

JOHN TAOLO GAETSEWE DISTRICT INTERNAL AUDIT SHARED SERVICE



**MR. I.E AISENG
JOHN TAOLO GAETSEWE
DISTRICT MUNICIPALITY
SPEAKER**

INTERNAL AUDIT CHARTER

2025/2026

INTERNAL AUDIT CHARTER - BACKGROUND

This document must be read in conjunction with:

- The Global Internal Audit Standards issued by the Institute of Internal Auditors, as well as the Code of Conduct adopted by this Institute;
- The Municipality's Audit, Risk and Performance Committee Charter; and
- The Municipality's Internal Audit Methodology.

HISTORY OF REVIEW

Version	Financial year	Comments	Date approved
1	2016/2017	None	February 2016
2	2017/2018	Introduction paragraph was added. The role of internal audit was added. Professional conduct paragraph was added	February 2017
3	2018/2019	The mission of internal audit was added in line with IPPF.	May 2018
4	2019/2020	History of review added. Definitions moved to top. Additions to relationship with external auditors.	June 2019
5	2020/2021	9.3 Combined Assurance	June 2020
6	2021/2022	None	March 2021
7	2022/2023	None	May 2022
8	2023/2024	Audit, risk and performance committee name were consistently applied.	June 2023
9	2024/2025	Alignment to the new GIAS	June 2024 by ARPC June 2024 by Council
10	2025/2026		

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1. INTRODUCTION

- 1.1 The Internal Audit Function has been established in terms of section 165(1) of the Local Government: Municipal Finance Management Act (MFMA). MFMA Circular 65 then provides information to assist municipalities and municipal entities to improve the effectiveness of internal audit and Audit, Risk and Performance Committees.
- 1.2 This Internal Audit Charter represents the general authorization from the Municipal Manager and the Audit, Risk and Performance Committee to conduct a certain scope of work. The specific authorization to do the work is the Three Year Rolling Strategic Internal Audit Plan and the Annual Internal Audit Plan, which is approved by the Audit, Risk and Performance Committee.
- 1.3 Risk-based auditing is a central focus as espoused in the MFMA and enacted in the Internal Auditors' audit programs. The risk-based internal audits direct internal audit to address strategic, operational, financial and sustainability issues in the quest to deliver value to the municipality.

2. PURPOSE OF THE CHARTER

- 2.1 The Internal Audit Charter profiles the purpose, authority and responsibility of the Internal Audit Function, consistent with the Mission of Internal Audit and the mandatory elements of the International Professional Practices Framework (the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the Standards, and the Definition of internal Auditing).
- 2.2 The charter will be reviewed at least annually by the Chief Audit Executive and presented to Senior Management for inputs and the Audit, Risk and Performance Committee for approval.

3. PROFESSIONALISM

- 3.1 The Internal Audit Function will govern itself by adherence to the mandatory elements of the Institute of Internal Auditor's (IIA) International Professional Practices Framework (IPPF), including the Global Internal Audit Standards, Topical Requirements, and Global Guidance.
- 3.2 The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable to guide operations. In addition, the Internal Audit Function will adhere to the Municipality's relevant policies and procedures and the Internal Audit Function's audit methodology.

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4 VISION

- 4.1 The vision of the Internal Audit Function is to contribute positively and protect the organizational values of the Municipality by striving to be a world class Internal Audit Function of professionals helping to shape the future of the Municipality.

5. MISSION

- 5.1 The mission of Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, insight, and foresight. The purpose of the Internal Audit Function is to provide independent, objective assurance and advisory services, designed to add value and improve the operations of the Municipality. This mission is in accordance with the Institute of Internal Auditors' Definition of Internal Auditing.

6. MANDATE

- 6.1 The mandate of the Internal Audit Function is to assist the Municipality to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and the governance processes (Institute of Internal Auditors Inc).

7 AUTHORITY

- 7.1 The Internal Audit Function is authorized to:

- 7.1.1 Have unrestricted access to all functions, records, property, and personnel of the Municipality.
- 7.1.2 All information given to or obtained by the Internal Audit Function will be handled in a prudent manner.
- 7.1.3 Have full and free access to the Municipal Manager and the Audit, Risk and Performance Committee.
- 7.1.4 Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- 7.1.5 Obtain the necessary assistance of personnel in the operating Directorates and departments where they perform audits, as well as other specialized services from within or outside the Municipality. Where external service providers are engaged, they shall be procured through the Supply Chain Management system of the Municipality.

- 7.2 The Internal Audit Function is not authorized to:

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- 7.2.1 Perform any operational duties for Directorates or Departments except with the prior approval of the Audit, Risk and Performance Committee. Such approval shall only be granted in exceptional circumstances due to the potential for a conflict of interest and its impact on the independence of the Internal Audit Function.
- 7.2.2 Initiate or approve accounting transactions external to the Internal Audit Function.
- 7.2.3 Direct the activities of any employee not employed by the Internal Audit Function, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- 7.3 Internal audit is not responsible for any of the activities which they audit. Members of the Internal Audit Function will not assume responsibility for the operation or control of any procedures.

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8. RESPONSIBILITY

- 8.1 The scope of internal auditing encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the Municipality's governance, risk management, and internal controls, as well as the quality of performance in carrying out assigned responsibilities to achieve the Municipality's stated goals and objectives.
- 8.2 This includes:
- 8.2.1 Evaluating the governance processes including ethics, especially the tone at the top;
 - 8.2.2 Evaluating risk exposure relating to the achievement of the Municipality's strategic objectives;
 - 8.2.3 Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
 - 8.2.4 Determining that the actions of the Municipality's officers, managers, employees, and contractors follow the Municipality's policies, procedures, and applicable laws, regulations, and governance standards;
 - 8.2.5 The results of operations or programs are consistent with established goals and objectives;
 - 8.2.6 Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Municipality;
 - 8.2.7 Evaluating the means of safeguarding assets and, as appropriate, verifying



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- the existence of such assets;
- 8.2.8 Evaluating the effectiveness and efficiency with which resources are employed;
 - 8.2.9 Evaluating 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;
 - 8.2.10 Monitoring and evaluating governance processes;
 - 8.2.11 Monitoring and evaluating the effectiveness of the Municipality's risk management processes;
 - 8.2.12 Evaluating the degree of coordination of External Audit with Internal Audit;
 - 8.2.13 Performing consulting and advisory services related to governance, risk management and control as appropriate for the Municipality;
 - 8.2.14 Providing special services as and when required by the Audit, Risk and Performance Committee;
 - 8.2.15 Conducting its work in accordance with the IIA Global Internal Audit Standards;
 - 8.2.16 Reporting periodically on the Internal Audit Function's purpose, authority, responsibility, and performance relative to its plan;
 - 8.2.17 Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Council;
 - 8.2.18 Evaluating specific operations at the request of the Council or management, as appropriate;
 - 8.2.19 Evaluating operations or programs are being carried out effectively and efficiently;
 - 8.2.20 Evaluating established processes and systems to enable compliance with the policies, procedures, laws, and regulations that could have a significant impact on the Municipality;
 - 8.2.21 Evaluating Information and the means used to identify, measure, analyse, classify, and report that such information is reliable and has integrity;
 - 8.2.22 Evaluating that resources and assets are acquired economically, used efficiently, and protected adequately; and,
 - 8.2.23 Maintaining professional audit staff with enough knowledge, skills, experience, and professional certifications to meet the requirements of this Charter within the resource base provided.
 - 8.2.24 In this regard the Manager Internal Audit shall, within the financial limitations and labour relations imposed, take reasonable measures to maintain a core of staff with appropriate knowledge, experience and qualifications. Nothing contained herein shall prohibit the outsourcing or co-sourcing of audit

resources.

8.3 The roles and responsibilities of the Internal Audit Function are set out in Section 165 of the Municipal Finance Management Act, Act No 56 of 2003 as follows:

(2) The Internal Audit Function must.

- (a) Prepare a risk-based internal audit program for each financial year,*
- (b) Advise the Municipal Manager and report to the Audit, Risk and Performance Committee on the implementation of the internal audit plan and matters relating to.*

- i) Internal audit;*
- ii) Internal controls,*
- iii) Accounting procedures and practices,*
- iv) Risk and risk management,*
- v) Performance management;*

vi) Loss control, and Compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and

- (c) Perform such other duties as may be assigned to it by the accounting officer.*



9. ACCOUNTABILITY

The Internal Audit Function, in the discharge of their duties, shall:

- Provide an ongoing assessment on the adequacy and effectiveness of the Municipality's processes for controlling its activities and managing risks.
- Report significant issues related to the process for controlling the activities of the Municipality, including recommendations for improvements to those processes.
- Report quarterly on the status and results of the annual internal audit plan and the sufficiency of internal audit resources.
- Co-ordinate with and provide oversight over other activities such as risk management, compliance, security, legal, ethics, environmental and safety, etc.

10. INDEPENDENCE AND OBJECTIVITY

10.1 The Internal Audit Function must be independent, and internal auditors must be objective in performing their work. The Internal Audit Function will remain free from interference by any element in the organization, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

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- 10.2 The Internal Audit Function will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair judgment.
- 10.3 The Internal Audit Function will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. The Internal Audit Function will make an unbiased
- 10.4 Assessment of all the relevant circumstances and not be duly influenced by their personal interest or by others in forming judgements.
- 10.5 The Manager Internal Audit must report to a level within the organization that allows the Internal Audit Function to fulfil its responsibilities. The Manager Internal Audit must confirm to the Council, at least annually, the organizational independence of the Internal Audit Function.
- 10.6 Internal auditors must have an impartial, unbiased attitude and avoid any conflict of interest. If independence or objectivity is impaired in fact or appearance, the details of the impairment must be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

11. PROFICIENCY

- 11.1 Engagements shall be performed with proficiency and due professional care. Internal auditors must possess the knowledge, skills, and other competencies needed to perform their individual responsibilities.
- 11.2 The Internal Audit Function collectively must possess or obtain the knowledge, skills, and other competencies needed to perform its responsibilities. Internal auditors are not expected to have the expertise of a person whose primary responsibility is detecting and investigating fraud but shall have enough knowledge to identify the indicators of fraud.
- 11.3 Internal auditors are not expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing but shall have knowledge of key information technology risks and controls to enable them to perform their assigned work.

12. DUE PROFESSIONAL CARE

Internal auditors shall apply the care and skill expected of a reasonably prudent and competent internal auditor. Due professional care does not imply infallibility.

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13. CONTINUING PROFESSIONAL DEVELOPMENT

Internal auditors are expected to enhance their knowledge, skills, and other competencies through continuing professional development.

14. RELATIONSHIP WITH MANAGEMENT

14.1 Management is responsible for

14.1.1 Ensuring that internal audit has:

- (a) Management support.
- (b) Direct access and freedom to report to top management including the Municipal Manager and the Audit, Risk and Performance Committee; and
- (c) Adequate resources for carrying out its annual audit plan.

14.1.2 Proposing areas of review for consideration by the Audit, Risk and Performance Committee.

14.1.3 Providing management comments to internal audit reports within a period of three (3) working days, not exceeding five (5) working days, upon presentation and implementing recommendations as considered appropriate. (Note that where management elects not to implement recommendations contained in internal audit reports all the risks associated therewith pass to management.)

14.1.4 Participating in the annual risk assessment process to determine proposed areas of review by internal audit.

14.1.5 Maintaining internal control, including proper accounting records and other management information suitable for running the municipality.



15. RELATIONSHIP WITH EXTERNAL AUDITORS

15.1 The Internal Audit Function will co-ordinate their work, as far as possible, with that of other assurance providers.

15.2 This will be accomplished through:

15.2.1 Meetings between Internal Audit Function and the Auditor General South Africa to discuss the annual internal audit plans.

15.2.2 The exchange of audit work papers including systems documentations;

15.2.3 The exchange of management letters;

15.2.4 Other aspects of the relationship between the Municipality and the external auditors;

15.2.5 Sharing information on actual and perceived risk areas; and,

15.2.6 Ensuring attendance by the Auditor General South Africa at Audit, Risk and Performance Committee meetings.

15.3 The Internal Audit Function may be asked to assess the adequacy and effectiveness of the combined assurance approach adopted by the Municipality. This assessment includes the completeness of risks covered by the different assurance providers and the reliability of the assurance provided.

16. INVESTIGATIONS

16.1 Special investigations requested by the management may be undertaken with the approval of the Municipal Manager and the Audit, Risk and Performance Committee.

17. ADVISORY ACTIVITIES

17.1 The Internal Audit Function may be consulted on significant proposed changes in internal control systems and the implementation of new systems and may make recommendations on the standards of control to be applied.

17.2 This advisory service extends to advise only, and Internal Auditors will not design or implement internal control or other systems for or on behalf of the management nor will they give any assurances relating to the integrity, functionality or reliability of the system the subject of the consultation. The advisory service is without prejudice to their ability to review such systems.

17.3 The following guidelines are provided for assisting the Internal Audit Function in accepting advisory activities:

17.3.1 Some advisory activities are specifically identified in the approved Internal Audit Annual Plan;

17.3.2 Other advisory activities are initiated by management through communicating directly with the Manager Internal Audit as activities happen within the organisation;

17.3.3 The Manager Internal Audit should request the Audit, Risk and Performance Committee's approval for advisory activities that significantly affect the approved internal audit's annual plan;

17.3.4 The Manager Internal Audit should consider the impact of independence and objectivity on the Internal Audit Function before acceptance of the advisory activities;

17.3.5 The Manager Internal Audit should consider the risks associated with the proposed activities.

17.4 The Manager Internal Audit will decline advisory engagements if in his/her opinion the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement. Where this is not practical, the limitation shall be disclosed in the report.

17.5 The following categories of advisory engagements are envisaged:

Type of advisory engagement	Description of advisory engagement
Formal advisory engagements	Those that are planned and subject to written agreement.
Informal advisory engagements	Routine activities such as participation on standing committees, limited-life audit projects, ad-hoc meetings, and routine information exchange.
Special advisory engagements	Participation on Dedicated teams such as a system conversion team. Participation on a team established for recovery or maintenance of operations after a disaster or other extraordinary business event or a team assembled to supply temporary help to meet a special request or unusual deadline.
Emergency advisory engagements	Participation on a team to supply temporary help to meet a special request or unusual deadline will be performed only after the prior permission of the Audit, Risk and Performance Committee has been obtained.

17.6 The nature and scope of advisory engagements will be agreed with the specific directorate, provided the Internal Audit Function does not assume management responsibility.

17.7 Objectives, scope and limitations of the advisory engagements should be confirmed in writing in an engagement letter/ scoping memorandum. The responsibilities of both management and the Internal Audit Function should be defined and documented in the engagement letter/scoping memorandum that should be signed by both parties.

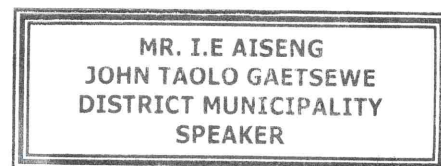
17.8 Consulting and other advisory-related services should focus on assisting management in problem-solving activities, in achieving the Municipality's objectives, and in adding value to line and top management.

17.9 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

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18. REPORTING AND MONITORING

- 18.1 The Manager Internal Audit is responsible for communicating the results of the various engagements.
- 18.2 The aim of internal audit reports is to:
- 18.2.1 Inform management of the status of the controls in place to manage the area being audited;
 - 18.2.2 Prompt management to implement recommendations with the objective of improving performance and control;
 - 18.2.3 Record management comments and timeframes for proposed action; and,
 - 18.2.4 Provide a formal record of points arising from the internal audit assignment and agreement or disagreement with management.
- 18.3 Reporting arrangements, including the format and distribution of internal audit reports, shall be in accordance with the approved Internal Audit Methodology and as set out in the Planning Memorandum/letter or terms of reference. Internal audit reports are confidential documents and their distribution shall therefore be restricted.
- 18.4 Final reports shall be communicated to the following parties:
- 18.4.1 The Municipal Manager;
 - 18.4.2 The responsible Heads of Departments;
 - 18.4.3 The Auditor General of South Africa; and
 - 18.4.4 The Audit, Risk and Performance Committee Chairperson and members.
- 18.5 The responsible Head of Department shall be responsible for the further distribution of the internal audit report as appropriate.
- 18.6 In certain cases, such as with the reports relating to the Performance Management System, circulation may include the Portfolio leader as well as the Executive Mayor.
- 18.7 The Internal Audit Function will produce clear, constructive and concise written reports based on sufficient, relevant and reliable evidence, which:
- 18.7.1 State the scope, purpose, extent and conclusions of the internal audit assignment;
 - 18.7.2 Make recommendations which are appropriate and relevant, and which flow from the conclusions; and,
 - 18.7.3 Acknowledge the actions taken, or proposed, by management.
- 18.8 The Internal Audit Function may prepare "Risk Certificates" to alert management to significant control lapses, or where there are reasonable grounds for suspicion of fraud or theft. These Risk Certificates will be elevated to the Audit, Risk and performance Committee.
- 18.9 Consideration will also be given to reporting where there is a significant change in the scope of the internal audit assignment or where it is desirable to inform



management of progress. Interim reporting shall not diminish or eliminate the need for final reporting.

- 18.10 The Manager Internal Audit will provide management with written audit findings during an internal audit engagement. The purpose of the findings is to gather further information, gain confirmation of factual accuracy and to obtain line Management's comments for inclusion in the draft report.
- 18.11 It is the responsibility of management to ensure that proper consideration is given to draft internal audit findings and to provide comment thereon within no later than three (3) working days.
- 18.12 Findings may be amended on receipt of line management's comments. If line management disagrees on the factual content of any findings, the disagreement will be included in the draft report, and the Manager Internal Audit may provide further comment thereon in the final report.
- 18.13 It is the responsibility of management to ensure that proper consideration is given to internal audit reports. Where recommendations are not implemented management is deemed to have understood and assumed the risks of not taking appropriate action.
- 18.14 While the Internal Audit Function will endeavor to follow up on key or material findings after expiry of the agreed timeframes for action, the Unit is not obliged to do so due to its limited resources.

19. LIMITATION OF SCOPE

- 19.1 Failure by management to adhere to internal audit timeframes, and/or a scope limitation by management, must be reported, in writing to the Municipal Manager and to the Audit, Risk and Performance Committee.
- 19.2 The question of whether an action from management in fact constitutes a scope limitation is at the judgment of the Internal Auditor.
- 19.3 Except in cases of suspected fraud, the Municipal Manager and the Audit, Risk and Performance Committee may decide to accept a limitation of scope.
- 19.4 In such instances, the Internal Auditor should evaluate from time to time whether the circumstances surrounding the scope limitation are still valid and whether the scope limitation needs to be reported again to the Municipal Manager and the Audit, Risk and Performance Committee for their renewed consideration.

20. DISPUTES BY MANAGEMENT ON THE FACTUALITY OF INTERNAL AUDIT FINDINGS

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- 20.1 The internal auditor must engage the auditee with substantiated evidence of the audit finding. The auditee will then be afforded three (3) days to respond to the facts of the audit finding.
- 20.2 The internal auditor will assess the response and review the new evidence. An auditor's conclusion will then be submitted to the auditee. Should the audit dispute persist the final arbitrator will be the Audit, Risk and Performance Committee. This dispute will be submitted to the Audit, Risk and Performance Committee in writing by the auditee, stating merits and the nature of the dispute.

21. REPORTING TO THE AUDIT, RISK AND PERFORMANCE COMMITTEE

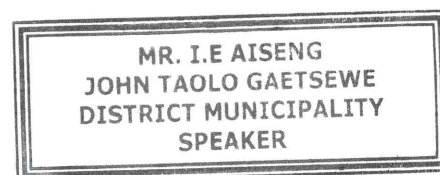
- 21.1 The Manager Internal Audit will report periodically to the Audit, Risk and Performance Committee on the Internal Audit Function's performance relative to its plan. Reporting will also include significant risk exposure, control and governance issues, etc.
- 21.2 No official may alter the content of any report by the Manager Internal Audit to the Audit, Risk and Performance Committee but may furnish comment thereon.
- 21.3 All final internal audit reports issued will be reported to the Audit, Risk and Performance Committee in summary of significant findings. The Municipal Manager will be made aware of such significant deficiencies by means of a report to Senior Management.

22. BUDGET OF INTERNAL AUDIT FUNCTION

- 22.1 It is the responsibility of the Municipal Manager and the Audit, Risk and Performance Committee to ensure that the Internal Audit Function is adequately resourced for effective functioning.
- 22.2 The Municipal Manager control and have responsibility over the Internal Audit Function's budget.
- 22.3 The Internal Audit Function's budget should at least cover the following items:
- 22.3.1 Employee related expenditure;
 - 22.3.2 Capital expenditure and software;
 - 22.3.3 Training and development;
 - 22.3.4 IIA membership fees; and,

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22.3.5 Quality assurance programs.



23. STAFFING

- 23.1 The Manager Internal Audit in conjunction with the Municipal Manager, should develop an Internal Audit Function structure taking cognisance of the organisation's needs including risk and complexity of the operations.
- 23.2 Provision should be made for levels of supervision and review of audit work in line with due professional care as provided for in the Global Internal Audit Standards (GIAS).
- 23.3 In developing the operational internal audit plan the following key issues must be considered:
- 23.3.1 Availability (capacity) and skills of internal audit staff;
 - 23.3.2 Changes in the risk environment of the organisation — the risk environment should be assessed on an annual basis;
 - 23.3.3 Approval and acceptance of the operational plan by the Audit, Risk and Performance Committee; and,
 - 23.3.4 The materiality of ad-hoc requests as this could have a significant impact on the normal audit planning and timing process.
- 23.4 The operational Internal Audit plan should be reviewed to identify any amendment needed to reflect changing priorities and emerging audit needs. The Audit, Risk and Performance Committee should approve material changes to the annual plan.

24. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

- 24.1 The Manager Internal Audit must develop and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Function.
- 24.2 The program will include an evaluation of the Internal Audit Function's conformance with the Global Internal Audit Standards (GIAS).
- 24.3 The program shall also assess the efficiency and effectiveness of the Internal Audit Function and identify opportunities for improvement.
- 24.4 The quality assurance and improvement program must include both internal and external assessments.
- 24.5 Internal assessment must include;
- 24.5.1 Ongoing monitoring of the performance of the Internal Audit Function

- 24.5.2 Periodic self-assessments or assessments by other persons within the organization with enough knowledge of internal audit practices.
- 24.6 External assessments must be conducted at least once every five (5) years by a qualified, independent assessor or assessment team from outside the organisation.
- 24.7 The Manager Internal Audit must discuss with the Audit, Risk and Performance Committee:
- 24.7.1 The form and frequency of external assessment.
- 24.7.2 The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.
- 24.8 The scope of the external assessment will, among others, cover matters related to:
- 24.8.1 Independence and objectives of the Internal Audit Function;
- 24.8.2 Expectations of the Internal Audit Function expressed by management and Audit, Risk and Performance Committee;
- 24.8.3 Integration of the Internal Audit Function into the organisation's governance processes; and,
- 24.8.4 Efficiency and effectiveness of internal audit approach, as well as audit strategy and plans.
- 24.9 On completion of the external assessment, the review team should issue a formal report containing an opinion on the level of the Internal Audit Function's conformance with the GIAS.
- 24.10 The Manager Internal Audit and Municipal Manager should prepare a written action plan in response to comments and recommendations in the report.

25. MANDATE AND APPROVAL

- 25.1 The Manager Internal Audit should periodically assess whether the purpose, authority and responsibility, as defined in this charter, continue to be adequate to enable the internal auditing activity to accomplish its objectives.
- 25.2 The result of this periodic assessment should be communicated to Senior Management for noting and input, as well as to the Audit, Risk and Performance Committee for subsequent approval.

Description	Name	Designation	Signature	Date
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Committee:

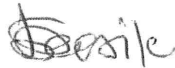
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Description	Name	Designation	Signature	Date
Prepared By	Cecilia van Wyk	Manager Internal Audit		26/05/2025
Approved By	Johann Snyders	Audit, Risk and Performance Chairperson		

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Accepted By	Klaas Teise	Municipal Manager John Taolo Gaetsewe District Municipality		19/06/2025
Accepted By	Lebogang Seetile	Municipal Manager Gamagara Local Municipality		11/06/2025

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GLOSSARY

Add Value — Value is provided by improving opportunities to achieve organizational objectives, identifying operational improvement, and/or reducing risk exposure through both assurance and consulting services.

Adequate Control — Present if management has planned and organized (designed) in a manner that provides reasonable assurance that the Municipality's risks have been managed effectively and that the Municipality's goals and objectives will be achieved efficiently and economically.

Assurance Services — An objective examination of evidence for the purpose of providing an independent assessment on risk management, control, or governance processes for the organization. Examples may include financial, performance, compliance, system security, and due diligence engagements.

Charter — The charter of the Internal Audit Function is a formal written document that defines the activity's purpose, authority, and responsibility. The charter should (a) establish the Internal Audit Function's position within the organization; (b) authorize access to records, personnel, and physical properties relevant to the performance of engagements; and (c) define the scope of the Internal Audit Function.

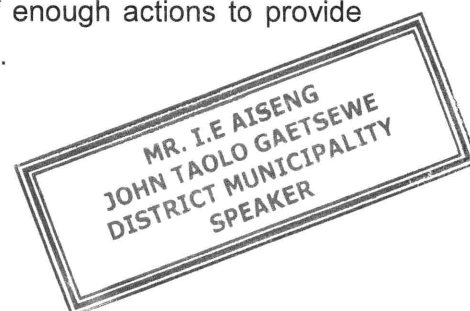
Council — A Council is a Municipality's governing body.

Compliance — Conformity and adherence to policies, plans, procedures, laws, regulations, contracts, or other requirements.

Conflict of Interest — Any relationship that is or appears to be not in the best interest of the organization. A conflict of interest would prejudice an individual's ability to perform his or her duties and responsibilities objectively.

Advisory Services — Advisory and related client service activities, the nature and scope of which are agreed with the client, and which are intended to add value and improve a Municipality's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include counsel, advice, facilitation and training.

Control — Any action taken by management, the Council, and other parties to manage risk and increase the likelihood that established objectives and goals will be achieved. Management plans, organizes, and directs the performance of enough actions to provide reasonable assurance that objectives and goals will be achieved.



Control Environment — The attitude and actions of the Council and management regarding the significance of control within the organization. The control environment provides the discipline and structure for the achievement of the primary objectives of the system of internal control. The control environment includes the following elements:

- Integrity and ethical values.
- Management's philosophy and operating style.
- Organizational structure.
- Assignment of authority and responsibility.
- Human resource policies and practices.
- Competence of personnel.

Control Processes — The policies, procedures, and activities that are part of a control framework, designed to ensure that risks are contained within the risk tolerances established by the risk management process.

Engagement — A specific internal audit assignment, task, or review activity, such as an internal audit, Control Self-Assessment review, fraud examination, or consultancy. An engagement may include multiple tasks or activities designed to accomplish a specific set of related objectives.

Engagement Objectives — Broad statements developed by internal auditors that define intended engagement accomplishments.

Engagement Work Program — A document that lists the procedures to be followed during an engagement, designed to achieve the engagement plan.

External Service Provider — A person or firm, outside of the organization, who has special knowledge, skill, and experience in a particular discipline.

Fraud — Any illegal acts characterized by deceit, concealment or violation of trust. These acts are not dependent upon the application of threat of violence or of physical force. Frauds are perpetrated by parties and organizations to obtain money, property or services; to avoid payment or loss of services; or to secure personal or business advantage.

Governance — The combination of processes and structures implemented by the Council and Management in order to inform, direct, manage and monitor the activities of the organization toward the achievement of its objectives.

Impairments — Impairments to individual objectivity and organizational independence may include personal conflicts of interest, scope limitations, restrictions on access to records, personnel, and properties, and resource limitations (e.g. funding).

Independence — The freedom from conditions that threaten objectivity or the appearance of objectivity. Such threats to objectivity must be managed at the individual auditor, engagement, functional and organizational levels.

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Internal Audit Function — An activity, division, team of consultants, or other practitioner(s) that provides independent, objective assurance and consulting services designed to add value and improve a Municipality's operations. The Internal Audit Function helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Manager Internal Audit — Top position within the organization responsible for internal audit activities. Normally, this would be the internal audit director. In the case where internal audit activities are obtained from outside service providers, the Manager Internal Audit is the person responsible for overseeing the service contract and the overall quality assurance of these activities, reporting to Top Management and the Audit, Risk and Performance Committee regarding internal audit activities and follow-up of engagement results. The term also includes such titles as Chief Audit Executive, Chief Internal Auditor, etc.

Must — The Standards use the word “must” to specify an unconditional requirement.

Objectivity — An unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they have an honest belief in their work product and that no significant quality compromises are made. Objectivity requires internal auditors not to subordinate their judgment on audit matters to that of others.

Residual Risks — The risk remaining after management takes action to reduce the impact and likelihood of an adverse event, including control activities in responding to a risk.

Risk — The possibility of an event occurring that will have an impact on the achievement of objectives. Risk is measured in terms of impact and likelihood.

Risk Management — A process to identify, assess, manage, and control potential events or situations, to provide reasonable assurance regarding the achievement of the Municipality's objectives.

Should — The use of the word “should” in the Standards represents a mandatory obligation.

Standard — A professional pronouncement promulgated by the Internal Auditing Standards Board that delineates the requirements for performing a broad range of internal audit activities, and for evaluating internal audit performance.

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