



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

INTERNAL AUDIT CHARTER

2025/2026

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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
- Global Internal Audit Standards (GIAS)
- The National Treasury Internal Audit Framework; and
- Provincial Treasury Guidelines.

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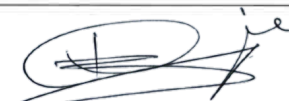
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1. INTRODUCTION

The Internal Audit Charter is developed in accordance with the prescripts of the Public Finance Management Act, Act 1 of 1999, as amended by Act 29 of 1999 (PFMA) and the Treasury Regulations and is aligned to the mandatory elements of the Global Internal Audit Standards (GIAS).

In accordance with Treasury Regulation 3.2.5 issued in terms of Section 76 of the Public Finance Management Act states that the purpose authority and responsibility of the internal audit function must, in consultation with the Audit Committee, be formally defined in an audit charter and be consistent with the Institute of Internal Auditors' (IIA) definition of internal auditing and the Global Internal Audit Standards (GIAS).

Global Internal Audit Standards, Domain III: Governing the Internal Audit Function, standard 6.2, states that the Chief Audit Executive must develop and maintain an Internal Audit Charter that specifies, at a minimum, internal audit function's:

- 1 Purpose of Internal Auditing.
- 2 Commitment to adhering to the Global Internal Audit Standards.
- 3 Internal Audit Mandate, which comprises authority, roles, responsibilities, scope, types of internal audit services to be provided, and the Audit Committee's responsibilities and expectations regarding management's support of the internal audit function.
- 4 Organizational position and reporting relationships.

The Internal Audit Charter under the Internal Audit mandate defines the authority, roles, responsibility, scope, and the Internal Audit service to be provided by Internal Audit function.

2. PURPOSE STATEMENT

Domain 1 on Global Internal Audit Standards states that the purpose of the Internal Audit function is to strengthen the Department of Cooperative governance 's ability to create, protect, and sustain value by providing the board and management with independent, risk-based, and objective assurance, advice, insight, and foresight.

The Internal Audit Function enhances the Department of Cooperative governance & Traditional Affairs

- 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.

Department of Cooperative Governance & Traditional Affairs Internal Audit Function is most effective when:

- Internal auditing is performed by competent professionals in conformance with The IIA's Global Internal Audit Standards, which are set in the public interest.
- The Internal Audit Function is independently positioned with direct accountability to the Audit Committee.
- Internal Auditors are free from undue influence and committed to making objective assessments.

3. AUTHORITY AND MANDATE

3.1 MANDATE

“The Internal Audit Activity has been established in the Department of Cooperative Governance and Traditional Affairs (COGTA) in terms of Section 38(1)(a)(ii) of the Public Finance Management Act (Act 1 of 1999) as amended and paragraph 3.2 of Treasury Regulations.”

Domain III, Governing the Internal Audit Function states that “The internal audit function receives its mandate from the Audit Committee. The mandate specifies the authority, role, and responsibilities of the internal audit function. The mandate empowers the internal audit function to provide the Audit Committee and senior management with objective assurance, advice, insight, and foresight. The internal audit function carries out the mandate by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of governance, risk management, and control processes throughout the organization”.

3.2 AUTHORITY

- Domain III, Governing the Internal Audit Function, states that the Audit Committee establishes, approves, and supports the mandate of Internal Audit function, this include establishing, maintaining, and assuring that the Department's Internal Audit has sufficient authority to fulfil its duties.

The Audit Committee will:

- Approve Internal Audit Charter.
- Approve risk-based Internal Audit plan timeously.
- Approve Internal Audit budget and resource plan.
- Receive timely communications from the Chief Audit Executive on performance relative to its plan and other matters.

- Concur with decisions regarding the appointment and removal of the Chief Audit Executive.
 - Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.
 - Provide inputs on the performance evaluation of the Chief Audit Executive.
- The Chief Audit Executive will have unrestricted access to, and communicate and interact directly with the Audit Committee, including in private meetings without management present.
 - The Internal Audit function of the Department has the authority to audit all the activities of the Department. The Accounting Officer must render assistance to Internal Audit unit and its staff in carrying out their audit duties.

The Charter authorises the CAE and staff to:

- Have unrestricted access to all operations, records, property, and personnel (including those under the control of third parties) pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Have full and free access to the Audit Committee.
- Allocate resources, set frequencies, select audit projects, determine the scope of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel in units of the department where they perform audits, as well as other specialized services within the department and
- Have access to the work of other assurance providers e.g., external auditors.

4. COMMITMENT TO ADHERING TO THE GLOBAL INTERNAL AUDIT STANDARDS

Domain III: Governing the Internal Audit Function requires Internal Audit function to be committed to adhere to the Global Internal Audit Standards (GIAS). The Chief Audit Executive will report annually to Senior Management and the Audit Committee regarding the unit's conformance to the Global Internal Audit Standards.

The Department of COGTA's Internal Audit Function will adhere to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, which are the Global Internal Audit Standards and Topical Requirements. The Chief Audit Executive will report periodically to the Audit Committee and Senior Management regarding the Internal Audit Function's conformance with the Standards, which will be assessed through a quality assurance and improvement program.

In addition, Internal Audit function will adhere to Departmental relevant policies and procedures and the internal audit activity's standard operating procedures manual (methodology).

Furthermore, Internal Audit acknowledges the King IV Report on Corporate Governance in South Africa which serves as a guide.

5. INTERNAL AUDIT STRATEGY

(Domain IV: Managing the Internal Audit Function)

The Chief Audit Executive must develop and implement a strategy for Internal Audit function that supports the strategic outcomes and success of the organization and aligns with the expectations of the Audit Committee, Senior Management, and other key Stakeholders.

Internal Audit Strategy will include a vision, strategic outcomes, and supporting initiatives for the Internal Audit function. The Internal Audit Strategy helps guide Internal Audit towards the fulfilment of its mandate.

6. INDEPENDENCE AND OBJECTIVITY

6.1 INDEPENDENCE

- Domain III: Governing the Internal Audit Function, standard 7.1, organizational independence requires that the Chief Audit Executive will report functionally to the Audit Committee and administratively to the Head of Department. This structure allows Internal Audit to have direct access to the Audit Committee while maintaining its operational independence from management.
- The Chief Audit Executive will ensure that Internal Audit function remains free from all conditions that threaten the ability of Internal Auditors to carry out their responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content.
- Domain III Governing the Internal Audit Function, Standard 7.1, on organizational independence requires the Chief Audit Executive will discuss with the Audit Committee and Senior Management any current or proposed roles and responsibilities that have the potential to impair the Internal Audit activity functions independence either in fact or in appearance.
- The Chief Audit Executive will advise the Audit Committee and Senior Management of the types of safeguards to manage the actual, potential, and perceived impairments.
- The Chief Audit Executive will confirm to the Audit Committee, at least annually, the organizational independence of the unit.

6.2 OBJECTIVITY

- Domain II Ethics and professionalism, standard, 2.1, Individual objectivity states that Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.
- Internal auditors will:
 - Disclose any impairment of independence or objectivity, in fact, or appearance, to appropriate parties.
 - Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.
 - Make balanced assessments of all available and relevant facts and circumstances.
 - Take necessary precautions to avoid being unduly influenced by their interests or by others in forming judgments.
- Internal Auditors will be aware of and manage potential biases.
- In line with Domain II: Ethics and Professionalism, Internal Auditors will complete and sign a declaration on Ethics and Professionalism.
- In line with Domain II: Ethics and Professionalism, Internal Auditors will complete and sign a declaration of ethics and professionalism before the start of each audit assignment.
- Internal Audit function will have no direct operational responsibility or authority over any activities audited. Accordingly, Internal Auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including;
 - Assessing specific operations for which they had responsibility within the previous year.
 - Performing any operational duties for the department or its affiliates.
 - Initiating or approving transactions external to the IAA; and
 - Directing the activities of any departmental personnel not employed by the Internal Audit Activity (IAA), except to the extent that such personnel have been appropriately assigned to auditing teams or to otherwise assist Internal Auditors.

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.

6.3 IMPAIRMENTS TO INDEPENDENCE AND OBJECTIVITY

6.3.1 IMPAIRMENT TO INDEPENDENCE

- Domain III: Governing the Internal Audit Function states that where the Chief Audit Executive has or is expected to have roles and/or responsibilities that fall outside of Internal Auditing, safeguards will be established to limit impairments to independence and objectivity. The Chief Audit Executive will advise the Audit Committee and Senior Management of the types of safeguards to manage actual, potential, or perceived impairments.
- If those areas of responsibility are subject to Internal Auditing, alternative processes to obtain assurance will be established, such as contracting with an objective, competent external assurance provider that reports independently to the Audit Committee.
- When the Chief Audit Executive is expected responsibilities that fall outside of internal auditing are temporary, assurance for those areas will be provided by an independent third party during the temporary assignment and for the subsequent 12 months. Also, the Chief Audit Executive will establish a plan to transition those responsibilities to management.

6.3.2 IMPAIRMENT TO INDIVIDUAL OBJECTIVITY

- Domain II: Ethics and Professionalism, Standard 2.3 requires that, if objectivity is impaired, whether in fact or appearance, the details of the impairment will be promptly disclosed to the appropriate parties.
- If Internal Auditors become aware of an impairment that may affect their objectivity, they must disclose it to the Chief Audit Executive (CAE) or a designated supervisor. If the CAE or supervisor determines that the impairment is affecting the auditor's ability to perform duties objectively, the CAE will discuss the impairment with the management of the activity under review, the Audit Committee, and/or Senior management, and determine the appropriate actions to resolve the situation.
- If an impairment that affects the reliability or perceived reliability of engagement findings, recommendations, and/or conclusions is discovered after the engagement is completed, the CAE will discuss the concern with the management of the activity under review, the Audit Committee,

Senior management, and/or other affected stakeholders, and determine the appropriate actions to resolve the situation.

7. RESPONSIBILITIES

Domain III: Governing the Internal Audit Function, standard 6.2 of Global Internal Audit Standards requires that the Chief Audit Executive has the responsibility to:

- To manage the Internal Audit function according to the Internal Audit Charter and the Global Internal Audit Standards.
- Submit, at least annually, to Senior Management and the Audit Committee a risk-based Internal Audit plan for review and approval.
- Communicate to Senior Management and the Audit Committee the impact of resource limitations on the Internal Audit plan.
- Review and adjust the Internal Audit plan, as necessary, in response to changes in Department's business, risks, operations, programs, systems, and controls.
- Communicate to Senior Management and the Audit Committee any significant interim changes to the Internal Audit plan.
- Ensure each engagement of the Internal Audit plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.
- Follow up on engagement findings and corrective actions, and report periodically to Senior Management and the Audit Committee any corrective actions not effectively implemented.
- Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.
- Provide annually, an assessment on the adequacy and effectiveness of the Department's internal control processes.
- Managing the Internal Audit Activity (IAA) appropriately for it to fulfil its mandate.
- Coordination with other assurance providers.
- Ensure Internal Audit function collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.
- Ensure trends and emerging issues that could impact the Department are considered and communicated to Senior Management and the Audit Committee as appropriate.

- Ensure emerging trends and successful practices in Internal Auditing are considered.
- Establish and ensure adherence to policies and procedures designed to guide the Internal Audit function.
- Ensure adherence to Department's relevant policies and procedures unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to senior management and the Audit Committee.
- Ensure conformance of Internal Audit function with the Standards, with the following qualifications:
 - If Internal Audit is prohibited by law or regulation from conformance with certain parts of the Standards, the Chief Audit Executive will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
 - If the Internal Audit is used in conjunction with requirements issued by [other authoritative bodies] (PFMA), the Chief Audit Executive will ensure that Internal Audit function conforms with the Standards, even if Internal Audit also conforms with more restrictive requirements of [other authoritative bodies] PFMA.

8. SCOPE OF INTERNAL AUDIT WORK

Internal Audit performs assurance and advisory assignments, in accordance with a risk-based Internal Audit approach. These assignments are delivered by means of risk-based and mandatory audits.

- Internal Audit renders assurance and advisory services within the following business units:
 - Risk- based Audits.
 - Mandatory Audits.
 - IT Audits (centralised at Provincial Treasury Transversal Unit).
- Types of Assurance Services offered:
 - General Assurance (e.g., Risk, Governance, and Internal Control processes);
 - Review of Financial Statements.
 - Audit of Performance information (AOPI).
 - Follow up on previous audits to verify if management actions have been implemented; and
 - Special/ad hoc audits.

Types of Advisory Services offered are:

- Advisory, facilitation, counselling without assuming management responsibility to assist the department to improve its processes.
- Continuous engagement with management to provide insights.

8.1. ASSURANCE ASSIGNMENT

- The scope of Internal Audit Activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the Audit Committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for the Department. Internal Audit assessments include evaluating whether:
 - Risks relating to the achievement of the Department's strategic outcomes are appropriately identified and managed.
 - The actions of Department's management, and contractors are in compliance with the Department's policies, procedures, and applicable laws, regulations, and governance standards.
 - The results of operations or programs are consistent with established goals and objectives.
 - Operations or programs are being carried out effectively and efficiently.
 - Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact the Department.
 - Information and the means used to identify, measure, analyse, classify, and report such information is reliable and have integrity.
 - Resources and assets are acquired economically, used efficiently, and protected adequately.

8.2. ADVISORY ENGAGEMENTS

- Internal Audit may perform advisory activities, the nature and scope of which will be agreed upon with the auditee, provided that Internal Audit does not assume management responsibility.
- Independence requires that Internal Audit should not be involved in the operations of the business or in designing, selecting, or implementing internal control measures. However, management may involve Internal Audit when considering major changes (e.g., development of new units, services, and systems), to provide input on the adequacy of designed controls to ensure senior management makes informed decisions. The eventual development and introduction remain the responsibility of management.

8.3. REPORTING

The Chief Audit Executive will report periodically to senior management and the Audit Committee regarding:

- Internal Audit 's purpose, authority, and responsibility.

- Internal Audit's plan and performance relative to its plan.
- Internal Audit's conformance with the mandatory elements of the IPPF and action plans to address any significant conformance issues.
- Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.
- Results of audit engagements or other activities.
- Resource requirements.
- Any response to risk by management that may be unacceptable to the Department.

9. ETHICS AND PROFESSIONALISM

Domain II: Ethics and professionalism on Global Internal Audit Services, states that the behavioural expectations for professional Internal Auditors, including Chief Audit Executive, will promote adherence to the principles and standards builds trust in the Internal Auditing profession, fosters an ethical culture within the Internal Audit function, and establishes a foundation for relying on the work and judgment of Internal Auditors.

All Internal Auditors will comply with the standards of ethics and professionalism. If Internal Auditors are subject to other codes of ethics, behaviour, or conduct, such as those of the Department, they are still expected to conform to the principles and standards of ethics and professionalism.

While Internal Auditors are responsible for ensuring their own conformance, the Chief Audit Executive will support and promote adherence to the principles and standards of ethics and professionalism by offering opportunities for training and guidance.

10. QUALITY ASSURANCE AND IMPROVEMENT PROGRAMME

- Domain III: Governing the Internal Audit Function, standard 8,3 of Global Internal Audit Standards requires that the Chief Audit Executive must develop, implement, and maintain a Quality Assurance and Improvement Program that covers all aspects of the Internal Audit function. The program includes two types of assessments:
 - External assessments.
 - Internal assessments.

- At least annually, the Chief Audit Executive will communicate the results of the Internal Quality Assessment to the Audit Committee and Senior Management. The results of the External Quality Assessments must be reported when completed. In both cases, such communications include:
 - The Internal Audit function's conformance with the Standards and achievement of performance objectives.
 - If applicable, compliance with laws and/or regulations relevant to Internal Auditing.
 - If applicable, plans to address the Internal Audit function's deficiencies and opportunities for improvement.
- In line with Standard 8.3, the Internal Audit function will maintain a Quality Assurance and Improvement Program (QAIP) that covers all aspects of Internal Audit services. The QAIP will include a review of the Internal Audit performance objectives, including its conformance with the GIAS, laws and regulations; ability to meet the Internal Audit mandate; and progress towards completion of the Internal Audit plan.
- An Internal Quality Assurance will be performed annually, and an External Quality Assurance will be performed every five years by an independent assessor or assessment team from outside the Internal Audit according to the IIA QAR Manual and the Global Internal Audit Standards.
- The Chief Audit Executive will communicate annually to Senior Management and the Audit Committee on Internal Audit's Quality Assurance and Improvement Program and the results of assessments (both internal and external assessments), including the action plans compiled by Internal Audit to address all recommendations of the Assessment Report.

11.COORDINATION OF ACTIVITIES AND RELIANCE WITH OTHER ASSURANCE PROVIDERS

- Domain IV: Managing the Internal Audit Function, Standard 9.5, Coordination and Reliance the role of the Chief Audit Executive (CAE) in the Combined Assurance process is to provide inputs that ensure the organization's risk management, governance, and control processes are effectively aligned. The CAE contributes by collaborating with other assurance providers, ensuring comprehensive coverage of key risks and that Internal Audit activities complement other assurance functions. The CAE helps to integrate Internal Audit findings with those of other assurance providers, fostering a holistic and coordinated approach to risk management and assurance. This will ensure there is no duplication of effort and that all key risks are adequately covered.
- Domain IV. Standard 9.5, Coordination and Reliance, states that the Internal Audit function relies

on the work of other assurance providers, the Chief Audit Executive will document the basis for that reliance and will be responsible for the conclusions reached by the Internal Audit function.

- Annually, the CAE will notify the AGSA, being the external auditor, of the activities of the Internal Auditing unit. This will be accomplished by:
 - An annual meeting between the Internal Audit and the AGSA to discuss the planned audit activities of both parties.
 - Periodic meetings to discuss plan audit scope and activities.
 - The exchange of audit reports and management letters and reports.
 - Regular communication and interaction between Internal Audit and the AGSA to foster good relations and minimize duplication of effort.
- Furthermore, Internal Audit will share information on perceived risk areas/control breakdowns identified during audit assignments with the Department's Chief Risk Officer.

12.AMENDMENT AND APPROVAL OF THE CHARTER

Changes to the Mandate and Charter

- Circumstances may justify a follow-up discussion between the Chief Audit Executive, Audit Committee, and Senior Management on the Internal Audit Mandate or other aspects of the Internal Audit Charter. Such circumstances may include but are not limited to:
 - A significant change in the Global Internal Audit Standards.
 - A significant acquisition or reorganization within the organization.
 - Significant changes in the Chief Audit Executive, Audit Committee, and/or Senior Management.
 - Significant changes to the organization's strategies, objectives, risk profile, or the environment in which the organization operates.
 - New laws or regulations that may affect the nature and/or scope of Internal Audit Services
- The Internal Audit Charter will be reviewed annually by the CAE to ensure that it conforms with the GIAS, the relevant legislation and that Internal Audit accomplishes its objectives.
- The Charter will be recommended by the Accounting Officer of the department of Cooperative Governance & Traditional Affairs and approved by the Audit Committee and signed on its behalf by the Chairperson of the Audit Committee on an annual basis.

7 13.VERSION CONTROL AND CHANGE HISTORY

Version Control	Date Effective	Approved By	Amendment
2025	April 2025	PG Zitumane (Chairperson of the Audit Committee)	Global Internal Audit Standards (GIAS) effected on the 09 February 2025.

