

Internal Audit System

Outline of the group's internal audit system

At SMFG, in addition to the Auditing Committee of the Board of Directors, the Internal Auditing Committee is established as part of the Management Committee, where the members discuss important auditing matters reported by the relevant departments. Under such a structure, the Audit Department is established as an internal auditing function, which is independent of business units.

The Audit Department conducts internal audits for each unit and department to verify the soundness and effectiveness of internal control systems, including compliance and risk management. It is also responsible for the overall supervision of internal audit functions at Group companies, and it verifies the appropriateness and effectiveness of their internal control systems by monitoring the performance of internal audit activities and conducting group-wide audits on common subjects. On the basis of its monitoring and group-wide audit, the Audit Department provides recommendation and guidance to the business units and departments as well as to Group companies. Also, the department is working to strengthen cooperation with corporate auditors and accounting auditors through frequent exchanges of information for appropriate audit practices.

SMBC has similar internal audit systems to those of SMFG, where the Internal Audit Unit is established and the Internal Auditing Committee is convened for discussions and reporting. The Internal Audit Unit conducts audits of operations at both domestic and overseas head offices, branches, and

SMBC Group companies in order to verify compliance and risk management systems. It also carries out “theme audit,” which focuses on a particular business or specific risk management issue to test cross-organizational conditions of internal control. Each audit practice is not limited to simple inspection of deficiency but points out issues and makes suggestions for future improvement on the basis of root-cause analysis.

Internal audit units are also established in other group companies according to their respective business characteristics.

Enhancing the quality and efficiency of internal audit

The SMFG Audit Department has adopted auditing methods in accordance with the standards of the Institute of Internal Auditors (IIA)*. The department conducts risk-based audits and expands the same approach to group companies as well. It seeks to enhance the expertise of internal auditors in Group companies as it gathers up-to-date information on internal audits and offers that information to Group companies, organizes training programs, and promotes the obtaining of international certification as an auditor.

Moreover, it is proactively working on a group-wide quality assessment of internal audits based on the IIA standards.

* The Institute of Internal Auditors, Inc. (IIA), was founded in 1941 in the United States as an organization dedicated to helping raise the level of specialization and the status of professionalism of internal auditing staff. Its main activity is to hold examinations and approve licenses for Certified Internal Auditor (CIA), which is an internationally recognized qualification in both theoretical and practical knowledge for internal auditor.

► Internal Audit System at SMFG and SMBC

