

---

# RAMOTSHERE MOILOA LOCAL MUNICIPALITY



## INTERNAL AUDIT CHARTER 2016/2017

**TABLE OF CONTENTS**

<b>DESCRIPTION</b>	<b>PAGE</b>
1. PURPOSE .....	3
2. MISSION AND SCOPE OF INTERNAL AUDIT UNIT .....	3
3. ACCOUNTABILITY .....	4
4. INDEPENDANCE .....	4
5. RESPONSIBILITIES OF INTERNAL AUDIT .....	5
6. AUTHORITY .....	6
7. RESPONSIBILITIES OF MANAGEMENT .....	6
8. RESPONSIBILITIES OF AUDIT COMMITTEE .....	7
9. STANDARDS AND CODE OF ETHICS .....	7
10. RELATIONSHIP WITH EXTERNAL AUDITORS .....	8
11. REVIEW AND APPROVAL .....	8

## 1. PURPOSE

The purpose of this charter is to set out the nature, role, responsibility and authority of the Internal Audit Department within the Ramotshere Moiloa Local Municipality and to outline the scope of the internal audit work.

## 2. MISSION AND SCOPE OF INTERNAL AUDIT UNIT

The mission of the Ramotshere Moiloa Local Municipality Internal Audit Unit is to provide independent, objective assurance and consulting services designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The scope of work of the Internal Audit Unit 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:

- 2.1. Risk are appropriately identified and managed.
- 2.2. Interaction with the various governance groups within the organisation occurs as appropriate.
- 2.3. Significant financial, managerial, and operating information is accurate, reliable, and timely.
- 2.4. Employees' actions are in compliance with policies, standards, procedures and applicable laws and regulations.
- 2.5. Resources are acquired economically, used efficiently, and adequately protected.
- 2.6. Programmes, plans and objectives are achieved.
- 2.7. Quality and continuous improvement are fostered in the organisation's control process.
- 2.8. Significant legislative or regulatory issues impacting the organisation are recognized and addressed appropriately.

### 3. ACCOUNTABILITY

The Internal Audit Department, in the discharge of its duties, shall be accountable to Management and the Audit & Risk Committee to:

- 3.1. Provide annually an assessment on the adequacy and effectiveness of the organisation's processes for controlling its activities and managing its risks set forth under the mission and scope and work;
- 3.2. 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 through active and constructive resolution.
- 3.3. Periodically provide information on the status and results of the annual audit plan and the sufficiency of function resources; and
- 3.4. Co- ordinate with, and provide oversight of, other control and monitoring functions (risk management, compliance, security, legal, ethics, environmental, external audit).

### 4. INDEPENDENCE

To provide for the independence of the Internal Auditing Function, its personnel report to Internal Audit Function, who reports administratively to the Municipal Manager and functionally to the Audit & Risk Committee in manner outlined under Accountability above . It will include, as part of its reports to the Audit & Risk Committee, a regular report on internal audit personnel.

## 5. RESPONSIBILITIES OF INTERNAL AUDIT

The Internal Audit Unit has responsibility to:

- 5.1 Develop a flexible 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 & Risk Committee for review and approval as well as periodic updates;
- 5.2 Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit & Risk Committee;
- 5.3 Maintain a professional audit staff with sufficient knowledge, skills experience, and professional certifications to meet the requirements of this Charter;
- 5.4 Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
- 5.5 Issue periodic reports to the audit committee and management summarizing results of audit activities;
- 5.6 Comply with the internal audit policies and procedure and IIA standards
- 5.7 Keep the Audit & Risk Committee informed of emerging trends and successful practices in internal auditing;
- 5.8 Provide a list of significant measurement goals and results to the Audit & Risk Committee;
- 5.9 Assist in the investigation of significant suspected fraudulent activities within the organisation, and notify management and the Audit & Risk Committee of the results; and
- 5.10 Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- 5.11 Establish a quality assurance program by which the head of internal audit activity assures the operation of the internal auditing activities.

## 6. AUTHORITY

The Internal Audit Unit is authorized to:

- 6.1 Have unrestricted access to all functions, records, property and personnel;
- 6.2 Have full and free access to the Audit & Risk Committee
- 6.3 Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives:
- 6.4 Obtain the necessary assistance of personnel in units of the organisation where they perform audits, as well as other specialized services within or outside the organisation
- 6.5 The internal audit is not authorized to:
  - Perform any operational duties for the organisation
  - Initiate or approve accounting transactions external to the internal audit function
  - Direct the activities of any employee in the organisation not employed by the internal auditing function, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.

## 7. RESPONSIBILITIES OF MANAGEMENT

Management will assume responsibility not limited to the following:

- 7.1 Establishing and maintaining an adequate system of internal control
- 7.2 The prevention and detection of fraud and irregularities

- 7.3 Reviewing internal audit reports and implementation of recommendations as considered appropriate. Internal audit may recommend standards of control for systems or may review procedures before they are implemented without impairing objectivity. However designing and installing operating systems and drafting of procedures for systems are not audit functions as they impair audit objectivity.
- 7.4 Proposing the areas of audit function and investigation by internal audit
- 7.5 Ensuring that the internal audit function has full support of line and support management and the Audit & Risk Committee and the Council.
- 7.6 Ensuring that internal audit has direct and unrestricted access to report to senior management, including the Mayor, the Municipal Manager and the Audit & Risk Committee.

## 8. RESPONSIBILITIES OF AUDIT COMMITTEE

Audit & Risk Committee will assume responsibility not limited to the following:

- 8.1 Evaluating the performance of internal audit
- 8.2 Reviewing the internal audit function's compliance with its mandate as approved by the Committee
- 8.3 Reviewing and approving the internal audit charter, internal audit plans and internal audit's conclusions with regard to internal control;
- 8.4 Reviewing significant differences of opinion between management and the internal audit function
- 8.5 Evaluating the independence and effectiveness of the Internal Auditors
- 8.6 Reviewing the co-operation and co-ordination between the internal and external audit functions and co-ordinating the formal internal audit work plan with external auditors to avoid duplication of work;

## 9. STANDARDS AND CODE OF ETHICS

The Internal Audit Unit will meet, or exceed the Institute of Internal Audit Standards and abide by the Code of Ethics as outlined in the International Professional Practice Framework.

**10. RELATIONSHIP WITH EXTERNAL AUDITORS**

The Internal Audit Function will meet periodically with the external auditors to ensure:

- 10.1 Internal and external audit activities are properly co-ordinated and planned,
- 10.2 Audit work is not duplicated,
- 10.3 External audit can rely on the work carried out by internal audit,
- 10.4 Access to each other's audit programmes, working papers and other documentation,
- 10.5 Exchange of audit reports and management letters.

**11. REVIEW AND APPROVAL**

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



Compiled by Chief Audit Executive

12/05/2016

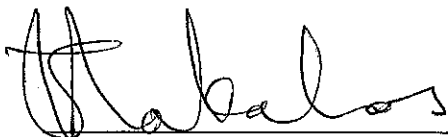
Date



Approved by Chairperson: Audit Committee

17/05/2016

Date



Accepted by Accounting Officer

17/05/2016

Date