



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

REVIEWED INTERNAL AUDIT CHARTER 2018/2019



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

INTERNAL AUDIT CHARTER

Table of Contents

1. Mission	3
2. Authority	4
3. Accountability	5
4. Responsibility	5
5. Exclusions	6
6. Standards of Audit Practice.....	6
7. Independence	6
8. Objectivity	7
9. Due Professional Care	8
10. Relationship with the Auditor General	8
11. Code of Ethics and Conduct	9
12. Quality Assurance.....	9
13. Reporting and Concluding.....	9
14. Signatures, Execution and Review of the Charter:.....	10



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

1. General definitions

In this Internal Audit Charter, unless the context indicates otherwise, a word or expression to which a meaning has been given, has the same meaning and-

"Accounting Officer"	means the Municipal Manager, referred to in section 60 of the Act
"Act"	means the Municipal Finance Management Act 56 of 2003 as amended
"Committee"	means the Audit Committee and Performance Audit Committee established in terms of Section 166 of the Act
"Chief Financial Officer"	means the employee designated in terms of section 80(2)(a) of the Act
"Local Municipality"	means a municipality that shares municipal executive and legislative authority in its area with a district municipality within whose area it falls, and which is described in section 155(1)(b) of the Constitution of the Republic of South Africa, 1996 as a category B municipality
"Employee"	means a person in the employ of the Local Municipality as defined by section 213 of the Labour Relations Act 66 of 1995
"External Auditors"	means the Auditor-General as established in terms of section 188 of the Constitution of the Republic of South Africa, 1996
"Internal Audit Function"	means an outsourced or co-sourced service provider or internal appointed audit staff



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

"MLM"	Mbhashe Local Municipality
"CAE"	Chief Audit Executive; Internal Audit Manager/head of Internal audit unit
"IA"	Internal Audit

2. Mission

The mission of the Internal Audit Section is to provide an independent, objective assurance and consulting service designed to add value and improve the Service's operations, and to help Mbhashe Municipality in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

The scope of the internal audit activity:

The scope of work of the Internal Audit Unit is to determine whether the Mbhashe Municipality network of risk management, control and governance processes, as designed and presented by management, is adequate and functioning in a manner to ensure that:

- (i) Risks are appropriately identified and managed.
- (ii) Significant financial, managerial and operating information is reliable.
- (iii) Members' actions are in compliance with policies, standards, procedures, laws and regulations.
- (iv) Programmes, plans and objectives are achieved.
- (v) Resources are acquired economically, used efficiently and adequately protected.
- (vi) Continuous improvements are fostered in the Service's control processes.
- (vii) Interaction with the various governance groups within the organisation occurs as appropriate.
- (viii) Significant legislative or regulatory issues impacting on the Service are recognised and appropriately addressed.

3. Authority



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

- (i) The Chief Audit Executive (CAE)/Head of Internal Audit is authorised to direct a comprehensive program of internal auditing within Mbhashe Municipality as per requirement of section 165 of the MFMA
- (ii) In accomplishing the mission above, the CAE and members of Internal Audit Unit are authorised to have full, free, and unrestricted access to all organizational functions, records, property, and personnel.
- (iii) The CAE and members of Internal Audit have full and free access to the Audit Committee.
- (iv) The CAE/Head of Internal Audit and members of Internal Audit are authorized to have access to third or external parties' information that relates to Mbhashe Municipality (organisation & members) during the forensic and special investigation processes.

4. Accountability

The CAE: Internal Audit in the discharge of his/her duties shall:

- (i) Be accountable to the Municipal Manager administratively and to the Audit Committee functionally
- (ii) Submit the annual audit plan to the Municipal Manager for information and to the Audit Committee for their review and approval.
- (iii) Report quarterly to the Municipal Manager on the adequacy of internal control
- (iv) Submit reports to the Audit Committee on ALL Internal Audit activities.
- (v) Report quarterly to the Audit Committee on whether,
 - Appropriate action has been taken on significant audit findings.
 - Audit activities have been directed towards the highest exposure of risk and towards increasing efficiency, economy, and effectiveness of operations.
- (vi) On a quarterly basis, provide information on the status and results of the annual audit plan and the sufficiency of the Unit resources
- (vii) Provide annually an assessment on the adequacy and effectiveness of Mbhashe Municipality process for controlling its activities and managing its risks set forth under the mission and scope of work.

5. Responsibility

The CAE: Internal Audit is responsible for:

- (i) Establishing procedures for the Internal Audit Function and directing its technical and administrative functions.
-



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

- (ii) Developing and executing a flexible annual audit plan using an appropriate risk based methodology, including any risk or control concerns identified by management and submit the plan to the audit committee for review and approval as well as periodic updates.
- (iii) Implement an annual audit plan as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee.
- (iv) Maintain a professional audit staff with sufficient knowledge, skills, experience and professional certification to meet the requirements of this charter.
- (v) Keep the Audit Committee informed of emerging trends and successful practices in internal auditing

6. Exclusions

The CAE and Internal Auditors are not authorized to:

- (i) Perform any operational duties for the organisation or its affiliates.
- (ii) Initiate or approve accounting transactions external to the Internal Audit Section.
- (iii) Direct activities of any employee in the organisation not employed by the Internal Audit Section, except to the extent such employees have been appropriately assigned to auditing teams or otherwise assist the internal auditors.

7. Standards of Audit Practice

The internal audit unit will conduct its operations in accordance with the International Standards for the Professional Practice of Internal Auditing and Internal Auditors with Codes of Conduct as issued by the Institute of Internal Auditors South Africa (IIASA)

8. Independence

- (i) To be effective in performing audits the audit staff must be objective both in actuality and perception. The Section maintains independence by its organizational position, including reporting line to the Audit Committee and the Accounting Office/Municipal Manager.
-



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

- (ii) When performing the assurance function, the Section is able to determine the scope of internal auditing, perform work, and communicate the results without interference. Any restrictions are disclosed in the audit universe and approved by the Audit Committee e.g. identity of human sources.
- (iii) Internal auditors who were appointed internally are allocated to assignments only if they were not operationally involved in the particular assignment during the previous twelve months in their previous functions.
- (iv) Internal Auditors are required to declare at individual level their relationship with staff or auditees.
- (v) No Mbhashe Municipality member may oversee the assurance engagement of internal audit over which the CAE is responsible. When on leave, the CAE delegation on administrative functions rest with Accounting Officer.

9. Objectivity

Objectivity is an independent mental attitude which internal auditors should maintain in performing audits. This requires internal auditors to perform audits in such a manner that they have an honest belief in their work, product and that no significant quality compromises are made.

- (i) In order to maintain objectivity, auditors will immediately inform the CAE: Internal Audit of any factors that may be perceived as impairing their objectivity on an assigned audit or consulting services. Also, auditors will take great care to prevent even a perception of partiality by maintaining a professional distance from the staff of the client while performing an audit.
 - (ii) Staff assignments of internal auditors should be rotated periodically when it is practical to do so.
 - (iii) Persons transferred to or temporarily engaged by the internal audit activity should not be assigned to audit those activities they previously performed until a reasonable period of time has elapsed. Such assignments are presumed to impair objectivity and should be considered when supervising the audit work and reporting audit results.
 - (iv) The results of audits should be reviewed before the related audit report is released to provide reasonable assurance that the work was performed objectively.
 - (v) Finally, auditors will not accept anything of value from an employee, supplier, or business associate of the Organisation which would impair or be perceived to impair their professional judgement or objectivity. Any gifts accepted will be immediately reported to CAE and the Chief Financial Officer, the latter in terms of Mbhashe Municipality policy on gifts.
-



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

- (vi) The internal auditor's objectivity is not adversely affected when the auditor recommends standards of control for systems or reviews procedures before they are implemented.
- (vii) Designing, installing and operating systems are not audit functions. Performing such activities is presumed to impair audit objectivity.

10. Due Professional Care

Due Professional Care calls for the application of the care and skills expected of a reasonably prudent and competent internal auditor in similar circumstances. Professional care should, therefore, be appropriate to the complexities of the audit being performed. In exercising due professional care, internal auditors should be alert to the possibility of intentional wrongdoing, errors and omissions, inefficiency, waste, ineffectiveness, and conflicts of interest.

They should also be alert to those conditions and activities where irregularities are most likely to occur. In addition, they should identify inadequate controls and recommend improvements to promote compliance with acceptable procedures and practices. Due care implies reasonable care and competence, not infallibility or extraordinary performance.

It therefore requires internal auditors to conduct examinations and verifications to a reasonable extent, but does not require detailed audits of all transactions. Accordingly, an internal auditor cannot provide absolute assurance that non-compliance or irregularities do not exist.

- (i) The annual audit coverage plan is based on organisational risk management process already in place within Mbhashe Municipality and is aligned to corporate priorities.
- (ii) The audit plan includes projected internal audit activities (internal control awareness campaigns) as well as projected management activities such as new and major computer systems.
- (iii) The audit plan includes the budget and staff resources required to accomplish the plan and allow flexibility for unforeseen events.
- (iv) Internal auditors are required to have sufficient knowledge to identify indicators of fraud, but are not required to have knowledge of a person whose primary responsibility is fraud detection.
- (v) Internal audit staff undergoes continued training from time to time in their disciplines to stay abreast of technological advances and changes in Mbhashe Municipality business and their profession.

11. Relationship with the Auditor General



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

The Auditor-General (AG) will be notified of the activities of the internal auditing unit in-order to minimise duplication of audit effort. This will be accomplished by:

- (a) a meeting between MLM Internal Audit and the AG to discuss the audit plans of both parties;
- (b) periodic meetings to discuss the audit plan scope and activities; and
- (c) with approval from the Municipal Manager, exchange internal and external audit management letters and reports between Mbhashe Municipality Internal Audit and the AG

12. Code of Ethics and Conduct

Internal audit staff members have a responsibility to conduct themselves in such a manner that their good faith and integrity are not open to question. Standards of professional behaviour are based upon the Code of Ethics issued by the Institute of Internal Auditors and the Code of Conduct applicable to the Public Sector. By virtue of being members of the IIA and employed in the Public sector, all Mbhashe Internal auditors are bound by the aforementioned Codes.

13. Quality Assurance

The Municipal Manager -(Head of Internal Audit) must develop and maintain a quality assurance and improvement programme that covers all aspects of the internal audit activity and continuously monitors its effectiveness. This programme should include periodic internal and external assessments and on-going internal monitoring. Each part of the programme should be designed to help the internal audit activity to add value to and improve the client organisations' operations and to improve assurance that the internal audit activity is in conformance with the SPPIA and the Code of Ethics.

The quality assurance should be done on an annually basis.

Recommended panel or stakeholders to perform the assessment, should be but not limited to:

District municipality together with Provincial treasury and COGTA should be involved during the assessment of the Internal Audit unit in conformance with the IIASA Standards and the results should be communicated with the Accounting Officer

14. Reporting and Concluding

The report for each review will contain practical recommendations in the event of any control weaknesses identified.



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

The following process normally results in effective implementation of our recommendations.

- (i) Discussing the draft report with line management / process owners to confirm factual accuracy prior to obtaining management comments.
- (ii) Confirm, in conjunction with management, those individuals who would be responsible to implement each recommendation, with mutual agreed realistic target dates;
- (iii) Conducting workshops with management to discuss findings and recommendations;
- (iv) Issuing final report to management with executive summary of key findings and detailed section outlining the findings, risk, recommendations and individuals responsible for implementing recommendations and
- (v) The responses from the management should be sent back to the Internal Audit within SEVEN days and if no responses obtained, the report will be discussed with the audit committee.

In carrying out our mission, we share certain beliefs and values

1. Our primary focus is to provide excellent service to Mbhashe Municipality.
2. Our examinations will be performed in accordance with applicable standards established by Institute of Internal Auditors (IIA) and Treasury regulations issued in terms of MFMA.
3. We are committed to the highest degree of fairness, integrity, and ethical conduct in the performance of our mission.
4. We will adhere to the Code of Ethics as established by the Institute of Internal Auditors (IIA)
5. We will not issue a report without first allowing the recipient the opportunity to review, challenge, question, and respond to our findings and conclusions.
6. Our relationships with the Mbhashe Municipality community will be characterized by respect, helpfulness, sharing, patience, and openness.
7. We are committed to maintaining our professionalism as internal auditors through continuance of our education and training. Although we are part of the Mbhashe Municipality we are committed to maintaining our independence in defining the scope and objectives of our examinations

15. Signatures, Execution and Review of the Charter:

This Internal Audit Charter has been prepared by CAE, signed by both Municipal Manager and Chairperson of the Audit Committee; it is also subjected to an annual review for changes and the effected reviews/changes should be signed as a form of approval by both Municipal Manager and Audit Committee Chairperson



MBHASHE LOCAL MUNICIPALITY

All correspondence to be directed to the office of the Municipal Manager
454 Streatfield Street, Dutywa, Eastern Cape Province
Tel: 047 489 5864/34 • Email: info@mbhashemun.gov.za
www.mbhashemun.gov.za

APPROVED BY THE COUNCIL AND SIGNED BY:

MR NAKO M
MUNICIPAL MANAGER

02 July 2018
DATE

CLLR JANDA S N

02 JULY 2018
DATE
