

INTERNAL AUDIT CHARTER
TERMS OF REFERENCE



1 DEFINITIONS

Unless the context indicates otherwise, the following words or terms of expressions shall have the meanings subscribed to them hereunder:

- 1.1 **“Board”** means the Board of Directors of the Company;
- 1.2 **“Chairman”** means the chairman of the Audit, Governance and Risk Committee appointed by the Board;
- 1.3 **“Chief Audit Executive (CAE)”** means the person responsible for the function of Internal Audit and the independent corporate executive with overall responsibility for Internal Audit as defined in terms of the Auditing Profession Act;
- 1.4 **“Combined assurance”** means integrating and aligning assurance processes in an organisation to maximise risk and governance oversight and control efficiencies, and optimise overall assurance to the audit and risk committee, considering the organisation’s risk appetite.
- 1.5 **“Committee”** means the Audit, Governance and Risk Committee of the Company;
- 1.6 **“Company”** means Metrofile Holdings Limited, Registration Number 1983/012697/06, including its subsidiaries;
- 1.7 **“Directors”** means the directors of the Company;
- 1.8 **“King IV™”** means the King Report on Governance for South Africa 2016;

2 INTRODUCTION

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve the company’s operations.

It helps the company accomplish its objectives by bringing a systematic and disciplines approach to evaluate and improve the effectiveness of the internal financial controls and governance process.

This charter has been prepared to define the purpose, authority and responsibility of Metrofile’s Internal Audit function.

Metrofile has outsourced the Internal Audit function to KPMG and all reference to Internal Auditors in this charter refers to KPMG and its staff for the time being. Any reference to the Chief Audit Executive (CAE) shall be construed as referring to the KPMG Director responsible for Metrofile’s Internal Audit function.

3 PURPOSE

Metrofile’s Internal Audit is responsible to the Metrofile Audit, Governance and Risk Committee. The Metrofile Internal Audit function provides:

- 3.1 Assurance that the management processes are adequate to identify and monitor significant risks;
- 3.2 Confirmation of the effective and efficient operation of the established internal controls;

- 3.3 Assurance that Management's actions are such that they maintain or enhance the capability of the entity as a going concern;
- 3.4 Objective confirmation that the Board receives the right quality of assurance and information from Management and that this information is reliable.

4 PROFESSIONAL STANDARDS

The Internal Audit staff shall govern themselves by adherence to the Institute of Internal Auditor's "Code of Ethics". The CAE should annually confirm that Internal Audit conforms to the above code of ethics.

The Institute of Internal Auditors "Standards of Professional Practice of Internal Auditing" and "Statement of Responsibility" shall constitute the operating procedures for the function. The CAE should annually confirm compliance to the IIA standards by including a paragraph in the Audit, Governance and Risk Committee report or providing the Audit, Governance and Risk Committee with an annual letter confirming compliance to the IIA Standards. Internal Audit may be subjected to an external, independent quality review of the Internal Audit function every five years.

5 AUTHORITY

Authority is granted for full, free and unrestricted access to any and all of the organisation's records, physical properties and personnel relevant to any function under review.

Internal Audit staff will apply high standards of confidentiality to all documentation and information that is accessed or reviewed.

Staff throughout the Metrofile Group are required to co-operate fully with the Metrofile Internal Auditors.

Metrofile Internal Audit is administratively accountable to the Chief Financial Officer and has unencumbered access to the Chief Executive and the Chairman of the Audit, Governance and Risk Committee. The CAE report to the Chairman of the Audit, Governance and Risk Committee on the performance of duties and functions that relate to internal audit. On other duties and administrative matters, the CAE should report to the Chief Financial Officer.

The Audit, Governance and Risk Committee annually approves the designate KPMG Director as CAE after having considered the person's competence, gravitas and objectivity.

The Audit, Governance and Risk Committee must approve the appointment or removal of the CAE and the Board has final approval in this matter.

6 INDEPENDENCE AND SKILL

The Internal Auditors shall have no direct operational responsibility or authority over any of the activities they review. Additionally, Internal Audit shall not develop nor install systems or procedures, prepare records, or engage in any other activity, which would normally be audited. Internal Audit will act in a role of reviewing and recommending processes and proposal in a consultative capacity, generally restricted to the effect that major process changes or implementations have on control and risk.

In order for assurance by internal audit to be regarded as a credible the following criteria should be met:

- 6.1 Independent from the operation, no direct reporting line to process owners, or involvement and/ or work done in the process to be reviewed.
- 6.2 Free of any conflict of interest in relation to the process and operation under review;
- 6.3 Appropriately skilled and experienced, including use of specialist auditors where required;
- 6.4 Appropriate qualifications;
- 6.5 Apply sound and formal methodologies;
- 6.6 Formal reporting supported by working papers/ audit trails; and
- 6.7 Appropriately accredited or registered at a recognised accreditation body.

Internal Audit shall consult the Chief Financial Officer and Chief Executive Officer to determine probable scope areas and costs of Internal Audit; however, the final decision on the duties, areas and scope of audits and costs rest with Internal Audit and the Audit, Governance and Risk Committee.

Metrofile Internal Audit shall respond in a practical manner to requests for the undertaking of audit projects or investigations.

All audit activities shall remain free of influence by any other element in the organisation, including matters of audit scope, procedures, frequency, timing, or report content to permit maintenance of an independent mental attitude necessary in rendering objective opinions and feedback.

7 ACCOUNTABILITY OF MANAGEMENT

The Directors and Management of Metrofile and its subsidiaries are responsible and accountable for ensuring and maintaining a sound system of risk management and internal control to provide reasonable assurance regarding the achievement of organisational objectives with respect to control cover:

- 7.1 The effectiveness and efficiency of operations and resources;
- 7.2 Safeguarding and accounting for assets;
- 7.3 Ensuring that systems and procedures are in place and used to ensure compliance with applicable laws, regulations, supervisory requirements and internal policies;
- 7.4 Reliability of reporting; and
- 7.5 Behaving responsibly to stakeholders.

In meeting their responsibilities, Management may seek advice from Internal Auditors. Internal Audit has neither the responsibility nor authority for the management of operating activities. The Internal Auditors are expected to maintain a sound working relationship with those members of management who do have such responsibility and authority.

8 AUDIT SCOPE

The audit scope will be based on management's assessment of corporate risk. Internal Audit shall follow an approved risk-based internal Audit plan and shall regularly make updates to the plan based on changes in the risk profile.

The activities performed by the Internal Audit department in executing its responsibilities include but are not restricted to:

- 8.1 Evaluating the effectiveness of the controls at the business units by completion of a checklist or in line with a predefined scope of work;
- 8.2 Assessing the adequacy of controls to safeguard assets, including intangible assets;
- 8.3 Reviewing operations to ascertain whether established objectives and goals are being achieved as planned;
- 8.4 Evaluating the adequacy of regulatory compliance practices;
- 8.5 Assisting management in identifying business risks and assessing the adequacy of their risk management processes, where appropriate;
- 8.6 Such specific issues as agreed with the Risk Committee; and
- 8.7 Providing an overall statement annually as to the effectiveness of the organisation's governance, risk management and control processes.

The results of the audit and where appropriate recommended corrective actions are presented to the management of the function or activity under review.

9 AUDIT PLANNING

The objective when planning the Internal Audit activity for the year is to evaluate individual business units on roughly a three yearly rotational basis and in consultation with the Chief Financial Officer and Chief Executive Officer. The visits to business units will vary depending on the work being done and follow up review requirements. The Audit, Governance and Risk Committee shall take direction for Internal Audit arrangements from the Board that contributes to the effectiveness of governance, risk and control processes. Any significant deviations from the formally approved work schedule shall be communicated to the Audit, Governance and Risk Committee through periodic activity reports.

10 COMBINED ASSURANCE

Internal Audit operates within the third line of defence as an independent Assurance provider. Internal Audit's Combined Assurance responsibilities include:

- 10.1 Share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure appropriate coverage and to minimise duplication of effort; and
- 10.2 Performing and reporting on allocated assurance activities per the Internal Audit plan.

11 REPORTING

Reports will be prepared and issued to management following the completion of each audit. The contents will be discussed with the management of the business units audited prior to the report being finalised and distributed. Regular reports highlighting audit area findings per business unit and summarising Internal Audit activities shall be provided to the Chairman of the Audit, Governance and Risk Committee and reported on at the Audit, Risk and Governance Committee meetings.

12 COMMITTEE MEETINGS

The Internal Auditors will attend the Audit, Risk and Governance meetings by invitation. The Chief Audit Executive should not be a member of the Executive Management, but should be invited to attend executive meetings, as necessary, to be informed about strategy and policy decisions and their implementation.

13 GENERAL

- 13.1 These Terms of Reference shall be reviewed annually and amended, subject to the approval of the Audit, Governance and Risk Committee and Board.
- 13.2 These Terms of Reference may be amended as required, subject to the approval of the Audit, Governance and Risk Committee.

14 REPEAL OF PREVIOUS TERMS OF REFERENCE

- 14.1 These Terms of Reference shall revoke and supersede the current Terms of Reference in its totality from the date of its approval of the Committee.
- 14.2 These Terms of Reference were reviewed and approved by the Committee and the Board on 28 May 2019.

