TSWELOPELE
LOCAL MUNICIPALITY
A MUNICIPALITY IN PROGRESS

INTERNAL AUDIT CHARTER 2026/2027

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SECTION A: INTERNAL AUDIT MANDATE

FUNCTION	INITIAL AND SURNAME	DESIGNATION
Prepared By:	L Pitso	Manager Internal Audit
Recommended By:		Acting 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

GLOSSARY

Add Value The Internal Audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk Management, and control processes.

Adequate Control Present if Management has planned and organized (designed) in a manner that provides reasonable assurance that the organization's risks have been managed effectively and that the organization's goals and objectives will be achieved efficiently and economically.

Assurance Services An objective examination of evidence for the purpose of providing an independent assessment on governance, risk Management, and control processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Municipal Council The highest level governing body (e.g., a board of directors, a supervisory board, or a board of governors or trustees) 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).

Charter The Internal Audit charter is a formal document that defines the Internal Audit activity's purpose, authority, and responsibility. The Internal Audit charter establishes the Internal Audit activity's position within the organization; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of Internal Audit activities.

Chief Audit Executive Chief Audit Executive describes the role of a person in a senior position responsible for effectively managing the Internal Audit activity in accordance with the Internal Audit charter and the mandatory elements of the International Professional Practices Framework. The chief audit executive or others reporting to the chief audit executive will have appropriate professional certifications and qualifications. The specific job title and/or responsibilities of the chief audit executive may vary across organizations.

Code of Ethics The Code of Ethics of The Institute of Internal Auditors (IIA) are Principles relevant to the profession and practice of Internal Auditing, and Rules of Conduct that describe behaviour expected of Internal Auditors. The Code of Ethics applies to both parties and entities that provide Internal Audit services. The purpose of the Code of Ethics is to promote an ethical culture in the global profession of Internal Auditing.

Compliance Adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest Any relationship that is, or appears to be, not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Consulting Services 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. Examples include counsel, advice, facilitation, and training.

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. Management plans, organizes, and directs the performance of sufficient actions to provide reasonable assurance that objectives and goals will be achieved.

Control Environment The attitude and actions of the board and Management regarding the importance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

a. Integrity and ethical values.

b. Management's philosophy and operating style.

c. Organizational structure.

d. Assignment of authority and responsibility.

e. Human resource policies and practices.

f. Competence of personnel.

Control Processes The policies, procedures (both manual and automated), and activities that are part of a control framework, designed and operated to ensure that risks are contained within the level that an organization is willing to accept.

Core Principles for the Professional Practice of Internal Auditing is the Core Principles for the Professional Practice of Internal Auditing are the foundation for the International Professional Practices Framework and support Internal Audit effectiveness.

Engagement A specific Internal Audit assignment, task, or review activity, such as an Internal Audit, control self-assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives Broad statements developed by Internal Auditors that define intended engagement accomplishments.

Engagement Opinion The rating, conclusion, and/or other description of results of an individual Internal Audit engagement, relating to those aspects within the objectives and scope of the engagement.

Engagement Work Program A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider A person or firm outside of the organization that has special knowledge, skill, and experience in a particular discipline.

Fraud Any illegal act characterized by deceit, concealment, or violation of trust. These acts are not dependent upon the threat of violence or physical force. Frauds are perpetrated by parties and organizations to obtain money, property, or services; to avoid payment or loss of services; or to secure 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.

Impairment to organizational independence and individual objectivity may include personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (funding).

Independence The freedom from conditions that threaten the ability of the Internal Audit activity to carry out Internal Audit responsibilities in an unbiased manner.

Information Technology Controls that support business Management and governance as well as provide general and technical controls over information technology infrastructures such as applications, information, infrastructure, and people.

Information Technology Governance Consists of the leadership, organizational structures, and processes that ensure that the enterprise's information technology supports the organization's strategies and objectives.

Internal Audit Activity A department, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve an organization's operations. The Internal Audit activity 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.

International Professional Practices Framework The conceptual framework that organizes the authoritative guidance promulgated by The IIA. Authoritative guidance is composed of two categories – (1) mandatory and (2) recommended.

Must The *Standards* use the word "must" to specify an unconditional requirement.

Objectivity An unbiased mental attitude that allows Internal Auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that Internal Auditors do not subordinate their judgment on audit matters to others.

Overall Opinion The rating, conclusion, and/or other description of results provided by the chief audit executive addressing, at a broad level, governance, risk Management, and/or control processes of the organization. An overall opinion is the professional judgment of the chief audit executive based on the results of a number of individual engagements and other activities for a specific time interval.

Risk The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Appetite The level of risk that an organization is willing to accept.

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.

Should The *Standards* use the word "should" where conformance is expected unless, when applying professional judgment, circumstances justify deviation.

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, effect, relevance, and impact. Professional judgment assists Internal Auditors when evaluating the significance of matters within the context of the relevant objectives.

Standard A professional pronouncement promulgated by the International Internal Audit Standards Board that delineates the requirements for performing a broad range of Internal Audit activities and for evaluating Internal Audit performance.

Technology-based Audit Techniques Any automated audit tool, such as generalized audit software, test data generators, computerized audit programs, specialized audit utilities, and computer-assisted audit techniques (CAATs).

SECTION A: INTERNAL AUDIT MANDATE

1 BACKGROUND

In terms of the Global Internal Audit Standards Principle 6.1: The Chief audit executive must provide the Board and Senior Management with the information necessary to establish the Internal Audit mandate. In those jurisdictions and industries where the Internal Audit function's mandate is prescribed wholly or partially in laws or regulations, the Internal Audit charter must include the legal requirements of the mandate.

2 PURPOSE OF THE INTERNAL AUDIT MANDATE

The Global IA Standards define the IA Mandate as the Internal Audit function's authority, role and responsibility which are granted by the Board/Audit Committee/Law or regulations. The Mandate requires transparency with the Board (or equivalent e.g. Audit Committee) on the nature and types of services the IA function performs.

3 THE INTERNAL AUDIT MISSION AND VISION

The Internal Audit's mission is to provide independent, objective assurance and consulting services designed to provide demonstrable value to the business.

The Internal Audit's vision is to become a high performing Internal Audit function that meets the Institute of Internal Audit Standards, the value drivers of our stakeholders, and the attributes of high performance recognized by leading Internal Audit functions.

4 INTERNAL AUDIT PURPOSE STATEMENT

Internal Auditing strengthens the organization's ability to create, protect, and sustain value by providing the board and Management with independent, risk-based, and objective assurance, advice, insight, and foresight."

5 INTERNAL AUDIT SCOPE OF WORK

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.

SCHEDULED AUDITS FOR THE 2026/2027 FINANCIAL YEAR	
QUARTER 1	1. Local Economic Development
	2. Expenditure and Payroll Management
	3. Functionality of Performance Management System
	4. Review of the Annual financial statements
	5. Performance information Q1
QUARTER 2	1. Water and Electricity Services Management
	2. Institutional Governance and Public Participation
	3. Security Division
	4. Mid-year Performance information
QUARTER 3	1. Asset Management
	2. Waste and Waste Water Management
	3. Budget and Revenue Management
	4. Functionality of Performance Management System
	5. Performance Information Q3
QUARTER 4	1. Supply Chain Management
	2. Grants and Subsidies
	3. Review of Risk Management
	4. Review of the IDP and SDBIP
	5. Annual Performance information

SECTION B: INTERNAL AUDIT CHARTER

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 V INTERNAL AUDIT GUIDANCE

1. The governing body should provide the strategic direction and be accountable for Internal Audit arrangements that promote an effective internal control environment.
2. The governing body may, at its discretion, delegate its Internal Audit-related responsibilities as outlined below to the audit committee, if in place, and in addition to any statutory duties that the committee may have.
3. The governing body should consider and approve an Internal Audit charter that defines the role and associated responsibilities of Internal Audit, including its function within combined assurance. The Internal Audit charter should provide for:

   a. The adoption of an authoritative Internal Audit standard.

   b. Designating a CAE to lead the Internal Audit function and providing that this position:

   i. Is established to function independently from Management.

   ii. Carries the necessary authority within the organisation.

   iii. For reasons of independence, is not included in the membership of executive Management but may be invited to attend executive meetings, as necessary, to be informed about strategy and policy decisions and their implementation.

   iv. Reports to the chairperson of the audit committee on the performance of responsibilities 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 is appropriate for the organisation.
4. The governing body should consider and approve a risk-based internal audit plan.
5. The governing body should exercise ongoing oversight and monitoring of the implementation and execution of the internal audit charter and plan. In particular, it should be ensured that:

a. The internal audit function is adequately resourced and sufficiently skilled to deal with the organization's complexities and risks, including having access to specialist assurance services by forensic fraud examiners and auditors, safety and process assessors, statutory actuaries and other as required.

b. The individual who occupies the CAE position has the necessary competence, gravitas and objectivity to execute responsibilities effectively.

c. Where internal audit services are co-sourced or outsourced, there is clarity on who is accountable for fulfilling the role and responsibilities of the CAE position.

d. The internal audit plan is regularly reviewed and adapted when necessary to respond to changes in the organization's business model or the economic, social and environmental context within which the organisation operates.

e. Internal audit provides an overall statement annually as to the effectiveness of the organizations' governance, risk management and control processes.

f. An external, independent quality review of the internal audit function is conducted at least once every five years.

g. Confirmation is obtained annually from the CAE that internal audit conforms to a recognized industry code of ethics.

5 INTERNAL AUDIT STANDARDS

The Institute of Internal Auditors' 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 the 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.

The Global Internal Audit Standards set forth principles, requirements, considerations, and examples for the professional practice of Internal Auditing globally. The Standards apply to any individual or function that provides Internal Audit services, whether an organization employs Internal Auditors directly, contracts them through an external service provider, or both. Organizations receiving Internal Audit services vary in sector and industry affiliation, purpose, size, complexity, and structure.

6 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.

7 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 Management, performance Management, loss control and compliance with Municipal Finance Management Act and other applicable legislation.

8 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.

<u>Consulting services will include:</u>

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.

9 COMPETENCY AND DUE PROFESSIONAL CARE

Internal Auditors must possess or obtain the competencies to perform their responsibilities

successfully. The required competencies include the knowledge, skills, and abilities suitable for one’s job position and responsibilities commensurate with their level of experience. Internal Auditors must possess or develop knowledge of The IIA’s Global Internal Audit Standards.

10 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.

11 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.

12 PROFFESSIONAL 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.

13 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.

14 CONTINUING PROFESSIONAL DEVELOPMENT

Internal Auditors must maintain and continually develop their competencies to improve the effectiveness and quality of Internal Audit services. Internal Auditors must pursue continuing professional development including education and training. Practicing Internal Auditors who have attained professional Internal Audit certifications must follow the continuing professional education policies and fulfill the requirements applicable to their certifications.

15 QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The chief audit executive must develop, implement, and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit function. The program includes two types of assessments:

• External assessments. (See also Standard 8.4 External Quality Assessment.)

• Internal assessments. (See also Standard 12.1 Internal Quality Assessment.)

At least annually, the chief audit executive must communicate the results of the internal quality assessment to the board and senior Management. The results of the external quality assessments must be reported when completed. In both cases, such communications include:

• The Internal Audit function's conformance with the Standards and achievement of performance objectives.

• If applicable, compliance with laws and/or regulations relevant to Internal Auditing.

• If applicable, plans to address the Internal Audit function's deficiencies and opportunities for improvement.

15.1 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.

15.2 External assessments

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

15.3 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.

16 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. Compliance with the Institute of Internal Audit's (IIA) professional 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.

17 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:

______________________________ ______________________________

MANAGER INTERNAL AUDIT **DATE**

Signed on behalf of Tswelopele Local Municipality:

______________________________ ______________________________

MUNICIPAL MANAGER **DATE**

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

______________________________ ______________________________

R Mabunda
CHAIRPERSON: **DATE**
AUDIT, PERFORMANCE AND RISK COMMITTEE