



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

INTERNAL AUDIT CHARTER

2024/25

Departmental Contact Details	
Physical Address	Tyamzashe Building Phalo Avenue Bhisho 5605
Postal Address	Department of Cooperative Governance and Traditional Affairs Private Bag X 0035 Bhisho 5605
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Reference:

- Section 38(1)(a)(ii) and 77 of the PFMA (Act 1 of 1999 as amended by Act 29 of 1999).
- Treasury Regulations
- The Institute of Internal Auditors International Standards for the Professional Practice of Internal Auditing;
- The National Treasury Internal Audit Framework; and
- Provincial Treasury Guidelines.

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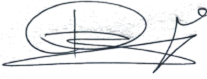
Prepared	
Designation	Chief Audit Executive Ms N Kweyama
Date	14 March 2024
Recommended	
Designation	Acting Head of Department Mr V Mlokothe
Date	25/03/2024
Approved	
Designation	Chairperson of the Audit Committee Mr PG Zitumane
Date	27/3/2024

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1. INTRODUCTION

- 1.1 The purpose of the Charter is to set out the nature, role, responsibilities, status and authority of the Internal Audit activity within the Department of Cooperative Governance & Traditional Affairs and to outline the scope of the internal audit work. This Charter is compiled in accordance with the Institute of Internal Auditors (“IIA”) “International Standards for the Professional Practice of Internal Auditing” (“Standards”) as adopted by Government in the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA) read in conjunction with the Treasury Regulations (TR).
- 1.2 In terms of TR 3.2.5 “the purpose, authority and responsibility of the Internal Audit function must, in consultation with the Audit Committee (AC), be formally defined in an internal audit charter and be consistent with the Institute of Internal Auditor’s (“IIA”) definition of internal auditing”.
- 1.3 In terms of TR 3.2.6 “Internal audit must be conducted in accordance with the standards set by the Institute of Internal Auditors”.

2. MANDATE

- 2.1 The Internal Audit function mandate is derived from the PFMA section 38, read in conjunction with TR section 3.2.
- 2.2 Section 38(1) (a) (ii) of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains: “A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77”.

3. CODE OF ETHICS

The Internal Audit Unit must abide by the Code of Ethics as outlined in the International Professional Practice Framework. All Internal Audit staff shall sign the acknowledgement that these rules of conduct have been explained to them and they agree to abide by them.

Rules of conduct

3.1 Integrity

The internal auditor:

- 3.1.1 shall perform their work with honesty, diligence, and responsibility.
- 3.1.2 shall observe the law and make disclosures expected by the law and the profession.
- 3.1.3 shall not knowingly be a party to any illegal activity or engage in acts that are discreditable to the profession of Internal Auditing or the Department.

3.2 Objectivity

The Internal Auditor:

- 3.2.1 shall not participate in any activity or relationship that may impair or be presumed to impair or bias their assessment or judgment. This participation includes those activities or relationships that may be in conflict with the interest of the department;
- 3.2.2 shall not accept anything that may impair professional judgment.
- 3.2.3 shall disclose all material facts known to them that, if not disclosed, may distort the reporting of findings under review.
- 3.2.4 shall report to the Chief Audit Executive (CAE) any situations in which an actual or potential impairment to independence or objectivity may reasonably be inferred, or if they have questions about whether a situation constitutes an impairment to objectivity or independence. If the CAE determines that impairment exists or may be inferred, she needs to reassign the auditor(s). Impairment to organizational independence and individual objectivity may include, but is not limited to, personal conflict of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations, such as funding.
- 3.2.5 If the Chief Audit Executive determines that independence or objectivity is impaired in fact or appearance, the details of impairment will be reported to the Audit Committee.
- 3.2.6 The Chief Audit Executive will disclose to the Audit Committee any interference and related implications in determining the scope of internal auditing, performing work, and/or communicating results.

3.3 Confidentiality

The Internal Auditor:

- 3.3.1 shall be prudent in the use and protection of information acquired in the course of their duties;
- 3.3.2 shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the department.

3.4 Competency

The internal auditor:

- 3.4.1 shall engage only in those services for which they have the necessary knowledge, skills, and experience;
- 3.4.2 shall perform internal auditing services in accordance with the standards for the professional practice of internal auditing;
- 3.4.3 shall continually improve their proficiency and the effectiveness and quality of their services.

4. MISSION OF INTERNAL AUDIT AND THE CORE PRINCIPLES

To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

4.1 CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

- 4.1.1 DEMONSTRATES INTEGRITY
- 4.1.2 DEMONSTRATES COMPETENCE AND DUE PROFESSIONAL CARE
- 4.1.3 IS OBJECTIVE AND FREE FROM UNDUE INFLUENCE (INDEPENDENT)
- 4.1.4 ALIGNS WITH STRATEGIES, OBJECTIVES, AND RISKS OF THE ORGANIZATION.
- 4.1.5 IS APPROPRIATELY POSITIONED AND ADEQUATELY RESOURCED.
- 4.1.6 DEMONSTRATES QUALITY AND CONTINUOUS IMPROVEMENT.
- 4.1.7 COMMUNICATES EFFECTIVELY.
- 4.1.8 PROVIDES RISK-BASED ASSURANCE.
- 4.1.9 IS INSIGHTFUL, PROACTIVE, AND FUTURE-FOCUSED.
- 4.1.10 PROMOTES ORGANISATIONAL IMPROVEMENT

5. THE PURPOSE OF INTERNAL AUDIT

- 5.1 The purpose of the Internal Audit function is to provide management with independent, objective assurance and consulting services designed to add value and to continuously improve the operations of the Department of Cooperative Governance & Traditional Affairs. It assists the Department of Cooperative Governance & Traditional Affairs to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Governance, Risk Management and Control processes.
- 5.2 The Internal Audit function assist the Accounting Officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.
- 5.3 The Internal Audit function recognizes and complies with the mandatory nature of the Definition of Internal Auditing, Code of Ethics, and the Standards.

6. ORGANISATIONAL INDEPENDENCE AND OBJECTIVITY

- 6.1 The organisational independence is clearly stipulated in section 3.2.9 of the TR “and must report directly to the accounting officer and shall report at all audit committee meetings. The function must be independent of activities that are audited, with no limitation on its access to information.”
- 6.2 To provide for independence, its personnel must report to the Chief Audit Executive (CAE), who reports functionally to the Audit Committee of the Department of Cooperative Governance & Traditional Affairs and administratively to the Accounting Officer of the Department through the relevant organisational reporting lines. Internal Audit function will be independent of the line and functional management of all Departments.
- 6.3 A representative of the audit committee will form part of the recruitment, performance management and dismissal process of the Chief Audit Executive in line with the prescriptions of the PSA.
- 6.4 The CAE shall confirm the organisational independence of the Internal Audit function, on an annual basis to the Audit Committee and Department of Cooperative Governance & Traditional Affairs’ top management.
- 6.5 Internal Audit Function must be free from interference in determining the scope of internal auditing, performing internal audit work and communicating results.
- 6.6 The CAE has unrestricted access to the chairperson of the Audit Committee and the Departmental Accounting Officer.
- 6.7 The CAE shall declare his/her conflicts of interest to the Accounting Officer of the Department of Cooperative Governance & Traditional Affairs in the annual declaration process in place and where applicable.
- 6.8 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.

7. AUTHORITY

- 7.1 The CAE and staff of the Internal Audit function are authorised to:
 - 7.1.1 Have unrestricted access to all functions, records, property and personnel relevant to the subject under review.
 - 7.1.2 Have full and free access to the respective Accounting Officer, Chief Financial Officer, Executive and the Chairperson of the Audit Committee.
 - 7.1.3 Allocate resources (at operational planning level), set frequencies of audits, select subjects, determine scope of internal audit work, and apply the techniques required to accomplish audit objectives.
 - 7.1.4 Obtain the necessary assistance of personnel in the department of Cooperative Governance & Traditional Affairs where they perform audits, as well as other specialised services from within or outside the department of the Cooperative Governance & Traditional Affairs.

7.2 The Chief Audit Executive has authority to determine the required resources (organizational structure and funding) to fulfil the mandate of the Internal Audit across the department and the Accounting Officer after input from the Audit Committee.

7.3 The Chief Audit Executive has authority to determine the model in which the available resources are going to be applied and allocated to the various sections within the department after input from the Audit Committee.

7.4 The Internal Audit is NOT authorized to:

7.4.1 Perform any operational duties for the department;

7.4.2 Initiate or approve accounting transactions;

7.4.3 Direct the activities of any employee in the department not employed by the internal auditing function, except to the extent if such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors;

8. RESPONSIBILITY

8.1 OBJECTIVE ASSURANCE RESPONSIBILITIES

Internal Audit Function must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach in the following areas:

8.1.1 Governance Processes

8.1.1.1 Internal Audit function should contribute to the Department's governance processes by evaluating and improving the governance processes in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the department of Cooperative Governance & Traditional Affairs;
- Evaluating the effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the department of Cooperative Governance & Traditional Affairs;
- Co-ordinating the activities of and communicating information among the management, external and internal audit;

8.1.1.1.1 Internal Audit function must evaluate the design, implementation, and effectiveness of the Department of Cooperative Governance & Traditional Affairs' ethics-related programmes and activities.

8.1.1.1.2 Internal Audit function must assess whether information technology governance of the department supports the organization's strategies and objectives.

8.1.2 Risk Management

8.1.2.1 Internal Audit function must evaluate the adequacy and effectiveness and contribute to the improvement of the risk management process.

8.1.2.2 Internal Audit function must evaluate risk exposures relating to the Departments' governance, operations and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

8.1.3 Control

8.1.3.1 Internal Audit function must assist the Department in maintaining an effective internal control system by evaluating their effectiveness and efficiency and by promoting continuous improvement.

8.1.3.2 Internal Audit function must evaluate the adequacy and effectiveness of the internal control system in responding to risks within the Departments' governance, operations and information systems regarding the:

- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies, procedures and contracts.

8.1.3.3 Internal Audit function must effectively communicate the results of the evaluation and ensure its effective contribution to the matured internal control framework of the Department.

8.1.3.4 Internal Audit Function must prepare for approval by the relevant Audit Committee:

8.1.3.4.1 A rolling three-year strategic internal audit plan based on its assessment of key risk areas for the department, trading entity or constitutional institution, taking into account its current operations, those proposed in its Strategic Plan and its Risk Management Strategy.

8.1.3.4.2 An annual detailed internal audit plan for the first year of the Rolling Three-year Strategic Internal Audit Plan.

8.1.3.4.3 Plans indicating the proposed scope of each audit in the Annual Internal Audit Plan.

8.1.3.4.4 Consider the scope of work of other assurance service providers including the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage and minimising duplication of efforts.

- 8.1.3.4.5 Internal Audit function must be alert to significant issues related to fraud, theft, corruption and other unethical conducts; and ensure proficient reporting of red flags through the organizational reporting process.
- 8.1.3.4.6 Internal Audit function must conduct follow-up audits to confirm implementation of management action plans and present results to executive management of the relevant departments.

9. CONSULTING ACTIVITIES RESPONSIBILITIES

- 9.1 To provide consulting services which will contribute to the better management of the Department's significant risks, without assuming management responsibilities.
 - 9.1.1 **IIA Standard 1112** states that where the Chief Audit Executive has or is expected to have roles/responsibilities that fall outside of internal auditing, safeguards must be in place to limit impairments to independence or objectivity.
- 9.2 The CAE will conduct an assessment of the consulting services' impact on the objective assurance services and reach a formal agreement with the Accounting Officer. The required services will be presented to the relevant Audit Committee for approval.
- 9.3 The following consulting services on issues relating to the governance, risk management and internal control processes could be rendered:
 - 9.3.1 Providing Executive Management with advice on the identification and assessment of significant risk exposures, with a view to improve the Department's control environment;
 - 9.3.2 Partake in steering committees as risk and internal control specialists making recommendations relating to process design;
 - 9.3.3 Facilitate a process of recommendation implementation in instances where competencies required are not available in the Department;
 - 9.3.4 Facilitate training that contributes to good corporate governance in the Department; and
 - 9.3.5 Evaluate and assess new or changing services, processes, operations, and control processes, (information technology-based or otherwise), and coincide with their development, implementation, and/or expansion.
 - 9.3.6 In areas, selected for audits and are found poor or lack internal control system, Internal Audit should provide advice to build an internal control system rather than proceed to follow planned assurance audit.

10. ADMINISTRATIVE RESPONSIBILITIES

- 10.1 The CAE will develop a suitable organisational structure and maintain a professional internal audit staff complement with sufficient knowledge, skills and experience to meet the requirements of this Charter; subject to budget availability.

- 10.2 The CAE will prepare reports quarterly to the Audit Committee detailing the Internal Audit Function's performance against the annual internal audit plan and other relevant information.
- 10.3 The CAE will develop and implement the three year Strategic and Annual Performance plan for Internal Audit function and prepare quarterly performance reports against the achievement of strategic objectives and goals to the Accounting Officer and the Audit Committee.
- 10.4 The CAE will develop the annual budget for the Internal Audit Sub - Programme and instil fiscal discipline within Internal Audit function and enforce compliance with other relevant and applicable legislation.
- 10.5 The CAE shall develop and implement a Quality Assurance and Improvement Programme in accordance with the Standards.

11. OVERSIGHT COMMITTEES AND OTHER STAKEHOLDERS RESPONSIBILITIES

- 11.1 The CAE will keep the Audit Committees informed of emerging trends and successful practice in Internal Auditing.
- 11.2 The CAE will facilitate the implementation of the Combined Assurance Model and ensure effective execution of its role in such a way that:
 - 11.2.1 The entire Department derives value for money and efficiency of operations.
 - 11.2.2 The legislative mandate and professional standards of all assurance providers are fully understood and compliance is achieved without encroachment of independence and the mandate of each assurance provider.
 - 11.2.3 Sustainment of the credibility of each assurance provider is guaranteed and preserved.
- 11.3 The CAE will prepare quarterly progress reports to the Audit Committee detailing the Internal Audit function performance against the Annual Internal Audit Plans.
 - 11.3.1 The CAE will prepare and present to the Audit Committee the resource requirements in order to enable the Audit Committee to assess its sufficiency to adequately deliver the mandate of Internal Audit function, at a level where organisational effectiveness is realised.
 - 11.3.2 The Chief Audit Executive shall communicate the results of follow-up audits emanating from Internal Audit work.

12. ACCOUNTABILITY

12.1 FUNCTIONAL ACCOUNTABILITY - AUDIT COMMITTEE

- 12.1.1 The CAE shall ensure that the Internal Audit Charter is reviewed and approved annually by the Audit Committee.

12.1.2 The CAE, in discharging of his/her duties, shall be accountable functionally to the Audit Committee to:

12.1.2.1 Approve the risk based Internal Audit plans;

12.1.2.2 Present quarterly reports to the Audit Committee detailing Internal Audit function's

12.1.2.3 performance against the annual internal audit plans and adequacy of the resources, to allow for effective monitoring and possible intervention.

12.1.2.4 Report significant issues related to governance, risk management and control processes.

12.1.2.5 The CAE shall communicate the results of the Annual Internal Plan and the 3-year rolling plan to the Audit Committee.

12.1.2.6 External Quality Assessments (QAR) to the Audit Committees.

12.1.2.7 The CAE shall present to the Audit Committees, an annual assessment on the adequacy and effectiveness of the Department's processes for controlling its activities.

12.2 FUNCTIONAL ACCOUNTABILITY - RELEVANT PARLIAMENT OVERSIGHT COMMITTEES

12.2.1 The Internal Audit function shall, through the Audit Committee present their overall assessment of the control framework within areas covered for the specific financial year to SCOPA and the relevant Standing Committee.

12.3 ADMINISTRATIVE ACCOUNTABILITY

12.3.1 The CAE, in discharging of his/her duties, shall be accountable administratively to the Accounting Officer of the department of Cooperative Governance & Traditional Affairs through relevant reporting lines in relation to:

12.3.2 Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency and utilisation of the internal audit resources monthly.

12.3.3 Communicate the results of the annual internal and the 5-yearly External Quality Assurance Assessment (QAR) to the Executive Management of Departments, and the Departmental top management team.

12.3.4 The overall management of the Internal Audit function as it pertains to:

Achievement of the strategic intent as outlined in the 3 year Strategic and Annual Performance Plans.

12.3.5 Management of the allocated budgets and day to day human resource management related issues.

13. QUALITY ASSURANCE, INTERNAL AND EXTERNAL REVIEW ASSESSMENT

The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.

The quality assurance and improvement program must include both internal and external assessments.

13.1 Internal Assessments

13.1.1 Ongoing monitoring of the performance of the internal audit activity; and

13.1.2 Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

13.2 External Assessments

13.2.1 External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The Chief Audit Executive must discuss with the board:

13.2.2 The form and frequency of external assessment; and

13.2.3 The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

15 AMENDMENT AND APPROVAL OF THE CHARTER

The Charter of the Internal Audit function will be reviewed annually by the CAE to ensure that it is aligned to the Standards; the requirements of the department of Cooperative Governance & Traditional Affairs and best practices. The Charter will be approved by the Audit Committee and accepted by the Accounting Officer of the department of Cooperative Governance & Traditional Affairs on an annual basis.

16 VERSION CONTROL AND CHANGE HISTORY

Version Control	Date Effective	Approved By	Amendment
2024	April 2024	Mr PG Zitumane (Chairperson of the Audit Committee)	No amendments