



WATERBERG DISTRICT MUNICIPALITY

DRAFT AUDIT POLICY

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PREAMBLE

The Waterberg District Municipality fully supports the broader strategy of government to improve risk management, control and governance processes. The policy is also in line with the key transformation priorities of Batho Pele, which are, among other things;

- ◆ Economic, efficient and effective use of resources;
- ◆ maintenance of a high standard of professional service ethos and
- ◆ transparency and accountability.

The Government, as the curator for public funds, pledged to take responsibility for these funds by passing legislation to ensure economic, efficient and effective utilisation of public resources. The Municipal Finance Management Act, Act 56 of 2003 is aimed at:

- Modernising the system of financial management;
- Enabling local authorities managers to manage, but at the same be more accountable;
- Ensuring the timely provision of information;
- Eliminating waste and corruption in the use of public assets

Section 165 of the MFMA (Act 56 of 2003) provides for the maintenance of:

- an effective, efficient and transparent system of financial and risk management and internal control;
- a system of internal audit under the control and direction of the Audit Committee.

Section 166 of the Act provides for the maintenance of the Audit Committee to direct the activities of the Internal Audit Function. The policy is aimed at promoting risk management, control and governance processes.

MANDATE

This policy derives its mandate from the following legislative prescripts:

- Municipal Finance Management Act, (Act 56 of 2003)
- Treasury Regulations
- King II Report on Corporate Governance
- Standards for the Professional Practice of Internal Auditing

SECTION A: AUDIT POLICY

1. BACKGROUND TO THE AUDIT POLICY

1.1 Role of the Accounting Officer and Senior Management

The Accounting Officer exercises overall authority over the affairs of the Waterberg District Municipality. The Accounting Officer is assisted by all senior members of the management with the administration of the Municipality. This group of persons is known as the Senior Management committee.

Management in the Municipality is responsible for the sustainability and accountability of the Municipal actions, conduct and performance. The primary responsibility of management is:

- To establish goals and objectives and develop as well as implement policies and programmes.
- The identification of risk exposures and implementation of effective strategies to mitigate them.
- The economic, effective and efficient utilisation of the Municipal resources.
- Ensuring compliance with legislation, regulations, ethical and business norms.
- Ensuring relevant, reliable and credible financial and operational information.
- Safeguarding of the Municipal assets.

The Accounting Officer may delegate some of his/her duties to such committees, as he/she deems advisable. One such committee is the Audit Committee, which remains responsible to the Municipal Council and the Accounting Officer. The Audit Committee supports the Accounting Officer in the execution of his/her duties but is not responsible for the execution of any of the management's duties.

1.2 Objectives of the Audit Policy

The objectives of the Audit Policy are the following:

- To minimise the management risk that deficiencies could occur in the risk management process of the Municipality as a whole.
- To manage the audit risk of the Municipality to the advantage of Management.
- To set out broad audit objectives with regard to the duties of the Audit Committee as well as the mandate and the functioning of the Internal Audit Component.

- To set out respective functioning of the Audit Committee and the Internal Audit Component with regard to the management of the audit risk and how their activities should be co-ordinated with the activities of the Office of the Auditor-General.

2. OVERALL AUDIT POLICY

The principle of objectivity and independence of the audit process is supported at all levels in the Municipality and is reflected in the structuring and reporting lines of the Internal Audit Component as well as the establishment of the Audit Committee.

Senior Management supports the principle of “value-for-money” auditing and the financial audit should also consider the economy, efficiency and effectiveness issues.

Senior Management is ultimately responsible for the internal controls within the Municipality but the day-to-day responsibility for setting up and maintaining effective systems of internal controls rests with the Accounting Officer.

3. SCOPE OF THE AUDIT POLICY

3.1 Contents of the Audit Policy

The Audit Policy covers the following in three separate sections:

- The policy regarding the role and responsibilities of the Audit Committee (**Section B**).
- The policy regarding the role and responsibilities of the Internal Audit Component (**Section C**).

3.2 What the Audit Policy does not cover

It is not the objective of the Audit Policy to set standards, procedures or methods for the execution of audits. The responsibility for this rests with the Head of the Internal Audit Component with regard to internal audit strategies and procedures and with the responsible audit partners in the case of external audit strategies and procedures.

4. ACCOUNTING OFFICER’S RESPONSIBILITY FOR THE AUDIT POLICY

The Accounting Officer and the Internal Audit Component should, prior to consideration by the Audit Committee, agree to future minor changes to the policy. In the case of major changes to the Audit Policy, approval of the Audit Committee should be obtained.

SECTION B: AUDIT COMMITTEE CHARTER - POLICY REGARDING THE ROLE AND RESPONSIBILITIES OF THE AUDIT COMMITTEE

1. INTRODUCTION

The Audit Committee provides advice to Management and remains responsible to the Municipal council. The role of the Audit Committee is to consider the internal audit plans and activities of the Municipality and management's plans and processes with regard to risk management, control and good governance. The Committee takes a special interest in all matters that affect how a Municipality is audited and will therefore also take note of the external audit plans and activities. It provides one of the channels for communication between customers, management, Internal Auditors and the Office of the Auditor-General. Control by the Audit Committee of the Internal Audit Function positively influences the organisational status of the Internal Auditing Component and fosters an independent climate for their operation.

2. STATUS

The Audit Committee has non-executive status in an advisory capacity to the Municipal Council. Under no circumstances will the Audit Committee have executive powers with regard to its findings and recommendations on any operational aspects of the management and control of the Municipality. Its role is that of an autonomous monitor of activities within the Municipality.

The powers of the Audit Committee shall not be limited in any way, which would prevent it from properly performing its duties.

Furthermore, the Audit Committee shall have the right to have access to records containing information needed to properly perform its duties and execute its powers. The Audit Committee has direct and unobstructed lines of communication to the Executive Mayor, the Speaker, Management, Internal Auditors and the Office of the Auditor-General.

3. CONSTITUTION OF THE AUDIT COMMITTEE

3.1 Membership of the Audit Committee

Members should have an enquiring mind, an ability to be objective and a reasonable understanding of the complexities of the operations of the Municipality, coupled with sound knowledge of financial matters and risk management.

The Chairperson must have the ability to preside over meetings and to direct the discussion constructively. The need for autonomy applies particularly to the Chairperson and his/ her personal qualities are of

great importance. Therefore, the Chairperson should have local government experience in order to bring a wide range of experience to the decision-making process.

The members and Chairperson of the Audit Committee shall be appointed by the Municipal Council and shall perform their duties for a period of three years from the date of appointment. Members shall be eligible for re-appointment after the expiry of the three-year period. The Accounting Officer is also an executive member of the Audit Committee.

All line managers and Head of Internal Audit have standing invitations to the Audit Committee meetings.

National Treasury may attend the meetings of the Audit Committee as observers and not as members thereof

If the Chairperson is absent from a specific meeting, the members present shall elect a Chairperson from the members present to act as Chairperson of that meeting.

The principle of rotation of one or two Audit Committee members should be considered every three years.

Should a vacancy occur in the Audit Committee, the Municipal Council shall within a reasonable time thereafter, fill the vacancy.

3.2 Representation of Management

All Line Managers attend the Audit Committee meetings. Other Senior Managers and personnel attend at the invitation of the Audit Committee as and when necessary.

3.3 Representation of the Office of the Auditor-General

Representatives of the Office of the Auditor-General may attend the meetings of the Audit Committee as and when it is necessary.

3.4 Secretariat functions

Management is responsible for making available the services of a secretary for drawing up the agendas and keeping the minutes of meetings of the Audit Committee. This function may be delegated to the Internal Audit.

4. RESPONSIBILITIES AND DUTIES OF THE AUDIT COMMITTEE

The Audit Committee is responsible for performing the tasks as described in the charter. In performing these tasks, the Audit Committee is authorised to have full, free and unrestricted access to all the Municipality's activities, records, property and staff as well as the Executive Authority. The Audit Committee is authorised, within the scope of its responsibilities, to:

- Seek any information it requires from any employee of the Municipality and all employees are directed to co-operate with the Audit Committee.
- Obtain outside legal or other independent professional advice and to secure the attendance of outside professionals if deemed necessary in consultation with the Accounting Officer.

4.1 Evaluation and approval of the Audit Policy

Except where the approval of the Municipal Council is required, the Audit Committee shall periodically review the Audit Policy in order to ensure that such policy enables a comprehensive and effective audit approach and is in line with developments within the Internal Audit profession.

4.2 Evaluation of management procedures with regard to internal control, risk management and governance.

The Audit Committee is responsible for the evaluation of the policies and procedures implemented by management in order to ensure that the accounting and information systems and related controls are adequate and effective. Particular emphasis should be given to the adequacy of internal controls designed to mitigate exposure to significant risks.

The Audit Committee has the right to initiate investigations regarding any matter it may deem necessary and for this purpose it may take such independent professional advice as it considers necessary.

4.3 Evaluation of management procedures with regard to financial reporting

The Audit Committee must review arrangements established by management for compliance with regulatory and financial reporting requirements.

4.4 Evaluation of management procedures with regard to performance management

The Audit Committee must review the organisational performance through the assistance of both internal and external auditors and submit their comments to council for consideration.

4.5 Evaluation of the Internal Audit Component

The scope and effectiveness of the Internal Audit Function should be monitored. The objective of this evaluation is to ensure that the Internal Audit Component is operating effectively. The evaluation should take into account inter alia; the audit approach used, the quality of reports during the year, quality of personnel, co-operation with the Office of the Auditor-General and management satisfaction. The audit charter, internal audit budget and staffing and internal audit's compliance with the Institute of Internal Auditors Standards for Professional Practise should also be periodically reviewed. The Audit Committee should review and concur with the appointment, replacement, reassignment or dismissal of the Head of Internal Audit.

4.6 Reviewing the Financial Statements

The Audit Committee is responsible for reviewing the annual report and financial statements before and after the Office of the Auditor-General has audited them. This should be done under the guidance of the Office of the Auditor-General. The objective of the review is to ensure that disclosure is adequate and that fair presentation is achieved, including contingent liabilities, such as outstanding litigation. Such a review would entail:

- obtaining explanations for all significant variances in the financial statements, between years;
- reviewing the Municipality's accounting policies or major changes in policies which management should consider making or have already implemented;
- examining the effect of changes in Statements of Generally Recognised Accounting Practice;
- enquiring about any significant financial reporting issues discussed during the accounting period between management and the auditors and how they were resolved;
- assessing significant judgemental decisions that had a major impact on the financial statements;
- reviewing any significant adjustments resulting from the audit;
- examining compliance with accounting standards and other statutory requirements;
- reviewing significant transactions which are not a normal part of the Municipality's business;

- reviewing the adequacy of the doubtful debt and stock provisions;
- being kept informed of all outstanding litigation, contingencies and claims and how these matters are reflected in the Municipality's financial statements;
- reviewing the extent, nature and disclosure of extraordinary or exceptional items;
- discussing all significant proposed changes to the Municipality's financial statements and any concerns over the adequacy of disclosure of any items;
- understanding the extent to which the financial information accompanying the audited financial statements has been audited;
- reviewing legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and reports received from regulators.

4.7 Assessing the Risk of Financial Reporting

Because the likelihood and magnitude of the potential risk will change as rapidly as the business climate changes, assessing the risk of fraudulent financial reporting is challenging. The Audit Committee must ensure that the Office of the Auditor-General has considered this risk with reference to:

- * the business environment;
- * management's reputation, integrity and experience;
- * the relationship of management with the Office of the Auditor-General.

4.8 Communicating with the Auditors

The Audit Committee is responsible for communicating with the Internal and Office of the Auditor-General. In its overseeing role, the Committee should focus on:

- * the changing business environments;
- * changing financial reporting requirements;
- * the findings from the annual audit and interim work, including comments on controls;
- * the proposed audit scopes, and approaches with respect to complex,

high risks, and judgemental areas.

The Committee should meet at least twice per year with the Internal Audit and once a year with the Office of the Auditor-General to discuss these matters. At least one of these meetings may include an “executive session” to ensure free and open communication.

In its review process and discussions with the auditors, the Committee should ensure that the following matters are addressed:

- * auditors to report whether the scope of the audit was restricted by management;
- * problems and reservations arising from the interim and final audits, and any material points raised in audit reports issued since previous meetings and management's response thereto;
- * review of the Municipality's statement on internal control;
- * report back from auditors on major weaknesses in internal control, as well as steps taken to rectify problem areas;
- * assessment of the effectiveness of the internal Audit Function. This would involve ensuring that the Internal Audit Function is adequately resourced and has appropriate standing within the Municipality;
- * areas of significant disagreement between management and the auditors;
- * major findings of engagements and management's response;
- * report on incidents of fraud and/or irregularities and/or stock losses since the previous meeting;
- * steps taken to review the Municipality's IT procedures and controls at major installations;
- * areas where management believes the costs of implementing additional or changed controls outweigh the risk of making no changes;
- * all qualifications noted on audit packs, irrespective of their nature, materiality or subsequent clearance, and the circumstances giving rise to the qualifications fully explained.

4.9 Ethical Code of Conduct

A well-written and appropriate code of conduct, endorsed by the Municipal Council, is a good communication device that alerts all employees to ethical standards and guidelines for acceptable behaviour. Such standards promote ethical decision-making and may help resolve ethical dilemmas that arise. The code should also promote an environment where open communication is expected and protected.

The Audit Committee should exercise oversight by reviewing annually the programme that management establishes to monitor compliance with the code. However, the Audit Committee's most important contribution to assuring ethical conduct is its sincere interest in the Municipality's operations and its advocacy of a high standard of behaviour.

4.10 Letter for Annual Report

The Audit Committee should prepare a letter for inclusion in the annual report that describes the Committee's composition and responsibilities and how they were discharged.

5. **RESPONSIBILITY OF THE AUDIT COMMITTEE WITH REGARD TO REPORTING TO THE EXECUTIVE MAYOR.**

Minutes may be made available to the Mayor following an Audit Committee meeting. The Chairperson of the Audit Committee will make a brief presentation of the findings and recommendations of the Audit Committee to the Mayor if so required. After discussion with the Executive Mayor the committee will prepare a year end report to be presented before council.

6. **EVALUATION OF THE EFFECTIVENESS OF THE AUDIT COMMITTEE**

It is the responsibility of the Chairman and Accounting Officer to ensure and evaluate the effectiveness of the Audit Committee and to make any recommendations to improve such effectiveness, if necessary. The adequacy of the Audit Committee Charter should be reviewed periodically by the Audit Committee. An internal and external review of the effectiveness of the Audit Committee should be done as part of the review of Internal Audit.

7. MEETINGS OF THE AUDIT COMMITTEE

7.1 Meeting procedures

The Chairperson may request any member of staff to attend any particular meeting.

Parties to a meeting can be requested to leave a meeting for any length of time.

Notice in writing shall be given to all members of the Audit Committee and other interested persons, of each meeting to be held, at least 7 (seven) days prior to the date on which such meeting is to be held.

The quorum for a meeting shall be the majority of the members of the Audit Committee. If a quorum is not present at a meeting, the meeting may proceed with the understanding that the decisions taken will be subject to ratification by the ensuing Audit Committee meeting, which shall require a proper quorum.

The Audit Committee shall have at least four meetings in a financial year.

7.2 Agenda and minutes

The Secretariat of the Audit Committee is responsible for arranging the meetings of the Audit Committee and the gathering and distribution of the agenda papers.

Complete agenda papers must be distributed at least 7 days prior to the date of the meeting.

Any person who is going to attend a meeting may, not less than four days prior to the meeting, request the Secretariat to add such items, as he deems necessary to the agenda.

Draft minutes of the meeting should be prepared for review by the chairperson of the Audit Committee within 7 days of the date of the meeting. Copies of the revised minutes must be distributed to all members and other relevant parties within 7 month of the date of the meeting.

8. ADOPTION OF POLICY

This policy was adopted on the -----day of ----- 2006 by:

MUNICIPAL COUNCIL

DATE: ____/____/____

RESOLUTION NUMBER:_____

I.W MODISHA
CHAIRPERSON: AUDIT COMMITTEE
DATE:

STATEMENT OF PURPOSE, AUTHORITY AND RESPONSIBILITY – INTERNAL AUDIT CHARTER

1. PURPOSE

The purpose of Internal Audit is to maintain an independent objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Internal Audit will therefore provide management and the Audit Committee with the analysis, appraisals, recommendations and information concerning the activities reviewed.

The objectives of Internal Audit are:

To identify and evaluate significant exposures to risk and contribute to the improvement of risk management, control and governance systems. This should include:

- Review the established systems to ensure compliance with those policies, procedures, laws and regulations that could have a significant impact on operations and reports and determine whether the Municipality is in compliance.
- Review operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programmes are being carried out as planned.
- To promote an economic, efficient and effective administration by reviewing the prudent utilisation of resources and cost effective implementation of goals, objectives and programmes.
- Review the means of safeguarding assets and as appropriate and verify the existence of such assets.
- Evaluate the reliability and integrity of financial and operational information.

2. AUTHORITY

- The Head of Internal Audit is authorised to prepare a broad risk-based coverage plan for internal auditing within the Municipality.
- In providing its assurance services, Internal Audit will examine and evaluate the adequacy and effectiveness of management controls implemented by the Municipality to direct its activities towards the accomplishment of its objectives in accordance with municipal policies and regulations.
- To provide effective and efficient assurance services with due professional care, the Head of Internal Audit and members of staff are authorised to have full, free

and unrestricted access to all functions, records, information, Municipal property and personnel.

- Internal Audit has authority to provide consulting services to the Municipality, but does not have the authority or responsibility over activities reviewed, therefore Internal Audit will not be held responsible for systems of internal control. Designing, connecting, installing and operating systems of internal control are non-audit functions. Internal Audit can, however, provide advice on the designing and implementation of internal controls. Management is responsible for the design and the implementation of internal controls.
- No person shall obstruct or interfere with the work of Internal Auditors. All employees of the Waterberg District Municipality and contracted outside service providers shall give their full co-operation to the Internal Auditors.
- The Head of Internal Audit and Internal Audit staff shall have full, free and unrestricted access to the Accounting Officer, the Chairperson of the Audit Committee and Office of the Auditor-General.
- The Accounting Officer may direct Internal Audit to perform non-audit functions and offer special tasks with the understanding that they are not functioning as internal auditors. Care should, however, be taken to ensure that the effectiveness, independence and objectivity of Internal Audit is not compromised.

3. POLICY STATEMENT

It is the policy of the Waterberg District Municipality to establish and support the Directorate: Internal Audit as an independent appraisal function to provide assurance and consulting services to the Municipality as a service to management and the Audit Committee.

4. RESPONSIBILITY OF INTERNAL AUDIT

The Head of Internal Audit and staff has responsibility:

- 4.1 To establish policies and procedures to guide the internal auditing activity and direct its administrative functions.
- 4.2 To develop a three-year rolling internal audit plan as per the risk assessment report of the Municipality.
- 4.3 To execute a flexible one- year Internal Audit Coverage Plan approved by the Audit Committee. The plan should include any special tasks or projects as per the Audit Committee and management's requests.
- 4.4 To evaluate and assess significant changes in the services, policies, and operations within the Municipality and advise accordingly.

- 4.5 To issue quarterly reports to the Audit Committee and the Accounting Officer summarising results of audit activities.
- 4.6 To assist in the investigation of significant suspected fraudulent activities within the Municipality and report the results to the Audit Committee and the Accounting Officer.
- 4.7 To maintain a professional audit staff with sufficient knowledge, skills and professional certification to perform their audit responsibilities.

5. MANDATE AND REPORTING

- 5.1 The Head of Internal Audit obtains its mandate from the Audit Committee and is responsible for the total Internal Audit function.
- 5.2 The Head of Internal Audit reports administratively to the Accounting Officer and functionally to the Audit Committee.
- 5.3 The Head of Internal Audit will report quarterly to the Audit Committee on:
 - 5.3.1 Identified significant audit findings and recommendations.
 - 5.3.2 Any significant deviations from the approved audit plan, staffing plans and financial budgets as well as reasons therefor.
 - 5.3.3 Appropriate management action taken to address deficiency findings.
 - 5.3.4 Whether audit activities have been directed towards the highest exposure to risk and towards increasing economy, efficiency and effectiveness of operations.
 - 5.3.5 Whether internal and external audit efforts are co-ordinated to avoid duplications.
 - 5.3.6 Any unwarranted restriction on the staffing and authority of the Internal Audit or on access by Internal Auditors to the Municipality's activities, records and personnel.

6. THE AUDIT APPROACH AND METHODOLOGY OF INTERNAL AUDIT

Internal Auditors shall at all times conduct the work or any other tasks assigned to them in accordance with the **Audit Methodology** and the Standards for the Professional Practice of Internal Auditing. Internal Audit shall further comply with the Code of Ethics of Internal Auditors, as published by the Institute of Internal Auditors.

Internal Audit follows an integrated approach which places emphasis on the identification of risks, the prioritising thereof and testing of controls over key risk areas. The integrated audit approach combines two types of audit engagements, i.e. assurance and consulting services.

6.1 Assurance engagements

These refer to the evaluation of the adequacy, effectiveness and efficiency of the Municipality's risk management, control and governance processes. The

purpose of this is to provide reasonable assurance that these processes are functioning as intended and will enable the Municipality to achieve its goals and objectives. As well as provide recommendations on improving the Municipality's operations. All business systems, processes, operations, functions and activities within the Municipality should be subjected to Internal Audit's evaluation. The following types of assurance engagements should be provided:

- Financial
- Performance
- Compliance
- Forensic and
- Systems security

6.2 Consulting engagements

These refer to advisory and related engagements, the nature and scope of which should be agreed upon with the auditee management. The following categories of consulting engagements may be performed.

- Formal consulting engagements – planned and subject to written agreement.
- Informal consulting engagements – routine activities such as participating on standing committees, limited life projects, ad hoc meetings and routine information exchange.
- Special consulting engagements – participation on a merger and acquisition team or system conversion team.
- Emergency consulting engagements – participation on a team assembled to supply temporary help to meet a special request or tight deadline.

Internal Auditors should, however, maintain their objectivity when drawing conclusions and offering advice to management.

The following consulting services may be provided:

- Counsel / Advice
- Facilitation
- Process design and
- Training

The comprehensive scope of work of Internal Audit should provide reasonable assurance that the Municipality's risk management, control and governance systems are effective and efficient.

In areas where, in the opinion of the Head of Internal Audit, specialised audit skills are lacking within the Directorate, the services of outside Consultants may be employed through consultation with the Accounting Officer.

7. QUALITY CONTROL IN INTERNAL AUDIT

7.1 The Head of Internal Audit will establish and maintain a quality assurance programme to evaluate the operations of the internal auditing function. Quality control in Internal Audit should include the following:

7.1.1 The Head of Internal Audit should maintain an ongoing system to measure performance of Internal Audit staff.

7.1.2 A structured training programme should be followed in order to develop the technical, conceptual and management abilities of the Internal Audit personnel.

7.1.3 The audit approach followed should be regularly evaluated to ensure that it conforms to the developments taking place within the Internal Audit field.

7.1.4 As far as possible, all Internal Auditors should be members of the Institute of Internal Auditors SA and Municipal Internal Auditors Forum or any forum established with an aim of sharing practical experience within the internal audit profession.

7.2 An external assessment of internal audit should be conducted every five years by an independent qualified reviewer or review team. Assessment of Internal Audit should include the evaluation of:

- Compliance with the IIA Standards and Code of Ethics.
- Adequacy of the Internal Audit Charter, policies and procedures.
- Contribution to the Municipality's risk management, governance and control processes.
- Compliance with audit policy, applicable laws, regulations and government standards.
- Whether Internal Audit adds value and improves the Municipality's operations.

8. DISTRIBUTION OF INTERNAL AUDIT REPORTS

8.1 Timing

A draft Internal Audit report should be given to the Head of the Unit audited within 14 days after the completion of the audit. The auditee Management should have 5 (five) days to prepare comments on the accuracy of the draft report, which will be discussed at a meeting arranged for this purpose. Thereafter the report will be issued as a final report to the Auditee Management.

Where, in the opinion of the Head of Internal Audit, a critical aspect is identified during the audit, the matter should be discussed with the operational management and followed up in writing. The final report should be brought to the attention of the Accounting Officer and the Audit Committee.

8.2 Distribution of reports

Detailed final reports should be distributed to the members of operational management who are responsible for the unit being audited via the auditee Management. Copies of all detailed reports should also be sent to the Office of the Auditor-General for information.

Summary reports should also be prepared, distributed and presented to the Audit Committee at every quarter.

8.3 Corrective action and differences of opinion with management.

The responsibility for corrective action lies with the relevant operational management. Where Internal Audit is of the opinion that operational management is not taking appropriate action with regard to previous recommendations, the matter should be reported to the Accounting Officer and the Audit Committee.

Should a disagreement arise between the Internal Audit and the relevant operational management regarding a specific finding or recommendation, the Head of Internal Audit should convene a meeting of interested parties in order to resolve the matter. Should the matter not be resolved at this level, it should be discussed with the Accounting Officer and the Audit Committee.

9. **REQUESTS FOR SPECIAL PROJECTS**

All requests for the assistance of Internal Audit in the execution of special projects must be submitted in writing to the Accounting Officer and ratified by the Audit Committee.

10. **CO-OPERATION WITH THE OFFICE OF THE AUDITOR-GENERAL**

Internal Audit and the Office of the Auditor-General should have regular contact in order to maximise the benefits that the Municipality receives from the total audit process. During these meetings, emphasis must be placed on audit planning, possible deficiencies or duplication in the work and critical risk area.

11. ADOPTION OF POLICY

This policy was adopted on the -----day of ----- 2006 by:

M.P SEBATJANE
MUNICIPAL MANAGER
DATE:

I.W MODISHA
CHAIRPERSON: AUDIT COMMITTEE
DATE:

GLOSSARY

Assurance Service:	An objective examination of evidence for the purpose of providing an independent assessment on risk management, control and governance process.
Audit programme:	A document that lists the procedures to be followed during an audit engagement.
Charter:	A formal written document that defines the activity's purpose, authority and responsibility.
Head of Internal Audit:	Top position within the Municipality responsible for the internal audit function.
Consulting services:	Advisory and related services, the nature and scope of which are agreed with the auditee and which are intended to add value and improve the Municipality's operations.
Engagement:	A specific internal audit assignment, project, task or review activity such as fraud investigation or consultancy.
Office of the Auditor-General:	Officials of the Auditor-General responsible for the external audits of the Municipality.
Fraud:	Any illegal act characterised by deceit, concealment or violation of trust.
Governance process:	A process of ensuring that values are set and communicated, objectives are set and operations are transparent to ensure accountability.
Internal Auditors:	In-house staff members tasked with the responsibility to perform audit activities.
Management:	Members of the Senior Management Service of the Municipality i.e. Municipal Manager, Manager Corporate Services, Chief Financial Officer, Manager Planning and Economic Development.
Programme Managers:	All senior managers responsible for programmes as per the Municipality's budget structure.
Risk:	An uncertainty of an event occurring that could have an impact on the achievement of objectives.

Accounting Officer:	An municipal official referred to in section 60 of the MFMA and excluding a person acting as the accounting officer.
Senior Management:	Municipal official referred to in section 77 of the MFMA.
Audit Committee:	Person referred to in section 166 (4) (5) of the MFMA.