



Collection House Group

# Internal Audit Charter

## DOCUMENT CONTROL

### Endorsement

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# INTERNAL AUDIT CHARTER

## 1. MISSION AND SCOPE OF WORK

The mission of the Internal Audit Department is to provide independent, objective assurance and consulting services designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluating and continually improving the effectiveness of risk management, internal control and corporate governance processes. Opportunities for improving management control, profitability, and protecting the organisation's reputation may be identified during the audit process. They will be communicated to appropriate levels of management.

The scope of work of the Internal Audit Department is to determine whether the organisation's network of risk management, internal control and corporate governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:

- Risks are appropriately identified, measured, reported on and managed.
- Financial, managerial, and operating information is accurate, reliable, and timely.
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Fraud identification processes are appropriately implemented.
- Business Continuity processes are adequately implemented and tested.
- Significant legislative, regulatory, and reputational issues impacting the organisation are recognised and addressed appropriately.
- Interaction with the various governance groups occurs as needed.
- Resources are acquired economically, used efficiently and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organisation's control process.
- Significant legislative or regulatory issues impacting the organisation are recognised and addressed appropriately.

The scope of the Internal Audit function will be achieved by the following methods:

- Operational (performance) auditing – reviews of operating or business processes focusing on the efficiency and effectiveness of these processes and the associated management controls.
- Compliance auditing – reviews of compliance or conformity with relevant legislation, regulations, internal instructions, codes and guidelines.

- Systems auditing – reviews of information technology and telecommunications which examine the IT environment and application controls.
- Financial auditing – reviews of the adequacy of internal accounting controls involving the accuracy, completeness and validity of financial information and financial reports and of the underlying accounting systems and records.

Internal Audit consulting activities which are directed towards facilitation rather than assurance may include:

- Supporting organisational re-engineering;
- Control self-assessment and implementation of control programs;
- Quality improvement, including systems development reviews and participation in problem solving task forces; and
- Performance self-assessment.

## 2. ACCOUNTABILITY

The Internal Audit Manager, reports functionally to the ARMC and administratively ( i.e. day to day operations) to the Chief Risk Officer (CRO).

The **Internal Audit Manager** in the discharge of his/her duties, shall be accountable to the CEO and the Audit and Risk Management Committee (ARMC) to:

- Provide annually an assessment on the adequacy and effectiveness of the organisation's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.
- Report significant issues related to the processes for controlling the activities of the organisation and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual internal audit plan and the sufficiency of department resources.
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).
- Confirms to the Board through the ARMC annually the independence of the internal audit activity.
- Report to senior management and the Board on the Internal Auditor's authority and responsibility including performance relative to its plan.

The **Chief Risk Officer and Company Secretary** administratively:

- Approves the Internal Audit budget for particular assignment based on the approved budget
- Approves the appointment for Internal Audit Manager (in conjunction with the Chariman of the ARMC) and other Internal Audit Staff.
- Review Internal Audit Reports.

- Communicates and interacts with the ARMC as appropriate.

The **Board** through the Audit and Risk Committee (ARMC):

- Approve the Internal Audit Charter
- Approve the risk based internal audit plan
- Approve the internal audit budget and resource plan
- Receive communications from the Internal Audit Manager and Chief Risk Officer (CRO) on the internal audit activities performance relative to its plan and any other matters.

### **3. INDEPENDENCE AND OBJECTIVITY**

To provide for the independence of the Internal Auditing Department, its personnel report to the Internal Audit Manager, who reports functionally to the ARMC and administratively to the CRO in a manner outlined in the above section on Accountability. Internal Audit will have a direct reporting line to the ARMC.

The Internal Audit Manager and all internal auditors will have no direct operational responsibility or authority over any of the activities audited or involved in the implementation of internal controls, develop procedures, install systems or engage in any other activity that may impair the internal auditor's judgement

The Internal Audit Department and all its personnel will exhibit the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being examined and will not be unduly influenced by their own interests or by others in forming judgements relating to internal audit activities.

### **4. RESPONSIBILITY**

The Internal Audit Manager has the responsibility to:

- Develop a flexible annual internal audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the ARMC for review and approval as well as periodic updates.
- Implement the annual internal audit plan, as approved, including as appropriate any special tasks or projects requested by management and the ARMC and approved by ARMC.
- Maintain professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations and control processes coincident with their development, implementation and/or expansion.
- Issue periodic reports to the ARMC and management summarising results of audit activities.
- Keep the ARMC informed of emerging trends and successful practices in internal auditing.
- Provide a list of significant measurement goals and results to the ARMC.

- Assist in the investigation of significant suspected fraudulent activities within the organisation as commissioned by the ARMC and notify the ARMC of the results.
- Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- Monitoring and evaluating the effectiveness of CLH's risk management processes
- Report significant risk exposures and control issues

## 5. AUTHORITY

The Internal Audit Manager and staff of the Internal Audit Department are authorised to:

- Have unrestricted access to all functions, records, property, and personnel.
- Have full and free access to the ARMC.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary secondment of personnel for specialised assistance where they perform audits, as well as other specialised services from outside the organisation as approved by the ARMC in consultation with the CRO and CEO.

The Internal Audit Manager and staff of the Internal Audit Department are not authorised to perform any operational audit on any areas of the business that they are not directly responsible for.

## 6. INTERNAL AUDIT PLAN

Annually the Internal Audit Manager will submit to senior management and the ARMC an internal audit plan for review and approval. The internal audit plan will consist of a work schedule, budget and resource requirements for the year.

The internal audit plan will be based on a prioritisation of the audit universe using a risk-based methodology including input from senior management and the ARMC. The Internal Audit Manager will review and adjust the plan as necessary in response to changes in CLH's operations, programs, systems and controls. Significant deviation from the plan will be communicated to senior management and the ARMC through quarterly and annual Internal Audit reports.

## 7. COMMUNICATION OF RESULTS

Audit reports will be prepared by the Internal Audit Manager and its personnel following the conclusion of each internal audit review and will be distributed as appropriate. Internal Audit's reports, opinions and any recommended management actions need to be communicated in a clear, concise, reliable and constructive way. The reports should demonstrate a clear understanding of the organisation and its objectives.

The Internal Audit reports will include management's response and corrective action taken or to be taken in regards to the specific findings and recommendations. Management response whether included within the original report or provided thereafter should include a timeframe for anticipated completion or action to be taken and / or explanation for any corrective action that will be implemented

All significant actions need to be communicated to the ARMC at least quarterly, together with dates of implementation. Where key agreed actions are not appropriately implemented by management, there needs to be a mechanism for Internal Audit to investigate the reasons why and, if necessary, escalate matters to the ARMC. The Internal Audit staff will be responsible for appropriate follow up of agreed action items. All significant findings will remain in an open status until validated as closed by Internal Audit staff

The Internal Audit Manager and the staff of the Internal Audit Department will facilitate with management to implement the recommendations. The Internal Audit Manager and the staff of the Internal Audit Department will refer its internal audit findings to Management and the CEO for the opportunity to comment before referral to the ARMC. The Internal Audit Manager and the external Auditors should co-operate, communicate and share their evaluations and the results of their audit work when relevant and subject to any confidentiality requirements.

## **8. COMPLIANCE WITH VALUES & PROFESSIONAL STANDARDS**

The activities of Internal Audit are conducted at all times and levels in accordance with the values – performance, innovation, ethics, teamwork, respect, accountability and professionalism of Collection House.

Work of Internal Audit and the results of each audit, shall remain confidential to Collection House and will not be disclosed to third parties unless at the consent of the Company Secretary and / or the ARMC.

The Institute of Internal Auditors' 'International Professional Practices Framework' shall constitute the operating procedures for Internal Audit

## **9. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM**

The Internal Audit activity will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity including an evaluation of conformance with the Definition of Internal Auditing and the standards and whether Internal Auditors apply the Code of Ethics.

The Internal Audit Manager should communicate to senior management and the ARMC results of ongoing internal and external assessments conducted at least every five years.

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Internal Audit Manager

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Chair Audit and Risk  
Management Committee

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Chief Risk Officer (CRO)

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Dated