

" The City of Heritage "



ULUNDI LOCAL MUNICIPALITY.

INTERNAL AUDIT CHARTER
JUNE 2026

Financial Year : 2026-2027

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1. Introduction

Introduction

- 1.1 The Internal Audit Unit 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 committees.
- 1.2 This Internal Audit Charter represents the general authorization from the Municipal Manager and the Audit 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 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.
- 1.4 This charter provides guidance to the Internal Audit Unit of the Ulundi Local Municipality regarding the key functions it needs to consider as part of its operations.
- 1.5 The Internal Audit Unit should have regard to the International Standards for the Professional Practice of Internal Audit and also to any requirements regarding internal audit set out in relevant statutes or regulations. Furthermore, the Internal Audit Unit should also have regard to the recommendations contained in the King Report on Corporate Governance for South Africa 2009 (King III and King IV) with King IV™ being the latest edition (The King IV effective date was 1 April 2017).

2. Purpose of the Charter

- 2.1 The Internal Audit Charter profiles the purpose, authority and responsibility of the Internal Audit Unit, 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 Top Management for inputs and the Audit Committee for approval.

3. Professionalism

3.1 The Internal Audit Unit will govern itself by adherence to the mandatory elements of the Institute of Internal Auditor's (IIA) which are found on Domaine iii of the new IIA standards and adopted in January 20225. Standard 4.2 Due Professional Care

Requirements

Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:

- The organization's strategy and objectives.
- The interests of those for whom internal audit services are provided and the interests of other stakeholders.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Cost relative to potential benefits of the internal audit services to be performed.
- Extent and timeliness of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of risks to the activity under review.
- Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources.
- Use of appropriate techniques, tools, and technology.

4. Vision

4.1 The vision of the Internal Audit Unit is to contribute positively and protect the organizational values of the Ulundi Local Municipality by striving to be a world class internal audit unit of professionals helping to shape the future of the Municipality. Assist the Municipality in achieving its strategic objectives and improving the service delivery and livelihoods of the community.

5. Mission

5.1 The mission of Ulundi Local Municipality Internal Audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The purpose of the Internal Audit Unit is to provide independent, objective assurance and consulting 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

Ulundi Local Municipality Internal Audit Mandate

- The Ulundi Internal Audit Mandate focus on
- Ensuring compliance with laws and/or regulations.
- Identifying opportunities to improve the efficiency, effectiveness, and economy of government processes and programs.
- Determining whether public resources are adequately safeguarded and used appropriately to provide services in an equitable manner.
- Assessing whether an organization's performance aligns with its strategic objectives and goals.
-

7. Internal Audit Strategic Objectives.

Internal audit has developed the following strategic objectives that are planned to be aligned with the Municipality's strategic objectives.

A. Engaging Stakeholders in the Strategic Planning Process

1. Involving stakeholders in the strategic planning of the internal audit function helps it stay relevant, align with organizational goals, and increase the value of audit activities.
2. Stakeholders engagements will be improved by internal audit through regular participation in IDP forum meetings and Manco and Extended Manco. The internal audit will also be involved in risks assessment that are conducted for the Whole municipality on annual basis.
3. The internal audit will offer advisory services when required by management and Municipal public accounts committee.
4. More consultation with Municipal stakeholder such as National, Provincial departments.
5. Internal audit will ensure that the Internal Audit plan is risk-based based on assessment that was conducted with management to ensure that we audit what is relevant to the municipality and its operations.

6. The regular audit and providing recommendation for improvement on matters relating to Organisation's strategic objectives such as Intergrated Development plan , Services Delivery and Budget Implementation plan and Performance Information – by so doing we are contributing to the Municipalities' strategic objectives. on a quarterly basis of each financial year through Performance management audits that are conducted on regular basis.
7. The internal audit unit will consistently report to audit committee and senior management to communicate the Audit results with recommendations for improvements on a quarterly basis of each financial year .
8. Follow up will also be conducted in terms of tracking tool methodology that has already been developed and managed by internal audit on a quarterly basis.
9. Internal audit will conduct regular follow ups on Auditor Generals findings and report on progress to Senior Management and Audit committee on at least quarterly basis.
10. Internal audit to participate in Municipal Public Accounts Committees and Municipal Council Meetings this is to be done on quarterly basis.

B- Performance Measures and Indicators for Strategic Success

Performance measures and indicators are essential for evaluating the success of an internal audit strategic plan and determining the effectiveness of the internal audit function in achieving its objectives.

1. The internal audit individual performance contracts are to be signed on an annual basis by each internal auditor.
2. The targeted performance includes the items listed above such as participation on meetings, completion of internal audit assignments and reporting will be included in performance score card and this will be monitored on a quarterly basis.

C- Audit Quality

One of the primary indicators of strategic success is the quality of audit work performed by the internal audit function. This can be assessed through various measures, including the accuracy and completeness of audit findings, the relevance and significance of recommendations, and the overall impact of audit reports on organizational decision-making and risk management processes

1. The Ulundi internal audit will strive to maintain a quality audit and maintain our client trust and reliability. This can be assured through various Quality Assurance and improvement programs.
2. Internal on going Quality Assurance and Improvement programs (this include daily supervision of the internal audit unit).
3. Periodic Quality Assurance and Improvement Program – This will be conducted by KZN Provincial Treasury through our request for assistance- this is planned to be conducted on a annual basis , however the timing will be determined by Treasury as per their staff availability.
4. External Quality Assurance and Improvement Program- This requires funding as there should be done according the standard requirement and the persons involved should be qualified. Starting from financial year 2025 the qualify assurance should be conducted in 2028 in order to comply as the last review was conducted in 2022 by KZN PT.
5. Engagements Client Satisfaction Surveys _ for every engagement the client will be issued with client satisfaction surveys that will detail where the internal audit should improve in future audits. This will help in ensuring that the client views are respected and are taken into considerations. Quarterly and Annual basis.
6. Performance evaluation of the internal function and performance of CAE will be also be assessed by the Audit Committee chairperson on an Annual basis.

D- Stakeholder Satisfaction

Another critical measure of success is the level of satisfaction among key stakeholders, including senior management, the board of directors, and other relevant departments. Stakeholder satisfaction surveys or feedback mechanisms can gauge perceptions of the internal audit function's effectiveness, responsiveness, and value-added contributions to the organization

1. Ulundi Local Municipality IA Services will issue Engagements Client Satisfaction Surveys _ for every engagement the client will be issued with client satisfaction surveys that will detail where the internal audit should improve in future audits. This will help in ensuring that the client views are respected and are taken into considerations this will be done on an quarterly and Annual basis.

E- Risk Coverage

Effective internal audits should cover key organizational risks, ensuring that significant risks are identified, assessed, and addressed appropriately. Performance indicators related to risk coverage may include the percentage of critical risks covered in audit plans, the frequency and depth of risk assessments conducted, and the timeliness of audit responses to emerging risks.

1. Internal audit will co- ordinate with Risk and Compliance Management Unit on municipal risk assessments .
2. A formal communication regarding the combined Assurance and internal audit reliance on the assessment managed by Risk an Compliance unit will be drafted and issued to Risk Unit Management.
3. The scope and terms will also be discussed.
4. The internal audit plan will align to risks that are on the assessment.
5. Risk Assurance Map will be reviewed and updated on regular bases.
6. Risk management follow ups on Risk and Compliance registers will also be conducted on a quarterly basis.

F- Timeliness and Efficiency

Timeliness and efficiency in audit execution are essential indicators of the effectiveness of the internal audit function. Measures such as the average time taken to complete audit engagements, adherence to audit timelines and deadlines, and the utilization of audit resources can provide insights into the efficiency and productivity of the internal audit team.

Management of internal audit resources is vital for interbal audit plan. Therefore the following measures will have to be implemented by internal audit.

1. On planning – the internal audit plan should document expected hours (time) for the completion of the each engagement.
2. On completion – the Budget vrs Actual report should be completed for each engagement.
3. Timesheets are to be completed daily and weekily submitted to the immediate supervisor for review and signing.
4. Attendance registers are to be signed daily by each internal auditor and reviewed by immediate supervisor at the end of each day.

G- Compliance with Standards and Best Practices

Ulundi Local Municipality is operating under a regulated industry, therefore the audit process and producers will continuously be updated based on latest MFMA , Municipal Systems Act and Structures Act and Latest Circulars and Policies.

The internal audit unit will keep abreast with the latest changes in industry through attendance of training and seminars and through research.

1. Internal Audit will also participate in professional development activities, and implementing leading practices in audit methodologies and techniques.

H- Continuous Improvement

A gap in Qualifications and Technology has been identified therefore the following will be conducted since A commitment to continuous improvement is integral to the success of the internal audit function.

1. The CAE last passed CIA part 1 and 2 in 20Head of Internal Audit which has lapsed . The new target is set for 2028 internal audit should have a qualified CIA .
2. Internal audit team to developed their qualification to a post grad level and obtain designation qualification by 2029.
3. Technology-driven audit tools and techniques to be implemented in 2027 CAAT system. This is due to Municipal Financial Constrains.
4. Internal audit team to attend at least one IIA Training per 6 month period.
5. Internal audit team to participate in Stakeholders trainings such as National / Provincial Treasury , Cogta , Salga and Cigfaro at least per quarter and Teammate.
6. Internal audit management to complete Quality Assurance and Improvement Program qualification provided by The institute of Internal Auditors by June 2026.

8. Legislation Governing Internal Audit

The Internal Audit Function is governed in terms of section 165 of the Municipal Finance Management Act No. 56 of 2003 (as amended) (MFMA) and by the Municipal Systems Act, No. 32 of 2000 (MSA) which provides for the establishment of the Internal Audit Unit so as to regulate the function and to provide for matters incidental thereto.

9. Accountability of the Internal Audit Unit.

The Internal Audit Unit is directly accountable functionally to the Audit Committee, as formed in terms of section 166 of the MFMA and MFMA Circular 65 and administratively to the Accounting Officer.

10. Objectives and Scope of the Internal Audit Unit

IIA Standard 9.1 Understanding Governance, Risk Management, and Control Processes

Requirements

To develop an effective internal audit strategy and plan, the chief audit executive must understand the organization's governance, risk management, and control processes.

To understand governance processes, the chief audit executive must consider how the organization:

- Establishes strategic objectives and makes strategic and operational decisions.
- Oversees risk management and control.
- Promotes an ethical culture.
- Delivers effective performance management and accountability.
- Structures its management and operating functions.
- Communicates risk and control information throughout the organization.
- Coordinates activities and communications among the board, internal and external providers of assurance services, and management.

11. Our Role of Internal Audit in an Organisation.

The role of internal audit in the organisation is to assist the organisation to achieve goals and objectives. The internal audit activity 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.” Consistent with its mission, the Internal Audit Department provides management with information, appraisals, recommendations, and counsel regarding the activities examined and other significant issues.

Internal audit roles includes but no limited to.

- 1) Accessing integrity and reliability of financial information and financial reporting
- 2) Verify the existence of assets and recommend proper safeguards for their protection;
- 3) Evaluate the adequacy of the system of internal controls;
- 4) Recommend improvements in controls;

- 5) Assess compliance with policies and procedures and sound business practices;
- 6) Assess compliance with laws and contractual obligations.
- 7) Review operations/programs to ascertain whether results are consistent with established objectives and whether the operations/programs are being carried out as planned;
- 8) Investigate reported occurrences of fraud, embezzlement, theft, waste, etc

12. Internal Responsibility with regard to Fraud and Corruption

As contemplated by section 165 of the MFMA, Act 56 of 2003 and also section 6 sub-section 2 (c), sections 40, 45 and 55 of Municipal Systems Act, Act No. 32 of 2000.

- Internal Audit Unit shall exercise due professional care in performing its activities.
- Internal Audit Unit shall consider all possibilities of material irregularities or non-compliance when conducting its activities.
- When an internal auditor or Municipal official suspects wrongdoing he or she shall report to the Manager: Internal Audit who shall in turn report to the Audit Committee immediately and to the Accounting Officer and investigate in terms of the procedures outlined in the Fraud Prevention Policy.
- In addition to understanding control systems, internal auditors should be aware of the kinds of fraud that could be perpetrated in the organisation.
- Deterrence of fraud is the responsibility of management; however, Internal Audit Unit is responsible for examination and evaluating the adequacy and effectiveness of actions taken by management to fulfil this obligation.
- Internal auditors should have sufficient knowledge of fraud risk to be able to identify indicators that fraud might have been committed.
- Internal Audit Unit is responsible for investigations.

13. Responsibility to the Accounting Officer.

Internal Audit Unit is responsible to the Accounting Officer to ensure that they give assurance as to the effectiveness and efficiency of the controls employed in Ulundi Municipality.

14. Powers and Duties of the Internal Audit Unit

The roles and responsibilities of the Internal Audit unit is set out in Section 165 of the Municipal Finance Management Act, Act No. 56 of 2003 as follows:-

The Internal Audit Unit must -

- (a) Prepare on an annual basis a risk-based audit plan and an internal audit programme for each financial year;
- (b) Advise the accounting officer and report to the Audit 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) Performance management
 - (v) Risk and risk management

- (vi) Loss control
 - (vii) Compliance with MFMA, Division of Revenue Act (DORA) and any other applicable legislation.
 - (viii) Safeguarding of assets.
 - (ix) Appraisal of the economy and efficiency with which resources are employed.
- (c) Perform other such duties as may be assigned to it by the accounting officer.

14.2 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.

This includes:

- 14.2.1 Evaluating the governance processes including ethics, especially the tone at the top;
- 14.2.2 Evaluating risk exposure relating to the achievement of the Municipality's strategic objectives;
- 14.2.3 Evaluating the reliability and integrity of information and the means used to identify, measure, classify, and report such information;
- 14.2.4 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;
- 14.2.5 The results of operations or programmes are consistent with established goals and objectives;
- 14.2.6 Evaluating the systems established to ensure compliance with those policies, plans, procedures, laws, and regulations which could have a significant impact on the Municipality;
- 14.2.7 Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets;
- 14.2.8 Evaluating the effectiveness and efficiency with which resources are employed;
- 14.2.9 Evaluating operations or programmes to ascertain whether results are consistent with established objectives and goals, and whether the operations or programmes are being carried out as planned;
- 14.2.10 Monitoring and evaluating governance processes;
- 14.2.11 Monitoring and evaluating the effectiveness of the Municipality's risk management processes;
- 14.2.12 Evaluating the degree of coordination of External Audit with Internal Audit;
- 14.2.13 Performing consulting and advisory services related to governance, risk management and control as appropriate for the Municipality;
- 14.2.14 Providing special services as and when required by the Audit Committee;
- 14.2.15 Conducting its work in accordance with the IIA Standards and Code of

Ethics;

- 14.2.16 Reporting periodically on the Internal Audit Unit's purpose, authority, responsibility, and performance relative to its plan;
- 14.2.17 Reporting significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Council;
- 14.2.18 Evaluating specific operations at the request of the Council or management, as appropriate;
- 14.2.19 Evaluating operations or programmes are being carried out effectively and efficiently;
- 14.2.20 Evaluating established processes and systems to enable compliance with the policies, procedures, laws, and regulations that could have a significant impact on the Municipality;
- 14.2.21 Evaluating Information and the means used to identify, measure, analyse, classify, and report that such information is reliable and has integrity;
- 14.2.22 Evaluating that resources and assets are acquired economically, used efficiently, and protected adequately; and,
- 14.2. Head of Internal Audit Maintaining professional audit staff with enough knowledge, skills, experience, and professional certifications to meet the requirements of this Charter within the resource base provided.
- 14.2.24 In this regard the Head: 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.

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

(2) The internal audit unit must.'

- (a) Prepare a risk-based internal audit program for each financial year,
- (b) Advise the Municipal Manager and report to the Audit 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.

In addition to the above requirements, the Internal Audit Unit will, subject to Audit Committee approval, undertake:

- (d) Follow-up on recommendations contained in the Internal and External Management and Audit reports to ensure that these are adequately implemented and effective corrective measures have been taken;
- (e) Report to the Audit Committee the results of all audits, investigations or other

projects undertaken by the unit, and the status of its completed work assessed against the approved annual audit plan;

- (f) Review this Internal Audit Charter, which is to be approved by the Audit Committee annually;
- (g) The internal audit function may be outsourced if Ulundi Municipality requires assistance to develop its capacity and the Council has determined that this is feasible and cost-effective;
- (h) The Internal Audit Unit shall have access to all Municipal records and any information in the custody and control of any person employed by the Council, which is necessary for the effective performance of its duties, which are to:
 - (a) examine and evaluate the business processes and related control systems of Ulundi Municipality and assist management in assessing risks;
 - (b) investigate any matter -
 - (i) it deems necessary;
 - (ii) Referred to it in writing by the Council, the Accounting Officer, Senior Managers, members of Ulundi Local Municipality's EXCO, Council, community and staff, in terms of the procedures outlined in the Fraud Prevention Policy.
- (i) The Internal Audit Unit does not have any authority or responsibility for implementation of activities of Ulundi Municipality that it audits i.e.
 - The unit will not perform any line function tasks;
 - The unit will not initiate or approve accounting transactions external to the internal auditing directorate;
 - The unit will not direct the activities of any department employee not employed by the internal audit unit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors;
 - The unit will not directly participate in the design, development and implementation of new financial or other systems or policy within Ulundi Municipality other than in advisory and consulting capacity;

The Internal Audit Unit will, however, review the new systems or policy and comment or advice on the adequacy of the control measures and the efficiency of the said systems and policy before they are implemented to enhance pro-activeness.

- (j) Undertake quarterly audits of the Performance Management System in terms of sub regulation (1) (c) (ii) of the Municipal Planning and Performance Management Regulations (2001);
- (k) Assist the Accounting Officer respond to the Council on any issues raised by the Auditor-General in the audit report;

(c) Risk Management - Internal audit is responsible for providing assurance to management and the audit committee on the adequacy and effectiveness of the risk management process. Risk management is a key responsibility of the accounting officer and management

(d) Provide written assessments of the effectiveness of internal financial controls and internal controls and risk management to the Audit Committee and the Council.

(e) Consulting Activities

Consulting services should focus on assisting management in problem solving activities, achieving Ulundi Municipality's objectives, and add value to line and senior management.

Consulting services should only be conducted after approval has been obtained from the Audit Committee and internal audit will be responsible for providing advice only.

14.4 Types of Consulting Engagements

Internal audit should obtain an understanding of the nature of the engagement to clearly articulate the terms of reference. Agreed upon procedures should be documented in the Audit Planning Memorandum (APM) and agreed upon with the department head concerned.

The types of consulting work include the following:

Formal consulting engagements – those that are planned and subject to written agreement (APM);

Informal consulting engagements – routine activities such as participation on standing committees, limited-life audit projects, ad-hoc meetings and routine information exchange;

Special consulting engagements – participation on dedicated teams such as system conversion team; and

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.

Objectives, scope and limitations of the consulting assignment should be confirmed in writing in an Audit Planning Memorandum (APM). The responsibilities of both management and internal audit should be defined and documented in the APM that should be signed by both parties.

All working papers prepared during the execution of the consulting engagement should be kept as evidence of conducting the procedures.

Internal audit should communicate issues and preliminary results of the consulting engagement with line management during the conduct of the assignment.

Reports to management may either be oral by conducting a meeting session with line management or written updates can be provided to management. As agreed upon in the APM, internal audit should report results of the consulting activity.

Acceptance of Consulting Activities

The following guidelines are provided for assisting the internal audit activity in accepting consulting activities:

- Some consulting activities are specifically identified in the approved internal audit annual plan;
- Other consulting activities are initiated by managers communicating through the Accounting Officer.

The Internal Audit Unit should:

- request the audit committee's approval for consulting activities that significantly affect the approved internal audit's annual operational plan;
- consider the impact of independence and objectivity on the internal audit activity before acceptance of the consulting activities;
- consider whether the internal auditors have the requisite skills, knowledge, time and competencies to perform the proposed consulting activities; and
- consider the risks associated with the proposed consulting activities.

14.4.1 The Internal Audit Unit 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.

14.4.2 This consultancy 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 consultancy service is without prejudice to their ability to review such systems. Acceptance of Consulting Activities

14.4.3 The following guidelines are provided for assisting the Internal Audit Unit in accepting consulting activities:

14.4.4. Some consulting activities are specifically identified in the approved Internal Audit Annual Plan;

14.4.5 Other consulting activities are initiated by management through communicating directly with the Head: Governance and Internal Audit as activities happen within the organisation;

14.4.6 The Head: Governance and Internal Audit should request the Audit Committee's approval for consulting activities that significantly affect the approved internal audit's annual plan;

14.4.7 The Head: Governance and Internal Audit should consider the impact of independence and objectivity on the Internal Audit Unit before acceptance of the consulting activities;

14.4.8 The Head: Governance and Internal Audit should consider the risks associated with the proposed consulting.

14.4.9 The Head: Governance and Internal Audit will decline consulting 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.

The following categories of consulting engagements are envisaged:

• Type of consulting engagement	• Description of consulting engagement
• Formal consulting engagements	• Those that are planned and subject to written agreement
• Informal consulting engagements	• Routine activities such as participation on standing committees, limited-life audit projects, ad-hoc meetings, and routine information exchange
• Special consulting 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 consulting 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 Committee has been obtained.

14.4.10 The nature and scope of consulting engagements will be agreed with the specific directorate, provided the Internal Audit Unit does not assume management responsibility.

14.4.11 Objectives, scope and limitations of the consulting assignment should be confirmed in writing in an engagement letter/ scoping memorandum. The responsibilities of both management and the Internal Audit Unit should be defined and documented in the engagement letter/scoping memorandum that should be signed by both parties.

14.4.12 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.

15. ACCOUNTABILITY

The Internal Audit Unit, 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.

16. Code of Ethics.

- Code of Ethics. A code of ethics outlines the **ethical principles that govern decisions and behaviour at a Municipality**. They give general outlines of how employees should behave, as well as specific guidance for handling issues like harassment, safety, and conflicts of interest.
- A code of ethics is necessary and appropriate for the profession of internal auditing, founded as it is on the trust placed in its objective assurance about governance, risk management, and control.

The Institute's Code of Ethics extends beyond the Definition of Internal Auditing to include The following

IIA Domain II:

- Ethics and Professionalism The principles and standards in the Ethics and Professionalism domain of the Global Internal Audit Standards replace The IIA's former Code of Ethics and outline the behavioral expectations for professional internal auditors; including chief audit executives, other individuals, and any entities that provide internal audit services.
- Conformance with these principles and standards instills trust in the profession of internal auditing, creates an ethical culture within the internal audit function, and provides the basis for reliance on internal auditors' work and judgment. All internal auditors are required to conform with the standards of ethics and professionalism. If internal auditors are expected to abide by other codes of ethics, behavior, or conduct, such as those of an organization, conformance with the principles and standards of ethics and professionalism contained herein is still expected. The fact that a particular behavior is not mentioned in these principles and standards does not preclude it from being considered unacceptable or discreditable.
- While internal auditors are responsible for their own conformance, the chief audit executive is expected to support and promote conformance with the principles and standards in the Ethics and Professionalism domain by providing opportunities for training and guidance. The chief audit executive may choose to delegate certain responsibilities for managing conformance but retains accountability for the ethics and professionalism of the internal audit function.

Principle 1

- Demonstrate Integrity Internal auditors demonstrate integrity in their work and behavior.
- Integrity is behavior characterized by adherence to moral and ethical principles, including demonstrating honesty and the courage to act based on relevant facts, even when facing pressure to do otherwise, or when doing so might create potential adverse personal or organizational consequences. In simple terms, internal auditors are expected to tell the truth and do the right thing, even when it is uncomfortable or difficult. Integrity is the foundation of the other principles of ethics and professionalism, including objectivity, competency, due professional care, and confidentiality. The integrity of internal auditors is essential to establishing trust and earning respect.
- Standard 1.1 Honesty and Professional Courage Requirements Internal auditors must perform their work with honesty and professional courage.
- Internal auditors must be truthful, accurate, clear, open, and respectful in all professional relationships and communications, even when expressing skepticism or offering an opposing viewpoint.
- Internal auditors must not make false, misleading, or deceptive statements, nor conceal or omit findings or other pertinent information from communications. Internal auditors must disclose all material facts known to them that, if not disclosed, could affect the organization's ability to make well-informed decisions. Internal auditors must exhibit professional courage by communicating truthfully and taking appropriate action, even when confronted by dilemmas and difficult situations.
- The chief audit executive must maintain a work environment where internal auditors feel supported when expressing legitimate, evidence-based engagement results, whether favorable or unfavorable. Considerations for Implementation Internal auditors should enhance their awareness and understanding of honesty and professional courage by seeking opportunities to obtain ethics-related continuing professional education. While education helps create awareness in hypothetical situations, workplace training, mentorship, and supervision allow internal auditors to learn and practice skills such as tact and respectful communication, which are needed to apply professional courage effectively in real situations. When internal auditors encounter situations that challenge their honesty or professional courage, they should discuss the circumstances with a supervisor to determine the best course of action.
- To support internal auditors, the chief audit executive should arrange opportunities for education and training as well as discussions of hypothetical and real situations that require making ethical choices. Effective management of the internal audit function includes proper engagement supervision and periodic reviews of internal auditors' performance.
- For example, when approving work programs or reviewing engagement workpapers, an engagement supervisor may provide appropriate guidance to help internal auditors address potential or encountered situations that could pose a threat to their honesty and integrity. As part of evaluating internal auditors' performance, the chief audit executive may solicit feedback about their honesty and professional courage from the stakeholders with whom internal auditors interact.
- Evidence of Conformance
 - A training plan that includes ethics education and training.

- Documents that evidence internal auditors' attendance or participation in ethics education and training.
- Performance evaluations showing honesty and professional courage as objectives.
- Feedback from key stakeholders regarding the honesty and courage of internal auditors.

Standard 1.2 Organization's Ethical Expectations Requirements

- Internal auditors must understand, respect, meet, and contribute to the legitimate and ethical expectations of the organization and must be able to recognize conduct that is contrary to those expectations. Internal auditors must encourage and promote an ethics-based culture in the organization.
- If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they must report the concern according to applicable policies and procedures
- Considerations for Implementation
- An organization's ethical expectations usually are documented in a code of ethics, code of conduct, and/ or policies related to professional behavior and ethical conduct. Such policies, along with the organization's objectives and processes for promoting its ethics and values, provide the basis for an ethical culture.
- The internal audit plan may include assessments of the organization's ethics-related risks to determine whether existing policies and control processes adequately and effectively address those risks. For example, the organization's policies may specify the criteria and process for handling and communicating about ethics-related issues, the parties that should receive the communication, and the protocol for escalating unresolved issues.
- The chief audit executive also should determine a methodology for addressing ethical issues and discuss the methodology with the board and senior management to ensure alignment of the approaches.
- Internal auditors should consider ethics-related risks and controls during individual engagements. If internal auditors identify behavior within the organization that is inconsistent with the organization's ethical expectations, they should communicate the concerns according to the methodology established by the chief audit executive, which takes into account the organization's policies and processes as well as laws and/or regulations.
- If internal auditors determine that a member of senior management has behaved in a manner that is inconsistent with the organization's ethical expectations — whether documented in a code of conduct, code of ethics, or otherwise — the chief audit executive should report the violation to the board.
- If an ethics-related concern involves the chairman of the board, the chief audit executive should report the concern to the entire board. Internal auditors should follow up on ethics-related issues involving the board or senior management and validate that appropriate actions were taken to address the concern.

Evidence of Conformance

- Records of internal auditors' participation in workshops, training events, or meetings where ethical expectations and issues were discussed.

- Forms signed by individual internal auditors acknowledging their understanding of and commitment to follow ethics policies and procedures of the organization.
- Annual Declaration form signed by all Internal Audit team .
- Confidentiality form signed by all Internal auditors.
- Declaration form signed by all audit committee members
- Declaration signed in all audit committee meetings.
- The internal audit plan, work program, or workpapers showing consideration of the organization's ethics-related objectives, risks, and control processes.
- Documentation demonstrating that ethical issues were communicated to the board, senior management, and regulators in accordance with the organization's policies and relevant laws and/or regulations.

Standard 1.3

- Legal and Ethical Behaviour Requirements Internal auditors must not engage in or be a party to any activity that is illegal or discreditable to the organization or the profession of internal auditing or that may harm the organization or its employees.
- Internal auditors must understand and abide by the laws and/or regulations relevant to the industry and jurisdictions in which the organization operates, including making disclosures as required. If internal auditors identify legal or regulatory violations, they must report such incidents to individuals or entities that have the authority to take appropriate action, as specified in laws, regulations, and applicable policies and procedures.

Considerations for Implementation

- The Ulundi local Municipality's policies are sufficiently specific to address the situations that the internal audit function encounters.
- The chief audit executive may implement a methodology that specifies the actions internal auditors are expected to take in response to legal or regulatory violations of which they become aware. The methodology may include a procedure for validating that adequate actions are taken to address the violation. The chief audit executive should establish a methodology to ensure that internal auditors are properly supervised, conform with the Global Internal Audit Standards, and behave in alignment with ethical and professional values
- The list of discreditable behaviours include but are not limited to:
- Bullying, harassment, or discrimination.
- Lying, deceiving, or intentionally misleading others, including misrepresenting one's competency or qualifications (such as claiming to hold a certification or displaying credentials when the designation is expired or inactive, has been revoked, or was never earned).
- Intentionally issuing false reports or communications or allowing or encouraging others to do so, including minimizing, concealing, or omitting internal audit findings, conclusions, or ratings from engagement reports or overall assessments.
- Overlooking illegal activities that the organization may tolerate or condone.
- Soliciting or disclosing confidential information without proper authorization.
- Performing internal audit services with undeclared impairments to objectivity or independence.

- Stating that the internal audit function is operating in conformance with the Global Internal Audit Standards when the assertion is not supported.
- Failing to accept responsibility for mistakes.
- Evidence of Conformance
- Records of internal auditors' participation in training on laws, regulations, and ethical and professional behavior.
- Internal auditors' acknowledgments of their understanding of and commitment to act in accordance with relevant legal and professional expectations.
- Documented methodologies for handling illegal or discreditable behavior by internal auditors and legal or regulatory violations by individuals within the organization.
- Documented communication between internal auditors and their supervisors and/or legal counsel that address concerns about illegal or unprofessional actions.
- Sign-off that workpapers were reviewed.
- Final engagement communication, if applicable

Principle 2 Maintain Objectivity

- Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.
- Objectivity is an unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise. An independently positioned internal audit function supports internal auditors' ability to maintain objectivity.
- Standard 2.1 Individual Objectivity
- Requirements Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances.
- Internal auditors must be aware of and manage potential biases.
- Considerations for Implementation Objectivity means internal auditors perform their work without compromise or subordination of judgment to others.
- The Global Internal Audit Standards, along with the policies established and training arranged by the chief audit executive, support objectivity by providing requirements, procedures, and guidance that set forth a systematic and disciplined approach for gathering and evaluating information to provide a balanced assessment of the activity under review.
- Training may help internal auditors to better understand objectivity impairing scenarios and how best to address them.
- Making objective assessments requires an impartial mindset, free from bias and undue influence, which is essential to providing objective assurance and advice to the board and senior management. Internal auditors should develop awareness of the ways in which situations, activities, and relationships may affect their ability to be objective.
- Internal auditors should consider the human tendency to misinterpret information or make assumptions or mistakes, which impairs the ability to evaluate information and evidence objectively.

- List of biases include but are not limited to:
- Self-review bias – lack of critical perspective when reviewing one’s own work, which may lead to overlooking mistakes or shortcomings.
- Familiarity bias – making assumptions based on past experiences, which may compromise professional skepticism.
- Prejudice or unconscious bias – misinterpretation of information, based on predisposed ideas about culture, ethnicity, gender, ideology, race, or other characteristics, which may cause inaccurate judgments.

Evidence of Conformance

- References in the internal audit charter to internal auditors’ responsibility for maintaining objectivity.
- Policies and procedures related to objectivity.
- Records of planned and completed objectivity training, including list of participants.
- Attestation forms that confirm internal auditors’ awareness of objectivity’s importance and the obligation to disclose any potential impairments.
- Documented disclosures of potential conflicts of interest or other impairments to objectivity.
- Notes from supervisory reviews and mentoring of internal auditors.

Standard 2.2

- Safeguarding Objectivity Requirements Internal auditors must recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity. Internal auditors must not accept any tangible or intangible item, such as a gift, reward, or favor, that may impair or be presumed to impair objectivity. Internal auditors must avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.
- When performing internal audit services:
- Internal auditors must refrain from assessing specific activities for which they were previously responsible.
- Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous 12 months.
- If the internal audit function is to provide assurance services where it had previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed.
- Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by an independent party outside the internal audit function.
- If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.
- The chief audit executive must establish methodologies to address impairments to objectivity.

- Internal auditors must discuss impairments and take appropriate actions according to relevant methodologies.
- Considerations for Implementation Objectivity is impaired when situations, activities, or relationships may influence internal auditors' judgments and decisions in a way that may change internal audit findings and conclusions.
- Impairments to objectivity may exist, in fact or appearance, even when they are unintended.
- Objectivity may be perceived by others to be impaired, even when no impairment has occurred in fact.
- Internal auditors should apply judgment regarding additional circumstances that may impair or be presumed to impair objectivity.
- Conflicts of interest are situations in which an internal auditor has a competing professional or personal interest that may make it difficult to fulfill internal audit duties impartially.
- Conflicts of interest may create the appearance of impropriety that could undermine the confidence in an internal auditor, the internal function and the internal audit profession, even if no unethical or improper acts result.

Conflicts of interest include situations, activities, and relationships that may, in fact or appearance:

- Oppose or compete with the interests of the organization.
- Create the potential for undue financial or other personal gain.
- Be established solely to protect oneself from potential or actual loss or harm.
- Be nepotistic or provide favoritism to certain individuals.
- The internal audit function's methodologies should specify the expectations and requirements for internal auditors related to:
 - Receiving gifts, favors, and rewards.
 - Identifying situations that may impair objectivity.
 - Responding appropriately upon becoming aware of an impairment.
- Ulundi internal auditors are not allowed to accept gifts and reward, or favor may be perceived to affect their judgment or be given in exchange for producing favorable internal audit findings, conclusions, or results.
- Internal auditors should be aware that close personal relationships outside work and relationships involving financial ties, such as investments, may be or appear to be conflicts of interest
- The chief audit executive should take precautions to reduce the potential impairments to objectivity that may result from the design of performance evaluations and remuneration arrangements, bonuses, and incentives.

Remuneration arrangements that may impair objectivity include:

- Basing performance evaluations and remuneration primarily on surveys of or input from the management of the activity under review.
- Measuring performance against the number of findings identified during engagements, the revenue growth of the activity under review, or the cost savings or job eliminations imposed upon the activity under review.
- Allowing management to provide indirect compensation in the form of gifts and gratuities.
- This will not be risk in Ulundi Local Municipality since bonus are determined through Collective Agreements governing the payment of salaries and bonus.

- The evaluation of Individual performance management there are no monetary compensation currently the system allows for bonus leave days for individuals that has received above 120% scoring. Objectivity on setting of goals and assessment will be implemented and caution will be taken to ensure that conflict of interest risk is mitigated.
- The requirements for staffing and supervising engagements are intended to ensure that the internal auditors assigned to an engagement were not recently responsible for any aspect of the activity under review, which may bias their view, give them a vested interest in a particular outcome, or create the perception or appearance that their objectivity is impaired.
- For each engagement, the internal auditors performing and supervising the engagement should be independent from the activity under review.
- When planning resources for an engagement, the chief audit executive or a designated supervisor the Internal Audit Manager should discuss the engagement with internal auditors to identify any current or potential impairments to objectivity.

Evidence of Conformance

- Policies and procedures for identifying potential impairments and necessary safeguards.
- Records of objectivity training.
- Documentation through which internal auditors attest that they either have no known impairments or have disclosed potential impairments.
- Sources of feedback on the perception of internal auditors' objectivity, such as surveys of the internal audit function's stakeholders (Client Satisfaction surveys for each engagement forwarded to the engagement client Head of Department and line manager
- Notes from supervisory reviews (Review notes)
- Remuneration plan.
- Minutes of Audit Committee meetings where impairments to objectivity were discussed.
- Plans showing alternative provisions to fulfill the internal audit plan activities where impairments to objectivity were unavoidable.
- Standard 2.3 Disclosing Impairments to Objectivity Requirements
- If objectivity is impaired in fact or appearance, the details of the impairment must be disclosed promptly to the appropriate parties. If internal auditors become aware of an impairment that may affect their objectivity, they must disclose the impairment to the chief audit executive or a designated supervisor.
- If the chief audit executive determines that an impairment is affecting an internal auditor's ability to perform duties objectively, the chief audit executive must discuss the impairment with the management of the activity under review, the board, and/or senior management and determine the appropriate actions to resolve the situation.
- If an impairment that affects the reliability or perceived reliability of the engagement findings, recommendations, and/or conclusions is discovered

after an engagement has been completed, the chief audit executive must discuss the concern with the management of the activity under review, the board, senior management, and/or other affected stakeholders and determine the appropriate actions to resolve the situation. (See also Standard 11.4 Errors and Omissions.) If the objectivity of the chief audit executive is impaired in fact or appearance, the chief audit executive must disclose the impairment to the board. (See also Standard 7.1 Organizational Independence.)

- Considerations for Implementation The requirements for disclosing impairments to objectivity are typically defined in the internal audit function's methodologies and describe the actions to be taken to address each impairment to objectivity.
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- The general approach to disclosing and mitigating impairments to objectivity is typically determined by the chief audit executive in agreement with the board and senior management. If an impairment to objectivity cannot be avoided, the chief audit executive may consider options to manage the impairment, including:
 - Reassigning internal auditors to remove the impaired internal auditor from the engagement.
 - Rescheduling an engagement to ensure it is properly staffed.
 - Adjusting the scope of an engagement.
 - Outsourcing the performance or supervision of the engagement.
 - When a concern arises during engagement planning that relates solely to the perception of an impairment, the chief audit executive may choose to discuss the concern with the management of the activity under review and/or senior management, explain why the risk exposure is minimal and how it will be managed, and document the discussion and the final decision about how to proceed.
- Standard 7.1 Organizational Independence provides additional requirements and information related to the chief audit executive assuming roles or responsibilities beyond internal auditing.

Evidence of Conformance

- Internal audit methodologies for disclosing objectivity impairments.
- Documentation disclosing the presence or affirming the absence of objectivity impairments.
- Records of the disclosure of objectivity impairments and the response from and/or approval of the mitigation by appropriate parties.

Principle 3

- Demonstrate Competency Internal auditors apply the knowledge, skills, and abilities to fulfil their roles and responsibilities successfully.
- Demonstrating competency requires developing and applying the knowledge, skills, and abilities to provide internal audit services.
- Because internal auditors provide a diverse array of services, the competencies needed by each internal auditor vary.

- In addition to possessing or obtaining the competencies needed to perform services, internal auditors improve the effectiveness and quality of services by pursuing professional development.

Standard 3.1

- **Competency Requirements** Internal auditors must possess or obtain the competencies to perform their responsibilities successfully.
- The required competencies include the knowledge, skills, and abilities suitable for one's job position and responsibilities commensurate with their level of experience.
- Internal auditors must possess or develop knowledge of The IIA's Global Internal Audit Standards.
- Internal auditors must engage only in those services for which they have or can attain the necessary competencies.
- Each internal auditor is responsible for continually developing and applying the competencies necessary to fulfill their professional responsibilities.
- Additionally, the chief audit executive must ensure that the internal audit function collectively possesses the competencies to perform the internal audit services described in the internal audit charter or must obtain the necessary competencies. (See also Standards 7.2 Chief Audit Executive Qualifications and 10.2 Human Resources Management.)
- **Considerations for Implementation** Internal auditors should develop competencies related to:
 - Communication and collaboration.
 - Governance, risk management, and control processes.
 - Business functions, such as financial management and information technology.
 - Pervasive risks, such as fraud.
 - Tools and techniques for gathering, analyzing, and evaluating data.
 - The risks and potential impacts of various economic, environmental, legal, political, and social conditions.
 - Laws, regulations, and practices relevant to the organization, sector, and industry.
 - Trends and emerging issues relevant to the organization and internal auditing.
 - Supervision and leadership.
- To develop and demonstrate competencies, internal auditors may:
 - Obtain appropriate professional credentials, such as the Certified Internal Auditor® designation and other certifications and credentials.
 - Identify opportunities for improvement and competencies that need development, based on feedback provided by stakeholders, peers, and supervisors.
 - Seek relevant training not only in internal audit methodologies but also on business activities relevant to the organization.
 - Training opportunities may include enrolling in courses, working with a mentor, or being assigned new tasks under supervision during an engagement.
- While internal auditors are responsible for ensuring their individual professional development and may assess their own skills and opportunities for development, the chief audit executive should support the professional

development of internal auditors. The chief audit executive may establish minimum expectations for professional development and

- should encourage the pursuit of professional qualifications.
- The chief audit executive should include funding for training and professional development in the internal audit budget and provide opportunities internally as well as externally, through continuing professional education, training, and conferences. (See also Standards 10.1 Financial Resource Management and 10.2 Human Resources Management.)
- To ensure the internal audit function collectively possesses the competencies to perform the internal audit services, the chief audit executive should:
- Maintain knowledge of internal auditors' competencies to be used when assigning work, identifying training needs, and recruiting internal auditors to fill open positions.
- Participate in the performance reviews of individual internal auditors.
- Identify areas in which the competencies of the internal audit function should be improved.
- Encourage internal auditors' intellectual curiosity and invest in training and other opportunities to improve internal audit performance.
- Understand the competencies of other providers of assurance and advisory services and consider relying upon those providers as a source of additional or specialty competencies not available within the internal audit function.
- Consider contracting with an independent, external service provider when the internal audit function collectively does not possess the competencies to perform requested services.
- Effectively implement a quality assurance and improvement program.

Evidence of Conformance

- Documentation listing the certifications, education, experience, work history, and other qualifications of internal auditors.
- Internal auditors' self-assessments of their competencies and plans for professional development.
- Documentation of internal auditors' completion of continuing professional education, such as courses, conference sessions, workshops, and seminars.
- Documented performance reviews of internal auditors (the annual performance assessment and quarterly IPMS Reviews)
- Documented supervisory reviews of engagements, post-engagement surveys completed by internal audit stakeholders, and other forms of feedback indicating competencies exhibited by individual internal auditors and the internal audit function (the client satisfaction surveys and internal quality assurance .
- The results of internal and external quality assessments.
- Documentation of relevant competencies necessary to fulfil the internal audit plan, an analysis of resource gaps, and the identification of the training and budget necessary to fill the gaps.
- Documentation such as an assurance map that indicates the competencies of other providers of assurance and advisory services upon which the internal audit function may rely.

Principle 4 **Exercise Due Professional Care**

- Internal auditors apply due professional care in planning and performing internal audit services. The standards that embody exercising due professional care require:
- Conformance with the Global Internal Audit Standards.
- Consideration of the nature, circumstances, and requirements of the work to be performed.
- Application of professional skepticism to critically assess and evaluate information.
- Due professional care requires planning and performing internal audit services with the diligence, judgment, and skepticism possessed by prudent and competent internal auditors. When exercising due professional care, internal auditors perform in the best interests of those receiving internal audit services but are not expected to be infallible.

Standard 4.1

Conformance with the Global Internal Audit Standards

- Requirements Internal auditors must plan and perform internal audit services in accordance with the Global Internal Audit Standards.
- The internal audit function's methodologies must be established, documented, and maintained in alignment with the Standards.
- Internal auditors must follow the Standards and the internal audit function's methodologies when planning and performing internal audit services and communicating results.
- If the Standards are used in conjunction with requirements issued by other authoritative bodies, internal audit communications must also cite the use of the other requirements, as appropriate.
- If laws or regulations prohibit internal auditors or the internal audit function from conforming with any part of the Standards, conformance with all other parts of the Standards is required and appropriate disclosures must be made.
- When internal auditors are unable to conform with a requirement, the chief audit executive must document and communicate a description of the circumstance, alternative actions taken, the impact of the actions, and the rationale.
- Requirements related to disclosing nonconformance with the Standards are described in Standards 8.3 Quality, 12.1 Internal Quality Assessment, and 15.1 Final Engagement Communication.

Evidence of Conformance

- Documentation of the internal audit function's methodologies and an indication of when they were last updated.
- If applicable, final engagement communications and communications with the board and senior management where nonconformance has been disclosed.
- Ethics and Professionalism • Documentation referencing the laws and/or regulations with which internal auditors were required to comply that prevented their conformance with the Standards.
- Documentation referencing authoritative requirements to which the internal audit function adheres in addition to the Standards.
- Results of the quality assurance and improvement program.

Standard 4.2 Due Professional Care

- Requirements Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:
- The organization's strategy and objectives.
- The interests of those for whom internal audit services are provided and the interests of other stakeholders.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Cost relative to potential benefits of the internal audit services to be performed.
- Extent and timeliness of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of risks to the activity under review.
- Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources.
- Use of appropriate techniques, tools, and technology

Evidence of Conformance

- Planning notes documenting the strategy and objectives of the organization and activity under review.
- Documented assessments of governance, risk management, and control processes.
- Notes showing assessment of risks including errors, noncompliance, and fraud.
- Notes from meetings or discussions of the potential costs and benefits of internal audit services and the extent and timeliness of engagement work.
- Workpapers indicating supervisory review of engagements.
- Internal auditors' performance reviews.
- Notes from meetings, training, or other discussion of due professional care.
- Feedback from stakeholders solicited through surveys or other tools.
- Internal and external assessments performed as part of the internal audit function's quality assurance and improvement program.

Standard 4.3 Professional Skepticism

- Requirements Internal auditors must exercise professional skepticism when planning and performing internal audit services.
- To exercise professional skepticism, internal auditors must:
- Maintain an attitude that includes inquisitiveness.
- Critically assess the reliability of information.
- Be straightforward and honest when raising concerns and asking questions about inconsistent information.
- Seek additional evidence to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading.
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17. Fundamental Principles Governing the Internal Audit Unit

The Internal Audit Unit is 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:

17.1 Independence:

Standard 7.1 Organizational Independence.

Responsibilities – An internal audit function's responsibilities comprise its accountability and obligations to carry out its role(s), as well as the specific expectations of key stakeholders. For example, responsibilities typically include expectations regarding performance of audit services; communications; compliance with laws, regulations, and policies; conformance with the Global Internal Audit Standards; and other activities incumbent in the role.

Scope – The scope of internal audit services covers the entire breadth of the organization for which the internal audit function is responsible for providing services. This may include all activities, assets, and personnel of the organization or may be restricted to a subset according to geography or other division.

The scope may specify the nature of internal audit services (for example, assurance only or assurance and advisory, focus on financial statements, compliance with laws and/or regulations), or may specify other limitations on the coverage of internal audit services.

Internal audit services – Internal audit services may simply be defined as assurance and advisory services or may be more specifically defined, such as performance auditing, assurance regarding internal controls over financial reporting, and investigations.

Circumstances may justify a follow-up discussion with the board and senior management on the internal audit mandate or other aspects of the internal audit charter.

These conditions may include, but are not limited to:

- A notable change in the Global Internal Audit Standards.
- A significant acquisition or reorganization within the organization.
- Significant changes in the board and/or senior management.
- Significant changes to the organization's strategies, objectives, risk profile, or the environment in which it operates.
- New laws or regulations that may affect the nature and/or scope of internal audit services

These conditions may arise at any point during the year. However, the chief audit executive should formally consider any such changes at least annually.

The chief audit executive coordinates with the organization's assurance providers and advises the board regarding how other functions may contribute to the internal audit mandate.

By helping the board understand the roles and responsibilities of other internal and external assurance providers and regulators, the chief audit executive may provide clarity about an appropriate internal audit mandate. (See also Standard 9.5 Coordination and Reliance)

The Internal Audit Unit has the independence in terms of organizational status and personal objectivity which permits the proper performance of its duties.

Independence is achieved through the organizational status of the Internal Audit Unit and the objectivity of internal auditors.

The Internal Audit Unit should determine its priorities in terms of Ulundi Municipality's strategic and operational risk profile, in consultation with management. Accordingly the

Internal Audit Unit has direct access to, and freedom to report to all senior management including the audit committee and the Council.

Each internal auditor has an objective attitude of mind and should be in a sufficiently independent position to be able to exercise judgment, express opinions and present recommendations with impartiality:

- The Internal Audit Unit, notwithstanding its employment by the Council, should be free from any conflict of interest arising either from professional or personal relationships or other interests in the Council or activity which it subjects to audit.
- The 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.
- The Internal Audit Unit should not allow its objectivity to be impaired when auditing an activity for which it has authority or responsibility.
- The Internal Audit Unit should be consulted about significant proposed changes in the internal control system and the implementation of new systems and should make recommendations on the standards of control to be applied. This need not prejudice the Internal Audit Unit's objectivity in subsequently reviewing those systems.
- The Standards apply to individual internal auditors and internal audit activities. All internal auditors are accountable for conforming with the Standards related to individual objectivity, proficiency, and due professional care. In addition, internal auditors are accountable for conforming with the Standards, which are relevant to the performance of their job responsibilities. Chief audit executives are accountable for overall conformance with the Standards.

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

17.2 Objectivity.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product and that no quality compromises are made. Objectivity requires that internal auditors do not subordinate their judgment on audit matters to others. Threats to objectivity must be managed at the individual auditor, engagement, functional, and organizational levels.

Principle 2 Maintain Objectivity

Internal auditors maintain an impartial and unbiased attitude when performing internal audit services and making decisions.

Objectivity is an unbiased mental attitude that allows internal auditors to make professional judgments, fulfill their responsibilities, and achieve the Purpose of Internal Auditing without compromise. An independently positioned internal audit function supports internal auditors' ability to maintain objectivity.

Standard 2.1 Individual Objectivity

Requirements Internal auditors must maintain professional objectivity when performing all aspects of internal audit services. Professional objectivity requires internal auditors to

apply an impartial and unbiased mindset and make judgments based on balanced assessments of all relevant circumstances.

Internal auditors must be aware of and manage potential biases.

Considerations for Implementation Objectivity means internal auditors perform their work without compromise or subordination of judgment to others.

The Global Internal Audit Standards, along with the policies established and training arranged by the chief audit executive, support objectivity by providing requirements, procedures, and guidance that set forth a systematic and disciplined approach for gathering and evaluating information to provide a balanced assessment of the activity under review.

Training may help internal auditors to better understand objectivity impairing scenarios and how best to address them.

Making objective assessments requires an impartial mindset, free from bias and undue influence, which is essential to providing objective assurance and advice to the board and senior management. Internal auditors should develop awareness of the ways in which situations, activities, and relationships may affect their ability to be objective.

Internal auditors should consider the human tendency to misinterpret information or make assumptions or mistakes, which impairs the ability to evaluate information and evidence objectively.

- List of biases include but are not limited to:
- Self-review bias – lack of critical perspective when reviewing one’s own work, which may lead to overlooking mistakes or shortcomings.
- Familiarity bias – making assumptions based on past experiences, which may compromise professional skepticism.
- Prejudice or unconscious bias – misinterpretation of information, based on predisposed ideas about culture, ethnicity, gender, ideology, race, or other characteristics, which may cause inaccurate judgments.

Evidence of Conformance

- References in the internal audit charter to internal auditors’ responsibility for maintaining objectivity.
- Policies and procedures related to objectivity.
- Records of planned and completed objectivity training, including list of participants.
- Attestation forms that confirm internal auditors’ awareness of objectivity’s importance and the obligation to disclose any potential impairments.
- Documented disclosures of potential conflicts of interest or other impairments to objectivity.
- Notes from supervisory reviews and mentoring of internal auditors.

Standard 2.2

Safeguarding Objectivity Requirements Internal auditors must recognize and avoid or mitigate actual, potential, and perceived impairments to objectivity.

Internal auditors must not accept any tangible or intangible item, such as a gift, reward, or favor, that may impair or be presumed to impair objectivity. Internal auditors must avoid conflicts of interest and must not be unduly influenced by their own interests or the interests of others, including senior management or others in a position of authority, or by the political environment or other aspects of their surroundings.

When performing internal audit services:

- Internal auditors must refrain from assessing specific activities for which they were previously responsible.
- Objectivity is presumed to be impaired if an internal auditor provides assurance services for an activity for which the internal auditor had responsibility within the previous 12 months.
- If the internal audit function is to provide assurance services where it had previously performed advisory services, the chief audit executive must confirm that the nature of the advisory services does not impair objectivity and must assign resources such that individual objectivity is managed.
- Assurance engagements for functions over which the chief audit executive has responsibility must be overseen by an independent party outside the internal audit function.
- If internal auditors are to provide advisory services relating to activities for which they had previous responsibilities, they must disclose potential impairments to the party requesting the services before accepting the engagement.
- The chief audit executive must establish methodologies to address impairments to objectivity.
- Internal auditors must discuss impairments and take appropriate actions according to relevant methodologies.
- Considerations for Implementation Objectivity is impaired when situations, activities, or relationships may influence internal auditors' judgments and decisions in a way that may change internal audit findings and conclusions.
- Impairments to objectivity may exist, in fact or appearance, even when they are unintended.
- Objectivity may be perceived by others to be impaired, even when no impairment has occurred in fact.
- Internal auditors should apply judgment regarding additional circumstances that may impair or be presumed to impair objectivity.
- Conflicts of interest are situations in which an internal auditor has a competing professional or personal interest that may make it difficult to fulfill internal audit duties impartially.
- Conflicts of interest may create the appearance of impropriety that could undermine the confidence in an internal auditor, the internal function and the internal audit profession, even if no unethical or improper acts result.

18. Staff and Training:

Standard 3.2

Continuing Professional Development Requirements Internal auditors must maintain and continually develop their competencies to improve the effectiveness and quality of internal audit services.

Internal auditors must pursue continuing professional development including education and training. Practicing internal auditors who have attained professional internal audit certifications must follow the continuing professional education policies and fulfill the requirements applicable to their certifications.

Considerations for Implementation Continuing professional development may include self-study, on-the-job training, opportunities to learn new skills on special assignments (such as rotational programs), mentorship, supervisory feedback, and free and paid education.

To improve the quality of performing internal audit services, internal auditors should seek opportunities to learn about trends and best practices as well as emerging topics, risks, trends, and changes that may affect the organizations for which they work and the internal audit profession.

Internal auditors are responsible for developing their competencies and should seek opportunities to learn. However, the chief audit executive is responsible for the competencies of the internal audit function and should budget and plan for opportunities to train and educate internal audit staff.

The internal auditors can develop new knowledge when properly supervised and assigned to engagements involving processes or areas with which they have had limited experience. Internal auditors should seek and welcome opportunities for supervision and mentorship through which they can receive robust feedback, guidance, and insight.

Many professional credentials require a minimum number of hours of continuing professional education within specific periods, such as annually. The chief audit executive should consider implementing a plan that requires internal auditors to obtain specific types and quantities of continuing professional education. Internal auditors possessing credentials, such as the Certified Internal Auditor® designation, should be aware of the specific requirements of the certifying body's policy for maintaining their credentials.

Failing to fulfill such requirements may result in consequences, including jeopardizing internal auditors' permission to use the credentials. All internal auditors should develop a plan and schedule for ongoing training and education. As part of the required continuing professional education,

Professional development initiatives should include a regular review and assessment of internal auditors' career paths and needs for professional development. The chief audit executive should ensure plans and budgets for training reflect a balance between investing in developing the competencies of the internal audit function as a whole and providing internal auditors with opportunities to achieve their individual goals to grow professionally.

Evidence of Evidence of Conformance

- Documented plans for attending training events, professional conferences, and other continuing professional education.
- Records of internal auditors' completed continuing professional education and credentials obtained.
- Internal auditors' performance reviews and/or plans for professional development.

The Internal Audit Unit should be appropriately staffed in terms of numbers, grades, qualifications and experience, having regard to its responsibilities and objectives.

The effectiveness of the Internal Audit Unit depends substantially on the quality, training and experience of its staff. Staff should be appointed with the appropriate background, personal qualities and potential. Steps should be taken to provide the necessary experience, training and continuing professional education.

The Deputy director Internal Audit and Manager: Internal Audit Unit should participate in the recruitment and selection of staff.

Any staff transferred into the internal audit function from other departments should not review any aspects of their previous department's work until a reasonable interval of time has passed.

The Manager: Internal Audit Unit has a responsibility to ensure that the internal audit staff receives the necessary training for the performance of the full range of duties, considering the following:

- internal audit objectives and priorities;
- the type of internal audit work;
- previous training, experience and qualifications; and

The internal auditor should keep abreast of current developments, improvements, new techniques and practices in auditing field.

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

- private reading and study
- participation in professional activities such as attending meetings, courses and conferences
- membership of the Institute of Internal Auditors

The Manager: Internal Audit Unit should co-ordinate, and keep under review, the training requirements of internal auditors. He/she will be responsible for preparing training profiles which identify the training requirements for different grades of internal auditors, and should maintain personal training records for each individual.

19. Relationships:

The 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.

Standard 11.1 Building Relationships and Communicating with Stakeholders.
Requirements

The chief audit executive must develop an approach for the internal audit function to build relationships and trust with key stakeholders, including the board, senior management, operational management, regulators, and internal and external assurance providers and other consultants.

The chief audit executive must promote formal and informal communication between the internal audit function and stakeholders, contributing to the mutual understanding of:

- Organizational interests and concerns.
- Approaches for identifying and managing risks and providing assurance.
- Roles and responsibilities of relevant parties and opportunities for collaboration.
- Relevant regulatory requirements.
- Significant organizational processes, including financial reporting.

Considerations for Implementation

- Regular, ongoing communication among the board, senior management, and the internal audit function contributes to a common understanding of the organization's risks and assurance priorities and promotes adaptability to changes.
- The chief audit executive should be included in the organization's communication channels to keep current with major developments and planned activities that could affect the objectives and risks of the organization.
- The chief audit executive also should attend meetings with the board and key governance committees, as well as senior management and groups that report

directly to senior management, such as compliance, risk management, and quality control and risks of the organization.

- The chief audit executive also should attend meetings with the Audit Committee , Council Meeting and EXCO Meetings and key governance committees, as well as senior management and groups that report directly to senior management, such as compliance, risk management, and quality control.
- In addition, the chief audit executive should discuss a methodology for communication with the board and senior management to determine the criteria defining significant issues requiring formal communication, the format and content of formal communication, and the frequency with which such communication should occur.

19.2 Relationship with Management

The Manager: Internal Audit Unit should prepare the risk based internal audit plan in consultation with senior management. The internal auditor should arrange the timing of internal assignments in consultation with the head of the Internal Audit Unit and management, except on those rare occasions where an unannounced visit is a necessary part of the audit approach. Consultation can lead to the identification of areas of concern or of other interest to management.

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 give express agreement to broaden the discussion.

Discussion with management is necessary when preparing the audit report. This should be an essential feature of the good relationship between the auditor and management.

19.3 Relationship with the Audit Committee

The Internal Audit Unit should report and liaise with the Audit Committee on a regular basis on matters affecting and pertinent to the Internal Audit Unit. Direction and guidance should be sought from the Audit Committee on a regular basis.

Internal and external audit recommendations and action plans not implemented by management should be tabled at the Audit Committee meetings for direction and resolution.

The Audit Committee should annually assess the effectiveness of the internal audit function against criteria including:

- i. Achievement of the annual internal audit plan;
- ii. Compliance with the IIA professional standards of quality;
- iii. Achievement of reporting protocols to the Audit Committee;
- iv. Timeliness of reporting of findings and activities;
- v. Management's acceptance of audit findings;
- vi. Quality and relevance of the annual assessment reports;

- vii. Level of cooperation and interaction with other assurance providers within the combined assurance approach;
- viii. Maintenance of adequate staffing/sourcing levels to achieve the objectives of the internal audit function; and
- ix. Meeting the budget allocated to internal audit.

The appointment and removal of the chief audit executive (CAE). The Chief Audit Executive will report functionally to the Audit Committee and administratively (i.e. day to day operations) to the Municipal Manager.

The Audit Committee will.

- I. Approve the internal audit charter.
- II. Approve the risk based internal audit plan.
- III. Approve the internal audit budget and resource plan.
- IV. Receive communications from the Chief Audit Executive on the internal audit activity's performance relative to its plan and other matters.
- V. Approve decisions regarding the appointment and removal of the Chief Audit Executive. Approve the remuneration of the Chief Audit Executive.
- VI. Make appropriate inquiries of management and the Chief Audit Executive to determine whether there is inappropriate scope or resource limitations.

The Chief Audit Executive will communicate and interact directly with the Board, including in executive sessions and between Board meetings as appropriate.

The internal audit unit is accountable to the audit committee as follows:

- Maintain open and effective communication with the audit committee;
- Develop a flexible annual audit plan using a risk based methodology, addressing any weaknesses in risks or controls identified;
- Submit the audit plan to the audit committee for review and approval;
- Report on the implementation and results of the annual audit plan including special tasks requested by management and the audit committee;
- Assist in drafting the agenda and documentation, and facilitate the distribution thereof to the audit committee in advance of meetings;
- Meet periodically with the chairperson of the audit committee to discuss whether the material and information furnished meets the requirements of the audit committee;
- Obtain advice from the audit committee whether the frequency and time allocated to the committee is sufficient to attend effectively to all matters;
- Cooperate with the audit committee as they conduct annual reviews of the performance of the internal audit function;
- Submit the internal audit charter to the audit committee for review and approval on an annual basis and as necessary.

19.4 Relationship with External Audit

The aim should be to achieve mutual recognition and respect, leading to joint improvement in performance and the avoidance of unnecessary duplication of effort. Consultations should be held and consideration given to whether any work of either auditor is adequate for the purpose of reliance.

Since the Internal Audit Unit evaluates the Council's internal control system, the external auditor needs to be satisfied that the Internal Audit Function is planned and executed effectively and efficiently in terms of the standards of the Institute of Internal Auditors.

The internal audit unit should attend the Audit Steering Committee meetings at which joint audit planning, priorities, scope and audit findings are discussed and information exchanged.

The internal audit unit must make an assessment of the adequacy of the combined approach adopted by Ulundi Municipality. This assessment includes the adequacy of the risks covered by the different assurance providers and the reliability of the assurance provided.

20. Confidentiality

Principle 5 Maintain Confidentiality

Internal auditors use and protect information appropriately. Because internal auditors have unrestricted access to the data, records, and other information necessary to fulfill the internal audit mandate, they often receive information that is confidential, proprietary, and/or personally identifiable. (See also Principle 6 Authorized by the Board and its standards.)

This includes information in physical and digital form as well as information derived from oral communication, such as formal or informal meeting discussions. Internal auditors must respect the value and ownership of information they receive by using it only for professional purposes and protecting it from unauthorized access or disclosure, internally and externally.

Standard 5.1 Use of Information

Requirements Internal auditors must follow the relevant policies, procedures, laws, and regulations when using information. The information must not be used for personal gain or in a manner contrary or detrimental to the organization's legitimate and ethical objectives.

Considerations for Implementation.

Internal auditors have unrestricted access to information to enable them to provide internal audit services without interference. However, using and handling information appropriately is the responsibility of every internal auditor.

The inappropriate use and handling of information that is confidential, proprietary, and/or personally identifiable may have unintended consequences, such as reputational damage and fines for violating laws and/or regulations. The policies and procedures of the organization and the internal audit function generally govern internal auditors' handling and use of information throughout its lifecycle, from its point of access to its collection, transfer, storage, and/or destruction. Additionally, internal auditors should be aware of and compliant with any policies and procedures related to the third-party information they may access. The chief audit executive should discuss with internal auditors the policies, procedures, and expectations related to the appropriate use of information to which they have access.

The chief audit executive may require internal auditors to acknowledge their understanding through signed attestations or other formats. When handling sensitive and/or personal data, the internal audit function should apply appropriate digital security measures. Examples include automated controls such as passwords and

encryption. Examples of misusing information include using, selling, or releasing insider financial, strategic, or operational knowledge of the organization to inform decisions to purchase or sell stock or to create a competitive product.

Evidence of Conformance

- Effectively designed and operating controls over access to and use of information.
- Documentation of relevant policies, procedures, and training related to the proper use of information.
- Minutes from meetings during which the appropriate use of information was discussed.
- Attendance records of training on use of information.
- Documentation by which internal auditors acknowledge their understanding of relevant policies, procedures, laws, and regulations.
- Performance reviews demonstrating that relevant policies, procedures, laws, and regulations have been followed.

Standard 5.2 Protection of Information

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

Internal auditors must understand and abide by the laws, regulations, policies, and procedures related to confidentiality, information privacy, and information security that apply to the organization and internal audit function.

Considerations specifically relevant to the internal audit function include:

- Custody, retention, and disposal of engagement records.
- Release of engagement records to internal and external parties.
- Handling of, access to, or copies of confidential information when it is no longer needed.
- Internal auditors must not disclose confidential information to unauthorized parties unless there is a legal or professional responsibility to do so. Internal auditors must manage the risk of exposing or disclosing information inadvertently.
- The chief audit executive must ensure that the internal audit function and individuals assisting the internal audit function adhere to the same protection requirements.

Internal Auditors have an obligation to respect the confidentiality of information about Ulundi Municipality'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.

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.

Internal Auditors should consult their supervisors for guidance and advice if there is pressure to disclose information to parties other than management of Internal Audit Unit, the Municipal Manager or the Audit Committee.

21. Professional Due Care:

Standard 4.2 Due Professional Care

Requirements Internal auditors must exercise due professional care by assessing the nature, circumstances, and requirements of the services to be provided, including:

- The organization's strategy and objectives.
- The interests of those for whom internal audit services are provided and the interests of other stakeholders.
- Adequacy and effectiveness of governance, risk management, and control processes.
- Cost relative to potential benefits of the internal audit services to be performed.
- Extent and timeliness of work needed to achieve the engagement's objectives.
- Relative complexity, materiality, or significance of risks to the activity under review.
- Probability of significant errors, fraud, noncompliance, and other risks that might affect objectives, operations, or resources.
- Use of appropriate techniques, tools, and technology

Standard 4.3 Professional Skepticism

Requirements Internal auditors must exercise professional skepticism when planning and performing internal audit services.

To exercise professional skepticism, internal auditors must:

- Maintain an attitude that includes inquisitiveness.
- Critically assess the reliability of information.
- Be straightforward and honest when raising concerns and asking questions about inconsistent information.
- Seek additional evidence to make a judgment about information and statements that might be incomplete, inconsistent, false, or misleading.

The Internal Audit Unit should exercise due care in fulfilling its responsibilities.

In order to demonstrate that due care has been exercised, the Internal Audit Unit should be able to show that its work has been performed in a way which is consistent with the Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors.

The Internal Audit Unit should possess a thorough knowledge of the objectives of the Council and the internal control system. The Internal Audit Unit must also be aware of the relevant law and the requirements of relevant professional and regulatory bodies.

The standards and statements issued by the Institute of Internal Auditors are relevant to the work of the Internal Audit Unit.

The 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.

The Internal Audit Unit should promote and maintain adequate quality standards in the internal audit 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.

22. Planning, Controlling and Recording:

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

22.1 Planning

Principle 13 Plan Engagements Effectively

Internal auditors plan each engagement using a systematic, disciplined approach. The Global Internal Audit Standards, along with the methodologies established by the chief audit executive, form the foundation of internal auditors' systematic, disciplined approach to planning engagements. Internal auditors are responsible for effectively communicating at all stages of the engagement.

Engagement planning starts with understanding the initial expectations for the engagement and the reason the engagement was included in the internal audit plan. When planning engagements, internal auditors gather the information that enables them to understand the organization and the activity under review and to assess the risks relevant to the activity. The engagement risk assessment allows internal auditors to identify and prioritize the risks to determine the engagement objectives and scope. Internal auditors also identify the criteria and resources needed to perform the engagement and develop an engagement work program, which describes the specific engagement steps to be performed.

Standard 13.1 Engagement Communication Requirements

Internal auditors must communicate effectively throughout the engagement. (See also Principle 11 Communicate Effectively and its related standards and Standard 15.1 Final Engagement Communication.)

Internal auditors must communicate the objectives, scope, and timing of the engagement with management. Subsequent changes must be communicated with management timely. (See also Standard 13.3 Engagement Objectives and Scope.)

At the end of an engagement, if internal auditors and management do not agree on the engagement results, internal auditors must discuss and try to reach a mutual understanding of the issue with the management of the activity under review. If a mutual understanding cannot be reached, internal auditors must not be obligated to change any portion of the engagement results unless there is a valid reason to do so.

Internal auditors must follow an established methodology to allow both parties to express their positions regarding the content of the final engagement communication and the

reasons for any differences of opinion regarding the engagement results. (See also Standards 9.3 Methodologies and 14.4 Recommendations and Action Plans.)

Standard 9.4 Internal Audit Plan

Requirements

- The chief audit executive must create an internal audit plan that supports the achievement of the organization's objectives.
- The chief audit executive must base the internal audit plan on a documented assessment of the organization's strategies, objectives, and risks. This assessment must be informed by input from the board and senior management as well as the chief audit executive's understanding of the organization's governance, risk management, and control processes.
- The assessment must be performed at least annually.

The internal audit plan must:

- Consider the internal audit mandate and the full range of agreed-to internal audit services.
- Specify internal audit services that support the evaluation and improvement of the organization's governance, risk management, and control processes.
- Consider coverage of information technology governance, fraud risk, the effectiveness of the organization's compliance and ethics programs, and other high-risk areas.
- Identify the necessary human, financial, and technological resources necessary to complete the plan.
- Be dynamic and updated timely in response to changes in the organization's business, risks operations, programs, systems, controls, and organizational culture.

The chief audit executive must review and revise the internal audit plan as necessary and communicate timely to the board and senior management:

- The impact of any resource limitations on internal audit coverage.
- The rationale for not including an assurance engagement in a high-risk area or activity in the plan.
- Conflicting demands for services between major stakeholders, such as high-priority requests based on emerging risks and requests to replace planned assurance engagements with advisory engagements.
- Limitations on scope or restrictions on access to information.
- The chief audit executive must discuss the internal audit plan, including significant interim changes, with the board and senior management. The plan and significant changes to the plan must be approved by the board.

This standard requires an Ulundi Local Municipality wide risk assessment to be completed at least annually as the basis for the plan. However, the chief audit executive should keep continuously apprised of risk information, updating the risk assessment and internal audit plan accordingly.

If the organization's environment is dynamic, the internal audit plan may need to be updated as frequently as every six months, quarterly, or even monthly. The size, complexity, and type of changes occurring in the organization relative to the maturity of

the organization's governance, risk management, and control processes should be considered when determining the appropriate level of effort to update the risk assessment. One approach to preparing the internal audit plan is to organize potentially auditable units within the organization into an audit universe to facilitate the identification and assessment of risks.

Internal Audit Unit should prepare in consultation with, and for approval by the audit committee:

- a) a rolling three-year strategic internal audit plan based on its assessment of key areas of risk for the department, having regard to its current operations, those proposed in its strategic plan and its risk management strategy;
- b) an annual internal audit plan for the first year of the rolling three-year strategic internal audit plan;
- c) Plans indicating the proposed scope of each audit in the annual internal audit plan;
- d) A modus operandi, with management inputs, to guide the audit relationship; and
- e) A quarterly report to the audit committee detailing its performance against the plan, to allow effective monitoring and possible intervention.

The Internal Audit plan should define the purpose and duration of each audit assignment and allocate staff and other resources accordingly.

The Internal Audit plan must be considered and approved by the Audit Committee. All internal audit plans should be sufficiently flexible to respond to changing priorities.

Head of Internal Audit. REPORTING AND MONITORING

23.1 The Head: Governance and Internal Audit is responsible for communicating the results of the various engagements.

23.2 The aim of internal audit reports is to:

23.2.1 Inform management of the status of the controls in place to manage the area being audited;

23.2.2 Prompt management to implement recommendations with the objective of improving performance and control;

23.2.3 Record management comments and timeframes for proposed action; and,

23.2.4 Provide a formal record of points arising from the internal audit assignment and agreement or disagreement with management.

23.3 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.

23.4 Final reports shall be communicated to the following parties:

23.4.1 The Municipal Manager;

23.4.2 The responsible Heads of Directorate;

23.4.3 The Auditor General of South Africa; and

23.4.4 The Audit Committee Chairperson and members.

23.5 The responsible Head of Directorate shall be responsible for the further distribution of the internal audit report as appropriate.

23.6 In certain cases, such as with the reports relating to the Performance Management System, circulation shall include the Portfolio leader as well as the Executive Mayor.

23.7 The Internal Audit Unit will produce clear, constructive and concise written reports based on sufficient, relevant and reliable evidence, which:

23.7.1 State the scope, purpose, extent and conclusions of the internal audit assignment;

23.7.2 Make recommendations which are appropriate and relevant, and which flow from the conclusions; and,

23.7.3 Acknowledge the actions taken, or proposed, by management.

23.8 The Internal Audit Unit may prepare “flash reports” to alert management to significant control lapses, or where there are reasonable grounds for suspicion of fraud or theft.

23.9 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.

23.10 The Head: Governance and Internal Audit will provide management with written audit findings during an internal audit assignment. 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.

23.11 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.

23.12 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 Head: Governance and Internal Audit may provide further comment thereon in the final report.

23.13 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.

23.14 While the Internal Audit Unit will endeavour 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.

24. LIMITATION OF SCOPE

24.1 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 Committee.

24.2 The question of whether an action from management in fact constitutes a scope limitation is at the judgment of the Internal Auditor.

24.3 Except in cases of suspected fraud, the Municipal Manager and the Audit Committee may decide to accept a limitation of scope.

24.4 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 Committee for their renewed consideration.

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

25.1 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.

25.2 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 Committee. This dispute will be submitted to the Audit Committee in writing by the auditee, stating merits and the nature of the dispute.

26. REPORTING TO THE AUDIT COMMITTEE

26.1 The Head: Governance and Internal Audit will report periodically to the Audit Committee on the internal audit unit's performance relative to its plan. Reporting will also include significant risk exposure, control and corporate governance issues, etc.

26.2 No official may alter the content of any report by the Head: Governance and Internal Audit to the Audit Committee but may furnish comment thereon.

26.3 All final internal audit reports issued will be reported to the Audit Committee in summary of significant findings. The Municipal Manager will be made aware of such significant deficiencies by means of a report to Top Management.

27. BUDGET OF INTERNAL AUDIT UNIT

27.1 It is the responsibility of the Municipal Manager and the Audit Committee to ensure that the Internal Audit Unit is adequately resourced for effective functioning.

27.2 The Head: Governance and Internal Audit should control and have responsibility over the Internal Audit Unit's budget.

27.3 The Internal Audit Unit's budget should at least cover the following items:

27.3.1 Infrastructure including accommodation, personnel related expenditure; Capital expenditure and software;

27.3.3 Training and development;

27.3.4 IIA membership fees; and,

27.3.5 Quality assurance programs.

Head of Internal Audit.STAFFING

Head of Internal Audit.1

The Head: Governance and Internal Audit in conjunction with the Municipal Manager, should develop an Internal Audit Unit structure taking cognisance of the organisation's needs including risk and complexity of the operations.

Head of Internal Audit.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 IIA Standards,

Head of Internal Audit.

In developing the operational internal audit plan the following key issues must be considered:

- Availability (capacity) and skills of internal audit staff;
- Changes in the risk environment of the organisation — the risk environment should be assessed on an annual basis;
- Approval and acceptance of the operational plan by the Audit Committee; and,
- The materiality of ad-hoc requests as this could have a significant impact on the normal audit planning and timing process.

- The operational Internal Audit plan should be reviewed to identify any amendment needed to reflect changing priorities and emerging audit needs.
- The Audit Committee should approve material changes to the annual plan.

28. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

28.1 The Head: Governance and Internal Audit must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit unit.

28.2 The program will include an evaluation of the internal audit unit's conformance with the definition of Internal Auditing and the Standards and an evaluation of whether internal auditors apply the Code of Ethics.

28.3 The program shall also assess the efficiency and effectiveness of the Internal Audit Unit and identify opportunities for improvement.

28.4 The quality assurance and improvement program must include both internal and external assessments.

28.5 Internal assessment must include;

28.5.1 Ongoing monitoring of the performance of the Internal Audit Unit

28.5.2 Periodic self-assessments or assessments by other persons within the organization with enough knowledge of internal audit practices.

28.6 External assessments must be conducted at least once every five (5) years by a qualified, independent assessor or assessment team from outside the organization.

28.7 The Head: Governance and Internal Audit must discuss with the Audit Committee:

28.7.1 The form and frequency of external assessment.

28.7.2 The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.

28.8 The scope of the external assessment will, among others, cover matters related to:

28.8.1 Independence and objectives of the Internal Audit Unit;

28.8.2 Expectations of the Internal Audit Unit expressed by management and Audit Committee;

28.8.3 Integration of the Internal Audit Unit into the organization's governance processes; and,

28.8.4 Efficiency and effectiveness of internal audit approach, as well as audit strategy and plans.

28.9 On completion of the external assessment, the review team should issue a formal report containing an opinion on the level of the Internal Audit Unit's compliance with the IIA Standards and Municipal needs.

28.10 The Head: Governance and Internal Audit and Municipal Manager should prepare a written action plan in response to comments and recommendations in the report.

Internal Monitoring.

The internal monitoring is performed through daily supervision and following the internal audit framework.

Whether gaps are identified the action plans for improvements should be applied.

Periodic Quality Reviews.

The periodic external or peer review should be conducted at least on annual basis by entity or person outside the internal audit unit with knowledgeable on IA operations, standards and norms. Who is able to provide feedback on quality review provided by internal audit and recommend means to improve on noncompliance.

External Quality Reviews.

External Quality reviews should be conducted by an independent external evaluator whom have relevant experience and qualifications. The external quality review should be conducted on every five (5) years. The report of EQ should be presented to the senior management and the Audit committee. The action plan should also accompany the EQ report.

29. Controlling

Control of 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 methodology and standard documentation. The Head of Internal Audit 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.

30. Recording

Internal audit work should be recorded at all times. The Manager: Internal Audit Unit 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 Deputy Director Internal Audit. Internal Audit Unit should obtain sufficient, relevant and reliable evidence on which to base reasonable conclusions and recommendations.

31. Reporting and Follow-up

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

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 management and key operational personnel, Municipal Manager, the Audit Committee, Auditor-General South Africa, the Council, and, where necessary, the Ulundi Municipality's EXCO, Council and MPAC.

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.

The strategic and operational plan should include follow-up audits in order to assess the extent to which internal audit recommendations and management action plans have been implemented. Repeat audit findings must be reported to audit committee.

32. Coordination of efforts with other assurance providers

Internal audit should share information and co-ordinate its activities with other assurance providers within Ulundi Municipality or municipal entity. This is done to ensure appropriate coverage of risk areas and minimise duplication of efforts. There should be access to each other's audit plans and audit reports. There should be periodic meetings held between internal audit and external audit. At these meetings key risks, audit scope and audit findings should be discussed and priorities should be emphasized.

33. Performance score cards.

The performance score card should be completed on quarterly bases and supporting evidence attached o POE File to ensure the framework is maintained and the audit is conducted in line with standards.

34. Improvement Recommendations.

The Internal audit has to continuously strive for improvement on the how the IA business is conducted in order to be in line with IA standards and position papers. This improvement includes the personal educational development of Internal Auditors, the development of Internal Audit function and trainings.

35. Evaluation Forms.

The evaluation forms are to be utilised to evaluate performance of each internal audit practitioner. The evaluation forms a form of internal monitoring. This is a tool to be used by the internal audit function to assess whether the audits are carried out in compliance with the IA Standards.

In compliance with a new Labour regulations, the employees are required to sign a performance agreements and performance score cards and personal development plan that are to be closely monitored on regular basis. This will in addition form part of the evaluation process since the performance contracts links director with each employee's job description.

Where the employee's performance assessment indicate that there is unsatisfactory performance the management of such will be conducted in accordance with Labor regulations. 1. The non-performance assessment will the brought to the attention of employees in writing ,

2. Action plan will be developed either training or counselling be provided or close monitoring or supervision.

3. Progress will be monitored and reported to employee and management.

36. Internal Audit Training Plan.

As part of the continuous development each employee should continuous improve or develop skills and knowledge through personal education and trainings. The training plan should be evaluated and updated on annual bases.

37. Internal Audit resources.

Internal audit should be provided with adequate resources in order to improve and keep with tends and standards and better service the clients. The training resources should be provided by the senior management. The technical IT resources should be provided such as computers assess to research institute , Internal Audit system such as Teammate and audit mining tools.

38. Reporting of Intimidation.

Based on the recent resolution taken by audit committee, any form of intimidation whether minor or major. This include physical or verbal intimidation should be reported

to the Municipal Manager and Audit Committee. Intimidation of internal Audit employees is discouraged.

39. Conclusion

To achieve full effectiveness the scope of the Internal Audit Unit should provide an unrestricted range of coverage of the Ulundi Municipality's operations, and the 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.

The Internal Audit Unit, as a service to the Council, should contribute to internal control by examining, evaluating and reporting to management on its adequacy and effectiveness of systems.

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

It is management's responsibility to maintain the internal control system and to ensure that the Council's 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.

The 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 Internal Audit Unit discovers evidence of, or suspect's fraud or theft, they should report firm evidence, or reasonable suspicions, to the appropriate level of management.

40) MANDATE AND APPROVAL

41.1 The Head: Governance and 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.

42.2 The result of this periodic assessment should be communicated to Top Management for noting and input, as well as to the Audit Committee for subsequent approval.

Description	Name	Designation	Signature	Date
Prepared By				
Accepted By				
Approved By				

