

Agricultural Development Association

PARC



Internal Audit Charter

Approved by the Board of Directors on 16/04/2025 in its session

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Definitions

For the purposes of applying these rules, the following terms and phrases shall have the meanings set forth opposite each of them, unless the context requires otherwise:

International Professional Practices Framework (IPPF):

A conceptual framework that governs the guidance issued by the Institute of Internal Auditors (IIA) for the practice of internal auditing.

Governance:

A set of rules, controls, principles, and procedures that regulate the operations of an entity, ensure effective oversight of its activities, and define its relationship with various stakeholders. Governance aims to promote transparency, fairness, combat corruption, and enable the entity to achieve its objectives.

Internal Control System:

The systems adopted by the entity to achieve its objectives, safeguard its assets, monitor, and review its financial, operational, and administrative activities, and ensure their accuracy and compliance with applicable laws and regulations governing its operations.

Risk Management:

A set of structured policies and procedures for identifying, analyzing, and evaluating potential risks and events, in addition to the factors that help mitigate or reduce their impact to an acceptable level, so that they do not adversely affect the entity's ability to achieve its objectives. The responsibility for establishing a risk management system lies with the entity's executive management.

Immediate or sudden Audits/Test:

Internal audit procedures conducted on an uncoordinated or unannounced basis to examine or observe a specific control activity, such as performing physical inventory count (of assets or stock), attending and observing delivery and handover operations, reconciliations, or other control procedures and balance verifications.

Internal Audit Activity:

An independent and objective activity that provides assurance and consulting services designed to add value to the organization and improve its operations. It helps the organization achieve its objectives by using a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Internal Audit Department:

Refers to the department responsible for internal audit activities within Agricultural Association, including the Director of Internal Audit and internal auditors. The department operates independently in form and substance from executive management and reports to the Audit Committee of the Board of Directors. Executive management is obligated to support the department's independence and refrain from influencing its outcomes.

Audit Committee:

A committee established by the Board of Directors tasked with overseeing the activities of the Internal Audit Department, enhancing the internal control system, and ensuring the effectiveness of risk management and compliance.

The committee supports the independence of the internal audit department through the following:

- Approving the internal audit charter and the annual audit plan.
- Reviewing reports issued by the Internal Audit Department and following up on the implementation of recommendations.
- Evaluating the performance of the Internal Audit Department and the adequacy of its available resources.
- Providing appropriate recommendations to management and the Board regarding audit, control, and governance matters.

The Audit Committee is committed to operating in accordance with the International Standards for the Professional Practice of Internal Auditing and serves as a key link between the Internal Audit Department and management.

Oversight Committee:

The Oversight Committee is an elected body by the General Assembly in accordance with the bylaws of the Agricultural Development Association (Agricultural Association). As per the bylaws, the committee is mandated to monitor the implementation of General Assembly decisions, support the Board of Directors, oversee the application of the internal regulations, and submit reports to the General Assembly.

Entities or Bodies Owned by Agricultural Association / Agricultural Development Association and Affiliated Institutions and Subsidiaries:

This refers to any institutions, projects, companies, or partnerships under the authority of the PARC's Board of Directors and utilizing the Association's resources. This includes subsidiaries, owned entities, and partnerships—including their respective boards of directors and executive management—as well as guarantee-based partnerships or joint ventures. All of the above fall within the scope of internal audit of Agricultural Association. This charter uses the term "Agricultural Development Association and its affiliated institutions" to refer to all entities mentioned in this paragraph.

Branches:

The branches, offices, departments, and units of the Agricultural Development Association operating across the country and abroad.

Human Resources and Administrative System:

The approved system within the PARC's governing human resources and administrative operations.

Charter's Goal:

The internal audit function shall be granted the authority and responsibility to carry out its duties, including unrestricted access to all records and documents necessary to perform its work. The purpose of this access is to ensure the effective implementation of internal audit tasks. This Charter defines the scope, nature, and objectives of internal audit activities and authorizes the internal audit function with the powers required to fulfill its responsibilities within that defined scope.

Professional Standards for Internal Auditing:

The following are the adopted principles and standards:

1. The internal audit function shall adhere to **the International Professional Practices Framework (IPPF)** issued by the **Institute of Internal Auditors (IIA)**, including any updates made from time to time. Internal auditors and personnel performing internal audit duties at the Agricultural Development Association are required to comply with the mandatory elements of the IPPF, which include:
 - a. The Core Principles for the Professional Practice of Internal Auditing
 - b. The Definition of Internal Auditing
 - c. The Code of Ethics
 - d. The International Standards for the Professional Practice of Internal Auditing
 2. In addition to the IPPF, the internal audit function must apply the additional requirements outlined in these rules and any other complementary requirements issued periodically.
 3. The recommended implementation and supplemental guidance found in the IPPF shall serve as a valuable reference for both the Internal Audit Department and the Audit Committee in applying the mandatory elements and promoting best practices in line with the governance and control systems in place.
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Purpose and Mission:

The purpose of internal audit activities at the Agricultural Development Association and its affiliated entities and companies is to provide independent and objective assurance and advisory services designed to add value and improve the operations and objectives of PARC.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, insight, and advice.

Through a disciplined and structured approach, the Internal Audit Department supports the organization in achieving its objectives by evaluating and improving the effectiveness of governance, risk management, and internal control processes.

Authority:

The Internal Audit Department, including all its staff, shall report functionally and administratively to the Internal Audit Committee established by the Board of Directors. Administratively, regarding attendance, leave, and matters related to the Human Resources System, the Department shall report to the executive management, in accordance with the organization's administrative regulations, without interference in the duties and/or audit plan and without any direct or indirect influence on the rights, benefits, or responsibilities of the Internal Audit Department and its staff.

To define, maintain, and ensure that the Internal Audit Department and the internal audit function possess sufficient authority to carry out their duties, the Internal Audit Committee that established by the Board of Directors of the Agricultural Development Association shall undertake the following:

- Approve the Internal Audit Charter.
- Approve the risk-based annual internal audit plan.
- Approve the internal audit budget and resource plan.
- Receive written reports and notifications via email from the Head of Internal Audit regarding the Department's performance, plan implementation, and any other matters.
- Approve decisions related to the appointment, evaluation, rotation, or accountability of the Head of Internal Audit and internal auditors.
- Approve the salaries and entitlements of the Internal Audit Department in accordance with the organizational staffing scale, HR system, and approved administrative regulations, in a manner that ensures internal audit independence and without interference from executive management.
- Approve or reserve judgment on periodic internal audit reports, including consulting assignments requested by the Audit Committee.
- Hold the Head of Internal Audit and auditors accountable for their audit-related duties, activities, and professional responsibilities toward the organization.
- Make appropriate inquiries of management and the Head of Internal Audit to determine whether there are any scope limitations or resource constraints impacting internal audit activities.

The Internal Audit Department, including the Head of Internal Audit and audit staff, shall have unrestricted access to the Internal Audit Committee and the ability to communicate and interact with it directly. This includes private meetings without the presence of executive management, as well as communication through phone, WhatsApp, or email directly, without restriction or the need to notify any party outside the Committee.

Internal Audit is granted the authority to:

- Allocate resources related to internal audit work, and receive sufficient support and assistance from departments, units, and internal supporting resources within the organization—such as the Information Systems(IT) Department and various logistics functions relevant to audit tasks and mobility. This also includes external resources covered by the internal audit budget and approved by the Internal Audit Committee, such as specialized software, external consulting services, and various tools needed to complete audit assignments. These resources are summarized in the Internal Audit Department's budget, which must be approved by the Internal Audit Committee.
- Determine the frequency of assignments, select audit topics, define scopes of work, and apply necessary methodologies and techniques.
- Execute the annual audit plan and carry out any urgent assignments deemed necessary by the Department, the Head of Internal Audit, or the Audit Committee based on a risk-based approach to achieve audit objectives and issue corresponding reports.
- Communicate directly with branches, entities, or affiliates owned by the Agricultural Development Association—including the boards of directors and executive management of those entities—

coordinating with the executive management of the Agricultural Development Association solely for logistical or administrative purposes.

- Obtain assistance from employees of the Agricultural Development Association in all branches, departments, support units, and affiliated companies, as well as other specialized services from inside or outside the organization, as necessary to complete audit tasks.

Organizational Affiliation of the Internal Audit Department – Department’s Position within the Structure:

- The Internal Audit Department is organizationally affiliated directly with the Internal Audit Committee, which is a subcommittee of the Board of Directors. It reports to this committee, and it has complete independence.
- The Internal Audit Department's position on the organizational structure of the Agricultural Association Organization is adjacent to the Board of Directors, situated to the right of the Board, as illustrated in Annex No. 1 of this Charter.
- Through the Audit Committee, the Internal Audit function coordinates with the Oversight Committee, which stems from the General Assembly of the Agricultural Relief Organization, without the latter having any authority over the Internal Audit Department’s work. Full authority lies with the Internal Audit Committee reporting to the Board of Directors.

Independence and Objectivity:

- The Internal Audit Department and the Director of Internal Audit shall ensure that internal auditing remains free from all conditions that may threaten the internal auditors’ ability to carry out their responsibilities in an impartial manner. This includes matters related to audit selection, scope, procedures, frequency, timing, and the content of reports. It is noted that the annual internal audit plan is a living document and may be amended with the approval of the Internal Audit Committee during the year.
- If the Director of Internal Audit determines that independence or transparency is, or may be, influenced in fact or appearance, the details of the influencing factors shall be announced to the relevant parties.
- Internal auditors shall maintain an unbiased professional conduct that enables them to perform their duties objectively and confidently in the quality of their work. They shall not compromise quality nor allow their judgment on audit matters to be influenced by others.
- Internal auditors shall not assume any direct operational responsibility or authority over any of the activities they audit. Accordingly, they shall not: Implement internal controls, establish procedures, install systems, maintain records, or participate in any activity that may impair their judgment. Including:
 - ✓ Evaluate specific operations for which they were responsible during the previous year.

- ✓ Perform any operational duties for the Agricultural Association Organization or its subsidiaries or affiliates.
- ✓ Initiate or approve transactions outside the Internal Audit Department or function.
- ✓ Direct the activities of any employee in the Internal Audit Department toward operational tasks.

Internal auditors shall:

- Disclose any factors that may impair independence or objectivity, whether in fact or appearance, to the relevant parties.
 - Demonstrate professional objectivity when collecting, evaluating, and communicating information about the activity or process being examined.
 - Make balanced assessments of all relevant facts and circumstances.
 - Take necessary precautions to avoid being influenced by their own interests or those of others when forming judgments.
 - The Director of Internal Audit at PARC shall confirm annually to the Internal Audit Committee, which reports to the Board of Directors, the organizational independence of the internal audit function. The Director shall also disclose in writing to the committee any interference and its implications in determining the scope of internal auditing, performing work, and/or reporting results.
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Spatial Independence of the Internal Audit Department:

The Internal Audit Department is committed to the principle of full independence in performing its duties, in accordance with the International Standards for the Professional Practice of Internal Auditing. The concept of independence includes, in addition to neutrality and objectivity, Spatial independence, which ensures that audit activities are not influenced by administrative or executive pressures that could compromise the integrity and objectivity of the audit process.

To ensure both the form and substance of independence, the Internal Audit Office shall, as much as possible, be located in a space administratively separate from executive departments. This arrangement ensures that internal audit functions can be carried out without direct influence from executive management. The Audit Committee has the authority to determine the appropriate location for the internal audit office as it is necessary to enhance independence and ensure a working environment that supports the efficient and effective execution of audit tasks, free from any conflict of interest or undue influence from any entity within the organization.

Scope of Internal Audit Activities:

The Internal Audit Department is responsible for auditing all departments and affiliated entities. These activities are divided into two main categories: Assurance services (audits) and consulting services (upon request by the Audit Committee), as outlined below:

1. Assurance Services

Internal auditing must verify the extent to which the audited activities or departments comply with applicable standards, policies, and decisions by reviewing selected operations. It is also necessary to confirm the adherence of these entities to approved internal procedures designed to enable executive departments to achieve their objectives, and to determine whether internal control systems are adequate and effective.

Among the assurance services provided is the comparison of the performance of audited entities or activities against their predefined objectives, along with offering appropriate recommendations to improve operations and achieve higher levels of performance. This type of auditing enables performance evaluation and identification of opportunities for development.

Given that information technology (IT) has become a critical factor in the success of operational processes and internal control systems, the design of specialized IT audit programs is considered an essential assurance activity. These programs help identify strengths, weaknesses, and gaps in information systems and the policies governing IT management, in addition to providing necessary recommendations to close the identified gaps and strengthen information security measures.

2. Consulting Services

The consulting services provided by the Internal Audit Department are those requested by the Audit Committee or coordinated with it, with the aim of adding value to operations through strengthening control systems, improving governance applications, or enhancing risk management practices.

Nevertheless, the Internal Audit Department must maintain its independence and objectivity. Consulting services may include any form of support provided to the organization and its affiliated entities, in line with the department's capabilities and skill sets, and may cover the following areas:

- The accuracy and integrity of financial and non-financial reports and data issued by the organization and its affiliates, and the reliability of such information.
- The methods and procedures used to safeguard the assets and properties of the organization and its affiliates.
- The effectiveness of risk management systems within PARC and its affiliated entities, including assessment of risk identification, evaluation methodologies, and management efficiency.
- The adequacy and appropriateness of the control and governance mechanisms operated by stakeholders, and their alignment with the organization's policies.
- The sufficiency of automated control tools implemented, the completeness and accuracy of system documentation, and their ability to meet operational objectives.
- The suitability of methods used for storage and acquisition practices within the organization and its affiliates.

► Additionally, the internal audit may examine whether the operations, programs, projects, and activities of PARC and its affiliated entities are being executed effectively, efficiently, and economically (3E's).

3. Scope of Internal Audit Activities Across All Branches and Affiliated Institutions of PARC

In addition to the objective examination of evidence, that aimed to provide independent evaluations to the Internal Audit Committee, the Board of Directors, Executive Management, and external parties, the internal audit covers the adequacy and effectiveness of governance, risk management, and control processes within PARC and its affiliated entities, including subsidiaries and joint programs. This also encompasses their respective Boards of Directors and executive management teams, including the headquarters and branches.

Among the internal audit evaluations are assessments of the following:

- Whether risks related to achieving long-term and short-term strategic objectives, as well as the strategic plan of PARC and its affiliated entities, are being properly identified and managed.
- Whether the actions of officials, general managers, board members, employees, contractors, and suppliers within PARC and its affiliated or owned entities are in compliance with the organization's policies and procedures, applicable laws and regulations, various governance standards, and regulatory frameworks.
- Whether the outcomes of operations or programs align with the intended goals and objectives.
- Whether the existing processes and systems ensure compliance with the policies, procedures, laws, and regulations that may significantly impact the reputation, history, and standing of PARC and its affiliated institutions.
- Whether the information, information systems, procedures, forms, and tools used to identify, measure, analyze, classify, and report such information are reliable and impartial.
- Whether the various branches of PARC in the West Bank and Gaza are effectively and timely complying with the institution's policies, procedures, and systems, through periodic audits based on the annual audit plan or emerging risk developments.
- Whether PARC and its affiliated and owned entities—including their Boards of Directors and executive management—are adopting a risk management approach and setting objectives aligned with the organization's various plans and strategies, including decisions made by the Board of Directors.
- All matters related to the assets and liabilities of PARC and its affiliated entities, including projects, investments, and decisions that may result in direct or indirect obligations on the organization.
- Review and reporting of compliance in all its forms with various external agreements and the internal policies and regulations related to all of PARC's activities and its affiliated entities.

The Director of the Internal Audit Department, on behalf of the department, shall report periodically to the Internal Audit Committee, the Board of Directors, and executive management regarding the following:

- The purpose, authority, and responsibility of the Internal Audit Department and its activities.
- The Internal Audit Department's plan and actual performance in relation to that plan on a quarterly basis in written form, including updates to the plan.
- The department's compliance with the Code of Ethics and the International Standards issued by the Institute of Internal Auditors, along with action plans to address any significant issues related to conformance.
- Key risk exposures and control issues, including fraud risks, governance concerns, and other matters that require attention or are requested by the Internal Audit Committee and the Board of Directors.
- Results of audit engagements or other related activities.
- Resource requirements.

- Any audit assignments or risk responses conducted by the Internal Audit Department where it became evident during execution that initial professional judgments or risk assessments were inaccurate, with the aim of drawing lessons related to the objective assessment of risks.
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Responsibilities:

The Internal Audit Department, through the Internal Audit Manager, is responsible for the following:

- Submitting the risk-based internal audit plan to the Internal Audit Committee, Board of Directors, and Executive Management at least annually for their review and approval.
 - Providing monthly reports to the Internal Audit Committee and Executive Management summarizing the department's achievements in comparison to the audit plan.
 - Informing the Internal Audit Committee, Board of Directors, and Executive Management of any resource limitations that may impact the internal audit plan.
 - Reviewing and updating the internal audit plan as necessary in response to changes in the operations, risks, processes, programs, projects, systems, and controls of PARC and its affiliated institutions.
 - Notifying the Internal Audit Committee, Board of Directors, and Executive Management of any significant interim changes to the internal audit plan.
 - Ensuring the execution of each audit assignment in the internal audit plan, including defining objectives and scope, allocating appropriate resources, providing adequate supervision, documenting work programs and testing results, and communicating the results along with relevant conclusions and recommendations to appropriate parties.
 - Following up on audit findings and corrective actions, and reporting to the Internal Audit Committee, Board of Directors, and Executive Management on any corrective measures that have not been effectively implemented.
 - Ensuring adherence to the principles of integrity, objectivity, confidentiality, and competence.
 - Ensuring that the internal audit function collectively possesses the knowledge, skills, and other competencies needed to fulfill the requirements of the Internal Audit Charter.
 - Monitoring emerging trends and issues that may impact internal audit activities and informing the Audit Committee and management when necessary.
 - Staying updated on emerging practices and successful trends in internal auditing.
 - Establishing policies and procedures to guide the activities of the Internal Audit Department and ensuring compliance with them.
 - Ensuring compliance with internal audit-related policies and procedures, unless such policies conflict with the Internal Audit Charter, in which case any such conflict must be resolved or reported to the Audit Committee and management.
 - Ensuring that the department and the internal audit function comply with international standards.
 - Coordinating with external entities that issue audit reports related to PARC and its affiliates (e.g., external auditors, state audit institutions, etc.), ensuring the credibility and accuracy of these reports, this coordination must be conducted solely through the Internal Audit Committee and management. No entity other than the Internal Audit Committee has the authority to assign the Internal Audit Department any tasks or responsibilities.
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Types, Frequency, and Duration of Internal Audit Periodic Reports

The Internal Audit Department is committed to preparing and issuing periodic and advisory reports in accordance with best professional practices, in order to provide accurate and objective information that supports governance and decision-making processes within the organization. If Internal Audit identifies urgent findings related to audit activities, it has the discretion to report such findings, even if it is a single observation, to the Audit Committee and Executive Management via email.

4. Periodic Reports:

Periodic reports are issued according to a pre-approved schedule by the Internal Audit Committee and include the following:

- **Monthly Reports:**

These reports are submitted to track the implementation of internal audit plans and preliminary observations. The Internal Audit Manager shall determine a specific type of report each month or every two months based on ongoing risk-based evaluations. For example, the Internal Audit Department may add a monthly or bi-monthly periodic report concerning financial performance or compliance for a specific branch, function, or department. These reports are submitted to the Internal Audit Committee and Executive Management.

- **Quarterly Reports (every three months):**

These reports provide a summary of audit activities, key findings, and recommendations. The Internal Audit Manager submits quarterly reports on a continuous basis to the Internal Audit Committee at the Board level and to Executive Management. The report includes observations, recommendations, and responses from the audited entity.

- **Annual Reports:**

These are submitted to the Audit Committee and Executive Management and provide a comprehensive risk analysis, key conclusions, and the status of implementing previous recommendations, along with the audited entities' responses.

5. Advisory and Ad Hoc Reports:

Advisory or ad hoc reports related to non-executive and non-administrative tasks are prepared solely based on assignments from the Internal Audit Committee. These reports may include special reviews or consultations on specific topics such as compliance issues, risk analysis, or the review of specific processes based on urgent requests.

The Audit Committee determines the timing and duration of these reports according to the audit plan and may amend the schedule, notifying the Internal Audit Manager via email. Adherence to appropriate timeframes is required to ensure accurate and timely information for decision-making and institutional governance.

6. Periodic Notification Reports on Specific Issues – As Needed:

Reports may be sent via email to the Internal Audit Committee about specific topics that require ongoing monitoring, such as:

- Unimplemented recommendations from previous reports.
- Results of follow-ups on corrective actions and control improvements.
- Reports on performance and compliance with key indicators.

- Results of immediate or surprise inspections.

Despite internal audit operates according to a risk-based audit plan, it reserves the right to make surprise checks and inventories that may include:

- Physical inventory of assets and storage: e.g., cash counts, cash collections, warehouse inventories, received goods, etc.
- Attendance at operational and procurement-related committee meetings (excluding committees discussing employee-related matters) without prior notice or coordination, based on the audit plan and with Audit Committee approval.
- On-site observation of certain processes or control measures, such as receiving and handover activities.
- Surprise reviews of financial and inventory reconciliations, account balances, payables, and receivables.
- File reviews across departments. For example, auditors may periodically request tender files, project reports, or any type of file, including incomplete or closed files still under process.
- Testing of various control procedures to ensure compliance with approved policies and procedures.

7. Special or Restricted-Use Reports:

Special or confidential reports are prepared upon request or assignment from the Internal Audit Committee in coordination with Executive Management. These reports are characterized by strict confidentiality to protect individual rights and avoid reputational damage or infringement.

These reports are used in cases involving:

- Suspected financial, administrative, or ethical violations.
- Sensitive issues requiring internal investigation without disrupting organizational operations.

Controls and Procedures for Special or Restricted-Use Reports:

- These reports must not be shared with any external parties to ensure confidentiality and data protection.
 - The handling of these reports shall comply with international internal audit standards and the General Data Protection Regulation (GDPR) to ensure privacy protection and legal compliance.
 - Reports must be securely documented, ensuring that they do not result in unjustified harm or reputational damage, nor infringe upon individuals' rights.
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Mechanisms for Internal Audit Handling of Audit Issues:

- A draft report or individual audit observation (specifically the one resulting from an audit procedure) is sent to the designated person, responsible official, or executive employee about the audited activity upon completion of drafting the observation, accompanied by the necessary supporting documentation.
- Correspondence via email serves as legal evidence and is considered irrefutable proof. The internal auditor may choose written correspondence based on their assessment of the audited activity.
- The official email of the Internal Audit Department and its staff is recognized as an official means of communication with other departments, and it substitutes paper-based correspondence.

- In cases where the audited activity involves multiple individuals, departments, or divisions, the Internal Audit Department manages the process of communicating observations and consolidating various responses, this includes sending the same observation to multiple entities based on the department's discretion.
 - The internal audit function is responsible for explaining the audit observation and its supporting evidence and ensures that the observation includes:
 1. Root Cause
 2. Risk Event
 3. Impact or Consequences
 - The internal audit manages the process of discussing and explaining the audit observation and answering inquiries from the audited department/division/program/activity using all possible and documented communication methods, including email, face-to-face meetings, or virtual meetings. The auditor has the right to request that virtual meetings be recorded using widely accepted software for remote meetings, but such recordings will not occur without the participants' consent.
 - **Unscheduled or Surprise Inspections:** While the internal audit adheres to a risk-based audit plan, it may also select audit topics, attend operational committee meetings, and conduct or observe surprise inspections, such as physical inventory counts, observing inventory processes, attending handovers and reconciliations, and carrying out other control procedures or reviews of balances or physical reconciliations.
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Timeline for Documenting Responses to Draft Internal Audit Observations:

- Internal audit sends the draft observation to the responsible party via email, and such email correspondence and the response from the audited entity are considered official communications.
 - Responses to individual or partial audit observations must be submitted within **four (4) working days** from the date of receipt.
 - If a **comprehensive report** is issued for a particular department, branch, division, or subsidiary, the maximum period allowed for documented responses is **eight (8) working days**.
 - If a response cannot be submitted within the standard timeframes mentioned above, the person responsible for the audited activity must request an extension from the Director of Internal Audit via email. This extension may not exceed **two (2) additional working days**.
 - The Director of Internal Audit coordinates extension requests with the Audit Committee using appropriate channels.
 - Only **one extension request** is permitted—no further extensions are allowed.
 - If no response is received, the Internal Audit Department has the right to close the observation and notify the Audit Committee in the final report, indicating the lack of response from the responsible party.
 - Internally and in coordination with the Audit Committee and executive management, the Internal Audit Department may add a paragraph after receiving the response from the responsible party, providing an evaluation or commentary on the response submitted by executive management.
 - The Audit Committee receives observations or audit reports from the Internal Audit Department and determines any additional steps it deems appropriate.
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Types of Internal Audit in the Agricultural Relief Organization:

Internal audit activities within the Agricultural Relief Organization and its affiliated institutions are carried out in accordance with the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA). These activities aim to strengthen governance, enhance risk management, and improve internal control systems across the organization. The internal audit encompasses the following types:

1. Financial Audit:

Financial audits focus on reviewing financial transactions, accounting records, and financial statements to verify their accuracy, compliance with internal policies, and adherence to applicable accounting standards. The purpose is to ensure the reliability of financial reporting and the soundness of the organization's financial performance.

2. Compliance Audit:

Compliance audits aim to verify the organization's adherence to local laws and regulations, internal policies, donor requirements, and agreements. This type of audit helps reduce legal risks and promotes alignment with regulatory standards.

3. Performance (Operational) Audit:

Performance audits assess the efficiency, effectiveness, and economy in the use of resources, as well as the achievement of institutional goals. They aim to identify opportunities for performance improvement and promote sustainability in operational processes.

4. Information Systems (IT) Audit:

This audit type involves reviewing information security, access controls, business continuity, and data protection to ensure the safety and integrity of technological infrastructure. It also ensures compliance with international information security standards such as ISO 27001.

5. Integrated/Combined Audit:

The integrated audit is a comprehensive approach that combines multiple audit types, potentially including financial, operational, compliance, and information systems reviews simultaneously. This approach is applied based on the targeted audit scope and the institution's needs.

6. Ad Hoc Reports and Consulting Services:

In addition to traditional audit tasks, the internal audit function provides consulting services upon the request of the Audit Committee of the Board of Directors. This includes the preparation of reports and analyses on specific issues such as:

- Risk analysis for new projects or policy changes.
- Reviewing governance practices and sound management.
- Advising on the improvement of internal control systems.

All types of internal audits in PARC and its affiliated entities are carried out in line with professional standards, ensuring independence and objectivity throughout the audit process, thereby supporting good governance and the achievement of the organization's strategic objectives.

Internal Audit Committee Charter

The Internal Audit Committee at PARC is established to enhance governance and ensure effective oversight of internal audit activities, while supporting the independence and objectivity of the internal audit function.

Committee Composition:

The Internal Audit Committee consists of five members from the Board of Directors, based on the following criteria:

1. **Committee Chairperson:**

The Chairperson of the Board serves as the Chair of the Committee to ensure effective coordination and support between the Board and the internal audit function.

2. **Second Committee Member:**

The Treasurer serves as the second member, due to their key role in financial oversight.

3. **The Remaining Three Members:**

Appointed by the Chairperson of the Board. Preferably, they should be familiar with the organization's activities across various geographic regions and must not hold any executive or administrative position in any of the organization's affiliated or owned entities.

Each member of the committee is referred to in this Charter as a “**Member**”, and collectively as the “**Members**”.

The Committee is committed to upholding effective governance standards, supporting the internal audit function, and providing guidance to ensure the highest levels of integrity and accountability within the organization.

Quorum: A legal quorum for any meeting requires the presence of at least **three members**, including the Chairperson and/or their delegate. Meetings may be attended either in person or via electronic communication methods.

Decision-Making Strategies (In Meetings or by Circulation):

Decisions are made by a **majority of the quorum**. In the event of a tie, the Chairperson or their delegate holds the casting vote. If only two members are present, decisions must be made unanimously.

Committee Secretary: The Director of the Internal Audit Department serves as the Secretary of the Internal Audit Committee.

Agenda: The Internal Audit Director prepares the agenda for committee meetings. However, the Committee reserves the right to amend this task or hold meetings without notifying the internal auditor and to raise topics at its own discretion.

Meeting Frequency: The Committee convenes at least **once per month**, totaling no fewer than **12 meetings per year**. Additional meetings may be called by the Chairperson or any Committee member as needed.

Meeting recorder: The Committee Secretary documents the minutes of all discussions and decisions taken during Committee meetings—even if the Secretary is not present—and as the Committee's request.

Brainstorming and Informal Meetings: The Committee is not required to document minutes for all meetings, particularly for brainstorming sessions or support/guidance discussions where no decisions are made.

Use of consultants: The Committee may obtain independent professional consultant at the organization's expense and in coordination with management whenever and however it deems necessary.

Responsibilities and Duties:

- **Receive and review various internal audit reports** related to the organization and its affiliated entities, in line with applicable policies and procedures.
- **Approve the appointment, evaluation, and rotation** of the Internal Audit Director and audit staff.
- **Consider and approve the remit of the internal audit function** and ensure that it has sufficient resources and unrestricted access to copies of any information to enable it to perform its function effectively and in accordance with relevant professional standards.
- **Ensure compliance** of the internal audit function with professional and ethical standards in accordance with local regulations and professional bodies.
- **Discuss any barriers** affecting the objectivity of the internal audit function.
- **Ensure fairness and conduct independent performance evaluations** of the internal audit department, its director, and its auditors in accordance with the approved human resources policy, including determining salaries, entitlements, annual bonuses, and placement within the organizational structure, as well as any applicable regular or special allowances.
- **The Committee Chair and Board Chair** maintain ongoing communication with the Internal Audit Director by any available ways.

Review, Approve, and Monitor:

- The **annual internal audit plan** and any amendments based on risk assessments.
 - The **internal audit strategy**.
 - **Internal audit methodologies** for the organization and its affiliates.
 - The **budget and resource plans** of the Internal Audit Department.
 - The **training plan** for the Internal Audit Department.
 - The **succession plan** for the Internal Audit Department.
 - The **annual performance objectives** of the Internal Audit Director and team.
 - The **job description** of the Internal Audit Director and confirmation that the Board has evaluated the qualifications and competencies required for the role.
 - **Review and revise the Internal Audit Charter**.
 - **Review, revise, and approve the internal audit function's job description**.
 - **Review, revise, and approve the periodic and annual internal audit plans and updates**.
 - **Review periodic progress reports** on the performance of the Internal Audit Department.
- **Conduct external quality assessments** of the internal audit department's work.

- **Ensure that the internal audit function operates without undue influence**, and verify through discussions with the Internal Audit Director and auditors whether they faced any difficulties in carrying out their responsibilities, or any restrictions on audit scope or access to necessary information, or any disagreements with management on significant matters.
 - **Monitor management’s responsiveness** to observations and recommendations issued by the Internal Audit Department regarding the organization and its affiliated entities.
 - The Internal Audit Committee is **responsible for disciplinary actions, employee loans, car loan requests, and allocations from the savings and provident fund** related to the Internal Audit Department and all its employees, in accordance with the organization’s HR and administrative policies.
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Administrative and Supervisory Affiliation According to Human Resources and Administrative Policies and the Relationship with Executive Management Regarding Internal Audit Functions:

The Internal Audit Department enjoys full independence in performing its duties, with operational reporting solely to the Audit Committee to ensure impartiality and freedom from executive management influence during audit activities. Accordingly, executive management shall not direct or interfere in the internal audit’s tasks or determine its scope of work, thereby safeguarding the objectivity and credibility of all audit operations.

Nevertheless, the Internal Audit Department shall adhere — from a limited administrative and supervisory perspective — to the general institutional policies related to human and administrative resources, as applied to all employees of the Agricultural Relief organization. This includes compliance with the following policies:

1. Leave policies (annual, sick, emergency, unpaid).
 2. Official working hours and holidays according to institutional regulations.
 3. Working hours during the month of Ramadan as per approved policies.
 4. Absenteeism, its regulations, and related disciplinary procedures.
 5. Weekly days off and adherence to organizational regulations.
 6. Official and institutionally recognized holidays.
 7. Authorized and justified departures according to internal procedures.
 8. Business travel and official mobility, including travel policies.
 9. Code of work ethics and compliance with professional conduct standards.
 10. Salary advances and loans and their regulations as per the institution’s financial systems.
 11. Entitlements from savings and provident funds and disbursement mechanisms.
 12. Salary and transportation advances and their granting criteria.
 13. Transportation policy and vehicle advances in line with institutional regulations.
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Ensuring Operational and Functional Independence of Internal Audit:

- The Internal Audit Department is fully supervised by the Audit Committee in all matters related to audit planning, execution, and reporting to ensure there is no conflict of interest.
- The role of executive management is strictly limited to narrow administrative oversight related to the implementation of human and administrative resources policies, without interfering with or impacting the independence of internal audit in any way.
- The Audit Committee is the sole authority authorized to determine the scope of internal audit work, approve its reports, and oversee its professional performance, ensuring neutrality and transparency in all audit operations.

Through this approach, internal audit remains operationally independent while complying with the institution's general administrative policies without compromising its independence in performing control and audit tasks.

Quality Assurance and Improvement Program:

- The Internal Audit Department shall maintain a Quality Assurance and Improvement Program that covers all aspects of internal audit. This program will include evaluation of the internal audit activity's conformity to international standards and whether internal auditors apply the Code of Ethics issued by the Institute of Internal Auditors. The program will also assess the efficiency and effectiveness of the Internal Audit Department and identify opportunities for improvement.
 - The Head of Internal Audit will report to the Audit Committee and management regarding the Quality Assurance and Improvement Program of the Internal Audit Department, including audit conformity with the standards and the results of ongoing and periodic internal assessments, as well as external assessments conducted at least once every five years by an independent assessor or assessment team from outside the organization.
 - The Internal Audit Department, in coordination with the Audit Committee, will explore the adoption of internal audit software and allocate the necessary resources, especially electronic and technological tools, to ensure audit quality.
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Charter Update:

This charter shall be reviewed and updated by the Board of Directors and the Audit Committee periodically as needed.

Approval / Signatures of the Board Members of the Agricultural Development Association:

No.	Name	Position	Signature
1	Salam Saeed Faris Zagha	Chairman of the Board	
2	Nasir Mustafa Khalil Alfar	Vice Chairman of the Board	
3	Sameeh Abd-Alrahman Mohammed Abu Hashish	Treasurer	
4	Hatim Aiesh Hussin Alshanti	Deputy Treasurer	
5	Ahmad Omar Ahmad Ashour	secretary	
6	Asma Ahmad Abdullah Atawneh	Member	
7	Abd Alraziq Abdullah Mohammed Salameh	Member	
8	Lutfi Farah Elyas Abu-Hashish	Member	
9	Saher Ahmad Saleem Sarsour	Member	
10	Ahlam Sulaiman Ali Al- khdair	Member	
11	Amneh Abd Alaziz Lafi	Member	
12	Khalil Yuosif Issa Qanqar	Member	

The members of the Internal Audit Committee were elected from among the above-mentioned Board members, as follows:

1. Salam Saeed Faris Zagha
2. Nasir Mustafa Khalil Alfar
3. Sameeh Abd-Alrahman Mohammed Abu Hashish
4. Lutfi Farah Elyas Abu-Hashish
5. Abd Alraziq Abdullah Mohammed Salameh

Annex 1: Organizational Position of the Internal Audit Department within the Structure of the Agricultural Development Association

