Internal Audit Charter

For

Namakwa District Municipality

2025/2026

This internal audit charter was reviewed on 12 June 2025 for approval by the Audit Committee to ensure that the charter is aligned to ISPPIA (2025) and the principles as defined in King IV.

List of Acronyms

AC: Audit Committees

AGSA: Auditor General of South Africa

AO: Accounting Officer

CAE: Chief Audit Executive

IAF: Internal Audit Function

IIA: The Institute of Internal Auditors

MFMA: Municipal Finance Management Act (Act 56 of 2003)

MM: Municipal Manager

NDM: Namakwa District Municipality

NTR: National Treasury Regulations

1 INTRODUCTION

This Audit Charter is a formal and official document setting out the purpose, authority and responsibility of the internal audit function within Namakwa District Municipality. The Audit Charter is prepared in accordance with the recommendations of the Institute of Internal Auditors and has been prepared taking into account the recommendations of the King III and IV Report on Corporate Governance.

Namakwa District Municipality are required to have an IAF in terms of section 165 (1) of the Municipal Finance Management Act no 56 of 2003 ("MFMA").

This Internal Audit Charter is crucial to strengthening the independence and objectivity of the internal audit function of the Namakwa District Municipality.

2 MANDATE

2.1. The mandate of NDM IAF is derived from MFMA section 165.

2.2. Section 165 of the Municipal Finance Management Act (MFMA) mandates that each municipality and municipal entity establish an internal audit unit. This unit is responsible for preparing a risk-based audit plan and internal audit program annually, as well as advising the accounting officer and reporting to the audit committee on various matters related to internal audit, controls, and risk management.

3 PURPOSE OF INTERNAL AUDIT

3.1. The purpose of the IAF is to strengthen NDM's ability to create, protect and sustain value by providing the Audit Committee and management with independent, risk-based, and objective assurance, advice, insight and foresight. In doing this, it enhances the NDM's

3.1.1. Successful achievement of its objectives.

3.1.2. Governance, risk management, and control processes.

3.1.3. Decision-making and oversight.

3.1.4. Reputation and credibility with its stakeholders.

3.1.5. Ability to serve the public interest.

3.2. IAF must assist the AOs in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.

3.3. IAF recognizes and complies with Global Internal Audit Standards (GIAS).

3.4. The IAF recognizes and applies the IT Audit Framework when conducting ICT audits.

4 ORGANISATIONAL INDEPENDENCE AND OBJECTIVITY

4.1. The organizational independence is clearly stipulated in section 3.2.9 of the NTR ''an internal audit function must report directly to the accounting officer and shall report at all audit committee meetings. The function must be independent of activities that are audited, with no limitation on its access to information.''

4.2. To provide for the independence of IAF, its personnel must report to the CAE, who reports functionally to the AC, and administratively to the AO.

4.3. IAF must be independent of the line and functional management.

4.4. One audit committee member will form part of the recruitment and appointment process of the CAE. The chairpersons of all ACs will contribute to the performance management and dismissal process of the CAE. These processes will be executed in line with the prescriptions of the Municipal Staff Regulations.

4.5. The CAE shall confirm the organisational independence and objectivity of IAF, on an annual basis, to the AC.

4.6. IAF must be free from interference in determining the scope of internal auditing, performing internal audit work and communicating results. The CAE must disclose any impairments to the AC and discuss the implications and planned safeguards.

4.7. The CAE has unrestricted access to the chairperson of the AC and AO.

4.8. The CAE shall declare his/her conflicts of interest to Corporate Services in the annual declaration of organizational independence process in place and where applicable.

4.9. The personnel of the IAF shall have an impartial, unbiased attitude and approach; and avoid conflicts of interest in the conduct of their responsibilities.

5 AUTHORITY

5.1. The CAE and staff of the IAF are authorized to:

5.1.1. Have unrestricted access to all functions, records, property and personnel relevant to the subject under review.

5.1.2. Have full and free access to the respective AOs, Chief Financial Officers,

5.1.3. Executive Managers and the Chairpersons of the relevant ACs.

5.1.4. Allocate resources (at operational planning level), set frequencies of audits, select subjects, determine scope of internal audit work, and apply the techniques required to accomplish audit objectives.

5.1.5. Obtain the necessary assistance of personnel of NDM where they perform audits, as well as other specialized services from within or outside NDM.

5.2. The CAE has a responsibility to determine the required resources to fulfil the mandate of the IAF.

5.3. The CAE has authority to determine the model in which the available resources are allocated.

5.4. The CAE has the authority to apply internal audit resources in line with NDM IA Charter and methodology.

6 RESPONSIBILITIES

This Charter is a high-level indication of the responsibilities of NDM IAF and is supplemented by the approved NDM Internal Audit Methodology.

6.1. OBJECTIVE ASSURANCE RESPONSIBILITIES

6.1.1. IAF must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach in the following areas:

6.1.1.1. Governance Processes

6.1.1.1.1. NDM IAF must assess and make appropriate recommendations to improve municipal governance processes for:

- Making strategic and operational decisions.
- Overseeing risk management and control.
- Promoting an ethical culture within NDM.
- Ensuring effective organisational performance management and accountability.
- Communicating risk and control information to appropriate areas of NDM.
- Coordinating the activities of and communicating information among the Executive Authority, external and internal auditors, other assurance providers and management.

6.1.1.1.2. NDM IAF must assess whether information technology governance of the NDM supports the organisation's strategies and objectives.

6.1.1.2. Risk Management

6.1.1.2.1. IAF must evaluate the effectiveness and contribute to the improvement of risk management processes.

6.1.1.2.2. IAF must evaluate risk exposures relating to NDM's governance, operations and information systems regarding the:

- Achievement of NDM strategic objectives;
- Reliability and integrity of financial and operational information;
- Effectiveness and efficiency of operations;
- Safeguarding of assets; and
- Compliance with laws, regulations, policies procedures and contracts.

6.1.1.2.3. IAF must evaluate the potential for the occurrence of fraud and how NDM manages fraud risk.

6.1.1.3. Control

6.1.1.3.1. IAF must assist NDM in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

6.1.1.3.2. IAF must evaluate the adequacy and effectiveness of controls in responding to risks within NDMs governance, operations and information systems regarding the:

- achievement of strategic objectives;
- reliability and integrity of financial and operational information;
- effectiveness and efficiency of operations;
- safeguarding of assets; and
- compliance with laws, regulations, policies, procedures and contracts.

6.1.2. IAF must effectively communicate the results of the evaluation and ensure its effective contribution to the control framework of NDM.

6.1.3. IAF communicate significant errors or omissions relating to engagement results identified and how it was resolved.

6.1.4. IAF must prepare for approval by the relevant ACs:

6.1.4.1. A rolling three-year strategic internal audit plan based on its assessment of key risk areas for the municipality, considering its current operations, those proposed in its strategic plan and its risk management strategy.

6.1.4.2. An annual internal audit plan for the first year of the rolling three-year strategic internal audit plan.

6.1.4.3. Plans indicating the proposed scope of each audit in the annual internal audit plan. A Combined Assurance Map after considering the scope of work of other assurance providers including the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage and minimizing duplication of efforts.

6.1.5. IAF must prepare for review and approval by the AC, with input from the AO:

6.1.5.1. A risk-based Annual Internal Audit Plan based on its assessment of key risk areas for the municipality, considering its current operations, those proposed in its strategic plan and its risk management strategy.

6.1.5.2. Plans indicating the proposed scope of each audit in the annual internal audit plan.

6.1.6. IAF must be alert to significant issues related to fraud, theft, corruption and other unethical conducts; and ensure proficient reporting of red flags through the organisational reporting process.

6.1.7. IAF must conduct follow-up audits to confirm implementation of agreed management action plans and present results to Senior management.

6.2. ADVISORY ACTIVITIES RESPONSIBILITIES

6.2.1. IAF may provide advisory services which will assist in or contribute to better achieve the objectives of the municipality.

6.2.2. The CAE will assess the impact of the advisory service on the provision of objective assurance services and reach a formal agreement with the AO on the scope of engagement. The required services will be presented to the AC for approval.

6.2.3. The following advisory services could be rendered:

6.2.3.1. Providing Senior Management with advice on significant risk exposures, with a view to improve the municipal control environment;

6.2.3.2. Partake in steering committees as risk and control specialists making recommendations relating to process design;

6.2.3.3. Facilitate a process of recommendation implementation in instances where competencies required are not available in the municipality

6.2.3.4. Facilitate training that contribute to good corporate governance in the municipality; and

6.2.3.5. Evaluate and assess new or changing services, processes, operations, and control processes, (information technology-based or otherwise), in conjunction with their development, implementation, and/or expansion.

6.2.4. Requests for advisory assignments outside of the scope as defined in terms of this charter will follow the process as per 6.2.2.

6.3. ADMINISTRATIVE RESPONSIBILITIES

6.3.1. The CAE will develop a suitable organisational structure and maintain a professional internal audit staff complement with sufficient knowledge, skills and experience to meet the requirements of this Charter; subject to budget availability.

6.3.2. The CAE will prepare regular reports to the AO detailing the IAF's performance against the annual internal audit plan and other relevant information.

6.3.3. The CAE will develop and implement the five-year strategic and annual performance targets for the IAF and prepare quarterly performance reports against the achievement of strategic objectives and goals to the AO of NDM.

6.3.4. The CAE will develop the annual budget for the Internal Audit Sub– Programme, instill fiscal discipline within IAF and enforce compliance to other relevant and applicable legislation.

6.3.5. The IAF will maintain a quality assurance and improvement programme (QAIP) that covers all aspects of the internal audit activity. The QAIP will include an evaluation of IAF's conformance with the GIAS, assess the efficiency and effectiveness of the IAF and identify opportunities for improvement. The CAE will communicate to senior management and the AC on the QAIP, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside NDM.

6.4. AUDIT COMMITTEES AND OTHER STAKEHOLDER RESPONSIBILITIES

6.4.1. The CAE will keep the ACs and the AOs informed of emerging trends and successful practices in internal auditing.

6.4.2. The CAE will facilitate the design and implementation of the combined assurance model.

6.4.3. CAE will prepare quarterly progress reports to the various ACs detailing the performance of IAF against the annual internal audit plans.

6.4.4. The CAE will prepare and present to the AC the resource including specialists' requirements to enable the AC to assess its sufficiency to adequately deliver the mandate of IAF and internal audit plans, at a level where organisational effectiveness, efficiencies, economy and ethics is realized.

6.4.5. The CAE shall communicate the results of follow-up audits emanating from internal audit work to the various ACs.

6.4.6. The Office of the CAE shall provide the ACs with an administrative support service which will include secretariat services.

7 ACCOUNTABILITY

7.1. FUNCTIONAL ACCOUNTABILITY - AUDIT COMMITTEE

7.1.1. The CAE shall ensure that the Internal Audit Charter is updated as needed and reviewed and approved at least every two years by the AC.

7.1.2. The CAE, in discharging of his/her duties, shall be accountable functionally to the ACs to:

7.1.2.1. Approve the risk based Internal Audit plans;

7.1.2.2. Present quarterly reports to the Acs detailing the IAF's performance against annual internal audit plans and adequacy of the resources, to allowed for effective monitoring and possible intervention.

7.1.2.3. Report significant issues related to governance, risk management and control processes.

7.1.2.4. Report management's responses to risk that, in the CAE's judgement, may be unacceptable to the municipality.

7.1.3. The CAE shall communicate the results of the ongoing, periodic internal and the 5-yearly external quality assessments to the Audit Committees.

7.1.4. The CAE shall present an overall assessment of the governance, risk management and control processes within areas covered for the specific financial year to the Audit Committees.

7.2. ADMINISTRATIVE ACCOUNTABILITY

7.2.1. The CAE, in discharging of his/her duties, shall be administratively accountable to the AO, including:

7.2.1.1. Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency and utilization of the internal audit resources.

7.2.1.2. Communicating the results of the periodic internal and 5-yearly external quality assurance assessment.

7.2.2. The CAE, in discharging of his/her duties, shall be accountable administratively to the AO of NDM in relation to the overall management of the IAF (as required in the applicable legislation for the public service) as it pertains to:

7.2.2.1. Achievement of the strategic intent as outlined in the 5-year strategic and annual performance plans.

7.2.2.2. Management of the allocated budgets.

7.2.2.3. Day-to-day human resource management related issues.

8 AMENDMENT AND APPROVAL OF THE CHARTER

8.1. CAE

8.1.1 The Charter of the IAF will be reviewed by the CAE to ensure that it is aligned to the GIAS; the requirements of the NDM and relevant best practice, every two years.

8.2. MANAGEMENT REPRESENTATIVES

8.2.1. The AO of NDM adopts the Internal Audit Charter which outlines the purpose, authority, accountability and responsibility of IAF, after consultation with the CAE.

APPROVAL

Recommended by:

Ms Veronica Fitzpatrick

Internal Audit Function

Signature Date

Approved by: Mr Frank van den Heever

Chairperson: Audit Committee

Signature Date

Mr Sydney Adams

Municipal Manager: NDM

Signature Date