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| INTERNAL AUDIT CHARTER | | | | |
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# BACKGROUND

This charter is part of *COMPANY NAME*’s Corporate Governance Framework and sets out the structure, roles and responsibilities of the internal audit function within *COMPANY NAME*.

# OBJECTIVE

Internal Audit is an appraisal function established within *COMPANY NAME* to independently examine and evaluate the activities of *COMPANY NAME* as a service to the Board of directors in particular and to management in general. It is a control function which functions by examining and evaluating the adequacy and effectiveness of internal controls. To this end, internal audit will furnish the Audit and Risk Committee and management with appraisals and recommendations concerning the activities reviewed.

# SCOPE

All internal audit activities

# REFERENCES

# RELATED DOCUMENTS

*COMPANY NAME* Audit and Risk Committee Terms of Reference

King Report on Corporate Governance (King III)

*COMPANY NAME* Board Charter

# DEFINITIONS/ABBREVIATIONS

# RESPONSIBILITY

The Company Secretary is responsible for ensuring that any changes to the internal audit charter are reflected in this document.

Quality Management Department is responsible for managing the original document in the server in accordance with the document retention procedures. This includes filing the document in the Document Master Filing Cabinet.

**DETAILS**

## 1. Introduction

The Board is ultimately responsible for overseeing the establishment of effective systems of internal control in order to provide reasonable assurance that the company’s financial and non-financial objectives are achieved. Executing this responsibility includes the establishment of an internal audit function in accordance with this document.

Internal control is understood to mean the processes aimed at achieving reasonable assurance about the realisation of the following objectives.

1. The accomplishment of established objectives and goals for operations;
2. The economic and efficient use of resources;
3. The reliability and integrity of financial and non-financial information;
4. Compliance with relevant policies, procedures, laws and regulations;
5. Safeguarding of assets.

This document defines the role, organisational status, authority, responsibilities and scope of activities of the internal audit function. It also includes the principles underlying the realisation of objectives of the function and the translations thereof into operational activities.

## 2. Purpose of Internal Audit

Internal audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation’s operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## 3. Authority and Independence

### 3.1 Status

The organisational status of internal audit should be sufficient to permit objectivity, and to ensure the accomplishment of its audit responsibilities. The internal audit function will be performed by both an in-house permanentemployee (with the appropriate qualifications and registrations) and a firm of registered auditors, on a co-sourced basis. The firm of registered auditors is not permitted to be the external auditors. The internal auditors will be appointed by the Audit and Risk Committee in terms of its mandate from the Board.

The co-sourced arrangement will be evaluated by the committee on a bi-annual basis. Should there be sufficient coverage and resource internally, the committee may terminate the services of the firm of auditors, with due notice. Certain internal audit specialist work may remain outsourced, depending on skills required.

The internal audit function is established by the Board and its responsibilities are defined by the Audit and Risk Committee of the board. The committee ensures that the internal audit function is subjected to an independent quality review as and when the committee determines it appropriate as a measure to ensure that the function remains effective.

### 3.2 Organisational Structure

The organisational structure must promote the independence of the internal audit function as a whole and allow internal audit to forms its judgements objectively.

Internal audit has free and unrestricted access to management, employees, activities, physical locations and to all information considered necessary for the proper execution of internal audit work.

The internal audit function has full, free and unrestricted access to any of the organisation’s financial and operational activities, records (either manual or electronic), physical properties and personnel relevant to a review, but subject to strict accountability for safekeeping and confidentiality thereof.

The staff of the internal auditors are not authorised to:

1. Perform any operational duties for the organisation;
2. Initiate or approve any accounting transactions external to the internal audit function; and
3. Direct the activities of any employee in the organisation not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist internal audit.

Internal audit staff generally does not assume a role other than in an advisory capacity in the design, installation or operation of control procedures.

## 4. Responsibilities

Internal audit assurance is provided through applying the Standards for the Professional Practice of Internal Auditing and the Code of Ethics of the Institute of Internal Auditors (IIA). Internal Audit provides assurance to the company’s stakeholders that the company operates in a responsible manner by performing the following functions:

1. Evaluating the company’s governance processes including ethics, especially the ‘tone at the top’;
2. Performing the objective assessment of the effectiveness of risk management and the internal control framework;
3. Systematically analysing and evaluating business processes and associated controls; and
4. Providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.

The scope of possible activities that the internal audit function can engage in includes:

1. Monitoring the risk management infrastructure and practices;
2. Reviewing the reliability and integrity of financial and operational information and the means used to identify, measure, classify and report such information;
3. Reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the company is in compliance;
4. Reviewing the safeguarding of assets and, where appropriate, verifying the existence of assets;
5. Appraising the economy and efficiency with which resources are employed;
6. Reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned;
7. Evaluating and assessing significant merging or consolidation of functions and new or changing services, processes, operations and control processes that are coincidental with their development, implementation and or expansion;
8. In accordance with the recommendation of the King III report, internal audit must provide a written assessment regarding the effectiveness of internal controls and risk management to the Board. This enables the Board to report on the effectiveness of internal controls in the integrated report; and
9. In accordance with the recommendation of the King III report, internal audit must conduct a documented review of the key financial reporting controls in identified financial systems and processes every year. This must be submitted to the Audit and Risk Committee to enable it to formulate its comment to be included in the annual financial statements in terms of section 94 (7) (f) (iii) and to make a submission to the board in terms of section 94 (7) (h) of the Companies Act, 2008.

The annual allocation of internal audit resources to the different possible activities is established on the basis of an approved internal audit plan. The audit and risk committee is responsible for approving the plan based on the agreed scope of work that needs to be performed.

## 5. Relationships with External Audit

Internal Audit co-ordinates its work with that of other assurance providers. The external auditors must be consulted in determining the activities of internal and external audit in order to minimise duplication of audit effort. This may involve:

1. Periodic meetings to discuss the planned activities;
2. The exchange of audit work papers including systems documentation;
3. The exchange of management letters;
4. The forming of joint teams where appropriate;
5. Internal audit carrying out certain (financial) audit work
6. Other aspects of the relationship between the organisation and the external auditors.

Internal Audit must make an assessment of the adequacy of the combined assurance approach adopted by the company. This assessment includes the adequacy of risks covered by different assurance providers and the reliability of the assurance provided.

## 6. Operational Planning

The parameters for the internal audit function’s operations must be set taking the following into consideration:

1. Staffing requirements
2. Budgeting Systems
3. Audit methodologies
4. Internal audit planning
5. Quality assurance
6. Communication strategy
7. Reporting Protocol

**The reporting protocol must take account of the various requirements during the course of the financial year as well as integrated reporting requirements.**

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| **Reports** | **To** | **When** | **Content** |
| Audit Reports | Responsible management  Audit and Risk Committee  Copies to external auditor | At the end of each audit | * Audit objective * Audit scope * Executive summary of major findings and recommendations * Detailed recommendations * Management response * Agreed actions– with set timelines |
| Annual Report | Board of Directors  Audit and Risk Committee  Copy to external auditor | Annually | * Achievement of the annual audit plan, staffing plan and budgets * Summary of major findings and recommendations * Proposed annual audit plan * Amendments to strategic plan |
| Interim Status reports | Audit and Risk Committee  Copy to external auditor | Quarterly | * Progress against, and significant amendments to the current annual audit plan * Summary of major findings and recommendations |

## 7. Assessment of effectiveness of internal audit function

The Audit and Risk Committee should annually assess the effectiveness of the internal audit function. Internal audit should be assessed against the following criteria:

1. Achievement of the annual internal audit plan;
2. Compliance with the IIA’s professional standards inclusive of quality assurance assessments on the level of compliance achieved;
3. Achievement of reporting protocols through management to the Audit and Risk Committee;
4. Timeliness of reporting of findings and activities;
5. Management’s acceptance of the internal audit findings;
6. Responsiveness to changing business/operational environment;
7. Quality and relevance of the annual assessment reports;
8. Level of co-operation and interaction with other assurance providers within the combined assurance approach;
9. Maintenance of adequate staffing levels to achieve the requirements of this charter; and
10. Meeting the budget allocated to internal audit.

## 8. Review of Charter

This charter must be reviewed at least once a year, but more frequently as circumstances may necessitate. It should be approved by the Board and endorsed by the Audit and Risk Committee in order to formally establish the authority of the internal audit function.

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Chairman

Audit and Risk Committee

Date:

**I. REVIEW AND APPROVAL PANEL**

This document has been reviewed and approved by the below persons in SAP DMS in accordance with the approved procedures:

Compiler:

Review Panel:

Approver:

**J. RECORD OF CHANGES**

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| Document no | New Number | Change made by | Brief description of changes made |
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