

Internal Audit Charter

Theewaterskloof Municipality



2026

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1. INTRODUCTION

Theewaterskloof Municipal Internal Audit Charter is a formal document approved by the Performance Audit and Audit Committee. It defines and confirms, amongst others, the following:

- The holistic internal audit activity, purpose, authority, and responsibility.
- The position and role of the internal audit function within the organization.
- It authorizes access to records, personnel, and physical properties relevant to the performance of engagements.
- It defines the scope of internal audit activities.

References to the Internal Audit Function includes the Chief Audit Executive and the Internal Audit Staff.

2. PURPOSE, MISSION AND VISION (GIAS 2024; 9.2)

Internal Audit provides independent and objective assurance and adds value and enhances the municipality's operations. It supports the municipality to bring a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Organizational (Municipality)	Internal Audit
VISION Creating a safe and secure environment and enabling economic growth through innovative service delivery.	VISION To execute and promote best professional internal auditing practices with integrity to assist the Municipality to achieve its vision, strategic planning goals and initiatives in an atmosphere of respect and accountability.
MISSION To create and sustain an environment which shall enhance the socio-economic development capacity and impact of the Theewaterskloof Municipality in accordance with the Vision as stated in the Vision.	MISSION To enhance and protect organisational values, by providing risk-based objective assurance, advice and insight.

3. INTERNAL AUDIT MANDATE (GIAS 2024; 6.1)

The unit under the Accounting Officer is functioning with a Chief Audit Executive, Senior Internal Auditor and an Internal Audit assistant. Auditing is done in terms of an approved Risk based audit plan under the supervision of an independent Performance and Audit Committee appointed by Council.

Internal auditors evaluate risks and controls relating to the:

- Achievement/ Accomplishment of organisational objectives;
- Reliability and integrity of financial and operating information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, and contracts.

Should it be required, assistance with respect to special services such as forensic matters, computer security (application and environment), computer implementations, financial risk management and general accounting assistance will be co-sourced on an *ad-hoc* basis as and when needed after approval by relevant delegated authorities.

Internal Audit will conduct audits to assist management in determining the effectiveness of the organisation's system of internal controls; risk management and governance processes.

4. LEGISLATION AND STANDARDS FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING (GIAS 2024; 4.1 & 6.1)

Section 165(1) of the Municipal Finance Management Act of 2003 prescribes Internal Audit Unit for all municipalities. Section 165(2) of the Act guides the internal audit function in terms of what is expected of it with regards to responsibility, functions and reporting requirements:

- The internal audit unit of a municipality must prepare a risk-based audit plan and internal audit program for each financial year.
- The internal audit unit of a municipality must advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to internal audit, internal controls, accounting procedures and practises, risk and risk management, performance management, loss control, compliance with this Act, the Division of Revenue Act and any other applicable legislation.
- The internal audit unit of a municipality must perform such other duties as may be assigned to it by the accounting officer.

National Treasury Circular 65 guides municipalities with requirements regarding the IAF and the PAC.

The Institute of Internal Auditors (IIA) is the only organization recognised by Council to set standards for the IAF. The IAF will govern itself by adherence to The Institute of Internal Auditors' Global Internal Audit Standards (2024). This mandatory guidance constitutes the fundamental requirements for the professional practice of internal auditing and the principles against which to evaluate the effectiveness of the IAF's performance.

5. AUTHORITY (GIAS 2024; 6.3 & 7.1)

The CAE, in terms of GIAS 7.1, reports functionally (internal audit activities completed and planned) to the PAC as to allow the IAF to fulfil its responsibilities independently. The CAE reports administratively to the MM for time, attendance and budget purposes.

The CAE quarterly confirms to the PAC the IAF's organizational independence; and must be free from interference in determining the scope of internal auditing, doing work, and communicating results. In terms of GIAS 6.3 the CAE can communicate and interact directly with the PAC.

The CAE will report to the PAC any interference that the internal auditors encounter related to the scope, performance, or communication of internal audit work and results.

To perform its duties and to assist the MM the Internal Auditors shall, at all reasonable times, have access to all information, personnel, books, documents, accounts, property, vouchers, records, correspondence and financial and other municipal data. All Council officials are obliged to provide cooperation to the Internal Auditors in carrying out their duties.

6. INTEGRITY AND OBJECTIVITY (GIAS 2024; DOMAIN II)

The CAE is delegated to operate under this Charter; and laws and regulations and resolutions from Council.

Internal audit staff have sufficient knowledge, skills, experience and professionalism to enable them to perform all Internal Audit procedures.

Internal Audit functions in accordance with the Global Internal Audit Standards, 2024, established by the IIA.

The CAE, will attend management meetings, but will remain independent and unaccountable for line and management functions and/or decisions. The independence and objectivity of Internal Audit are ensured as the function:

- Is not responsible for any of the activities which they audit or are consulted on.
- Is not responsible for the development, operation or control of any systems and procedures of management.
- Will not prepare or document internal control procedures or policies for directorates.
- Will not do non-internal audit duties without instruction or permission from the PAC.

The CAE shall not knowingly be a party to illegal activities, or engage in acts that will discredit the profession of internal auditing or the municipality where activities or findings are detrimental to the municipality.

Internal audit is aware of their responsibilities for protecting information and will demonstrate respect for the confidentiality, privacy, and ownership of information acquired when performing internal audit services or as a result of professional relationships.

Internal auditors will disclose impairments of independence or objectivity in the Final Audit Reports issued to the MM for each audit, and quarterly to the PAC if there are any disclosures to report.

Internal Auditors will act according to the principals set out in Schedule 2 (Code of Conduct for Municipal Staff Members) of the Municipal Systems Act, Global Internal Audit Standards, 2024 Domain II and the Theewaterskloof Municipality Code of Ethics.

7. SCOPE OF INTERNAL AUDIT ACTIVITY (GIAS 2024; 6.3)

No restrictions may impact on the scope of the internal auditor's work. Internal audit functionaries shall have access to all reports, information and explanations they need to fulfil their responsibilities.

The Internal Audit jurisdiction extends to all Council activities and include financial, accounting, administrative, performance, computing and other operational activities.

The extent and frequency of internal audits depends on varying circumstances such as whistle blowing, audit results, activity risks, materiality, and the adequacy of the system of internal control and resource applications.

8. RESPONSIBILITY (GIAS 2024; 8.1 & 10.1)

The IAF must assist the Municipal Manager and 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 manage the municipality.

Internal audit assessments must evaluate whether:

- Risks regarding the municipality's strategic objectives are appropriately identified and managed.
- Actions of municipal officers, directors, employees, and contractors complies with municipal policies, procedures, applicable laws, regulations, and governance standards.
- Results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established policy compliance processes and systems enable compliance with policies, procedures, laws, and regulations that could affect the municipality.
- Information and the means used to identify, measure, analyse, classify, and report such information are reliable and have integrity.

- Resources and assets are acquired economically, used efficiently, and protected adequately.

Internal Audit will submit to the MM and Management the annual draft Risk Based Audit plan for each financial year for input and consultation to ensure adequate coverage of planned work. The PAC will thereafter consider and oversee the planned work in terms of their Charter. This plan should be based on management's risk assessment process and Internal Audits time should be allocated to the areas where the highest reliance is needed on established controls.

At the conclusion of an approved audit, a written report with findings and recommendations will be issued by the Internal Auditors to the particular director and distributed as considered appropriate. Internal audit will also submit the report and director's comments to management for consideration and the way forward for the PAC's attention.

Internal Audit will submit reports to the PAC on the:

- Internal Audit Activities against the annual internal audit plan and new planned audits;
- Follow-up on previously reported internal audit findings;
- Any instances of fraud or non-compliance with legislation identified during the performance of the Internal Audit Activities.
- Internal Audit Budget

The CAE as delegated by Council has the authority, after consulting with the Chairperson of the Performance Audit and Audit Committee, to report any critical or significant matter directly to the MM or Council depending on the circumstances.

9. ASSURANCE ACTIVITIES (GIAS 2024; 9.1)

Assurance services are audit activities that provide an independent, objective assessment of financial statements, high risk areas in the municipality or compliance efforts. The objectives of these audits are to assure management and the PAC that operations are done in accordance with applicable policies and regulations and that actions plans are compiled and effective in mitigating risks.

10. CONSULTING ACTIVITIES (GIAS 2024; 9.1)

Consulting services means 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 an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.

Types of consulting engagements:

- Formal consulting engagements – those that are planned and subject to written agreement
- Informal consulting engagements – routine activities such as participation on standing committees, ad hoc meetings and routine information exchange

- Special consulting engagements – participation on dedicated teams such as system conversion team
- Emergency consulting engagements – participation on a team established for recovery or maintenance of operations after a disaster or other extraordinary event, or a team assembled to supply temporary help to meet a special request or unusual deadline.

Consulting engagements, such as ad hoc assignments may require departure from normal or established procedures for conducting consulting engagements. Consulting services permit the CAE to enter into dialogue with members of management to address specific issues. In this dialogue, the scope of the engagement and time frames are made receptive to management needs. However, the CAE retains the prerogative of setting the audit techniques and the right of reporting to senior executives and the performance audit and audit committee members when the nature and materiality of results pose significant risks to the organization.

11. AD HOC ASSIGNMENTS

It is acknowledged that the MM may in terms of the MFMA assign duties to the CAE which do not form part of the Annual Audit Plan, subject to budgeted hours available as per approved Internal Audit Plan. Such duties must be communicated with the Chairperson of the Performance Audit and Audit Committee to have knowledge of it as the CAE report functionally to the PAC. An ad hoc report will flow from a consulting engagement with the MM as explained above.

Once a report is presented to the MM, the CAE must report to the next PAC meeting that an ad hoc report was presented to the MM and that it awaits comments before submission to the Committee. Communication of the progress and results of consulting engagements will vary in form and content depending upon the nature of the engagement and the needs of the MM as contained in the Internal Auditing Standards. It is therefore expected that the MM must indicate if the contents could prematurely be made available to the PAC or not as it might influence the outcome of the assignment.

The Council as the employer and PAC, through the Office of the Municipal Manager, may also assign additional duties to the CAE on non-financial allegations regarding management of the municipality. A similar approach as the case may be, will be followed as with assignments from the MM. Any enquiries about progress on a particular assignment must be referred to the instruction giver and is the CAE under no obligations to respond to such enquiries.

The CAE shall also not be restricted in any way to conduct any surprise and/or ad hoc audit and report thereon which is found necessary in Councils interest.

12. QUALITY ASSURANCE & IMPROVEMENT PROGRAM (GIAS 2024; 3.2, 8.4, Principle 12)

The internal audit activity will maintain a quality assurance and improvement program which will detail the processes and procedures regarding the enhancement of quality of the IAF.

The Chief Audit Executive shall establish and maintain:

- Ongoing monitoring of the internal audit function's performance to assess conformance with the Global Internal Audit Standards and the effectiveness of the function.
- Periodic self-assessments conducted at least annually to evaluate the internal audit function's conformance with the Standards and its achievement of performance objectives.

12.1 Ongoing Monitoring

Ongoing monitoring involves the day-to-day supervision, review, and measurement of the internal audit activity. Ongoing monitoring is incorporated into the routine policies and practices used to manage the internal audit activity.

12.2 Periodic Reviews

Periodic assessments are designed to assess conformance with Internal Audit's Charter, the Global Internal Audit Standards, and the efficiency and effectiveness of internal audit in meeting the needs of its various stakeholders.

12.3 Performance Measurement

TWK's SDBIP includes Key Performance Indicators for the Internal Audit Department. The performance against these KPI's will be reported to the PAC on a quarterly basis. Individual Performance Management will be implemented as per TWK Performance Management Policy. (A phased in approach will be followed with the implementation of the Performance Management System. Phase 1 will be from T Level 14 – 18. Performance Agreements were already issued to officials on these T-levels. Phase 2 will be junior management from T Level 13 – 7 and the final phase will be from T Level 6 – 3.)

12.4 External Assessment

External assessments will be performed by an independent assessor or assessment team.

External assessments will appraise and express an opinion about internal audit's conformance with the *Standards*, Definition of Internal Auditing and Code of Ethics and include recommendations for improvement, as appropriate.

An external assessment will be conducted every five years.

The Chief Audit Executive will communicate to management and the PAC on the quality assurance and improvement program, including results of internal assessments and external assessments.

13. OUTSOURCING OR CO-SOURCING (GIAS 2024; 10.2)

The internal audit activity may be outsourced where the municipality requires capacity to develop its internal capacity and is deemed cost effective. Outsourcing should comply with Supply Chain Management processes. In situations in which the internal audit activity is outsourced, oversight and responsibility for the internal audit activity cannot be outsourced and must be maintained and managed by the Chief Audit Executive.

14. COORDINATION OF EFFORTS WITH OTHER ASSURANCE PROVIDERS (GIAS 2024; 9.5)

Internal audit will support the work of Council's external auditors as requested by management and approved by the PAC. The external auditors will be notified of the activities of internal audit in order to attempt proper coverage and minimise duplication of audit effort. This will be accomplished by –

- Meetings between the Internal and External Audit Functions to discuss the annual internal and external audit plans;
- Meetings to discuss the audit plan, and reports;
- Access by the external auditors to the internal audit documentation;

15. FRAUD AND ANTI-CORRUPTION

In terms of the Anti-Corruption and Fraud Prevention Strategy:

Internal Audit Services act as an assurance provider for the Municipality regarding anti-corruption and fraud prevention measures and as an investigator for alleged incidents of corruption and fraud.

The main responsibilities of Internal Audit Services in anti-corruption and fraud prevention are:

- Review the corruption and fraud philosophy of the Municipality. This includes the anti-corruption and fraud prevention strategy, policy, plan, reporting lines and the values that have been developed for the Municipality;
- Provide independent assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems;
- Provide independent assurance over the Municipality's corruption and fraud risk identification and assessment processes;
- Provide independent assurance as to whether the anti-corruption and fraud prevention strategy, policy and plan have been effectively implemented within the Municipality;
- Report detected incidents of corruption or fraud to the Municipal Manager;
- Investigate alleged incidents of corruption or fraud referred to Internal Audit Services;
- Escalate investigations and reporting to the Audit and Performance Audit Committee if it is hampered by municipal officials.

16. RISK MANAGEMENT (GIAS 2024; 9.1 & 13.2)

In terms of the Risk Management Strategy:

High level responsibilities of Internal Audit include:

- Reviewing the risk philosophy of the Municipality. This includes the risk management strategy, risk management policy, fraud prevention strategy, fraud prevention policy, fraud prevention plan, business continuity framework, business continuity plans, combined assurance framework, risk management reporting lines and the values that have been developed for the Municipality;
- Reviewing the appropriateness of the risk tolerance levels set by the Municipality, taking into consideration the risk profile of the Municipality;
- Providing assurance over the design and functioning of the control environment, information and communication systems and the monitoring systems;
- Providing assurance over the Municipality's risk identification and assessment processes;
- Utilising the results of the risk assessment to develop long term and current year internal audit plans;
- Providing independent assurance as to whether the risk management strategy, risk management implementation plan and fraud prevention plan have been effectively implemented within the Municipality;
- Providing independent assurance over the adequacy of the control environment. This includes providing assurance over the effectiveness of the internal controls implemented to mitigate the identified risks;
- Reporting on the adequacy of the assurance received over key risks by combined assurance activities.

17. RESPONSIBILITIES OF THE PAC AND MANAGEMENT (GIAS 2024; 6.3)

The Performance Audit and Audit Committee [PAC] is responsible for:

- Concurring with the appointment or discipline of the CAE;
- Controlling the execution of internal audit work; and
- Advising the Council, the MM and the management staff of the municipality (Detailed role and responsibilities of PAC are covered in the Performance Audit and Audit Committee Charter).

Management, in conjunction with the MM, accept responsibility:

- For ensuring that a risk assessment is conducted on a regular basis to identify emerging risks of the Council;
- For suggesting the areas of investigation to internal audit;
- For ensuring that the internal audit function –
 - Has the support of staff during the internal audit engagements;
 - Has sufficient budgeted resources in order to fulfil their function and responsibilities;
 - Benchmark with fellow internal auditors on changes in accounting practices and others;
 - Receives continuous training and development in the field of internal auditing; and
 - Has access to information, personnel, books of account, records, cash, stores, property and other sources of information.
- For maintaining internal control, including proper accounting records and other management information suitable for the operations of the Municipality;
- For consulting with internal audit (IA) on significant changes in internal control systems and the implementation of new systems.
- For commenting on internal audit reports and implementing the recommendations as considered necessary, in the light of Council's resources.

18. STAKEHOLDER RELATIONSHIPS (GIAS 2024; 11.1 & 11.2)

The CAE will attend the following meetings on invitation: Management Committee, Fraud and Risk Management Committee, ICT Steering Committee, Mayoral Committee, Council, Municipal Public Accounts Committee and Auditor General Steering Committee. The purpose of attendance of these meetings will be consultancy and the CAE will not be a member of these Committees. The CAE will remain independent and unaccountable for line and management functions and / or decisions.

Internal Audit Documents will be distributed to stakeholders as per Internal Audit Methodology.

19. REVIEW PERIOD (GIAS 2024; 6.2)

It is the responsibility of the CAE to review this Charter periodically and for approval by the PAC after comments of the MM was obtained.

Circumstances that may justify review of the IA Charter include, but is not limited to:

- A significant change in the IIA Standards
- Significant changes to the Municipality's strategies, objectives or risk profile
- New laws, regulations or circulars issued.

19. ABBREVIATIONS

PAC – Performance Audit and Audit Committee

MM – Municipal Manager

CFO – Chief Financial Officer

CAE – Chief Audit Executive

IA – Internal Audit

IAF – Internal Audit Function

IIA – Institute of Internal Auditors

GIAS 2024 – Global Internal Audit Standards of 2024

MPAC – Municipal Public Accounts Committee

UIFWe – Unauthorised, Irregular, Fruitless and Wasteful Expenditure

QAIP – Quality Assurance and Improvement Programme

Revisions approved by the Performance- and Audit Committee (GIAS 2024; 6.2):

Date	Amendments made (Yes / No)
26 November 2010	Yes
29 August 2014	Yes
06 March 2015	Yes
20 January 2017	Yes
02 June 2017	Yes
22 November 2019	Yes
01 April 2022	Yes
09 June 2023	Yes
07 June 2024	Yes
13 June 2025	Yes
02 July 2026	Yes
