



MUNISIPALITEIT DAWID KRUIPER MUNICIPALITY

POLICY 02/2020 RAADSBELEID

SUBJECT/ONDERWERP: **INTERNAL AUDIT CHARTER**

REFERENCE/VERWYSING: **4.5.7.1**

RESOLUTION NR/BESLUIT NO: **11/06.2/2020 (SCM)**

DATE/DATUM: **11 June 2020**

1. DEFINITIONS AS APPLICABLE IN THE CHARTER

Council: Shall be the Municipal Council of Dawid Kruiper Municipality

CAE: Chief Audit Executive is hereby referred to as the Senior Manager Internal Audit.

Accounting Officer: Shall be the Municipal Manager of the Dawid Kruiper Municipality

Chairperson: Shall be the person appointed by the Council of Dawid Kruiper Municipality to preside over meetings as outlined in the MFMA, No 56 of 2003

The Committee herein shall be referred to as the Audit Committee

Senior Management – Municipal Manager and Directors

King Committee report on Governance, 2009 - King III report

2. PURPOSE OF THE CHARTER

The purpose of this charter is to set out the nature, role, responsibility, status and authority of Internal Auditing within the Dawid Kruiper Municipality, and to outline the scope of the internal audit work.

3. OBJECTIVE OF INTERNAL AUDIT

The Internal Audit should provide independent, objective assurance and consulting services that is intended to add value and improve the municipality's operations. It helps the municipality achieve its objectives by bringing efficient and well-organized methods to evaluate and improve the effectiveness of risk management and control.

4. STATUS OF THE CAE AND INTERNAL AUDIT

- The CAE will report functionally to the Audit Committee and administratively to the Municipal Manager and will remain independent of all line and functional management. Independence of Internal Audit will be further ensured by:
 - Having unrestricted access to the Municipal Manager and to the Chairperson of the Audit Committee.

- Having unrestricted access at all times to any records, properties, resources and personnel relevant to the subject under review.
- Internal Audit will not assume any line management functions.
- Internal Audit will not be responsible for any of the activities which they audit.
- The appointment or removal of the Chief Audit Executive shall only be done in concurrence with the Audit Committee as prescribed by the IIA standards.

5. RESPONSIBILITIES

The Senior Manager Internal Audit (CAE) and the Internal Audit staff have amongst others the following responsibilities:

- Develop a strategic and flexible annual audit plan using 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;
- Implement the annual audit plan, as approved, including, and as appropriate, any special tasks or projects requested by management and the Audit Committee;
- Establish policies and procedures to guide Internal Audit and direct its administrative functions;
- Maintain a professional audit staff with sufficient knowledge, skills, and experience and professional certifications to meet the requirements of this charter;
- Establish a quality assurance program by which the Senior Manager Internal Audit (CAE) assures the operation of internal auditing activities;
- Perform consulting services, beyond internal auditing's assurance services, to assist management in meeting its objectives. Examples may include facilitation, process design, training, and advisory services. Informal consulting engagements include routine activities such as participating on standing committees, limited life projects, ad hoc meetings and routine information exchange; and
- Issue at least quarterly reports to the Audit Committee and management summarising results of audit activities.
- The strategic and operational risks identified by management through a formal risk assessment process during May and June 2019. Due to the Covid-19 lockdown, certain audits which was scheduled for the 2019/2020 financial year could not be conducted. As these audits are high risk areas, it is rescheduled for the 2020/2021 financial year.

6. ROLE OF INTERNAL AUDIT

The role of Internal Audit in the Municipality is to assist the Municipal Manager and Council to meet its objectives and to discharge its responsibilities by providing independent assessments of the competence and effectiveness of controls set up in managing the municipality.

Controls to evaluation should include the following:

- Compliance with laws, regulations, council instructions and controls.
- The information systems environment;
- The reliability and integrity of financial and operational information;
- The efficiency of procedures; and
- The protection and safeguarding of assets;

7. STANDARDS AND CODE OF ETHICS

The Internal Audit Activity will meet or exceed the IIA Standards and abide by the Code of Ethics as outlined in the Internal Standards for the practice of Internal Audit.

8. LIMITATION OF SCOPE

The question of whether an action from management, does in fact constitute a scope limitation, is at the judgment of the CAE. 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 CAE 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 to the Municipal Manager and the audit committee for a renewed consideration.

9. RESPONSIBILITIES OF THE AUDIT COMMITTEE AND MUNICIPAL MANAGER

- The Audit Committee is responsible for approval of the scope of the work by Internal Audit, and for recommending the action to be taken on the outcome or findings from their work.
- The Audit Committee, in conjunction with the Municipal Manager is responsible for:
- Ensuring that a risk assessment is conducted regularly to identify potential risks of the Council. A risk management strategy is then drawn up and used by management to direct internal audit efforts and priorities;
- Propose areas of investigation by Internal Audit;
- Ensure Internal Audit, which is led by the Chief Audit Executive (CAE) has—
 - The support of senior management;
 - Direct access and freedom to report to the Municipal Manager and the Audit Committee;
 - Free access to the books of accounts, records, cash, stores, property and other sources of relevant information in the municipality.
- Maintain internal control, including proper accounting records and other management information suitable for running the Municipality;
- Review internal audit reports and implement recommendations as considered appropriate, in light of Council's mandate.

10 PLANNING AND REPORTING

10.1 Planning

- Internal Audit shall submit an Operational Internal Audit Plan for approval to the Audit Committee. It will set out the recommended scope of work. The plan shall be based on the results of the risk assessment process and allocate Internal Audit resources to the areas where the greatest risks are present. In addition it should identify the costs and resources necessary to fulfill the plan. The plan shall also indicate the timeframes and frequency of all audit activities of directorates.
- The CAE will issue a Request of Information as part of the planning process to management where after the requested information must be submitted to Internal Audit within 3 working days.
- The Informal as well as Formal Audit Report issued by the CAE must be commended on by management within 5 working days.

10.2 Reporting

Internal Audit will carry out the work as agreed in its Operational Internal Audit Plan, report the outcome and findings immediately to management, and make recommendations on any actions to be taken.

Internal Audit will also submit a quarterly report to the Audit Committee on the:

- Status of the Internal Audit Activities;
- Significant findings and management action plans;
- Follow-up on previous reported internal audit findings;
- Any instances of fraud or non-compliance with legislation identified during the performance of the Internal Audit Activities;
- Performance of Internal Audit against the annual Internal Audit plan to allow effective monitoring and possible intervention.
- Internal Audit shall have the right to report any critical or significant issue direct to the Municipal Manager or the Chairperson of the Audit Committee before consulting with management.

11. REVIEW AND APPROVAL

1. The charter will be reviewed at least annually by the Audit Committee and approved by the Council.