



INTERNAL AUDIT

THREE YEAR

STRATEGIC AUDIT PLAN

01 JULY 2017 TO 30 JUNE 2020

KGATELOPELE LOCAL MUNICIPALITY
INTERNAL AUDIT THREE YEAR PLAN FOR THE PERIOD:
01 JULY 2017 TO 30 JUNE 2020

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1. Purpose

Section 62 (1)(c)(i) and(ii) states that the Accounting officer of the Municipality must ensure that the Municipality has and maintains effective, efficient and transparent systems of financial, risk management and internal control and of internal audit operating in accordance with any prescribed norms and standards.

Internal audit must be conducted in accordance with the Standards set by the Institute of Internal Auditors. ISPPIA 2010 makes provision for the developing of a risk based plan.

It is further stated in the MFMA section 165 (2)(a) states that the Internal audit unit must prepare a risk based audit plan and audit programme for each year MFMA section 166 (2)(a)(i) states that the Audit Committee must advice Council, Political office bearers, Accounting officer and management staff on matters relating to internal financial control and internal audits.

2. Mission Statement

The Mission of Kgatelopele Local Municipality's Internal Audit function is aligned to the international mission of internal auditing as follows:

To enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight.

The core values of the Internal Audit unit are to:

- Demonstrates integrity
- Demonstrates competence and due professional care
- Is objective and free from undue influence (independent)
- Aligns with the strategies, objectives, and risks of the organisation.
- Is appropriately positioned and adequately resourced
- Demonstrates quality and continuous improvement
- Communicates effectively
- Provides risk-based assurance
- Is insightful, proactive and future-focused
- Promotes organisational improvement

3. Strategic Approach

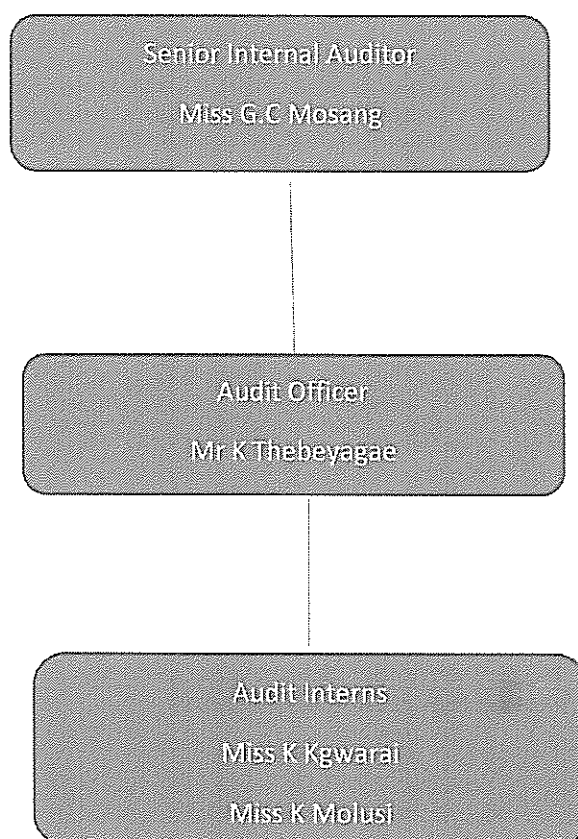
- The Internal Audit adopted a risk-based approach which takes into account the results of the risk assessment conducted by management and facilitated by the Northern Cape Provincial Treasury, report of the Auditor General (2015/2016), as well as subsequent discussion with management.

- The approach involves understanding the work of each focus area and the risk identified within each focus area. It further includes a process of linking the risk 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 area selected for review and thus does not imply that all areas, controls and/or weaknesses are covered in this plan.

4. Co-ordination of Internal Audit

4.1 Internal Audit Team

The Internal Audit Unit establishment are as follows:



4.2 External Auditors

The Internal Auditors should liaise closely with the External Auditors to eliminate unnecessary duplication of work. This will be accomplished by:

- A meeting between Internal and External Audit to discuss the annual internal and external audit plans;
- Access by the External Auditors to Internal Audit's documentation;
- Exchange of management letters; and
- Access to system documentation held by either party

The contact person is

Name	Position	Email address
Ms Khanya Booii	Senior Manager	khanyab@agsa.co.za

5. Internal Audit Plan

5.1 Risk Based Audits

Given the results of the risk assessment process, the plans and work of Internal Audit must focus on the risks that the Municipality is exposed to. The methodology was adopted that high-risk areas are audited every year, medium risk areas every second year and low risk areas once every third year.

5.2 Cyclical Audits

- There are no cyclical audits on the plan.

6. Quality Review Programme

6.1 The Internal Audit will be reviewed/ measured on their performance by the client upon completion of each audit assignment and the audit committee will use management's performance evaluation forms and performance reviews to measure performance of the Internal Audit Unit.

6.2 To ensure continuous quality review of audit engagements the following controls will be implemented:

- The audit programme should be prepared for each audit engagement.
- All reports should be reviewed by the Senior Internal Auditor prior to release thereof
- Audit files should be reviewed by the Senior Internal Auditor prior to finalization of the audit report
- Development of personnel to ensure technical conceptual and management abilities of the unit
- Regular evaluation of the audit approach to ensure that it is benchmarked with the best practice and audit standards.

6.3 External quality review by an independent and appropriately qualified party will be conducted on the 5th year of the unit's existence. The detailed findings of the review will be submitted to the Municipal Manager and the Audit Committee.

7. Management philosophy and operating style

- Internal audit reports presented at management meetings to enforce implementation of internal audit recommendations.
- Follow up audit is conducted every quarter and reported at management meetings.

8. Conclusion

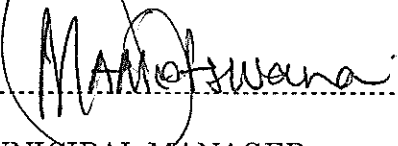
Internal Audit acknowledges that not all risks identified will be audited and/ or are auditable. Monitoring and management risks is primarily a management matter, and as such, management is responsible to ensure that risks are properly identified, managed and monitored.

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

- Items such as additional/ special requests, fraud investigations and ad hoc assignments have been included. 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 internal audit operational plan
- Internal audit will have timely access to management and staff, documents (manual and electronic) and records as it will be required for the execution of internal audit work.

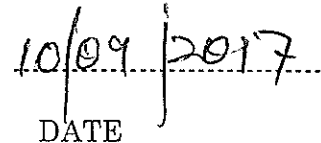
8. Audit Plan Approval

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



MUNICIPAL MANAGER

MR. M.A MOTSWANA

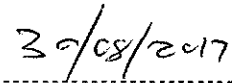


DATE



CHAIRPERSON OF THE AUDIT COMMITTEE

MR WMS CALITZ



DATE

KGATELOPELE LOCAL MUNICIPALITY

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ANNEXURE A

AUDIT COVERAGE: 01 JULY 2017 TO 30 JUNE 2020

The strategic three (3) year rolling plan will be maintained and updated according to the annual risk assessments.

Section	Risk	Inherent risk rating	2017/2018	2018/2019	2019/2020
BUDGET AND TREASURY OFFICE					
Supply chain Management	Manipulation of source of quotations	High	✓	✓	✓
	No stock control	High	✓	✓	✓
Assets management	Ineffective management system	High	✓	✓	✓
	Unapproved removal of assets	High	✓	✓	✓
Revenue Management	Incorrect billing	High	✓	✓	✓
	Loss of income	High	✓	✓	✓
Expenditure Management	Overspending/underspending	High	✓	✓	✓
	Over/under payment of service providers	High	✓	✓	✓
	Late payment of creditors	High	✓	✓	✓
Budget and Treasury	Late submission of reports	High	✓	✓	✓
Finance department	Ineffective records management within finance	High	✓	✓	✓
Finance department	Health and safety risk (finance section)	High	✓	✓	✓
CORPORATE SERVICES					
HR	Non-adherence to Occupational Health and Safety	High	✓	✓	✓
	Critical vacant position not timeously filled	High	✓	✓	✓
	Non-compliance to training plan	High	✓	✓	✓
	Inaccurate report in training conducted	High	✓	✓	✓
	Impact on training programme conducted	High	✓	✓	✓

	Inadequate terminate processes	High	✓	✓	✓
	Missing information from personnel files	High	✓	✓	✓
Traffic and licensing	Under utilization of traffic services	High	✓	✓	✓
	Loss of documents and cash	High	✓	✓	✓
	Cash embezzlement	High	✓	✓	✓
Library services	Failure to meet the demand	High	✓	✓	✓
	Loss of books	High	✓	✓	✓
Administration and records management	Loss of documents/ information (ineffective records management)	High	✓	✓	✓
	Compromised safety of staff	High	✓	✓	✓
	Late approval of leave	High	✓	✓	✓
	Fire and vandalism of municipal property	High	✓	✓	✓
Information Technology	Minimal implementation of IT support i.e second line support	High	✓	✓	✓
	Loss of data following disaster or accident resulting in people taking advantage of the situation eg Stealing assets that are not recorded, demanding inappropriate payments	Medium		✓	
	Excessive use of data	High	✓	✓	✓
	Loss of critical municipal information	High	✓	✓	✓
	Unresolved calls	High	✓	✓	✓
	Installation of illegal software on laptops/ computers	High	✓	✓	✓
	Delays on implementation of the disaster recovery plans	High	✓	✓	✓
	Logical attacks	High	✓	✓	✓
	No business continuity plan	High	✓	✓	✓
	Lack of ICT governance	High	✓	✓	✓
TECHNICAL SERVICES					
	Malicious damage/ vandalism of council property	High	✓	✓	✓
	Continuous blockage of sewer lines	High	✓	✓	✓
	Power failures/ Storage of resources eg equipment's Old infrastructure	High	✓	✓	✓

	Interruption of water supply	High	✓	✓	✓
	Interruption of electrical supply	High	✓	✓	✓
	Inadequate protective equipment for electricians	High	✓	✓	✓
	Delayed response on call outs	High	✓	✓	✓
Office of the Municipal Manager					
PMS/ IDP	Unavailability of reliable information	High	✓	✓	✓
PMS	Lack of performance management system for employees other than senior management	High	✓	✓	✓
LED	Lack of coordination of LED activities	High	✓	✓	✓