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INTERNAL AUDIT CHARTER

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CONTENTS

1. INTRODUCTION.....	5
2. MISSION	5
3. PURPOSE.....	5
4. ROLE OF THE INTERNAL AUDIT FUNCTION.....	6
5. SCOPE OF WORK	6
6. ACCOUNTABILITY	8
7. AUTHORITY	8
8. INTERNATIONAL STANDARDS FOR THE PROFFESIONAL PRACTICE OF INTERNAL AUDITING	9
9. INDEPENDENCE AND OBJECTIVITY	9
10. RESPONSIBILITIES OF INTERNAL AUDIT	10
11. RESPONSIBILITIES OF MANAGEMENT AND THE FINANCE AND AUDIT COMMITTEE	11
12. EXTERNAL RELATIONSHIPS	12
13. QUALITY ASSURANCE	12
14. COMBINED ASSURANCE	13
15. LIMITATION OF SCOPE	13
16. REVIEW AND APPROVAL OF THE CHARTER	13

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Document File Name	Context and Relevance
GEPF Internal Audit Charter	The purpose of this Charter is to set out the nature, role, responsibility, status and authority of the Internal Audit Function (IAF) within the Government Employees Pension Fund (GEPF), and to outline the scope of the IAF.

Regulatory Framework

Document File Name	Context and Relevance
King IV (Rules on Good Corporate Governance)	Principle 15 requires companies/organisations to establish an assurance function to enable an effective control environment.
Internal Audit Standards	International Standards for the Professional Practice of Internal Audit

Business Areas Impacted By This Charter

Name Business Unit / Area	Context and Relevance
Internal Audit	Responsible for implementing and maintenance of the Internal Audit Charter

Glossary of Terminology

Abbreviation/Terminology	Description
GEPF	Government Employees Pension Fund
BoT	Board of Trustees of GEPF
PEO	Principal Executive Officer of GEPF
External Auditors	Refers to statutory auditors (i.e. responsible for audit of the financial statements)
IIA	Institute of Internal Auditors

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Abbreviation/Terminology	Description
CIA	Certified Internal Auditor
IT	Information Technology
ISPPIA	International Standards for the Professional Practice of Internal Audit
IAF	Internal Audit Function
FAC	Finance and Audit Committee
PIC	Public Investment Corporation
GPAA	Government Pensions Administration Agency
IA	Internal Audit

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1. INTRODUCTION

The purpose of this Charter is to set out the nature, role, responsibility, status and authority of the Internal Audit Function (IAF) within the Government Employees Pension Fund (GEPF), and to outline the scope of the IAF. The Charter:

- Establishes the IAF's position within the GEPF;
- Authorises access to records, personnel, and physical properties relevant to the performance of engagements; and
- Defines the scope of IAF.

This Internal Audit Charter outlines the terms to which the Finance and Audit Committee (FAC), Senior Management and the IAF of GEPF should be committed and adhered to. The Attributes Standard 1000 of the International Standards for the Professional Practice of Internal Auditing requires that: *“The purpose, authority, and responsibility of the IAF must be formally defined in an internal audit charter, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of Internal Auditing). The Chief Audit Executive must periodically review the Internal Audit Charter and present it to Senior Management and the Board for approval.*

2. MISSION

The mission of the IAF is to provide independent, objective assurance and consulting services designed to add value and improve the GEPF's operations. The IAF assist the GEPF in achieving its strategic objectives by providing a systematic, disciplined approach to evaluate and improve the effectiveness of GEPF's risk management, control, and governance processes.

The IAF endeavours to provide innovative, responsive and effective value-added assurance and consulting services, by assisting the GEPF management in reviewing the effectiveness and efficiency of the governance, risk management, control processes, and recommending improvements on the weaknesses thereof. GEPF IA also plays an oversight role to monitor the assurance provided by GPAA and PIC.

The IAF will adhere to The Institute of Internal Auditors' Mandatory Guidance, which includes 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. The IIA's Mandatory Guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the IAF's performance.

In doing so, the IAF will adhere to the International Standards and the Code of Ethics as laid down by the Institute of Internal Auditors for the Professional Practice of Internal Auditing and the Code of Ethics.

3. PURPOSE

Internal Auditing is an independent and objective assurance and consulting function that is guided by a philosophy of adding value to improve the operations of the GEPF. It assists in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organization's governance, risk management, internal control.

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Internal audit's primary purpose is to provide its stakeholders with assurance regarding the adequacy and effectiveness of the organisation's internal control systems and, the quality of performance of its business operations as evaluated against agreed performance standards. Such assurance will be based on objective information, in the form of audit opinions, arising from control audits and performance audits respectively.

The specific objectives of Internal Audit are to:

- Provide an independent appraisal function to examine and evaluate the GEPF's activities;
- Provide counsel and advice to Executive Management and thus assist them in the effective discharge of their responsibilities;
- Provide analyses, recommendations, and information concerning the activities reviewed;
- Promote effective control at reasonable cost,
- Adding value throughout all its activities, by evaluating control processes, including risk management and governance processes; and
- Considering the potential for fraud risks in the assessment of control design and effectiveness.

Internal Audit fulfils its purpose by performing independent, objective assurance and consulting activities. Internal Audit must comply with the International Standards for the Professional Practice of Internal Auditing, Code of Ethics of the Institute of Internal Auditors and any other relevant legislation, regulations and guidelines.

4. ROLE OF THE INTERNAL AUDIT FUNCTION

The IAF is established by the Board of Trustees, FAC, or highest level of governing body (hereafter referred to as the Board). The IAF's responsibilities (refer to section 10) are defined by the Board as part of their oversight role.

5. SCOPE OF WORK

The scope of work of the IAF is to determine whether the GEPF's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and are adequately protected;
- Programs, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the GEPF's control process;
- Significant legislative or regulatory issues impacting the GEPF are recognized and addressed properly (Compliance).

Opportunities for improving controls, governance processes, risk management processes, service delivery and the GEPF's image may be identified during the audits. Such improvements will be communicated to the appropriate level of management during the conduct of the audits.

The audit scope will generally be based on management's assessment of organisational risk. The audit coverage should generally focus on high-risk areas identified in consultation with the Executive

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Management, FAC and the Board. Details of the coverage will be included in the Annual Internal Audit Plan and approved by the FAC.

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of GEPF's governance, risk management process, system of internal control structure, and the quality of performance in carrying out assigned responsibilities to achieve the GEPF's stated goals and objectives as designed and represented by management. It includes:

- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information;
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports and whether the entity is in compliance;
- Reviewing the information systems environment (i.e. information security, cyber security and ICT governance);
- Reviewing the effectiveness of operations;
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Reviewing and appraising the economy and efficiency with which resources are acquired and employed;
- Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Reviewing specific operations at the request of management or the FAC as appropriate;
- Monitoring and evaluating the effectiveness of the GEPF's risk management system and issue an annual audit report on the enterprise risk management process;
- Evaluating the GEPF's governance processes and monitoring to ensure that interaction with the various governance groups within the organisation occurs as appropriate;
- Providing consulting services if so required;
- Performing an objective assessment of the effectiveness of risk management and the internal control framework;
- Systematically analysing and evaluating business processes and associated controls;
- Monitoring to ensure that quality and continuous improvement is fostered in the organisation's control processes;
- Providing a source of information as appropriate regarding instances of fraud, corruption unethical behaviour and irregularities;
- Providing a written assessment of the system of internal controls and risk management to the board;
- Providing a written assessment of internal financial controls to the FAC;
- Providing a written assessment of the effectiveness of the GEPF's system of internal control, performance and risk management to the board.
- Playing a pivotal role in combined assurance by providing independent assurance over governance, risk management and systems of internal control. Contributors predominantly include internal audit, risk management, quality assurance, environmental and occupational health and safety auditors (if separate from internal audit), external audit and management.
- Assuring the Board, generally through the FAC, that the combined assurance provided for the GEPF's is sufficient to optimize costs, avoid duplication, and prevent assurance overload and assessment fatigue.

Opportunities for improving management control, efficiency, and GEPF's image may be identified during audits. These will be communicated to the appropriate level of management.

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Consulting Services

Internal auditors may, with the prior approval of the FAC, perform consulting services beyond internal audit assurance services, to assist management in meeting its objectives.

Consulting services are “advisory and related management service activities, the nature and scope of which are agreed upon with management and which are intended to add value and improve the GEPF’s governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation, and training”. (The IIA Glossary)

The IAF shall perform additional services, which do not constitute conflict of interest, or distract from its obligation to the FAC. This will include the following types of engagements:

- Formal consulting engagements: planned and subject to a written agreement;
- Informal consulting engagements: routine activities as a part of participating in other functions that are non-audit activities;
- Special projects: such as serving on a task force to analyse operations and make recommendations; and
- Emerging consulting engagements: such as a team assembled to supply temporary help to meet a special request or an unusual deadline.

6. ACCOUNTABILITY

The IAF, in the discharge of their duties, shall be accountable to the Board of Trustees through the FAC (Functional reporting), and the Principal Executive Officer (Administrative reporting) to:

- Provide annually an assessment on the adequacy and effectiveness of the GEPF’s processes for controlling its activities and managing its risks set forth under the mission and scope of work;
- Report significant issues related to the processes for controlling the activities of the GEPF and its affiliates, including potential improvements to those processes, and provide information concerning such issues through active and constructive resolution;
- Periodically provide information on the status and results of projects conducted in terms of the Annual Internal Audit Plan, ad hoc requests by the FAC and Executive Management, as well as the sufficiency of resources; and
- Assess the effectiveness of other control and monitoring functions (governance, risk management, compliance, security, legal, safety, environmental and external audit)

7. AUTHORITY

The IAF, with strict accountability for confidentiality and safeguarding of records and information, will be granted unrestricted access to all GEPF records, physical properties, and personnel pertinent to carrying out any approved engagement. All employees are requested to assist the IAF in fulfilling its roles and responsibilities. The IAF will also have free and unrestricted access to the Board of Trustees and to the chairperson of the FAC. This reporting relationship ensures independence of the IAF.

In relation to the approved Internal Audit Coverage Plan by the FAC, Internal Audit is authorised to:

- Decide on the nature, scope and timing of internal audits (in consultation with management;
- Have unrestricted access to all functions, records, property and personnel;
- Have full and free access to the FAC;

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- Allocate resources, set frequencies, select subjects, determine scope of work, and apply the techniques required to accomplish audit objectives;
- Obtain the necessary assistance of personnel in units of the GEPF where they perform audits, as well as other specialised services from within or outside the GEPF;
- Require any officer to supply such information and explanations as may be needed;
- Have discussions with managers and employees of the GEPF at any reasonable time and have unrestricted access to any manager and employee of the GEPF.

Internal Audit has the authority to issue reports to the management of the GEPF and to the FAC. Approval of the FAC should be obtained prior to distribution of reports to external parties except for the GEPF's External Auditors. The Board of Trustees must approve or disapprove disclosure of Internal Audit reports to other external entities upon receipt of such written requests.

The IAF is not authorised to:

- Perform any operational duties for the GEPF or its affiliates.
- Initiate or approve accounting transactions external to the Internal Auditing Department.
- Direct the activities of any organization employee not employed by the Internal Auditing Department, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

8. INTERNATIONAL STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

Internal auditing is conducted in diverse legal and cultural environments; for organizations that vary in purpose, size, complexity, and structure; and by persons within or outside the organization. While differences may affect the practice of internal auditing in each environment, conformance with The IIA's International Standards for the Professional Practice of Internal Auditing is essential in meeting the responsibilities of internal auditors and the internal audit activity.

The purpose of the Standards is to:

- Guide adherence with the mandatory elements of the International Professional Practices Framework.
- Provide a framework for performing and promoting a broad range of value-added internal auditing services.
- Establish the basis for the evaluation of internal audit performance.
- Foster improved organizational processes and operations.

9. INDEPENDENCE AND OBJECTIVITY

To provide for the independence of the IAF, the Function reports administratively to the PEO and functionally to the FAC in a manner outlined in the above section on accountability.

Independence is the freedom from conditions that threaten the ability of the IAF to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the IAF the internal Audit Manager unrestricted access to the PEO. Threats to independence will be managed at the individual auditee, engagement and functional levels. Furthermore:

- The IAF will be free from control or undue influence/interference in determining the scope of Internal Audit reviews, performing the work and communicating the results.

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- The independence of IAF may be compromised if Internal Audit participated directly in the preparation or reconstruction of accounting systems, data or records thus Internal Audit will only provide its service in an advisory capacity.
- If independence is impaired, the IAF must disclose the details of the impairment to the appropriate parties.
- Internal Audit's objectivity is not adversely affected when Internal Audit recommends standards of control for systems or reviews procedures before they are implemented. Internal Audits objectivity is considered to be impaired if Internal Audit designs, installs, drafts procedures for or operates such systems
- The IAF must *confirm* to the FAC, at least annually, the independence of the IAF.

Internal auditors shall put in place a mechanism which would provide team members the opportunity to declare interest before the commencement of each audit project. In case of any conflict of interest, team members shall be reassigned to other projects.

10. RESPONSIBILITIES OF INTERNAL AUDIT

The IAF and its staff are responsible for rendering Internal Audit Services to the GEPF.

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organization's governance, risk management, and internal control process as well as the quality of performance in carrying out assigned responsibilities to achieve the organization's stated goals and objectives.

This includes:

- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the organization;
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- Evaluating the effectiveness and efficiency with which resources are employed;
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
- Monitoring and evaluating governance processes;
- Monitoring and evaluating the effectiveness of the organization's risk management processes;
- Liaising with external audit to ensure that there is an appropriate degree of coordination with internal audit;
- Performing consulting and advisory services related to governance, risk management and control as and when requested by the organization, with prior approval of the FAC, provided that those services do not constitute a conflict of interest;
- Reporting periodically on the IAF's purpose, authority, responsibility, and performance relative to its plan;
- Reporting on significant current or expected risk exposures and control issues, including fraud risks, governance issues, new risks arising from significant system changes and on any other matters as requested by the FAC or the Board; and
- Evaluating specific operations at the request of the Board or management, as appropriate.

11. RESPONSIBILITIES OF MANAGEMENT AND THE FINANCE AND AUDIT COMMITTEE

Management

The existence of Internal Audit in no way diminishes the responsibility of the GEPF's management for implementing and maintaining effective systems of internal control. Internal Audit will not implement or perform control procedures, as this would compromise their independence. However, it can and will provide advice on the design and implementation of internal controls. Internal Audit staff will have no direct responsibility for or authority over, any of the activities that they audit.

Management is responsible to ensure that Internal Audit reports are furnished with management comments within the agreed timeframes from the time the first draft report is issued to actual sign off stage. GEPF management is further responsible for ensuring that corrective action is taken, within reasonable time to overcome reported deficiencies.

The management of the GEPF remains responsible for the following:

- Identifying of risks and mitigation of risk through appropriate interventions;
- Establishing and maintaining an adequate system of internal control;
- Preventing and detecting fraud and irregularities;
- Implementing agreed corrective actions in line with the recommendations of Internal Audit reports as considered appropriate;
- If management elects not to implement recommendations as set out in the Internal Audit reports, they should give due reason for not doing so and come up with appropriate corrective measures.

Internal Audit may recommend standards of control for systems or may review procedures before they are implemented without impairing objectivity. However, designing and installing operating systems and drafting of procedures for systems are not IAFs, as they impair internal audit objectivity.

Finance and Audit Committee

The FAC assesses the effectiveness of the IAF annually. Internal audit is assessed against the following criteria:

- Achievement of the annual internal audit plan;
- Compliance with the Institute of Internal Auditors' professional standards inclusive of quality assurance assessments on the level of compliance achieved;
- Achievement of reporting protocols through management to the FAC;
- Timeliness of reporting of findings and activities;
- Responsiveness to changing business/operational environment;
- Quality and relevance of the annual assessment reports;
- Level of cooperation and interaction with other assurance providers within the agreed combined assurance approach; and
- Assessment of effectiveness of IAF.

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12. EXTERNAL RELATIONSHIPS

Although the IAF will have an independent status within the GEPP, the function will interact with and complement other divisions to promote and enhance the control environment and processes within the GEPP.

Internal audit will co-ordinate its work with that of the other assurance providers, such as the external auditors, Government Pensions Administration Agency (GPAA) Internal Audit and Public Investment Corporation (PIC) in consultation with the Principal Executive Officer and with the support of the FAC. This is due to the fact that these organisations look after the major risks facing the GEPP with regard to its Administration and Asset Management. This coordination will ensure a holistic approach to providing assurance to the GEPP while minimising duplication of audit effort.

Internal audit will co-ordinate their work with others as directed by management and the FAC.

The External Auditors will be notified of the activities of Internal Audit in order to ensure proper coverage and minimise duplication of audit effort. This will be accomplished by:

- Periodic meetings to discuss the audit plan and activities;
- Access by external auditors to internal audit documentation;
- The exchange of audit work papers including systems documentation;
- Exchange of management letters and audit reports;
- The forming of joint teams where appropriate;
- Internal audit carrying out certain (financial) audit work;
- Other aspects of the relationship between the GEPP and the external auditor;
- Internal Audit receiving ISAE 3402 reports from major service providers (e.g. the Public Investment Corporation and Master Custodian) that are expected to provide an independent detailed assessment of the adequacy and effectiveness of internal controls that address the GEPP's major risk areas as identified and prioritised by the Board of Trustees.
- Internal audit will, from time to time, with prior approval of the FAC enter into a co-sourced arrangement in order to augment internal capacity or gain access to expertise not available internally.

13. QUALITY ASSURANCE

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

The quality assurance and improvement program will include both internal and external assessments.

Internal assessments will include:

- Ongoing monitoring of the performance of IAF and
- Periodic reviews performed through self-assessment by the FAC members to evaluate the effectiveness and efficiency of the IAF.

External Quality Assurance reviews will be conducted at least once every five years by a qualified, independent reviewer or a review team from outside the GEPP.

Reviews will be performed to assess compliance with the IAFs Charter, the International Standards for the Professional Practice of Internal Auditing, the Code of Ethics, and the efficiency and effectiveness of Internal Audit in meeting the needs of its various stakeholders.

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14. COMBINED ASSURANCE

The IAF will interact with various governance groups and/or assurance groups within GEPP to ensure that the combined assurance objectives are achieved to the extent possible. Objectives of the combined assurance amongst others being the following:

- Optimizing the assurance coverage obtained from management, internal assurance providers and external assurance providers on the risks areas affecting the organization.
- Maximizing risk and governance oversight and ensuring control efficiencies are in place. IAF will ensure that there is proper liaison with external auditors and other internal assurance providers for optimal audit coverage and avoidance of audit duplication. This includes consideration of the scope of work of the external auditors and other assurance providers.
- The Internal Audit Activity will ensure through combined assurance activities that:
 - Duplication of audit efforts is minimised;
 - The external auditors can rely on the work carried out by internal audit; and
 - Issues of mutual concern are resolved.

15. LIMITATION OF SCOPE

Any Scope limitation by Management will be reported, preferably in writing to the PEO and to the FAC.

16. REVIEW AND APPROVAL OF THE CHARTER

The internal audit charter will be reviewed on an annual basis. This Internal Audit Charter is endorsed by the Principal Executive Officer, recommended by the FAC and approved by the Board of Trustees.

RECOMMENDED / ~~NOT RECOMMENDED~~



MR STADI MNGOMEZULU

CHAIRPERSON: FINANCE AND AUDIT COMMITTEE

DATE: 23/03/2022

APPROVED / ~~NOT APPROVED~~



DR RENOSI MOKATE

CHAIRPERSON: BOARD OF TRUSTEES

DATE: 23/03/2022
