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A TOWN TO WORK, LEARN, PLAY AND PROSPER

**Oudtshoorn Municipality
Internal Audit Charter
December 2014**

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OUDTSHOORN MUNICIPALITY INTERNAL AUDIT CHARTER

1. PURPOSE

The purpose of this charter is to set out the nature, role, responsibility, status and authority of Internal Auditing within the Oudtshoorn Municipality, and to outline the scope of the internal audit work.

2. OBJECTIVE OF INTERNAL AUDIT

The objective of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the municipality's operations. It helps the municipality accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process.

3. APPROVAL

This charter establishes authority and responsibility conferred by management to the Internal Audit function. This charter will be reviewed at least annually by the Audit Committee and approved by the Council.

4. ROLE OF INTERNAL AUDIT

4.1 The role of Internal Audit in the Municipality is to assist the Municipal Manager and the Council to meet their objectives and to discharge their responsibilities by providing an independent appraisal of the adequacy and effectiveness of the controls set up by management to help run the municipality.

4.2 The controls subject to evaluation should encompass the following:

- 4.2.1 The information systems environment;
- 4.2.2 The reliability and integrity of financial and operational information;
- 4.2.3 The effectiveness of operations;
- 4.2.4 Safeguarding of assets; and
- 4.2.5 Compliance with laws, regulations, council directives and controls.

5. RESPONSIBILITIES OF MANAGEMENT

5.1 The Audit Committee is responsible for approval of the scope of internal audit work, and for recommending the action to be taken on the outcome of or findings from their work.

5.2 Management, in conjunction with the Municipal Manager, is responsible for:

- 5.1.2 Ensuring that a risk assessment is conducted regularly to identify emerging risks of the Council. A risk management strategy must then be drawn up and used by management to direct internal audit effort and priority;
- 5.1.3 Proposing the areas of investigation by Internal Audit;
- 5.1.4 Ensuring the Internal Audit function has –

- 5.1.4.1 The support of executive management;
 - 5.1.4.2 Direct access and freedom to report to the Municipal Manager and the Audit Committee;
 - 5.1.4.3 Free access to the books of account, records, cash, stores, property and other sources of relevant information.
- 5.1.5 Maintaining internal control, including proper accounting records and other management information suitable for running the Municipality;
- 5.1.6 Reviewing internal audit reports and the timely implementation of recommendations as considered appropriate, in the light of Council's resources.

6. RESPONSIBILITIES OF INTERNAL AUDIT

- 6.1 Internal audit assurance is provided through applying the Standards for the Professional Practice of Internal Auditing and the Code of Ethics of The Institute of Internal Auditors (IIA);
- 6.2 Internal audit provides assurance to the Municipality's stakeholders that the Municipality operates in a responsible manner by performing the following functions:
- 6.2.1 evaluating the Municipality's governance processes including ethics, especially the 'tone at the top' (i.e. Mayor, Councillors, Municipal Manager, Directors);
 - 6.2.2 performing an objective assessment of the effectiveness of risk management and the internal control framework;
 - 6.2.3 systematically analysing and evaluating business processes and associated controls; and
 - 6.2.4 providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.
- 6.3 The scope of possible activities that the internal audit function can engage in includes:
- 6.3.1 Monitoring the risk management infrastructure and practices;
 - 6.3.2 Reviewing the reliability and integrity of financial and operational information and the means used to identify, measure, classify and report such information;
 - 6.3.3 Reviewing the systems established by management to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports, and determining whether the Municipality is in compliance;
 - 6.3.4 Reviewing the means of safeguarding assets and, as appropriate, verifying the existence of assets;
 - 6.3.5 Appraising the economy and efficiency with which resources are employed;
 - 6.3.6 Reviewing operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned;

