

Internal Audit System

An Outline of the Internal Audit System

The Audit Department of SMFG is responsible for objectively conducting internal audits for the Group in a process separate from the oversight exercised by the Board of Directors on the shareholders' behalf.

With the objective of helping realize the optimal management and business operations of the Group, and of ensuring the soundness of the Group's assets, the Audit Department conducts internal audits of the operations of all units and departments. The audits have the additional aim of verifying that the Group's internal control system, including compliance and risk management, is appropriate and effective. The Audit Department is also responsible for supervising internal audits at each Group company. It monitors the activities of the internal audit department of each company and conducts audits when deemed necessary.

The results of the audits and monitoring are periodically reported to the Management Committee and the Board of Directors. The Audit Department administers guidance and gives advice to the audited departments and related offices, as well as to the respective auditing departments of Group companies.

At SMBC, the Internal Audit Department and the Credit Review Department of the Internal Audit Unit conduct internal audits. The Internal Audit Department audits compliance as well as the management of market risk, liquidity risk, processing risk, and systems risk. The Credit Review Department audits credit risk management, including the accuracy of ratings and self-assessment.

Internal auditing sections have been set up at other Group companies, according to the respective nature of each company's line of business.

Enhancing Efficiency of the Internal Auditing Process

The Audit Department has adopted auditing methods in line with the standards of the Institute of Internal Auditors (IIA)*, an international body. It conducts risk-based audits and spreads the ideas and methods to the Group companies.

Additionally, to effectively fulfill its role as the central body for internal auditing, the staff of the Audit Department constantly work to collect the latest information on internal auditing from inside and outside Japan and to distribute it to all Group companies. They also organize training courses, which are conducted by outside experts, for all the staff of Group companies, and encourage staff to obtain international qualifications, to raise their level of specialist expertise in internal auditing. In addition, the Audit Department is actively working on the evaluation of the quality of audits in order to further enhance their effectiveness.

* The Institute of Internal Auditors (IIA) was founded in 1941 in the United States as an organization dedicated to helping raise the level of specialization and professionalism of internal auditing staff. In addition to conducting theoretical and practical research, the IIA administers examinations for Certified Internal Auditor® (CIA), which is the globally accepted qualification in the field.

