

## Section 9: Internal Audit Function

Internal Audit provides management with assurance on the effectiveness of the controls in place to manage the risk by conducting risk-based audits throughout the year and focusing on the adequacy of risk mitigation plans and their effectiveness in reducing risk exposure. JPC plans to establish its own tolerate level during the 2017/18 cycle as per the approved CoJ plans.

The Internal Audit function of JPC subscribes to the definition of internal audit as defined by the International Standards for the Professional Practicing of Internal Auditing, which defines internal audit as “an independent, objective, assurance and consulting activity designed to add value and improve an organisation’s operations. It helps an organisation achieve its objective by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance process”.

JPC’s Internal Audit Function conducted audits in line with the requirements of ISPPIA.

Independence is defined as the freedom from conditions that threaten the ability of the internal audit activity to carry out internal audit responsibilities in an unbiased manner. To achieve the degree of independence necessary to effectively carry out the responsibilities of the internal audit activity, the chief audit executive has direct and unrestricted access to senior management and the Board. The internal auditors of JPC report directly to the Board via the Audit and Risk Committee at least quarterly.

Objectivity is an unbiased mental attitude that allows internal auditors to perform engagements in such a manner that they believe in their work product. The Audit and Risk Committee takes the issue of objectivity seriously and has requested that the Internal Audit function goes through an independent review after every three years instead of the five years prescribed by the ISPPIA.

The role of internal audit is to provide independent assurance that an organisation’s risk management, governance and internal control processes are operating effectively.

The roles and responsibilities of the Internal Audit function are in the audit charter, which includes the following, among others:

- Prepare a rolling three-year strategic internal audit plan based on the assessment of key risk areas for JPC, considering its current operations, those proposed in the strategic plan and its risk management strategy.
- Develop a flexible audit plan using a process-based approach linked to an appropriate risk-based methodology for review and approval, as well as quarterly/periodic updates.
- Implement the annual audit plan, as approved, including time as appropriate for any special consulting tasks or projects requested by management and the Audit and Risk Committee.
- Assist in the investigation of significant suspected fraudulent activities in the business unit, and notify management and the Audit and Risk Committee of the results.

JPC has outsourced its Internal Audit function to Nexia SAB&T for a period of three years. Nexia SAB&T reports directly to the Audit and Risk Committee of the Board on a quarterly basis. The committee annually ensures that it is able to deliver quality services that are in line with set standards and evaluates the effectiveness of the Internal Audit function.

The new administration of the City has identified a need to incorporate all the municipal entities back into the City, which has necessitated the Internal Audit function in the City to consolidate its activities to respond to the new strategic direction. The contract with Nexia SAB&T ended in September 2017, the City’s Group Internal Audit Unit, under the GRAS Department, will take over the Internal Audit function of JPC and report on a quarterly basis to the Audit and Risk Committee.