



TSWELOPELE
LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

**INTERNAL AUDIT CHARTER
2016/2017**



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1 PURPOSE OF THE INTERNAL AUDIT CHARTER

The purpose of the Internal Audit Charter is to set out the statement of purpose, authority and responsibility of Internal Audit within Tswelopele Local Municipality and to outline the scope of the Internal Audit work.

2 INTRODUCTION

The Internal Audit Activity shall provide Tswelopele Local Municipality's Management and Council with an independent and objective evaluation of the effectiveness, efficiency, and application of the accounting, financial, and other internal controls necessary to accomplish Municipal objectives in compliance with Municipal Finance related practices and other policies and procedures, regulatory requirements, and sound business practices.

The following is the definition of internal audit:

“Internal Audit is an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes”.

3 FUNCTION

The following functions are performed by the Internal Audit unit:

1. Internal audit is an appraisal function established within the Municipality to independently examine and evaluate the internal controls of the Municipality as a service to the audit committee in particular and to Management in general.
2. It is a control function which functions by examining and evaluating the adequacy and effectiveness of internal controls. To this end, the Unit will furnish the audit

committee and Management with analyses, appraisals and recommendations concerning the activities reviewed.

3. Internal audit is functionally reporting to the Audit Committee and for administrative purposes will report to the Municipal Manager.
4. Internal audit shall have an independent status within the Municipality and will not be involved in the day-to-day internal operations of systems within the Municipality.

4 AUDIT SCOPE

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the organisation's governance, risk management, and internal process.

Internal Audit also evaluates the quality of performance in carrying out assigned responsibilities to achieve the organisation's stated goals and objectives. This includes:

1. Evaluating the reliability and integrity of information and the means used to identify measure, classify, and report such information;
2. Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Department;
3. Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
4. Evaluating the effectiveness and efficiency with which resources are employed;

5. Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;
6. Monitoring and evaluating governance processes;
7. Monitoring and evaluating information and communication technology processes;
8. Monitoring and evaluating the effectiveness of the municipal risk management processes;
9. Coordinating the relationship between the management and the external assurance provides; and
10. Performing consulting and advisory services related to governance, risk management and control as appropriate for the organisation.

Consulting services will include:

- a) Formal consulting agreement – those that are planned and subject to written agreements;
- b) Information consulting engagements – routine activities such as participation on standing committees, ad-hoc meetings, limited life audits and routine information exchange;
- c) Special consulting engagements – participation on dedicated teams such as system conversion teams; and
- d) Emergency consulting engagements – participation on a team established for recovery or maintenance of operations after a disaster or other extraordinary business event;
- e) Support provided to management in the design and development of effective control measures; and
- f) Facilitation of risk assessment.

11. Reporting periodically to management and the audit committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan;
12. Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Audit Committee;
13. Evaluating specific operations at the request of the Audit Committee or Management, as appropriate;
14. Communicate to Management and the Audit Committee on the internal audit activity's quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every five years; and
15. Maintaining of professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of this charter.

5 AUTHORITY

The Internal Audit Staff is authorised to:

1. Have full and unrestricted access to any and all municipal records, physical properties, and personnel relevant to any function under review or audit.
2. Request the assistance of all Municipal employees in fulfilling Internal Audit's function.
3. Maintain the independence necessary to render objective reports by assuring all audit activities (including audit scope, procedures, frequency, timing, and report content) are free from influence by auditee.

4. Have free and unrestricted access to the Municipal Manager and Audit Committee.

The Internal Audit staff is not authorised to:

1. Perform any operational duties for the Municipality or its affiliates without approval of the municipal manager and/or the audit committee;
2. Initiate or approve accounting transactions external to Internal Audit;
3. Assume direct operational responsibility or authority over any of the activities under review or audit;
4. Develop or install systems or procedures, prepare records, or engage in any other activity that would normally be audited.

Subject to the approval by the Audit Committee or Municipal Manager, Internal audit is authorised to:

1. Decide on the nature, scope and timing of audits;
2. enter all premises of the Municipality and have access to and inspect all documents and records;
3. require any officer of the Municipality to supply such information and explanations as may be needed; and
4. Have discussions with Heads of Departments and employees of the Municipality at any reasonable time.

6 INDEPENDENCE

To provide for the independence of the Internal Audit unit, internal audit staff report to the head of Internal Audit unit, who shall advise the Accounting Officer and report to the Audit Committee on the implementation of the Annual Internal Audit Plan.

Internal Audit shall also report on matters relating to internal audit, controls, Accounting procedures and practices, risk and risk management, performance management, loss control and compliance with Municipal Finance Management Act and other applicable legislation.

7 RESPONSIBILITIES

The head of the Internal Audit Unit's responsibility to the Audit Committee and Management:

The head of Internal Audit unit and the Internal Audit staff have a responsibility to:

1. Develop an Annual Audit Plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval.
2. Submit a signed copy to the Municipal Manager for record keeping.
3. Report significant changes to the approved plan shall be to the Municipal Manager and to the Audit Committee for approval.
4. Implement the approved Annual Audit Plan and any special tasks or projects requested by the Municipal Manager, Audit Committee, or Management.
5. Maintain sufficient knowledge, skills, expertise, and professional certifications to meet the requirements of this Charter.
6. Apply the care and skill expected of a reasonably prudent and competent internal auditor.

7. Safeguard the documents and information given to Internal Audit during a periodic review or audit in the same prudent manner employed by those employees normally accountable for the documents and information.
8. Evaluate and assess new or changing services, processes, and operations coincident with their development, implementation, and/or expansion.
9. Issue periodic reports to the Municipal Manager, Audit Committee, and management summarising results of audit activities.
10. Keep the Municipal Manager, Audit Committee, and management informed of emerging trends and successful practices in internal auditing.
11. Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the Municipality at a reasonable overall cost.

8 PROFESSIONAL CONDUCT OF INTERNAL AUDIT UNIT

1. The Internal Audit Activity will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the International Standards for the Professional Practice of Internal Auditing (Standards);
2. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance;
3. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations;

4. In addition, the internal audit activity will adhere to municipal policies and procedures and the internal audit activity's standard operating procedure manual;
5. All internal audit staff are to ensure that their behaviour at all times accords with the Municipality's' Code of Conduct as well as the Institute of Internal Auditors Code of ethics;
6. All internal audit staff must conduct themselves and their work in an objective manner, with an independent state of mind and always in the best interests of the Municipality;
7. Internal audit staff must ensure that they do not engage in any activity which would be in conflict with either the interests of the Municipality or the internal audit unit's objectives;
8. Where there is doubt, the matter must be referred to the Head of Internal Audit and in the case of the Head this should be referred directly to the Municipal Manager;
9. Internal audit staff are required to be members of the Institute of Internal Auditors in South Africa and the municipality will support reasonable official duties they may incur with such institution provided such activities do not hinder the effectiveness of the Internal Audit Function;
10. Internal audit staff must ensure that they stay abreast of all new development methods and techniques of both internal auditing and the operational areas of their responsibility;
11. The municipality must also play a key role in supporting continuing professional development of the individuals and the unit as a whole.

9 ACCESS TO INTERNAL AUDIT REPORTS AND WORKING PAPERS

The final internal audit reports will be distributed to the Management, Municipal Manager and the Audit Committee.

The reports will be communicated to Management for follow-up and reporting purposes, other officials of the municipality may have access to these reports from their respective managers.

Access to internal audit working papers is not restricted to the following users:

1. Service providers appointed to perform external quality assurance;
2. Office of the Auditor General (SA) for audit purposes;
3. The Municipal Manager and the Audit Committee for internal quality assessments;
and
4. When requested for use by the courts of Law.

10 ADOPTION AND APPROVAL

The charter must be approved by the Audit Committee and accepted by the Accounting Officer. The charter should be reviewed annually.
