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Department of Finance

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UmNyango weZeemali

Departement van Finansies

Kgoro ya Matlotlo

TO : [NAME]
HEAD OF DEPARTMENT

FROM : [NAME]
CHIEF AUDIT EXECUTIVE / SENIOR MANAGER:
INTERNAL AUDIT

DATE : [DATE]

SUBJECT : NOTIFICATION OF AUDIT ENGAGEMENT:
[PROCESS]

1. BACKGROUND

In accordance with the Annual Internal Audit Plan for the year ending *[financial year]* as approved by the Audit Committee, we are scheduled to perform a *[type]* review of *[process]*

2. SCOPE

This review will focus on the evaluation of the adequacy and effectiveness of the department's governance, risk management and control processes to achieve objectives.

The scope of the engagement also includes access to all systems, records, personnel and property of the department needed to achieve the objectives on the focus area being audited.

The provisional scope of this project, which is subject to confirmation and agreement, will be specific to the *[process]*. These include:

- List scope
 - *[Insert specific focus areas, i.e. evaluation of the internal controls implemented to manage a specific risk relating to the specific focus area].*
 - *Insert specific focus areas, i.e. evaluation of the internal controls implemented to manage a specific risk relating to the specific focus area].*

- *Insert specific focus areas, i.e. evaluation of the internal controls implemented to manage a specific risk relating to the specific focus area].*

3. OBJECTIVES

Audit procedures, applicable to the performance of this review, will be designed to test the adequacy and effectiveness of governance, risk management and control processes in the accomplishment of objectives.

3.1 Adequacy

Adequacy tests are performed to assess the controls ability to limit the effect (impact and likelihood) of a risk in the event of it materialising. Adequacy relates to control design.

3.2 Effectiveness

Effectiveness tests are performed to assess the extent to which the control is being applied as intended. Effectiveness relates to control application.

4. PROJECT TIMING AND TEAM

The Internal Audit project is scheduled from the [DURATION]. The completion date is a budgeted projection and is largely dependent on the agreed scope and preliminary results of the review.

The project team will consist of

<i>Name</i>	<i>Rank</i>
	(Senior Manager),
	(Manager),
	(Assistant Manager),
	(Internal Auditor)
	(Internal Auditor)

5. MANAGEMENT RESPONSIBILITIES IN TERMS OF GOVERNANCE, RISK MANAGEMENT AND CONTROLS

Management is responsible for the establishment and maintenance of an effective system of *governance* to:

- Promote appropriate ethics and values within the department;
- Ensure effective performance management and accountability;
- Communicate risk and control information to appropriate areas in the department; and
- Coordinate the activities of and communication of information to EXCO, external and internal auditors and management.

Management is further responsible for the establishment and maintenance of an effective *risk management system*. The objectives of a system of risk management are to ensure:

- Departmental objectives support and align with the departments vision and mission;
- Significant risks are identified and assessed;
- Appropriate risk responses are selected that align with the departments risk appetite; and
- Relevant risk information is captured and communicated in a timely manner across the department, enabling staff, management and EXCO to carry out their responsibilities.

Management is further responsible for the establishment and maintenance of an effective system of *controls*. The objectives of the system of controls are to ensure:

- Compliance Laws, regulations, policies, procedures and contracts;
- Accomplishment of established objectives and goals of the department;
- Reliability and integrity of information;
- Economical and efficient use of resources
- Safeguarding of Assets.

The principal safeguard against fraud, misstatement and irregularities is an effective system of internal control. It must, however, be recognised that there are inherent limitations in any system of internal control – including human error and circumventions through collusion. The prevention and detection of fraud is therefore management’s responsibility.

Management representations made are considered to form part of our audit evidence. Any management representations will be accepted on face value and in good faith. We will not perform procedures to verify the accuracy, validity or completeness of the representations.

6. INTERNAL AUDIT AUTHORITY

Internal Audit is authorised to:

- Have unrestricted access to all functions, records, property and personnel.
- Have full and uninhibited access to the Audit Committee.
- Assist with the allocation of resources, frequencies, subjects, scope of work to be performed, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance from personnel in the department and functions where they perform audits, as well as other specialized services from within or outside the department.

Internal Audit is not authorised to:

- Perform any operational duties for the department.
- Initiate or approve accounting transactions external to the Internal Auditing Function.

- Direct the activities of any employee not employed by the internal auditing department, except to the extent that such employees have been appropriately assigned to auditing teams or to otherwise assist the internal auditors in carrying out investigations.

The Internal Audit Function conduct audits in accordance with the *“Code of Ethics”* and the applicable *“Standards for the Professional Practice of Internal Auditing”* of The Institute of Internal Auditors as well as other corporate governance regulations.

7. REQUEST FOR INFORMATION

Attached, please find a *“Request for Information”* document detailing the information that we would require for background purposes in terms of this review. We would appreciate it if the information could be provided to us by [DATE].

8. REPORTING

A detailed draft audit report will be issued by [DATE]. A final audit report will be distributed not later than 2 weeks after audit completion.

The purpose of the draft report is to obtain formal responses to the recommendations made and these should be returned to internal audit within 5 working days from the date of issue.

Once the draft report has been agreed and management actions have been obtained, the final report will be issued. The report will be distributed to the appropriate members of senior management.

Should you have any specific concerns that you want to be included in the scope of this audit, do not hesitate to contact Internal Audit in this regard.

Your co-operation in this regard is highly appreciated.

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[Name]
CAE/Senior Manager: Internal Audit