

INTERNAL AUDIT CHARTER

Purpose and Scope of Work

The purpose of the internal auditing activity is to provide an independent, objective assurance and consulting services designed to add value and improve the organization's operations.

The scope of work of the IAA is to determine whether the organization's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure amongst others that:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Resources are acquired economically, used efficiently, and adequately protected; and
- Programs, plans, and objectives are achieved.

Opportunities for improving management control, service delivery, and the organization's image may be identified during audits and, communicated to the appropriate level of management.

Foundation

Section 165 of the Municipal Finance Management Act (No.56 of 2003) stipulates the following regarding internal audit:

- Each municipality must have an internal audit unit
- The internal audit unit of a municipality must:
 - Prepare a risk-based audit plan and an internal audit program for each financial year
 - Advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to:
 - Internal audit
 - Internal controls
 - Accounting procedures and practices
 - Risk and risk management
 - Performance management
 - Loss control and
 - Compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation
 - Perform such other duties as may be assigned to it by the accounting officer.

In terms of Regulation R796 of 24 August 2001 issued under section 120 of the Municipal systems Act, 2000 (Act No. 32 of 2000) internal audit must include assessments of the following:

- The functionality of the municipality's performance management system
- Whether the municipality's performance management system complies with the Municipal Systems Act
- The extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10

Accountability

The CAE, in the discharge of his/her duties, shall be accountable to management and the AC to:

- Provide annually an assessment on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth in this charter; and
- Report significant issues related to the processes for controlling the activities of the organisation 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 department resources; and
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

Independence

To provide for the independence of the IAA, the CAE and personnel report functionally to the AC and administratively to the AO. The AC must concur on the appointment or removal of the CAE.

Responsibility

The CAE and the IAA staff have amongst others the following responsibilities:

- Develop a three year 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 AC 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 AC;
- Establish policies and procedures to guide the IAA and direct its administrative functions;
- Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter;
- Establish a quality assurance program by which the 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.

Authority

The CAE and staff of the IAA are authorized amongst others to:

- Have unrestricted access to all functions, records, property, and personnel;
- Have full and free access to the audit committee;
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary assistance of personnel in units of the organisation where they perform audits, as well as other specialised services from within or outside the organisation.

The CAE and staff of the IAA are not authorized to:

- Perform any operational duties for the organisation or its affiliates;
- Initiate or approve accounting transactions external to the internal auditing department; and Direct the activities of any of the organization's employee's not employed by the internal auditing department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

Standards and Code of Ethics

The internal auditing activity will meet or exceed the IIA Standards and abide by the Code of Ethics as outlined in the International Professional Practice Framework.

Number	Title
1000	Purpose, authority and responsibility
1100	Independence and objectivity
1200	Proficiency and due professional care
1300	Quality assurance and improvement program
2000	Managing the internal audit activity
2100	Nature of work
2200	Engagement planning
2300	Preparing the engagement
2400	Communication results
2500	Monitoring progress
2600	Management's acceptance of risk

Review Period

This charter will be reviewed on an annual basis and submitted to the Audit Committee for approval.

Approved by

Audit Committee

Date

Accepted by

John Taolo Gaetsewe District Municipality

Accounting Officer

Date

Moshaweng Local Municipality

Accounting Officer

Date

Ga-Segonyana Local Municipality

Accounting Officer

Date

Gamagara Local Municipality

Accounting Officer

Date