

ARTICLES OF ASSOCIATION

in terms of the

COMPANIES ACT, 1973

of the

REPUBLIC OF SOUTH AFRICA

As updated in April 2005

THE INSTITUTE OF INTERNAL AUDITORS - SOUTH AFRICA

Registration No. 85/003686/08

(A company incorporated under Section 21, and not having a Share capital under Section 60
(i), Regulation 18)

INTERPRETATION

1. The Articles of Table A and B contained in Schedule 1 to the Companies Act, 1973, shall **not** apply to the Institute.
2. In these Articles of Association, the words and expressions following have the meanings hereinafter assigned to them as respectively: -
 - “The Institute” means the Institute of Internal Auditors, South Africa;
 - “Member” means a member of The Institute as defined in Article III of the By-laws;
 - “The Board” means the Board of Directors of the Institute;
 - Words signifying the masculine gender shall include the feminine gender.
3. All laws and statutes quoted or referred to shall automatically include any amendments to, revisions of or replacements of these laws and statutes as may occur from time to time, through due Parliamentary process, subsequent to the writing of these Articles.
4. The rules of procedure at meetings of The Institute, of the Board of Directors and of committees shall be according to Robert's Rules of Order (Revised) so far as applicable and when not inconsistent with these Articles or By-laws.
5. The interpretation of these Articles shall be given by the Board, whose decision shall be binding on all members.

MEMBERSHIP

6. The Institute shall have such classes of members as are defined in the By-laws of the Institute.
7. The rules for and the basis of eligibility to a class of membership shall be as recorded in the By-laws.
8. A member shall be an individual person who applies for membership of a particular class of members and who is eligible to join that class of members in terms of the various criteria for membership of that class of members, or who accepts an Honorary membership at the invitation of the Board. In cases of dispute regarding eligibility, the final decision shall be made by the Board.
9. Once membership has been formally bestowed, the member shall remain a member until his membership is amended or terminated in accordance with the provisions contained in the By-laws.

SUBSCRIPTIONS

10. Every member shall pay to the Institute such annual subscriptions and special subscriptions of such amounts as have been approved by the members in general meeting, on the basis as laid down in the By-laws.

GENERAL MEETINGS OF THE INSTITUTE

11. A general meeting of the Institute shall be held at least once in every year, known as the Annual General Meeting, at such time (being not more than seven (7) months after the financial year end and not more than fourteen (14) months after the holding of the last preceding general meeting), and place as may be prescribed by the Board. The annual general meeting of the Institute shall, at a minimum, consider and approve the Annual Financial Statements, fill any vacancies in the Board of Directors and attend to such other business as is prescribed by statute or by these Articles.
12. The President, if present, shall preside as Chairman at the opening of every general meeting. In the absence of the President, a Chairman shall be appointed by the directors present at the meeting from among their number.
13. Any member may bring before a general meeting any matter of business which he considers requires the attention of the Institute. Notice of such a matter shall be given to the Company Secretary at least two (2) weeks before the meeting at which the business is to be discussed, unless the Board in their sole discretion agree to accept a late submission based on the merits of the case.
14. Notice of such meetings will be served to members within 21 days of the meeting by the means described within the By-laws, and the Companies Act.

VOTING AT GENERAL MEETINGS

15. A quorum at a general meeting of members shall consist of not less than fifty (50) members present in person or by proxy. Should a quorum not be present, the meeting shall be adjourned and a new meeting called for a date not less than fourteen (14) days from the day of the adjourned meeting. At the later meeting those members present shall form a quorum, irrespective of their number.
16. When a resolution is voted on at a general meeting, the outcome of the vote must be recorded in the formal minute book of proceedings of the Institute.

17. Voting will be done on a show of hands unless a secret ballot is requested by a clear majority of the members present in person. Whether by secret ballot or show of hands, every member present in person shall have one equal vote, and any member holding a formal proxy for an absent member shall have one equal vote in respect of each proxy held. In case of an equality of votes at any general meeting, whether on a show of hands or upon a secret ballot, the Chairman shall have a casting vote.
18. Members who are unable to attend a meeting may appoint a proxy to represent them. The proxy holder shall also be a member.
19. Proxies shall be lodged with the Company Secretary at least forty-eight (48) hours prior to the hour fixed for the meeting at which the same are intended to be acted upon. The instrument appointing a proxy shall be in such form as the Board may approve for this purpose from time to time. The name of the member appointed to act as such proxy holder shall be filled in on the proxy form, and the proxy form must be signed ***in person*** by the member assigning the proxy.

COMMITTEES

20. The Board has the power to appoint committees to better manage the duties devolving upon it, and/ or any of the activities it may undertake. The committees do not diminish the responsibilities of the Board in fulfilling its duties and responsibilities. These Committees will be either Board Oversight Committees, (which shall include, without being limited to, an Executive Committee, a Governance Committee, an Audit Committee and a Nominations Committee), or Operational Oversight Committees, which will be created from time to time to provide oversight of and direction to various operational functions of the Institute such as Membership, Technical Development, Seminars etc. The Board Oversight Committees shall comprise only of Directors, and the Operational Oversight Committees shall generally be chaired by Directors but may also include other members. The President may not chair any committees except for the Executive Committee, other than under special circumstances and with the consent of the full board. The CEO will be an ex officio member of all Committees, and shall attend the meetings thereof either personally or via a delegated senior Secretariat staff member.
21. All committees shall have written Terms of Reference, which shall be formally approved by the Board and which shall specify at minimum the scope, objectives, function and powers of the committees. In creating and managing these committees, the Board shall seek to implement the recommendations of the King II Report on Corporate Governance as far as is practical. The Directors of the Board remain jointly and severally liable for all actions, omissions and activities of sub-committees, and delegation of any issues to a sub-committee does not relieve the rest of the Directors of their joint responsibility.

22. The Board shall have the power from time to time to establish offices of the Institute on such basis as the Board may determine (such offices to be known as "Regions"), and to determine the geographic borders of each Region, which shall be arranged so as to best meet the needs of the members.
23. The Board shall have the power from time to time to amend the boundaries of any Region, or to amalgamate or close and discontinue any Region at any time as the Board sees fit, following appropriate consultation with the existing members of such affected Region.
24. The constitution and operational rules of the Regions shall be subject to amendment by the members of that Region from time to time through processes to be agreed upon by themselves, with the proviso that the constitution and operational rules of the Regions shall never be in conflict with the Articles, By-laws or operational standards of the Institute. All funds raised by the Region may be used in the interests of the members of that Region but de facto belong to the IIA SA.

COMPOSITION, ELECTION AND TERM OF OFFICE OF BOARD MEMBERS

25. The Board shall consist of an elected President, an elected Senior Vice-President, the most recent Past President, the Chief Executive Officer, and a number of other Board members elected by a general meeting in terms of the process laid down in the By-laws.
26. The number of Directors should not be less than ten, inclusive of the ex officio Directors, but the maximum number shall be as proposed by the Board and ratified by the members in general meeting from time to time.
27. The members of the Board shall be designated Directors of the Institute and shall be the Directors of the Institute for all purposes under the Companies Act.
28. Each elected Director shall hold office for two years from the annual general meeting of the Institute at which he is elected. Upon completion of his two-year cycle the Director shall resign at the next annual general meeting but may stand for re-election.
29. The President may be elected for a second consecutive term of two years, but will not be eligible for a third term as President until a period of two years has elapsed from the previous term of office.
30. The Chief Executive Officer is a fully fledged Director of the Institute, but is not an elected official. The CEO is a salaried employee of the Institute.
31. In addition to the immediate Past President, the Board may at its sole discretion co-opt one additional Past President onto the Board.

32. The Board shall from time to time decide among themselves to appoint any one of their number (excluding the CEO), or any other capable member of the IIA SA, as the IIA SA's Affiliate Director to the International Board of the Institute of Internal Auditors Inc, provided the IIA SA remains qualified to make such appointments in terms of the constitution and By-laws of The IIA Inc. This delegate will not automatically be a Director of the South African Board, but will have the right to be given notice of and to attend meetings of the South African Board as an observer, and may be required to attend meetings of the Board of the IIA SA to report back, to be briefed and to answer questions.
33. Regional Governors are eligible to stand for election as Board Directors during their term of office in the Regions. Regional Governors who have not been duly elected to the Board will not automatically be Directors of the South African Board, but will nonetheless have the right to be given notice of and to attend meetings of the South African Board as observers.
34. Should an elected Director resign from the Board during the course of his term of office, or his term of office be prematurely terminated under any circumstances, then the resultant vacancy may be filled by the Board co-opting a Director.
35. A co-opted Director shall hold office until the next general meeting of the Institute, at which time the vacancy will be filled through the normal election process.
36. The office of a Director shall be vacated if –
- He becomes insolvent;
 - He is found lunatic or becomes of unsound mind;
 - He resigns his office by notice in writing to the Board;
 - He is removed from any other office of trust on account of misconduct;
 - He has been convicted of fraud, theft, forgery, perjury, or any offence involving dishonesty;
 - He ceases to be a member of the Institute;
 - He is removed by the members in terms of the process laid out in Section 220 of the Companies Act.
 - He is absent from three Board meetings annually without apology and good cause.
37. The resignation of any officer or director shall be tendered to the President of the Board. If more than 33% of Directorships become vacant during the year following the AGM then a special general meeting should be called to re-elect Directors.

PROCEEDINGS OF THE BOARD

38. The Board shall meet at least six (6) times a year and such meetings shall be chaired by the President of the Board, or in his absence by a Chairman to be appointed by the meeting from its own number.

39. No business shall be transacted at any meetings of the Board unless more than 50% of the Directors are present.
40. The meetings of the Board shall be held at such time and place as the Board shall determine. Notice periods and meeting procedures shall be those as stipulated in the Companies Act and By-laws, unless all Directors consent to a variation thereof.
41. The Chairman of the Board may, if he thinks fit, and shall upon receiving a request signed by not less than three (3) of the Directors and specifying the business for which a special meeting is required, call together a special meeting thereof, not less than seven (7) days' notice of which shall be given, and no business shall be transacted at a special meeting other than that for which such special meeting was called.
42. Voting at all Director's meetings shall be by a show of hands unless otherwise agreed upon unanimously at the meeting, and the decision of the majority of Directors present and voting shall prevail. The Chairman shall in addition to his ordinary vote, exercise a casting vote in all cases of equality.
43. No proxies or alternates will be valid at Director's meetings, although resolutions may be adopted by "round-robin" if deemed appropriate by the majority of the Board.
44. The decisions of the Board shall be binding on all members of the Institute.

DUTIES OF DIRECTORS

45. The general control and direction of the policy and affairs of the Institute shall be vested in the Board, whose duty it shall be to administer the affairs of the Institute in accordance with these Articles.
46. The Institute and the Board are expected to adhere at all times to the very highest standards of probity and corporate governance best practice, so as to uphold and enhance the standing of the profession and to provide leadership by example. In particular, the Directors shall all be bound by the requirements of the Companies Act, and shall be expected to implement the recommendations of the King II Report on Corporate Governance and other relevant best practices as far as is practical. In order to ensure the highest standards of governance are practiced, all instances where the Directors have deviated from the King II recommendations will need to be justified in the annual financial statements.
47. The President shall be the Chairman of the Board and the non-executive head of the Institute and, when present, shall preside at all meetings of the Institute and of the Board.

48. The Chief Executive Officer shall be responsible for the enforcement of the provisions of these Articles and the general operations of the Institute.
49. The other Directors shall have such duties and powers as may be agreed between themselves and the Board from time to time. This shall specifically include membership of one or more of the Board Oversight or Operational Oversight Committees. In the absence or disability of the President, the Senior Vice President will assume the responsibilities and perform the duties of the President for the course of his absence or disability, unless the Board by majority vote decides to appoint another of its members to act as President instead.
50. The duties of the Company Secretary will be in accordance with the Companies Act and the recommendations of the King II report, and will be overseen by a director so tasked. The duties of the Treasurer will be overseen by a director so tasked, and will be reviewed by the Audit Committee.
51. Directors may not be remunerated for their services as Directors, although the out of pocket expenses of Directors incurred while attending to Institute matters may be defrayed out of the funds of the Institute, in terms of Policies created and amended by the Board from time to time.
52. Every Director has the duty, and the right, to seek internal or external advice and information in order to perform his duties and responsibilities at the appropriate standard. Any bona fide costs incurred in the process shall be refunded by the Institute.
53. The performance of each individual director, as well as of the Board collectively, shall be assessed at least annually along the lines recommended in the King II report.
54. Directors are compelled to declare conflicts of interest, if any, in terms of Sections 234 to 240 of the Companies Act.

BY-LAWS

55. Detailed provisions for the management of the activities of the Institute shall be defined in the By-laws of the Institute, with the proviso that the By-laws may never be in conflict with any relevant statute, or with these Articles.

FINANCIAL PROVISIONS

56. The Board shall cause such books of accounts to be kept as are prescribed by Section 284 of the Companies Act or any amendment thereof. The said books shall be subject to proper and regular audit as contemplated by law. Specifically, statutory

auditors shall be appointed and their duties regulated in accordance with Section 270 of the Companies Act or any statutory modifications thereto.

57. The books of account shall be kept at the registered office of the Institute or at such other place or places as the Board may think fit, and shall be open to the inspection of any member during normal office hours and with 24 hours notice.

58. The board shall, from time to time, in accordance with Section 286 of the Companies Act or any amendment thereof, cause to be prepared and audited such Annual Financial Statements as are referred to in that section, in compliance with Generally Accepted Accounting Practice. These Statements shall be published on the Institute's website at least 21 days before the annual general meeting, members shall be informed of the availability thereof in the Notice of the annual general meeting, and the Annual Financial Statements shall be submitted to the members at the annual general meeting for discussion and approval.

ALTERATIONS

59. These Articles may be altered at a General Meeting of the Institute by means of a Special Resolution as defined by the Companies Act.