



KGATELOPELE LOCAL MUNICIPALITY

**OPERATIONAL PLAN
01 JULY 2018 TO 30 JUNE 2019**

KGATELOPELE LOCAL MUNICIPALITY
INTERNAL AUDIT PLAN FOR THE PERIOD
01 JULY 2018 TO 30 JUNE 2019

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KGATELOPELE LOCAL MUNICIPALITY
INTERNAL AUDIT PLAN FOR THE PERIOD OF
01 JULY 2018 TO 30 JUNE 2019

1. PURPOSE

- This document represent the Risk based internal audit plan for the year 2018/2019 as agreed with the Accounting Officer and Management team. The Construction of this plan involved many factors and drivers and a diagram is incorporated under Section 8.2 to illustrate this methodology that was used.

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 2018/2019 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 2017/2018 updated risk register, report of the Auditor- General for 2016/2017, 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 employees' 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 2017/2018 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. INTERNAL AUDIT TEAM

NAME	POSITION	CONTACT DETAILS	EMAIL ADDRESS
Charity Mosang	Senior Internal Auditor	053 384 8642	senioraudit@kgatelopele.gov.za
Kagisho Thebeyagae	Audit officer	053 384 8642	audit1@kgatelopele.gov.za
Keolebogile Kgwarai	Audit Intern	053 384 8642	auditintern2 @kgatelopele.gov.za

11. SUPPORT TO THE AUDIT, PERFORMANCE AND RISK COMMITTEE (APRC)

- The internal audit secretariat will provide the APRC with the resources necessary to carry out its roles and responsibilities. In doing so, the secretariat will be cognizant of the independent nature of the committee
- Secretariat support will include, but not limited to:
 1. Timely preparation of all notices and agendas for the meetings
 2. Distribution of reports and or related documents that are prepared for the APRC
 3. Timely preparation and distribution of the minutes of the meeting.

12. CONCLUSION

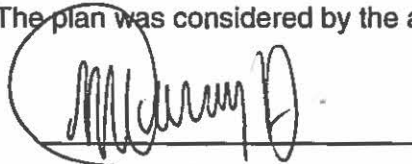
Internal audit acknowledges that not all risks identified will be audited and or are auditable. Monitoring and management of risks is primarily a management matter, and as such, management is responsible to ensure that risks are properly identified, managed and monitored.

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.

13.AUDIT PLAN APPROVAL

The plan was considered by the audit committee and approved in an audit committee meeting at Danielskuil on 21 June 2018.



MUNICIPAL MANAGER

MR M.A JANUARY

21 JUN 2018

DATE



CHAIRPERSON OF THE AUDIT COMMITTEE

MR J VAN TONDER

21/06/2018

DATE

ANNEXURE A

AVAILABLE AUDIT HOURS

Determination of available audit hours	PROVISION FOR DAYS										
NAME	WORKING DAYS	ANNUAL LEAVE	SICK LEAVE	STUDY LEAVE	TRAINING	STRATEGIC PLANNING, TEAM	ADMIN	HOURS PER DAY	TOTAL AVAILABLE HOURS	LESS LEAVE AND ADMIN HOURS	NET PRODUCTIVE AVAILABLE HOURS
Charity Mosang	252	24	12	10	10	3	44	8	2016	824	1192
Kagisho Thebeyagae	252	24	12	10	5	1	22	8	2016	592	1424
Keolebogile Kgwarai	252	24	12	10	15	1	22	8	2016	672	1344
POSITION VACANT											1364
											5324

NB: This plan is subject to change.

*Interns are registered for IAT programme (TRAINING)

ANNEXURE B**ONE YEAR DETAILED WORK PLA**

RISK	AUDIT AREA	SCOPE OF WORK	NO OF HOURS	QUARTER	TIMING
LOSS CONTROL					
SECTION 165	Identification, recording, investigation and follow up of action plan	Approach will include: -Documenting the system description -Perform a walkthrough of the system description -Perform a detailed testing for the period under review	200 hours	Quarter 1	July
REVIEW OF THE FINANCIAL STATEMENTS					
Lack of skills with specialization regarding the compilation of AFS	Review of financial statements prior to submission to the audit committee	Approach will include: <ul style="list-style-type: none">• Review of financial statements prior to submission to the Audit committee and Auditor General• Perform a system description	320 hours	Quarter 1	August 2018
Non- compliance with MFMA due to late submission of AFS					
Incorrect treatment of GRAP standards with compilation of AFS					
Disclaimer audit opinion by AGSA					
PERFORMANCE MANAGEMENT					

Non -compliance to regulations	Review of the entire pms process for alignment with the IDP and SMART principle	Review of the annual performance report before submission to the Audit Committee and the Auditor General Quarterly review of performance information	428 hours	Quarterly	Quarter 1, 2, 3,4
Unsatisfactory control over and achievement of objectives linked to IDP through the SDBIP on an organisational level. Strategic goals are not achieved					
Inadequate standards of service delivery					
GOVERNANCE					
SECTION 165 REQUIREMENT	Compliance with legislation	Our approach will include <ul style="list-style-type: none">• Conducting interviews with officials• Performing detailed testing for the period under review	180 hours	Quarter 1	September 2018
	Code of Ethics				
	Business continuity management				
	Delegation framework				
	Risk management eg. policy and implementation plan				
	Fraud prevention eg. policy and implementation plan				
BANK AND CASH MANAGEMENT					
Non-compliance with 30 days payments to creditors	<ul style="list-style-type: none">• Bank reconciliation• Salary scales	Our approach will include: <ul style="list-style-type: none">• Perform a detailed system description	766 hours	Quarterly	Quarter 1,2,3 and 4

Over and under payments to employees	<ul style="list-style-type: none">JournalsCreditors age analysisFilling system	<ul style="list-style-type: none">Perform detailed testing for the period under review			
Abuse of overtime leading to increased spending					
Interest and penalties to SARS					
Non-compliance with legislative and policy requirements pertaining to acting allowances					
Inaccurate bank reconciliation statements					
Inaccurate creditors reconciliation					
MUNICIPAL STANDARD CHARTS OF ACCOUNTS					
	Change management Transacting	Our approach will include: <ul style="list-style-type: none">Performing system descriptionsPerform detailed testing for the period under review	200 hours	Quarter 3	December 2018
INFORMATION TECHNOLOGY – GENERAL CONTROL					
Information not placed on the website	<ul style="list-style-type: none">IT Policies/ frameworkSecurity managementComputer operations	Our approach will include: <ul style="list-style-type: none">Review of IT policiesReview of general controls (access, safeguarding,	200 hours	Quarter 3	January 2018
There is no SLA between Kgatelopele and Kuilsville					

Back up tapes can crash or be corrupted due to Anti-virus, bridging of firewall and hacking and by-passing of security	<ul style="list-style-type: none">• User account management• IT disaster recovery plan• Physical security and environmental control• Change management• Information security	maintenance) over the computer environment			
Theft of laptops due to security					
Municipality not continuing operations after disruptions or disaster					
No UPS/ Lack of proper functioning UPS					
Server room used as a storeroom and insufficient plugs in the server room					
REVENUE MANAGEMENT					
Incorrect Billing (Meter reading)	Property rates	Our approach will include: <ul style="list-style-type: none">• Conduct interview with officials• Perform detailed testing for the period under review	690 Hours	Bi- annually	Quarter 2 and 4
	Electricity				
	Sanitation				
	Water				
	Refuse				
	Traffic				
Reconciliations					
SUPPLY CHAIN MANAGEMENT					
Irregular expenditure	<ul style="list-style-type: none">• Declaration of interest• Request for Quotation• Competitive bidding	Our approach will include: <ul style="list-style-type: none">• Conduct interview with officials• Perform detailed testing for the period under review	690 hours	Bi- annually	Quarter 2 and 4
Manipulation on sourcing quotations/ No rotation of suppliers					

Insufficient value for money spent	<ul style="list-style-type: none">Contract management and ReportingInfrastructure procurementRecords management				
Abnormal number of deviations					
Alignment of expenditure to the achievement of strategic objectives as per the IDP					
Fraud and corruption					
Lack of proper records management					
BUDGET AND TREASURY					
Budget not credible and not adequately cash funded	<ul style="list-style-type: none">Over and underspending of votesUnauthorised expenditureVirementsGrants	Our approach will include: <ul style="list-style-type: none">Conduct interview with officials (documenting system descriptions)Perform detailed testing for the period under review	760 hours	Quarterly	Quarter 1,2 ,3 and 4
Conditional grants					
ASSETS MANAGEMENT					
Loss and damage to municipal assets	<ul style="list-style-type: none">AcquisitionCompletenessSafeguarding of assetsAssets verification and movementsObsolete and redundant asset	Our approach will include: <ul style="list-style-type: none">Conduct interview with officials (documenting system descriptions)Perform detailed testing for the period under review	590 hours	Quarterly	Quarter 2,3 4
Theft of store items					
Obsolete Store Items					
Movements of assets					

GENERAL MANAGEMENT OF INTERNAL AUDIT FUNCTION					
Administration	Review of internal audit and audit committee charters	General administration	40 hours	As required	As required
	Preparing for and attending audit committee meetings and minutes writing				
	Risk assessment process facilitation				
	Meeting with the Auditor General				
FOLLOW UP					
	Follow up on previous internal audit reports	Our approach will include: Follow up on previous internal audit reports	80 hours	As required	As required
AUDIT ACTION PLAN					
	Review the implementation of the audit action plan	Our approach will include: -Review of the progress in respect of the implementation of the audit action plan	60 hours		Monthly
KEY CONTROL CHECKLIST					
New control	Monitoring of the key control checklist to ensure that controls are in place (Pre-audit checklist)	Our approach will include: - Filling pre- audit checklist on all transactions and recommending to the accounting officer whether the transactions should be processed or not	120 hours	As required	As required

TOTAL NUMBER OF HOURS = 5324