

# Ba-Phalaborwa Local Municipality



## Internal Audit Charter

2014/2015

**Internal Audit Charter**

Internal Audit Unit

2014/2015

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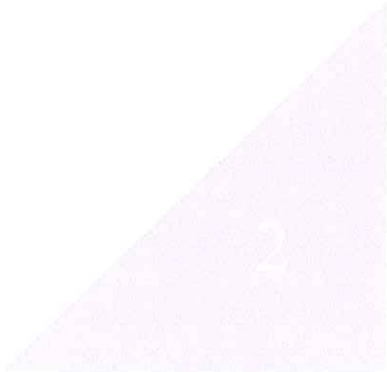
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**Annexure A: Code of Ethics**

**Annexure B: Extract of King III Report**

**Annexure C: Institute of Internal Auditors Standards**

**Annexure D: Memorandum of Understanding**



**1. PURPOSE AND SCOPE OF WORK**

The purpose of Ba-Phalaborwa Municipality Internal Audit Unit is to provide an independent, objective assurance and consulting services which are designed to add value and improve the Municipality's operations.

The scope of work of Ba-Phalaborwa Municipality Internal Audit Unit is to determine whether the Municipality's network of risk management, controls and governance processes, as designed and represented by management, are 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,
- Programs, plans and objectives are achieved

The opportunities for improving management controls, service delivery and the organisation's image maybe identified during the audits and communicated to Senior Management.

**2. ACCOUNTABILITY**

The Deputy Director: Internal Audit, in the discharge of his/her duties, shall be accountable to Management and the Audit Committee to:

- Provide a written assessment of the effectiveness of the Municipality's system of internal controls and risk management.
- Report significant issues related to the processes for controlling the activities of the Municipality, 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 the unit's resources.
- Coordinate with and provide oversight of other control and monitoring functions, such as: risk management, compliance, security, legal, ethics, environmental and external audit)

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- Provision of assurance services to Maruleng Local Municipality on Internal Quality Assessments

### 3. INDEPENDENCE

To provide for the independence of the Ba-Phalaborwa Internal Audit Unit, the Deputy Director: Internal Audit will report **functionally to the Audit Committee** and **administratively to the Accounting Officer**. The Audit Committee will concur on the appointment and removal of the Deputy Director: Internal Audit.

### 4. RESPONSIBILITY

The Deputy Director: Internal Audit has amongst others, the following responsibilities:

- Develop a three year strategic and flexible annual audit plan using appropriate risk-based methodology including any risks or controls concerns identified by management, and submit the 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 the Internal Audit Unit and direct its administrative functions
- Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of this charter.
- Establish a quality assurance program by which the Deputy Director: Internal Audit assures the operation of internal auditing activities which is implemented together with the Memorandum of understanding between Mopani District Municipality, Local Municipalities within the District and Ba-Phalaborwa Municipality (**Annexure D**).
- Perform assurance services to Mopani District Municipality and other Local Municipalities within the District.
- Perform consulting services, beyond internal audit's assurance services, to assist management in meeting their objectives, e.g. facilitation, process design, training and advisory services. Informal consulting engagements including routine activities such as participating on standing committees, limited life projects, ad hoc meetings and routine information exchange.
- Issue at least quarterly reports to the audit committee and management summarising results of audit activities.

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- Perform a review on Municipal Contracts above R10 million to check compliance with relevant SCM processes prior appointment.

#### 5. AUDIT COMMITTEE RESPONSIBILITIES

Audit Committee will assume responsibility for:

- Evaluating the performance of internal audit
- Reviewing the internal audit function's compliance with its mandate as approved by the Committee
- Reviewing and approving the internal audit charter, internal audit plans and internal audit's conclusions with regard to internal control;
- Reviewing significant differences of opinion between management and the internal audit function
- Evaluating the independence and effectiveness of the Internal Auditors
- 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;

#### 6. AUTHORITY

The Deputy Director: Internal Audit and the internal audit staff 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 the scope of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in all Departments where they perform audits, as well as other specialised services from within or outside the Municipality.

**The Deputy Director: Internal Audit and his/her staff are not authorised to:**

- Have any operational responsibility or authority over Municipal activities they review. Accordingly, they shall not develop nor install systems or procedures, prepare records, or engage in any other activity which would normally be audited.
- Direct activities of any of the Municipality's employees not employed by the internal audit unit, except to the extent that such employee has been appropriately assigned to the audit team or otherwise to assist the internal auditors.

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### **7. PROFESSIONAL STANDARDS, CODE OF ETHICS AND KING III REPORT**

The Internal Audit Staff shall govern themselves by adherence to The Institute of Internal Auditors' definition of Internal Audit, "Code of Ethics", the King III report and the Institute's "*International Standards for the Professional Practice of Internal Auditing*" (*Standards*). These three documents (attached as **Annexure A, B** and **C** respectively) constitute an addendum to this charter. The Institute of Internal Auditors' "Practice Advisories" will be adhered to as applicable. In addition, the Internal Audit Unit will adhere to Ba-Phalaborwa Local Municipality policies and procedures.

### **8. REVIEW AND APPROVAL**

The Deputy Director: Internal Audit will annually assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives. The result of the assessment will be communicated to Management and the Audit Committee for approval.

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**9. APPROVAL**

Adopted by Ba-Phalaborwa Municipality Council sitting held on 20 June 2014

Resolution no: 13 AC 14/03/13 14

Approved by:

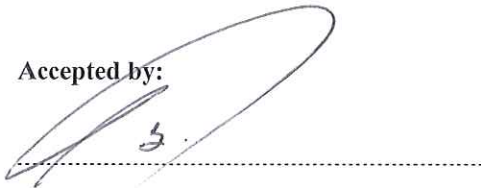


Modipane TC: Audit Committee Chairperson

20 June 2014

Date

Accepted by:

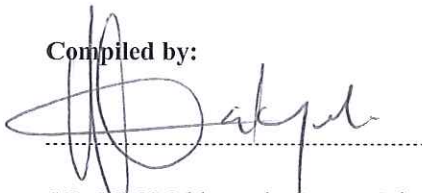


Sebashe SS: Municipal Manager

20/6/2014

Date

Compiled by:



Ms. MM Makhongela: Deputy Director: Internal Audit

20 June 2014

Date

