

MISSION AND SCOPE OF WORK

The mission of the Internal Audit Service (“IAS”) is to provide independent, risk based internal auditing and consulting services designed to add value and to improve Afrimat Limited’s (“Afrimat” or “Company”) operations. It helps the Company accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

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 controls

as well as the quality of performance in carrying out assigned responsibilities to achieve the organization’s stated goals and objectives.

This includes inter alia ensuring that:

- Risks are appropriately identified and managed;
- Reviewing the Company’s risk register regularly and proposing adaptations to the internal audit plan accordingly;
- Monitoring and Contributing to the improvement of governance, risk management and control processes;
- Interaction with the various governance groups occurs as needed;
- Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employee’s actions are in compliance with policies, standards, and applicable laws and regulations;
- Evaluate existence, efficiency of appropriate and required internal control procedures.
- Evaluate efficiency of compliance to all internal control procedures and report findings to Audit Committee.
- Resources are acquired economically, used efficiently and adequately protected;
- Programmes, plans, and objectives are achieved;
- Quality and continuous improvement are fostered in the Company’s control process; and
- Significant legislative or regulatory issues impacting the Company are recognised and addressed properly.

- Evaluating and executing specific internal audit related operations at the request of Board, Audit Committee or management

Opportunities for improving management control, profitability, and the organisation's image may be identified during audits. They will be communicated to the appropriate level of management.

IAS could outsource certain audits to external service providers or use in-house staff, who are sufficiently independent, for specialist internal audits.

The position of Chief Audit Executive ("CAE") will be performed by an official designated by the Audit & Risk Committee, who is sufficiently independent.

ACCOUNTABILITY

The IAS and CAE, in the discharge of its duties, shall be accountable to the Audit & Risk Committee 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;
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of department resources; and
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

INDEPENDENCE

To provide for the independence of the IAS, it reports functionally to the Audit & Risk Committee and the CAE reports functionally to the Chairman of the Audit & Risk Committee in a manner outlined in the above section on Accountability. It will include as part of its reports to the Audit & Risk Committee a regular report on the level of coverage. The CAE should be invited to attend executive meetings, as necessary, to be informed about strategy, policy decisions and their implementation and has unrestricted access to the chair of the Audit & Risk Committee and chair of Board.

RESPONSIBILITY

The Internal Audit Service has the responsibility to:

- Develop a flexible annual audit plan using appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit & Risk Committee for review and approval;
- Evaluate the Company's governance processes including ethics;
- Systematically analysing and evaluating business processes and associated controls;

- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit & Risk Committee;
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- Establish a quality assurance programme by which the IAS assures the operation of internal auditing activities;
- Issue periodic reports to the Audit & Risk Committee and management summarising results of audit activities;
- Keep the Audit & Risk Committee informed of emerging trends and successful practices in internal auditing;
- Provide a list of significant measurement goals and results to the Audit & Risk Committee;
- Once mandated, assist in the investigation of significant suspected fraudulent activities within the organisation and notify management and the Audit & Risk Committee of the results; and
- 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.

AUTHORITY

The IAS is authorised to:

- Have unrestricted access to all functions, records, property, and personnel;
- Have full and free access to the Audit & Risk Committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of the organisation where they perform audits, as well as other specialised services from within or outside the organisation.

The IAS is not authorised to:

- Perform any operational duties for the organisation or its affiliates;
- Initiate or approve accounting transactions external to the internal auditing department; or
- Direct the activities of any organisation 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

STANDARDS OF AUDIT PRACTICE

The IAS will endeavour to meet or exceed the *International Standards for the Professional Practice of Internal Auditing* of The Institute of Internal Auditors and Code of Ethics of the Internal Auditors.

In the event that a specialist internal audit is done by independent in-house staff then specific standards for the internal audit will be agreed by the Audit & Risk Committee and CAE.

KING IV

Internal audit shall be managed and internal audits conducted in terms of the King Code of Governance Principles for South Africa 2016.**END.**