



**rural development
& land reform**

Department:
Rural Development and Land Reform
REPUBLIC OF SOUTH AFRICA

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INTERNAL AUDIT CHARTER

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Table of Abbreviations

Abbreviation	Definition
CAE	- Chief Audit Executive
CD	- Chief Directorate
DDG	- Deputy Director-General
DG	- Director-General
DRDLR	- Department of Rural Development and Land Reform
IA	- Internal Audit
IIA	- Institute of Internal Auditors
IT	- Information Technology
QAR	- Quality Assurance Review
NT	- National Treasury



1 INTRODUCTION

- 1.1 This Charter sets out the framework within which the Chief Directorate: Internal Audit (CD: IA) will operate to make a positive contribution to the Department of Rural Development and Land Reform (DRDLR).
- 1.2 The DRDLR Internal Audit Function (IAF) is established in terms of the following:
- (i) Public Finance Management Act of 1999 as amended, especially section 38 (1)(a)(i) & (ii);
 - (ii) Prevailing Treasury Regulations;
 - (iii) King III Code on Corporate Governance in South Africa (King III); and
 - (iv) Standards for the Professional Practice of Internal Auditing (IIA Standards).
- 1.3 The purpose of this charter is to set out the nature, role, responsibility, status and authority and scope of activities of internal auditing within DRDLR and to outline the broad scope of internal audit. It also includes the principles underlying the realisation of the objectives of the function and the translation thereof into operational activities.

2 MISSION AND SCOPE OF WORK

- 2.1 The mission of the CD: IA is to provide independent, objective assurance and consulting services designed to add value and improve the Department's operations. It helps the Department accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, internal control and governance processes.
- 2.2 The CD: IA will strive to be an efficient and effective internal audit service provider to DRDLR management and staff, by adhering to the IIA Standards and DRDLR's guidelines and policies.
- 2.3 The scope of work of the CD: IA is to determine whether the DRDLR's network of risk management, control, and governance processes, as designed and implemented by management, is adequate and functioning in a manner so as to provide reasonable assurance that:
- (i) Risks are appropriately identified and managed;
 - (ii) Interaction with the various governance groups within the department occurs as needed;
 - (iii) Significant financial, managerial, and operating information is accurate, reliable, and timely;
 - (iv) Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
 - (v) Resources are acquired economically, used efficiently, and protected adequately;
 - (vi) Assets are adequately safeguarded and accounted for;
 - (vii) Programs, plans, and objectives are achieved;
 - (viii) Quality and continuous improvement are fostered in the department's control process; and

(ix) Significant legislative or regulatory issues relevant to the Department are recognised and addressed properly.

2.4 To achieve full effectiveness, the scope of the work to be performed by the CD: IA will be based on its assessment of risk (with management input) and as approved by the Audit Committee.

3 ACCOUNTABILITY

3.1 The Chief Audit Executive (CAE), in the discharge of his/her duties, shall be accountable to the Director-General and the Audit Committee to:

- (i) Provide, annually, an assessment on the adequacy and effectiveness of the Department's processes for controlling its activities (internal control systems) and managing its risks in the areas set forth in this charter, and based on the annual audit plan reports;
- (ii) Report to management and the Audit Committee the significant and critical issues related to the internal control systems of the Department, including potential improvements to those processes and provide information concerning such issues through active and constructive resolution;
- (iii) Provide information on the status and results of the annual audit plan and the sufficiency of the CD: IA's resources on a quarterly basis; and
- (iv) Co-ordinate with, and provide oversight of, other control and monitoring functions within the Department such as risk management, compliance management, ethics, external audit, etc.

4 INDEPENDENCE

4.1 All internal audit activities shall remain free of influence by any element in the Department, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of an independent and objective attitude necessary in rendering Internal Audit services.

4.2 To provide for the independence of the CD: IA, its personnel report to the CAE, who reports administratively to the Director-General, and functionally to the Audit Committee in a manner outlined in the above section 3 on "Accountability". It will include, as part of its reports to the Audit Committee, a regular report on internal audit personnel. The Audit Committee must concur on the appointment or removal of the CAE.

5 RESPONSIBILITY

5.1. The CAE and staff of the CD: IA, have amongst others the following responsibilities:

- (i) Develop a three year strategic and flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management and submit that plan to the Audit Committee and Director-General for review and approval as well as periodic updates.
- (ii) Implement the annual audit plan, as approved, including as appropriate any special tasks or projects requested by management and the Audit Committee by performing Comprehensive Internal Audits (Financial, Operational, Legal Compliance, Performance and Information Technology Audits), or a

combination of these, Follow-up Audits, Consulting Services, as well as Forensic Audits and Investigations. Consulting services may include the following:

- Attending standing committees;
 - Specific transaction reviews;
 - Participation in testing and evaluations;
 - Facilitation;
 - Advice;
 - Counsel;
 - Process design; and
 - Training.
- (iii) Report all audit findings to the relevant line management and obtain their comments on Senior Management level within 10 working days (i.e. two weeks) from the date of issuing the report. Send the final reports with management comments and actions to the Director-General and Audit Committee. (In cases where management comments are not obtained within the required period, the report will be escalated to the supervisor of the senior manager who will be given five working days to provide commentary on the report, failing which, the report will be finalised without management comments and reported as such to the Director-General and Audit Committee.)
- (iv) Establish policies and procedures to guide the CD: IA and direct its administrative functions.
- (v) Report to all Audit Committee meetings.
- (vi) Maintain a professional audit staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter.
- (vii) Manage the standards of performance for contract workers and outsourced audit projects.
- (viii) Issue periodic progress reports to the Audit Committee and management summarising the results of audit activities.
- (ix) Keep the Audit Committee informed of emerging trends and successful practices in internal auditing.
- (x) Act as Secretariat to the Audit Committee.
- (xi) Consider the scope of work of the Auditor-General, as appropriate, for the purpose of providing optimal audit coverage of the Department.
- (xii) Provide the Audit Committee and Senior Management with the following in accordance with the recommendations of King III:
- A written assessment regarding the effectiveness of the system of internal controls and risk management;
 - A documented review of the key financial reporting controls in identified financial systems and processes every year; and
 - A combined assurance framework giving independent assurance over governance, risk management and systems of internal control. Contributors

predominantly include internal audit, risk management, the Auditor-General and management.

- (xiii) Ensure that it discharges its responsibilities by conducting work in accordance with the IIA Standards.

6 RELATIONSHIP WITH EXTERNAL AUDITORS

6.1 The CD: IA should co-ordinate its activities with other assurance providers to ensure appropriate coverage of risk areas and minimise duplication of efforts. Access to each other's audit plans and programs, as well as audit reports, will be granted upon formal request.

6.2 This will be accomplished by:

- (i) A meeting between the CD: IA and the Auditor-General to discuss the annual internal and external audit plans;
- (ii) Periodic meetings to discuss the audit plans and activities;
- (iii) Access to each other's programmes, working papers and other documents including granting access to the external auditors to the internal audit documentation;
- (iv) Exchange of management letters and audit reports concerning their respective audit findings and recommendations. CD: IA may carry out follow-ups on comments and recommendations contained in the Auditor-General reports, and vice-versa; and
- (v) Sharing information of perceived risk areas.

7 AUTHORITY

7.1 The CAE and staff of the CD: IA are authorised to:

- (i) Have unrestricted full and free access to all Departmental functions, records, property and personnel.
- (ii) Have full and free access to the Audit Committee and Director-General.
- (iii) Allocate resources, set frequencies, select subjects, determine scope of work and apply the techniques required to accomplish audit objectives.
- (iv) Obtain the necessary assistance of personnel in all directorates (Branches, Chief Directorates and Directorates) of the Department where they perform audits, as well as other specialised services from within or outside the Department.

7.2 The CAE and staff of the CD: IA are not authorised to:

- (i) Perform any operational duties for the Department.
- (ii) Initiate or approve accounting transactions external to the IA: CD.
- (iii) Direct the activities of any departmental employee not employed by the CD: IA except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors.
- (iv) Assume responsibility for the functions, processes and systems of risk management and internal control.

8 QUALITY ASSURANCE

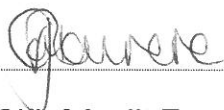
- 8.1 The activities of the CD: IA should be guided, monitored and supervised at each level of operation to ensure that they are consistently performed in accordance with the IIA Standards and the CD: IA policies, procedures and methodologies.
- 8.2 The CAE should conduct internal assessments on an annual basis as prescribed by the CD: IA's quality assurance programme.
- 8.3 The activities of the CD: IA should be subjected to an external quality assurance review (QAR) at least once every five years, the results of which should be communicated to the Audit Committee. The scope of the QAR should, amongst others, cover matters related to independence and objectives of the CD: IA, expectations of the CD: IA expressed by the senior management and Audit Committee, integration of the CD: IA into the department's governance processes, efficiency and effectiveness of approach, audit strategy and plans.
- 8.4 The CAE should annually assess whether the purpose, authority, and responsibility, as defined in this charter, continue to be adequate to enable the CD: IA to accomplish its objectives. The result of this annual assessment should be communicated to the Director-General and the Audit Committee.

9 ANNUAL REVIEW OF THE INTERNAL AUDIT CHARTER

- 9.1 The CAE should annually assess whether the purpose, authority and responsibility, as defined in this Charter, continue to be adequate to enable the CD: IA to accomplish its objectives. The result of this annual assessment will be communicated to the Director-General and the Audit Committee.

10 RECOMMENDATION OF THE INTERNAL AUDIT CHARTER

This Charter is hereby recommended for approval and acceptance by the Audit Committee.



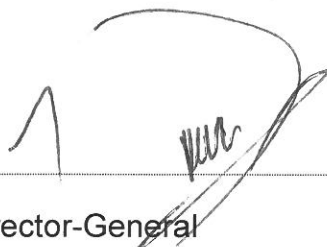
Chief Audit Executive

2012-10-27

Date

11 ADOPTION AND RECOMMENDATION OF THE INTERNAL AUDIT CHARTER

This Charter is hereby adopted by the Director-General and recommended for approval by the Audit Committee.



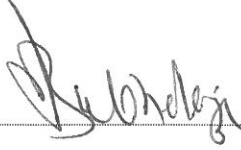
Director-General

22/10/2012

Date

12 APPROVAL OF THE INTERNAL AUDIT CHARTER

This Charter is hereby approved and accepted by the Audit Committee.



22/10/2012

Chairperson of the Audit Committee

Date