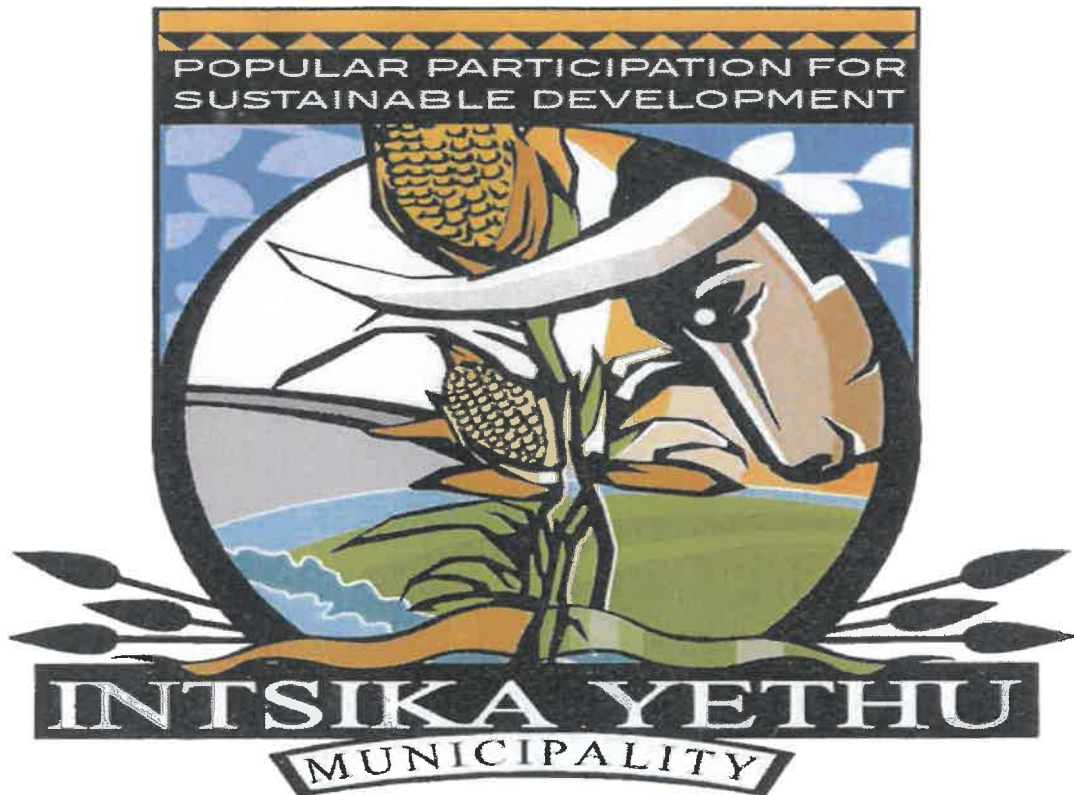


# **INTSIKA YETHU MUNICIPALITY**

## **EC 135**



### **INTERNAL AUDIT CHARTER**

### **FOR THE FINANCIAL YEAR**

### **2025/2026**



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## INTERNAL AUDIT CHARTER 2025/26



TERM	DESCRIPTION
<b>AC</b>	Audit Committee.
<b>Chief Audit Executive</b>	The leadership role responsible for effectively managing all aspects of the internal audit function and ensuring the quality performance of internal audit services in accordance with Global Internal Audit Standards.
<b>Municipal Manager</b>	The Accounting Officer of the municipality, irrespective of the designation of the post occupied by that official, as appointed by the organisation or any person lawfully acting in that capacity, or a person duly delegated the authority to perform tasks assigned to the Directors.
<b>Control processes</b>	The policies, procedures, and activities designed and operated to manage risks to be within the level of an organization's risk tolerance.
<b>Employee</b>	Any person other than an independent contractor who works for the Municipality and who receives, or is entitled to receive, any remuneration; and in any manner assists in carrying on or conducting the business of the Municipality, and "employed" and "employment" have corresponding meanings.
<b>EXCO</b>	The Executive Committee of the Municipality.
<b>Fraud</b>	Any intentional act characterized by deceit, concealment, dishonesty, misappropriation of assets or information, forgery, or violation of trust perpetrated by individuals or organizations to secure unjust or illegal personal or business advantage.
<b>Internal Audit Unit</b>	A professional individual or group responsible for providing an organization with assurance and advisory services.
<b>Internal Control</b>	A process effected by the municipality's council, management, and other personnel, designed to provide reasonable assurance regarding the achievement of objectives relating to operations, reporting, and compliance.
<b>Senior Management</b>	The highest level of executive management of an organization that is ultimately accountable to the Municipal Manager for executing the organization's strategic decisions, typically a group of persons that includes the chief executive officer or head of the organization.

## INTERNAL AUDIT CHARTER 2025/26



<b>King Code</b>	King IV Code on Corporate Governance and/or any successor Code.
<b>Manager</b>	An employee of the organisation who is directly responsible for the administration of an office, unit, department, section or branch of the organisation service, or his / her lawfully appointed nominee acting in that capacity.
<b>Management</b>	The managers of the Entity including EXCO
<b>MFMA</b>	The Municipal Financial Management Act, 56 of 2003

### INTERNAL AUDIT PURPOSE STATEMENT

#### PURPOSE

Internal auditing plays a critical role in enhancing the municipality's ability to serve public interest. While the primary function of internal auditing is to strengthen governance, risk management, and control processes, its effects extend beyond the municipality. Internal auditing contributes to the municipality's overall stability and sustainability by providing assurance on its operational efficiency, reliability of reporting compliance with laws and/or regulations, safeguarding of assets, and ethical culture. This in turn fosters public trust and confidence in the municipality and the broader systems of which it is a part.

Internal auditing strengthens the Intsika Yethu Municipality's ability to create, protect, and sustain value by providing the council and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

Internal auditing enhances the IYM's:

- Successful achievement of its objectives.
- Governance, risk management, and control processes.
- Decision-making and oversight.
- Reputation and credibility with its stakeholders.
- Ability to serve the public interest.



**APPROVAL SIGNATURE RECORD**

Approved by the Audit Committee at the meeting of

**CHAIRPERSON: AUDIT COMMITTEE**

**DATE: 27 JUNE 2025**

**1. LEGISLATIVE MANDATE AND STARNDARD FRAMEWORKS**

The Internal Audit carries out the mandate of the council and audit committee by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, governance and control processes, and to report on the integrity of the controls within the municipality.

Internal Audit can also provide advisory services at the specific request of the Council or Audit Committee of IYM, provided this does not compromise the independence of Internal Audit and such services are pre-approved to further safeguard the independence of the unit

Standard 6.2 - Internal Audit Charter requires that:

*The chief audit executive must develop and maintain an internal audit charter that specifies, at a minimum, the internal audit function's:*

- *Purpose of Internal Auditing.*
- *Commitment to adhering to the Global Internal Audit Standards.*
- *Mandate, including scope and types of services to be provided, and the council/AC responsibilities and expectations regarding management's support of the internal audit function.*
- *Organizational position and reporting relationships.*

*The chief audit executive must discuss the proposed charter with the Audit Committee and senior management to confirm that it accurately reflects their understanding and expectations of the internal audit function.*



*The Audit Committee must:*

- *Discuss with the chief audit executive and senior management other topics that should be included in the internal audit charter to enable an effective internal audit function.*
- *Approve the internal audit charter.*
- *Review the internal audit charter with the chief audit executive to consider changes affecting the organization, such as the employment of a new chief audit executive or changes in the type, severity, and interdependencies of risks to the organization.*

*Senior Management must communicate with the audit committee, and chief audit executive about management's*

*expectations that should be considered for inclusion in the internal audit charter*

*Section 165 of the Municipal Finance Management Act (MFMA) no 56 of 2003 and the King IV Report of 2017 on Corporate Governance give rise to the establishment of the Internal Audit Activity.*

## **2. PURPOSE OF THE CHARTER**

The purpose of the charter is to set out the internal audit function's mandate, organizational position, reporting relationships, scope of work, types of services, and other specifications of the Internal Audit Function (herein under referred to as the Internal Audit) within IYM, and to outline the scope of the Internal Audit work.

This document defines the role, organizational status, authority, responsibilities, and scope of activities of the internal audit function. It also includes the principles underlying the realization of the objectives of the function, and the translation thereof into operational activities

## **3. INTERNAL AUDIT AUTHORITY**

The internal audit function's authority is created by its direct reporting relationship to the audit committee. Such authority allows for free and unrestricted access to the audit committee, as well as all activities across the organisation, e.g. records, personnel, and physical property.

The internal audit is authorised to prepare risk-based internal audit plan(s) for internal auditing within the municipality.

In providing its assurance services, internal audit will examine and evaluate the adequacy and effectiveness of governance, risk management and



## **INTERNAL AUDIT CHARTER 2025/26**

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process controls implemented by the municipality to direct its activities towards the accomplishment of its objectives in accordance with municipal policies and regulations.

To provide effective and efficient assurance services with due professional care.

The internal audit personnel are authorised to have full, free and unrestricted access to all functions, records, information, municipal physical properties and personnel to achieve its mandate.

Internal Audit has authority to provide consulting services to the municipality but does not have the authority to assume management roles and responsibilities. Designing, connecting, installing and operating systems of internal control are non-audit functions. Internal Audit can, however, provide advice on the designing and implementation of internal controls without assuming responsibility.

No person shall obstruct or interfere with the work of internal auditors. All employees of IYM and contracted outside service providers shall give their full co-operation to the work of internal auditors.

The chief audit executive and internal audit personnel shall have full, free and unrestricted access to the municipal manager, the chairperson of the audit committee and the office of the Auditor-General.

The municipal manager may direct internal audit to perform non-audit functions, however, the responsibilities, nature of work, and established safeguards must be documented in the internal audit charter.

The chief audit executive must discuss with the audit committee and senior management any potential to impair the internal audit function's independence, either in fact or appearance.

### **4. INTERNAL AUDIT ORGANISATIONAL INDEPENDENCE**

Independence is freedom from conditions that may impair the ability of the internal audit function to carry out internal audit responsibilities in an unbiased manner.

The Chief Audit Executive will confirm annually to the audit committee the organisational independence of the internal audit function. This will include communicating incidents where independence may have been impaired, and the actions or safeguards employed to address the impairment.

The internal audit function shall report functionally to the audit committee and will have free and unrestricted access to the audit committee. This will be achieved through quarterly reports to the audit committee and communication in-between meetings with the chairperson of the audit committee.



## **INTERNAL AUDIT CHARTER 2025/26**

The internal audit function reports admiratively to the municipal manager with administrative reporting responsibilities, such as:

- Approving the internal audit function's human resources administration and budget.
- Approving the chief audit executive's expenses.

The chief audit executive has no current or proposed roles and responsibilities that have the potential to impair the internal audit function's independence, either in fact or appearance. Should this status change, the chief audit executive will advise the council/ audit committee and senior management of the types of safeguards to manage actual, potential or perceived impairments.

### **5. SCOPE**

Internal Auditors shall always conduct the work, or any other tasks assigned to them in accordance with the Global Internal Auditing Standards and shall further comply with the Code of Ethics for internal auditors, as published by the Institute of Internal Auditors (IIA). Internal Audit follows an integrated approach, which places emphasis on the identification of risks, the prioritising thereof and testing of controls over key risk areas. The integrated audit approach combines two types of audit engagements, i.e. assurance and consulting services.

#### **5.1 ASSURANCE ENGAGEMENTS**

These refer to the evaluation of the adequacy, effectiveness and efficiency of the Municipality's risk management, control and governance processes. The purpose of this is to provide reasonable assurance that these processes are functioning as intended and will enable the Municipality to achieve its goals and objectives, as well as provide recommendations on improving the organization's operations. Business systems, processes, operations, functions and activities within the organisation shall be subjected to internal audit's evaluation.

**Examples of assurance engagements to be provided are as follows:**

- Financial,
- Performance,
- Compliance and
- Information Technology



## **INTERNAL AUDIT CHARTER 2025/26**

**These refer to advisory and related engagements, the nature and scope of which should be agreed upon with the auditee management. The following categories of consulting engagements may be performed:**

- Formal consulting engagements: planned and subject to written agreement.
- Informal consulting engagements: routine activities such as participating on standing committees, limited life projects, ad hoc meetings and routine information exchange.

**The Internal Auditors should, however, maintain their objectivity and independence when drawing conclusions and offering advice to management. The following consulting services may be provided:**

- Counsel,
- Advice,
- Facilitation and
- Training.

The comprehensive scope of work of Internal Audit should provide reasonable assurance that the organisation's risk management; control and governance systems are effective and efficient. In areas where, in the opinion of the Internal Audit Manager, specialised audit skills are lacking within the unit, the services of external service providers may be employed.

All requests for the assistance by Internal Audit in the execution of special projects must be submitted in writing to the Chief Audit Executive and will be considered in relation to the availability of internal audit in accordance with the annual internal audit plan after approval by the Audit Committee

## **6. ACCOUNTABILITY**

**The Chief Audit Executive in the discharge of his duties, shall be accountable to Audit Committee to:**

- Provide annually an assessment on the adequacy and effectiveness of the Intsika Yethu Municipality's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work.



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- Report significant issues related to the processes for controlling the activities of the organisation and its affiliates, including potential improvements to those processes, and provide information concerning such issues through resolution.
- Periodically provide information on the status and results of the annual audit plan and the sufficiency of organisations resources; and
- Coordinate with and provide oversight of other control and monitoring functions (risk management, compliance, ethics, external audit).

### **7. RESPONSIBILITY**

#### **The Internal Audit Activity must prepare the following:**

- A rolling three-year strategic Internal Audit Plan based on its assessment of key areas of risk for the institution, having regard to its current operations, those proposed in its strategic plan and its risk management strategy,
- A flexible Annual Audit Plan using appropriate risk-based methodology including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval and
- Plans indicating the proposed scope of each audit in the annual Internal Audit plan.

#### **The Internal Audit Activity will be responsible to:**

- Assess the operational procedure and monitoring mechanisms over all transfers made and received, including transfers in terms of the annual Division of Revenue Act.
- Evaluate and assess new or changing services, processes, operations and control processes, (information technology-based or otherwise), coincident with their development, implementation, and / or expansion.
- Assist, facilitate or execute investigations of suspected fraudulent / irregular activities within the organization.



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- Issue at least quarterly reports to the Audit Committee summarizing results of audit activities and any other report(s) as circumstances may dictate.
- Maintain a professional audit staff with sufficient knowledge, skills and experience to meet the requirements of this charter. According to the new global internal auditing standards **3.2 Continuing Professional Development** was effective from January 2025 it is required that internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services. Internal auditors must pursue continuing professional development including education and training.

### 7.1. PLANNING

The Internal Audit Activity shall submit to the Audit Committee for approval, an Internal Audit plan, setting out the recommended scope of their work.

This plan should be based on the results of the annual risk assessment process and should allocate internal audit resources to the areas where the greatest risks are present. In addition, it should identify the costs of resources necessary to fulfil the plan. The plan should indicate the timing and frequency of the audit activities.

The annual Internal Audit plan should be developed with reference to a longer-term strategic outlook for internal audit work, prepared in conjunction with management and supported by them, and should have regard to the business plans and strategic outlook of the organisation.

### 7.2. REPORTING RESPONSIBILITY

As required by the International Standards for the Professional Practice of Internal Audit (ISPPA), Internal Audit reports functionally to the Audit Committee and administratively to the Accounting Officer.

After each audit, Internal Audit shall immediately issue a draft audit report on issues/findings to the Head of Department concerned.



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Management's comments and action plans should be received within 7 days from issuing the audit report.

A written final audit report will be issued to the Head of the Department within 5 days of receiving management's comments and an Executive Summary of the report will be submitted to the Municipal Manager.

Internal audit reserves the right to report any critical or significant issue directly to the Municipal manager or the Chairperson of the Audit Committee before consulting with Management.

**Internal Audit will report every quarter to the Audit Committee and Municipal Manager on the:**

- Status of the Internal Audit activities
- Significant findings and management action plans
- Follow-up on previously reported audit findings
- Internal Audit budgets and variances
- Internal Audit resources requirements
- Any significant deviations from the approved audit plan, staffing plans and financial budgets as well as reasons, thereto.

### **7.3 RELATIONSHIP WITH EXTERNAL AUDITORS AND REGULATORY BODIES**

In a combined assurance approach, the chief audit executive co-ordinates the internal audit function's assurance engagements with other assurance providers to reduce the frequency and redundancy of engagements, maximizing the efficiency of assurance coverage.

The chief audit executive may choose to rely on the work of other providers for various reasons, such as to assess specialty areas outside the internal audit function's expertise, to decrease the amount of testing needed to complete an engagement, and to enhance risk coverage beyond the resources of the internal audit function.

The external auditors are consulted in determining the activities of internal and external audit to minimise duplication of audit effort.



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### **This may involve:**

- Periodic meeting to discuss the planned activities
- The exchange of audit work-papers including systems documentation
- The exchange of management letters
- The forming of joint team where appropriate
- Internal audit carrying out certain (financial) audit work
- Evaluating the quality of services rendered to the municipality by the external auditors and
- Other aspects of the relationship between the organisation and the external auditors.

To the extent that it is necessary, relationship with regulatory bodies must be maintained by Internal Audit.

### **8. QUALITY ASSURANCE MATTERS**

- The Chief Audit Executive will establish and maintain a quality assurance programme to evaluate the operations of the internal auditing function.

#### **Quality control in Internal Audit will include the following:**

- The CAE shall maintain an ongoing system to measure performance of Internal Audit staff.
- A structured training programme shall be followed in order to develop the technical, conceptual and management abilities of the Internal Audit personnel.
- The audit approach followed shall be regularly evaluated to ensure that it conforms to the developments taking place within the Internal Audit field and
- As far as possible, the Chief Audit Executive and the Internal Audit Activity staff shall be members of the Institute of Internal Auditors and Chartered Institute of Government Finance Audit and Risk Officers.



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- An external assessment of the Internal Audit Activity should be conducted as prescribed by an independent qualified reviewer or review team.

### **Assessment of the Internal Audit function should include the evaluation of:**

- Compliance with the Institute of Internal Auditors Standards and Code of Ethics,
- Adequacy of the Internal Audit Charter, policies and procedures,
- Contribution to the organisation's risk management, governance and control processes,
- Compliance with applicable laws, regulations and government standards and
- Whether the IAA adds value and improves the organisation's operations.

## **9. STANDARDS FOR PROFESSIONAL PRACTICE**

- Internal Audit shall always meet, or exceed the Global Internal Auditing Standards and the Code of Ethics, as published by the Institute of Internal Auditors when conducting their work or any other tasks assigned to them.

## **10. AUDIT COMMITTEE MEETINGS**

- Internal Auditors shall provide secretarial services to the Audit Committee.
- An agenda of items for discussion, together with any supporting documents and information shall be distributed to all members of the Audit Committee, other interested members of Council and parties attending the meeting at least seven days prior to the date of the meeting.
- Any person who is going to attend a meeting may, not less than seven days prior to the meeting, request the Secretariat to add such items, as deemed necessary, to the agenda.



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### 11. EVALUATION OF PERFORMANCE

The assessment of the Internal Audit shall be evaluated on an annual basis as follows:

- Internal Audit to perform a self assessment in terms of this charter.
- Management shall also perform an evaluation at the end of each project and at the end of each financial year for all projects performed during the financial year
- The Audit Committee to perform a final evaluation of the effectiveness of the Internal Audit Activity.
- Results of annual assessment by the Internal Audit, Management and Audit Committee shall be summarised into one report and be presented to the Audit Committee for discussion and formulation of recommended improvements.

### 12. SUBMISSION

The Internal Audit Unit hereby requests an **APPROVAL** of the 2025/2026 Internal Audit Charter of Intsika Yethu Municipality by the Audit Committee.

#### Approval of Internal Audit Charter

Prepared by: \_\_\_\_\_

**Mr. L. Bango**  
Chief Audit Executive

30 JUNE 2025

Date

Accepted by: \_\_\_\_\_

**Mr. M. Mabono**  
Municipal Manager

30 JUNE 2025

Date

Approved by: \_\_\_\_\_

**Ms. V. Hlehliso**  
Chairperson - Audit Committee

30 JUNE 2025

Date