

Principle 7: Audit

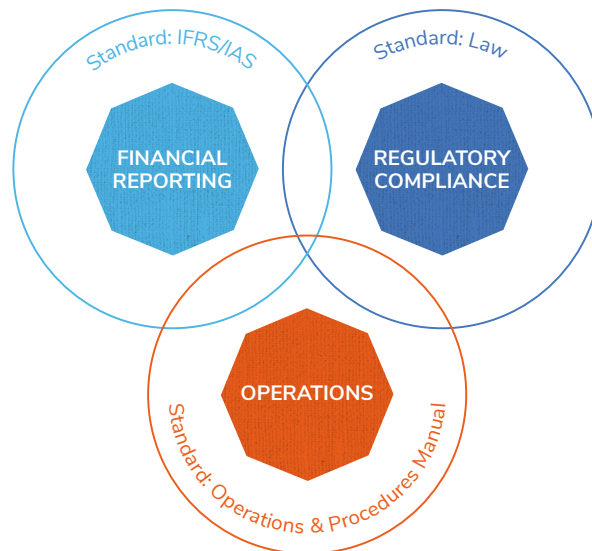
Internal Audit

The MUA Internal Audit's mission is to provide reliable independent assurance to the Board and the Audit Committee on the adequacy and effectiveness of the risk management, governance and internal controls. The members of the audit committee and the internal audit function have the necessary qualifications and experience to carry out their responsibilities. The internal audit team are composed of auditors with auditing and insurance experience, and the management team consists of fully qualified accountants.

The MUA Internal Audit methodology is risk based and sets out the mandatory standards to be followed by all our Internal Auditors which should allow our Internal Audit function to achieve its mission.

As the third line of defence of the "three lines of defence model", the MUA Internal Audit function provides an independent assurance over the first and second lines of defence, which are the business operations and risk function respectively. An overview of the company's internal control system is illustrated hereunder:

Internal Control System



The Internal Audit team carries out the internal audits at MUA Group. The scope of their work encompasses:

- Identification of risk areas and the evaluation of the level of risk for each area;
- Review of internal controls and agreed actions which are communicated to the Audit Committee and to the Management;
- Monitoring of the implementation of the agreed actions and reporting these to the Audit Committee.

The team carried out several internal audit reviews during 2020, as follows:

- Agents Cluster;
- Loans;
- General Insurance Debtors;
- MUA Stockbroking;
- General Insurance Pricing;
- Compliance Functions;
- Claims Reserving at East Africa Subsidiaries;
- Claims Handling at MUA Rwanda and MUA Uganda.

Reporting Lines

Our Internal Audit function derives its authority from the Board through the Audit Committee. The Internal Auditors have a direct reporting line to the Audit Committee and maintain an open and constructive communication with the Management. They also have direct access to the Chairman of the Audit Committee. This structure allows the Internal Auditors to remain independent. Every quarter, the Audit Committee meets with the internal and external auditors to review and discuss any findings. There are regular follow-ups to ensure that these are addressed promptly.

Coverage

The Internal Audit plan, which is approved by the Audit Committee, is based on the principles of risk management designed to ensure that their scope of work is congruent with the degree of risk attributable to the area being audited.

Restrictions

The Internal Auditors have unrestricted access to the Company's records, to management and employees.

External Audit

Pursuant to the requirements of the Financial Reporting Act 2004 with regards to mandatory rotation of audit firms, Ernst & Young retired as external auditors of the Group in 2020. Further to a tender exercise, the Audit Committee and the Board recommended the appointment of PricewaterhouseCoopers (PwC) in replacement to Ernst & Young at the Annual Meeting of the shareholders held in July 2020. The shareholders subsequently approved the appointment of PwC as new external auditors of the Company.

PwC presented to the Audit Committee their audit plan for 2020 comprising of status and procedures, relevant and significant risks identified, potential areas of focus, intelligent scoping of material and non-material components.

The Committee invites the external auditors at their quarterly meetings to discuss the accounts presented, management letters, key audit issues, critical policies and to keep apprised of new accounting standards, methods and terminology. Consultation between the latter and the internal audit team are regularly encouraged. The Audit Committee meets the external auditors without management presence on an ad hoc basis.

The effectiveness of the external auditor is reviewed by the Audit Committee through feedbacks received from its members and from the management team.

The external auditors also provided the additional services as detailed on page 100 of the Statutory Disclosures section of the Annual Report.

The provision of non-audit services is subject to a tender process with objective to ensure that the nature of the non-audit services, if provided by the external auditors, could not be perceived as impairing their independence on the external audit exercise