

# INTERNAL AUDIT CHARTER

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# INTERNAL AUDIT CHARTER

## APPROVED BY

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DR. A.M. NYAKABAU  
Radiation Protection Authority  
Board Chairperson

Board Directors

Mr W. Zhakata, Eng B. Munyaradzi, Mr A. Chigona, Mr N. Charumbira, Mr N. Nkomo, Prof R. Masanganise, Mrs L. M Chikerema, Dr X. Ndlovu, Eng T. Mawokomatanda.

# INTERNAL AUDIT CHARTER

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## **1 INTRODUCTION**

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Internal audit, as defined by the Institute of Internal Auditors (IIA), is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This charter defines and identifies the purpose, authority, and responsibilities of the internal audit activity.

Section 11 of this internal audit charter includes the operating principles of the internal audit activity.

## **2 ROLE**

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The internal audit activity is established by the Board of Directors (BoDs) through the Audit Committee. The internal audit activity's responsibilities are defined by the BoDs as part of their oversight role.

## **3 MISSION**

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Internal audit shall function as an independent appraisal activity within the Authority to enhance and protect the organization value by providing risk-based and objective assurance, advice, and insight. This mission shall be achieved by providing objective analysis, assessments, recommendations, and commentary concerning activities reviewed. Additionally, internal audit shall seek opportunities to provide consulting services to its internal customer base in an effort to add value and improve organizational efficiencies and effectiveness.

## 4 SCOPE

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The scope of the internal audit activities encompasses, but not limited to objective examinations of evidence for the purpose of providing independent assessments on the adequacy and effectiveness of governance, risk management and control processes.

The head internal audit (HIA) shall report quarterly to the Audit Committee and senior management on the results and the work the internal audit activity has performed. The scope of internal audit activities should ensure that:

- a) Risks are appropriately identified and managed
- b) Significant financial, managerial, and operating information is accurate, reliable, and timely
- c) Employees' actions are in compliance with policies, standards, procedures, applicable laws, and regulations
- d) Resources are acquired economically, used efficiently and adequately protected
- e) Programs, plans and objectives are achieved
- f) Quality and continuous improvement are fostered in the Authority's control process and
- g) Significant legislative or regulatory issues impacting the Authority are recognized and addressed appropriately.

Internal audit shall also assist in carrying out special investigations, management consultancy and independent reviews in areas related to fraud control, risk management, safety, security, and other areas as may be determined by the Audit Committee.

## 5 ORGANISATIONAL STATUS

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The HIA shall report functionally to the Audit Committee and administratively to the chief executive officer (CEO). The HIA shall be strategically positioned at senior management level.

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The Audit Committee shall approve all decisions regarding the performance evaluation, appointment, or removal of the HIA.

The HIA shall communicate and interact directly with the Audit Committee, including in executive sessions and between Radiation Protection Board (Board) meetings as appropriate.

### **6 AUTHORITY**

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The internal audit activity, with strict accountability for confidentiality and safeguarding records and information, is authorised full, free, and unrestricted access to any and all of the organisation's records, physical properties, and personnel pertinent to carrying out any engagement. All employees shall be requested to assist the internal audit activity in fulfilling its roles and responsibilities. The internal audit activity shall also have free and unrestricted access to the Board.

Internal audit activity has authority and a right to receive any information, explanations, documents, and records that may, in its opinion and judgment, be deemed necessary in fulfilling its duties and responsibility to the Authority.

The internal audit activity shall not be authorized to:

- a) Perform any operational duties for the Authority
- b) Initiate or approve accounting transactions external to the internal auditing activity; and
- c) Direct the activities of any employee of the Authority not employed by the internal auditing activity, except to the extent such employees have been appropriately assigned to auditing teams or to assist the HIA.

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The Audit Committee shall establish, maintain, and assure that the internal audit activity has sufficient authority to fulfil its duties by:

- a) Approving the internal audit charter
- b) Approving a risk-based internal audit plan
- c) Approving the internal audit budget and resource plan
- d) Receiving timely communications from the HIA on performance relative to the internal audit plan
- e) Actively participating in discussions about and ultimately approving the remuneration of the HIA
- f) Making appropriate inquiries of management and the HIA to determine if there are any inappropriate scope or resource limitations
- g) Developing and approving a statement that the HIA will have unrestricted access to, and communicate and interact directly with, the Audit Committee without management present
- h) Developing and approving an authorization that the internal audit activity will have free and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.

### **7 INDEPENDENCE AND OBJECTIVITY**

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Internal audit shall be independent of the activities that it audits within the Authority so that it can give an unbiased opinion on the state of risk management, internal controls, and governance. To ensure that it can be effective in the discharge of its role, internal audit activity shall have full access to all records, properties, operations, assets, minutes of all meetings and committees and to interview staff as to the extent to which they influence the security and control of operations and systems.



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Independence of the internal audit activity shall also be ensured by the internal audit activity being free of any undue influences which could restrict, overrule, or otherwise affect the judgment report or in any way require the activity to function under duress or which could affect the authority or conduct of an investigation.

The principle of independence entails that the HIA has the authority to communicate directly on his own initiative, to the Board, the chairman of the Board, Audit Committee Chairperson, or the external auditors where appropriate, according to the provisions of this charter.

The HIA shall confirm to the Audit Committee, at least annually, the organisational independence of the internal audit activity.

### **8 RESPONSIBILITIES**

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The internal audit activity responsibilities include to:

- a) Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management and submits the plan to the Audit Committee for review and approval as well as periodic updates
- b) Implement the annual audit plan, as approved by the Audit Committee, including as appropriate any special task or projects requested by management
- c) Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certificates to meet the requirements of this internal audit charter
- d) Issue periodic reports to the Audit Committee summarizing results of audit activities at least four times a year
- e) Assist in the investigation of significant suspected fraudulent activities within the Authority and notify management and the Audit Committee of the results

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- f) Act as consultants on significant proposed changes in internal control systems and the implementation of new systems and make recommendations on the standards of control to be applied
- g) Verified and correct information from members of staff may also be used as a basis for conducting an audit
- h) Report significant issues related to the processes for controlling the activities of the Authority including potential improvements to those processes, and provide information concerning such issues through resolution
- i) Periodically provide information on the status and results of annual audit plan and sufficiency of departmental resources, and
- j) Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, and ethics, environmental and external audit).

### **9 PROFESSIONALISM**

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The internal audit activity shall adhere to IIA's 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 activity's performance.

The IIA's Practice Advisories, Practice Guides, and Position Papers shall also be adhered to as applicable to guide operations. In addition, the internal audit activity shall adhere to the Authority relevant policies and procedures and the internal audit activity's standard operating procedures manual.

## **10 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP)**

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The internal audit activity shall maintain a QAIP that covers all aspects of the internal audit activity including its evaluation of conformance to IIA standards. The HIA to report quarterly the results of the QAIP to the Audit Committee and senior management and to obtain external assessment of the activity at least once every five years.

## **11 OPERATING PRINCIPLES**

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### **11.1 Standards**

In planning, conducting, and reporting reviews, internal audit activity shall adopt recognized best practice. Useful examples of standards to be set are the Standards for Professional Practice of Internal Auditing issued by the Institute of Internal Auditors.

### **11.2 Planning**

At least annually, the HIA shall submit to the Audit Committee an internal audit plan for review and approval, including risk assessment criteria.

The internal audit plan shall include timing as well as budget and resource requirements. The HIA shall communicate the impact of resource limitations and significant interim changes to senior management and the Audit Committee.

The internal audit plan shall be developed based on a prioritization of the audit universe using a risk-based methodology, including input of senior management and the Radiation Protection Board. Prior to submission to the Audit Committee for approval, the plan may be discussed with appropriate senior management. Any significant deviation from the approved internal audit plan shall be communicated through the periodic activity reporting process.

### **11.3 Conduct of Internal Audit**

Internal audit shall work closely with senior management in effective discharge of their responsibilities to provide them with balanced analysis appraisals, information, and recommendations on the areas of audit.

### **11.4 Reporting and Monitoring**

A written report shall be prepared and issued by the HIA, or designee following the conclusion of each internal audit engagement and shall be distributed as appropriate. Internal audit results shall 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 within 5 working days 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 cannot be implemented.

The internal audit activity shall be responsible for appropriate follow-up on engagement findings and recommendations. All significant findings shall remain in an open issues file until cleared.

### **11.5 Audit Follow-up**

The HIA shall follow-up and monitor implementation of the agreed corrective action.

Management's plan of corrective actions and implementation timetable for completion shall be developed and agreed upon by senior management and the HIA. The status of the corrective actions should be monitored and reported to the Audit Committee and the CEO so that follow-up action can be taken to inform the appropriate levels of management on outstanding issues.

### **11.6 Confidentiality**

Internal audit shall abide by the principle of confidentiality of corporate information and shall comply with this requirement.

### **11.7 Conflict of Interest**

The internal audit staff shall refrain from entering into any activity which may be in conflict with the interest of their work, or which would prejudice their ability to carry out objectively their duties and responsibilities. Where there is/or maybe conflict of interest, internal audit through the CEO may request the assistance of third parties such as external auditors or consultants.

### **11.8 Periodic Assessment**

The HIA is responsible for providing periodically a self-assessment on the internal audit activity as regards its consistency with the internal audit charter (purpose, authority, responsibility) and performance relative to its plan.

In addition, the HIA shall communicate to senior management and the Radiation Protection Board on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years.

## **12 LIAISON AND COORDINATION**

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Internal audit shall ensure that its annual internal plan is communicated to others who have a need to review business controls, such as external auditors; this reflects the opportunity to coordinate its work, to minimize duplication and disruption to management.

Opportunities shall be taken to work jointly with other functions within the Authority to review business controls in areas where they have greater specialist knowledge (e.g., information technology) and to share the results of audits throughout the Authority in order to spread best practice knowledge gained through internal audit's work.

## 13 STAFFING

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The HIA is responsible for ensuring that the internal audit activity is sufficiently equipped to meet the requirements set out in the internal audit charter. This includes the recruitment and staffing with sufficient numbers of appropriately qualified and experienced staff. The internal audit staff structure shall however be approved by the CEO, Human Resources Committee, and the Audit Committee.

The HIA shall be responsible for

- a) Ensuring that the abilities of the staff are maintained and enhanced by complying with the continuing professional education requirements of bodies to which the staff belong
- b) Enabling and encouraging staff to further their professional education
- c) Providing sufficient and high-quality training both formally and on the job, and
- d) Developing and implementing a regularly applied formal appraisal system of sufficient detail to include details on promotional standards and disciplinary offences and consequences.

## 14 POLICY REVIEW

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This internal audit charter shall be reviewed and revised annually.