



Internal audit five year plan

Internal audit three year rolling plan
 Prepared by: B.Msauili
 Approved by: L.Qupe

Focus Area	Risk	Risk rating Ref	Assurance provider				Audit coverage period				
			External audit	Internal audit	Management	Other specialists	2012/13	2013/14	2014/15	2015/16	2016/17
GENERAL MANAGEMENT OF THE INTERNAL AUDIT FUNCTION											
Management of the Internal Audit function	Risk Assessment and updating of the risk register.						✓	✓	✓	✓	✓
	Internal Audit and Audit Committee Charters.						✓	✓	✓	✓	✓
	Strategic and operational planning.						✓	✓	✓	✓	✓
	Discussion of reports with senior management.						✓	✓	✓	✓	✓
	Preparing for and attending of the Audit Committee meetings.						✓	✓	✓	✓	✓
	Liaison with External Auditors.						✓	✓	✓	✓	✓
CORE FUNCTIONS											
Project and Contract Management (Infrastructure and Economic Development)	<ul style="list-style-type: none"> ▪ Collapse of Infrastructure; ▪ Un-drivable roads; ▪ Poor road construction; ▪ Electricity Infrastructure Upgrade; ▪ Illegal Connections of Electricity; ▪ Replacement of ageing infrastructure; ▪ Fraud and Corruption; ▪ Theft and bribery; ▪ Collusion on SCM processes; ▪ Collusion with External Parties to defraud the Municipality (fake credit notes, tender price fixing, etc.). 										
		<ul style="list-style-type: none"> ▪ Review of Infrastructure Project Management Cycle / processes: ▪ Town planning and future development; ▪ Identification and initiation of projects; ▪ Planning or development of projects (business plans, impact study, etc.); ▪ Project implementation or execution; ▪ Project monitoring and reporting; ▪ Project Closure; ▪ Review the compliance to policies and procedures surrounding the contract management process. ▪ Review the contract performance management system(s) in place. 									

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Asset Management: the municipality and NEDA	Integrity of the Balance Sheet. <ul style="list-style-type: none"> ▪ Asset Management; ▪ Inadequate Financial Management Systems; ▪ Skills capacity; ▪ Lack of Accounting Processes; ▪ Inadequate implementation of Policies and Procedures; 		√	√	√	-	Review of Fixed Assets Management process(es) and system(s): <ul style="list-style-type: none"> ▪ Fixed Asset policies and procedures; ▪ Need identification (capital & other) and recognition; ▪ Asset tracking, condition, and maintenance; ▪ Depreciation, evaluations, and impairment; ▪ Safeguarding and storage (including stores / inventory); 	√	√	√	√	√
Revenue Management	Revenue Collection. <ul style="list-style-type: none"> ▪ Lack of processes and systems to collect revenues. (Incorrect Billing, wrong data) ▪ System Integration between the FMS and Prepaid system. ▪ Skill Shortage and 		√	√	√	-	Review of the level of compliance to MFMA with regard to Fixed Assets i.e. Treasury Regulations, Local Government Capital Asset Management Guideline, etc.	√	√	√	√	√

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	<ul style="list-style-type: none"> ▪ Retention. ▪ Lack of processes and systems to collect revenues. (Incorrect Billing, wrong data) 						accounts; ▪ Cash management and investments; Review of the level of compliance to the MFMA, and related legislation and guidelines i.e. Division of Revenue Act, Municipal Property Rates Act, Electricity Regulation Act, Municipal Systems Act, Water Services Act, and Functions for Financial Management, etc.					
Stakeholder Relations and Marketing and Communications	Stakeholder Relationships. <ul style="list-style-type: none"> ▪ Community engagements. ▪ Poor Relationships with Private Sector. ▪ Lack of continuous communication and Integrated planning with other spheres of Government. ▪ Relationship with Youth. ▪ Expectation Gap. ▪ Limited time to address the various stakeholder needs. ▪ Various stakeholders in one meeting. ▪ Inadequately Skilled 		-	√	√	-	Review of the Stakeholder Relations, Marketing and Communication management processes and systems: ▪ Stakeholder Identification – internal and external; ▪ Stakeholder Analysis – Recognition and acknowledge stakeholder's needs, concerns, wants, authority, common relationships, interfaces and align this information within the Stakeholder Matrix; ▪ Stakeholder Matrix – Positioning stakeholders according to the level		√			√

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	Resources to meet the needs of all the stakeholders. <ul style="list-style-type: none"> ▪ High Un-employment Rate. 													

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Waste Management	Refuse Removal and Waste Management. <ul style="list-style-type: none"> ▪ Environmental and Health risks at illegal dumping sites and landfill sites ▪ Lack of resources (Equipment) ▪ Littering by communities. ▪ Lack of dedicated landfill sites. ▪ Illegal Dumping 		-	√	√	-	Act (PAIA). <ul style="list-style-type: none"> ▪ Review the municipality's community outreach plan; ▪ Review the implementation of the plan; ▪ Compare required landfill capacity to actual capacity, review management plans regarding the shortfall; ▪ Assess the controls management has in place to curb illegal dumping; ▪ Registration of landfill sites; 	-	√	√	-	√
Cemetery and Street Trees Management	<ul style="list-style-type: none"> ▪ Decomposition products percolating / polluting groundwater. ▪ Security, vandalism, ailing infrastructure. ▪ Mismanagement of the cemetery grounds. ▪ Inadequate budget allocation. 		-	√	√	-	<ul style="list-style-type: none"> ▪ Review allocation of land for burial, the digging and filling of graves. ▪ Review the adequacy and effectiveness of the maintenance of the grounds and landscaping (including street trees). ▪ Review of the Burial Registers for adequacy, accuracy and completeness. ▪ Review the adequacy and effectiveness of Land Use Management (cemetery land). ▪ Assess level of compliance to Occupational Health and Safety 	-	√	√	-	√

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							Act.											
Corporate Support Functions and Operations																		
Financial Management	Integrity of the Balance Sheet. <ul style="list-style-type: none"> ▪ Financial Management oversight. ▪ Fraud. ▪ Debtors Management. ▪ Creditors Management. ▪ Trial Balance. ▪ Inaccurate / incomplete disclosure. ▪ Cash and Cash Equivalents. 		✓	✓	✓	-	Review existence of and compliance to the PFMA and related policies. Review adequacy and effectiveness of internal controls surrounding the following: <ul style="list-style-type: none"> ▪ Management of general ledger accounts and status of accounting records; ▪ Accounts receivables management; ▪ Accounts Payable management and expenditure control; ▪ Cash and banking management; ▪ Subsistence and Travel; ▪ Integrity of monthly management accounts and reporting; ▪ Fleet Management ▪ Fraud policies and procedures 		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
Supply Chain Management:	Fraud and Corruption. <ul style="list-style-type: none"> ▪ Theft. 		✓	✓	✓	-	<ul style="list-style-type: none"> ▪ Review the level of compliance with the PFMA and Treasury Regulations; 		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓

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NEDA	<ul style="list-style-type: none"> ▪ Collusion on SCM processes ▪ Collusion with External Parties to defraud Municipality (fake credit notes, tender price fixing.) ▪ Bribery. 						<ul style="list-style-type: none"> ▪ Review existence of and compliance to the policies; ▪ Review effectiveness and adequacy of internal controls surrounding the following: <ul style="list-style-type: none"> ▪ Ordering processes ▪ Delegation of Authority and approval processes ▪ Tendering Processes ▪ Payment processes ▪ Contract and bid administration ▪ Administration of supplier database ▪ Declaration of interest and ▪ Segregation of duties 					√
HR (Employee Relations)	<p>Critical skills attraction and retention.</p> <ul style="list-style-type: none"> ▪ Inadequate skills development. ▪ Shortage of key skills available generally. (Artisans, Engineers, Water Specialists and Technical Skills) ▪ Core leadership competencies. ▪ Uncompetitive remuneration and benefits. ▪ Poor HR practices. 			√	√		<ul style="list-style-type: none"> ▪ Review the existing skills development plan ▪ Assess the performance management systems ▪ Recruitment strategy / retention strategy ▪ Review of HR policies ▪ Succession planning ▪ Skills audit ▪ Job grading and evaluations ▪ Alignment of responsibilities to the Organogram ▪ Review of the grievance and disciplinary process 		√			√

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	<ul style="list-style-type: none"> ▪ Non engagement with leadership. ▪ Lack of career planning. ▪ Working environment of the municipality 																	
Budget Management and Strategy: Municipality and NEDA	<p>Integrity of the Balance Sheet.</p> <ul style="list-style-type: none"> ▪ Planning not in accordance with municipal mandate. ▪ Financial Mismanagement. ▪ Over / under spending. ▪ Non-compliance to MFMA and Treasury Regulations. 			√														
Corporate Governance	<ul style="list-style-type: none"> ▪ Governance. ▪ Compliance to all relevant Legislations and Municipal Regulations, By-Laws and Policies. 			√														

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HR (Payroll and Leave Management)	Critical skills attraction and retention. <ul style="list-style-type: none"> ▪ Inadequate skills development. ▪ Core leadership competencies. ▪ Uncompetitive remuneration and benefits. ▪ Poor HR practices. ▪ Non engagement with leadership. ▪ Lack of career planning. 		√	√	√	-	<ul style="list-style-type: none"> ▪ Risk identification and assessment ▪ The Compliance organization itself ▪ Policies and procedures ▪ A system of internal controls ▪ Council / Board of Directors and management reporting 	√	-	√	-	√
HR (Recruitment and selection)	Critical skills attraction and retention. <ul style="list-style-type: none"> ▪ Inadequate skills development. ▪ Core leadership competencies. ▪ Uncompetitive remuneration and benefits. 		√	√	√	-	<ul style="list-style-type: none"> ▪ Assess adequacy and effectiveness of controls relating to payroll management; system's automated controls and leave management. ▪ Review existence of and compliance with policies and procedures. ▪ Full review of the leave ▪ Cheque payment of all employees ▪ Overtime administration and approvals ▪ Physical verification of employees 	-	√	-	√	

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	<ul style="list-style-type: none"> ▪ Poor HR practices. ▪ Non engagement with leadership. ▪ Lack of career planning. 													
Occupational Health and Safety	Non-compliance to laws and regulations		-	√	√	-	√	√	√	√	√	√		
Support Functions														
Risk Management Review (Consulting)	N/A		√	√	√	-	√	√	√	√	√	√		
							Review effectiveness and adequacy of internal controls surrounding the following: <ul style="list-style-type: none"> ▪ Risk governance structures and processes ▪ Risk Management framework and policies; ▪ Risk Management strategies; ▪ Risk Assessment process; and ▪ Risk reporting process ▪ Follow Up Review – 2013. 							
IT Review	N/A		√	√	√	-	√	√	√	√	√	√		

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Audit of Performance Information. Quarterly reviews	N/A		√	√	√	.	<ul style="list-style-type: none"> ▪ User account management ▪ General controls ▪ IT Governance ▪ Network Security ▪ Review compliance with reporting requirements (i.e. National Treasury's Framework for Managing Programme Performance Information) ▪ Evaluate the adequacy of policies and procedures established and maintained by management to collect, record, process data and report the resulting information; ▪ Review controls surrounding accuracy, validity, reliability, usefulness and completeness of information reported including quality of performance indicators and targets based on the following: <ul style="list-style-type: none"> ▪ Policy Development; ▪ Strategic Planning; ▪ Operational Planning and budgeting ▪ Review of in-year monitoring procedures to facilitate performance monitoring, evaluation and corrective action; ▪ Evaluate presentation and 	√	√	√	√	√

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Follow-up on Internal Audit Reports and AG Reports	N/A		-	√	-	-	consistency of performance information reported. Follow up in 2012 and 2013 on all Internal Audit Reports for previous years.	√	√	√		

Approved /not approved

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 Audit Committee Chairperson
 Date: 08/05/12