

POLICY 02/2016 RAADSBELEID

MUNICIPALITY DAWID KRUIPER MUNISIPALITEIT

SUBJECT: INTERNAL AUDIT CHARTER

REFERENCE: 3.1.3.3.2.20

RESOLUTION NR: 16/10.2/2016 (SCM)

DATE: 26 October 2016

1. Purpose and Scope of Work

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

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

The scope of work of the Internal Audit Department (IAD) is to determine whether the organisation'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 organisation's image may be identified during audits and, communicated to the appropriate level of management.

2. Accountability

The Senior Manager Internal Audit (CAE), in the discharge of his/her duties, shall report to the Accounting Officer, Audit Committee and Senior Management on the following issues:

- Provide an assessment on the adequacy and effectiveness of the organisation'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 organisation, 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).

3. Independence

To provide for the independence of Internal Audit, the Senior Manager Internal Audit (CAE) and personnel report functionally to the Audit Committee and administratively to the Municipal Manager (Accounting Officer).

The Audit Committee must concur on the appointment or removal of the Senior Manager Internal Audit (CAE) as prescribed by the IIA standards.

4. Responsibility

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.

5. Authority

The Senior Manager Internal Audit (CAE) and staff of Internal Audit are authorised 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.

6. The Senior Manager Internal Audit (CAE) and staff of Internal Audit are not authorised to:

- Perform any operational duties outside the scope of Internal Audit.
- Initiate or approve accounting transactions external to Internal Audit; and

- Direct the activities of any of the organisation's employees not employed by Internal Audit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

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.

Review Period

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

This Internal Audit Charter is approved by Council on 26 October 2016 and will come into effect on the date of approval.