



## Resolution No. 064.14 General Regulations related to the Internal Audit Units of Banking Sector Institutions.

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On August 27, 2014, the People's Power Ministry for Economy, Finances and Public Banks published in Ordinary Official Gazette of the Bolivarian Republic of Venezuela

N° 40484, Resolution N° 064.14 (hereinafter referred to as "the Resolution"), issued by the Superintendence of Banking Sector Institutions (hereinafter, "the Superintendence"), for the stated purpose of establishing the General Regulations related to the Internal Audit Units of Banking Sector Institutions. The main aspects of such Regulation are summarized as follows:

#### I. Purpose.

The stated purpose of the aforementioned regulation is to establish the minimum parameters to be adopted by the internal audit unit; as well as the guidelines to prepare and present the internal audit reports of the banking sector institutions.

#### II. Effectiveness.

This Regulation entered into effect on August 27, 2014. Such regulation clarifies that the Superintendence might adjust the guidelines and parameters of this Resolution.

### III. Internal Audit Unit

Firstly, it establishes that banking sector institutions must have an **Internal Control System** to provide a reasonable security, which shall be **evaluated and verified by the Internal Audit Unit**. (Bold by us).

Likewise, a **Systems Audit area** shall be attached to the Internal Audit Unit and in the case of foreign institutions established in the country, the functions of this Unit might be assumed by its head office, also being subject to the provisions of this regulation.

The Internal Audit Unit must comply with the following obligations:

- i. Depend organically, functionally and administratively on the Board of Directors.
- ii. Functions shall be independent from the areas' control activities.
- iii. Develop a crucial role in the maintenance and evaluation of the institution's internal control, risk administration and governance.
- iv. Be under the responsibility of the Internal Auditor, full-time dedication officer appointed by the General Stockholders' Meeting.
- v. The personnel attached to this Unit shall have free access without restriction to the departments, services, information and documentation generated by the Bank's different areas.
- vi. Establish the work standards for the evaluations conducted by the Unit members, which shall be approved by the Board of Directors.
- vii. They shall not be involved in the entity's operations or in the selection or implementation of internal control procedures.
- viii. It shall **have an Internal Audit Manual**, accepted by the Audit Committee and approved by the Board of Directors, which shall be at the disposal of the Superintendence as required. The aforementioned Manual shall be updated based on the dynamism in the development of activities and changes to the audit standards and practices and other regulations applicable.
- ix. Have an adequate infrastructure and resources.
- x. Guarantee that personnel receive training on the matter concerned to their functions.
- xi. Alternate on a regular basis the tasks assigned to the Unit's personnel.
- xii. **Follow-up the application and compliance with recommendations issued by the Superintendence, External Auditors and other Government entities, and periodically report the Board of Directors** in case of non-compliance, warning as to the risks of such issue.
- xiii. The Internal Audit, including the Systems Audit in the banking sector institutions shall be a permanent function; in connection therewith, the Board of Directors must guarantee the continuity of the reviews to be appropriate for the size and nature of the operations.

#### IV. Internal Auditor and Internal Audit Unit staff

The minimum requisites to be met by the internal auditors and the staff under their responsibility are as follows:

- i. Have a **professional degree in areas related to the financial activity**, highlighting that in the case of systems auditors, they shall have formal knowledge on technology and information security areas.
- ii. Have an **experience of more than five (5) years** in Internal, External and Systems Audit for auditors in that area, in financial intermediation institutions or in the performance of similar positions, provided that it has been developed in the banking sector.
- iii. Present **documentation of training received during the past twelve months**, in connection with auditing, accounting and risk management principles and practices. Systems auditors shall receive training on technology and information security areas in order to guarantee the timely opportunity and assertiveness of the evaluations made.
- iv. Be **exclusively dedicated to the position of Internal Auditor in the Banking Sector Institution**.

It should be mentioned that the financial institution **must always have an Internal and Systems Auditor**, being the Board of Directors and the Audit Committee responsible for guaranteeing their appointment, and in **case of temporary absence or vacations** of the appointed Internal Auditor, the Unit might be in charge of a deputy Internal Auditor for a **term not exceeding thirty (30) days**. Additionally, according to this Regulation the Unit shall have the following obligations:

- i. Meet its functions and objectives in conformity **Generally Accepted Auditing Standards, International Standards on Audit and the Auditor's Code of Ethics** and other applicable standards and regulations.
- ii. **Examine** the content of **any book, record, document and minute**; as well as verify the adequate **function and effectivity of the Internal Control System**.
- iii. Verify the existence of **goods, securities and other assets**, including the entity's **technological assets**.
- iv. Verify that the functions of each position, authority level, responsibilities and hierarchical relations are clearly defined and that the responsibilities and functions are assigned to the different units and/or officers to guarantee a proper and automatic control of operations.
- v. Verify the **existence of proper information systems**, their reliability and timeliness.

- vi. Prepare and propose for approval an **Annual Audit Plan**, and guarantee that such tasks are performed on timely and efficient conditions.
- vii. **Present before the Audit Committee a Quarterly Report** on the progress of the Audit Plan, indicating the compliance with the objectives and activities, among other, within twenty (20) days subsequent to the closing of each quarter.
- viii. Recognize the preventive and corrective measures obtained from the audit reports.
- ix. **Dedicate full time** to the functions assigned.
- x. Ensure that information transmitted is **real, legal, reliable, accurate, and updated**.
- xi. Evaluate the **internal control environment implemented on the technological platform and ensure the compliance with the legal regulations** in effect issued by the Superintendence.

Additionally, it is established that the position of Internal Auditor or staff of the Internal Audit Unit shall not be exercised by personnel involved in certain aspects indicated in the aforementioned Regulation.

#### V. Audit Committee

It is established that the banking sector institutions shall constitute and maintain an Audit Committee comprised by individuals having knowledge and experience on the matter, whether members of the Board of Directors or not, which shall be responsible for immediately reporting the Board, as to any situation or weakness affecting the normal development of the entity's activities, and evaluate based on the result of internal and external audits, the behavior and development of internal processes, as well as to monitor the efficiency of the Internal Control System and, suggest modifications and corrections if necessary.

Likewise, it is established that the **internal auditor shall not be allowed to form part of such Committee**, and such Committee **shall inform and provide written opinion to the Board** as to the results of the evaluations conducted by the Internal Audit Unit, **at least on a quarterly basis**; as well as to any issue eventually determined by the External Auditors and the Superintendence.

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