

RESOLUTION OF THE BOARD OF THE NATIONAL BANK OF THE REPUBLIC OF  
BELARUS

30 November, 2012, No.625

**On Approval of the Instruction on Arrangement of the  
Internal Control System in Banks, Development Bank of  
the Republic of Belarus Joint-Stock Company, Non-bank  
Credit and Financial Institutions, Banking Groups and  
Bank Holding Companies**

Amendments and additions:

Resolution of the Board of the National Bank of the Republic of Belarus dated 1 October, 2013, No.567 (National Legal Internet Portal of the Republic of Belarus, 19.10.2013, 8/27973);

Resolution of the Board of the National Bank of the Republic of Belarus dated 26 November, 2014, No.723 (National Legal Internet Portal of the Republic of Belarus, 24.12.2014, 8/29396);

Resolution of the Board of the National Bank of the Republic of Belarus dated 13 August, 2015, No.482 (National Legal Internet Portal of the Republic of Belarus, 05.09.2015, 8/30209);

Resolution of the Board of the National Bank of the Republic of Belarus dated 10 June, 2016, No.311 (National Legal Internet Portal of the Republic of Belarus, 08.07.2016, 8/31080);

Resolution of the Board of the National Bank of the Republic of Belarus dated 29 June, 2016, No.361 (National Legal Internet Portal of the Republic of Belarus, 26.07.2016, 8/31115)

By virtue of the third paragraph in the fourth part of Article 34, the first part of Article 39 of the Banking Code of the Republic of Belarus, and in pursuance of the second paragraph in Article 4 of the Law of the Republic of Belarus dated 13 July, 2012 On Making Additions and Amendments in the Banking Code of the Republic of Belarus, the Board of the National Bank of the Republic of Belarus hereby DECIDES:

1. To approve the enclosed Instruction on Arrangement of the Internal Control System in Banks, *Development Bank of the Republic of Belarus* JSC, Non-bank Credit and Financial Institutions, Banking Groups and Bank Holding Companies.

2. To declare the following to be no longer in force:

Resolution of the Board of the National Bank of the Republic of Belarus dated 28 September, 2006, No.139, On Approval of the Instruction on Arrangement of the Internal Control in Banks and Non-bank Credit and Financial Institutions (National Register of Legal Acts of the Republic of Belarus, 2006, No.179, 8/15165);

Resolution of the Board of the National Bank of the Republic of Belarus dated 18 June, 2008, No.74, On Making Amendments and Additions in the Instruction on Arrangement of the Internal Control in Banks and Non-bank Credit and Financial Institutions (National Register of Legal Acts of the Republic of Belarus, 2008, No.174, 8/19131);

Clause 2 in Resolution of the Board of the National Bank of the Republic of Belarus dated 31 August, 2010, No.374, On Making Additions and Amendments in Several Normative Legal Acts of the National Bank of the Republic of Belarus (National Register of Legal Acts of the Republic of Belarus, 2010, No.225, 8/22777).

3. This Resolution shall come into effect since 22 January, 2013.

**Chairman of the Board**

**N.A.Yermakova**

APPROVED

Resolution of the Board  
of the National Bank  
of the Republic of Belarus  
30.11.2012 No.625

## **THE INSTRUCTION**

### **on Arrangement of the Internal Control System in Banks, Development Bank of the Republic of Belarus Joint-Stock Company, Non-bank Credit and Financial Institutions, Banking Groups and Bank Holding Companies**

#### **CHAPTER 1 GENERAL PROVISIONS**

1. This Instruction sets the requirements for the arrangement of the internal control system in banks, Development Bank of the Republic of Belarus JSC, non-bank credit and financial institutions (hereinafter referred to as banks), banking groups and bank holding companies.

2. For the purposes of this Instruction, the following terms shall have the following meaning:

internal control – the process implemented by a bank for the purposes of assurance of the orderly and effective implementation of activities in accordance with the requirements of the legislation of the Republic of Belarus and bank’s local normative legal acts;

internal control system – a combination of the internal control, the internal audit, the organizational structure and local normative legal acts defining the internal control strategy, policy, techniques and procedures as well as powers and responsibilities of bank’s administrative bodies and officials;

information security – a multilevel set of organizational measures, hardware-software and technical tools providing protection against accidental and intentional threats that, if materialized, can result in disturbance of properties of accessibility, integrity, authenticity or confidentiality of information being processed, stored or transmitted;

information accessibility – an automated system’s capability to present the required information in due time and reliably in accordance with the established access rules and rights;

information integrity and authenticity – an automated system’s capability to preserve the information and its authorship attributes intact, or to detect the facts of their unauthorized modification;

information confidentiality – an automated system’s capability to ensure prevention of unauthorized users from access to the information.

3. The principal organization of a banking group or the principal organization of a banking holding where this principal organization is a bank (except for Development Bank of the Republic of Belarus JSC) must arrange the internal control system in a banking group and (or) a banking holding on the consolidated basis in such a way that is appropriate to ensure reception of information in due time about the activities of banking group and (or) banking holding participants for the purposes of implementation of assessment of these participants’ activities effectiveness and observance of the requirements of legislation and local normative legal acts by them.

4. In accordance with the results of assessment of the internal control system in a bank within the scope of implementation of the banking supervision, the National Bank of the Republic of Belarus (hereinafter referred to as the National Bank) has a right, in view of a reasoned opinion about the internal control system’s compliance (or non-compliance) with the requirements set by the National Bank, to make a decision approving:

the state registration of a bank established as a result of the reorganization and simultaneous issuance of the special permission (license) for banking activity implementation to this bank;

the state registration of amendments and (or) additions made in the bank’s Articles of Association (within the scope of the bank reorganization);

the issuance of (or the refusal to issue) the special permission (license) for banking activity implementation to the bank, making (or refusal to make) amendments and (or) additions to the schedule of banking transactions listed in the special permission (license) for banking activity implementation issued to the bank;  
application of supervisory response measures.

## **CHAPTER 2**

### **REQUIREMENTS FOR THE INTERNAL CONTROL BODIES IN THE BANK AND FOR THE ORGANIZATIONAL STRUCTURE OF THE INTERNAL CONTROL**

5. Bank's administrative bodies must provide effective internal control to ensure appropriate level of financial reliability and information security meeting the types and amounts of banking and other operations (transactions) and other activities carried out.

The bank must provide regular participation of administrative bodies in arrangement and operation of the internal control system and clear distribution of powers in internal control implementation as well as distribution of responsibilities between the board of directors (the supervisory board), the audit committee, the executive body, other collegial bodies, subdivisions and employees at all levels including the official responsible for the internal control in the bank, the subdivision (if any) for the internal control implementation in the bank, the special subdivision for prevention of legalization of proceeds obtained by criminal means and for prevention of financing of terrorist activities and proliferation of weapons of mass destruction, the internal audit service, and cooperation between all aforementioned participants of the internal control system.

6. The bank's board of directors (the supervisory board) must provide arrangement of the internal control system on the consolidated basis, including such a system in the banking group and (or) the banking holding where the bank is the principal organization, prevention of conflicts of interests and conditions for onset of these conflicts within the scope of implementation of the internal control in a bank, a banking group and (or) a banking holding where the bank is the principal organization, and adopt a local normative legal act defining the bank's strategy with regard to the internal control arrangement and implementation.

The board of directors (the supervisory board) must:

set the limits for transactions and other activities covered by the decisions made by the bank's executive body and (or) the head of the bank;

regularly review the results of assessment of the internal control system effectiveness and its suitability for the types, scopes and conditions of bank's activities, instruct the bank's executive body in matters of arrangement of the internal control and taking measures for its effectiveness improvement;

review the management reporting in matters of operation of the internal control system;

review the audit committee information about the results of inspections of the internal audit service;

take measures for prompt elimination, by the bank's executive body, of violations of the legislation of the Republic of Belarus, misuses and drawbacks found within the scope of examinations (inspections) carried out by the internal audit service, an auditing organization, an auditor carrying out an activity as an individual entrepreneur (hereinafter referred to as an individual entrepreneur auditor), an inspecting commission (an inspector), the National Bank and other governmental (supervising) bodies and for implementation of recommendations received;

make strategic decisions for the internal control system improvement.

7. The audit committee shall:

carry out the internal monitoring of implementation of decisions made by the board of directors (the supervisory board) with regard to the internal control system and the internal audit service;

carry out the assessment of effectiveness of the internal control system on the consolidated basis, including such assessment in a bank, a banking group and (or) a banking holding where the bank is the principal organization, and the assessment of effectiveness of the internal audit service in the bank;

regularly provide the board of directors (the supervisory board) with the management reporting covering the internal control system condition and the internal audit service operation;

review the results of examinations (inspections) carried out by the internal audit service, an auditing organization, an individual entrepreneur auditor, an inspecting commission (an inspector), the National Bank and other governmental (supervising) bodies, and submit information to the board of directors (the supervisory board) about any detected significant problems, misuses and drawbacks in the bank's activities that can result in unfavorable consequences;

submit to the board of directors (the supervisory board), for consideration, the committee's recommendations in matters of the internal control and the internal audit, proposals for the internal control system improvement including the proposals resulting from consideration of the results of examinations (inspections) carried out by the internal audit service, an auditing organization, an individual entrepreneur auditor, an inspecting commission (an inspector), the National Bank and other governmental (supervising) bodies;

carry out the internal monitoring of the procedure for preparation of accounting (financial), prudential and other reporting;

make the decisions with regard to the internal control and the internal audit in accordance with the orders of the board of directors (the supervisory board);

choose an auditing organization or an individual entrepreneur auditor and arrange necessary cooperation with it;

implement other functions in accordance with the procedure set by the bank.

The scope and intervals of information submission to the board of directors (the supervisory board) shall be appropriate to ensure the information sufficiency and its submission in due time for making the managerial decisions.

8. The bank's executive body must arrange the internal control system, the internal audit service operation, and ensure that the bank achieves the goals and fulfills the tasks set by the board of directors (the supervisory board) in this area.

The bank's executive body must approve local normative legal acts regulating the policy, techniques and procedures for implementation and controlling of banking and other operations (transactions), for setting limits and other constraints (unless the bank's Articles of Association defines that the approval of such local normative legal acts is within the scope of competence of the board of directors (the supervisory board)), as well as the procedures of decision-making, cooperation between the subdivisions, distribution and delegation of powers during implementation of operations (transactions), risk management and internal control, and ensure their effective practical application.

The bank's executive body must:

ensure implementation of decisions made by the board of directors (the supervisory board), realization of bank's strategy and policy including those with regard to the internal control arrangement and implementation;

implement the controlling of observance of limits and powers of officials including those within the scope of implementation of major transactions;

implement the controlling of measures for reduction or limitation of risks;

implement the internal monitoring of effectiveness of the internal control system and the controlling of elimination of detected violations and drawbacks in the internal control;

review the management reporting containing the results and materials of periodical assessments of effectiveness of the internal control system, its separate areas and types;

arrange the effective system of information submission and exchange that must ensure the delivery of necessary data to the users having their interest in it;

prevent approval of bank's local normative legal acts and (or) commission of activities that can create conditions for violation of the legislation of the Republic of Belarus and (or) hinder the internal control implementation, and take measures for the internal control system improvement.

9. A bank must appoint an official responsible for the internal control in a bank; this official must be the bank's employee and may be the head of the internal control subdivision in the bank.

An official responsible for the internal control in a bank shall coordinate and control the activities of subdivisions and (or) officials implementing the internal control in bank's subdivisions and (or) by areas of activities if any (such as business lines or business processes),

arrange preparation of local normative legal acts regulating the policy, techniques and procedures for the internal control implementation, provides preparation of the management reporting describing the internal control system condition and this reporting submission to the bank's administrative bodies and the audit committee for consideration.

An official responsible for the internal control in a bank shall be a member of the audit committee. This official's status, functions, powers and responsibilities must be specified in bank's local normative legal acts.

To avoid a conflict of interest, functions of an official responsible for the internal control in a bank must not cover the management of activities of subdivisions (business lines, business processes) and bank's employees generating risks (except for operational, reputational and strategic risks) or implementing the risk management; also, these functions must not cover the management of accounting and preparation of accounting (financial) reporting as well as the internal audit service management.

10. Bank's employees, within the scope of performance of their functions, must:

implement the controlling of correctness and legality of transactions carried out, and prevent the onset of conflict of interests;

provide correct recording of operations (transactions) in the accounting, in the accounting (financial), prudential and other reporting, in the management information and other information;

inform the management and other responsible persons in subdivisions, promptly and in full, about any arising violations and mistakes that can result in unfavorable consequences for the bank;

submit proposals for improvement of effectiveness of bank's activities and the internal control system.

11. A bank shall assess the compliance of the official responsible for the internal control in a bank and the head of the internal audit service with the qualification requirements and business reputation requirements set by the bank for these officials with intervals between assessments suitable to ensure that their qualification and business reputation is maintained at an appropriate level.

12. The organizational structure of the internal control system must be in line with the organizational and functional structure of a bank, with types and amounts of banking and other operations (transactions) as well as other activities carried out by the bank.

13. The internal control system must be staffed with skilled specialists and provided with appropriate information systems, software and hardware suitable for gathering, processing, analysis, transmission and protection of information used for the internal control.

A bank shall regularly analyze the existing information systems to ensure that they are capable to provide the internal control system operation in accordance with the requirements set by this Instruction, promptly modify (update) these systems or introduce new ones when necessary.

14. The organizational structure of the internal control system, information flows generated by this system, allocation of areas of responsibility and powers of officials, procedures for implementation of these powers, procedures of cooperation between the bank's subdivisions and employees, subordination and accountability of officials and subdivisions implementing the internal control, procedures for provision of information for officials and subdivisions responsible for the internal control, decision-making procedures must be arranged in such a way that is appropriate to prevent conflicts of interests, including those between subdivisions or officials implementing the internal control and subdivisions or officials subject to the internal control.

### **CHAPTER 3 REQUIREMENTS FOR THE INTERNAL CONTROL PROCEDURES**

15. Local normative legal acts must be prepared and approved in a bank to describe the internal control policy, techniques and procedures; these acts must be consistent, be detailed to a degree appropriate for the scope and complexity of bank's activities, and be applied uniformly in all bank's subdivisions.

These local normative legal acts must be assessed for adequacy at least once a year, including considerations of changes, significant for the bank, in bank's activity and condition, and appropriate amendments must be made in accordance with the assessment results.

16. The bank's internal control system must be arranged by the areas as follows:

- controlling the achievement of strategic goals stated;
- controlling the assurance of effectiveness and productivity of bank's financial and economic activity during implementation of banking and other operations (transactions);
- controlling the effectiveness of assets and liabilities management;
- controlling the bank's assets and investments preservation;
- controlling the validity, completeness, objectivity and timeliness of accounting procedures as well as preparation and submission of accounting (financial), prudential and other reporting (for internal and external users)
- controlling the distribution of powers and responsibilities;
- controlling the observance, by the bank and its employees, of the requirements set by the legislation of the Republic of Belarus and bank's local normative legal acts;
- internal control of arrangement of the efforts for prevention of legalization of proceeds obtained by criminal means and for prevention of financing of terrorist activities and proliferation of weapons of mass destruction;
- controlling the effectiveness of the risk management system;
- controlling the effectiveness of activities of organizations being the members of a banking group and (or) a banking holding where the bank is the principal organization, and observance, by these organizations, of the requirements set by the legislation of the Republic of Belarus and bank's local normative legal acts;
- controlling the operation of information systems, the information flow (information reception and transmission) management and the information security assurance;
- controlling the handling of applications submitted by citizens and legal entities;
- controlling the observance of the legislation of the Republic of Belarus with regard to the bank secret, the trade secret or other secret protected by law, and the requirements of the National Bank for information disclosure;
- controlling the prevention of conflicts of interests in bank's activities.

A bank may stipulate more areas of the internal control in its normative legal acts.

17. The following forms (methods) must be used by a bank within the scope of the internal control implementation:

the internal control implemented by the board of directors (the supervisory board) and the executive body by reception of regular management reporting and by requesting for other reporting and information about the results of activities of subdivisions as well as explanations from executives of appropriate subdivisions for the purpose of identification of disadvantages, violations and mistakes;

the internal control of distribution of powers during implementation of banking and other operations (transactions) and other activities carried out by virtue of bank's local normative legal acts defining the functional powers of subdivisions and powers of employees during implementation of banking and other operations (transactions);

the accounting control intended to prepare complete and reliable information about implementation of banking and other operations (transactions) and other activities in order to ensure preservation of bank's assets and property, with this control implemented by way of verification of correctness of evaluation of assets and liabilities, completeness and timeliness of payments, reasonability of expenses;

the tangible (physical) control carried out by verification of restriction of access to tangible valuables, recounting of tangible valuables, division of responsibility for storage and usage of tangible valuables, provision of guarding of rooms used to keep tangible valuables;

controlling of observance of established limits for implementation of banking and other operations (transactions) and other activities by reception of appropriate reporting and matching it against the data of primary documents;

controlling the observance of the procedure for making the decisions for implementation of banking and other operations (transactions) and other activities and for distribution of powers

during implementation of banking and other operations (transactions) and other activities exceeding the established limits, with this procedure providing for notification of appropriate executives of a bank (or its subdivisions) about these operations and other activities or about the resulting situation, and with these operations duly recorded in the accounting and reporting;

inspection of conformity of bank's activities with the legislation of the Republic of Belarus and the bank's local normative legal acts;

inspection of observance of the order (the procedures) of implementation of banking and other operations (transactions) and other activities, reconciliation of accounts, informing appropriate executives of the bank (or its subdivisions) about any identified disadvantages, violations and mistakes;

legal control implemented by expert assessment of contractual relations with regard to the banking and other operations (transactions) and other activities being carried out;

technological control implemented during preparation and implementation of banking and other operations (transactions) and other activities in an automated mode by inspection of observance of appropriate technical codes and standards in the field of information systems and information technologies;

controlling the activities of an organization being the service provider by virtue of an outsourcing agreement;

other forms (methods) of the internal control defined by a bank in its local normative legal acts.

Bank's local normative legal acts shall establish the procedure for identification of a conflict of interests, areas and conditions for onset of such a conflict, and for implementation of controlling of completeness and effectiveness of measures taken by the bank for identification and elimination of such conflicts.

18. Requirements for implementation of the internal control for prevention and identification of financial transactions involving legalization of proceeds obtained by criminal means, financing of terrorist activities and financing of proliferation of weapons of mass destruction, as well as controlling of observance of norms and requirements set by the currency legislation of the Republic of Belarus shall be established in accordance with separate normative legal acts of the Republic of Belarus.

19. The procedure for controlling the operation of information systems, information flow control (information reception and transmission) and information security assurance shall be established by the bank's local normative legal acts, with due consideration of requirements of this Instruction, technical codes and standards in the field of information systems and information technologies, related internal control and audit, and shall cover all subdivisions, business lines and business processes in the bank.

For the purpose of provision of faultless and continuous operation of automated information systems and related hardware, the bank must implement:

the general control that consists of the procedures carried out by the bank for data backing-up (copying) and restoration of functions of automated information systems, implementation of support of automated information systems throughout their life cycle including determination of rules for software purchase, development and service (maintenance), the procedure of controlling of physical access safety;

the program control implemented by automated procedures built into application software and by procedures carried out manually to control handling of banking and other operations (transactions), including such procedures as edit checks, logical access control, internal procedures for data backing-up and restoration etc.

The bank must ensure timeliness, reliability, availability, integrity, authenticity, confidentiality and correct drafting of information used as backgrounds for controlling the operation of information systems, information flow control and information security assurance. Information must include data characterizing the bank activity and its results, data describing the observance of established requirements of normative legal acts, the bank's Articles of Association and other local normative legal acts, data describing the events and conditions relevant for decision-making and other necessary data. The form of information submission must be defined in accordance with the needs of a specific user (the board of directors (the supervisory board), the audit committee, the bank's executive body, subdivisions, employees).

20. The risk management system effectiveness controlling must include:  
observance, by the bank's employees, of the risk controlling procedure specified by the bank's local normative legal acts;

verification of observance of bank's local normative legal acts describing the risk management strategy, policy, techniques and procedures, the legislation of the Republic of Belarus, correctness of preparation of prudential and other reporting including the management reporting where this verification shall be carried out by the officials (subdivisions) implementing the internal control and (or) the internal audit in a bank;

assessment of effectiveness of the risk management system on the consolidated basis by the internal audit service including such assessment in the bank, the banking group and (or) the banking holding where the bank is the principal organization.

21. The bank must implement the following types of the internal control: the pre-control, the running control and the post-control.

The pre-control shall be carried out before the effective implementation of banking and other operations (transactions) and shall be used:

in recruiting – by thorough analysis of business-related and professional knowledges and skills necessary to perform a specific job (functions) and selection of applicants to choose the best specialists in terms of their training and skills, with the appropriate business reputation;

in money invitation and placement – by preliminary analysis of effectiveness of operations carried out by the bank by choosing optimal tools and methods for their implementation in order to avoid or restrict possible losses;

in tangible resources – by provision of the bank with necessary hardware, equipment, up-to-date automated information systems and technologies within the scope of bank's available financial resources and in accordance with bank's local normative legal acts;

in division of duties and powers – by preparation and approval of unified local normative legal acts defining the techniques, procedures and order of implementation of banking and other operations (transactions), the tasks, functions and powers of subdivisions (business lines, business processes) and their heads, job descriptions for employees, as well as by setting and regular revision of limits and other restrictions;

in other areas defined in bank's local normative legal acts.

The running control of performed banking and other operations (transactions) and other activities, of observance of established procedures for making the decisions for implementation of banking and other operations (transactions), of established document handling procedures shall be carried out during the bank's business day within the scope of discharge of duties assigned to bank's employees. The running control shall be implemented for prevention of facts of non-compliance with the requirements of the legislation of the Republic of Belarus and of bank's local normative legal acts, for timely and reliable recording of banking and other operations (transactions) in the accounting, for assurance of funds usage in accordance with the designated purpose and for bank's property preservation.

The post-control shall be carried out after the implementation of banking and other operations (transactions). During the post-control, reasonability and correctness of implementation of operations (transactions), conformity of documents with the specified forms and appropriate filling procedures, conformity of duties discharged by employees with their job descriptions, compliance with the established procedures of document matching, approval and endorsement shall be verified, effectiveness of information security assurance shall be assessed, allocation of duties between the employees shall be analyzed, casual relationships between violations and disadvantages shall be identified and measures for their elimination shall be prepared, planned and forecasted indexes shall be adjusted.

The procedure for implementation of the pre-control, the running control and the post-control shall be established by the bank in local normative legal acts in accordance with the specific features of tasks to be solved.

22. The bank must carry out the internal monitoring of the internal control system regularly by way of observation of the internal control system operation at all levels of management for the purposes of assessment of the degree of its conformity with the scopes and types of bank's activities, identification of disadvantages, preparation of proposals for the bank's internal control



system improvement and implementation of controlling of realization of the decisions that were made.

Bank's local normative legal acts shall define the procedure of implementation of the internal monitoring with regard to the internal control system (the technique, rules, time intervals, result analysis procedure) for the purposes of taking necessary measures for the internal control system improvement, with due consideration of variations of internal and external factors affecting the bank's activities.

23. Local normative legal acts shall establish the procedure, scope, level and time intervals for submission of the management reporting, covering the internal control, to the bank's executive bodies, the audit committee and officials; this reporting shall include the results of internal monitoring with regard to the internal control system, information about the internal control system condition and its efficiency assessment appropriate to ensure information sufficiency and timeliness of its submission to the bank's executive bodies for making the management decisions.

#### **CHAPTER 4**

### **REQUIREMENTS FOR THE ARRANGEMENT OF WORK OF THE INTERNAL AUDIT SERVICE**

24. The internal audit service shall be directly subordinated to the head of the bank. The head of the internal audit service must be a member of the audit committee.

The internal audit service must inspect the bank's activity including the internal control system and the risk management system, and carry out the assessment of effectiveness of business process arrangement.

The internal audit service must not be involved into implementation of banking and other operations (transactions) and other bank's activities subject to the internal audit, into drafting (preparation) of bank's local normative legal acts (except for those regulating the activity of the internal audit service), and it shall not be invited for implementation of day-to-day internal control procedures. The head and employees of the internal audit service shall have no right to sign, on bank's behalf, any payment instructions and (or) cash documents, accounting documents or any other documents resulting in acceptance of banking risks by the bank, or endorse such documents except for documents relevant for implementation of direct functions of the internal audit service.

25. The activity of the internal audit service must be regulated by the bank's local normative legal act, with the matters as follows defined in it:

- the goal and the scope of activity of the internal audit service;

- the principles (standards) and methods for the activity of the internal audit service;

- tasks, rights and duties of the internal audit service;

- rights and duties of the head of the internal audit service;

- conditions and the procedure for informing, by the internal audit service, of the board of directors (the supervisory board), the audit committee, heads of these entities, the head of the bank and the head of the bank subdivision where the internal audit was held, about the results of inspections carried out by the internal audit service;

- conditions and the procedure for informing, by the internal audit service, of the board of directors (the supervisory board), the audit committee and the head of the bank about any cases preventing the internal audit service from performing its functions;

- conditions and the procedure for inviting the internal audit service to provide consultations within the scope of implementation of bank's day-to-day activity;

- liability of the head of the internal audit service for failure to discharge (or for inappropriate discharge) of duties assigned to him (her);

- the procedure for cooperation between the internal audit service and the bank's subdivisions and employees, the powers of the internal audit service for accessing the bank rooms and documents and for collection of information and explanations from bank's employees as may become necessary for the internal audit service to implement its functions;

- the procedure for informing the internal audit service about any ongoing or planned banking and other operations (transactions) and other bank's activities, about the decisions made

and about the bank's local normative legal acts as well as about other matters of bank's activity as necessary for the internal audit service to implement its functions;

conditions and the procedure for making the decision to invite a third-party organization to carry out the works for implementation of the internal audit in a bank (the internal audit outsourcing) in specific operations or areas of activity (business lines, business processes) in case of making such a decision by the bank's executive body.

26. The activity of the internal audit service in a bank shall be carried out in accordance with the principles as follows:

independence of the internal audit service from the activities of other bank's subdivisions;  
impartiality in preparation of materials, decision-making and submission of proposals intended to eliminate disadvantages and violations identified in bank's activities;

systematic approach, comprehensiveness of coverage of all bank's activity areas by the inspections carried out by the internal audit service;

professionalism and competence of the internal audit service employees;

confidentiality;

effectiveness of operation of the internal audit service.

27. The internal audit service must:

prepare the bank's local normative legal act regulating the activity of the internal audit service;

prepare the schedule of work of the internal audit service, submit it to the board of directors (the supervisory board) for approval and inform the board of directors (the supervisory board) and the audit committee about its implementation;

identify the most risky operations and areas of activity (business lines, business processes) for preparation of the schedule of work of the internal audit service;

within the scope of inspections, assess the effectiveness of the internal control system on the consolidated basis, including the inspection of the internal control procedures by areas of activity (business lines, business processes);

within the scope of inspections, assess the effectiveness of the risk management system on the consolidated basis, including verification of the banking risk assessment technique and the banking risk management procedures for their application completeness and for correctness including such verification in organizations being the members of a banking group and (or) a banking holding where the bank is the principal organization;

assess the reliability and completeness of information submitted to the bank with regard to the activity of organizations being the members of a banking group and (or) a banking holding where the bank is the principal organization for the purposes of assessments, to be carried out by the bank, of the level of risk for these members, of their activity effectiveness and of these participants' adherence to the requirements of the legislation and local normative legal acts;

inspect the arrangement of operation of information systems, information flow control (information reception and transmission) and information security assurance including the controlling of database integrity and protection of databases against any unauthorized access and (or) usage and preparedness of emergency plans;

inspect the arrangement of efforts intended to prevent legalization of proceeds obtained by criminal means, financing of terrorist activities and financing of proliferation of weapons of mass destruction;

inspect the observance of the legislation of the Republic of Belarus and bank's local normative legal acts in bank's activity implementation;

inspect the reliability, completeness, impartiality and timeliness of submission of reporting and other information to the National Bank and other governmental agencies in accordance with the legislation of the Republic of Belarus;

inspect the reliability, completeness, impartiality and timeliness of submission of management reporting and other information to the bank's executive bodies in accordance with bank's local normative legal acts;

inspect preservation of assets and deposits including their effective availability and relevant recording;

inspect the arrangement of handling of applications submitted by citizens and legal entities;

inspect the observance of the legislation of the Republic of Belarus with regard to the bank secret, the trade secret or other secret protected by law;

inspect the observance of the requirements of the National Bank for information disclosure;

identify a conflict of interests in the bank, areas and conditions for onset of such a conflict, and assess the effectiveness of measures taken by the bank for prevention of such conflicts;

inspect the effectiveness of measures taken for elimination of identified violations and disadvantages in bank's activities including those in arrangement of business processes, internal control and risk management, and implementation of recommendations for improvement thereof;

inspect other matters stipulated in bank's local normative legal acts;

inform the audit committee and the head of the bank about the results of inspections carried out by the internal audit service;

inform the audit committee and the head of the bank about the internal control system condition and assurance of observance of legality and effectiveness in bank's activity;

submit proposals for improvement of effectiveness of bank's activity including the internal control, risk management and arrangement of business processes.