



FINANCE – INTERNAL CONTROL UNIT

INTERNAL CONTROL POLICY

DEPARTMENTAL CONTACT DETAILS	
Physical address	Tyamzashe Building Phalo Avenue Bhisho 5605
Postal address	Department of Cooperative Governance and Traditional Affairs Private Bag X0035 Bhisho 5605
Document Number	01
Document Name	Internal Control Policy
Contact Person	Mr M.S. Zitha
Designation	Acting CFO
Component	Internal Control
Telephone No.	040 940 7004 / 7024
Cell phone No.	079 514 8770
E-mail Address	mzwamandla.zitha@eccogta.gov.za
Date completed	29 July 2022
Date of Approval	See signatory section
Date for next Review	As and when the need arises
Related Policies	Risk Management and Internal Audit policies

Table of Contents

DEPARTMENTAL CONTACT DETAILS..... 2

SIGN OFF..... 4

I. Head of Department..... 4

II. Executive Authority..... 5

1. POLICY STATEMENT 6

2. PURPOSE..... 6

3. POLICY OBJECTIVES..... 6

4. LEGISLATIVE AND REGULATORY FRAMEWORK 7

5. TERMINOLOGY AND ABBREVIATIONS 7

6. DEFINITION OF INTERNAL CONTROL (IC) PROCESS 8

7. POLICY PRINCIPLES..... 8

7.1. COSO KEY PRINCIPLES INHERENT IN THE INTERNAL CONTROL POLICY 8

8. ROLES AND RESPONSIBILITIES REGARDING INTERNAL CONTROLS..... 10

8.1. ACCOUNTING OFFICER..... 10

8.2. MANAGEMENT AND OTHER EMPLOYEES 11

8.3. INTERNAL CONTROL UNIT (ICU)..... 12

9. REGISTRATION WITH THE PROFESSIONAL BODY 13

10. SCOPE OF APPLICATION..... 13

11. NON-COMPLIANCE..... 13

12. MONITORING AND EVALUTION 13

13. COMMUNICATION..... 13

14. REVIEW OF THE POLICY..... 13


15. APPROVAL OF THE POLICY 13

16. EFFECTIVE DATE..... 13

SIGN OFF


I. Head of Department

1. The policy on Internal Control has been **recommended** by **Mr. A.A. Fani**, in my capacity as Head of Department for Department Cooperative Governance and Traditional Affairs.
2. I am satisfied and concur with the contents of this Policy.
3. The implementation of the Internal Control Policy will assist the department in complying with all relevant policies and regulations, ensure that the department has and maintains an effective, efficient, and transparent systems of financial and risk management and internal control. This will assist in ensuring that the departmental assets are properly safeguarded to ensure that the department's objectives are achieved as planned.

Signed	
Designation	Head of Department: Mr A.A. Fani
Date	20/10/2022

II. Executive Authority

1. The Policy on Internal Control has been **approved** by **Mr. Z.A. Williams** in my capacity as the Member of the Executive Authority responsible for Department of Cooperative Governance and Traditional Affairs-Eastern Cape.
2. The Department of Cooperative Governance & Traditional Affairs has unprecedented opportunity to improve the lives of the people by effectively rendering many services that it is expected to provide. We have envisaged a department that has the required capacity to respond adequately to challenges of its people.
3. I therefore trust that the policy on Internal Control will contribute and assist positively towards the department's endeavour of creating an effective, efficient and transparent financial management to promote accountability and good governance.

Signed	
Designation	MEC: Honourable Z.A. Williams of Cooperative Governance and Traditional Affairs
Date	10 / 11 / 2022

1. POLICY STATEMENT

The Department is committed to taking steps to maintain an effective, efficient and transparent systems of financial and risk management and internal control. It further takes effective and appropriate disciplinary steps against any employee in the service of the department who commits an act which undermines the financial management and internal control system of the department.

All employees of the department ensure that the system of financial management and internal control established for the department is carried out within their areas of responsibility.

2. PURPOSE

The purpose of this policy is to ensure that: -

- 2.1 Accounting Officer, Management and Staff are in compliance with the department's policies, standards, procedures and all relevant Laws and Regulations.
- 2.2 The organization's strategic and business objectives, plans and programs are achieved.
- 2.3 The risk and gaps that could occur in the enterprise-wide risk management process of the department are managed.
- 2.4 The department's assets and resources, including its employees, systems and data/information bases are adequately managed and protected.

This policy therefore sets out the key internal control objectives and principles for COGTA as well as internal control related responsibilities of the Accounting Officer, Management and other employees, and the Internal Control Unit.

3. POLICY OBJECTIVES

Implementing a system of internal Control allows the organisation to stay focused on the strategic and business objectives, while operating within the confines of relevant policies, laws and regulation thereby minimising any surprises or risks along the way. Internal Control enables the organisation to deal more effectively with changing economic environment, leadership, priorities and evolving business models.

It promotes efficiency and effectiveness of operations and supports reliable reporting and compliance with Laws and Regulations. The Internal Control Policy is intended to strengthen the governance of COGTA's internal Control processes in its operations.

The objectives of the Internal Control Policy are to provide reasonable assurance to COGTA oversight bodies that:

- 3.1 Data and Information published either internally or externally is accurate, reliable and timely.
- 3.2 The actions of COGTA Accounting Officer, Management and Staff are in compliance with the department's policies, standards, procedures and all relevant Laws and Regulations.
- 3.3 The department's assets and resources, including its employees, systems and data/information bases are adequately protected.
- 3.4 The organization's strategic and business objectives, plans and programs are achieved.
- 3.5 The risk and gaps that could occur in the enterprise-wide risk management process of the department are managed.
- 3.6 The exposure to loss which relate to their particular area of operations have been identified and evaluated, and
- 3.7 Practical controlling process has been established that require and encourage the Accounting Officer, Management and Employees to carry out their duties and responsibilities in an efficient and effective manner.

4. LEGISLATIVE AND REGULATORY FRAMEWORK

- 4.1 The Constitution of the Republic of South Africa, ACT 108 of 1996.
- 4.2 Public Finance Management ACT, ACT 1 of 1999 as amended (S38 & 45).
- 4.3 Treasury Regulations as amended.
- 4.4 Practice Notes/Instruction Notes/Circulars/guidelines issued by National Treasury.
- 4.5 Internal Control Framework guides issued by Provincial Treasury.

5. TERMINOLOGY AND ABBREVIATIONS

COGTA	Department of Cooperative Governance and Traditional Affairs
ERM	Enterprise Risk Management
IA	Internal Audit Unit
ICU	Internal Control Unit
IC	Internal Control
PFMA	Public Finance Management Act

RA	Risk Assurance
TR	Treasury Regulations
IAU	Internal Audit Unit
IIC	Institute for Internal Controls

6. DEFINITION OF INTERNAL CONTROL (IC) PROCESS

IC is a process that is effected by a department's management and personnel and is designed to address risks/ potential risks and to provide reasonable assurance that in pursuit of the department's mission, the following general objectives are being achieved:

- (a) Effective, Efficiency, Economy and Accuracy of operations;
- (b) Fulfilling accountability obligations;
- (c) Complying with applicable laws and regulations; and
- (d) Safeguarding of Assets and resources against loss, misuse and damage.

In terms of COSO framework, it is an on ongoing process that is managed and impacted by management.

7. POLICY PRINCIPLES

7.1.COSO KEY PRINCIPLES INHERENT IN THE INTERNAL CONTROL POLICY

The guiding principles underpinning this policy include the following:

- **Control environment;**
- **Risk management;**
- **Control activities;**
- **Information and communication; and**
- **Monitoring activities.**

Only Control environment, Control activities and Monitoring activities will be broadly emphasized in this policy as follows: -

7.1.1. Control environment

The Accounting Officer and Management shall establish the tone from the top regarding the importance of Internal Control and the expected standards of conduct.

The Accounting Officer is assisted in carrying out his / her duties by various Sub-Committees and Management Committees.

The control environment is the foundation for all the principles of the Internal Control policy which provides discipline, process and structure.

The key principles relating to the control environment include:

- (a) The staff, management and political leadership demonstrates a commitment to integrity and ethical values.
- (b) The Accounting Officer and its Sub-Committees are independent from management and are responsible for providing oversight for the development and performance of internal controls.
- (c) Management, with oversight from the Accounting Officer, establishes structures, reporting lines and appropriate authority as per the delegations, to ensure that the strategic and business objectives are achieved.
- (d) Management and employees establish and implement various policies and procedures to ensure the achievement of strategic and business objectives; and
- (e) Management and employees design and implement an appropriate system of internal control across all levels of the organization.

7.1.2. Control activities

Control activities may be preventative or detective or corrective in nature and may encompass a range of manual and automated activities such as authorizations and approvals, verifications, reconciliations, physical controls, supervisory controls and performance reviews. Segregation of duties is typically built into the selection and development of control activities. The key principles relating to the control activities include:

- (a) Management and employees develop and implement control activities that contribute to the mitigation of risks to acceptable levels;

- (b) Management and employees develop and implement general controls activities over technology to support the achievement of objectives; and
- (c) Management and employees develop and implement control activities that ensure the reliability of Financial and Non-Financial Reporting as well as compliance with applicable laws and regulations.

7.1.3. Monitoring activities

Monitoring includes the process for evaluating the Departmental internal control system and reporting any deficiency findings, as well as providing assurance to Senior Management and the institution.

The key principles relating to Monitoring activities include:

- (a) On-going evaluations to ensure that the system of internal controls is designed and is functioning as intended; and
- (b) Independent reviews of the system of the internal controls are evaluated by internal and external auditors and findings or deficiencies are reported to senior management and the Accounting Officer.

8. ROLES AND RESPONSIBILITIES REGARDING INTERNAL CONTROLS

8.1.ACCOUNTING OFFICER

The Accounting Officer is ultimately accountable for the management of risk in the Department and is responsible for ensuring adequate and effective internal controls exist within the department.

The Accounting Officer shall be responsible for:

- 8.1.1 Providing oversight on the general operations of the department;
- 8.1.2 Providing oversight on the maintenance of internal controls to minimize risk and financial loss to the department; and
- 8.1.3 Ensuring the fair presentation of interim and annual financial statements.

Section 38 (1)(a) of the PFMA on “General responsibilities of Accounting Officers”, states that the Accounting Officer of a department must ensure that the department has and maintains an effective, efficient and transparent systems of financial and risk management and internal control.

Section 38(1)(h)(ii) states that the Accounting Officer for a department, trading entity or constitutional institution — (h) must take effective and appropriate disciplinary steps against any official in the service of the department, trading entity or constitutional institution who — (ii) commits an act which undermines the financial management and internal control system of the department, trading entity or constitutional institution.

8.2.MANAGEMENT AND OTHER EMPLOYEES

Section 45(a) of the PFMA on “Responsibilities of other officials” states that an official in a department must ensure that the system of financial management and internal control established for that department is carried out within the areas of responsibility of that official.

Management and employees are charged with the responsibility for establishing a network of processes with the objective of controlling the operations of the department. The day-to-day responsibility for designing, implementing and monitoring controls in the business processes rests with Management. The required systems of internal controls are identified, documented and regularly reviewed by management to ensure they are appropriate and relevant and that any necessary improvement is implemented.

Management and other employee’s key responsibilities are to:

- 8.2.1 Plan, develop, implement and monitor the required business policies, processes and systems to achieve the department’s objectives and strategies;
- 8.2.2 Identify, quantify, control and manage all exposures to loss and risks within the department in a prudent manner;
- 8.2.3 Implement and maintain adequate systems of internal control and monitor their continued effectiveness;
- 8.2.4 Ensure that all systems and processes are efficient, effective and economical;
- 8.2.5 Safeguard and maintain the quality of the assets of the department;
- 8.2.6 Monitor the performance of all aspects of the business activities of the department on a regular basis;

- 8.2.7 Implement those measures as recommended by the Risk Management Function, Internal and External Auditors as well as other Assurance Providers which, in their opinion will enhance controls at reasonable cost;
- 8.2.8 Comply with the delegations Framework;
- 8.2.9 Ensure that legislation, policies and procedures are strictly complied with;
- 8.2.10 Ensure compliance with the system of internal control and the Code of ethics; and
- 8.2.11 Ensure compliance with policies, standards, procedures and applicable legislation and regulations.

8.3.INTERNAL CONTROL UNIT (ICU)

Internal Control Unit minimises risks, help the department in safeguarding its assets and ensure that the department achieves its objectives.

The internal controls generally, contributes to the control over the department's activities, to ensure the efficiency of its operations and the efficient utilisation of its resources.

ICU key responsibilities are:

- 8.3.1 Supporting management in managing compliance risk in the organisation. It monitors whether effective compliance policies and procedures are implemented and applied and whether corrective action is taken when compliance breaches are identified (Compliance with Laws and Regulations).
- 8.3.2 Management of the financial losses (Unauthorised, Irregular and Fruitless & Wasteful Expenditure).
- 8.3.3 Consolidate the process of the Audit Improvement Plan (AIP) and monthly AIP reporting to Provincial Treasury.
- 8.3.4 Pre-Auditing in line with the set threshold and processes stated in the internal Control SOP, to ensure compliance and accuracy of information (Reliability of Financial information).
- 8.3.5 Verification of information to be included in the interim and annual financial statements.
- 8.3.6 Assess, evaluate, and advise on whether the system of internal controls is properly designed and is functioning as intended throughout the period (The application of the instructions and directional guidelines fixed by Executive management).

9. REGISTRATION WITH THE PROFESSIONAL BODY

The internal control practitioners are encouraged to register with the Institute of Internal Controls (IIC).

10. SCOPE OF APPLICATION

This policy is applicable to all employees of the department appointed in terms of the public service act, 1994 as (amended) and any person employed by the department on the temporary or contractual capacity.

11. NON-COMPLIANCE

Non-Compliance or breach of this policy may result in disciplinary action in accordance with the Department's Disciplinary Code and Procedure.

12. MONITORING AND EVALUTION

On a sample basis, Internal Control unit will evaluate the effectiveness of the departmental internal controls, annually.

13. COMMUNICATION

The policy on Internal Control will be communicated to all employees of the department and relevant stakeholders.

14. REVIEW OF THE POLICY

The policy will be reviewed as and when the need arises.

15. APPROVAL OF THE POLICY

As per paragraph 2 of this policy.

16. EFFECTIVE DATE

The policy shall become effective on the date it is signed by the Executive Authority responsible for the department.