



***INTERNAL AUDIT CHARTER***

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## **1. INTRODUCTION**

- 1.1 *This Charter is established under the authority of the Bank of Botswana (the Bank) Board. It defines the purpose, authority and responsibility of the Internal Audit Services Department (IASD) of the Bank, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (IPPF).*
- 1.2 *The Standard requires the Director of Internal Audit Services Department to periodically review the Internal Audit Charter and present it to the Senior Management and the Board for approval.*
- 1.3 *Internal audit is a review and assurance activity; it does not relieve Management of its responsibility for identifying and evaluating risks and designing and implementing an effective system of controls. The IASD should be independent, objective and free from undue influence, hence it should not have responsibilities for the operations that it reviews. The IASD shall propose recommendations as to how internal control may be enhanced. However, it is the responsibility of the Management to implement these recommendations or other actions, which may be more appropriate.*
- 1.4 *The Internal Audit Charter facilitates the approval of the above stated understanding by the Management and its acceptance by the Audit and Risk Committee.*
- 1.5 *Article 10.8 of the Bank of Botswana Bye-Laws (Revised December 2022) requires the appointment of an Internal Auditor of the Bank, and briefly summarises his/her reporting and other responsibilities. This is given substance by the Internal Audit Charter.*

## **2. PURPOSE OF THE INTERNAL AUDIT SERVICES DEPARTMENT**

- 2.1 *The purpose of the IASD is to provide an independent, objective assurance and consulting/advisory service that is designed to add value and improve the Bank's operations. IASD performs an important role to assist the Bank to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the Bank's risk management, internal controls and governance processes.*
- 2.2 *The IASD must assist the Management in achieving the objectives of the Bank by evaluating the effectiveness of controls and developing recommendations for the enhancement or improvement of the processes through which:*
  - (a) *accountability is ensured; and*
  - (b) *the Bank's values are preserved.*

### **3. POLICY STATEMENTS**

#### **3.1 Establishment of the Internal Audit Function in the Bank**

3.1.1 *It is the policy of the Board, as embedded in the Bye-Laws of the Bank, to establish, empower and support IASD in the Bank. The Department operates as an independent, assurance function which continually and in an objective manner evaluates and appraises the risks, activities, operations, systems and controls of the Bank.*

#### **3.2 Vision**

3.2.1 *The IASD aspires to provide a world class internal audit service with the highest standards of governance and professional excellence.*

#### **3.3 Mission Statement**

3.3.1 *The mission of the IASD is to enhance and protect organisational value by providing risk-based and objective assurance, advice and insight into operations of the Bank.*

3.3.2 *The primary goals of the Department are to:*

- (a) provide auditing services to the Management that are timely, effective and relevant;*
- (b) reduce risk while promoting operational efficiency within the Bank; and*
- (c) promote the adoption and use of international best practices in governance and accounting standards.*

#### **3.4 Values**

3.4.1 *The key values of the Bank's IASD are integrity, objectivity, confidentiality and competency.*

### **4. AUTHORITY AND REPORTING**

4.1 *The Director, Internal Audit Services Department (DIASD) shall report functionally to the Chairman of the Audit and Risk Committee of the Board and administratively to the Governor of the Bank.*

4.2 *The DIASD and other IASD staff shall have the right to full, free and unrestricted access to all of the Bank's financial and operational activities, systems, records, property, personnel and such other sources of information and resources as may be necessary to perform their function.*

### **5. INDEPENDENCE AND OBJECTIVITY**

5.1 *In order for the IASD to meet objectives and responsibilities set out in the Charter, the Department's staff members shall be independent from the activities they audit.*

*The IASD shall carry out its work freely and objectively and render impartial and unbiased judgements.*

5.2 *Independence is achieved through the organisational status of the IASD and the objectivity of the internal auditors. To provide for the independence of the internal auditing function, the staff members of the Department report to the DIASD, who reports administratively to the Governor and functionally to the Chairman of the Audit and Risk Committee.*

5.3 *The IASD shall have an objective attitude and shall be in a sufficiently independent position to be able to exercise judgement, express opinions and present recommendations with impartiality. Specifically:*

(a) *the IASD staff members, notwithstanding their employment by the Bank, should be free from any conflict of interest arising either from professional or personal relationships or other interests in the Bank or activity, which they audit;*

(b) *the IASD should be free from undue influence, which either restricts or modifies the scope or conduct of its work or over-rules or significantly affects its judgement as to the content of any internal audit reports; and*

(c) *in the interest of independence, the IASD shall remain independent of all line and functional management and shall have no direct responsibility for, or authority over, any of the Bank's functions.*

5.4 *The DIASD shall confirm to the Board, at least annually, the organisational independence of the IASD.*

5.5 *To establish, maintain and assure that the IASD has sufficient authority to fulfil its duties, the Audit and Risk Committee shall:*

(a) *review and approve the annual internal audit work schedule;*

(b) *assess the adequacy of performance of the internal audit function, including responsibilities, budget and staffing;*

(c) *review any significant matters reported by internal auditors;*

(d) *review any significant disagreements between Management and internal auditors;*

(e) *review and recommend for Board approval the Internal Audit Charter;*

(f) *at least once per year, review the performance of the DIASD; and*

(g) *ensuring that the remuneration of the DIASD is aligned to prescripts.*

## 6. COOPERATION

- 6.1 *The independent role of the DIASD should in no way diminish a good working relationship with other Departments within the Bank. Contact at the appropriate managerial levels before, during and after the conclusion of an audit assignment is essential.*
- 6.2 *There should be close cooperation between the IASD and the Bank's external auditors. The IASD shall also maintain a close working relationship with all the relevant Compliance Officers/Internal Auditors of the Bank's custodian(s), fund managers and other agents of the Bank.*

## 7. BUDGET

- 7.1 *The DIASD shall submit annually, prior to the beginning of each financial year, the budget for the operations of the IASD to the Governor for consideration.*
- 7.2 *The IASD budget shall form part of the overall operating expenditure budget of the Bank that would be submitted to the Audit and Risk Committee for review, and subsequently to the Board for approval.*

## 8. RESPONSIBILITIES OF THE INTERNAL AUDIT SERVICES DEPARTMENT

### 8.1 Nature and Scope of Work

- 8.1.1 *It is the Management's responsibility to design and maintain a system of internal controls, financial and otherwise; to ensure that the activities of the Bank are carried out in an orderly, efficient, and economical manner; ensure adherence to administrative policies; safeguard the assets and secure, as far as possible, the completeness and accuracy of the Bank's records. The nature and scope of the IASD encompasses two main activities: Assurance Activity and Consulting Services.*

#### (a) Assurance Activities

- 8.1.2 *The scope of internal audit activity shall encompass, but shall not be limited to, the examination and evaluation of the adequacy and effectiveness of governance, risk management and controls as well as the quality of performance in carrying out assigned responsibilities to achieve the Bank's goals and objectives.*

#### (b) Consulting Services

- 8.1.3 *The IASD may perform advisory and related client service activities, the nature and scope of which shall be agreed with the client. These services are intended to add value and improve the Bank's governance, risk management and control processes without the internal auditor assuming management responsibility.*
- 8.1.4 *The nature and scope of the IASD's work includes the following:*

- (a) *review all Departmental functions within the Bank and its agents at appropriate intervals, to determine whether such functions are efficiently and effectively carried out in accordance with established objectives, policies, procedures, practices and standards;*
- (b) *determine the soundness, adequacy, effectiveness and application of financial and other management systems and internal controls;*
- (c) *review the reliability, integrity and usefulness of financial, technical, operational and management information and the means used to identify, measure, classify, and report such information;*
- (d) *review established systems to ensure compliance with those policies, plans, targets, procedures, laws and regulations, which could have a significant impact on operations and reports;*
- (e) *determine and evaluate risks facing the Bank and the adequacy of the systems, which safeguard Bank assets and interests from losses of all kinds, including waste, extravagance and inefficient administration, commercially deficient practices or any other causes;*
- (f) *appraise the economy and efficiency with which resources are employed and the quality of performance in carrying out assigned responsibilities;*
- (g) *review, appraise and report on operations, plans or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations, plans or programmes are being carried out as directed by the Management and the Board;*
- (h) *review compliance with the Bank's guidelines for ethical business conduct and ensure that the highest personal and corporate standards are met;*
- (i) *ensure that actions to be taken by the Management to correct audit findings are satisfactorily implemented. If actions are considered unsatisfactory, follow-up should be made at an appropriate level;*
- (j) *conduct special examinations and investigations requested by the Operational and Executive Management;*
- (k) *evaluate the effectiveness of the framework for risk identification, appraisal and the implementation of the mitigating actions/controls instituted against each process in each of the functional areas of the Bank;*
- (l) *evaluate and assess risk of fraud and errors in financial systems and processes in the Bank;*

- (m) *initiate the periodic review of both the Audit and Risk Committee Charter and the Internal Audit Charter to ensure that they remain relevant to the requirements of the Bank and in line with modern corporate governance practices;*
- (n) *coordinate the activities of the Bank's external auditors regarding the audit of the Bank's annual financial statements;*
- (o) *the DIASD or his/her nominees shall act as Secretary to the Audit and Risk Committee, providing all secretarial services for the Audit and Risk Committee meetings;*
- (p) *provide a list of significant measurement goals and results to the Audit and Risk Committee; and*
- (q) *keep the Audit and Risk Committee informed of emerging trends and best practices in internal auditing.*

8.1.5 *The IASD shall have a comprehensive manual to guide staff on the process of examining and evaluating information.*

## 8.2 Auditing and Reporting Responsibilities

8.2.1 *The DIASD shall be responsible for ensuring that:*

- (a) *major areas of the Bank which need to be reviewed or audited are identified and discussed with the Governor, Deputy Governors, Chief Operating Officer, General Counsel and Heads of Department/Division in order to determine the required and appropriate direction and thrust of the audit effort within the Bank;*
- (b) *audit programmes are developed so that the overall audit effort is directed towards those areas which have the highest exposure to risk. The assessment of risk must be evaluated at appropriate intervals and amendments made to annual audit plans, where necessary;*
- (c) *the annual audit plan/work programme is prepared and submitted to the Governor for his/her review and approval. This should be submitted to the Audit and Risk Committee of the Board for consideration and recommendation to the Board for approval. The accepted audit plan/work programme, including any changes made thereto by the Audit and Risk Committee, shall be binding on the DIASD;*
- (d) *audit activities are carried out in accordance with the approved strategic and annual audit plans and resources (internal and external) as appropriately approved by the Governor and/or Audit and Risk Committee;*
- (e) *audit findings and recommendations, which need immediate corrective action, are reported timely to those levels of Operational and/or Executive*

*Management responsible for taking immediate corrective actions. The adequacy and effectiveness of corrective actions shall be monitored, evaluated and, where necessary, reported on;*

- (f) *draft audit reports are discussed with the appropriate levels of Operational Departments. Heads of Department shall formally document their comments and implementation timetables within two weeks of receipt of the draft audit report. Final audit reports shall incorporate Departmental Management's written comments and implementation timetables for each of the audit recommendations. Final audit reports shall be submitted to the Governor. An executive summary of each report shall be submitted to the Audit and Risk Committee of the Board on a half yearly basis;*
- (g) *any major disagreements between the IASD and the Management are discussed at the Audit and Risk Committee;*
- (h) *any attempted scope limitation by Management is reported, preferably in writing, to the Governor and to the Audit and Risk Committee. The question of whether an action from Management in fact constitutes a scope limitation is the judgement of the DIASD. Except in cases of suspected fraud, the Governor and the Audit and Risk Committee may decide to accept a limitation of scope. In such instances, the DIASD should evaluate from time to time whether the circumstances surrounding the scope limitation are valid and whether the scope limitation needs to be reported again to the Governor and the Audit and Risk Committee for their renewed consideration; and*
- (i) *a quarterly report is prepared and submitted to the Governor, containing information and feedback regarding:*
  - (i) *audit progress against the approved plans and any deviations from them, as well as any required/requested changes which need to be made;*
  - (ii) *major audit findings and recommendations;*
  - (iii) *corrective action already taken or implementation progress in respect of significant audit recommendations;*
  - (iv) *significant audit projects completed or in progress which require consideration;*
  - (v) *the extent to which the DIASD has met set performance targets;*
  - (vi) *investigations carried out on reported cases of fraud or suspected fraud or any other irregularities reported to the most appropriate level of the Operational or Executive Management for action;*
  - (vii) *progress on appropriately approved ad-hoc audit requests from the Operational or Executive Management; and*

- (viii) *variation of planned audit resources, training and awareness programmes.*

### 8.3 Other Responsibilities

#### 8.3.1 *In addition to the above, the DIASD shall ensure that:*

- (a) *all activities are carried out according to the rules and guidelines as set out in this document and in such a manner that it is consistent with the Standards for the Professional Practice of Internal Auditing and with the professional standards of conduct as per the Code of Ethics of the Institute of Internal Auditors;*
- (b) *the IASD is adequately structured and staffed with professionally qualified internal auditors, to carry out its duties and responsibilities in accordance with specific audit needs and requirements of the Department as identified, planned and approved, from time to time;*
- (c) *appropriate and adequate Departmental policies, procedures, and controls are established to ensure the smooth functioning of the IASD within the broader boundaries of the applicable Bank policies and procedures, as prevailing from time to time;*
- (d) *the DIASD and the Department staff keep up to date with technological and business changes in order to adjust the IASD's methods of operation and audit approach to ensure that the IASD remains efficient and effective. This includes a constant review of the Department's image, standards, level of professionalism and adequacy of its overall service and value to the Bank as a whole;*
- (e) *trends and emerging issues/risks that could impact the Bank's reputation are considered and communicated to Senior Management and the Board as appropriate; and*
- (f) *adherence to the Bank's relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts shall be resolved or otherwise communicated to the Audit and Risk Committee.*

#### 8.3.2 Audit Planning

- (a) *The DIASD shall prepare for each year a risk-based audit plan consistent with the Bank's objectives, which shall be submitted to the Board for approval.*
- (b) *The Audit Plan shall be prepared taking into account the expectations of the Board, Governor and Heads of Department/Division.*
- (c) *The DIASD shall review and adjust the plan, as necessary, in response to changes in the Bank's business, risks, operations, programmes, systems and control. Significant deviations from approved Audit Plan shall be*

*communicated to the Audit and Risk Committee through periodic reports. The Audit Plan shall include resource requirements necessary for its implementation.*

### 8.3.3 Reporting, Monitoring Progress and Acceptance of Risks

- (a) A written audit report shall be prepared and issued by the Director, IASD following the conclusion of each audit engagement and shall be distributed as appropriate.*
- (b) The internal audit report shall include Management's response and corrective action in regard to the specific findings and recommendations.*
- (c) The Director, IASD shall report periodically to Senior Management and the Board regarding:*
  - (i) the IASD's purpose, authority and responsibility;*
  - (ii) the IASD's plan and its performance;*
  - (iii) the IASD's conformance with the IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues;*
  - (iv) significant risk exposures, control and governance issues requiring the attention of, or assignments requested by the Governor or Board as appropriate;*
  - (v) results of audit engagements or other activities; and*
  - (vi) resource requirements.*
- (d) The DIASD shall establish and maintain a system to monitor the disposition of audit results including maintaining an appropriate follow-up process to monitor and ensure that agreed management corrective actions have been effectively implemented.*
- (e) If the DIASD considers that management has accepted a level of risk that may be unacceptable to the Bank, the matter shall be discussed with the Governor. If the DIASD determines that the matter has not been resolved, the matter shall be communicated to the Audit and Risk Committee.*

## 9. OBJECTIVES OF INTERNAL CONTROL SYSTEM

### 9.1 Reliability and Integrity of Information

9.1.1 *Internal Auditors review the reliability and integrity of financial and operating information and the means used to identify, measure, classify, and report such information.*

9.1.2 *Information systems provide data for decision-making, control and compliance with external requirements. Therefore, Internal Auditors examine information systems and, as appropriate, ascertain whether:*

- (a) *financial and operating records and reports contain accurate, reliable, timely, complete, and useful information;*
- (b) *controls over record keeping and reporting are adequate and effective; and*
- (c) *controls to address cyber-crime, malware, ransomware, fraud, viruses and denial of services are adequate and effective.*

### 9.2 Compliance with Policies, Plans, Procedures, Laws and Regulations

9.2.1 *Internal Auditors review the systems established to ensure compliance with those policies, plans, procedures, laws and regulations, which could have a significant impact on operations and reports, and should determine whether the Bank is in compliance.*

9.2.2 *Management is responsible for establishing the systems designed to ensure compliance with such requirements as policies, plans, procedures and applicable laws and regulations. Internal Auditors are responsible for determining whether the systems are adequate and effective and whether the activities audited are complying with the appropriate requirements.*

### 9.3 Safeguarding of Assets, Human Resources and Environment

9.3.1 *Internal Auditors review the means of safeguarding assets and, as appropriate, verify the existence of such assets.*

9.3.2 *Internal Auditors review structures and processes used to safeguard assets from various types of losses, such as those resulting from theft, fire, improper or illegal activities, and exposure to the elements. Internal Auditors, when verifying the existence of assets, should use appropriate audit procedures.*

9.3.3 *Internal Auditors review procedures and structures for the safeguarding of personnel, stakeholders and the environment to ensure that they are appropriate and adequate.*

#### 9.4 Economic and Efficient Use of Resources

9.4.1 *Internal Auditors should appraise the economy and efficiency with which resources are employed.*

9.4.2 *Management is responsible for setting operating standards to measure an activity's economical and efficient use of resources. Internal Auditors are responsible for determining whether:*

(a) *operating standards have been established for measuring economy and efficiency;*

(b) *established operating standards are understood and are being met;*

(c) *deviations from operating standards are identified, analysed and communicated to those responsible for corrective action; and*

(d) *corrective action has been taken.*

9.4.3 *Audits related to the economical efficient use of resources should identify such conditions as:*

(a) *under-utilised facilities;*

(b) *non-productive work;*

(c) *procedures which are not cost justified; and*

(d) *over-staffing or under-staffing.*

#### 9.5 Accomplishment of Established Objectives and Goals for Operations

9.5.1 *Management is responsible for establishing operating or programme objectives and goals, developing and implementing control procedures, and accomplishing desired operating or programme results. Internal Auditors should ascertain whether such objectives and goals conform to those of the Bank and whether they are being met.*

9.5.2 *Internal Auditors can provide advice to Management who are developing objectives, goals and systems by determining whether the underlying assumptions are appropriate; whether accurate, current, and relevant information is being used; and whether suitable controls have been incorporated into the operations or programmes.*

#### 9.6 Cyber Security and Fraud Risk Control

9.6.1 *Management is responsible for establishing, operating and implementing control procedures to adequately mitigate the risk of cyber-crime, fraud and propagation of malware, ransomware and other viruses aimed at denial of access to operations and services, theft of information or other Bank resources and reputational harm.*

9.6.2 *Internal Auditors are responsible for evaluation of the adequacy of such controls and arrange external resources to assess their adequacy, as appropriate.*

## **10. COORDINATION WITH OTHER ASSURANCE AND CONSULTING SERVICE PROVIDERS**

### **10.1 Internal Stakeholders**

10.1.1 *The DIASD shall coordinate activities, where possible, and consider relying upon the work of other internal and external assurance and consulting service providers to ensure proper coverage of auditable areas and to reduce duplication of audit effort.*

10.1.2 *In respect to coordination with internal assurance and consulting providers, DIASD shall liaise with all assurance provider, including:*

- (a) Director, Strategic Planning and Risk Management Department focussing on key Strategic, Operational, Cyber Risks and Business Continuity Management frameworks and processes;*
- (b) Director, Financial Markets Department with specific reference to foreign exchange reserves financial risks metrics and compliance with Board approved parameters (Financial Risks Management);*
- (c) Director, Corporate Management Services Department regarding Regulatory and Legal Compliance issues as well as Reputational Risk Management; and*
- (d) Other specialist functions within the Bank that assist in the discharge of management responsibilities.*

### **10.2 Relationship with Strategic Planning and Risk Management Department**

10.2.1 *The Strategic Planning and Risk Management Planning Department's role is to establish an appropriate risk management framework for the Bank at various levels of operations, including processes, business functions and Bank-wide level, as well as adopting means for identifying, assessing, evaluating and monitoring strategic operational, and cyber risks and controls. The IASD shall review the process of assessing and identifying such risks and mitigating controls, and shall use these, as appropriate, in carrying out audit tests.*

### **10.3 Relationship with External Auditors**

10.3.1 *The External Auditors fulfil a statutory duty for which they are responsible to the Bank. The External Auditors shall be notified of the activities of the IASD in order to minimise duplication of audit effort.*

10.3.2 *This shall be accomplished by:*

- (a) a meeting between the IASD and External Auditors to discuss the annual Internal and External Audit plans;*

- (b) *periodic meetings to discuss the audit plans and activities;*
- (c) *access by External Auditors to the Internal Audit documentation/working papers;*
- (d) *exchange of management letters concerning their respective audit findings and recommendations. Internal Audit may carry out follow-ups on comments and recommendations contained in the External Audit reports, and vice versa; and*
- (e) *sharing information of perceived risk areas.*

## **11. MANAGEMENT'S RESPONSIBILITIES**

*11.1 Although the role of IASD is to review the Bank's internal controls, systems, procedures, risks management and governance processes, the Management and, ultimately, the Board, retain full accountability for ensuring that the Bank maintains an appropriate framework of controls to reduce business risks to an acceptable level. Management is responsible for identifying and evaluating all risks that emanate at process level, functional level and those at the strategic level of the Departments/Divisions.*

*11.2 Management remains accountable and responsible for addressing weaknesses and inefficiencies, which have been identified by both External and Internal Audit, and for taking the necessary corrective action. Management is further responsible for:*

- (a) *proposing the areas of investigation by Internal Audit;*
- (b) *ensuring that the IASD has:*
  - (i) *the support of Senior Management; and*
  - (ii) *direct access and freedom to report to Senior Management, including the Governor and the Audit and Risk Committee.*
- (c) *maintaining internal control, including proper accounting records and other management information suitable for governing the Bank;*
- (d) *responding to internal audit queries submitted to line management; and*
- (e) *reviewing internal audit reports and implementation of recommendations as considered appropriate.*

*11.3 Other Management responsibilities are:*

- (a) *to play an active and contributory role in establishing a risk profile and audit coverage plan for the Bank and to accept co-ownership of the continuous maintenance and update of responsibility; and*

- (b) *to inform the DIASD of any significant internal control problems, thefts, fraud, unauthorised transactions, accounting breakdowns, large stock shortages, major bad debts, amongst others. Significant matters shall be reported to the Audit and Risk Committee.*

## **12. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME REVIEWS**

- 12.1 *The IASD shall maintain a Quality Assurance and Improvement Programme (QAIP) review that covers all aspects of the Department. The Programme shall include an evaluation of the IASD's conformance with the International Standards for the Professional Practice of Internal Auditing and Code of Ethics. The Programme shall also assess the efficiency and effectiveness of the IASD and identify opportunities for improvement. The QAIP review shall include both internal and external assessments.*
- 12.2 *Internal assessments include ongoing monitoring of the performance of the internal audit activity and annual self-assessments. External assessment, whose objective is to evaluate the Department's conformance with the Standards and Code of Ethics, shall be conducted at least every five (5) years by a qualified independent assessor or assessment team from outside the Bank.*
- 12.3 *The DIASD shall communicate the results of both internal and external assessments to the Governor and the Audit and Risk Committee and to the Board upon completion.*
- 12.4 *IASD shall ensure that issues identified are followed up and corrective action taken, where necessary. The Audit and Risk Committee shall, as necessary and appropriate, support the DIASD to have sufficient resources for this purpose.*

## **13. STAFF DEVELOPMENT AND TRAINING**

- 13.1 *The IASD should be suitably staffed with qualified individuals who possess the appropriate experience in order to ensure adequate coverage of the audit environment.*
- 13.2 *The DIASD has a responsibility to ensure that the internal audit team receives the necessary training for the performance of their duties. A structured staff development plan should be developed and implemented to ensure that the audit team is provided with the necessary experience, training and continuing professional education.*
- 13.3 *The DIASD shall coordinate the training requirements of internal audit staff. This includes the preparation and maintenance of training profiles, which identify the training requirements for different levels of internal auditors and the maintenance of personal training records for each individual.*

## **14. SUPERVISION**

- 14.1 *The IASD should provide assurance that internal audits are properly supervised.*
- 14.2 *The DIASD is responsible for providing appropriate audit supervision.*

14.3 *The extent of supervision required shall depend on the proficiency of internal auditors and the complexity of the audit assignment.*

14.4 *All internal audit assignments, whether performed by/or for the internal audit, remain the responsibility of the DIASD.*

## 15. **PROFESSIONAL STANDARDS AND CODE OF ETHICS**

### 15.1 *Adherence to the Professional Standards and Code of Ethics*

15.1.1 *The DIASD and all staff of the Department are required to ensure adherence to the highest standards of professionalism and ethics, such as those promulgated by the Institute of Internal Auditors (The IIA), and as represented by its local office in Botswana. This shall, in no way, dilute the obligation of every staff member to adhere to the Bank's General Conditions of Service or any other regulation as applicable to all other staff members of the Bank by virtue of their employment in the Bank.*

## 16. **GUIDING FRAMEWORK FOR INTERNAL AUDITING**

16.1 *The internal audit activity shall govern itself by adherence to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing. The DIASD shall report periodically to the Governor and the Audit and Risk Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards.*

16.2 *The Bank recognises the Institute of Internal Auditors, Inc. as the authority on international best practices of internal audit. The activities of the IASD, as well as those of its staff members, should be carried out in accordance with the International Professional Practices Framework (IPPF) of the Institute of Internal Auditors.*

16.3 *The Framework consists of the following:*

(a) *Core Principles;*

(b) *Code of Ethics;*

(c) *International Standards for the Professional Practice of Internal Auditing, comprising:*

(i) *Attribute Standards;*

(ii) *Performance Standards;*

(iii) *Implementation Standards; and*

(iv) *Definition of Internal Auditing*

(d) *Recommended guidance.*

16.4 *All staff are required to adhere to the provisions of the Framework.*

**17. APPROVAL**

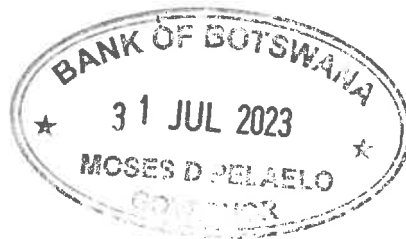
17.1 *This Charter establishes the authority, procedures and responsibility conferred by Management on the Internal Audit Function and has the approval of the Audit and Risk Committee and the Board. This Charter shall be reviewed annually.*


17.2 *The Charter was approved by the Board at its meeting of June 16, 2023.*

*Keletso M. Mothusi*  
**DIRECTOR, INTERNAL AUDIT  
SERVICES DEPARTMENT**

  
\_\_\_\_\_  
Signature

*Moses D. Pelaelo*  
**GOVERNOR**



  
\_\_\_\_\_  
Signature

*Lipalesa G. Makepe*  
**CHAIRMAN, AUDIT AND RISK COMMITTEE**

  
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Signature