

PROVINCE OF THE EASTERN CAPE
DEPARTMENT OF EDUCATION



INTERNAL AUDIT CHARTER

1. INTRODUCTION

- 1.1. The purpose of the Charter is to set out the nature, role, responsibilities, status and authority of the Internal Audit Activity within the Eastern Cape Department of Education, and to outline the scope of the internal audit work. This Charter is compiled in accordance with the Institute of Internal Auditors ("IIA") "International Standards for the Professional Practice of Internal Auditing" ("Standards") as adopted by Government in the Public Finance Management Act (Act 1 of 1999 as amended by Act 29 of 1999) (PFMA) read in conjunction with the Treasury Regulations (TR).
- 1.2. In terms of TR 3.2.5 "the purpose, authority and responsibility of the internal audit function must, in consultation with the Audit Committee (AC), be formally defined in an internal audit charter and be consistent with the Institute of Internal Auditor's ("IIA") definition of internal auditing".
- 1.3. In terms of TR 3.2.6 "Internal audit must be conducted in accordance with the standards set by the Institute of Internal Auditors".

2. MISSION AND CORE PRINCIPLES

- 2.1. The mission of the Internal Audit Function is to enhance and protect organizational value by providing risk-based and objective assurance, advice, and insight.
- 2.2. The following are the Core Principles for the Professional Practice of Internal Auditing:
 - 2.2.1. Demonstrates integrity.
 - 2.2.2. Demonstrates competence and due professional care.
 - 2.2.3. Is objective and free from undue influence (independent).
 - 2.2.4. Aligns with the strategies, objectives, and risks of the organization.
 - 2.2.5. Is appropriately positioned and adequately resourced.
 - 2.2.6. Demonstrates quality and continuous improvement.
 - 2.2.7. Communicates effectively.
 - 2.2.8. Provides risk-based assurance.
 - 2.2.9. Is insightful, proactive, and future-focused.
 - 2.2.10. Promotes organizational improvement.

3. MANDATE

- 3.1. The Internal Audit Function mandate is derived from the PFMA section 38 read in conjunction with TR section 3.2.
- 3.2. Section 38(1) (a) (ii) of the PFMA requires that the accounting officer for a department, trading entity or constitutional institution must ensure that the department, trading entity or constitutional institution has and maintains: "A system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77".

4. THE PURPOSE OF INTERNAL AUDIT

- 4.1. The purpose of the Internal Audit Function is to provide management with independent, objective assurance and consulting services designed to add value and to continuously improve the operations of the Department. It should assist the Department to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Governance, Risk Management and Control processes.
- 4.2. The Internal Audit Function must assist the Accounting Officer in maintaining efficient and effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement.
- 4.3. The Internal Audit Function recognizes and complies with the mandatory nature of the Definition of Internal Auditing, Code of Ethics, and the Standards.
- 4.4. The internal audit activity will govern itself by adherence 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 activity's performance.
- 4.5. 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 activity will adhere to the department's relevant policies and procedures and the internal audit activity's standard operating procedures manual.
- 4.6. Standard 1000.A1 and C1 requires that the nature of assurance and consulting services be defined in the charter.

- 4.6.1. Assurance services consist of the independent reviews on the adequacy and effectiveness of the risk management, internal control and governance processes. Independent reviews include a continuous review of compliance, by management and staff, to relevant legislation, regulations, approved policies and procedures and best governance practices, where applicable.
- 4.6.2. Consulting services are advisory in nature and are intended to add value and improve the Department's operations; and Internal Audit activity also entails consulting engagements. Consulting engagements are of an informal and formal nature, and include informal participation in ad-hoc meetings, routine information exchange with management and staff, as well as assisting with providing best practice frameworks and policies and procedures.

5. ORGANISATIONAL INDEPENDENCE AND OBJECTIVITY

- 5.1. The organisational independence is clearly stipulated in section 3.2.9 of the TR "an internal audit function must report directly to the accounting officer and shall report at all audit committee meetings. The function must be independent of activities that are audited, with no limitation on its access to information."
- 5.2. To provide for the independence of the internal audit function, its personnel must report to the Chief Audit Executive (CAE), who reports functionally to the Audit Committee of the Department and administratively to the Accounting Officer of the Department through the relevant organisational reporting lines. Internal Audit Function will be independent of the line and functional management of the Department.
- 5.3. A representative of the audit committee will form part of the recruitment, performance management and dismissal process of the Chief Audit Executive in line with the prescriptions of the PSA.
- 5.4. The CAE shall confirm the organisational independence of the Internal Audit Function, on an annual basis to the Audit Committee and Department Top Management.
- 5.5. Internal Audit Function must be free from interference in determining the scope of internal auditing, performing internal audit work and communicating results.
- 5.6. The CAE has unrestricted access to the chairpersons of the Audit Committee and the Departmental Accounting Officer.
- 5.7. The CAE shall declare his/her conflicts of interest to the Accounting Officer of the Department, in the annual declaration process in place and where applicable.

- 5.8. The personnel of Internal Audit Function shall have an impartial, unbiased attitude and approach; and avoid conflicts of interest in the conduct of their responsibilities.

6. AUTHORITY

- 6.1. The CAE and staff of the Internal Audit Function are authorised to:
- 6.1.1. Have unrestricted access to all functions, records, property and personnel relevant to the subject under review.
 - 6.1.2. Have full and free access to the respective Accounting Officer, Chief Financial Officer, Executive and the Chairperson of the Audit Committee.
 - 6.1.3. Allocate resources (at operational planning level), set frequencies of audits, select subjects, determine scope of internal audit work, and apply the techniques required to accomplish audit objectives.
 - 6.1.4. Obtain the necessary assistance of personnel in department where they perform audits, as well as other specialised services from within or outside the department.
- 6.2. The Chief Audit Executive has authority to determine the required resources (organizational structure and funding) to fulfill the mandate of the Internal Audit across the department, under the strategic guidance of the Head of the Corporate Service Centre and the Accounting Officer after input from the Audit Committee.
- 6.3. The Chief Audit Executive has authority to determine the model in which the available resources are going to be applied and allocated to the various sections within the department after input from the Audit Committee.

7. RESPONSIBILITIES

7.1. OBJECTIVE ASSURANCE RESPONSIBILITIES

- 7.1.1. Internal Audit Function must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach in the following areas:

7.1.1.1. Governance Processes

- 7.1.1.1.1. Internal Audit Function should contribute to the Departments' governance processes by evaluating and improving the governance processes in its accomplishment of the following objectives:

- Promoting appropriate ethics and values within the department;

- Ensuring effective organisational performance management and accountability;
- Communicating risk and control information to appropriate areas of the department;
- Co-ordinating the activities of and communicating information among the management, external and internal audit;

7.1.1.1.2. Internal Audit Function must evaluate the design, implementation, and effectiveness of the department's ethics-related programmes and activities.

7.1.1.1.3. Internal Audit Function must assess whether information technology governance of the department supports the organization's strategies and objectives.

7.1.1.2. Risk Management

7.1.1.2.1. Internal Audit Function must evaluate the adequacy and effectiveness and contribute to the improvement of the risk management process.

7.1.1.2.2. Internal Audit Function must evaluate risk exposures relating to Departments' governance, operations and information systems regarding the:

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

7.1.1.3. Control

7.1.1.3.1. Internal Audit Function must assist the Department in maintaining effective controls by evaluating their effectiveness and efficiency and by promoting continuous improvement.

7.1.1.3.2. Internal Audit Function must evaluate the adequacy and effectiveness of controls in responding to risks within the Departments' governance, operations and information systems regarding the:

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

7.1.2. Internal Audit Function must effectively communicate the results of the evaluation and ensure its effective contribution to the matured control framework of the Departments.

7.1.3. Internal Audit Function must prepare for approval by the relevant Audit Committee:

7.1.3.1. A rolling three-year strategic internal audit plan based on its assessment of key risk areas for the department, trading entity or constitutional institution, taking into account its current operations, those proposed in its strategic plan and its risk management strategy.

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

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

7.1.3.4. Consider the scope of work of other assurance service providers including the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage and minimising duplication of efforts.

7.1.4. Internal Audit Function must be alert to significant issues related to fraud, theft, corruption and other unethical conducts; and ensure proficient reporting of red flags through the organizational reporting process.

7.1.5. Internal Audit Function must conduct follow-up audits to confirm implementation of management action plans and present results to executive management of the relevant departments.

7.1.6. Internal Audit Function must conduct audits as required in terms of the PFMA, TR or other regulations.

7.2. CONSULTING ACTIVITIES RESPONSIBILITIES

- 7.2.1. To provide consulting services which will contribute to the better management of Departments' significant risks, without assuming management responsibilities.
- 7.2.2. The CAE will conduct an assessment of the consulting services' impact on the objective assurance services and reach a formal agreement with the Accounting Officer of the relevant Department. The required services will be presented to the relevant Audit Committee for approval.
- 7.2.3. The following consulting services on issues relating to the governance, risk management and control processes could be rendered:
 - 7.2.3.1. Providing Executive Management with advice on the identification and assessment of significant risk exposures, with a view to improve the Department's control environment;
 - 7.2.3.2. Partake in steering committees as risk and control specialists making recommendations relating to process design;
 - 7.2.3.3. Facilitate a process of recommendation implementation in instances where competencies required are not available in the Department;
 - 7.2.3.4. Facilitate training that contributes to good corporate governance in the Department; and
 - 7.2.3.5. Evaluate and assess new or changing services, processes, operations, and control processes, (information technology-based or otherwise), and coincide with their development, implementation, and/or expansion.

7.3. ADMINISTRATIVE RESPONSIBILITIES

- 7.3.1. The CAE will develop a suitable organisational structure and maintain a professional internal audit staff complement with sufficient knowledge, skills and experience to meet the requirements of this Charter; subject to budget availability.
- 7.3.2. The CAE will prepare reports every second month to the Accounting Officers of the Departments detailing the Internal Audit Function' performance against the annual internal audit plan and other relevant information.
- 7.3.3. The CAE will develop and implement the five year strategic and annual performance plan for Internal Audit Function and prepare quarterly performance reports against the achievement of strategic objectives and goals to the Accounting Officers.

7.3.4. The CAE will develop the annual budget for the Internal Audit Sub - Programme and instill fiscal discipline within Internal Audit Function and enforce compliance to other relevant and applicable legislation.

7.3.5. The CAE shall develop and implement a Quality Assurance and Improvement Programme in accordance with the Standards.

7.4. OVERSIGHT COMMITTEES AND OTHER STAKEHOLDERS RESPONSIBILITIES

7.4.1. The CAE will keep the Audit Committees informed of emerging trends and successful practices in internal auditing.

7.4.2. The CAE will facilitate the implementation of the combined assurance model and ensure effective execution of its role in such a way that:

7.4.2.1. The entire Department derives value for money and efficacy of operations.

7.4.2.2. The legislative mandate and professional standards of all assurance providers are fully understood and compliance is achieved without encroachment of independence and the mandate of each assurance provider.

7.4.2.3. Sustainment of the credibility of each assurance provider is guaranteed and preserved.

7.4.3. The CAE will prepare quarterly progress reports to the Audit Committee detailing the Internal Audit Function performance against the annual internal audit plans.

7.4.4. The CAE will prepare and present to the Chairperson of the Audit Committee the resource requirements in order to enable the Audit Committee to assess its sufficiency to adequately deliver the mandate of Internal Audit Function, at a level where organisational effectiveness is realised.

7.4.5. The Chief Audit Executive shall communicate the results of follow-up audits emanating from Internal Audit Work.

8. ACCOUNTABILITY

8.1. FUNCTIONAL ACCOUNTABILITY - AUDIT COMMITTEE

8.1.1. The CAE shall ensure that the Internal Audit Charter is reviewed and approved annually by the Audit Committee.

8.1.2. The CAE, in discharging of his/her duties, shall be accountable functionally to the Audit Committee to:

- 8.1.2.1. Approve the risk based Internal Audit plans;
- 8.1.2.2. Present quarterly reports to the Audit Committees detailing Internal Audit Function' performance against the annual internal audit plans and adequacy of the resources, to allow for effective monitoring and possible intervention.
- 8.1.2.3. Report significant issues related to governance, risk management and control processes.
- 8.1.3. The CAE shall communicate the results of the annual internal and the 5-yearly external quality assessments (QAR) to the Audit Committees.
- 8.1.4. The CAE shall present to the Audit Committees an annual assessment on the adequacy and effectiveness of the Departments' processes for controlling its activities.

8.2. FUNCTIONAL ACCOUNTABILITY - RELEVANT PARLIAMENT OVERSIGHT COMMITTEES

- 8.2.1. The Internal Audit Function shall, through the relevant Audit Committee present their overall assessment of the control framework within areas covered for the specific financial year to SCOPA and the relevant Standing Committee.

8.3. ADMINISTRATIVE ACCOUNTABILITY

- 8.3.1. The CAE, in discharging of his/her duties, shall be accountable administratively to the Accounting Officer of the department through relevant reporting lines in relation to:
 - 8.3.1.1. Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency and utilisation of the internal audit resources monthly.
 - 8.3.1.2. Communicate the results of the annual internal and the 5-yearly external quality assurance assessment (QAR) to the Executive Management of the Department, and the Departmental Top Management Team.
 - 8.3.1.3. The overall management of the Internal Audit Function as it pertains to:
 - 8.3.1.3.1. Achievement of the strategic intent as outlined in the 5 year strategic and annual performance plans.
 - 8.3.1.3.2. Management of the allocated budgets and day to day human resource management related issues.

9. AMENDMENT AND APPROVAL OF THE CHARTER


The Charter of the Internal Audit Function will be reviewed annually by the Audit Committee to ensure that it is aligned to the Standards; the requirements of the department and best practices. The Charter will be approved by the chairperson of the Audit Committee and accepted by the Accounting Officer of the department on an annual basis.

9.1. MANAGEMENT REPRESENTATIVES

Management of the department adopts the Internal Audit Charter which outlines the purpose; authority; accountability and responsibility of the Internal Audit Function, after consultation with the CAE.



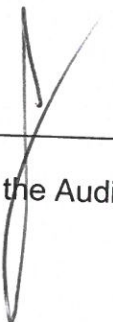
Chief Audit Executive
Date: 02 April 2019



Accounting Officer
Date: 16/4/2019

9.2. AUDIT COMMITTEE APPROVAL

The Chairperson of the Audit Committee approves the Internal Audit Charter confirming that the purpose, authority, and responsibility of Internal Audit Function have been adequately defined.



Chairperson of the Audit Committee

16/4/2019

Date