



**DEPARTMENT OF SPORT, RECREATION, ARTS AND CULTURE  
INTERNAL AUDIT CHARTER**

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<b>Responsible Programme</b>	Internal Audit
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## 1. INTRODUCTION

- 1.1. The purpose of the Charter is to set out the nature, role, responsibilities, status and authority of the Internal Audit Function within the Department of Sport, Recreation, Arts and Culture 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. MANDATE

- 2.1. The Internal Audit Function mandate is derived from the PFMA section 38 read in conjunction with TR section 3.2.
- 2.2. 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".

### MISSION OF INTERNAL AUDIT

To enhance and protect institutional value by providing an independent and objective risk-based assurance, advice, and insight to Management. It helps Management to accomplish institutional objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

## CORE PRINCIPLES FOR THE PROFESSIONAL PRACTICE OF INTERNAL AUDITING

The mission will be achieved when Internal Audit Function (IAF) adheres to the following principles:

- i. Demonstrates integrity.
- ii. Demonstrates competence and due professional care.
- iii. Is objective and free from undue influence (Independent).
- iv. Aligns with strategies, objectives, and risks of the organization.
- v. Is appropriately positioned and adequately resourced.
- vi. Demonstrates quality and continuous improvement.
- vii. Communicates effectively.
- viii. Provides risk-based assurance.
- ix. Is insightful, proactive, and future-focused.
- x. Promotes organisational improvement.

### 3. THE PURPOSE OF INTERNAL AUDIT

- 3.1. 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 of Sport, Recreation, Arts and Culture. It should assist the Department of Sport, Recreation Arts and Culture to accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of Governance, Risk Management and Control processes.
- 3.2. 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.
- 3.3. The Internal Audit Function recognizes and complies with the mandatory nature of the Definition of Internal Auditing, Code of Ethics, and the Standards.

## 4. ORGANISATIONAL INDEPENDENCE AND OBJECTIVITY

- 4.1. 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."
- 4.2. 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 of Sport, Recreation Arts and Culture and administratively to the Accounting Officer of the Department of Sport, Recreation Arts and Culture through the relevant organisational reporting lines. The Internal Audit Function will be independent of the line and functional management of all Directorates within the department.
- 4.3. A representative of the audit committee will form part of the recruitment, performance management and dismissal process of the CAE in line with the prescriptions of the PSA.
- 4.4. The CAE shall confirm the organisational independence of the Internal Audit Function, on a quarterly basis to the Audit Committee and Department of Sport, Recreation Arts and Culture Top Management.
- 4.5. The Internal Audit Function must be free from interference in determining the scope of internal auditing, performing internal audit work and communicating results.
- 4.6. The CAE has unrestricted access to the chairperson of the Audit Committee and the Departmental Accounting Officer.
- 4.7. The CAE shall declare her conflicts of interest to the Accounting Officer of the Department of Sport, Recreation Arts and Culture, in the annual declaration process in place and where applicable.
- 4.8. The personnel of the Internal Audit Function shall have an impartial, unbiased attitude and approach; and avoid conflicts of interest in the conduct of their responsibilities.
- 4.9. Where the CAE is expected to have roles and/or responsibilities that fall outside of internal auditing, safeguards will be established to limit impairments to independence or objectivity.

If independence or objectivity is impaired in fact or appearance, the details of this will be disclosed to appropriate parties. The nature of the disclosure will depend upon the impairment.

### Functional Reporting

Functional reporting to the AC involves the following:

- a) Approving the Internal Audit Charter;
- b) Approving the risk-based internal audit plan;
- c) Approving the internal audit budget and resource plan;
- d) Approving the Quality Assurance Improvement Plan;
- e) Approving the Internal Audit Methodology;
- f) Approving of the Combined Assurance Framework and Plan;

- g) Receiving communications from the Internal Auditors on the IAF performance to its plan and other matters;
- h) Making appropriate inquiries of management and the Internal Auditors to determine whether there is inappropriate scope or resource limitations.

#### **Administrative Reporting**

The administrative reporting to the Accounting Officer should be limited to the facilitation of the day-to-day operations of the IAF, which typically includes:

- a) Budgeting and management accounting;
- b) Human resource administration, including personnel evaluations and compensation;
- c) Internal communications and information flows;
- d) Administration of the internal audit function's policies and procedures.

## **5. AUTHORITY**

### **5.1. The CAE and staff of the Internal Audit Function are authorised to:**

- 5.1.1. Have unrestricted access to all functions, records, property and personnel relevant to the subject under review, subject to accountability for confidentiality and safeguarding of records and information.
- 5.1.2. Have full and free access to the Accounting Officer, Chief Financial Officer, Executive management and the Chairperson of the Audit Committee, including private meetings with the Audit Committee without management present.
- 5.1.3. \*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.
- 5.1.4. \*Obtain the necessary assistance of personnel in Department of Sport, Recreation, Arts and Culture where they perform audits, as well as other specialised services from within or outside the Department of Sport, Recreation, Arts and Culture.

*\*Subject to AC approval*

- 5.2. The CAE has authority to determine the required resources (organizational structure and funding) to fulfill the mandate of the Internal Audit across the department, and the Accounting Officer after input from the Audit Committee.
- 5.3. The CAE has the 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.

The Internal Auditors are not authorised to:

- a) Perform any operational duties outside of the IAF;
- b) Initiate or approve accounting transactions external to the IAF; and
- c) Direct the activities of any employee(s) in other functional areas, except where such employees have been appropriately assigned to the IAF.

## 6. SCOPE OF WORK

The scope of internal audit activities encompasses, but is not limited to, objective examinations of evidence for the purpose of providing independent assessments to the audit committee, management, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for DSRAC. Internal audit assessments include evaluating whether:

- Risks relating to the achievement of DSRAC's strategic objectives are appropriately identified and managed.
- The actions of DSRAC's officers, directors, employees, and contractors are in compliance with DSRAC's policies, procedures, and applicable laws, regulations, and governance standards.
- The results of operations or programs are consistent with established goals and objectives.
- Operations or programs are being carried out effectively and efficiently.
- Established processes and systems enable compliance with the policies, procedures, laws, and regulations that could significantly impact DSRAC.
- Information and the means used to identify, measure, analyze, classify, and report such information are reliable and have integrity.
- Resources and assets are acquired economically, used efficiently, and protected adequately.

The scope of work of the IAF is implemented under three components as follows:

### a) Assurance

- ✓ General Assurance (e.g. Risk, Governance, Internal Control and Compliance);
- ✓ Financial;
- ✓ Information and Communication Technology;
- ✓ Audit of Performance Information (AOPI);
- ✓ Follow up on previous audits to verify if management actions have been implemented; and
- ✓ Special/ad hoc audits.

### b) Consulting

- ✓ Advisory, facilitation, counselling without assuming management responsibility to assist the department to improve its processes;
- ✓ Continuous engagement with management to provide insights; and
- ✓ All consulting engagements undertaken will be recorded in the consulting register.

To promote departmental improvement, the scope of internal audit includes the identification of opportunities for improvement of the internal control environment, cost savings and the enhancement of the department's image, and the communication thereof to the appropriate level of management.

## 7. RESPONSIBILITIES

### 7.1 OBJECTIVE ASSURANCE RESPONSIBILITIES

**7.1.1. The 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:**

#### Governance Processes

**7.1.1.1.1. The Internal Audit Function should contribute to the Department's governance processes by evaluating and improving the governance processes in its accomplishment of the following objectives:**

- Promoting appropriate ethics and values within the Department of Sport, Recreation, Arts and Culture;
- Ensuring effective organisational performance management and accountability;
- Ensure that there is communication risk and control information to appropriate areas of the Department of Sport, Recreation, Arts and Culture;
- Co-ordinating the activities of and communicating information among the management, external and internal audit;

**7.1.1.1.2. The Internal Audit Function must evaluate the design, implementation, and effectiveness of the Department of Sport, Recreation, Arts and Culture's ethics-related programmes and activities.**

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

#### Risk Management

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



**7.1.1.1.5. The Internal Audit Function must evaluate risk management associated with exposures relating to 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.

## Control

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

**7.1.1.1.7. The 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. The Internal Audit Function must effectively communicate the results of the evaluation and ensure its effective contribution to the matured control framework of the department.**

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

- A rolling three-year strategic internal audit plan based on its assessment of key risk areas for the department, taking into account its current operations, those proposed in its strategic plan and its risk management strategy.
- An annual internal audit plan for the first year of the rolling three-year strategic internal audit plan.
- Plans indicating the proposed scope of each audit in the annual internal audit plan.
- Consider the scope of work of other assurance providers including the external auditors, as appropriate, for the purpose of providing optimal audit coverage and minimising duplication of efforts.

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

**7.1.5. For Assurance services Internal Audit Function will:**

- Determine the nature and scope of the audit of the assignment.
- Recognise the objective evaluation of the audit evidence by IA staff.

- Provide independent and objective opinions on operations, functions, processes, and systems with recommendations for improvement.

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

**7.1.7.** The internal audit function must implement the approved internal audit plan including requests by the Executive Authority; AC and Management.

## **7.2 CONSULTING ACTIVITIES RESPONSIBILITIES**

**7.2.1** To provide consulting services which will contribute to the better management of department's 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 department. The required services will be presented to the 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.

**7.3.2** The CAE will prepare quarterly reports for the Accounting Officer of the Department 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 three-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 Officer.
- 7.3.4 The CAE will develop the annual budget for the Internal Audit function 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 Committee 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.
  - 7.4.2.4 Recognise the work of AGSA into the combined assurance program without limiting their scope nor impact on AGSA's independence.
- 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 CAE shall communicate the results of all assurance activities, follow-up audits and consulting engagements emanating from Internal Audit Work performed.

## 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 Develop the risk based Internal Audit plans;
  - 8.1.2.2 Present quarterly reports to the Audit Committee detailing Internal Audit Function's performance against the annual internal audit plan, adequacy of the resources, to allow for effective monitoring and possible intervention and results of the audit engagements.
  - 8.1.2.3 Report significant issues related to governance, risk management and control processes.
  - 8.1.2.4 Perform overall assessment of the Department's control environment for the year and report to the Audit Committee to include the assessment in the Audit Committee Annual Report.
- 8.1.3 The CAE shall communicate the results of the annual internal and the 5-yearly external quality assessments (QAR) and action plans to address any significant conformance issues raised to the Audit Committee.
- 8.1.4 The CAE shall present to the Audit Committee an annual assessment on the adequacy and effectiveness of the Department's processes for controlling its activities.
- 8.1.5 The CAE shall evaluate the plans and management actions to resolve the reported conditions, including the status of the corrective actions, co-operation and co-ordination with other assurance providers.

## 8.2 FUNCTIONAL ACCOUNTABILITY - RELEVANT PARLIAMENT/LEGISLATURE OVERSIGHT COMMITTEES

- 8.1.1. 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(s).

## 8.2. ADMINISTRATIVE ACCOUNTABILITY

- 8.2.1. The CAE, in discharging of his/her duties, shall be accountable administratively to the Accounting Officer of the Department of Sport, Recreation, Arts and Culture through relevant reporting lines in relation to:
- 8.2.1.1. Periodically provide information on the status and results of the Annual Audit Plan and the sufficiency and utilisation of the internal audit resources monthly.
  - 8.2.1.2. Communicate the results of the annual internal and the 5-yearly external quality assurance assessment (QAR) to the Departmental Top Management Team.
  - 8.2.1.3. The overall management of the Internal Audit Function as it pertains to:

- 8.2.1.3.1. Achievement of the strategic intent as outlined in the 3 year strategic and annual performance plans.
- 8.2.1.3.2. Management of the allocated budgets and day to day human resource management related issues.

## 9. STANDARDS OF IA PRACTICE

In accordance with the PMFA, IA staff must comply with the Standards as set by the Institute of Internal Auditors. The mandatory elements of the International Professional Practice Framework including core principles, definition of internal auditing, the IIA Code of Ethics, and the Standards themselves are applicable to the IAF.

The IAF will meet or exceed the Standards for the Professional Practice on internal Auditing of the Institute of Internal Auditors.

The IA staff will uphold and promote the principles and rules of conduct as prescribed by the IIA. Additionally, IA staff members as employees of department shall at all times adhere to these principles and comply with the applicable policy on the code of ethics and conduct of the department.

## 10. LIMITATION OF SCOPE

Any attempted scope limitation by management must be reported, preferably in writing to the Accounting Officer, the EA and the AC. The question of whether an action from management in fact constitutes a scope limitation is at the judgement of Internal Auditors in consultation with the AC. Except in cases of suspected fraud, the Accounting Officer and the AC may decide to accept a limitation of scope. In such instances, the Internal Auditors should evaluate from time to time whether the circumstances surrounding the scope limitation are still valid and whether the scope limitation needs to be reported again to the Accounting Officer and the AC for their renewed consideration.

## 11. COMPLIANCE

Compliance with this charter is the responsibility of all employees and any outsourced staff members (where applicable) that operate within the IAF.

## 12. QUALITY ASSURANCE IMPROVEMENT PROGRAM

The CAE must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit function.

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

### a) Internal Assessments

- Ongoing monitoring of the performance of the Internal audit function; and
- Periodic self-assessments or assessments by other persons within the organization with sufficient knowledge of internal audit practices.

### b) External Assessments

- External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The CAE must discuss with the audit committee and management:
  - The form and frequency of external assessment; and
  - The qualifications and independence of the external assessor or assessment team, including any potential conflict of interest.


## 13. AMENDMENT AND APPROVAL OF THE CHARTER

The Charter of the Internal Audit Function will be reviewed annually by the CAE to ensure that it is aligned to the Standards; the requirements of the department of Sport, Recreation Arts and Culture and best practices. The Charter will be approved by the audit committee and signed by the chairperson of the Audit Committee. It will be accepted by the Accounting Officer of the department of Sport, Recreation Arts and Culture on an annual basis.

### 13.1 MANAGEMENT REPRESENTATIVES

Management of the Department of Sport, Recreation Arts and Culture adopts the Internal Audit Charter which outlines the purpose; authority; accountability and responsibility of the Internal Audit Function, after consultation with the CAE.


#### RECOMMENDED BY:

  
\_\_\_\_\_  
**MS N. CUPIDO**  
**CHIEF AUDIT EXECUTIVE**

31 March 2022

**DATE**

#### ENDORSED BY:

  
\_\_\_\_\_  
**MS SIBONGILE MPOFU**  
**HEAD OF DEPARTMENT /**  
**ACCOUNTING OFFICER**

31 March 2022

**DATE**

### 13.2 AUDIT COMMITTEE APPROVAL

The Chairperson of the Audit Committee of the Department of Sports Recreation Arts and Culture approve the Internal Audit Charter confirming that the purpose, authority, and responsibility of Internal Audit Function have been adequately defined.

#### APPROVED BY:

  
\_\_\_\_\_  
**MR GUY RICH**  
**CHAIRPERSON OF THE AUDIT COMMITTEE**

31/3/2022

**DATE**