

# **SOL PLAATJE LOCAL MUNICIPALITY**



## **Internal Audit Charter 2025/26**

**JULY 2025**

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## Table of Contents

1. INTRODUCTION .....	3
2. BACKGROUND .....	3
3. PURPOSE .....	4
4. MISSION.....	4
5. VISION.....	4
6. MANDATE .....	4
7. THE ROLE OF INTERNAL AUDIT .....	4
8. PROFESSIONAL STANDARDS .....	5
9. ACCOUNTABILITY.....	5
10. INDEPENDENCE AND OBJECTIVITY .....	6
11. AUTHORITY .....	7
12. RESPONSIBILITIES OF INTERNAL AUDIT .....	8
13. PROFICIENCY .....	9
14. RELATIONSHIP WITH MANAGEMENT .....	9
15. ORGANIZATIONAL POSITION.....	10
16. REPORTING .....	10
17. SCOPE OF WORK.....	12
18. AUDIT PLANNING.....	12
19. NATURE OF SERVICES OFFERED BY INTERNAL AUDIT .....	12
20. CODE OF ETHICS .....	18
21. RECOGNISING MANDATORY GUIDANCE OF GLOBAL INTERNAL AUDIT STANDARDS.....	19
22. LIAISON WITH EXTERNAL AUDITORS AND OTHER ASSURANCE PROVIDERS.....	19
23. PERIODIC ASSESSMENTS.....	19
24. ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION.....	20
25. CORE PRINCIPLES FOR THE GLOBAL INTERNAL AUDIT STANDARDS.....	20
26. REVIEW PERIOD .....	21
27. CONCLUSION .....	21
28. APPROVAL .....	21

## **1. INTRODUCTION**

In conformity with the commitment of Council to be fully accountable to all stakeholders of the Sol Plaatje Local Municipality (“SPM”/” Municipality”) and in accordance with the requirements of Section 165(1) of the Municipal Finance Management Act, no 56 of 2003 (MFMA) and the guidance articulated by National Treasury’s Circular 65 (Internal Audit and Audit Committee), an Internal Audit Function has been established.

This Internal Audit Charter represents the general authorization from the Municipal Manager and the Audit Committee to conduct a certain scope of work. The specific authorization to do the work is the Three Year Rolling Strategic Internal Audit Plan and the Annual Internal Audit Plan, which is approved by the Audit Committee.

The Municipality (i.e. collectively the Council, Executive Mayor, Municipal Manager (as Accounting Officer), Chief Financial Officer and Senior Management) is ultimately responsible for overseeing the establishment of effective systems of internal control to provide reasonable assurance that the Municipality’s financial and non-financial objectives are achieved. Executing this responsibility includes the establishment of an Internal Audit function in accordance with this document.

## **2. BACKGROUND**

An Audit Charter is a formal and official document setting out the purpose, authority and responsibility of internal audit. The Audit Charter is prepared in accordance with the recommendations of the Institute of Internal Auditors and has been prepared considering the recommendations of the King Report on Corporate Governance and National Treasury regulations and guidelines.

This Internal Audit Charter is crucial to strengthening the independence and objectivity of the internal audit function of the Municipality. Risk-based auditing is a central focus as espoused in the MFMA and enacted in the Internal Auditors' audit programs. The risk-based internal audits direct internal audit to address strategic, operational, financial and sustainability issues in the quest to deliver value to the municipality.

### **3. PURPOSE**

The purpose of this charter is to set out the nature, role, responsibilities and authority or mandate of the Internal Audit Function within the Municipality. The charter outlines the scope of the internal audit work and has the approval of the Audit Committee, the Municipal Manager and Senior Management. This charter will be reviewed annually.

### **4. MISSION**

The Internal Audit (IA) function will provide independent and objective assurance, advice, and insight to improve governance, risk management, and control processes within the municipality. This aligns with the 2025 Global Internal Audit Standards (effective January 9, 2025) to support public service and organizational excellence. To help the Municipality accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

### **5. VISION**

Internal Audit will strive to be an efficient and effective service to the SPM's management and personnel, by adhering to or exceeding the Global Internal Audit Standards of the Institute of Internal Auditors (IIA) and the SPM's guidelines and policies.

### **6. MANDATE**

The mandate of the Internal Audit Unit is to assist the Municipality to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and the governance processes.

### **7. THE ROLE OF INTERNAL AUDIT**

The SPM Internal Audit function provides independent, objective assurance and consulting services designed to add value and improve the municipality's operations. SPM Internal Audit is responsible for assessing whether the department's risk management, control and governance processes, as designed and represented by management, are adequate and functioning to ensure:

- Risks are appropriately identified and managed;
- Interaction with various governance groups occurs as needed;

- Significant financial, managerial and operating information is accurate, reliable and timely;
- Employees comply with policies, standards, procedures and applicable laws and regulations;
- The department's resources are acquired economically, used efficiently and adequately developed;
- Programs, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the department's control process;
- Significant legislative or regulatory issues impacting the organization are recognized and addressed appropriately.
- Corporate Governance processes are adequately managed.

Risk-based auditing is a central focus as espoused in the MFMA and enacted in the Internal Auditors' audit programs. The risk-based internal audits direct internal audit to address strategic, operational, financial and sustainability issues in the quest to deliver value to the municipality.

## **8. PROFESSIONAL STANDARDS**

The internal audit personnel shall adhere to the Code of Ethics and the Global Internal Audit Standards of the Institute of Internal Auditors (IIA). These documents are available on the IIA's website and should be read in conjunction with the internal audit charter.

Despite providing "guidance" and not mandatory requirement, where appropriate, the practice advisories will be complied with. In addition, the internal audit activity will adhere to the policies and procedure of Sol Plaatje Local Municipality and internal auditing activity's operating procedure manual.

## **9. ACCOUNTABILITY**

The Chief Audit Executive (CAE), in the discharge of his/her duties, shall be accountable to management and the Audit Committee (AC) to:

- Provide annually an assessment on the adequacy and effectiveness of the Municipality's processes for controlling its activities and managing its risks in the areas set forth in this charter;
- Report significant issues related to the processes for controlling the activities of the Municipality and its entities, including potential improvements to those processes, and provide information concerning such issues for further action by management;
- Provide information periodically on the status and results of the annual audit plan and the sufficiency of the department resources; and

- Coordinate with, and provide oversight, of other control and monitoring functions (risk management, compliance, security, legal, ethics, and external audit).

## 10. INDEPENDENCE AND OBJECTIVITY

To provide for the independence of the internal auditing unit, its personnel report to the CAE, who reports functionally to the Audit Committee and administratively to the Municipal Manager. This reporting relationship ensures departmental independence, promotes comprehensive audit coverage and assures adequate consideration of audit recommendations.

In all matters relating to the audit work, Internal Auditing and the individual auditors must be free from personal and external impairments to independence, be organisationally independent, and maintain an independent attitude and appearance.

The Internal Audit Unit will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair judgment.

Independence, in fact as well as appearance, is necessary. The credibility of the auditor might be impaired by the existence of circumstances, which may be reasonably perceived to influence independence.

The Internal Audit Unit will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Internal Audit Unit will make an unbiased assessment of all the relevant circumstances and not be duly influenced by their personal interest or by others in forming judgements.

***Such independence will be established by adhering to the following criteria:***

- The Internal Auditing function will be organisationally located outside the personnel or line management functions.
- Auditors should be sufficiently removed from political pressures to ensure they can conduct their audit objectively and can report their findings, opinions, and conclusions objectively without fear of repercussion.

- Internal auditors should avoid personal transactions or situations in which their personal interest will conflict or appear to conflict with the interest of SPM. All situations involving a conflict of interest should be disclosed in an annual conflict of interest statement.
- Internal auditors shall complete and sign annually a conflict of interest statement, which attests to their independence or describes areas where their independence may be impaired.
- Internal Auditors shall complete and sign an independence statement for each project to which they are assigned responsibility for performance of audit work. The completed independence statements of all audit team members will be filed in the general section of the audit work papers.
- Internal Auditors must refrain from assessing specific operations for which they were previously responsible. Objectivity is presumed to be impaired if an Internal Auditor provides assurance services for an activity for which the Internal Auditor had responsibility within the previous year.

## **11. AUTHORITY**

### **The Chief Audit Executive and personnel of the internal audit unit are authorized to:**

- Have unrestricted access to all functions, records, property, and personnel or any other information that may be deemed necessary to perform their duties.
- All information given to or obtained by the Internal Audit unit will be handled in a prudent manner.
- Have full and free access to the Municipal Manager, Audit Committee and External Auditors.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the Municipality where they perform audits, as well as other specialized services from within or outside the organization. Where external service providers are engaged, they shall be procured through the Supply Chain Management system of the Municipality.

### ***The Chief Audit Executive and personnel of the internal audit unit are not authorized to:***

- Perform any operational duties for the Municipality or its affiliates.
- Initiate or approve accounting transactions external to the internal auditing unit.
- Direct the activities of any Municipality employee not employed by the internal auditing unit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- Internal audit is not responsible for any of the activities which they audit. Members of the Internal Audit unit will not assume responsibility for the operation or control of any procedures.

## **12. RESPONSIBILITIES OF INTERNAL AUDIT**

The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Municipality's governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the Municipality's stated goals and objectives.

The Chief Audit Executive and personnel of the internal audit unit have a responsibility to:

- Conducting its work in accordance with the IIA Standards and Code of Ethics.
- Develop a three-year strategic and flexible 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 as well as periodic updates.
- Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee.
- Performing consulting and advisory services related to governance, risk management and control as appropriate for the Municipality.
- Providing special services as and when required by the Audit Committee.
- Maintain professional audit personnel with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter.
- Issue periodic reports to the Audit Committee and management summarising results of audit activities.
- Establish a quality assurance program by which the CAE assures the operation of internal auditing activities.
- Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- Assist in the investigation of significant suspected fraudulent activities within the Municipality and notify management and the Audit Committee of the results.
- Contribute to the improvements in corporate governance as set out in the King report on corporate governance.
- Consider the scope of work of the external auditors and regulators, as appropriate, for providing optimal audit coverage to the Municipality at a reasonable overall cost.



- The CAE is responsible for developing and presenting a budget and resource plan for the internal audit unit to the Audit Committee.
- Internal auditors shall apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.
- Internal auditors are expected to enhance their knowledge, skills, and other competencies through continuing professional development.
- The Internal Audit Unit may be asked to assess the adequacy and effectiveness of the combined assurance approach adopted by the Municipality. This assessment includes the completeness of risks covered by the different assurance providers and the reliability of the assurance provided.

### **13. PROFICIENCY**

Engagements shall be performed with proficiency and due professional care. Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.

The Internal Audit Unit collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. Internal auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud but shall have enough knowledge to identify the indicators of fraud.

Internal auditors are not expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing but shall have knowledge of key information technology risks and controls to enable them to perform their assigned work.

### **14. RELATIONSHIP WITH MANAGEMENT**

**Management of the municipality is responsible for the following:**

- Establishing and maintaining an adequate system of internal control;
- The prevention and detection of fraud and irregularities, including the compilation of a Fraud Prevention Plan;
- Participating in the annual risk assessment process to determine proposed areas of review by internal audit.

- Providing management comments to internal audit reports within a period not exceeding ten (10) working days upon presentation and implementing recommendations as considered appropriate. (Note that where management elects not to implement recommendations contained in internal audit reports all the risks associated therewith pass to management.)
- Reviewing internal audit reports and implementation of recommendations as considered appropriate. Internal audit may recommend standards of control for systems or may review procedures before they are implemented without impairing objectivity. However, designing and installing operational processes and drafting of procedures for systems are not audit functions as they impair audit objectivity;
- Proposing the areas of audit and investigation by internal audit;
- Ensuring that the Internal Audit Function has full support of line and support management and the Council; and
- Ensuring that internal audit has direct and unrestricted access to report to senior management, the Council and the Audit Committee.
- Cooperate and participate in the development of audit scope for every audit engagement.
- Provide all relevant documents and information in whichever form required by the internal auditors for performance of the audit engagement.
- Provide the necessary co-operation and assistance as mutually agreed upon during the audit engagement.
- Ensure timely resolution of matters reported on and implementation of audit recommendations.

## **15. ORGANIZATIONAL POSITION**

The Chief Audit Executive reports administratively to the Municipal Manager and functional to the Audit Committee.

## **16. REPORTING**

Internal audit will report the findings and outcomes to management and make recommendations on actions to be taken.

Internal Audit reports will normally be in writing. These details, unless otherwise requested by management, will be copied to the relevant line management, who will already have been made fully aware of the detail and whose co-operation in preparing the report will have been sought.

On a quarterly basis Internal Audit will submit an Executive Report to the Audit Committee which should highlight significant or unusual findings. Detailed reports could be made available to the Audit Committee on request.

### **Disputes by Management on the Factuality of Internal Audit Findings**

The internal auditor must engage the auditee with substantiated evidence of the audit finding. The auditee will then be afforded three (3) days to respond to the facts of the audit finding.

The internal auditor will assess the response and review the new evidence. An auditor's conclusion will then be submitted to the auditee. Should the audit dispute persist the final arbitrator will be the Audit Committee. This dispute will be submitted to the Audit Committee in writing by the auditee, stating merits and the nature of the dispute.

### **Reporting functionally to the Audit Committee includes:**

- Obtaining approval of the Internal Audit Charter.
- Obtaining approval of the audit coverage plan compiled on the basis of the outcomes of a Municipality's wide risk assessment.
- Presentation of activity reports regarding the results of internal audit activities and other matters concerning internal control, risk management and corporate governance.
- Presentation and discussion of confidential investigation reports.
- Communicating the existence, nature and extent of scope or budget limitations that may impede the ability of the Municipality's Internal Audit Department to perform its duties effectively.

### **Reporting administratively to the Municipal Manager involves:**

- Review and provide input on the proposed audit coverage plan before its submission to the Audit Committee.
- Review all fraud related audit reports and provide guidance on corrective action before submission to the Audit Committee.
- Approval of leave and other administrative matters for the Chief Audit Executive.
- Attending to all operational issues reported together with other members of Executive Management.
- Attending to human resources and financial budgets of the Municipality in accordance with the recommendations of the Audit Committee.

## **17. SCOPE OF WORK**

The scope of internal auditing encompasses the examination and evaluation of the adequacy and effectiveness of SPM corporate governance, risk management processes and system of internal control as well as the quality of performance in carrying out assigned responsibilities to achieve the Municipality's stated goals and objectives which include, but not limited to:

- Reviewing the reliability and integrity of financial and operational information and the means used to identify measure, classify, and report such information.
- Reviewing the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations that could have significant impact on operations and reports, and determining whether the Municipality complies.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Reviewing established systems of internal control to ascertain whether they are functioning as designed.
- Reviewing and appraising if resources are being employed in an economical and efficient manner by the municipality.
- Reviewing specific programs or initiatives to ascertain whether results are consistent with established objectives and goals and whether the programs or initiatives are being carried out as planned.

## **18. AUDIT PLANNING**

Annually the CAE shall submit to senior management and the Audit Committee a summary of the audit work schedule, staffing plan and budget for the following fiscal year. The audit work schedule should be developed according to a prioritization of the audit universe using a risk-based methodology. Any significant deviations from the formally approved work schedule shall be communicated to senior management and the Audit Committee through quarterly activity reports.

## **19. NATURE OF SERVICES OFFERED BY INTERNAL AUDIT**

Internal Audit's primary activity in fulfilling its mission will provide services that can broadly be classified into the following different categories:

### **Assurance Services**

An objective examination of evidence to provide an independent assessment on governance, risk management, and control processes for the Municipality.

Risk based planning means finding the correct balance of risk based versus cyclical based audits.

The balance depends on the maturity of the organisation's systems and processes, the extent to which policies and procedures are entrenched and complied with, and the strength of the wider control environment.

Best practice is that the Internal Audit Activity (IAA) spends most of its time on risk-based audits, and the rest on cyclical based audits, follow- up audits and ad hoc audits.

Internal audit work will normally include but is not restricted to:

- Reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations, and determining whether the Directorate complies.
- Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
- Reviewing operations or programmes to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- Reviewing the reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information.

### **Compliance and regularity Audit**

Compliance auditing is performed after the internal controls have been evaluated and is defined as a test of controls. The overall objective of this is to express an opinion - i.e. satisfactory, needs improvement, or unsatisfactory on the achievement of the control objectives of each significant system.

- Auditing of financial transactions which includes the evaluation of compliance with applicable laws, regulations, policies and instructions.
- Audit of the policy and propriety of administrative decisions taken within the directorate; and
- Reporting of any other matter arising from or relating to the audit that the auditor considers should be disclosed.

Internal Audit is aimed at promoting efficient, economical and effective management processes and evaluating the soundness, adequacy and effectiveness of internal controls by:

- appraising the effective conduct of Directorate operations;
- reviewing the reliability and integrity of financial, operating and management information;
- ascertaining the extent to which assets and departmental interests are being properly controlled and safeguarded from losses of any kind;
- appraising the economy and efficiency with which financial, human and other resources are employed and
- monitoring the accomplishment of established objectives and goals for programmes.

### **Performance Auditing**

The promotion of economy, efficiency and effectiveness depends on adequate overall management arrangements for planning, budgeting, authorisation, control and evaluation of the use of resources. Executive Directors are responsible for the implementation and functioning of overall management arrangements. The responsibility of a performance audit is to confirm independently that these measures do exist and are effective, and to report to Management and the Audit Committee on these issues. During an investigation into overall management arrangements in a Directorate the following will receive attention:

- systems planning, budgeting, authorisation, control and evaluation in respect of revenue, expenditure and the allocation of resources;
- the effect of decisions beyond the control of the Directorate which have had an adverse influence on the Directorate;
- measures ensuring the proper management of all the resources of the Directorate;
- measures developed to derive benefit from economies of scale of expertise, especially in the provision of goods and services;
- specific steps aimed at improving the economy, efficiency and effectiveness of the activities of the Directorate;
- proper assignment of responsibilities, powers and accountability;
- measures to monitor results against predetermined objectives, to ensure that unacceptable performance is corrected timeously;
- whether policy objectives were set and policy decisions taken with the necessary authority;
- the extent to which policy objectives were set and decisions taken based on adequate, appropriate, reliable financial and other information and whether the critical underlying assumptions have been disclosed;

- if satisfactory arrangements for the consideration of alternative possibilities were made;
- whether established policy goals and objectives as well as decisions on the implementation of policy are clearly defined and in line with the priorities of the Council, and whether they were taken with proper authority at the appropriate level;
- whether conflict exists between the various policy goals or objectives, or between the methods chosen to implement them;

### **Cyclical Audits**

Internal audit may decide to focus its attention on certain medium to lower risk areas, to achieve general and specific improvements or culture. These cyclical audits are normally conducted on a yearly basis with the aim of monitoring and maintaining a sound internal control environment. This also includes legislated and follow up audits.

### **Investigations**

Special investigations requested by the Municipal Manager may be undertaken with the approval of the Municipal Manager and the Audit Committee.

### **Ad hoc request**

Internal audit may consider ad-hoc requests from management; however, such requests must be approved by the Audit Committee. Before accepting these requests, the CAE will assess the requests against the planned audits and prioritise the requests based on how much value can be added, prior to deciding whether or not to accept the requests.

### **Computer/Information Technology Reviews**

As part of its function, internal audit will conduct Information and Communication Technology (ICT) audits to evaluate the effectiveness and adequacy of the Municipality's ICT controls. These audits will be conducted in accordance with the Global Internal Audit Standards issued by the IIA.

Internal audit will evaluate the Municipality's ICT governance process, including its alignment with the Municipality's strategies and objectives. This evaluation will help to ensure that the Municipality's ICT governance process is effective and contributes to the achievement of its objectives.

The internal audit activity will also review the adequacy of the Municipality's ICT controls, including general ICT controls, such as access controls, change management controls, and backup and recovery

controls. This review will help to ensure that these controls are effective in mitigating risks to the achievement of the Municipality's objectives.

Furthermore, internal audit will evaluate the reliability and integrity of information and the means used to identify, measure, classify, and report information. This evaluation will help to ensure that the information provided to the Municipality's management is reliable and accurate.

Lastly, internal audit will evaluate the effectiveness and efficiency of information technology operations, including the management of information technology resources. This evaluation will help to ensure that the Municipality's information technology operations are effective, efficient, and contribute to the achievement of its objectives.

Overall, the ICT audits conducted by internal audit will help to ensure that the Municipality's ICT controls are effective in mitigating risks to the achievement of its objectives and that its information technology operations are effective, efficient, and contribute to the achievement of its objectives.

### **Consulting engagement**

Consulting services focuses on assisting management in problem solving activities and achieving the Municipality's objectives; and add value to line and senior management.

Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

The range of services, beyond internal audits assurance services, are provided to assist management in meeting its objectives. Examples include facilitation, process design, training and advisory services.



## Types of Consulting Engagements

The types of consulting work include the following:

- **Formal consulting engagements:** those that are planned and subject to written agreement
- **Informal consulting engagements:** routine activities such as participation on standing committees, limited-life audit projects, ad-hoc meetings and routine information exchange.
- **Special consulting engagements:** participation on dedicated teams such as system conversion team, ICT committees.
- **Emergency consulting engagements:** involve participation on a team established for recovery or maintenance of operation after a disaster or other extraordinary business event, or a team assembled to supply temporary help to meet a special request or unusual deadline.

## Acceptance of consulting engagements

The following process is adopted for accepting consulting engagements:

- Some consulting engagements are specifically identified in the approved internal audit plan;
- Other consulting engagements are initiated by managers communicating directly with the CAE as activities happen within the Municipality;
- The CAE will request Audit Committee's approval for the consulting engagements that significantly affect the approved internal audit's annual plan;
- The CAE will consider the impact of independence and objectivity on the IAA before accepting consulting engagements;
- The CAE will consider whether internal audit team has requisite skills, knowledge, time and competencies to perform the proposed consulting engagement;
- The CAE will consider the risks associated with the proposed consulting engagements.

## Follow ups

The CAE will establish procedures to include:

- An evaluation of management responses
- Verification of the responses; and
- A follow up engagement

Observations and recommendations requiring immediate action will be monitored by the IAA until corrected. The IAA will ensure that actions taken by management addresses the identified deficiencies.

Follow up audits will be incorporated in the annual audit plan. Follow up entail verification of implementation of management actions.

### **Fraud Limitation**

The identification and prevention of fraud is clearly a management responsibility. Internal audit is well qualified to assist management to identify the main indicators of fraud risks facing the Directorates and could assist management in designing appropriate controls to minimise the risks.

Failure by management to adhere to internal audit timeframes, and/or a scope limitation by management, must be reported, in writing to the Municipal Manager and to the Audit Committee.

The question of whether an action from management in fact constitutes a scope limitation is at the judgment of the Internal Auditor.

Except in cases of suspected fraud, the Municipal Manager and the Audit Committee may decide to accept a limitation of scope.

In such instances, the Internal Auditor should evaluate from time to time whether the circumstances surrounding the scope limitation are still valid and whether the scope limitation needs to be reported again to the Municipal Manager and the Audit Committee for their renewed consideration.

## **20. CODE OF ETHICS**

Internal Audit personnel has a responsibility to conduct themselves so that their integrity, objectivity, confidentiality, and competency are not open to question. The standards of professional behaviour are based upon the Code of Ethics issued by the Institute of Internal Auditors. Internal auditors will:

- Exercise honesty, objectivity, and diligence in the performance of their duties and responsibilities.
- Exhibit loyalty in all matters pertaining to the affairs of the municipality and not knowingly be a party to any illegal or improper activity.
- Refrain from performing any activity which may be in conflict with the interest of the municipality or which would prejudice their ability to objectively carry out their duties.
- Decline to accept anything that may impair or be presumed to impair their professional judgement.

- Be prudent in the use of information acquired in the course of their duties and not use confidential information for any personal gain or in a manner that knowingly would be detrimental to the welfare of the municipality.
- Use reasonable care to obtain sufficient, factual evidence to support the conclusions drawn and, in reporting, reveal such material facts known to them which, if not revealed, could distort the report of the results of operations under review or conceal an unlawful practice.
- Engage only in those projects which they have the necessary knowledge, skill, and experience.
- Continue to strive for improvement in the proficiency and effectiveness of their service.

## **21. RECOGNISING MANDATORY GUIDANCE OF GLOBAL INTERNAL AUDIT STANDARDS**

The Internal Audit unit will govern itself by adherence to the Institute of Internal Auditors' mandatory guidance including the definition of Internal Auditing, the Code of Ethics, the Core Principles and the Global Internal Audit Standards of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the Global Internal Audit Standards and for evaluating the effectiveness of the IAA's performance." The Chief Audit Executive will report periodically to senior management and the Audit Committee regarding the internal audit activity's conformance to the Code of Ethics and the Standards.

## **22. LIAISON WITH EXTERNAL AUDITORS AND OTHER ASSURANCE PROVIDERS**

Internal audit will meet periodically with the external auditors to ensure:

- Internal and external audit activities are properly co-ordinated and planned;
- Audit work is not duplicated and full coverage is maintained;
- External audit can rely on the work carried out by internal audit;
- Access to each other's audit programmes, working papers and other documentation; and
- Exchange of audit reports and management letters.
- Sharing information of perceived risk areas.

## **23. PERIODIC ASSESSMENTS**

The CAE should periodically assess whether the purpose, authority and responsibility, as identified in this charter, continue to be adequate to enable the internal audit activity to accomplish its objectives.

The result of this periodic assessment should be communicated to senior management and the Audit Committee.

## **24. ASSESSMENT OF EFFECTIVENESS OF THE INTERNAL AUDIT FUNCTION**

The Audit Committee should annually assess the effectiveness of the internal audit function against the following criteria:

- Achievement of the annual internal audit plan;
- Compliance with IIA's professional standards inclusive of quality assurance assessments on the level of compliance achieved;
- Achievement of reporting protocols through management to the Audit Committee;
- Timeliness of reporting of findings and activities;
- Responsiveness to changing business/operational environment;
- Management's acceptance of the internal audit findings;
- Quality and relevance of the annual assessment reports;
- Level of cooperation and interaction with other assurance providers within the agreed combined assurance approach;
- Maintenance of adequate staffing/sourcing levels to achieve the required to meet the requirements of this charter;
- Meeting the budget allocated to internal audit; and
- Follow up of audit findings reported requiring action in order to rectify where necessary.

## **25. CORE PRINCIPLES FOR THE GLOBAL INTERNAL AUDIT STANDARDS**

The Core Principles, taken as a whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively.

Formally documented process has been established on how the core principles will be adhered to. The process forms part of the Quality Assurance and Improvement plan as clearly documented in the Audit manual.

## 26. REVIEW PERIOD

This charter will be reviewed on an annual basis and submitted to the Audit Committee for approval if significant changes have been made to the charter. This charter may also be reviewed or amended if specific circumstances exist which necessitates such changes or amendments.

## 27. CONCLUSION

It is management's responsibility to maintain the internal control system and to ensure that resources are properly applied in the manner and to the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

## 28. APPROVAL

**Recommended by:** Ms. Karin De Klerk  
**Chief Audit Executive**

_____	_____
Signature	Date

**Approved by:** Ms. Letlhogonolo Rapodile  
**Chairperson: Audit Committee**

_____	_____
Signature	Date

**Accepted By:** Mr. BS Matlala  
**Municipal Manager**

_____	_____
Signature	Date