



MANGAUNG
METRO MUNICIPALITY
METRO MUNISIPALITEIT
LEKGOTLA LA MOTSE

DIRECTORATE
OFFICE OF THE
CITY MANAGER

MANGAUNG METROPOLITAN MUNICIPALITY

INTERNAL AUDIT CHARTER

Version: 2019/20



MANGAUNG METROPOLITAN MUNICIPALITY

INTERNAL AUDIT UNIT

INTERNAL AUDIT CHARTER

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MANGAUNG METROPOLITAN MUNICIPALITY

INTERNAL AUDIT UNIT

INTERNAL AUDIT CHARTER

1. DEFINITION OF INTERNAL AUDITING

The Standards for the Professional Practice of Internal Auditing as adopted by the Institute of Internal Auditors Inc, defines internal auditing as, an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The Institute of Internal Auditors is the leading non-profit professional body representing the interests of internal auditors worldwide and is the internationally recognised authority, principal educator and acknowledged leader in certification, research and technological guidance for the profession. It is the creator and custodian of the International Standards for the Professional Practice of Internal Auditors, and the Code of Ethics to which all members must adhere.

2. MISSION STATEMENT AND SCOPE

Internal Audit's mission is to contribute to the Municipality's objectives by assisting all levels of Management to effectively control and manage identified risks.

Internal Audit will do this by providing an independent objective assurance and consulting services designed to add value and improve on the Municipality's operations.

The scope of work of Internal Audit Unit of the Mangaung Metropolitan Municipality is to determine whether the Municipality's network of risk management, control and governance proceeds as designed and is adequate and functioning in a manner to ensure that:

- Risks are appropriately identified and managed
- Significant financial, managerial and operating information is accurate and reliable.
- Employee's actions are in compliance with policies and procedures, and applicable laws and regulations.

- Resources are acquired economically, used efficiently and effectively; and are adequately protected or safeguarded.
- Programmes, plans and objectives are achieved.
- Quality and continuous improvements are fostered in the Municipality's control process.
- Significant legislative or regulatory issues impacting on the Municipality are recognized and addressed appropriately and timely.

Opportunities for improving management control, service delivery and the Municipality's image may be identified during the audits. These will be communicated to the appropriate level of management.

3. CHARTER

This charter defines the **purpose, authority, and responsibilities** of the Internal Audit Unit of Mangaung Metropolitan Municipality.

3.1 Purpose

Internal Audit Unit in the Mangaung Metropolitan Municipality is an independent, objective assurance, consulting and appraisal activity established as a service to management; and designed to add value and improve the Municipality's operations. It is a control, which functions by examining and evaluating the adequacy, efficiency and effectiveness of other controls.

All internal audit endeavours will be conducted in compliance with the Municipality's policies and procedures, as well as the Code of Ethics and the Standards for the Professional Practice of Internal Auditing as promulgated by the Institute of Internal Auditors Inc.

3.2 Authority

Internal Audit Unit of Mangaung Metropolitan Municipality is established in terms of section 165(1) of Municipal Finance Management Act, 56 of 2003.

The Internal audit is a staff function that has no direct authority over the activities, which its personnel review. The performance of these reviews does not relieve management of any assigned responsibilities.

Personnel of the unit, in the performance of audits and with the stringent accountabilities for safekeeping and confidentiality of information obtained during the audit, shall be granted **unlimited access** to the Municipality's activities, records, property and employees.

Internal Audit is authorized to obtain the necessary assistance of personnel in sections of the Municipality where internal auditors are performing audits, as well as other specialized services from within or outside the Municipality.

The Head of Internal Audit and his / her staff are not authorized to:

- Perform any operational duties for the Municipality or its entities.
- Initiate or approve accounting transactions external to the internal audit unit.
- Direct the activities of any employee in the Municipality who is not employed by the unit; except to the extent that, such employees have been appropriately assigned to the auditing teams or to assist internal auditors.

3.3 Independence and Objectivity

To maintain its independence and objectivity of its personnel, the Head of Internal Audit or the Chief Audit Executive shall report functionally to the Audit Committee, and administratively to Accounting Officer (Municipal Manager). The Audit Committee must concur on the appointment or removal of the Head of Internal Audit.

These reporting lines will ensure the unit's independence, promote comprehensive audit coverage and assure adequate consideration of recommendations made by the internal auditors.

Internal audit unit is deemed independent when it can carry out its work freely and objectively and has the support of senior management and Audit Committee.

The Chief Audit Executive shall have direct communication with the Accounting Officer, Audit Committee, Municipal Council, and other appropriate governing authorities like the Municipal Public Accounts Committee (MPAC). Direct communication occurs when the Chief Audit Executive regularly attends and participates in meetings which relate to its oversight responsibilities for auditing, financial reporting, corporate governance and control (e.g. MAYCO Meetings, Section 80 Committees meetings, Executive Management Team meetings, MPAC Meetings). The attendance and participation of the Chief Audit Executive at these meetings provide an opportunity to exchange information concerning the plans and activities of internal audit.

Each internal auditor should have an objective attitude and should be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality. An internal auditor should be free from any conflict of interest arising from professional or personal relationships or other interests which he/she may be subjected to audit; and should be free from undue influence which restricts or modifies the scope or conduct of the audit work, or significantly affects judgment regarding the content of any audit report.

The Personnel of the Internal Audit Unit shall:

- Have no direct operational responsibility or authority over any of the activities reviewed;
- Neither develop nor install systems or procedures, prepare records, or engage in any other activity that would normally be audited;
- Not initiate or approve accounting transactions external to the scope; and
- Avoid conflict of interest.

3.4 Responsibilities

The Internal Audit unit has the responsibility to:

- 3.4.1 Prepare in consultation with and approval by the Audit Committee;
- A risk based internal audit plan and programme for each financial year.
 - Plans indicating the proposed scope of each audit in the annual internal audit plan.
 - Operating procedures with management inputs to guide the auditing staff.
- 3.4.2 Report quarterly to the Audit Committee on its performance against the annual internal audit plan.
- 3.4.3 Execute the annual internal audit plan as approved, including any special tasks or projects requested by management and the Audit Committee.
- 3.4.4 Maintain professional and qualified audit staff with sufficient knowledge, skills and experience.
- 3.4.5 Keep the Audit Committee informed of emerging trends and successful practices within the unit.
- 3.4.6 Assist in the investigation of any significant suspected fraudulent activities within the Municipality and notify management and the Audit Committee of the results.
- 3.4.7 Discuss the results of the audit investigation with appropriate levels of management and incorporate management's comments; and the implementation timetable of the recommendations into the final report.
- 3.4.8 Assist the Accounting Officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for improvement.

- 3.4.9 Assist the Accounting Officer in achieving the objectives of the Municipality by evaluating governance processes and by developing recommendations for improvement.
- 3.4.10 Audit the performance management system of the municipality and the results of performance measurements.

4. CONSULTING SERVICES

These services are advisory in nature and the scope is agreed with the client. The intention of providing these services is to add value and improve the organisation's governance, risk management, and control processes without the internal auditors assuming management responsibilities. These will include advices, facilitation and training.

5. ASSURANCE SERVICES

The nature of assurance services that the Unit will provide to the Municipality shall include assessment of risk management, control and governance processes for the Municipality.

6. CO-OPERATION

- 6.1 The independence of the Internal Audit Unit should in no way, diminish a close working relationship with other sections within the Municipality through contact at appropriate managerial levels; before, during and after the completion of an audit assignment.
- 6.2 There should be co-operation between Internal Audit Unit and the Municipality's external auditors, including the exchange of relevant information in order to maximize the benefit to management of the combined audit resources.

7. REVIEW OF THE CHARTER

This charter shall be reviewed annually where necessary to ensure that it is in line with the latest developments in legislation, best practices and IIA Standards.

8. APPROVAL

The Internal Audit Charter for the Mangaung Metropolitan Internal Audit Unit has been approved as follows;



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Mr MNG Mahlatsi
Audit Committee Chairperson

Approved at the Audit Committee Meeting number 01-2020/21
held on 20 July 2020