



KGATELOPELE LOCAL MUNICIPALITY

**INTERNAL AUDIT OPERATIONAL
PLAN FOR PERIOD :**

01 JULY 2017 TO 30 JUNE 2018

KGATELOPELE LOCAL MUNICIPALITY

INTERNAL AUDIT PLAN FOR THE PERIOD

01 JULY 2017 TO 30 JUNE 2018

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KGATELOPELE LOCAL MUNICIPALITY

INTERNAL AUDIT PLAN FOR THE PERIOD OF

01 JULY 2017 TO 30 JUNE 2018

1. PURPOSE

- This document represent the Risk based internal audit plan for the year 2017/2018 as agreed with the Accounting Officer and Management team.

2. BACKGROUND

- MFMA Section 165 (2)(a) states that the internal audit unit must prepare a risk based audit plan and audit programme for each year.
- The work of the internal audit unit is to provide independent assurance and report upon the effective and efficient application of internal controls, governance and risk management.
- The plan was compiled based on the assumption that the unit will be fully resourced throughout the financial year.

3. STRATEGIC APPROACH

- The Internal Audit Unit must be adequate, effective and efficient in order to help Council meet its objectives. The unit is clearly positioned within the municipal Finance Management Act of 2003. In addition, the Audit Charter is deemed an Audit Strategy and will be reviewed in 2017/2018 to ensure it is aligned with recent organisational and national changes and will be presented to the Audit Committee for Consideration.
- The Internal Audit adopted a risk based approach to develop the annual plan: which takes into account the result of the 2016/2017 updated risk register, report of the Auditor- General for 2015/2016, as well as subsequent discussion with management.
- The approach involves a focus on understanding the work of each focus area and the risks identified within each focus area. It further includes a process of linking the risks identified to the audit plan and audit programme development.
- The scope of internal audit work is focused on the risks identified by management and resulted to areas selected or review and thus does not imply that all areas, controls and or weaknesses are covered in this plan.

- These reviews can be evaluated to assess Internal Audit and management wide performance.

4. INTERNAL AUDIT SCOPE OF WORK

- The scope of the work of Internal Audit function is to determine whether the Municipalities risk management, control and governance processes, as designed and represented by management, are adequate and functioning in a manner to ensure:
 1. That risks are appropriately identified and managed
 2. That interaction with the various governance groups occurs as needed
 3. That significant financial, managerial and operating information is accurate, reliable and timely
 4. That employee's actions are in compliance with policies, standards, procedures and applicable laws and regulations.
 5. That resources are acquired economically, used efficiently and adequately protected.
 6. That programs, plans and objectives are achieved
 7. That quality and continuous improvement are fostered in the municipality's control process and those significant legislative and regulatory issues impacting the municipality are recognized and addressed appropriately.

5. ACCOUNTABILITY

- The Internal Audit Function, in discharge of their duties, shall be accountable to the Audit Committee to provide annually, an assessment on the adequacy and effectiveness of the organisation's processes for controlling its activities and managing the risk in the areas set forth under the mission and scope of work; report significant issues related to processes for controlling the activities of the organisation, including potential improvements to those processes; periodically provide information on the status and results of the annual audit plan and sufficiency of the division resources and coordinate with and provide over sight of other control and monitoring functions as delegated by the Accounting Officer.

6. RESPONSIBILITY

- The Internal Audit function has the responsibility to implement this annual audit plan as approved, including as appropriate any
 1. Special task or projects requested by the management and the Audit Committee
 2. Evaluate and assess significant merging/ consolidating functions and new or changing services, processes, operations and control processes during the period of their development, implementation and or expansion
 3. Issue periodic reports to the Audit Committee and management summarizing results of audit activities
 4. Keep the unit informed of the emerging trends and practices in Internal Auditing and ensure that all audits performed are of the highest possible standards
 5. Assist in the investigation of significant suspected fraudulent activities within the department and notify management and the Audit Committee of the results and;

6. Consider the scope of work of the External auditors, as appropriate, for the purposes of providing optimal audit coverage to the organization at reasonable overall cost.

7. AUTHORITY

There are no restrictions placed upon the scope of internal audit's work. Members of the internal audit function engaged on internal audit work are entitled to receive whatever information or explanations they consider necessary to fulfil their responsibilities to senior management. In this regard, internal audit may have access to any records, personnel or physical property of the organisation.

The internal audit function is not authorized to:

- Perform any operational duties for the municipality
- Initiate or approve accounting transactions outside internal auditing division
- Direct the activities of any employee not employed by the internal audit function, except to the extent that such employees have been appropriately assigned to auditing teams or otherwise assist the internal auditors

8. OPERATIONAL INTERNAL AUDIT PLAN

- This plan set out the recommended scope of work planned for the year. Since this Internal Audit Plan includes a one year roll out based on the current risk assessment, each subsequent year a risk assessment needs to be performed and operational internal audit plan adjusted accordingly if new risks arise.
- In the updated risk register for 2015/2016 where risks were identified and ranked by management we noted that inherent risks rated as high should ideally be the key focus of internal audit. The following is a listing of the audit areas as identified from both the strategic and operational risk register grouped per business cycle/ process:
 1. Expenditure Management
 2. Supply Chain & Inventory Management
 3. Human Resource Management
 4. Performance Management System
 5. Occupational Health and Safety
 6. Assets Management System
 7. Revenue Management
 8. Budget and Treasury
 9. Traffic and Licensing

- 10. Library Services
- 11. Administration and Records Management
- 12. Technical Services
- 13. Information Technology

In the plan below, the timing and resources required to review the above internal audit auditable areas should be discussed and agreed with management and the Audit Committee.

We acknowledge that not all risks identified will be audited or are auditable. Monitoring and management of risks is primarily a responsibility of management, and as much, management are responsible to ensure that risks of the Municipality are properly identified, managed and monitored.

9.REPORTING

The Internal Audit Function will carry out the work as agreed, report the outcome and findings to management, and will make recommendations on action to be taken.

Internal audit reports will normally be in writing. The details unless otherwise requested by management, will be copied to the relevant line management, who will already have been made fully aware of the details and whose co-operation in preparation of the report will be sought. The managers will be given a maximum response period of three days.

A follow up report will be issued to the managers of the affected section at least three months after the main report enquiring about progress made regarding the corrective measures taken as a result of the audit. The Internal audit function will present an audit progress report to each meeting of the audit Committee, summarizing the unit's performance against the audit plan, as well as any other matters that may be required by the Audit Committee from time to time.

On a quarterly basis, the Internal Audit will submit an overall report to the Audit Committee. Internal audit will liaise with management with regards to meeting the target.

10. CONCLUSION

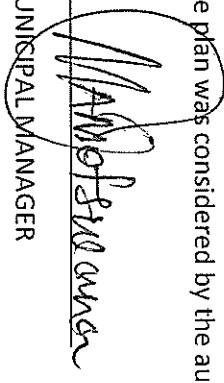
Internal audit acknowledges that not all risks identified will be audited and or are auditable. Monitoring and management of risks is primarily a management matter, and as such, management is responsible to ensure that risks are properly identified, managed and monitored.

The above internal audit plan is prepared on the following assumptions:

- Items such as additional/ special requests, fraud investigations, ad hoc assignments etc have been excluded. However, the internal audit function will be responsive to such requests. The impact of such work on the approved internal audit plan and internal audit's independence will be evaluated and if necessary, discussed and agreed with management and the audit committee.
- The internal audit department will have sufficient resources to execute the operational internal audit plan.
- Internal audit will have timely access to management and staff, and documents (manual and electronic) and records as it will be required for the execution of internal audit work.

11. AUDIT PLAN APPROVAL

The plan was considered by the audit committee and approved in an audit committee meeting at Danielskuil on the 21st June 2017


MUNICIPAL MANAGER

M.A. MOTSWANA

10/09/2017
DATE



CHAIRPERSON OF THE AUDIT COMMITTEE

30/08/2017
DATE

ANNEXURE A

AVAILABLE AUDIT HOURS

Determination of available audit hours NAME	PROVISION FOR DAYS										TOTAL AVAILABLE HOURS	LESS LEAVE AND ADMIN HOURS	NET PRODUCTIVITY AVAILABLE HOURS	PRODUCTIVITY PER PERSON %
	WORKING DAYS	ANNUAL LEAVE	SICK LEAVE	STUDY LEAVE	TRAINING	Mm STRATEGIC PLANNING, TEAM	ADMIN Secretariat function, management meetings	HOURS PER DAY						
Charity Mosang	252	24	12	10	5	3	29	8	2016	664	1352	25%		
Kagiso Thebeyagae	252	24	12	10	5	1	15	8	2016	536	1480	27%		
Kealebogile Kgwarai	252	24	12	10	20	1	15	8	2016	656	1360	24%		
Kealeboga Molusi	252	24	12	10	20	1	15	8	2016	656	1360	24%		
Total Hours available	1008	96	48	40	50	6	74	8	8064	2512	5552	100%		

NB: This plan is subject to change.

*Interns are registered for IAT programme (TRAINING)

ANNEXURE B

ONE YEAR DETAILED WORK PLAN

NO	TYPE OF AUDIT	RISKS	RISK RATING	AUDIT AREA	TIMELINES	BUDGETED HOURS	MOTIVATION	PRODUCTIVITY %
1	Risk based	Late submission of financial statements	High	Review of financial statements	Quarter 1	320 hours	Auditor general highlighted significant errors on the financial statements.	5.8%
		Financial statements errors						
2	Risk based	Procurement (centralized supplier database)	High	Ethics in the public sector	Quarter 1	320 hours	for integrity and transparency of state officials	5.8%
3	Risk based	Loss of income	High	Revenue management	Quarter 1	320 Hours	Low collection base. Revenue should be a priority	5.8%
		Incorrect billing						
		Link between tariffs and accounts						
3	Cyclical audits	Lack of performance management system	High	Performance management	Quarter 1	40 Hours	MFMA 165. Area needs attention as highlighted on the AGSA report	0.7%
4	Cyclical audits	Ineffective risk management	high	Risk management	Quarter 1	40 Hours	MFMA 165	0.7%

	Cyclical	Loss of income Loss of assets Loss of records	High	Loss control	Quarter 1	40 hours	MFMA 165	0.7%	
	Risk based	Health and safety risk	High	Occupational health and safety	Quarter 2	200 hours	area identified as a high risk and will require a full audit process	3.6%	
		Non-adherence to health and safety act							
	Risk based	Inadequate server room Logical trespassing No disaster recovery plan Loss of critical municipal information Inactive municipal website Abuse of data line/ Excessive use of data	High	Information technology	Quarter 2	300 hours	Auditor's own **discretion and Auditor General report	5.4%	
	Risk based	Non-compliance with the act	High	Protection of personal information act (POPI)	Quarter 2	300 hours	New area to be considered	5.4%	
	Risk based	Poor ICT Infrastructure Vacancy in key positions Capacity constraints Lack of resources for the implementation of MSCOA	High	mSCOA	Quarter 2	640 hours	New area to be considered. Will require a full audit process namely, preliminary survey, engagement planning,	11.5%	

10	Risk based	Late payments to suppliers Over or under payment of service providers and staff Abuse of overtime	High	Expenditure management	Quarter 3	320 hours	area identified as a high risk and will require a full audit process	execution and reporting	5.8%
11	Risk based	Late submission of reports to treasury Unauthorised expenditure	High	Budget and treasury	Quarter 3	320 hours	area identified as a high risk and will require a full audit process		5.8%
12	Risk based	Loss of documents Cash embezzlement Under utilization enforcement of traffic services e.g law enforcement	High	Traffic & licensing	Quarter 3	640 hours	area identified as a high risk and will require a full audit process		11.5%
13	Risk based	Incorrect capturing of information on enatis system Unapproved removal or disposal of assets Ineffective assets management system Improper maintenance of existing infrastructure Inability to explain and or itemize expenditure on assets	High	Assets management	Quarter 4	300 hours	Area identified as a high risk and will require a full audit process		5.4%

14	Risk based	Non- scrm regulations	High	Supply chain management	Quarter 4	300 hours	Flagged as a high risk on the auditor general report	5.4%	
		No stock controls							
		Improper contract management							
		Limited service providers							
15	Risk based	Manipulation of sourcing of quotations	High	Customer complaints	Quarter 4	252 hours	New policy developed, test of new controls is required	4.5%	
		Poor service delivery							
AD HOC ASSIGNMENTS: SPECIAL REQUESTS FROM MANAGEMENT									
1. Follow up investigation – Abuse of overtime- Quarter 1 2. Abuse of leave – Quarter 2 3. Abuse of S & T- Quarter 3									
FOLLOW UP AUDITS AND AUDIT ACTION PLAN (CONTINUOUSLY)									
								300 hours	5.4%

Total hours = 5552