



TSWELOPELE

LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

INTERNAL AUDIT CHARTER 2024/2025



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FUNCTION	INITIAL AND SURNAME	DESIGNATION
Prepared By:	L Pitso	Manager Internal Audit and Risk
Recommended By:	MLE Leseane	Municipal Manager
Approved By:	R Mabunda	Audit, Performance and Risk Committee Chairperson

Abbreviations:

AGSA	–	Auditor General South Africa
CoGTA	–	Department of Corporate Governance and Traditional Affairs
AFS	–	Annual Financial Statement
APRC	–	Audit, Performance and Risk Committee
MM	–	Municipal Manager
CFO	–	Chief Financial Officer
CAE	–	Chief Audit Executive
TLM	–	Tswelopele Local Municipality
SCM	–	Supply Chain Management
PMS	–	Performance Management System
KPI	–	Key Performance Indicator
MFMA	–	Municipal Finance Management Act
MFIP	–	Municipal Finance Improvement programme
MSCOA	–	Municipal standard chart of accounts

1 GLOSSARY

Activity Under Review – The subject of an internal audit engagement. Examples include an area, entity, operation, function, process, or system.

Advisory Services – Services through which internal auditors provide advice to an organization’s stakeholders without providing assurance or taking on management responsibilities. The nature and scope of advisory services are subject to agreement with relevant stakeholders. Examples include advising on the design and implementation of new policies, processes, systems, and products; providing forensic services; providing training; and facilitating discussions about risks and controls. “Advisory services” are also known as “consulting services.”

Assurance – Statement intended to increase the level of stakeholders’ confidence about an organization’s governance, risk management, and control processes over an issue, condition, subject matter, or activity under review when compared to established criteria.

Assurance Services – Services through which internal auditors perform objective assessments to provide assurance. Examples of assurance services include compliance, financial, operational/performance, and technology engagements. Internal auditors may provide limited or reasonable assurance, depending on the nature, timing, and extent of procedures performed.

Council -The highest-level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees A group of elected officials or political appointees, charged with the responsibility to direct and/or oversee the organization’s activities and hold senior management accountable. Although governance arrangements vary among jurisdictions and sectors, typically the board includes members who are not part of management. If a board does not exist, the word “board” in the Standards refers to a group or person charged with governance of the organization. Furthermore, “board” in the Standards may refer to a committee or another body to which the governing body has delegated certain functions (e.g., an Audit, Performance and Risk Committee).

Chief Audit Executive – The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards. The specific job title and/or responsibilities may vary across organizations.

Competency – Knowledge, skills, and abilities.

Compliance – Adherence to laws, regulations, contracts, policies, procedures, and other requirements.

Conflict of Interest – A situation, activity, or relationship that may influence, or appear to influence, an internal auditor’s ability to make objective professional judgments or perform responsibilities objectively.

Control – Any action taken by management, the board, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved.

Control Processes – The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization’s risk tolerance.

Criteria – In an engagement, specifications of the desired state of the activity under review (also called “evaluation criteria”).

Engagement – A specific internal audit assignment or project that includes multiple tasks or activities designed to accomplish a specific set of related objectives. See also “assurance services” and “advisory services.”

Engagement Conclusion – Internal auditors’ professional judgment about engagement findings when viewed collectively. The engagement conclusion should indicate satisfactory or unsatisfactory performance.

Engagement Objectives – Statements that articulate the purpose of an engagement and describe the specific goals to be achieved.

Engagement Planning – Process during which internal auditors gather information, assess and prioritize risks relevant to the activity under review, establish engagement objectives and scope, identify evaluation criteria, and create a work program for an engagement.

Engagement Results – The findings and conclusion of an engagement. Engagement results may also include recommendations and/or agreed upon action plans.

Engagement Supervisor – An internal auditor responsible for supervising an internal audit engagement, which may include training and assisting internal auditors as well as reviewing and approving the engagement work program, workpapers, final communication, and performance. The chief audit executive may be the engagement supervisor or may delegate such responsibilities.

Engagement Work Program – A document that identifies the tasks to be performed to achieve the engagement objectives, the methodology and tools necessary, and the internal auditors assigned to perform the tasks. The work program is based on information obtained during engagement planning.

External Service Provider – Resource from outside the organization that provides relevant knowledge, skills, experience, and/or tools to support internal audit services.

Finding – In an engagement, the determination that a gap exists between the evaluation criteria and the condition of the activity under review. Other terms, such as “observations,” may be used.

Fraud – Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage.

Governance – The combination of processes and structures implemented by the board to inform, direct, manage, and monitor the activities of the organization toward the achievement of its objectives

Impact – The result or effect of an event. The event may have a positive or negative effect on the entity’s strategy or business objectives.

Independence – The freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.

Inherent Risk – The combination of internal and external risk factors that exists in the absence of any management actions.

Integrity – Behaviour characterized by adherence to moral and ethical principles, including demonstrating honesty and the professional courage to act based on relevant facts.

Internal Audit Charter – A formal document that includes the internal audit function’s mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications.

Internal Audit Function – A professional individual or group responsible for providing an organization with assurance and advisory services.

Internal Audit Mandate –The internal audit function’s authority, role, and responsibilities, which may be granted by the board and/or laws and regulations.

Internal Audit Manual – The chief audit executive’s documentation of the methodologies (policies, processes, and procedures) to guide and direct internal auditors within the internal audit function.

Internal Audit Plan – A document, developed by the chief audit executive, that identifies the engagements and other internal audit services anticipated to be provided during a given period. The plan should be risk- based and dynamic, reflecting timely adjustments in response to changes affecting the organization

Internal Auditing – An independent, objective assurance and advisory service designed to add value and improve an organization’s operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Likelihood – The possibility that a given event will occur.

May – As used in the Considerations for Implementation of the Global Internal Audit Standards, the word “may” describe optional practices to implement the Requirements.

Methodologies – Policies, processes, and procedures established by the chief audit executive to guide the internal audit function and enhance its effectiveness.

Must – The Global Internal Audit Standards use the word “must” to specify an unconditional requirement.

Objectivity – An unbiased mental attitude that allows internal auditors to make professional judgments, fulfil their responsibilities, and achieve the Purpose of Internal Auditing without compromise.

Outsourcing – Contracting with an independent external provider of internal audit services. Fully outsourcing a function refers to contracting the entire internal audit function, and partially outsourcing (also called “co -sourcing”) indicates that only a portion of the services are outsourced.

Periodically – At regularly occurring intervals, depending on the needs of the organization, including the internal audit function.

Professional Skepticism – Questioning and critically assessing the reliability of information.

Public Sector – Governments and all publicly controlled or publicly funded agencies, enterprises, and other entities that deliver programs, goods, or services to the public.

Quality Assurance and Improvement Program – A program established by the chief audit executive to evaluate and ensure the internal audit function conforms with the Global Internal Audit Standards, achieves performance objectives, and pursues continuous improvement. The program includes internal and external assessments.

Residual Risk – The portion of inherent risk that remains after management actions are implemented.

Results of internal audit services – Outcomes, such as engagement conclusions, themes (such as effective practices or root causes), and conclusions at the level of the business unit or organization.

Risk – The positive or negative effect of uncertainty on objectives.

Risk and Control Matrix – A tool that facilitates the performance of internal auditing. It typically links business objectives, risks, control processes, and key information to support the internal audit process.

Risk Appetite – The types and amount of risk that an organization is willing to accept in the pursuit of its strategies and objectives.

Risk Assessment – The identification and analysis of risks relevant to the achievement of an organization’s objectives. The significance of risks is typically assessed in terms of impact and likelihood.

Risk Management – A process to identify, assess, manage, and control potential events or situations to provide reasonable assurance regarding the achievement of the organization’s objectives.

Risk Tolerance – Acceptable variations in performance related to achieving objectives.

Root Cause – Core issue or underlying reason for the difference between the criteria and the condition of an activity under review.

Senior Management – The highest level of executive management of an organization that is ultimately accountable to the board for executing the organization’s strategic decisions, typically a group of persons that includes the chief executive officer or head of the organization.

Should – As used in the Considerations for Implementation of the Global Internal Audit Standards, the word “should” describe practices that are preferred but not required.

Significance – The relative importance of a matter within the context in which it is being considered, including quantitative and qualitative factors, such as magnitude, nature, relevance, and impact. Professional judgment assists internal auditors when evaluating the significance of matters within the context of the relevant objectives.

Stakeholder – A party with a direct or indirect interest in an organization’s activities and outcomes. Stakeholders may include the board, management, employees, customers, vendors, shareholders, regulatory agencies, financial institutions, external auditors, the public, and others.

Workpapers – Documentation of the internal audit work done when planning and performing engagements. The documentation provides the supporting information for engagement findings and conclusions

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. The internal audit charter establishes the internal audit activity's position within the municipality, including the nature of the internal audit functional reporting and relationship with the Audit, Performance and Risk Committee and management, authorizes access to record, personnel, and physical properties relevant to the performance of engagements.

Internal Audit as one of the assurance service providers to the municipality, remains pivotal to corporate governance. Its role has further evolved in recent years. It has become a trusted advisor that adds value by contribution insight into the activities of the municipality and, as a further enhancement, foresight. This is the ideal positioning that is envisaged for internal audit in King IV.

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. Internal control is understood to mean the processes aimed at achieving reasonable assurance about the realization of the following objectives:

1. The accomplishment of established objectives and goals for operations and programmes.
2. The economical and efficient use of resources.
3. The reliability and integrity of financial and non- financial information.
4. Compliance with relevant policies, procedures, laws and regulations.
5. Safeguarding of assets.

3 LEGAL FRAMEWORK

The MFMA section 165 states that each municipality must have an internal audit unit. The internal audit unit of a municipality or municipal entity must:

- a) prepare a risk-based audit plan and an internal audit program for each;
- b) advise the accounting officer and report to the audit committee on the financial year; implementation of the internal audit plan and matters relating to:
 - i. internal audit;
 - ii. internal controls;
 - iii. accounting procedures and practices;
 - iv. risk and risk management;
 - v. performance
 - vi. loss control; and
 - vii. compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and
 - viii. Perform such other duties as may be assigned to it by the accounting officer.
- c) The internal audit function may be outsourced if the municipality requires assistance to develop its internal capacity and the council of the municipality or the board of directors of the entity has determined that is this or cost-effective.

4 KING IV INTERNAL AUDIT GUIDANCE

1. The governing body should assume responsibility for internal audit by setting the direction for the internal audit arrangements needed to provide objective and relevant assurance that contributes to the effectiveness of governance, risk management and control processes. The governing body should delegate oversight of internal audit to the audit committee.

2. The governing body should approve an internal audit charter that defines the role and associated responsibilities and authority of internal audit, including addressing its role within combined assurance and the internal audit standards to be adopted.
3. The governing body should approve an internal audit charter that defines the role and associated responsibilities and authority of internal audit, including addressing its role within combined assurance and the internal audit standards to be adopted.
4. The governing body should ensure that the arrangements for internal audit provide for the necessary skills and resources to address the complexity and volume of risk faced by the municipality, and that internal audit is supplemented as required by specialist services such as those provided by forensic fraud examiners and auditors, safety and process assessors, and statutory actuaries.
5. If a Chief Audit Executives (CAE) position is provided for in the arrangements for internal audit, the governing body should ensure that the position is set up to function independently from management who designs and implements the controls that are in place, and that the position carries the necessary authority.
6. The governing body should approve the appointment of the CAE, including the employment contract and remuneration of the CAE, and ensure that the person who fills the position has the necessary competence, gravitas and objectivity.
7. For reasons of independence, the CAE should have access to the chair of the audit committee.
8. For reasons of independence, the CAE should not be a member of executive management, but should be invited to executive meetings, as necessary, to be informed about strategy and policy decisions and their implementation.
9. Where internal audit services are co-sourced or outsourced, the governing body should ensure that there is clarity on who fulfils the role of CAE.
10. The CAE should report to the chair of the audit committee on the performance of duties and functions that relate to internal audit. On other duties and administrative

matters, the CAE should report to the member of executive management designated for this purpose as appropriate for the municipality.

11. The governing body should have primary responsibility for the removal of the CAE.

12. The governing body should monitor on a going basis that internal audit:

- i. Follows an approved risk-based internal audit plan; and
- ii. Reviews the municipality risk profile regularly, and proposes adaptations to the internal audit plan accordingly.

13. The governing body should ensure that the internal audit provides an overall statement annually as to the effectiveness of the municipality's governance, risk management and control processes.

14. The governing body should ensure that an external, independent quality review of the internal audit function is conducted at least once every five years.

15. The governing body should obtain confirmation annually from the CAE that the internal audit conforms to a recognized industry code of ethics.

5 PURPOSE OF INTERNAL AUDIT

The following is the definition of internal audit:

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

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, risk management and governance processes of the Municipality and report to management and the Audit, Performance and Risk Committee.
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, Performance and Risk Committee and Management with analyses, appraisals and recommendations concerning the activities reviewed.
3. Internal audit is functionally reporting to the Audit, Performance and Risk 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.
5. In addition the CAE should:
 - a) Be a standing invitee to attend the management meetings.
 - b) Evaluate the quality of work performed by the Auditor General (AGSA).
 - c) Act as liaison and main coordinator between the municipality and the AGSA to facilitate the relationship between these two parties and to make sure the municipality adheres to the requirements of AGSA.
 - d) Perform such other functions delegated by the Municipal Manager.

6 GLOBAL INTERNAL AUDIT STANDARDS

The Global Internal Audit Standards guide the worldwide professional practice of internal auditing and serve as a basis for evaluating and elevating the quality of the internal audit function. At the heart of Standards are 15 guiding principles that enable effective internal auditing. Each principle is supported by standards that contain requirements,

considerations for implementation and examples of evidence of conformance. Together, these elements help internal auditors achieve the principles and fulfill the Purpose of Internal Auditing.

7 AUTHORITY

The Internal Audit Staff is authorized 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, Performance and Risk Committee.

The Internal Audit staff is not authorized to:

1. Perform any operational duties for the Municipality without approval of the municipal manager and/or the Audit, Performance and Risk 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, Performance and Risk Committee, Internal audit is authorized 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.

8 INDEPENDENCE

To provide for the independence of the Internal Audit unit, internal audit staff shall report to the CAE, who in turn shall report functionally to the Audit, Performance and Risk Committee and administratively to the Municipal Manager on the implementation of the Annual Internal Audit Plan.

Internal Audit shall also report to the Audit, Performance and Risk Committee 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.

9 AUDIT SCOPE

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 control process.

Internal Audit also evaluates the quality of performance in carrying out assigned responsibilities to achieve the municipality'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 other assurance providers; and
10. Performing consulting and advisory services related to governance, risk management and control processes as appropriate for the organization.

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, Performance and Risk 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, Performance and Risk Committee;
 13. Evaluating specific operations at the request of the Audit, Performance and Risk Committee or Management, as appropriate;
 14. Communicate to Management and the Audit, Performance and Risk 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.

Any attempted scope limitation by management must be reported, preferably in writing, to the Municipal Manager and to the Audit, Performance and Risk Committee. The question of whether an action from management in fact constitutes a scope limitation is at the judgment of the CAE in consultation with management.

10 PROFICIENCY AND DUE PROFESSIONAL CARE

Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities. The internal audit activity collective must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities.

11 MANAGEMENT

Subject to the overall guidelines and policies of the Council and the Audit, Performance and Risk Committee, the Internal Audit function shall be solely responsible for the planning, implementation and reporting of the audits. For this purpose, Internal Audit shall:

1. Prepare a risk based strategic plan to set the direction and approach of audits in the long run [MFMA s165 (2) (a)];
2. Prepare a detailed annual Internal Audit plan [MFMA s165 (2) (a)] and annual budget in consultation with the Municipal Manager for submission to the Audit, Performance and Risk Committee for approval.
3. Assess and recruit the necessary personnel to perform the Internal Audit functions necessary, and to invoice the municipality for work done by such personnel on a basis agreed in a separate letter of engagement.
4. Carry out all activities to conduct the audits in an effective, professional and timely manner.
5. In terms of [MFMA s165 (2) (b) advise the Municipal Manager and report to the Audit, Performance and Risk Committee on the implementation of the Internal Audit plan and matters relating to:

- a) Internal Audit;

- b) Internal controls;
 - c) Accounting procedures and practices;
 - d) Risk and risk management;
 - e) Performance management;
 - f) Loss control; and
 - g) Compliance with the MFMA, the annual Division Act, and any other applicable legislation.
6. In terms of [MFMA s165 (2) (c)] perform such other duties as may be assigned to it by the Municipal Manager.
7. In terms of the Municipal Systems Act, 2000 and the Municipal Planning and Performance Management Regulations, 2001:
- a) Develop processes to audit the functionality, legal compliance and reliability of the Municipality's performance management system.
 - b) Assess the functionality and legal compliance of the performance management system.
 - c) Assess the reliability of the key performance measures on a continuous basis.
 - d) Report quarterly to the Municipal Manager, and to the Audit, Performance and Risk Committee on work performed and related audit findings.
8. Report to the Municipal Manager, and to the relevant Director and section head responsible for the subject matter of each audit as soon as is practical on completion of each audit.
9. Report to the Audit, Performance and Risk Committee, normally quarterly but not less than three times per annum, on the performance of the section.

12 RESPONSIBILITIES

The CAE's responsibility to the Audit, Performance and Risk Committee and Management:

The CAE 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, Performance and Risk Committee for review and approval.
2. Submit the Annual Audit Plan to the Audit, Performance and Risk Committee and the Municipal Manager for signed approval and for record keeping.
3. Report significant changes to the approved plan shall be to the Municipal Manager and to the Audit, Performance and Risk Committee for approval.
4. Implement the approved Annual Audit Plan and any special tasks or projects requested by the Municipal Manager, Audit, Performance and Risk Committee, or Council.
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, Performance and Risk Committee, and management summarizing results of audit activities.
10. Keep the Municipal Manager, Audit, Performance and Risk 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.

13 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 behavior 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 of the internal auditor's objectivity, the matter must be referred to the CAE and in the case of the Head of the department 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 undertake 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 in 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 Internal Audit Unit as a whole.

14 ACCESS TO INTERNAL AUDIT REPORTS AND WORKING PAPERS

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

The following users have access to internal audit working papers:

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, Performance and Risk Committee for internal quality assessments; and
4. When requested for use by the courts of Law.

15 CONTINUING PROFESSIONAL DEVELOPMENT

Internal auditors must enhance their knowledge, skills and other competencies through continuing professional development. The municipality should assist the internal audit activity with the necessary resources and funding the approved continuing professional development plan.

16 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The CAE must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

The quality assurance and improvement program must include both internal and external assessments.

16.1 Internal assessments

This will include:

- i. Ongoing monitoring of the performance of the internal audit activity; and
- ii. Periodic self-assessments by other persons within the municipality with sufficient knowledge of internal audit practices.

16.2 External assessments

These assessments must be conducted at least every five years by a qualified, independent assessor or assessment team from outside the municipality.

16.3 Reporting on the quality assurance and improvement program

The CAE must communicate the results of quality assurance and improvement program to senior management and the Audit, Performance and Risk Committee.

17 ASSESSMENT OF EFFECTIVENESS OF INTERNAL AUDIT FUNCTION

The Audit, Performance and Risk Committee should annually assess the effectiveness of the Internal Audit function. The Internal audit should be assessed against the following criteria:

1. Achievement of the annual internal audit plan.
2. Conformance with the Global Internal Audit Standards inclusive of quality assurance assessments on the level of compliance achieved.
3. Achievement of reporting protocols through management to the Audit, Performance and Risk Committee.
4. Timeliness of reporting of findings and activities.
5. Responsiveness to changing business / operational environment.
6. Management's acceptance of the Internal Audit findings.
7. Quality and relevance of the annual assessment reports.
8. Level of cooperation and interaction with other assurance providers within the agreed combined assurance approach.
9. Maintenance of adequate staffing/ sourcing levels to achieve the required or meet the requirements of this charter.
10. Meeting budget allocated to Internal Audit.

18 ADOPTION AND APPROVAL

The charter must be approved by the Audit, Performance and Risk Committee and accepted by the Municipal Manager. The charter should be reviewed annually.

Signed on behalf of the Internal Audit Unit:

LP PITSO

MANAGER: INTERNAL AUDIT AND RISK

DATE

Signed on behalf of Tswelopele Local Municipality:

MLE LESEANE

MUNICIPAL MANAGER

DATE

Signed on behalf of the Audit, Performance and Risk Committee:

R MABUNDA

CHAIRPERSON:

AUDIT, PERFORMANCE AND RISK COMMITTEE

DATE