



## **Internal Audit Charter**

This charter describes the mission, independence and objectivity, scope and responsibilities, authority, accountability and standards of the Internal Audit function.

### **Mission**

The mission of Internal Audit is to ensure that the Company's operations are conducted according to the highest standards by providing an independent, objective assurance function and by advising on best practice.

Through a systematic and disciplined approach, Internal Audit helps the Company accomplish its objectives by evaluating and improving the effectiveness of risk management, control and governance processes.

### **Independence and Objectivity**

To ensure independence, Internal Audit is directly responsible to the Vice Chairman on matters of Audit and to the Chief Executive Officer on Administrative issues. Its activities and work may, on request of the Vice Chairman, be regularly reported to the Board or an Audit Committee appointed by the Board.

To maintain objectivity, Internal Audit is not involved in day-to-day control procedures. Instead, each business unit is responsible for its own internal control and efficiency. Internal Audit will update the Management and Procedures manual that sets out the mode of conduct of operations in business units to help guide management on sound Internal Controls and business process efficiency.

### **Scope and Responsibilities**

The scope of internal audit work includes the review of risk management procedures, internal control systems, information systems and governance processes.

This work also involves periodic testing of transactions, best practice reviews, special investigations, appraisals of regulatory requirements, and measures to help prevent and detect fraud.

To fulfil its responsibilities, Internal Audit shall:

- ✓ Identify and assess potential risks to the Company's operations.
- ✓ Review the adequacy of controls established to ensure compliance with policies, plans, procedures, and business objectives.
- ✓ Assess the reliability and security of financial and management information and the systems and operations (in-house or outsourced) that produce this information.
- ✓ Assess the means of safeguarding assets.
- ✓ Review established procedures and systems and propose improvements.
- ✓ Appraise the use of resources regarding economy, efficiency and effectiveness, always advocating value-for-money.
- ✓ Contribute to the development of projects, selected according to the risk involved, by confirming that the Company's project development methodology is followed and that adequate controls are incorporated.
- ✓ Follow up recommendations to make sure that effective remedial action is taken.
- ✓ Carry out ad hoc appraisals, investigations, or reviews requested by Management.

### **Authority**

Internal Audit aims to promote effective controls at reasonable cost. To achieve this, Internal Audit is authorized, in the course of its activities, to:

- ✓ Enter all areas of the Company and have access to any documents and records considered necessary for the performance of its functions.
- ✓ Require all members of staff and Management to supply such information and explanations as may be needed within a reasonable period.
- ✓ Heads of Department should inform Internal Audit without delay of any significant incident concerning security and/or compliance with regulations and procedures - particularly the Management and Procedures Manual - updated and circulated from time to time.

## **Accountability**

Internal Audit shall prepare, in liaison with the Chief Executive Officer (or designated Board Audit Committee Chairperson), an Annual Audit Plan. The plan is based on a risk model that identifies business risks, with input from line managers. It provides information about the risk assessment, the current order of priority of Audit Projects and how they are to be carried out.

The plan shall be presented to the Vice Chairman and whenever applicable a designated Board Audit Committee chairperson for approval. In case of need, adjustments could be made to the plan during the year. They would be approved by the Vice Chairman and if applicable the Board Audit Committee.

## **Audits and Reporting**

Internal Audit is responsible for planning, conducting, reporting and following up on audit projects included in the Audit Plan, and decides on the scope and timing of audits. The details of these processes are defined in the Internal Audit Manual updated from time to time.

Audit fieldwork shall be conducted in a professional and timely manner. Reporting of results will include an open process to agree on the facts and the validity of audit recommendations. Management comments and on-going value adding initiatives will form part of Audit findings and be taken into consideration in reporting and formulating recommendations.

A detailed audit report and a letter to Management will summarize the objectives and scope of the audit as well as observations and recommendations. In all cases, follow-up work will be undertaken to ensure adequate response to Audit Recommendations.

Every Month End, Internal Audit will submit a Report to Vice Chairman summarizing activities during the month, significant findings, Management Action and status of Implementation of Agreed Recommendations.

Internal Audit will submit an Annual Report to Management and whenever applicable to the Audit Committee on the results of the audit work including significant risk exposures and control issues.

The section shall coordinate with External Audit to ensure proper coverage and avoid duplication of effort.

## **Standards**

Internal Audit adheres to the standards of best professional practice, such as those published by the Institute of Internal Auditors, the Institute of Certified Public Accountants of Kenya, the Information Systems Audit and Control Association and any relevant Regulatory Institutions whose mandate impacts the Company.

## **Changes and Revisions**

This Charter is subject to periodic review. Significant changes will be re-circulated to all department heads after approval by the Vice Chairman or Designated Board Audit Chairperson.

Faithfully  
For Crown Paints Kenya PLC

**SIGNED:**

**GEORGE OKWACH**  
**GROUP AUDIT MANAGER**

**HUSSEIN RAMJI**  
**VICE CHAIRMAN**