



## **INTERNAL AUDIT CHARTER 2023-2024**



**Version : 2023/2024**

**Amended during :2022/2023**

**Approved by the Audit Committee Chairperson**

**NTABANKULU LOCAL MUNICIPALITY  
INTERNAL AUDIT CHARTER 2023-2024**



**Version control**

<b>Version</b>	<b>Notes</b>	<b>Changes made by</b>	<b>Date</b>
1	Drafting of the Charter	Ms. B. Diko	8 June 2023
2	Incorporating inputs from Management		20 June 2023
3	Incorporating inputs from Auditor-General SA		20 June 2023
4	Incorporating inputs from Audit Committee		20 June 2023



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**List of abbreviations/ Acronyms**

<b>ABBREVIATION</b>	<b>IN FULL</b>
APC	Audit Performance Committee
AO	Accounting Officer
CFO	Chief Financial Officer
MM	Municipal Manager
IAA	Internal Audit Activity
IIA	Institute of Internal Auditor's
IPPF	International Professional Practices Framework
PSA	Public Service Administration
MFMA	Municipal Financial Management Act



## **1. INTRODUCTION**

The Internal Audit Charter (hereinafter referred to as 'the Charter') sets out the framework within which the Internal Audit Activity, of the Office of the Municipal Manager undertakes to operate.

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, including the nature of the chief audit executive's functional reporting relationship with the board; authorizes access to records, personnel, and physical properties relevant to the performance of engagements; and defines the scope of internal audit activities.

This charter therefore establishes the mandate conferred by the Audit and Performance Committee on the Internal Audit Activity.

## **2. DEFINITION**

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

## **3. PURPOSE**

- 3.1 The purpose of the internal audit is to provide an independent and thus objective review of the internal control systems within the local municipality.
- 3.2 Accordingly, the internal audit is responsible to both the Council and Executive Management, providing these structures with reasonable assurance regarding the effectiveness of the local municipality's corporate governance, risk management and the system of internal control.
- 3.3 This is achieved through bringing a systematic and a disciplined approach to the evaluation of the effectiveness of these governance prescriptions.

## **4. CONSTITUTION [MFMA Section 165 and Institute of Internal Auditors]**

Ntabankulu Local Municipality ("hereafter referred to as Ntabankulu") is required to have an internal audit function in terms of section 165 (1) of the Municipal Finance Management Act no 56 of 2003 ("MFMA"). This Internal Audit Charter is crucial to strengthening the independence and objectivity of the internal audit function of the Local Municipality.

Internal Audit is responsible for conducting their work in accordance with the standards for the Professional Practice of Internal Audit established by the Institute of Internal Auditors (IIA).



## 5. AUTHORITY AND ACCESS

5.1 The Internal Audit Department will remain independent of all line and functional management and will be answerable to the Accounting Officer and Audit and Performance. The Internal Audit Manager will administratively report to the Accounting Officer and functionally to the Audit and Performance and will have free, ready and regular access to the executive mayor, the speaker of the council and the chairperson of the Audit and Performance.

5.2 No restrictions should be placed on the scope of the Internal Audit work. Members of the internal audit function engaged on internal audit work are entitled to receive whatever information or explanations they consider necessary to fulfil their responsibilities to senior management.

5.3 Independence of the Internal Audit Department will be ensured by the clear policy that internal audit will have full access at all times to any records, properties and resources relevant to the subjects under review.

5.3.1 Have full and free access to the Chairperson of the Audit and Performance.

5.3.2 The Internal Audit function being free of any undue influences which could restrict, over-rule or otherwise affect the judgement as to the content of a report or in any way require the department to function under duress or which could affect the institution or conduct of an investigation.

5.3.3 Respect, unqualified support and co-operation of both the Council and Management.

5.3.4 The appointment and dismissal of the internal audit shall be with the concurrence of the Audit and Performance.

5.4 Internal audit is authorized and mandated to:

5.4.1 Allocate resources, determine the timing / frequency of the work, determine the scope of work, and apply the relevant techniques required to accomplish audit objectives;

5.4.2 Internal auditor should report at all Audit and Performance meetings. It is submitted that all reportable items by internal audit would have been presented to management beforehand and management afforded the opportunity to comment on such findings and that such management comments including the method, timing, and responsibility for addressing such audit findings shall be an integral of such final reports. The focus of Management comments shall be on providing solutions as against attempts to justify the status quo.

5.4.3 In instances where internal audit has reason to believe that its independence has been or is likely to be compromised, it will have a right to refer such matters to the Audit and Performance for review and resolution.

5.5 Internal audit is not authorized to:

5.5.1 Perform any operational duties for the municipality.

5.5.2 Initiate or approve accounting transactions external to the internal audit department.



5.5.3 Direct the activities of any employee in the organization not employed by the internal auditing department, except to the extent that such employee(s) has / have been appropriately assigned to auditing teams or otherwise assisting internal auditors.

5.6 The existence of internal audit in no way diminishes the responsibility of the Ntabankulu's management for implementing and maintaining effective systems of control, risk management and governance. Internal audit will not design or participate in control activities, as this would compromise its independence. However, internal audit can and will provide advice on the design and implementation of internal controls. Internal audit staff will have neither direct responsibility for, nor authority over, any of the activities that they audit.

## **6. RESPONSIBILITIES OF INTERNAL AUDIT ACTIVITY**

### **6.1 STATUTORY RESPONSIBILITIES IN TERMS OF SECTION 165 OF THE MFMA.**

Internal audit is responsible for conducting their work in accordance with the standards for Professional practice of internal audit established by the Institute of Internal Auditors (IIA)

### **6.2 The Internal Audit Activity must:**

6.2.1 Prepare a risk-based audit plan and an internal audit program for each financial year.

6.2.2 Advise the Accounting Officer and report to the Audit and Performance Committee on the implementation of the audit plan and matters relating to:

6.2.2.1. Internal audit;

6.2.2.2. Internal controls;

6.2.2.3. Accounting procedures and practices;

6.2.2.4. Risk and risk-based management;

6.2.2.5. Performance management;

6.2.2.6. Loss control; and

6.2.2.7. Compliance with the MFMA, the annual Division of Revenue Act and any other applicable legislation; and

6.2.3 Perform such other duties as may be assigned to it by the Accounting Officer.

6.2.4 Review directorates within the municipality at appropriate intervals to determine whether they are efficiently and effectively carrying out their functions of planning, organizing, directing, and controlling in accordance with Councils instructions, policies and procedures.

6.2.5 Determine the adequacy and effectiveness of the controls encompassing the municipality's governance, operations, and information systems.

6.2.6 Review the reliability and integrity of financial information and the means used to identify, measure, and report such information.

6.2.7 Review the established systems to ensure compliance with those policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports and determine whether the organisation is in compliance.

6.2.8 Review the means of safeguarding assets and as appropriate, verify the existence of such assets.



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- 6.2.9 Appraise the economy and efficiency with which resources are employed, identify opportunities to improve operating performance and recommend solutions to problems if appropriate.
- 6.2.10 Review operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.
- 6.2.11 Coordinate activities with other internal and external providers of assurance and consulting services.
- 6.2.12 Participate in the planning, design, development, implementation and operation of major computer-based systems to determine whether;
  - 6.2.12.1. adequate controls are incorporated in the system;
  - 6.2.12.2. thorough system testing is performed at appropriate stages;
  - 6.2.12.3. system documentation is complete and accurate; and
  - 6.2.12.4. the needs of user organisation are met.
- 6.2.13 Review compliance with the council's guidelines for ethical business conduct and see that the highest standard of personal and council's performance are met.
- 6.2.14 Submit annual engagement plans to the Audit and Performance for review and approval.
- 6.2.15 Provide adequate follow up to ensure corrective action is taken and that it is effective.

## **7. SCOPE OF WORK**

### **7.1 Objective Assurance Responsibilities**

Internal Audit Function must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic, disciplined and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive, and their evaluations offer new insights and consider future impact.

This covers the following areas:

### **7.2 Compliance and Regularity Audit**

Compliance Auditing is performed after the internal controls have been evaluated and is defined as a test of controls. The overall objective of this is to express an opinion - i.e. satisfactory, needs improvement, or unsatisfactory on the achievement of the control objectives of each significant system.

- 7.2.1 auditing of financial transactions which includes the evaluation of compliance with applicable laws, regulations, policies, and instructions.
- 7.2.2 audit of the policy and propriety of administrative decisions taken within the municipality; and
- 7.2.3 reporting of any other matter arising from or relating to the audit that the auditor considers should be disclosed.



- 7.2.4 Internal Audit is aimed at promoting efficient, economical, and effective management processes and evaluating the soundness, adequacy, and effectiveness of internal controls by:
- 7.2.5 appraising the effective conduct of municipal operations;
  - 7.2.6 reviewing the reliability and integrity of financial, operating and management information;
  - 7.2.7 ascertaining the extent to which assets and departmental interests are being properly controlled and safeguarded from losses of any kind;
  - 7.2.8 appraising the economy and efficiency with which financial, human, and other resources are employed and
  - 7.2.9 monitoring the accomplishment of established objectives and goals for programmes.

### **7.3 Risk Based Review**

- 7.3.1 The Municipal Regulations specifically require that the internal audit approach be risk based. This means that the internal audit plan as well as the internal audit fieldwork must focus on the risks to which the municipality is exposed to.
- 7.3.2 The correct balance between risks based versus cyclical based audits needs to be found. This balance depends on the maturity of the municipality's systems and processes, the extent to which policies and procedure (and hence internal controls are entrenched and complied with, and the general strength of the wider control environment).

### **7.4 Consulting Services**

Consulting services are advisory and related client activities, the nature and scope of which may be agreed with the client. They are intended to add value and improve the organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include providing advice, facilitation, and training.

The Internal Audit Manager will consider accepting consulting engagements based on the engagement's potential to improve the management of risks, add value, and improve the organization's operations.

Consulting engagements will be determined when:

- Majority of controls in the process audited fail the adequacy testing;
- Non-implementation of agreed actions from previous audits detected;
- Control environment is poor (i.e. where there are no controls).



## 7.5 Performance Auditing

The promotion of economy, efficiency and effectiveness depends on adequate overall management arrangements for planning, budgeting, authorisation, control, and evaluation of the use of resources. The responsibility of a performance audit is to confirm independently that measures do exist and are effective and to report to the management and the Audit and Performance on these issues. In the course of an investigation into overall management arrangements in the municipality the following will receive attention:

- 7.5.1 systems planning, budgeting, authorisation, control and evaluation in respect of revenue, expenditure and the allocation of resources;
- 7.5.2 the effect of decisions beyond the control of the municipality which have had an adverse influence on the municipality;
- 7.5.3 measures ensuring the proper management of all the resources of the municipality;
- 7.5.4 measures developed to derive benefit from economies of scale of expertise, especially in the provision of goods and services;
- 7.5.5 specific steps aimed at improving the economy, efficiency and effectiveness of the activities of the municipality;
- 7.5.6 proper assignment of responsibilities, powers and accountability;
- 7.5.7 measures to monitor results against predetermined objectives, to ensure that unacceptable performance is corrected timeously;
- 7.5.8 whether policy objectives were set and policy decisions taken with the necessary authority;
- 7.5.9 the extent to which policy objectives were set and decisions taken on the basis of adequate, appropriate and reliable financial and other information and whether the critical underlying assumptions have been disclosed;
- 7.5.10 if satisfactory arrangements for the consideration of alternative possibilities were made;
- 7.5.11 whether established policy goals and objectives as well as decisions on the implementation of policy are clearly defined and in line with the priorities of the Council, and whether they were taken with proper authority at the appropriate level;
- 7.5.12 whether conflict exists between the various policy goals or objectives, or between the methods chosen to implement them;

## 7.6 Computer Reviews

- 7.6.1 A review of the Information Technology (IT) control to obtain an understanding of the control environment to support the audit risk assessment and to ensure that proper IT controls are in place.
- 7.6.2 Apart from the review referred to above it can also review specific computer and applications controls, control over changes in the computer systems, the methodology of systems development, internal controls and procedures, backup and recovery procedures, disaster recovery plan and the physical control of the computer facilities.
- 7.6.3 Segregation of duties other than those enforced by manual procedures, like programmed procedures and passwords may be audited. Risk rating of all systems and functional areas



as seen by management may be reviewed, and the management of these risks should be reported on.

## **7.7 Fraud Limitation**

- 7.7.1 The identification and prevention of fraud is clearly a management responsibility. Internal audit is well qualified to assist management to identify the main fraud risks facing the municipality and could assist management in designing appropriate controls to minimise the risks.

## **7.8 Risk Management**

- 7.8.1 Internal Audit must assist the Council and Management in identifying and evaluating the municipality's risk management processes to give an opinion on the adequacy and effectiveness of risk management and internal control systems.
- 7.8.2 Management should determine the role internal audit can play, but without taking ownership thereof or managing the process.
- 7.8.3 Internal audit will carry out risk-based auditing, entailing a comprehensive risk assessment of the municipality, preparation of the resultant audit plan, execution thereof and reporting on the results of such work. The risk-based auditing referred to above will entail a review of business risk, control risk as well as the financial risks the Ntabankulu is exposed to.
- 7.8.4 The internal audit plan should be based on risk assessment as well as on issues highlighted by the Audit and Performance and management. The risk assessment process should be of a continuous nature as to identify not only residual or existing but emerging risks and should be conducted formally at least annually and as often as necessary. The risk assessment should be co-ordinated with the council's own assessment of risk.

## **8. CORE PRINCIPLES:**

The IAA when conducting its work as defined in the Definition of Internal Auditing, Standards for the Professional Practice of Internal Auditing, and the Code of Ethics, as published by the Institute of Internal Auditors or any other tasks assigned thereto, shall at all times meet or exceed expectations.

In line with the Standards, in conducting its work, the internal audit staff shall always display the following 10 core principles:

- 8.1.1 Demonstrates integrity;
- 8.1.2 Demonstrates competence and due professional care;
- 8.1.3 Is objective and free from undue influence (independent);
- 8.1.4 Aligns with the strategies, objectives, and risk of the organization;
- 8.1.5 Is appropriately positioned and adequately resourced;



- 8.1.6 Demonstrates quality and continuous improvement;
- 8.1.7 Communicates effectively;
- 8.1.8 Provide risk-based assurance;
- 8.1.9 Is insightful, proactive, and future focused; and
- 8.1.10 Promotes organizational improvement.

## **9. ORGANISATIONAL INDEPENDENCE AND OBJECTIVITY**

### **9.1 Organisational Independence**

- 9.1.1 The organisational independence shall be reported directly to the Accounting Officer and the AO shall report at all Audit and Performance Committee meetings. The function must be independent of activities that are audited, with no limitation on its access to information.
- 9.1.2 To provide for the independence of the internal audit activity, its personnel must report to the Internal Audit Manager who reports functionally to the Audit and Performance Committee of the municipality and administratively to the AO. Internal Audit Function will be independent of the line and functional management of all Departments.
- 9.1.3 A representative of the Audit and Performance Committee will form part of the recruitment, performance management and dismissal process of the Internal Audit Manager in line with the prescriptions of the PSA.
- 9.1.4 The Internal Audit Manager shall confirm the organisational independence of the Internal Audit Function, on an annual basis to the Audit and Performance Committee and Senior Management.
- 9.1.5 Internal Audit Function must be free from interference in determining the scope of internal auditing, performing internal audit work, and communicating results.
- 9.1.6 The Internal Audit Manager has unrestricted access to the chairperson of the Audit and Performance Committee and the Municipal Accounting Officer.
- 9.1.7 The Internal Audit Manager shall declare his/her conflicts of interest to the Accounting Officer of the Municipality in the annual declaration process in place and where applicable.
- 9.1.8 The personnel of Internal Audit Function shall have an impartial, unbiased attitude and approach; and avoid conflicts of interest in the conduct of their responsibilities.
- 9.1.9 Where the Internal Audit Manager is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.
- 9.1.10 If Independence or objectivity is impaired in fact or appearance, the details of the impairment will be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.
- 9.1.11 The Internal Audit Manager is required to review the Internal Audit Charter periodically and present the charter to Senior Management and the APC for approval.

## **10. RELATIONSHIP WITH EXTERNAL AUDITORS**

- 10.1 The Internal Audit department will co-ordinate their work with the External Auditors. The external auditors will be notified of the activities of internal audit in order to minimise duplication of audit effort. This will be accomplished by:



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- 10.1.1 regular meetings between the Internal Audit Department and External Audit to discuss the annual internal and external audit plans;
- 10.1.2 access by the external auditors to the internal audit documentation;
- 10.1.3 exchange of management letters;
- 10.1.4 access to systems documentation.
- 10.1.5 External audit being able to rely on the work of internal audit.

**11. PLANNING, CONTROLLING, RECORDING AND REPORTING**

**11.1 Internal audit plan**

- 11.1.1 Internal Audit will in consultation with management present an annual internal audit plan to the Audit and Performance for approval. The plan shall set out the recommended scope of their work in the period.
- 11.1.2 The annual plan will be developed with reference to a long-term strategic outlook for internal audit work (three-year plan), prepared in conjunction with management and approved by the Audit and Performance, and should have regard to the plans of the municipality as a whole.

**11.2 Planning**

The primary purpose of internal audit planning includes:

- 11.2.1 determination of priorities in order to establish the most cost-effective means of achieving audit objectives.
- 11.2.2 assist in the direction and control of audit work.
- 11.2.3 help ensure that attention is devoted to practical aspects of internal audit work.
- 11.2.4 help ensure that work is completed in accordance with predetermined targets.
- 11.2.5 The stages of internal audit planning include:
  - 9.2.5.1. defining internal audit objectives
  - 9.2.5.2. taking account of relevant changes in legislation and other factors
  - 9.2.5.3. obtaining a comprehensive understanding of the system, structure and operations
  - 9.2.5.4. identifying, evaluate and rank risks to which the municipality is exposed.
  - 9.2.5.5. taking account of changes in structures or major systems
  - 9.2.5.6. taking account of the known strengths and weaknesses in the internal control system
  - 9.2.5.7. taking account of management concerns and expectations
  - 9.2.5.8. identifying audit areas by component and major systems
  - 9.2.5.9. determining the type of audit;
  - 9.2.5.10. taking account of the plans of external audit



11.2.6 Operational work plans should be prepared for each internal audit assignment, including:

- 9.2.6.1. objectives and scope of the audit
- 9.2.6.2. time budget and staff allocations
- 9.2.6.3. methods, procedures and reporting arrangements, including supervision and allocation of responsibilities.

11.2.7 All internal audit plans should be sufficiently flexible to respond to changing priorities.

### **11.3 Controlling**

11.3.1 Control of the individual assignments is needed to ensure that internal audit objectives are achieved, and work is performed effectively. This is facilitated by an established internal audit approach and standard documentation. The Internal Audit manager shall ensure that the necessary degree of control and supervision is exercised.

11.3.2 The Internal Audit Manager shall establish arrangements to:

- 9.3.2.1. allocate internal assignments according to the level and proficiency of internal audit staff.
- 9.3.2.2. ensure that internal auditors clearly understand their responsibilities and internal audit objectives.
- 9.3.2.3. communicate the scope of work to be performed and agree the programme of work with each internal auditor.
- 9.3.2.4. provide and document evidence of adequate supervision, review and guidance during the internal audit assignment.
- 9.3.2.5. ensure that adequate working papers are prepared to support internal audit findings and conclusions.
- 9.3.2.6. ensure that internal audit's performance is in accordance with the internal audit plan or that any significant variations have been explained.

### **11.4 Recording**

11.4.1 the Internal Audit Manager needs to be able to ensure that work delegated to staff has been properly performed. This will be done through reference to detailed working papers prepared by the internal audit staff who performed the work.

11.4.2 working papers provide, for future reference, evidence of work performed, details of problems encountered, and conclusions drawn.

11.4.3 the preparation of working papers should encourage each internal auditor to adopt a methodical approach to his work.

11.4.4 the Internal Audit Manager shall specify the required standard audit documentation and working papers and ensure those standards are maintained. Internal audit working papers



should be sufficiently complete and detailed to enable an experienced internal auditor with no previous connection with the internal audit assignment to subsequently ascertain from them what work was performed to support the conclusions reached.

- 11.4.5 Working papers must be prepared as the internal audit assignment proceeds so that critical details are not omitted, or problems overlooked.

## **11.5 Evaluation of the internal control system**

The main objectives of the internal control system are to:

- 11.5.1 ensure adherence to management policies and directives in order to achieve the objectives.
- 11.5.2 safeguard assets
- 11.5.3 secure the relevance, reliability, and integrity of information and as far as possible the completeness and accuracy of records.
- 11.5.4 ensure compliance with statutory requirements.
- 11.5.5 When evaluating internal control systems Internal Audit should consider the effect which all the controls have on each other and or related systems. The stages of a systems audit include:

- 9.5.5.1. identifying the system parameters
- 9.5.5.2. determining the control objectives
- 9.5.5.3. identifying the expected controls to meet control objectives
- 9.5.5.4. reviewing the system against expected controls
- 9.5.5.5. appraising the controls designed into the system against control objectives.
- 9.5.5.6. testing the operation of controls in practice
- 9.5.5.7. giving an opinion based on audit objectives as to whether the system provides an adequate basis for effective control and whether it is properly operated in practice.

## **11.6 Evidence**

- 11.6.1 Internal audit evidence is information obtained by an internal auditor which enables conclusions to be formed on which recommendations can be based.
- 11.6.2 Internal Audit should determine what evidence will be necessary by exercising judgment in the light of the objectives of the internal audit assignment. This judgement will be influenced by the scope of the assignment, the significance of the matters under review, their relevance and the reliability of available evidence and the cost and time involved in obtaining it.
- 11.6.3 The collection and assessment of internal audit evidence should be reviewed to provide reasonable assurance that conclusions are soundly based and internal audit objectives achieved.



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11.6.4 Internal Audit should obtain the evidence considered necessary for the achievement of the internal audit assignment objectives. This is influenced by the following:

- 9.6.4.1. the level of assurance required
- 9.6.4.2. the objectives and scope of the audit assignment
- 9.6.4.3. the scale of activity under review and the degree of risk involved
- 9.6.4.4. the cost/benefit involved in obtaining evidence
- 9.6.4.5. the reliability of the evidence

11.6.5 The relevance of the internal audit evidence should be considered in relation to the objectives of the internal audit assignment. Reliable evidence can be achieved through the use of appropriate internal audit techniques which would normally be selected in advance, but which may be expanded or altered as necessary during, the internal audit assignment.

11.6.6 In order to place reliance on evidence, the Internal Audit Department should be satisfied with its nature, extent, adequacy, consistency and relevance to the internal audit assignment and with the methods governing its collection.

## **11.7 Reporting**

### **The internal audit activity will quarterly report to the Audit and Performance**

11.7.1 The primary purposes of internal audit reports are to provide management with an opinion on the adequacy of the internal control system, and to inform management of significant audit findings, conclusions, and recommendations.

11.7.2 The aim of every internal audit report should be:

- 9.7.2.1. to prompt management to implement recommendations for change leading to improvement in performance and control,
- 9.7.2.2. to provide a formal record of points arising from the internal audit assignment and, where appropriate, of agreements reached with management.

11.7.3 Reporting arrangements, including the format and distribution of internal audit reports, should be agreed with management. The Internal Audit manager should ensure that reports are sent to managers who have a direct responsibility for the unit being audited and who have the authority to take action on the internal audit recommendations.

11.7.4 Internal audit reports are confidential documents, and their distribution should therefore be restricted to, relevant line management, the Audit and Performance and the External Auditors.

11.7.5 The Internal Audit Department should produce clear, constructive, and concise written reports based on sufficient, relevant, and reliable evidence, which:

- 9.7.5.1. state the scope, purpose, extent, and conclusions of the internal audit assignment.



- 9.7.5.2. make recommendations which are appropriate and relevant, and which flow from the conclusions.
- 9.7.5.3. acknowledge the actions taken, or proposed, by management.
  
- 11.7.6 The Internal Audit Department should prepare flash reports to alert management to the need to take control, or when there are reasonable grounds for suspicion of fraud or theft.
- 11.7.7 Consideration should also be given to reporting where there is a significant change in the scope of the internal audit assignment or where it is desirable to inform management of progress. Interim reporting should not diminish or eliminate the need for final reporting.
- 11.7.8 The Internal Audit Activity should meet with management to discuss the audit findings during, and at the completion of fieldwork for each internal audit assignment and the formal written report should be presented to management as soon as possible thereafter.
- 11.7.9 Before issuing the final report, the Internal Audit should discuss the content with appropriate levels of management, and submit a draft report to them, for confirmation of factual accuracy.
- 11.7.10 If the Internal Audit and management disagree about the factual content of the draft audit report, internal audit should review the situation, if reference should be made to this in the final report. No manager may alter the content of any report by the Internal Audit to the Audit and Performance Committee but may furnish comment thereon on the agenda.
- 11.7.11 It is management's responsibility to ensure that proper consideration is given to internal audit reports. Internal Audit should ensure that appropriate arrangements are made to determine whether action has been taken on internal audit recommendations or that management has understood and assumed the risk of not taking such action.

## **12. CONCLUSION**

It is management's responsibility to maintain the internal control system and to ensure that resources are properly applied in the manner and to the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

Any amendments to this charter shall only be effective if approved by the Audit and Performance Committee in consultation with the Internal Audit Manager and the Accounting Officer.

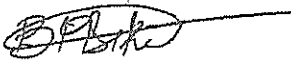
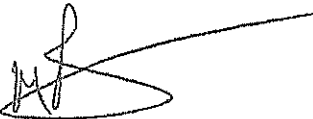



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**13. AMENDMENT AND APPROVAL OF THE CHARTER**

The Charter of the Internal Audit Function will be reviewed annually by the Internal Audit Manager to ensure that it is aligned to the Standards, the requirements of Ntabankulu Local Municipality and best practices. The Charter will be approved by the chairperson of the Audit Committee and accepted by the Accounting Officer of the Municipality on an annual basis.

**Document approval**

<b>Prepared by:</b> Name and Surname: Ms. B. Diko Title: Internal Audit Manager Date: 20/06/2023	Signature 
<b>Recommended by:</b> Name and Surname: Mr.M. Pinyana Title: Acting Municipal Manager Date: 20/06/2023	Signature 
<b>Approved by:</b> Name and Surname: Mr. S. Maharaj Title: Chairperson of the Audit Committee Date: 20/06/2023	Signature 
Approver comments:	