The Role of Internal Audit
The King III Code of Governance for South Africa states that internal audit should be an objective provider of assurance that considers the risks that may prevent or slow down the realisation of strategic goals.
The King III Code requires that internal audit perform the following functions (7.1.2):
- evaluate the company’s governance processes (7.1.2.1);
- perform an objective assessment of the effectiveness of risk management and the internal control framework (7.1.2.2);
- systematically analyse and evaluating business processes and associated controls (7.1.2.3); and
- provide a source of information regarding instances of fraud, corruption, unethical behaviour and irregularities.

The Role of External Audit
The King III Code of Governance for South Africa states that external audit cannot perform any services that would be implicated in the conduct of the external audit. The audit committee is to engage the external auditor to provide assurance on the summarised financial information.

Governance Framework
The governance framework must respect the fiduciary duties of directors serving in a representative capacity on the board of the company and/or its subsidiaries.
The governance framework comprises the implementation and adoption of policies, processes or procedures.

Risk Management Framework
A system and process of risk management should be developed by management based on a risk management framework (e.g. COSO, ISO 31000, Risk IT, etc).

Internal Control Framework
Internal controls should be established not only over financial matters, but also for operational, compliance and sustainability issues.

Assessment of the effectiveness of the company’s system of internal controls and risk management
The King III Codes state that:
- internal audit should form an integral part of the combined assurance model as internal assurance provider (7.3.1).
- internal controls should be established not only over financial matters, but also operational, compliance and sustainability issues (7.3.2).
- companies should maintain an effective governance, risk management and internal control framework (7.3.3).
- management should specify the elements of the control framework (7.3.4).
- internal audit should provide a written assessment of the system of internal controls and risk management to the board (7.3.5).

The Role of the Audit Committee
The King III Code of Governance for South Africa states that the audit committee must engage the external auditors to provide assurance on the summarised financial information; and to:
- monitor and report to the board on the independence of the external auditor (3.9.3);
- define a policy, terms, nature and extent of non-audit services provided by the external auditor; and must approve the contracts for non-audit services (3.9.4)
- be satisfied with the independence of the external auditor (3.10.2.2).

The annual financial statements must include a description of the non-audit services provided by external audit.

Risk Based Approach to Internal Controls
Internal audit should be risk-based and every year the internal auditors should furnish an assessment to the board generally on the system of internal controls and to the audit committee specifically on the effectiveness of internal financial controls.

Internal audit should provide a written assessment of the system of internal controls and risk management to the board.

Internal audit should provide a written assessment of internal financial controls to the audit committee.

A risk-based approach is more effective as it allows internal audit to determine whether controls are effective in managing the risks which arise from the strategic direction that a company, through its board, has decided to adopt.