# ERONGO REGIONAL COUNCIL

## INTERNAL AUDIT CHARTER

***"Plan together; develop together"***

## 1. Purpose and Mission

The purpose of Erongo Regional Council internal audit Section is to provide independent, objective assurance and consulting services designed to add value and improve Erongo Regional Council 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 Section helps Regional Council accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

## 2. International Standards for the Professional Practice of Internal Auditing

The Internal Audit Section will adhere to the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework (IPPF), including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing, and the Definition of Internal Auditing.

## 3. Authority

3.1 The Head of Internal Audit will report functionally to the Audit Committee and administratively (i.e., day-to-day operations) to the Chief Regional Officer (CRO). The Audit Committee will establish, maintain and assure that Erongo Regional Council Internal Audit Section has sufficient authority to fulfil its duties by:

- Approving and reviewing the internal audit charter.
- Approving a timely, risk-based, and agile internal audit plan.
- Approving the internal audit budget and resource plan.
- Receiving timely communications from the Head of Internal Audit on performance relative to its internal audit plan.
- Making appropriate inquiries of management and the Head of Internal Audit to determine if there are any inappropriate scope or resource limitations.

3.2 The Head of Internal Audit will have unrestricted access to, and communicate and interact directly with, the Audit Committee, including in private meetings without CRO present and should:

- Have full, free, and unrestricted access to all functions, records, property, and personnel pertinent to carrying out any engagement, subject to accountability for confidentiality and safeguarding of records and information.
- Allocate resources, set frequencies, select subjects, determine scopes of work, apply techniques required to accomplish audit objectives, and issue reports.
- Obtain assistance from the necessary personnel of Regional Council, as well as other specialized services from within or outside Regional Council, in order to complete the engagement.

3.3 The Head of Internal Audit will ensure that the internal audit section remains free from all conditions that threaten the ability of internal auditors to carry out their activities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Head of Internal Audit determines that independence or objectivity may be impaired in fact or appearance, the details of impairment will be disclosed to appropriate parties.

3.4 Internal Auditors will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their judgment on audit matters to others.

3.5 Internal Auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, Internal Auditors will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment, including:

• Assessing specific operations for which they had responsibility within the previous year.

• Performing any operational duties for Regional Council or its affiliates.

• Initiating or approving transactions external to the internal audit [activity/department].

• Directing the activities of any Regional Council employee not employed by the Internal Audit Section, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist Internal Auditors.

3.6 Where the Head of Internal Audit has or 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.

Internal Auditors will:

• Disclose any impairment of independence or objectivity, in fact or appearance, to appropriate parties.

• Exhibit professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined.

• Make balanced assessments of all available and relevant facts and circumstances.

• Take necessary precautions to avoid being unduly influenced by their own interests or by others in forming judgments.

3.7 The Head of Internal Audit will confirm to the Audit Committee, at least quarterly, the Council's independence of the internal audit section.

3.8 The Head of Internal Audit will disclose to the Audit Committee any interference and related implications in determining the scope of Internal Auditing, performing work, and/or communicating results.

## 4. Scope of Internal Audit Activities

4.1 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, CRO, and outside parties on the adequacy and effectiveness of governance, risk management, and control processes for Regional Council. Internal Audit assessments include evaluating whether:

• Risks relating to the achievement of Erongo Regional Council strategic objectives are appropriately identified and managed.

• The actions of Erongo Regional Council officers, directors, employees, and contractors are in compliance with Erongo Regional Council 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 Regional Council.

• 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.

4.2 The Head of Internal Audit will report periodically to CRO and the Audit Committee regarding:

• The Internal Audit Section's purpose, authority, and responsibility.

• The Internal Audit Section's plan and performance relative to its plan.

• The Internal Audit Section's conformance with The IIA's Code of Ethics and Standards, and action plans to address any significant conformance issues.

• Significant risk exposures and control issues, including fraud risks, governance issues, and other matters requiring the attention of, or requested by, the Audit Committee.

• Results of audit engagements or other activities.

• Resource requirements.

• Any response to risk by Management Cadre(s) that may be unacceptable to Regional Council.

4.3 The Head of Internal Audit also coordinates activities, where possible, and considers relying upon the work of other internal and external assurance and consulting service providers as needed. The Internal Audit Section may perform advisory and related service activities, the nature and scope of which will be agreed with the departments/divisions, provided the Internal Audit Section does not assume management responsibility.

4.4 Opportunities for improving the efficiency of governance, risk management, and control processes may be identified during engagements. These opportunities will be communicated to the appropriate level of management.

## 5. Responsibility

The Head of Internal Audit has the responsibility to:

• Submit, at least annually, to CRO and the Audit Committee a risk-based Internal Audit Plan for review and approval.

• Communicate to CRO and the Audit Committee the impact of resource limitations on the Internal Audit Plan.

• Review and adjust the Internal Audit Plan, as necessary, in response to changes in Erongo Regional Council business, risks, operations, programs, systems, and controls.

• Communicate to CRO and the Audit Committee any significant interim changes to the internal audit plan.

• Ensure each engagement of the Internal Audit Plan is executed, including the establishment of objectives and scope, the assignment of appropriate and adequately supervised resources, the documentation of work programs and testing results, and the communication of engagement results with applicable conclusions and recommendations to appropriate parties.

• Follow up on engagement findings and corrective actions, and report periodically to CRO and the Audit Committee any corrective actions not effectively implemented.

• Ensure the principles of integrity, objectivity, confidentiality, and competency are applied and upheld.

• Ensure the internal audit section collectively possesses or obtains the knowledge, skills, and other competencies needed to meet the requirements of the Internal Audit Charter.

• Ensure trends and emerging issues that could impact Regional Council are considered and communicated to CRO and the Audit Committee as appropriate.

• Ensure emerging trends and successful practices in Internal Auditing are considered.

• Establish and ensure adherence to policies and procedures designed to guide the internal audit section.

• Ensure adherence to Erongo Regional Council relevant policies and procedures, unless such policies and procedures conflict with the Internal Audit Charter. Any such conflicts will be resolved or otherwise communicated to CRO and the Audit Committee.

• Ensure conformance of the Internal Audit Section with the Standards, with the following qualifications:

- If the Internal Audit Section is prohibited by law or regulation from conformance with certain parts of the Standards, the Head of Internal Audit will ensure appropriate disclosures and will ensure conformance with all other parts of the Standards.
- If the Standards are used in conjunction with requirements issued by other authoritative bodies, the Head of Internal Audit will ensure that the Internal Audit Section conforms with the Standards, even if the Internal Audit Section also conforms with the more restrictive requirements of other authoritative bodies.

## 6. Quality Assurance and Improvement Program

6.1 The Internal Audit Section will maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Section. The program will include an evaluation of the internal audit section's conformance with the Standards and an evaluation of whether Internal Auditors apply The IIA's Code of Ethics. The program will also assess the efficiency and effectiveness of the Internal Audit Section and identify opportunities for improvement.

6.2 The Head of Internal Audit will communicate to CRO and the Audit Committee on the Internal Audit Section's quality assurance and improvement program, including results of internal assessments (both ongoing and periodic) and external assessments conducted at least once every five years by a qualified, independent assessor or assessment team from outside Regional Council.

Approval/Signatures

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| **Head of Internal Audit** | 17/03/2021 **Date** |
| **Audit Committee Chair** | 17/03/2021 **Date** |
| **Chairperson: Regional Council** | 17/03/2021 **Date** |

Erongo Regional Council
17 MAR 2021
P/Bag 5019, Swakopmund
Republic of Namibia