the Bank's financial and accounting policies and procedures.
- 7.6.6 Review and monitor trading in the Bank's shares by Board members, senior management and other insiders⁴.
- 7.6.7 Monitor the Bank's adherence to professional conduct rules.
- 7.6.8 Consider other issues as determined by the Board.
- 7.6.9 Review legal and regulatory matters that may have a material effect on the organization's financial statements; review compliance policies and programmes and reports from regulators.

7.7 Non-Audit Work performed by external auditors

- 7.7.1 The Committee shall ensure that the external auditor may not carry out any additional work for the Bank which is not part of the audit program if it may affect their impartiality and independence.
- 7.7.2 Any non-audit work proposed to be carried out by the external auditor will be subject to the Committee's approval and the Committee shall ensure that appropriate disclosure will be included in the Annual Report.
- 7.7.3 The Committee shall develop and recommend to the Board a formal policy on the provision of non-audit services by the auditor, including approval of non-audit services by the committee and specifying the types of non-audit service to be pre-approved, and assessment of whether non-audit services have direct or material effect on the audited financial statements⁵.

Notes:

3: In compliance to ADAA requirements and as approved via delegation effected at the Board meeting 4/2017, item 10.

4: SCA Guidelines, Article 12c: Form a committee responsible for the management, follow-up, and supervision of insiders' trading and their holdings, maintain the register and submit periodic statements and reports to the Market.

5: SCA Guidelines, Article (38): Prohibitions of Auditors (as detailed in the appendix below).

8 Publicly available information

- 8.1. The following information will be made publicly available, and updated as required, by posting the material on the Bank's website:
 - 8.1.1 the Audit & Compliance Committee Terms of Reference; and
 - 8.1.2 information on procedures for the selection and appointment of the external auditors, and for the rotation of the external auditor firm or partners.
- 8.2. The following information will be included in the Bank's annual report:
 - 8.2.1 the names and details of the qualifications of the members of the Audit & Compliance Committee;
 - 8.2.2 the number of meetings of the Committee; and
 - 8.2.3 a description of the Committee's responsibilities and how the responsibilities were fulfilled.

9 Self-Assessment

The Audit & Compliance Committee will annually conduct an evaluation of its performance, to be conducted as prescribed by the Corporate Governance Committee of the Board and the Audit & Compliance Committee itself.

10 Applicable regulatory requirements

SCA Guidelines

- Article (38): The external auditor may not, while performing an audit of the company's accounts, perform any technical, administrative or consultation services or works in connection with its assumed duties that may affect its decisions and independence or any services or works that the Authority decides that an external auditor shall not perform, in particular:
 - a) Any other accounting services or works in connection with accounting records and financial statements, excluding routine accounting services that may be rendered by the external auditor to a subsidiary company of the company of which it audits its accounts, where the following conditions are met:
 - The subsidiary company is not a material part of the company whose accounts are audited by the auditor;
 - These services are clearly immaterial for the auditor and the subsidiary company and
 - The external auditor's provision of this service does not materially affect the financial information of the parent company.
 - b) Design or use of any information systems if they can have a material effect on financial information or relevant control systems.
 - c) Provision of any internal audit services or works pursuant to a subcontract.
 - d) Provision of any actuary services or works.
 - e) Provision of any assessment or valuation services or works of the company during performing, or taking part in, the audit.
 - f) Provision of any administrative services or works or employment services for the company's financial management, human resources or administrative positions, starting from heads of divisions as well as senior or junior administrative or supervisory positions
 - g) Provision of any stock brokerage services or works.
 - h) Provision of any consultations.
 - i) Provision of any legal services or expertise.

These Terms of Reference are dated 23rd May 2017 and supersede any Audit & Compliance Committee Terms of Reference or charter previously in force.

Appendix

Glossary

- **Abu Dhabi Accountability Authority (ADAA)** - Independent governing body established in 2008 under the authority of HH the Crown Prince of Abu Dhabi, the capital of the United Arab Emirates. ADAA is primarily responsible for enhancing and promoting transparency and accountability across Abu Dhabi government and public entities ensuring that these subject entities are managing and utilizing their resources and funds efficiently, effectively, economically, ethically and in alignment with achieving the overall vision of Abu Dhabi.
- **Auditee** - is any unit/branch or activity of the organization that qualifies to be audited.
- **Auditee Management** - The management of any unit/branch or activity of the organization that is audited.
- **Best Practices** – practices that have produced outstanding results and that could be used by the organization.
- **Board** – A board is an organization’s governing body, such as a board of directors, supervisory board, head of an agency or legislative body, board of governors or trustees of a non-profit organization, or any other designated body of the organization, including the audit committee, to whom the Chief Audit Officer may functionally report.
- **Charter** - The internal audit charter is a formal document that defines the activity’s purpose, authority, and responsibility. The internal audit charter establishes the internal audit activity’s position within the organization; authorize access to records, personnel, and physical properties relevant to the performance of engagements; and define the scope of internal audit activities.
- **Chief Audit Officer / Head of Internal Audit** - Chief Audit Officer / Head of Internal Audit describes a person in a senior position responsible for effectively managing the internal audit activity in accordance with the internal audit charter and the Definition of Internal Auditing, the Code of Ethics, and the *Standards*. The Chief Audit Officer or others reporting to the Chief Audit Officer will have appropriate professional certifications and qualifications. The specific job title of the Chief Audit Officer may vary across organizations.
- **Code of Conduct** - Set of rules outlining the responsibilities of or proper practices to be applied through the Bank’s employees.
- **Code of Ethics** – The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of internal auditing, and Rules of Conduct that describe behaviour expected of internal auditors. The Code of Ethics applies to both parties and entities that provide internal audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of internal auditing.
- **Committee** - The Audit & Compliance Committee formed by the Board of Directors to oversee audit operations and circumstances.
- **Compliance** – adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.
- **Conflict of Interest** - Any relationship that is or appears to be not in the best interest of the organization. A conflict of interest would prejudice an individual’s ability to perform his or her duties and responsibilities objectively.
- **Consultant** - a person or firm, who provides professional or expert advice in a particular area.
- **External Auditor** - Audit firm who is assigned to provide external audit services.
- **External Service Provider** - A person or firm, outside of the organization, who has special knowledge, skill, and experience in a particular discipline.
- **Financial statements** - A written report which quantitatively describes the financial health of a company. This includes a statement of comprehensive income, a statement of financial position, a statement of change in equity, and a statement of cash flow.
- **Fraud** - Any illegal acts characterized by deceit, concealment or violation of trust.
- **Governance** – The set of regulations, criteria and procedures that ensure institutional discipline in managing the Bank with best practices by determining responsibilities and obligations of the directors and executive management, taking into consideration the protection of shareholders’ rights and other stakeholders’ interests
- **Independence** - The freedom to carry out the responsibilities in an unbiased manner.
- **Information Technology** - Computer-based information systems, particularly software applications and computer hardware applied within the Bank.

- **Internal Audit** – Group, that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The internal audit activity helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.
- **Internal Auditors** - Employees of Bank's Internal Audit Function.
- **Internal Control** - Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.
- **Non-Audit Services** - Additional services provided by Internal Audit such as special reviews, investigations, consultancy, review of policies/procedures and whistle blowing.
- **Objectivity** - An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires internal auditors do not subordinate their judgment on audit matters to that of others.
- **Recovery plans** - The process, policies and procedures of restoring operations critical to the resumption of business, including regaining access to data (records, hardware, software, etc.), communications (incoming, outgoing, toll-free, fax, etc.), workspace, and other business processes after a natural or human-induced disaster.
- **Risk** - The uncertainty of an event occurring that could have a negative impact on the achievement of the objectives.
- **Risk Management**– Processes to identify, assess, manage and control potential events or situations, to provide reasonable assurance regarding the achievements of the Bank's objectives.
- **Statutory Auditors Appointment Rules** – Rules defined by Abu Dhabi Accountability authority in context of appointment/re-appointment of external auditors.
- **Significant** - The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, effect, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.
- **Standard** – A professional pronouncement promulgated by the professional bodies.