

## **NAME OF COVERED ENTITY**

### **INTERNAL AUDIT CHARTER**

#### **1.0 INTRODUCTION**

This Internal Audit Charter sets out the broad legal framework in respect of Internal Auditing of the **name of covered entity** hereafter referred to as ..... The Internal Audit Charter outlines the objectives, structure, authority and responsibilities of Management, the Internal Audit Unit as well as other departments, units and sub-structures in respect of Internal Auditing in the **name of covered entity**.

Section 83 (1) of the Public Financial Management Act,2016 (Act921) states that, a covered entity shall have an Internal Audit Unit. Sub-section (2) states that, the Head of the Internal Audit Unit shall report administratively to the Principal Spending Officer and functionally to the Audit Committee in the performance of the functions of the unit. The Internal Audit Agency Act,2003 (Act 658) also stipulates that, the **name of covered entity** maintains an Internal Audit Function as an overall control measure to provide an invaluable quality assurance and independent service to all levels of management in achieving the objectives of the **name of covered entity**, any department, unit or sub-structure within the **name of covered entity**.

#### **1.2 Vision**

To be regarded as a valued resource by management, staff and our employers in accordance with the highest professional and ethical standards.

#### **1.3 Purpose and Mission**

The purpose of the internal audit unit is to provide independent, objective assurance and consulting services designed to add value and improve the **Covered Entity's** operations.

The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal

audit activity would help **name of covered entity** accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

#### **1.4 Standards for the Professional Practice of Internal Auditing**

The internal audit unit will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing as adopted by the Internal Audit Agency. The Head of Internal Audit will report periodically to management and the Audit Committee regarding the internal audit unit's conformance to the Code of Ethics and the Standard.

#### **1.5 Authority**

The Head of Internal Audit will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the **Head of Entity**

To establish, maintain, and assure that the Internal Audit Unit has sufficient authority to fulfill its duties, the Audit Committee will:

- Review and approve the Internal Audit Unit's charter.
- Review and approve the risk-based internal audit annual plan.
- Review and approve the internal audit department's budget and resource plan.
- Receive communications from the head of internal audit on the unit's performance relative to its plan and other matters.
- Make appropriate inquiries of management and the head of internal audit to determine whether there is inappropriate scope or resource limitations.

The Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the audit committee, including private meetings without management present.

The Audit Committee authorizes the Internal Audit Unit to:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of the **name of covered entity** as well as other specialized services from within or outside the **name of covered entity**, in order to complete the engagement.

## **1.6 Independence and Objectivity**

The Head of Internal Audit will ensure that the internal audit unit remains free from all conditions that threaten the ability of internal auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

Internal auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, internal auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

- Assessing specific operations for which they had responsibility within the previous year.
- Performing any operational duties for the **name of covered entity** or its affiliates.
- Initiating or approving transactions external to the Internal Audit Unit.

Where the Head of Internal Audit has or is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

Internal auditors will:

- Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.
- Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
- Make balanced assessments of all available and relevant facts and circumstances.
- Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organizational independence of the Internal Audit Department.

The Head of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

## **1.7 Objectives of the Internal Auditing Function**

- a. The purpose of the Internal Auditing Function is to carry out audits and professional evaluations of the activities of the **name of covered entity**, and to ensure that the system of internal controls applicable to financial, programme and project areas provide reasonable assurance to management and that:
- b. The financial, managerial and operating information reported internally and externally is accurate, reliable and timely;
- c. The financial activities of the **name of covered entity** are in compliance with laws, policies, plans, standards and procedure;
- d. **name of covered entity** resources adequately safeguarded, used judiciously and for the intended purpose(s);
- e. **name of covered entity** resources are used economically, effectively and efficiently;
- f. Plans, goals and objectives of the **name of covered entity** are achieved;
- g. Risks are adequately managed in the **name of covered entity**;

- h. Facilitate the prevention and detection of fraud, abuse and waste;
- i. Provide a means for keeping the **name of covered entity** full and currently informed about problems and deficiencies related to the administration of its programmes and operations and the necessity for appropriate corrective action

### **1.8 Scope of Internal Audit Activities**

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the audit committee, management, and outside parties on the adequacy and effectiveness of governance, risk Management, and control processes of the **name of covered entity**. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of the **Covered Entity's** strategic objectives are appropriately identified and managed.
- The actions of officers, directors, employees, and contractors are in compliance with policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently. • Established processes and systems; enable compliance with the policies, procedures, laws, and regulations that could significantly impact the organization.

- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and adequately protected.

The Head of Internal Audit will report periodically to Management and the Audit Committee regarding:

- The Internal Audit Unit's purpose, authority, and responsibility.
- The Internal Audit Unit's plan and performance relative to its plan.
- The Internal Audit Unit's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the **name of covered entity**.

The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Unit may perform advisory and related client service activities, the nature and scope of which will be

agreed with the client, provided the Internal Audit Unit does not assume management responsibility.

Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## **Responsibility**

The Head of Internal Audit has the responsibility to:

- Submit, at least annually, to Management and the Audit Committee a risk-based internal audit plan for review and approval.
- Communicate to Management and the Audit Committee the impact of resource limitations on the internal audit plan.
- Review and adjust the internal audit plan, as necessary, in response to changes in the **Covered Entity's** business, risks, operations, programs, systems, and controls.
- Communicate to Management and the Audit Committee any significant interim changes to the internal audit plan.
- Ensure each engagement of the internal audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to Management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

- Ensure the internal Audit Unit collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the internal audit charter.
- Ensure trends and emerging issues that could impact **name of covered entity** are considered and communicated to Senior Management and the Audit Committee as appropriate.
- Ensure emerging trends and successful practices in internal auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit Unit.
- Ensure adherence to relevant policies, financial acts and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to Management and the Audit Committee.
- Ensure conformance of the Internal Audit Unit with the Standards, with the following qualifications:
  - If the Internal Audit Unit is prohibited by law or regulation from conformance with certain parts of the Standards, the Head of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
  - If the Standards are used in conjunction with requirements issued by the Internal Audit Agency, the Head of Internal Audit will ensure that the Internal Audit Unit conforms to the Standards, even if the Internal Audit Unit also conforms to the more restrictive requirements of the Internal Audit Agency.

## **2.0 Quality Assurance and Improvement Program**

The Internal Audit Unit will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Unit. The program will



include an evaluation of the internal audit Unit's conformance with the Standards and an evaluation of whether internal auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Unit and identify opportunities for improvement.

The Head of Internal Audit will communicate to Management and the Audit Committee on the internal audit department's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic).

## **2.10 Conflicts and Disputes**

Notwithstanding any conflict resolution mechanism of **name of covered entity**, this Charter shall form the basis for the authority and actions of the internal audit as far as auditing matters are concerned. Any irresolvable conflict or disputes which arise during the course of performing this function which, in the opinion of the internal audit would present a significant limitation in scope shall be brought to the attention of the Audit Committee or the Director-General of the Internal Audit Agency for the ultimate resolution.

## **2.11 Affirmation, Effectiveness, and Amendment**

This charter is hereby approved by the Audit Committee, and affirmed by the **Head of the Covered Entity** thereby providing for immediate effectiveness. Any amendments here to must be approved by the Audit Committee and re-affirmed by the **Head of the Covered Entity**.

### **Approved By:**

Name:

Audit Committee Chairperson

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**For: Audit Committee**

Dated:

### **Endorsed By:**

Name:

**Head of Covered Entity**

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Dated:

**Prepared By:**

Name:

Head of Internal Audit

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Dated: