

**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 **“Auditing Profession Act”** means the Auditing Profession Act No 26 of 2005, as amended from time to time
- 1.2 **“Board”** means the Board of Directors of the Company;
- 1.3 **“Chairman”** means the chairman of the Audit, Governance and Risk Committee appointed by the Board;
- 1.4 **“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;
- 1.5 **“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, Governance and Risk Committee, considering the organisation’s risk appetite;
- 1.6 **“Committee”** means the Audit, Governance and Risk Committee of the Company;
- 1.7 **“Company”** means Metrofile Holdings Limited, Registration Number 1983/012697/06, including its subsidiaries;
- 1.8 **“Directors”** means the directors of the Company;
- 1.9 **“IIA”** means The Institute of Internal Auditors’ “Standards of Professional Practice of Internal Auditing” and “Statement of Responsibility”
- 1.10 **“King IV™”** means the King Report on Governance for South Africa 2016;
- 1.11 **“KPMG”** means KPMG Services Proprietary Limited, Registration Number 1999/012876/07

## 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 disciplined 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, an external service provider. All references to Internal Auditors in this charter refer to KPMG and its staff for the time being. Any reference to the CAE shall be construed as referring to the Engagement Leader assigned by KPMG to be responsible for Metrofile's internal audit function.

### **3 PURPOSE**

Metrofile's Internal Audit is responsible to the 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; and
- 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 shall annually confirm that Internal Audit conforms to the above code of ethics.

The IIA shall constitute the operating procedures for the function. The CAE shall annually confirm compliance to the IIA Standards by including a paragraph in the Committee report or providing the 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.

The requirements of the following have been incorporated into this Charter:

- 4.1 The International Standards for the Professional Practice of Internal Audit, Standard 1000, requires the purpose, authority and responsibility of the Internal Audit function to be formally defined in an Internal Audit Charter.
- 4.2 King IV™ and Institute of Directors Southern Africa sets out various principles and recommendations for the Internal Audit function.

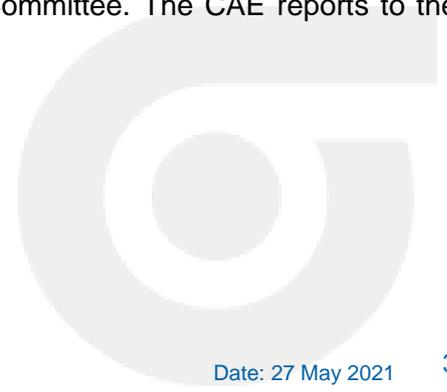
### **5 AUTHORITY**

Authority is granted to KPMG for full, free and unrestricted access to any and all of the Company'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 Internal Auditors.

Internal Audit is administratively accountable to the Chief Financial Officer and has unencumbered access to the Chief Executive Officer and the Chairman of the Committee. The CAE reports to the



Chairman of the Committee on the performance of duties and functions that relate to internal audit. On other duties and administrative matters, the CAE shall report to the Chief Financial Officer.

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

The 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 rests with Internal Audit and the Committee.

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

All internal 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 over:

- 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 (financial and operational data); and

7.5 Behaving responsibly to stakeholders.

The Chief Executive Officer and Chief Financial Officer of the Company shall make a statement in the integrated annual report annually confirming:

7.6 the annual financial statements in the integrated annual report, fairly present in all material respects the financial position, financial performance, and cash flows of the Company in terms of IFRS;

7.7 no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

7.8 internal financial controls have been put in place to ensure that material information relating to the Company and its consolidated subsidiaries have been provided to effectively prepare the financial statements of the Company; and

7.9 the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled the role and function within the combined assurance model pursuant to principle 15 of the King IV™.

Where they are not satisfied and cannot make such statement, they shall disclose to the Committee and the auditors the deficiencies in design and operational effectiveness of the internal financial controls and any fraud that involves directors; having taken the necessary remedial action.

In meeting their responsibilities, Management may seek advice from the 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 of the organisation.

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

### **Scope restrictions and practical requirements**

Management cannot place any restrictions on the scope of the audits. However, it is recognized that Management and the Committee provide general direction as to the scope of work and the activities to be audited and may request Internal Audit to carry out special reviews or audits.

### **Limitations of scope**

Any attempted scope limitation of Internal Audit activities by Management must be reported, preferably in writing, to the Committee.

The question of whether an action from Management in fact constitutes a scope limitation is at the judgment of the CAE. Except in cases of suspected fraud, the Committee may decide to accept a limitation of scope. In such instances, the CAE should evaluate from time to time whether the circumstances surrounding the scope limitation are still valid and whether the scope limitation needs to be reported again to the Committee for its renewed consideration.

## **9 AUDIT PLANNING**

The objective when planning the Internal Audit activity for the year is to evaluate individual business units on a probable three yearly rotational basis 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 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 Committee through periodic activity reports.

All requests for Internal Audit to provide assurance on activities that have not been scheduled or included in the Internal Audit plan are to be categorized as ad-hoc activities and are to be channelled through the CAE which, in the Company's case, is the KPMG Engagement Leader. It is intended that this process controls the utilisation of Internal Audit resources and ensures that these resources are deployed appropriately on high-risk issues that impact the strategy, governance, sustainability and operational issues of the Company.

The annual allocation of Internal Audit resources to the different possible activities is established based on an approved Internal Audit plan. The Committee is responsible for approving the Internal Audit plan based on the agreed scope of work to be performed after the Internal Audit plan has been reviewed and recommendations considered by the Company's Management and the Committee.

## **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 AUTHORITY

The CAE and staff of the Internal Audit function are authorised to:

- enjoy unrestricted access to all functions, records, property and personnel relevant to the subject under review,
- gain full and free access to the Board of Directors and the Chairman of the Committee,
- allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives, and
- obtain the necessary assistance of personnel in the Company's departments where the internal audits are performed.

The CAE and staff of the Internal Audit function are not authorised to:

- perform any operational duties for the Company,
- initiate or approve accounting transactions external to the Internal Audit function, or
- direct the activities of any Company employee not employed by the Internal Audit function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.

## 12 REPORTING

Reports will be prepared and issued to management following the completion of each audit, the contents of which 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 Committee and reported on at the Committee meetings.

## 13 COMMITTEE MEETINGS

The Internal Auditors will attend the Committee meetings by invitation. The CAE shall 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 the implementation thereof.

## 14 REVIEW OF THE CHARTER

The Internal Audit Charter shall be reviewed at least annually but more frequently as circumstances may necessitate.

Review of the Internal Audit Charter is the responsibility of the Head of the Internal Audit Function, with the support of the Head of the Risk Management Function.

The Internal Audit Charter shall be approved by the Board and endorsed by the Committee.

## 15 REPEAL OF PREVIOUS TERMS OF REFERENCE

15.1 These Terms of Reference shall revoke and supersede the current Terms of Reference in its totality from the date of its approval by the Committee.

15.2 These Terms of Reference were reviewed and approved by the Committee and the Board on 27 May 2021.