

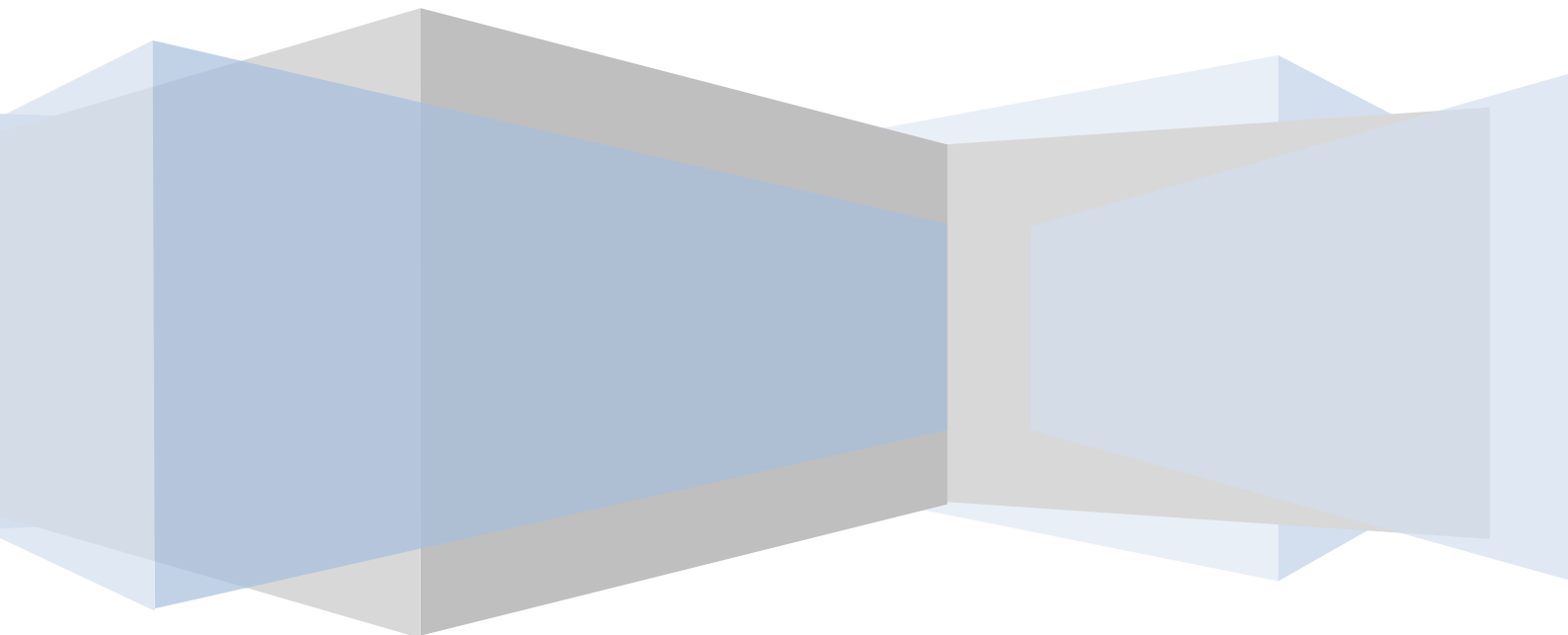


SODEPA

Société de Développement et d'exploitation des productions animales
Livestock Development Corporation

INTERNAL AUDIT CHARTER **OF THE LIVESTOCK DEVELOPMENT CORPORATION** **(SODEPA)**

“The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Definition of the Internal Auditing, the Code of Ethics, as well as the standards. The chief audit executive must periodically review the internal audit charter and present to the Director General and the Board of Directors for approval”.



Message of the Director General of SODEPA

Dear collaborators,

A historical perspective permits me to reinstate the context and the challenges related to the advent of this fundamental act of governance in our Institution.

As such, in order to improve this process of governance, SODEPA in being more efficient, has undertaken to equip itself with management tools which will help in the follow up and control the management system on the one hand, and on the other hand, ensure the effective operation of control tools by improving the process of risk management, oversight and corporate governance.

The objective is to improve the performance of the company by ensuring its smooth running. This will also help promote the development of the technical and managerial skills of SODEPA staff in the different fields of activity within the structure.

To this end, through the help of external consultants, the Internal Committee in charge of developing audit tools has drawn up an Internal Audit Charter, which serves as a reference document to be used to ensure that the activities of the internal audit are carried out in good conditions.

As such, this Charter defines the mission, role and responsibilities of stakeholders in the internal audit process.

Adherence to the principles and provisions defined by this Charter by all stakeholders in the internal audit process is undoubtedly a guarantee of success for the continuous improvement of SODEPA's performance.

Furthermore, I am confident that I can count on each and everyone of us to take up this new and decisive challenge, which will undeniably enable us to attain our major set objectives for 2018 and to achieve a qualitative leap for the significant influence of our company.

Denis KOULAGNA KOUTOU

Preamble

The charter is a written grant that imposes itself on all by the authority conferred on it by its signatory (s), and which sets up an organization based on rights and duties. The Internal Audit Charter is a statement of principles, rules and values that govern the activity of internal auditors. It defines their role, provides them with the guarantees necessary to assume their mission and gives them an identity. It also protects the auditees by guiding the activity of the Internal Auditor and imposes on auditors the duties and ethical principles they must observe.

This Charter, which defines the missions and operating rules of SODEPA's Internal Audit Structure, takes into consideration the principles and practice of corporate governance of the public sector in Cameroon enacted by Law No. 2017/011 of 12 July 2017 on the General Status of public companies.

It is also based on the provisions of Decree No. 2013/159 of 15 May 2013 on the special system for the administrative audit of public finances and on the professional standards for the practice of internal audit as well as the Code of Ethics of Internal Audit, issued by the Institute of Internal Auditors (IIA) and the French Institute of Audit and Internal Control (IFACI), thus making up the International Term of Reference of Internal Audit.

The professional standards of internal audit set out particularly, the characteristics that organizations and individuals performing internal audit activities must present and also describe the nature of internal audit activities.

Lastly, the present Charter specifies the reports of the General Management with the audit structure, as well as the relations of the latter with the other external actors which are among others: the Supreme Audit Institution of Public Finances (Office of the Superior State Audit), the National Agency for Financial Investigation (ANIF), the National Anti-Corruption Commission (CONAC), the Specialized Brigades of the Ministry of Finance, the Ministry of Territorial Administration and Decentralisation and the Ministry of Economy, Planning and Regional Development.

All governing and operating bodies of SODEPA, as well as the external stakeholders entrusted with the mission of the internal audit, must comply with this Charter.

Definition of concepts

Except otherwise stated, terms used in this Charter have their meanings set out as follows:

« **Internal Audit** » is an independent and objective activity that gives to an organisation assurance on the degree of control over its operations, provides advice on how to improve them and help create added value.

« **Competence** » : set of skills (knowledge and expertise) and attitudes (know-how and good manners) needed for the professional practice of internal audit.

« **Conflicts of interest** » may result from any situation wherein an informed external observer may consider the personal interest of a member or staff of the Internal Audit, whether direct or indirect, as enough threat to the functioning of internal audit and may jeopardise his / her duties. There are three types of conflict of interest: *real conflict, apparent conflict and potential conflict*.

- **Real conflict** is a situation in which a person chooses to satisfy his personal interest or that of his relation (family member, friend or business partner) to the detriment of the interest which he/she is bound to preserve, with regard to his duties and power.
- **Apparent conflict** exists when a given situation could be reasonably interpreted by the public as a real conflict.
- Potential Conflict is a situation likely to occur, a hidden situation.

Conflicts of interest can be financial, moral, psychological and professional.

« **Credibility** »: Demonstrating credibility requires proof of reliability, transparency and likelihood.

« **Ethics** » suggests what is desirable and condemns what should not be done, while "**code of conduct**" relies on administrative tools to ensure that the profession is carried out ethically.

« **Entity** » encompasses the Operational Units and any other entity under the jurisdiction of SODEPA.

« **Mission or audit team** » includes any person who participates in executing the mission, in providing quality control, as well as any other person who is able to directly influence the outcome of the engagement.

« **Integrity** » is to act fairly and honestly. It is the basis of the trust and credibility given to the audit reports produced by the audit structure.

It requires the staff of the audit structure, to respect the principles of independence and objectivity. The said personnel shall demonstrate at all times and in all places, irreproachable professional conduct, absolute honesty in their work and in the management of SODEPA resources as well as ensure that the decisions taken guarantee the general interest of SODEPA.

« **Loyalty** » consists in not failing to respect the commitments taken for the Internal Audit with regard to the respect of the general interest.

« **Manifestly Unlawful Order** »: hierarchical order contrary to the laws and regulations in force.

« **Probity** »: to act with integrity means to observe social rules with honesty and integrity.

« **Respect** »: To show respect, requires recognizing and considering others equally and without prejudice. It also requires complying with the employer's decisions and directions.

« **Auditing** »: the process by which a competent and independent person assembles, according to appropriate audit procedures, and evaluates the evidence relating to particular information, with a view to determine the degree at which that information corresponds to the established criteria, and then present it in a report.

**PART I : PRINCIPLES GOVERNING THE ORGANIZATION AND FUNCTIONING OF
THE INTERNAL AUDIT ACTIVITY WITHIN THE LIVESTOCK DEVELOPMENT
CORPORATION (SODEPA)**

I. ACTORS OF THE INTERNAL AUDIT

A- The Board of Directors of SODEPA

The Board of Directors has as duty to approve and review the main strategies and policies of SODEPA, and also to assess the substantial risks that SODEPA may incur, to fix acceptable levels for these risks, and to ensure that the Executive makes the necessary arrangements to identify, measure, monitor and control these risks.

B. The Internal Audit Committee

The Internal Audit Committee was instituted by the Board of Directors. It enlightens the Board of Directors on the efficiency of Internal Control by ensuring that the objectives of SODEPA are achieved. It also assists the Board of Directors in its monitoring missions.

The Internal Audit Committee implements and supports the functioning of the Board by periodically reviewing the production procedure of SODEPA's financial document and internal controls.

The Audit Committee also has as duties to:

- ensure the effective leadership through entrepreneurial spirit, integrity and objectivity;
- ensure the evaluation of the implementation of strategies, policies, financial viability and management performance criteria, as well as the annual action plans of SODEPA;
- make available the activity reports and the summary of the main recommendations drafted by the internal audit structure, as well as the state of the situation of the follow-up that has been reserved for them;
- review the internal control systems and procedures enabling the Board of Directors to maintain at the highest level of its decision-making capacities as much accuracy and sincerity of its reports and financial statements;
- ensure the effectiveness of the internal control system and the independence of the internal auditor;
- ensure conformity with the laws, regulations and procedures manual of SODEPA;
- identify key risks and key performance indicators, in order to ensure constant monitoring and control of the determining factors;
- ensure the existence of a risk map;
- provide an opinion on the annual audit program of the audit structure;

- support the Board of Directors in setting the objectives of SODEPA and approving the action plan in line with the overall objectives of the sector concerned;
- ensure the safeguard and protection of the heritage of SODEPA.

The Audit Committee works with the auditing structure to better accomplish its mission. The Committee has full authority to appoint outside advisors or to use the work done by the technical staff of the audit structure, when deemed necessary.

The members of the Audit Committee shall undertake to keep all information received in the course of their duties, confidential, except with the Board of Directors.

Within the scope of its activity, each member of the Audit Committee is impartial and has a particular disciplined thinking with regard to conflicts of interest.

The Audit Committee is composed of three (03) members and one (01) rapporteur, that is:

- Two (02) Advisors with proven expertise in the area of financial and / or non-financial internal control system;
- An independent experienced auditor and members of the Cameroon branch of the Institute of Internal Auditors (IIA Cameroun);
- The Head of the Audit Structure, Rapporteur.

The operating rules of the Audit Committee are fixed by the Board of Directors of SODEPA.

C. The Executive

In conformity with the provisions stipulated in Article 71 of Law No.2017/011 of 12 July 2017, the Director General shall ensure the implementation of the general policies and the management of the corporation. He shall equally ensure the general affairs of the Corporation.

The Director General shall ensure the implementation of strategies and policies approved by the Board of Directors and clearly set the duties and powers of the organisational structure as well as stipulate a provision in order to identify, measure, monitor and control outstanding risks.

He shall define appropriate policies for internal auditing and ensure the effectiveness of the provisions for internal audit.

D. Internal Audit Structure

In order to ensure its independence from the management, departments and services, the internal audit structure shall directly depend on the Director General of SODEPA who shall:

- Evaluate and validate the annual program of the internal audit;
- Review the points raised in the reports, presented by the head of the internal audit team and ensure the implementation of the recommendations suggested base on their field work;
- Guarantee the furnishing of the structure in terms of sufficient and adequate human, material as well as financial resources;
- Ensure the professional capacity building of internal auditors of the audit structure.

The Head of the audit structure shall ensure the implementation of the internal audit policies, the definition of the general content of the activities in this domain, their planning, the management of their implementation and reports on the results obtained.

He shall ensure the adequacy and effectiveness of the internal audit. He shall coordinate the audit activities with those carried out by other audit organs whose goal is to ensure regularity, sincerity and reliability of the financial situation and assets of SODEPA. He shall give account to the Executive on the execution of the annual plan of the internal audit after every two years.

The internal auditors must restrain from engaging themselves in any operational act or activity susceptible of jeopardising the independence and goal of their evaluation and reports.

II. THE ROLE AND GOVERNANCE OF THE INTERNAL AUDIT OF SODEPA

A. Mission of the Internal Audit

The Internal Audit helps the Executive of SODEPA in realising its objectives through the adoption of a systematic and methodological approach in order to evaluate the process of managing risks, internal auditing, and corporate governance, by drafting suggestions that can help reinforce the smooth running of SODEPA. Lastly the Internal Audit has as mission to provide to all management levels of SODEPA, assurance, analysis, recommendations, advice and information with regards to the domains audited.

It has as general objective to give reasonable assurance to the Executive that the management of SODEPA is in accordance with the norms and standards of the subject in question.

As such, it ensures that:

- The provisions that govern the internal audit system are in conformity and operate in an optimal manner;
- The continuous integrity, reliability, confidentiality and availability of the information systems are guaranteed;
- The regulatory rule, procedure manual and the internal rules are respected and that all errors or faults have been detected and corrected;
- The strategies, programs and projects of SODEPA have been effectively, efficiently and economically implemented.

It also has as mission:

- To evaluate the efficiency and adequacy of the internal audit system, identify the strengths and weaknesses;
- To audit the level at which the liabilities and assets of SODEPA are rightly protected from all possible loss;
- To audit the appropriate process of the risk analysis implemented by the governing bodies of SODEPA;
- To evaluate investment projects and others of SODEPA;
- To carry out investigations on fraud and corruption;
- To verify the effective implementation of the management bodies of SODEPA, contractual obligations and commitments of SODEPA;
- To draft recommendations by providing information on the best practices as well as suggest solutions and corrective actions in order to minimise risks.

However, the audit structure shall carry out an advisory mission as part of its current activities or execute of the instructions of the Director General of SODEPA. There are four types of advisory missions:

- Formal advisory mission : They are planned and comes with the issuance of an engagement letter ;
- Informal advisory mission : They are executed within the current activities of the audit structure, such as the participation in permanent committees, meetings, as well as all tasks assigned by the Executive ;
- Exceptional advisory mission : They are carried out for a project that may come up as a result of a change of system ;
- Advisory mission in times of crisis: they are executed after the occurrence of a disaster, any exceptional event or following a specific request from the Executive or a need to respect the deadline of an activity. As such, the auditing structure shall form part of the mission team to take emergency actions.

The internal audit structure shall carry out its mission with respect to the principles of integrity, objectivity, confidentiality and competence. The nature and scope of the mission are defined by the Director General of SODEPA.

The internal auditing service can also act diligently in carrying out administrative inquiry on the individual and collective behaviours of employees that warrants disciplinary measures (temporary suspension, dismissal...). This concerns special missions that do not require the implementation of the professional standards of internal auditing.

B. Area of intervention of the Internal Audit

The internal audit has jurisdiction over the following domains:

- Financial and budgetary activities, management of treasury accounts (movement of internal funds) of SODEPA ;
- Management of the assets of SODEPA (offices, ranches, slaughterhouses,, agricultural development areas, warehouses, garages, repair and maintenance workshops, corrals, and any entity that constitute a workplace or any place allocated to employees by the company;
- Management of human resources of SODEPA;
- Evaluation of the information system;
- Assessment of the internal audit system and the management of inherent risks with regards to the activities of SODEPA;
- Advice.

C. Position and Organisation of the duty of the Internal Audit

In a bid to guarantee its independence, the Head of the internal audit team shall uplift to a certain hierarchical level at the level of SODEPA in order to enable the internal audit service in carrying out their duties. This can be done either at the level of the Board of Directors of SODEPA, or the Director General, the latter being the Head of the internal audit, to ensure the smooth running of the administration.

In carrying out its activities, the Head of the auditing structure heads a team of internal auditors. Base on the nature and content of the audit activity, he can call external specialists or consultants with regards to the required applicable procedures.

Each internal auditor shall benefit from a continuous professional training in order to reinforce his/her competences and perfect the auditing domain.

The internal audit structure shall register its activities in a quality assurance and improvement program on all aspects related to the internal audit as well as present the internal and external audit situation.

It establishes and updates the annual audit program with respect to the mapping of risks previously disclosed. This program includes the necessary resources needed for its realisation (human, material, financial and temporal resources...). It shall then be submitted for approval to the Director General and then the Audit Committee for their consent.

III. MODALITIES AND CONDITIONS FOR INTERVENTION BY THE INTERNAL AUDIT STRUCTURE

A. Mission planning of the Internal Audit

Every year, the audit structure shall come up with an audit program that shall be drafted base on an accurate risk analysis, instructions of the Director General or/and the Board of Directors of SODEPA.

This annual audit program proposal shall be approved by the Director General and submitted to the Audit Committee for their consent. The program shall thus become applicable and communicated to the various operating units of SODEPA.

In the course of the year, the Director General may request the audit structure for the realisation of some missions not included in the annual audit program.

B. Mode of action of the audit structure

The internal audit structure has four (4) types of mission and any other mission is provided for by the law in force (evaluation of the operating services) or that assigned by the Director General or the Board of Directors:

a. Compliance or Authority Audit

This entails the good application of rules, procedures, job description, organisation chart, information systems, etc. In this light, the internal auditor compares reality to the rules in force.

This means the auditor shall work base on a standard. It entails ensuring the reliability/sincerity of procedures, accounts, results, system information from the right implementation of authoritative standards.

b. Audit performance

The audit performance consists in independently, objectively and reliably assessing if the systems, operations, programs, activities or companies of SODEPA, operate in accordance with the principles of economy, efficiency and effectiveness and if improvements are possible.

The principles of economy, efficiency and effectiveness can be defined as follows.

- The principle of economy consists in reducing the cost of resources to the minimum level. The means implemented must be made available when need be, in the appropriate quantity and quality, and at an affordable price.
- The principle of efficiency consists in obtaining the maximum from the available resources. It is based on the relationship between the means of implementation and realisation in terms of quantity, quality and respecting deadline.
- The principle of effectiveness entails realising the fixed objectives and obtaining expected results.

The auditors who audit performance shall work as a team made up of varied skills.

c. Management audit

It is divided into three levels:

- ❖ The Head of the audited sector shall present the internal auditor; the policy he/she has to implement and his/her mission, in order to ensure that the former expresses him/her clearly. The auditor shall then assess at what level this policy is in line with the strategy of SODEPA. This entails a compliance audit which helps to compare the envisaged policy with the general strategy of SODEPA.
- ❖ The auditor shall go to the field in order to assess at what level this policy is :
 - ✓ Known ?
 - ✓ Comprises ?
 - ✓ Implemented ?
 - ✓ Applicable ? (that is those in charge of the implementation, do they have the means ?)

This auditing phase helps to ensure the implementation of the policies of the domain audited.

- ❖ The internal auditor shall finally audit the respect of rules defined in drafting strategies.

d. Audit Strategy

It is done in the form of auditing the global coherence of the policies and strategies of SODEPA.

The internal audit of SODEPA can also carry out advisory or research missions upon the request of either the Board of Directors, or the Executive and whose nature and scope form part of an agreement with the latter.

C. Access to information

As from the launching of the mission, the internal auditor shall have a free access to all necessary information regarding his/her mission irrespective of their form. All staff members of the audited sector shall collaborate with the internal audit body when carrying out their mission.

D. Execution of the audit mission

In a bid to guarantee the respect of the stipulated professional norms with regards to auditing and the importance of recommendations, the audit mission shall be executed base on a pre-established methodology.

This methodology constitutes several phases of execution as can be seen below:

a. Planning Phase

Once the unit to be audited has been chosen, the audit team members shall be designated. This designation is done by establishing mission orders and by sending a letter stipulating the launching of the mission in order to notify the unit to be audited, a meeting to present the audit team and a combination of preliminary documents that needs to be sent and exploited before the said meeting.

The mission letter shall provide the type and purpose of the audit, the names of members of the mission and experts where applicable and an attachment of the necessary documents needed for auditing.

With regard to the mission order, it indicates the Head of mission, the objective and audit means, the type of activity to be carried out, duration of the mission and the deadline to submit the draft report.

The audit team constituted shall plan its activities in order to:

- Identify the major elements of institutional set-ups of the audited unit;
- Place managers at different levels of the organisational chart;
- Define the objectives of the auditing and testing that will help achieve them ;
- Identify key points for mechanism and auditing as well as establish a preliminary assessment of their strengths and weaknesses;
- Determine the importance of the identified elements;
- Select the most profitable and efficient method of auditing;
- Carry out an assessment to determine if after the auditing, previous reports and recommendations as well as appropriate measures were taken or not;
- Assemble all necessary documentation for the audit program and the areas to be audited.

The planning phase shall be materialised by an audit plan.

b. Phase : execution of the mission

This phase starts with an opening meeting which enables the Head of the internal audit mission to present the objectives of the mission to the auditees.

The auditors carry out interviews and perform various assessments and audits on the documents and on the spot, in order to provide conclusions based on the objective analysis of facts. They shall define the audit cycle on the field, in order not to only manage their work at an optimal level, but also to attain the fixed objectives of the audit mission. Each cycle shall reflect the general objective, specific objectives, criteria/standards and the documents to be collected from the sectors concerned, as well as the audit procedures to be implemented.

In order to have their reports validated by the auditees, team members of the mission shall proceed with the validation of the reports of the minutes of the exchange, then organise a closing meeting according to the structure of the mission.

In case of fraud or irregularities, the Head of the audit structure shall immediately inform the Director General who shall take the necessary measures.

c. Phase : Drafting of report or conclusion of the mission

The objective of the concluding phase of the mission is the communication of the final results of the mission. As such, the team shall draft the tentative report of the mission that shall reveal the strengths and weaknesses encountered.

The tentative report shall be addressed to the Head(s) of the sector(s) concerned during the other phase. They shall be given a deadline to respond to the audit report.

Following the response of the auditees, the audit team members shall draft the final report, made up of **findings** and **recommendations** of the mission; provide the **comments of the auditees**. It shall be signed by the Head of the audit structure and by each team member of the mission. It shall be addressed to the Director General of SODEPA.

The final reports shall be communicated to the Director General of SODEPA, in conformity with the statutory law and instrument guiding audits.

E. Follow up of recommendations of the missions of the audit structure approved by the Director General

A report without a follow up of the recommendations shall constitute an accomplished mission, possibly without any major impact and shall render the internal audit ineffective and inefficient.

In this light, in order to create a value-added to the audit structure, it has to follow the implementation of the recommendations drafted during their work.

As a result, it shall obtain from the audited unit, for each recommendation, a designated supervisor. The reaction (response) of the audited unit with respect to a recommendation shall be materialised by an explicit action plan that shall help solve the problem definitely (faults detected). The follow up of action plans shall be formalised by the commitment of supervisors using the plan of action developed by them.

However, in order not to alter its objective and independence, the audit structure shall not assume responsibility of the action: choose solutions and means as well as state priorities. Its approval of the response shall not warrant an opinion.

It shall not:

- replace those in charge, it is up to them to order or authorize the action;
- draft procedures or set up information systems.

The audit structure shall establish an annual Progress Action Statement (EAP) for the Director General.

This Progress Action Statement (EAP) has as aim, particularly, to report on the efforts made in the implementation of corrective actions and to indicate the difficulties encountered.

IV. Responsibility of the Operational Departments in the Internal Audit process

Directors shall develop an action plan to implement the recommendations made from the audit work by the audit structure. This action plan must be:

- Complete: specifying "who" will do "what" and "when" it will be done;
- Exhaustive and not limited to the cases examined or areas audited;
- Permanent: by allowing the implementation of procedures so as to avoid the same problems from reoccurring (prevention) or to recognise it (detection) and to limit the consequences to an acceptable level (protection).

The recommendations shall be prioritized according to the following criteria in the Action Plan: importance, challenges and order of priority.

In addition, as part of the Internal Audit process, the Directors shall ensure that:

- the audit structure has easy access to the documentation and any staff it wishes to address when preparing the internal audit plans and during specific audit activities;
- the audited structures shall rapidly review the draft reports and send their remarks in order to backup all discussions on the conclusions recorded in the report of the audit structure, with a view to consolidate them;
- that a formal response base on the observations made by the audit mission be given to the auditing body within the timeframe prescribed by the latter, as from the receipt of the final audit report, in the form of an agreed plan of action indicating the action to be taken, the name of the officer in charge and the expected deadline;
- the agreed action plans are implemented in practice with due diligence;
- the Operational Units concerned by the action plan shall report to the Director General, the implementation of the progress plan and provide the audit structure with updated information on the progress of the actions and provide their full support in follow-up audits in accordance with their needs.

V. Relationship between the Internal Audit and Stakeholders

A. Relations with the Board of Directors

The internal audit, through the missions assigned to the Audit Committee, provides its expertise, where appropriate to the Board of Directors, base on its special mission to oversee the management of SODEPA.

The Board of Directors shall receive a periodic summary of the reports of the audit structure at the discretion of the Director General of SODEPA.

B. Relations with external audit bodies

When an external audit mission is conducted at SODEPA, internal auditors must work with the external auditors to obtain the best possible results with respect to the scope of the audit. Such collaboration must be in accordance with the legal obligations of the external auditors.

The internal audit reports must be sent to the Supreme Audit Institution in accordance with the law in force. This transmission is made at the discretion of the Director General.

PART II : CODE OF CONDUCT APPLICABLE TO THE AUDIT UNIT

I. OBJECTIVES AND RESPONSIBILITIES

A. Objectives

The main objective of code of conduct applicable to this audit structure is to help this unit to make coherent choices when faced with ethical dilemma, and to also respect ethical principles and norms applicable to internal audit.

B. Responsibilities

- The staff of this audit unit shall adhere to the values of SODEPA, and respect this code of conduct ;
- Each staff of the audit unit is bound to denounce every activity or event that could hinder them from respecting this code of conduct;
- This code of conduct shall not take into account all the actions or rules applicable to staff. It is therefore incumbent upon each internal auditor to act wisely by respecting these rules and values attached hitherto.
- Each staff of the audit structure has to carry out his/her duties as well as those assigned to him/her superiors. However, he/she is not obliged to execute an illegal order.
- The Head of the audit unit must ensure that the staff under his authority is aware of these rules.

II. CODE OF CONDUCT OF INTERNAL AUDIT STAFF.

A. Integrity

The internal auditors must:

- accomplish their mission with honesty, diligence and responsibility;
- respect the law and provide all information as required by the rules and regulations governing the profession;
- not consciously take part in illegal activities or be involved in actions that discredit the internal audit profession of SODEPA;
- respect and contribute to legitimate and ethical objectives of SODEPA.

B. Independence

The internal audit must be done independently and internal auditors must do their work with objectivity.

Independence consists in acting freely, without any influence. It is the most important condition required in order for the internal auditor to make an objective and neutral judgement.

The staff of the Internal Audit unit must be independent vis-à-vis the sectors audited and other groups of interest.

As such, each staff of the Internal Audit must avoid activities or situations that can hinder his/her independence.

The staff of the internal audit must not accept or expect gifts, hospitality and advantages from authorities of entities that are audited or from third parties (suppliers, service providers, sub-contractors...), other than what they are entitled to during an audit mission.

C. Impartiality and objectivity

Internal auditors must be impartial, unbiased and avoid conflicts of interest. They must make their judgement without partiality and prejudice and regardless of their affiliation.

If the sense of objectivity or the independence of the internal auditors is compromised in the process of auditing or physically, the parties concerned must be specifically informed. The nature of the communication will depend on the level at which the independence has been breached.

Internal auditors must show proof of high level of professional objectivity by collecting, evaluating and communicating information relating to activities and process that is being examined. They shall fairly evaluate all important elements and shall not allow themselves to be influenced in their judgement through their selfish interest or the interest of others.

They have to reveal all physical evidence that they know and also bear in mind that any hidden facts could hinder the attainment of the objectives of SODEPA.

The results given in the auditing report must solely be based on evidence obtained and collected, in accordance with stipulated auditing norms.

If the auditing is based on particular operations, which one of the audit team members has once led, the team member in question has the right to deny the operation.

Finally, if independence or the sense of objectivity of internal auditors could be compromised during advisory missions that are proposed to them, the auditors in question have to inform the Director General before going to the field.

D. Professional competence and due care

Auditing missions must be carried out with professional competence and due care.

a. Professional competence

Internal auditors must have the ability and attitude needed to carry out their individual tasks.

The Head of the internal audit unit must seek advice and help from an external experts especially when internal auditors lack the knowledge, expertise and other necessary competences to execute all or part of their mission.

To this end, the expert must work in conformity with the code of conduct of the audit unit by filling the confidential declaration form whose model is attached to appendix 3 of this document.

The internal auditor must have sufficient knowledge to identify fraud signals. However, he/she is not obliged to have the expertise of someone who has the primary responsibility to detect and investigate fraud.

The Head of the internal audit unit must in all honesty, deny an advisory mission proposed by the Executive, if the mission could hinder his independence or create a source of conflicts of interest.

b. Professional due care

Internal auditors must do their work with diligence and expertise that is expected of them given that they are well informed and competent.

The internal auditor must bring all the necessary support to his/her professional practice by taking the following elements into consideration:

- the scope of work needed to attain the objectives of the mission;
- the relative complexity, material and important characteristics of the domains to which the procedures specific to insurance engagements are applied;
- the importance and effectiveness of risk management, control and corporate governance processes;
- the probability of errors, irregularities or significant nonconformities;
- the cost of setting up controls in relation to the expected benefits.

The internal auditor must be particularly careful with major risks that can jeopardize the objectives, operations or the resources of SODEPA.

The internal auditor must use his professional due care in the advisory mission, by taking the following elements into consideration:

- the needs and expectations of SODEPA, the nature, calendar and communication of the results of the mission;
- the complexity of the mission and the scope of work needed to attain the set objectives;
- the cost of the mission in relation to the expected benefits.

A. Respect, decency and loyalty

In addition to professional abilities, the internal auditor must also develop appropriate personal abilities.

In fact, each staff of the internal Audit must have a relationship that takes into consideration courtesy and respect of the person, with his/her colleagues, authorities and subordinates. He/she has to behave the same way with his/her external partners.

In any case, the staff of Internal Audit must avoid any behaviour and any attitude likely to discredit his/her superior, colleagues, work as well as the entire SODEPA. He/she must participate in the resolution of conflicts and avoid all forms of

discrimination, especially in terms of ethnic origin, religion and age, and ensure the respect of gender issues. He/she shall review reports based on openness, listening and dialogue.

He must respect the principles governing the missions of Internal Audit and loyalty to the Public Institutions.

B. Confidentiality and discretion

Internal Audit staff shall not use the information obtained in the performance of their duties for personal benefits or on behalf of third parties. Similarly, he/she must not disclose information that may give an unfair or unreasonable advantage to other persons; he/she must not use such information to prejudice others.

The internal Audit must respect the value and ownership of the information it receives. As such the Internal Audit staff is required:

- ✓ not to disclose to third parties, information obtained during the audit, whether orally or in writing, except those transcribed in the public reports of the Internal Audit and the communication thereto, without due authorizations, unless a legal or regulatory obligation compels them to do so; they are bound to the secrecy of the duty, in accordance with Article 35 of the General Statute of the Civil Service or any other text related to the subject;
- ✓ not to take cognizance of confidential information that is not required in the performance of his duties, nor to attempt to take cognizance of such information;
- ✓ To ensure the security and confidentiality of the information to which he/she has access, whether in the offices of Internal Audit, audited entity or elsewhere, where they are in charge of;
- ✓ not to make the audit report or its contents public before publication;
- ✓ to act with caution when discussing the work and tasks of Internal Audit in public places, in order to avoid inadvertently disclosing information;
- ✓ not to use the information obtained for personal gain, or in a manner that would violate legal provisions or prejudice the ethical and legitimate objectives of Internal Audit.

G. Termination of duties (post-employment)

All Internal Audit staff who have terminated their duties with SODEPA must:

- behave in a way that will not bring about undue advantage from his or her previous duties;
- refrain from disclosing confidential information;
- refrain from giving advice to anyone based on an information not yet made available to the public concerning SODEPA or a third party with whom he had direct relation with during the five (5) years prior to the termination of his/her;
- refrain from using information not accessible to the public, obtained during the performance of his/her duties, for his/her own benefit or that of a third party;
- refrain from acting on behalf of another person with respect to a particular procedure, negotiation or transaction which he/she did during his/her employment.

H. Annual Statement on Independence and Confidentiality

The Internal Audit staff of SODEPA shall sign an annual independence and confidentiality statement. (See sample in appendix 2).

Likewise, the experts retained by the Internal Audit to carry out specific duties must sign a confidentiality declaration before the beginning of their work. (See sample in Appendix 3)

I. Sanctions and rights

Any staff of SODEPA's auditing structure who contravenes this Audit Charter may be subject to an administrative or disciplinary penalty before the disciplinary bodies set up for this purpose.

Anyone implicated has the right to a defence in accordance with the texts in force.

J. Disclosure Mechanism

Anyone who is aware of a breach of this Audit Charter, and who considers that it must be denounced, shall notify the Director General or the Head of the audit structure of SODEPA.

The disclosure must carry accurate and concise information about the nature of the breach, the circumstances of the breach, and the name of the person (s) involved.

In order to ensure particularly the respect of the rights of the person disclosing the information, the identity of the person shall be kept confidential as much as possible.

Each disclosure shall be reviewed by the Director General. The latter, according to the information gathered and the conclusions of the analysis, shall summon the person concerned to take appropriate measures.

The information gathered and the conclusions of the analyses shall be recorded and kept in files.

No staff of SODEPA shall be hindered from disclosing in good faith.

However, any SODEPA staff that makes a declaration that proves to be slanderous or unfounded is liable to administrative and disciplinary sanctions provided for by the law in force.

FINAL PROVISIONS

This charter is not fixed but must be evolutionary and be revised when there is a significant change in the scope or organization of the internal audit.

This revision, which can be initiated by the audit body, must be approved by the Board of Directors / Director General, who is the only person to give the necessary order.

This Charter shall be widely distributed to employees of SODEPA who are required to sign the declaration stating that they are aware. A sample of this declaration is attached in Appendix 1.

This Charter is approved by:

- **Resolution No.** **/2018/SODEPA/CA** of the ordinary session of the Board of Directors held on the and enforced by
- **Decision No.** **/D/SODEPA/PCA/DG** of

Director General

Chairman of the Board of Directors

APPENDIX 1

**ACKNOWLEDGEMENT AND COMPLIANCE STATEMENT FOR THE INTERNAL AUDIT
CHARTER OF SODEPA**

Name et Surname :

Status/Duty :

I the undersigned, declare that I have read and understood the principles and rules contained in this Internal Audit Charter of SODEPA, and I therefore undertake to comply with them.

Date :

Place :

Signature :

APPENDIX 2 :
ANNUAL DECLARATION ON INDEPENDENCE AND CONFIDENTIALITY

The purpose of this declaration is to assure to the Director General of SODEPA that independence of the Internal Audit staff and the confidentiality of the information obtained by the latter is respected.

As an internal audit staff of SODEPA, I recognize the importance of preserving the independence of the structure represented by SODEPA and respecting the confidentiality of information. I acknowledge that any misrepresentation could expose me to administrative, disciplinary or criminal penalties.

I hereby confirm that I have read the Internal Audit Charter of SODEPA and I understand the values, principles and rules set out therein.

Therefore, I confirm that from _____ to _____ :

- I shall adhere to the fundamental ethical principles of SODEPA;
- I shall abide to the rules, policies and the independence procedures of SODEPA, in particular:
 - ✓ I shall not act as a superior, director or manager for entities to be audited within SODEPA's control area;
 - ✓ I shall not accept any gift, hospitality or benefit except for simple use or mere attention, during an audit mission;
 - ✓ I shall not grant, solicit or accept, directly or indirectly, any undue benefits for me or any other person;
 - ✓ I shall restrain from any influence or interest in the Operational affairs of SODEPA that may interfere with the exercise of my professional judgment and objectivity or which, on an objective basis, may give such impression to an observer;
 - ✓ I shall avoid putting myself in a situation where there may be a conflict between my personal interests and my duty;
 - ✓ I shall act objectively and with integrity;
 - ✓ I shall respect the confidentiality of the information I read in the exercise of my duties.

In addition, I undertake to respect Internal Audit Charter of SODEPA and to immediately notify the Director General, in case there is a breach of obligations.

I acknowledge that any breach, whether disclosed or not, may result to sanctions, depending on the gravity and impact of the act or event committed.

Name and Surname: _____

Duty: _____

Place/Date: _____

Signature : _____

**APPENDIX 3 :
CONFIDENTIALITY DECLARATION OF EXTERNAL EXPERTS**

I the undersigned _____,
ID No. _____ *issued on the* _____
at _____
Tel. _____ *E-mail* _____
resident at _____, *by this declaration, I undertake not to disclose to any person, and in any form whatsoever:*

- ✓ *No facts;*
- ✓ *No document;*
- ✓ *No information,*

That I may come across in the course of my activities within SODEPA, these elements shall remain secret in all instances by their nature, circumstances, special instructions or laws governing SODEPA.

In the same light, I undertake not to communicate to anyone or to retain, in original or copy, any of SODEPA's documents prepared by me or by any other person.

I understand that the violation of these obligations, which extend even after the performance of my duty, shall, if necessary, result in criminal prosecution for breach of confidentiality as per the provisions of the Penal Code.

In addition, SODEPA reserves the right to demand compensation for damages and to introduce other measures that it deems necessary in case of breach of confidentiality.

Done in two (2) copies, one for the undersigned.

Place and Date : _____

Signature : _____