

# *Internal Audit Charter*

**Health Shield  
Friendly Society  
Ltd**

*September 2018*



## Health Shield Friendly Society Ltd

### Internal Audit Charter

Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of Health Shield Friendly Society (“the Society”). It assists the Society in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the organisation’s governance, risk management, and internal control.

#### Role:

The Internal Audit Function is established by the Audit Committee of the Board of Directors (or equivalent, hereafter referred to as the Audit Committee). The Internal Audit Function’s responsibilities are defined by the Audit Committee as part of its oversight role.

#### Professionalism:

The Internal Audit Function will govern itself by adherence to The Institute of Internal Auditors’ mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit Function’s performance.

The Institute of Internal Auditors’ Practice Advisories, Practice Guides, and Position Papers will also be considered as applicable to guide operations. In addition, the Internal Audit Function will adhere to the Society’s relevant policies and procedures.

#### Authority:

The Internal Audit Function, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the Society’s records, physical properties, and personnel pertinent to carrying out any engagement. All employees are requested to assist the Internal Audit Function in fulfilling its roles and responsibilities. The Internal Audit Function will also have free and unrestricted access to the Board, including the Audit Committee.

#### Organisation:

The Company’s internal audit activities will be carried out through the Internal Audit Function who will deliver each internal audit project under the direction of the Head of Internal Audit).

The Internal Audit Function will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Chief Executive Officer (or other executive).

The Audit Committee will

- Approve the internal audit charter.
- Approve the risk based internal audit plan.
- Receive communications on the Internal Audit Function’s performance relative to its plan and other matters.
- Make appropriate inquiries of management and the Internal Audit Function to determine whether there is inappropriate scope or resource limitations.

The Head of Internal Audit or designee will communicate and interact directly with the Audit Committee, including in executive sessions and between Audit Committee meetings as appropriate.

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**Independence and objectivity:**

The Internal Audit Function will remain free from interference by any element in the organisation, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor judgment.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The Head of Internal Audit will confirm to the Audit Committee, at least annually, the organisational independence of the Internal Audit Function.

**Responsibility:**

The scope of internal auditing is based on an approved audit plan and encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

- Evaluating risk exposure relating to achievement of the organisation's strategic objectives.

- 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 organisation.
- 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 organisation's risk management processes.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation.
- Reporting periodically on the Internal Audit Function's purpose, authority, responsibility, and performance relative to its plan.
- Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee.
- Evaluating specific operations at the request of the Audit Committee or management, as appropriate.



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**Internal Audit Plan:**

At least annually, the Head of Internal Audit or designee will submit to the Audit Committee an internal audit plan for review and approval. The Head of Internal Audit or designee will communicate the impact of resource limitations and significant interim changes to the Audit Committee and other stakeholders as deemed applicable.

The internal audit plan will be developed using a risk-based methodology, including input of senior management and the Audit Committee. The Internal Audit Function will review and adjust the plan, as necessary, in response to changes in the organisation's business, risks, operations, programs, systems, and controls. Any significant deviation from the approved internal audit plan will be communicated to senior management and approved by the Audit Committee through periodic activity reports.

**Reporting and monitoring:**

A written report will be prepared and issued by the Internal Audit Function following the conclusion of each internal audit engagement and will be distributed as appropriate. Internal audit results will also be communicated to the Audit Committee.

The internal audit report may include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response, whether included within the original audit report or provided thereafter by management of the audited area should include a timetable for anticipated completion of action to be taken and an explanation for any corrective action that will not be implemented.

The Internal Audit Function will be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings will remain in an open issues file until cleared.

The Head of Internal Audit or designee will periodically report to the Audit Committee and other stakeholders as deemed applicable on the Internal Audit Function's purpose, authority, and responsibility, as well as performance relative to its plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by executive management and the Audit Committee.



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**Quality Assurance and Improvement Program:**

The Internal Audit Function will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Function. The program will include an evaluation of the Internal Audit Function's conformance with the Definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics. The program also assesses the efficiency and effectiveness of the Internal Audit Function and identifies opportunities for improvement.

The Head of Internal Audit or designee will communicate to the Audit Committee and other stakeholders as deemed applicable on the Internal Audit Function's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

Approved this 27<sup>th</sup> day of September 2018.

A handwritten signature in black ink, appearing to read 'Neil Elliott', written over a horizontal line.

Head of Internal Audit

A handwritten signature in black ink, appearing to read 'A. D. ...', written over a horizontal line.

Chairman of the Audit Committee

A handwritten signature in black ink, appearing to read 'Gary ...', written over a horizontal line.

Chief Executive Officer

This document has been prepared only for Health Shield Friendly Society Ltd solely for the purpose and on the terms agreed with Health Shield Friendly Society Ltd in our agreement dated 23 July 2017. We accept no liability (including for negligence) to anyone else in connection with this document, and it may not be provided to anyone else.

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