



The Msunduzi Municipality

INTERNAL AUDIT UNIT

Auditing to Enhance, Protect and Promote Service Delivery'



INTERNAL AUDIT CHARTER

MAY 2019

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MSUNDUZI MUNICIPALITY- INTERNAL AUDIT FUNCTION

CHARTER AND TERMS OF REFERENCE

1. DEFINITIONS

For purposes of this policy, unless the context indicates otherwise, the –

“**Accounting Officer**” in relation to a municipality means the municipal official referred to in Section 60 of the Municipal Finance Management Act No. 56 of 2003 (“the MFMA”);

“**Audit Committee**” means an independent advisory body established in terms of Section 166 of the MFMA to advise the Municipal Council, Political Office Bearers, the Accounting Officer and management staff of the municipality on matters relating to internal financial control and internal audits, risk management, and others;

“**Auditor-General**” means the person appointed as Auditor-General in terms of Section 193 of the Constitution of the Republic of South Africa, Act 108 of 1996 (as amended) (“the Constitution”), and includes a person

- (a) acting as Auditor-General;
- (b) acting in terms of a delegation by the Auditor-General; or
- (c) designated by the Auditor-General to exercise a power or perform a duty of the Auditor-General.

“**Internal audit unit**” is a component within the Msunduzi Municipal Council that is established in terms of Section 165 of the MFMA;

“**Internal Controls**” are measures, methods, techniques, systems whether manual, electronic or otherwise, policies, procedures and processes that have been put in place by management to prevent, detect and correct a risk;

“**Municipality**” means a Msunduzi Municipality established in terms of Section 155 of the Constitution;

“**Municipal Council or Council**” means a municipal council of Msunduzi established in terms of Section 157 of the Constitution;

“Municipal Entity” means a company, co-operative, trust, fund or any other corporate entity established in terms of any applicable national or provincial legislation and which operates under the ownership control of one or more municipalities; and includes, in the case of a company under’ such ownership control, any subsidiary of that company; or a service utility;

2. PURPOSE

- 2.1 The purpose of this charter is to:
 - 2.1.1 define the purpose of internal audit activity, the authority and responsibility of internal audit Unit;
 - 2.1.2 establish the internal audit activity's position within the Municipality, including the nature of the Chief Audit Executive's administrative reporting relationship to Council;
 - 2.1.3 authorize access to records, information, personnel, and physical properties relevant to the performance of internal audit activity;
 - 2.1.4 defines the scope of internal audit activities; and
 - 2.1.5 provide guidance to the Municipality's Internal Audit Unit about main issues and procedures which it needs to consider as part of its work;
- 2.2 The Municipality's Internal Audit Unit should also have regard to the statements and standards issued by the accountancy, auditing and internal auditing bodies and the institute of Internal Auditor's (IIA) International Standards for the Professional Practice of Internal Audit (*Standards*) and also to any requirements regarding internal audit set out in relevant statutes or regulations.

3. LEGISLATION GOVERNING INTERNAL AUDIT FUNCTION

- 3.1 The Municipality's Internal Audit Unit is governed by the Municipal Finance Management Act No. 56 of 2003 (MFMA) which provides for the establishment of the Internal Audit Unit so as to regulate the function; and to provide for matters incidental thereto within municipality
- 3.2 The Municipal Council is required by section 165(1) of the Municipal Finance Management Act No 56 of 2003 to implement and maintain a system of internal audit under the control and direction of an audit committee subject to subsection (3) of the said act.
- 3.3 The Municipality's Internal Audit Unit subscribes to the IIA standards including the Code of Ethics.

4. ACCOUNTABILITY OF INTERNAL AUDIT UNIT

The Municipality's Internal Audit Unit is directly accountable functionally to the Audit Committee, as established in terms of section 166 of the MFMA. This accountability applies despite the administrative location of the Internal Audit Unit which is under the Accounting Officer.

5. OBJECTIVES AND SCOPE OF INTERNAL AUDIT UNIT

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

The Municipality's Internal Audit Unit shall provide assurance on the effectiveness and efficiency of the systems of internal control, risk management, governance and compliance with the Constitution of the Republic of South Africa and laws and regulation governing Local Government.

Internal auditors primary focus is not on the prevention, detection and investigation of fraud but is expected to be aware of the red flags indicating that fraud may have been committed.

The Municipality' Internal Audit Unit shall also perform consulting services such as forensic investigations, training, special reviews on certain functions and helping management with the implementation of turn- around strategies. All consulting activities shall be authorized by the Audit Committee before they are carried out with the exception of forensic investigations which can be performed by internal audit unit on their own accord or requested by the Accounting Officer or Executive Committee (Exco) of Msunduzi Municipality or Council or Audit Committee.

6. ROLE OF INTERNAL AUDIT

- 6.1 The role of the Internal Audit in the municipality is to assist the Accounting Officer and Council in meeting their objectives and to discharge their responsibilities by providing an independent and objective assessment of the adequacy of the design and effective operation of the system of internal controls embedded in business processes within the organization.
- 6.2 The internal controls subject to evaluation should encompass but not limited to the following:
- 6.2.1 The information system environment
 - 6.2.2 The reliability and integrity of financial and operational information
 - 6.2.3 The effectiveness of operations
 - 6.2.4 Safe guarding of assets; and
 - 6.2.5 Compliance with laws, regulations, council directives and controls.
- 6.3 Each internal auditor should have an objective attitude and should be in a sufficiently independent position to be able to exercise judgement, express opinions and present recommendations with impartiality.
- 6.4 Each internal auditor should be free from any conflict of interest arising from professional and personal relationships or other interests which s/he may be subjected to audit.
- 6.5 Each internal auditor should be free from undue influence which restricts or modifies the scope or conduct of the audit work, or significantly affects judgement regarding the content of any audit report.
- 6.6 The internal audit activity should:
- 6.6.1 Have no direct operational responsibility or authority over any of the activities reviewed;
 - 6.6.2 Neither develop nor install systems or procedures, prepare records, or engage in any activity that would normally be audited;
 - 6.6.3 Not initiate or approve accounting transactions external to the scope; and
 - 6.6.4 Avoid conflict of interest at all times.
- 6.7 Perform internal audits as outlined in the approved internal audit plan and any pertinent ad hoc reviews requested by the Accounting Officer, Management and the Audit Committee.
- 6.8 Internal auditor's primary focus is not on fraud detection but should be aware of the red flags indicating that fraud may have been committed.

- 6.9 Detection and Deterrence of fraud is the responsibility of management; however, the Municipality's Internal Audit Unit is responsible for examination and evaluating the adequacy and effectiveness of actions taken by management to fulfil this obligation.

7. RESPONSIBILITIES OF THE MUNICIPALITY'S INTERNAL AUDIT UNIT

- 7.1 Internal audit assurance is provided through applying Section 165 of the MFMA, No. 56 of 2003, IIA standards and IIA Code of ethics.
- 7.2 The Internal Audit Unit provides assurance to the municipality's stakeholders in a responsible manner by performing the following functions:
- 7.2.1 Evaluating the municipality's governance processes including ethics, especially the "tone at the top", i.e. the Mayor, Councillors, Accounting Officer, Senior Management and staff;
 - 7.2.2 Performing an independent and objective assessment of the effectiveness of risk management and the system internal controls;
 - 7.2.3 Systematically analysing and evaluating business processes and associated controls including mitigating controls; and
 - 7.2.4 Providing a source of information, as appropriate, regarding instances of fraud, corruption, unethical behaviour and irregularities.
- 7.3 The responsibilities of the Municipality's Internal Audit Unit as laid down in the MFMA and IIA standards are as follows:
- 7.3.1 The Municipality's Internal Audit Unit has access to all records and properties of the municipality and any information in the custody and control of any person employed by the Municipality's and third parties contracted or doing a business with the municipality that is necessary for the performance of its duties.
 - 7.3.2 The Municipality's Internal Audit Unit must -
 - a) examine and evaluate the business processes and related systems of internal control of the municipality and assist management in assessing risks;
 - b) investigate any matter -
 - i. it deems necessary; or

-
- ii. referred to it in writing by Member of Cabinet responsible for Corporate Governance and Traditional Affairs or Member(s) of Executive Council (MEC) of the Province of KwaZulu-Natal (i.e. Cabinet), Minister responsible for Corporative Governance and Traditional Affairs and National Treasury, Office of the Presidency, any Member of Parliament or Audit Committee or Auditor-General or Mayor or Exco or an Accounting Officer of the Municipality or member of public; or
 - iii. against an Accounting Officer which has been submitted directly to the relevant MEC by a member of the public for referral to the Municipality's Internal Audit Unit; or
 - iv. against a Mayor or member of the Council which has been submitted directly to the relevant MEC by a member of the public for referral to the Municipality's Internal Audit Unit;
- c) prepare a three-year risk based audit plan and an annual audit plan to be approved by the Audit Committee;
 - d) report to the Accounting Officer any irregularities or significant control weaknesses occurring in the business units;
 - e) make recommendations to the Accounting Officer to remedy any deficiencies occurring in the municipality;
 - f) report to the Audit Committee the results of all audits or other assignments undertaken by the Internal Audit Unit, and the status of its completed work compared to the approved annual audit plan;
 - g) make any recommendations it deems fit for consideration by the Audit Committee; and
 - h) prepare an Internal Audit Charter for the Municipality's Internal Audit Unit which must be approved by the Audit Committee.

8. RESPONSIBILITIES OF MANAGEMENT

- 8.1 The Accounting Officer, in conjunction with management, is responsible for:
 - 8.1.1 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;

- 8.1.2 Proposing focus areas for internal audit reviews
- 8.1.3 Ensuring that ad hoc requests are formalized in a form of a written memo signed off by the requesting manager or through an email and detailing what is expected from internal audit.
- 8.1.4 Ensuring the Internal Audit Unit has-
 - a) The support of Council, Executive Committee, Portfolio Committees, Municipal Public Account Committee, Accounting Officer and Senior Management;
 - b) Direct access and freedom to report to the Accounting Officer and the Audit Committee;
 - c) Free access to the financial records, property, officials and other sources of relevant information.
 - d) Prioritizing internal audit reports and the timely implementation of recommendations as considered appropriate, in the light of Council's resources.

9. INTERNAL AUDIT UNIT'S RESPONSIBILITY WITH REGARD TO FRAUD AND CORRUPTION AND OTHER IRREGULARITIES

- 9.1 The Municipality's Internal Audit Unit shall consider all possibilities of material irregularities or non-compliance when conducting its activities.
- 9.2 When the Municipality's Internal Audit Unit staff member suspects wrongdoing he or she shall report to the Chief Audit Executive who shall in turn report to the Audit Committee immediately and to the Accounting Officer.
- 9.3 When the Municipality's Internal Audit Unit have a strong suspicion that the Accounting Officer has played a role in suspected fraud, corruption, theft, maladministration, mismanagement or any other serious irregularity, such cases shall be reported directly to the Municipality's Audit Committee.
- 9.4 Where suspicion is aroused or there are reasonable grounds for suspicion, the Municipality's Internal Audit Unit must go behind the documents and the numbers to track down improprieties.
- 9.5 In addition to understanding control systems, internal auditors should be aware of the kind of fraud that could be practiced.

- 9.6 In order for the Municipality's Internal Audit Unit to be more successful in detecting fraud, they should develop a greater awareness of how it occurs and why.
- 9.7 The Municipality's Internal Audit Unit shall recommend whatever investigation is considered necessary in the circumstances.
- 9.8 Detection and Deterrence of fraud is the responsibility of management; however, the Municipality's Internal Audit Unit is responsible for examination and evaluating the adequacy and effectiveness of actions taken by management to fulfil this obligation.
- 9.9 Internal auditors should have sufficient knowledge of fraud to be able to identify indicators that fraud might have been committed.
- 9.10 Internal Auditors are responsible for conducting investigations.
- 9.11 Internal Auditors are responsible for issuing interim and final reports during and at the conclusion of the investigation phase. The final report shall include all findings, conclusions, recommendations and corrective measures.
- 9.11.1 **Chief Audit Executive** shall report all cases of criminal activities to the Municipal Council and MMAC for registration of the case with South African Police Services (SAPS) for criminal investigation and prosecution as required by Section 37 of Prevention and Combating of Corrupt Activities Act, Act No. 12 of 2004.
- 9.11.2 **Chief Audit Executive** shall review the effectiveness of the monitoring methods on all criminal investigations reported by the Municipal Council to the SAPS and report regularly MMAC.

Internal Auditors should always be mindful of the fact that a refusal to see the obvious, a failure to investigate the doubtful, if sufficiently gross, may furnish evidence leading to an inference of fraud. This means that heedlessness and reckless disregard of consequences may take the place of deliberate intention.

10. RESPONSIBILITY TO THE ACCOUNTING OFFICER

The Municipality's Internal Audit Unit is responsible to the Accounting Officer to ensure that it gives assurance as to the effectiveness and efficiency of the systems of internal controls employed in the municipality which the function serves as well as governance and risk management. This should not, however, be construed as channelling the Internal Audit's direct responsibility to the Accounting Officers as this function reports to the Audit Committee as laid out in Section 3 of this charter.

11. FUNDAMENTAL PRINCIPLES GOVERNING THE INTERNAL AUDIT UNIT

The Municipality's Internal Audit Unit shall be guided by the principles as laid down in the following paragraphs. These principles are designed to ensure that the unit demonstrates a high degree of independence, objectivity, professionalism and skills as reasonably expected from a body of this stature.

The essentials for effective internal auditing are:

11.1 Independence:

11.1.1 The Municipality's Internal Audit Unit has the independence in terms of organizational status and personal objectivity which permits the proper performance of its duties. The Municipality's Internal Audit Unit is independent as it reports to the Audit Committee functionally.

11.1.2 Independence is achieved through the organizational status of the Municipality's Internal Audit Unit and the objectivity of internal auditors is ensured by the Chief Audit Executive through interaction with staff and reviews of working paper files and reports prepared by internal auditors.

11.1.3 The status of the Municipality's Internal Audit Unit enables it to operate effectively. The support of management is essential. The municipality Internal Audit Unit should be involved in the determination of its own priorities, in consultation with management. Accordingly, the Chief Audit Executive has direct access to, and freedom to report to, all senior management including the Audit Committee.

11.1.4 Each internal auditor has an objective attitude of mind and sufficiently

independent position to be able to exercise judgment, express opinions and present recommendations with impartiality:

- a) The Municipality's Internal Audit Unit notwithstanding its employment by the municipality should be free from any conflict of interest arising either from professional or personal relationships or other interests in the municipality or activity which it subjects to audit.
- b) The Municipality's Internal Audit Unit should be free from undue influences which either restrict or modify the scope or conduct of its work or over-rule or significantly affect judgment as to the content of the internal audit report.
- c) The Municipality's Internal Audit Unit should not allow its objectivity to be impaired when auditing an activity for which it has authority or responsibility.
- d) The Municipality's Internal Audit Unit should be consulted about significant proposed changes in the internal control system, policies and the implementation of new systems and should make recommendations on the standards of control to be applied. This need not prejudice the Municipality's Internal Audit Unit's objectivity in subsequently reviewing those systems.
- e) The Municipality's Internal Audit Unit should not undertake non-audit duties. However, should the internal auditors be required to do so, management should understand that they are not acting as auditors.

Where any of the situations referred to above arise, this must be clearly declared by the Municipality's Internal Audit Unit so that consideration can be given to the need for alternative arrangements for the audit assignment.

11.2 Staff and Training:

- 11.2.1 Internal auditors should be properly trained to fulfil all their responsibilities.
- 11.2.2 The effectiveness of the Municipality's Internal Audit Unit depends substantially on the quality, training and experience of its staff. Staff should be appointed with the appropriate education and training, experience, positive attitude, aptitude, personal qualities and potential to grow. Steps should be taken to provide the necessary training and continuing professional education.
- 11.2.3 The Municipality's Internal Audit Unit should be suitably qualified and possess a wide experience of internal audit.
- 11.2.4 The Chief Audit executive should participate in the recruitment and selection of his/her staff. New entrants to Internal Audit Unit should have time to familiarize themselves with the programmes, projects, initiative and activities of the Municipality, the local government mandate and activities as well as Internal Audit Unit and be able to demonstrate their suitability for internal audit activities.
- 11.2.5 The Chief Audit Executive has a responsibility of ensuring that the internal auditor receives the necessary training for the performance of the full range of duties.
- 11.2.6 Training should be tailored to the needs of the individual. It should include both the theoretical and technical knowledge and its practical applications under the supervision of suitably competent and experienced internal auditors.
- 11.2.7 Account should be taken in terms of:
- a) internal audit objectives and priorities;
 - b) the type of internal audit work;
 - c) previous training, experience and qualifications; and
 - d) personal development in the light of the needs of the municipality and the Municipality's Internal Audit Unit
- 11.2.8 Training is a planned and continuing process at all levels and covers:
- a) basic training - providing the knowledge of basic auditing principles and practices which all internal auditors should possess;

- b) development training - in general audit skills and techniques and inter-personal skills, to improve the effectiveness of those currently employed in internal audit, and
- c) specialized training - for those responsible for the internal audit activities which require skills or knowledge.

11.2.9 The internal auditor should keep abreast of current developments, improvements, new techniques and practices in auditing as well as International Standards for the Professional Practice of Internal Auditing (*Standards*)

11.2.10 The internal auditor should maintain technical competence through professional development which includes:

- a) private reading and studying; and
- b) participation in professional activities such as attending meetings, courses and conferences, lecturing, writing articles and papers and contributions to research groups.

11.2.11 The Chief Audit Executive: Internal Audit Unit should co-ordinate, and keep under review, the training requirements of internal auditors. Should be responsible for preparing training profiles which identify the training needs requirements for different levels of internal auditors, and should maintain personal training records for each individual.

11.3 Relationships:

The Municipality's Internal Audit Unit should seek to foster constructive working relationships and mutual understanding with management, the Audit Committee and the external auditors. This relationship should not compromise or be seen to be compromising the internal auditor's independence and objectivity.

11.3.1 Relationship with Management

- a) The Chief Audit Executive should prepare the internal audit plan independent of management and consult with senior management on issues of concern in their areas of operation that they would wish included in the three year rolling audit plan and annual plan. The Chief Audit Executive should arrange the

timing of internal audit assignments in consultation with the Accounting Officer and his General Managers (GM's), except on those rare occasions where an unannounced visit is a necessary as part of the audit approach

- b) Matters which may arise in the course of the audit are confidential and discussion is restricted to management directly responsible for the area being audited unless they impact on other departments the discussion may be broadened.
- c) Discussion with management is necessary when preparing the audit report. This should be an essential feature of the good relationship between the internal auditors and management.

11.3.2 Relationship with the Audit Committee

- a) The Chief Audit Executive should report and liaise with the Audit Committee on a regular basis on matters affecting and pertinent to the Municipality's Internal Audit Unit. Direction and guidance should be sought from the Audit Committee on a regular basis.
- b) The Audit Committee must be appraised on regular on internal audit activities.
- c) Recommendations not implemented by management should be tabled at the Audit Committee meetings for direction and resolution.

11.3.3 Relationship with External Audit

- a) The aim should be to achieve mutual recognition and respect, leading to joint improvement in performance and the avoidance of unnecessary duplication of effort. External and internal audit rely on each other's work, subject to limits determined by their different responsibilities, objectives and reporting requirements. Consultations should be held and consideration given to whether any work of either party is adequate in coverage and pitch for the purpose of the other.
- b) Regular meetings should be held between internal and external audit at which joint audit planning, priorities, scope and audit

findings are discussed and information exchanged.

11.4 Confidentiality

- 11.4.1 Internal Auditors have an obligation to respect the confidentiality of information about the client's affairs. The duty of confidentiality continues even after the completion of the assignment. This duty must be observed by the internal auditors unless specific authority has been given to disclose information or there is a legal or professional duty to disclose.
- 11.4.2 Confidentiality is not only a matter of disclosure of information. It also requires that internal auditors acquiring information in the course of performing audit services shall neither use nor be seen to be using that information for personal advantage or for the advantage of a third party.
- 11.4.3 Internal Auditors should consult the Chief Audit Executive or the Audit Committee for guidance and advice if there is pressure to disclose information to parties other than management of the Municipality, the Accounting Officer of the Municipality or the Audit Committee.

11.5 Proficiency

- 11.5.1 The Municipality's Internal Audit Unit must be appropriately staffed in terms of qualifications, experience, skills and other competencies that are relative to its responsibilities and objectives.
- 11.5.2 Individual internal auditors must possess the knowledge, skills, and other appropriate competencies required to perform their responsibilities.

11.6 Due Professional Care:

- 11.6.1 The Municipality's Internal Audit Unit must exercise due professional care in fulfilling its responsibilities.
- 11.6.2 In order to demonstrate that due care has been exercised, the Municipality's Internal Audit Unit must be able to show that its work has been performed in a way which is consistent with the *Standards*.
- 11.6.3 The Municipality's Internal Audit Unit should possess a thorough

knowledge of the aims of the Municipality and the internal control system. The Municipality's Internal Audit Unit must also be aware of the relevant law and the requirements of relevant professional and regulatory bodies.

11.6.4 The *Standards* and statements issued by the Institute of Internal Auditors are relevant to the work of the Municipality's Internal Audit Unit.

11.6.5 The Municipality's Internal Audit Unit should be impartial in discharging all its responsibilities; bias, prejudice or undue influence must not be allowed to limit or override objectivity. At all times, the integrity and conduct of each internal auditor must be above reproach. He/ she must not place himself in a position where responsibilities and private interests' conflict and any personal interest should be declared.

11.6.6 The Chief Audit Executive should promote and maintain adequate quality standards in the work performed by the unit. He/ She should establish methods of evaluating the work of his staff to ensure that the function fulfils its responsibilities and has proper regard to this statement.

12. PLANNING, CONTROLLING AND RECORDING THE FUNCTIONS OF THE INTERNAL AUDIT ACTIVITY

Internal audit work should be planned, controlled and recorded in order to determine priorities, establish and achieve objectives, and ensure the effective and efficient use of audit resources.

12.1 Planning

The Municipality's Internal Audit Unit should prepare strategies, periodic and operational work plans. The periodic plan, July to June each financial year, should schedule audit assignments to be carried out in the ensuing period. It should define the objective, scope and duration of each audit assignment and allocate staff and other resources accordingly and must be formally approved by the Audit Committee. All internal audit plans should be sufficiently flexible to respond to changing priorities.

12.2 Controlling

Control of the Municipality's Internal Audit Unit and the individual assignments is needed to ensure that internal audit objectives are achieved and work is performed efficiently and effectively. The most important elements of control are the direction and supervision of the internal audit staff and review of their work. This is assisted by an established audit approach and standard documentation. The Chief Audit Executive shall ensure that the necessary degree of control and supervision is exercised, which will depend on the complexity of the assignment and the experience of the auditor.

12.3 Recording

Internal audit work should be recorded at all times. The Chief Audit Executive should specify the required standard audit documentation and working papers and should ensure those standards are maintained. Internal audit working papers should be sufficiently completed and detailed to enable an experienced internal auditor with no previous connection with the assignment to subsequently ascertain from them what work was performed to support the conclusions reached. Working papers must be prepared as the audit assignment proceeds so that the critical details are not omitted and problems not overlooked. These should then be reviewed by the Manager: Assurance. The Municipality's Internal Audit Unit should obtain sufficient, relevant and reliable evidence on which to base reasonable conclusions and recommendations.

12.4 Reporting and Follow-up

12.4.1 The Municipality's Internal Audit Unit should ensure that findings, conclusions and recommendations arising from each assignment are communicated promptly to the appropriate level of management and actively seek comments and proposed action plan. They should ensure that arrangements are made to follow-up audit recommendations in order to monitor what action has been taken on them.

12.4.2 The primary purpose of internal audit reports is to provide management with an opinion on the adequacy of design of the system of internal control as well as whether they are operating effectively as intended.

12.4.3 Reporting arrangements, including the distribution of internal audit reports, should be agreed with management. Internal audit reports are

confidential documents and their distribution should therefore be restricted to those managers who need to know, Accounting Officer, the Audit Committee and Auditor-General.

13. EVALUATION OF THE INTERNAL AUDIT FUNCTION

13.1 to ensure continuous improvement of the Internal Audit function consistent with the requirements of IIA *Standard* 1300 on Quality Assurance and Improvement Program, an annual independent assessment will be requested to be completed by the following:

13.1.1 The Chief Audit Executive (**Annexure A**)

13.1.2 The Municipality's management (**Annexure B**)

13.1.3 The Audit- Committee (**Annexure C**)

13.1.4 The Auditor- General (**Annexure D**)

14. CONCLUSION

14.1 To achieve full effectiveness, the scope of the Municipality's Internal Audit Unit should provide an unrestricted range of coverage of the municipality within the its operations, and the Municipality's Internal Audit Unit should have sufficient authority to allow access to such records, assets and personnel as are necessary for proper fulfilment of its responsibilities.

14.2 The Municipality's Internal Audit Unit, as a service to the municipality, should contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness.

14.3 The internal audit activity should lead to the strengthening of internal control as a result of management response.

14.4 It is management's responsibility to maintain the internal control system and to ensure that the municipality' resources are properly applied in the manner and to the activities intended. This includes responsibility for the prevention and detection of fraud and other illegal acts.

14.5 The Municipality's Internal Audit Unit has regard to the possibility of fraud or theft and should seek to identify serious defects in internal control which might permit the occurrence of such an event. When the Municipality's Internal Audit Unit discovers evidence of, or suspect fraud or theft, they should report firm evidence, or reasonable suspicions, to the appropriate level of management.

APPROVED BY THE MSUNDUZI MUNICIPALITY AUDIT COMMITTEE

Signed By

Chairperson of the Audit Committee

Date