

Internal Auditing

Internal Audit System

The Internal Audit Division is independent from operating divisions in the head office. The division contributes to the sound and proper conduct of the Bank's operations by inspecting and assessing the Bank's operational execution and internal control systems. In this way, the Bank collects important information about the operations of audited divisions in a timely and appropriate manner.

The Internal Audit Division formulates the Internal Audit Plan based on the Bank's Basic Policy on Internal Auditing*. During formulation of the Plan, the Division must first provide an explanation to the Audit Committee regarding the Internal Audit Plan draft, the risk assessment that serves as the basis for this proposal, the core audit items, and the human resources plan. Following this, it must obtain consent for the Internal Audit Plan from the Committee before receiving the approval of the President and Representative Executive Officer and reporting to the Board of Directors.

Moreover, in accordance with the Internal Audit Plan, the Internal Audit Division conducts audits of the head office divisions, Regional Headquarters, Branches, Administration Service Centers, Operation Support Centers, Seal Card Management Center, ATM Management Centers, Data Centers, Credit Card Collection Service Center and other work sites. Through these

audits, the division verifies the appropriateness and effectiveness of operational execution and internal control systems, including compliance and risk management. In addition, the Internal Audit Division audits JAPAN POST, which undertakes bank agency services under contract. In these audits, the Internal Audit Division verifies the appropriateness of the internal control systems that are related to bank agency operations, including compliance and risk management.

In regard to major issues that are found in an audit, the Division offers recommendations for correction and improvement. At the same time, the Division directly reports on the status of internal audit progress, the results of audits, and the progress of improvements regarding the audit results to the President and Representative Executive Officer, the Board of Directors, and the Audit Committee.

In order to strengthen its independency and objectivity, the Internal Audit Division obtains consent for important human resources changes from the Audit Committee. The status of improvements to, as well as operation of, internal audit abilities is reviewed and assessed by the Audit Committee.

* The standards for the professional practice of internal auditing under the Bank's Basic Policy on Internal Auditing comply with the basic concept of the International Standards for the Professional Practice of Internal Auditing developed by the Institute of Internal Auditors (IIA).

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