



public works
& infrastructure

Department:
Public Works and Infrastructure
REPUBLIC OF SOUTH AFRICA

INTERNAL AUDIT UNIT

CHARTER: 2021/22

INTERNAL AUDIT UNIT

VISION

To be the leader in the Public Sector in providing a high quality, efficient professional service that meets and exceeds the International Standards for the Professional Practice of Internal Auditing.

MISSION

The purpose of the Internal Audit Unit is to provide an independent, objective assurance and consulting activity designed to add value and improve the Department's operations. The mission of internal audit is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight. The internal audit activity helps Department of Public Works and Infrastructure inclusive of its trading entity - Property Management Trading Entity (collectively referred to as the Department) accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

TABLE OF CONTENTS

	PAGE
VISION	1
1. INTRODUCTION	3
2. OBJECTIVE	3
3. PURPOSE	3
4. CORE PRINCIPLES	4
5. AUTHORITY	5
6. ACCOUNTABILITY	5
7. RESOURCING OF THE INTERNAL AUDIT FUNCTION	6
8. STAFF AND TRAINING	6
9. INDEPENDENCE AND OBJECTIVITY	7
10. SCOPE OF WORK	7
10.1 Assurance Services	7
10.2 Consulting Services	8
10.3 Adhoc	8
10.4 Definition of Value Add	9
10.5 Fraud Limitation/Investigations	10
11. RELATIONSHIP WITH EXTERNAL AUDITORS AND OTHER ASSURANCE PROVIDERS.....	10
12. RESPONSIBILITY	11

1. INTRODUCTION

- 1.1 Internal Auditing is an independent and objective assurance and consulting activity that is guided by a philosophy of adding value to improve the operations of the Department of Public Works and Infrastructure inclusive of its trading entity - Property Management Trading Entity (collectively referred to as the Department).
- 1.2 It assists the Department in accomplishing its objectives by bringing a systematic and disciplined approach to evaluate and improve the effectiveness of the Department's governance, risk management and internal control.

2. OBJECTIVE

- 2.1 ***The objective of this Charter is to outline the:***
 - 2.1.1 Purpose,
 - 2.1.2 Authority,
 - 2.1.3 Accountability,
 - 2.1.4 Independence,
 - 2.1.5 Scope of Work,
 - 2.1.6 Responsibility,
 - 2.1.7 Quality Assurance Program, and
 - 2.1.8 *Standards of Professional Practice of the Unit.*
- 2.2 This Charter will be reviewed annually to ensure that the Internal Audit Unit activities are aligned to the International Standards for the Professional Practice of Internal Auditing; the Department's requirements and other best practice.

3. PURPOSE

- 3.1 To provide an independent, objective assurance and consulting service designed to add value and improve the Department's operations; and to assist the Department in accomplishing its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of:
 - 3.1.1 Governance;
 - 3.1.2 Risk Management; and
 - 3.1.3 Control Processes.
- 3.2 "The Internal Audit Unit will adhere to The Institute of Internal Auditors' mandatory guidance including the Definition of Internal Auditing, the Code of Ethics, and the

International Standards for the Professional Practice of Internal Auditing (Standards). This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the Internal Audit Unit's performance. The Institute of Internal Auditors' Practice Advisories, Practice Guides, and Position Papers will also be adhered to as applicable *to guide operations. In addition, the Internal Audit Unit will adhere to Department's relevant policies and procedures and the Internal Audit Unit's standard operating procedures manual.*"

- 3.3 Creating and promoting awareness on the preventative controls.
- 3.4 To facilitate the effective functioning of the Audit Committee in the Department.
- 3.5 Internal Audit provides reasonable assurance concerning the current state of Adequacy and Effectiveness of Risk management, Control and Governance processes adopted by the Department. However, Internal Audit Assurance or Consultancy reviews does not provide absolute assurance that all irregular activities including illegal acts such as fraud and corruption are all identified or confirm with certainty that such activities did not occur in the area audited. Suspected irregularities will be referred to Fraud Investigation for further review.

4. CORE PRINCIPLES

- 4.1 The Core Principles, taken as whole, articulate internal audit effectiveness. For an internal audit function to be considered effective, all Principles should be present and operating effectively and therefore, Internal Audit, in delivery of internal audit services, will strive to:
 - 4.1.1 Demonstrate integrity;
 - 4.1.2 Demonstrate competence and due professional care;
 - 4.1.3 Be objective and free from undue influence (independent);
 - 4.1.4 Align with the strategies, objectives and risks of the Department;
 - 4.1.5 Be appropriately positioned and adequately resourced;
 - 4.1.6 Demonstrate quality and continuous improvement;
 - 4.1.7 Communicate effectively;
 - 4.1.8 Provide risk-based assurance;
 - 4.1.9 Be insightful, proactive and future-focused; and
 - 4.1.10 Promote organisational improvement

5. AUTHORITY

5.1 Staff members of Internal Audit Unit **are authorised to:**

- 5.1.1 Have unrestricted access to all functions, records, property and personnel of the Department, in carrying out their duties and responsibilities, except for information classified by the Department as Top Secret in which case the Internal Audit Unit shall give no assurance with regard to such classified information. Such classification shall as applicable from time to time, be determined by the Executive Authority. In case such restriction is applicable, The Internal Audit Unit shall disclose it.
- 5.1.2 Seize any piece of evidence that may prove fraud any control weaknesses.
- 5.1.3 Have full and free access to the Chairperson of the Audit Committee.
- 5.1.4 Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives.
- 5.1.5 Be free from interference in determining its scope; performing work and communicating results, as authorised by the Audit Committee.
- 5.1.6 Obtain the necessary assistance of personnel within the Units of the Department, where audits are performed, as well as other specialised services from within or outside the Department.

5.2 Staff members of Internal Audit Unit **are not authorised to:**

- 5.2.1 Perform any operational duties for the Department or its affiliates,
- 5.2.2 Initiate or approve Accounting transactions external to the Internal Auditing Unit, and direct the activities of the Department's employees not employed in the Unit, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the Internal Auditors.

6. ACCOUNTABILITY

The Internal Audit Unit, in the discharge of its services, shall be accountable to the Audit Committee, Accounting Officer of the Department; and the Executive Authority (**when required**) to:

- 6.1 Provide an annual assessment on the adequacy and effectiveness of the Department's process for controlling its activities.
- 6.2 Report significant issues as related to the governance, risk management and control processes for controlling the activities of the Department, including

potential improvements to those processes.

- 6.3 Report significant issues as related to fraud, theft, corruption and other unethical conducts, risk management, governance and internal control weaknesses.
- 6.4 Periodically provide information on the status and results of the annual activity plan and the adequacy of the unit's resources.

7. RESOURCING OF THE INTERNAL AUDIT FUNCTION

- 7.1 In order to provide a focused industry-specific audit service and access to specialised resources as required, the Chief Audit Executive defines resource requirements for the function in line with the demand presented by the approved Internal Audit Plan.
- 7.2 Such resource requirements are presented to the Audit Committee for consideration and approval, taking into consideration the need and benefits in-house resources, co-sourcing or outsourcing.
- 7.3 Where the internal Audit services are co-sourced, the Lead Partner of the co-source partner will report to the Chief Audit Executive.
- 7.4 The Chief Audit Executive must ensure the following is in place to manage the co-sourced Internal Audit Service partner:
 - 7.4.1 A clear audit mandate;
 - 7.4.2 Appointment in terms of the appropriate level of authority;
 - 7.4.3 The independence of the co-source or outsourced firm; and
 - 7.4.4 A clearly defined audit scope of work to be performed.
 - 7.4.5 In order to provide a focused industry-specific audit service and access to specialised resources;
 - 7.4.6 Reporting responsibilities; and
 - 7.4.7 The integrity and objectivity of the internal audit team assigned by the co-source or outsourced firm to the Department.

8. STAFF AND TRAINING

- 8.1 The Internal Audit Function staff should be appointed with the appropriate qualifications, experience, personal qualities and potential as is appropriate for the complexity and volume of risk assurance needs. The Internal Audit Function should be suitably staffed with qualified individuals possess the appropriate experience in order to ensure adequate coverage of the audit environment
- 8.2 The internal Audit Function should be appropriately resourced and have appropriate budget to its activities.

- 8.3 The Chief Audit Executive, as may be applicable, has a responsibility to ensure that the internal team receives the necessary training for performing of their duties. A structured staff development plan should be developed and implemented to ensure that the audit team gains appropriate experience and is provided with the necessary training and continuing professional education.
- 8.4 The Chief Audit Executive, as may be applicable, shall coordinate the training requirements of Internal Audit staff. This includes the preparation and maintenance of training profiles, which identify training requirements for different levels of internal auditor competencies and the maintenance of personal training records for each individual.

9. INDEPENDENCE AND OBJECTIVITY

- 9.1 The personnel of the Internal Audit Unit report to the Chief Audit Executive (CAE), who reports administratively to the Accounting Officer of the Department and functionally to the Audit Committee in a manner outlined in the Accountability section of this Charter.
- 9.2 The Chief Audit Executive must confirm the organisational independence of the Internal Audit Activity, on an annual basis, to the Audit Committee that:
- 9.2.1 The Internal Audit activities are free from interference in determining the scope of their audits (advisory or consulting engagements) when performing their duties and communicating the results.
- 9.3 The Chief Audit Executive has unrestricted access to the Chairperson of the Audit Committee.
- 9.4 The personnel of Internal Audit Unit must have an impartial, unbiased attitude and avoid conflicts of interest in the conduct of their responsibilities; and should a conflict of interest arise, it shall be discussed with the Chief Audit Executive and declared in the Unit's disclosure forms.
- 9.5 The appointment of and removal of the Chief Audit Executive will vest with the Accounting Officer in consultation with the Audit Committee.
- 9.6 The Chief Audit Executive must declare his/her conflict of interest with the Accounting Officer and the Audit Committee, where applicable.

10. SCOPE OF WORK

10.1 Assurance Services

To provide objective assurance that the governance, risk management, and control processes designed and implemented by Management within the

Department, are adequate and functioning in a manner that ensures effectiveness and efficiency in:

- 10.1.1 The Department's operations and acquiring of resources economically,
- 10.1.2 The information system environment,
- 10.1.3 The reliability, integrity of financial and operational information,
- 10.1.4 Safeguarding of assets and resources,
- 10.1.5 Compliance with laws, regulations, policies and contracts,
- 10.1.6 Promoting appropriate ethics and values within the organisation,
- 10.1.7 Organisational performance and management accountability,
- 10.1.8 Communicating risk and control information to appropriate areas within the Department, and
- 10.1.9 Coordinating the activities and communicating information among the role players, and stakeholders of the Department.

10.2 **Consulting Services**

To provide consulting services with the agreement of the Accounting Officer and approval of the Audit Committee without assuming management's responsibilities:

- 10.2.1 To assist the Department by identifying and evaluating significant exposure to risk and contributing to the improvement of the Risk Management and Control Environment.
- 10.2.2 To provide assistance and expertise on either newly developed systems or improvement to the current systems.
- 10.2.3 To conduct ad-hoc projects as requested by Audit Committee and or Management.
- 10.2.4 To add value and improve the Department's governance and control processes to include:
 - 9.2.4.1 Counsel,
 - 9.2.4.2 Advice,
 - 9.2.4.3 Facilitation, and
 - 9.2.4.4 Training.

10.3 **Adhoc**

At least 15% of the allocated hours in the Internal Audit Plan for each year will be for Ad-hoc requests from Audit Committee and or Management. The following processes should be followed for all ad-hoc requests:

- 10.3.1 Requests done at formal meetings will be evidenced by the approved minutes of the meeting. Any other request to be finalised by email or written memo.
- 10.3.2 Requests received outside the formal Audit Committee meeting to be formalized by the Memo to the Audit Committee Chairperson and the Director General which should include the draft engagement letter with proposed scope and timelines.
- 10.3.3 The Internal Audit report to Audit Committee shall be updated to indicate the ad-hoc request.
- 10.3.4 Formal engagement letter to be signed with the processes owner and Internal Audit Unit methodology to be followed during the performance of ad-hoc engagements.
- 10.3.5 Formal report to be presented to the Executive Committee and Audit Committee.

10.4 **Definition of Value Add**

- 10.4.1 The definition of "value" in terms of the IIA Standards is as follows: "The internal audit activity adds value to the organization (and its stakeholders) when it provides objective and relevant assurance, and contributes to the effectiveness and efficiency of governance, risk management, and control processes by using non- traditional methodologies."
- 10.4.2 The following are among others audit activities for value add:
 - 10.4.2.1 Audits of enterprise risk management processes;
 - 10.4.2.2 Audits of project management activities;
 - 10.4.2.3 Audits of major projects;
 - 10.4.2.4 Audit of annual financial statements;
 - 10.4.2.5 Corporate governance reviews;
 - 10.4.2.6 Continuous audits and the use of CAATS;
- 10.4.3 Reviews addressing linkage of strategy and department performance;
 - 10.4.3.1 Combined assurance;
 - 10.4.3.2 Integrated audits and reporting; and
 - 10.4.3.3 Ethics related audits.

10.5 ***Fraud Limitation/ Investigations***

The identification and prevention of fraud is a management responsibility. Internal Audit is well qualified to assist management to identify the main fraud risks facing the Council and could assist management in designing appropriate controls that could minimise the effects of the risks.

11. RELATIONSHIP WITH EXTERNAL AUDITORS AND OTHER ASSURANCE PROVIDERS

11.1 The External Auditors fulfil a statutory duty for which they are responsible to the Department. The Internal Audit Function will coordinate its activities with other assurance providers, as directed by the Audit Committee and management. The external auditors will be notified of the activities of the Internal Audit Function in order to minimise duplication of audit effort and to ensure full coverage.

11.2 This will be accomplished by:

11.2.1 A meeting between the Internal Audit Function and External Audit to discuss the Annual Internal and External Audit plans.

11.2.2 A meeting between the Internal Audit Function and Management to discuss the Annual Internal Audit Plans.

11.2.3 Periodic meetings to discuss the Internal Audit Plans and activities.

11.2.4 Access to each other's programmes, working papers, reports and other documents, including granting external auditors access to the internal Audit documentation.

11.2.5 Exchange of management letters and audit reports concerning respective audit findings and recommendations. Internal Audit may conduct follow-ups on comments and recommendations contained in the External Audit report and vice-versa.

11.2.6 Sharing information of perceived risk areas.

11.3 Internal Audit must assess the adequacy of the assurance activities undertaken by other assurance providers, including the Department and Service Providers (AGSA, legal, consultants etc.). This assessment includes the adequacy and completeness of risks covered by the different assurance providers and the reliability of the assurance provided.

11.4 The Internal Audit Function should ensure the following in terms of combined assurance:

11.4.1 Identify all key assurance providers and form a Combined Assurance Forum. The members shall serve for a minimum of three (3) years or changes to membership will be based on reassessments performed. The

Forum should identify the structure and frequency for Combined Assurance reporting;

11.4.2 Schedule Combined Assurance Forum meetings on a frequent basis (whilst maintaining an appropriate agenda and minutes of such meetings);

11.4.3 Prevention of duplication of assurance coverage;

11.4.4 Enhanced efficiency of assurance services; and

11.4.5 Completeness of assurance coverage across the Department and its Service Providers.

12. RESPONSIBILITY

The Internal Audit Unit, in accordance with the requirements of the PFMA, Treasury Regulations, and International Standards for the Professional Practice of Internal Auditing and other professional best practices must:

- 12.1 Develop a Rolling Three-Year Strategic Plan for Internal Audit Unit, in consultation with, and for approval by the Audit Committee, based on Unit's assessment of key areas of risk for the Department, having regard to current operations, the operations proposed in the corporate or strategic plan and risk management strategy of the Department.
- 12.2 Develop a flexible Annual Audit Plan using an appropriate risk based methodology including any risks or control concerns identified by management, in consultation with, and for approval by the Audit Committee.
- 12.3 Develop plans indicating the proposed scope of each audit and the resource requirements in the approved annual plan.
- 12.4 Implement the Annual Internal Audit Plan, as approved, including any special tasks or projects assigned by Management with the approval of the Audit Committee.
- 12.5 Internal auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.

13. RESPONSIBILITIES OF THE CHIEF AUDIT EXECUTIVE

- 13.1 Maintain professional audit staff with sufficient knowledge, skills and experience to meet the requirements of this Charter.
- 13.2 Periodically review operations, programs and management reports to provide

assurance that there is consistency with organisational values; and adherence to legislation and performance requirements.

- 13.3 Issue periodic reports to Management and Audit Committee summarising the results of audit and related activities.
- 13.4 Prepare a quarterly report to the Audit Committee detailing the Unit's performance against the Annual Internal Audit Plan and significant measurement goals.
- 13.5 Consider the scope of work of other assurance service providers (AGSA, legal, consultants etc.), including the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the organisation at a reasonable overall cost.
- 13.6 Keep the Audit Committee and Management informed of emerging trends and successful practices in internal auditing, fraud related matters, risk management and governance processes.
- 13.7 The CAE must obtain competent advice and assistance if the internal auditors lack the knowledge, skills, or other competencies needed to perform all or part of the engagement.

14. FOLLOW UP

- 14.1 The Chief Audit Executive should establish a follow-up process to monitor and ensure that actions have been effectively implemented or that management has accepted the residual risk(s).
- 14.2 The Internal Audit Function should follow up on audit findings to ascertain appropriate action is taken on the reported audit findings. In reporting thereon, the internal auditor should consider whether management's action plan implemented corrected the underlying issue or root cause and whether the issue presented by the internal audit finding is effectively mitigated.
- 14.3 The Chief Audit Executive determines the nature, timing and extent of the follow-up and should consider the following factors:
 - 14.3.1 Significance of the reported observation or recommendation;
 - 14.3.2 Degree of effort and cost needed to correct the reported condition;
 - 14.3.3 Impact that may result should the corrective action fail;
 - 14.3.4 Complexity of the corrective action; and
 - 14.3.5 Time period involved.
- 14.4 Internal auditors should determine whether corrective action was taken and is achieving the results; or that management assumed the risk of not taking corrective action reported findings.

- 14.5 The Chief Audit Executive must, as may be applicable, escalate concerns regarding significant and velocity risks not addressed in a timely manner and believed to exceed the Department's risk appetite and risk tolerance levels for resolution by the Accounting Officer.

15. QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP)

- 15.1 The Chief Audit Executive must develop and implement the Quality Assurance and Improvement Programme in accordance with the International Standard for the Professional Practice of Internal Auditing.
- 15.2 The internal assessments and on-going internal monitoring of the effectiveness of Internal Audit Activity shall be performed through self-assessments by members of the unit management.
- 15.3 Periodic internal assessments shall be conducted annually.
- 15.4 External quality assessments must be conducted at least every five years by a qualified, independent reviewer under the direction Chief Audit Executive and in consultation with the Audit Committee.
- 15.5 The Chief Audit Executive must develop and implement the process of assessing the qualifications, independence and any potential conflict of interest of the external reviewer/review team and discuss the results with Audit Committee.
- 15.6 The Chief Audit Executive must communicate the results of external assessment to Management, and Audit Committee.

16. STANDARDS FOR PROFESSIONAL PRACTICE

- 16.1 The internal audit activity will govern itself by adherence to the mandatory elements of The IIA's International Professional Practices Framework (IPPF) including its Standards, Core Principles for the Professional Practice of Internal Auditing, Definition of Internal Auditing, and Code of Ethics.
- 16.2 The Code of Ethics as prescribed by the Institute of Internal Auditors shall be mandatory within Internal Audit Unit of the department.
- 16.3 The Internal Audit Unit will discharge its responsibilities by conducting itself in accordance with:
- 16.3.1 The Code of Ethics of Internal Auditing and International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors (IIA);
 - 16.3.2 Information Systems Audits Control Authority (ISACA);

16.3.3 The provisions of the Public Finance Management Act of 1999 as amended, and Treasury Regulations as published in the Government Gazette from time to time, and

16.3.4 Any other legislation and regulations related to its activities.

16.4 Where non-compliance to the International Standards for the Professional Practice impacts on the overall scope or operation of the Internal Audit Unit activities, disclosure must be made to the Accounting Officer and the Audit Committee.

17. ADOPTION AND APPROVAL

ADOPTION:



MS RENDANI MASHIGOANE
CHIEF AUDIT EXECUTIVE
DPWI

APPROVAL:



MR NALA MHLONGO
CHAIRPERSON OF THE AUDIT COMMITTEE

APPROVAL:



MR IMTIAZ FAZEL
ACTING DIRECTOR GENERAL

EFFECTIVE DATE: 01 SEPTEMBER 2021