WINNIE MADIKIZELA-MANDELA LOCAL MUNICIPALITY

FINAL
INTERNAL AUDIT COVERAGE PLAN 2023/2024
&
INTERNAL AUDIT THREE YEAR STRATEGIC ROLLING PLAN 2024/2026

CONTENTS — PAGE

1. INTRODUCTION

1.1. Legislative Requirements for Internal Audit Activity

A. Municipal Finance Management Act, Act 53 of 2003

In terms of Section 62 (c) of the Municipal Finance Management Act no 56 of 2003 (MFMA), the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure that the municipality has and maintains effective, efficient and transparent systems

- (i) of financial and risk management and internal control; and
- (ii) of internal audit operating in accordance with any prescribed norms and standards.

Section 165 (1) of the MFMA, states that each municipality must have an internal audit activity.

Section 165 (2) states that the internal audit unit of a municipality must:

- a) prepare a risk-based audit plan and an internal audit program for each financial year;
- b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to:
  - (i) internal audit;
  - (ii) internal controls;
  - (iii) accounting procedures and practices;
  - (iv) risk and risk management;
  - (v) performance management;
  - (vi) loss control; and
  - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and
  - (viii) perform such other duties as may be assigned to it by the Accounting Officer.

B. Local Government: Municipal Planning & Performance Management Regulations

Regulation 14 (1) (a) of the Local Government: Municipal Planning & Performance Management Regulations of 2001, prescribe that a municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.

Sub-regulation (b) of Regulation 14 states that any auditing in terms of paragraph (a) must include assessments of the following:

- (i) the functionality of the municipality's performance management system;
- (ii) whether the municipality's performance management system complies with the Act; and
- (iii) the extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in Regulation 9 and 10

Sub-regulation (c) states that a municipality's internal auditors must:

(i) on a continuous basis audit, the performance measurements of the municipality; and

(ii) submit quarterly reports on their audits to the Municipal Manager and the Performance Audit Committee referred to in sub regulation (2).

C. Professional Requirements

Winnie Madikizela-Mandela Local Municipality Internal Audit Activity subscribes to the International Standards for the Professional Practice of Internal Audit (ISPPIA) issued by the Institute of Internal Auditors of South Africa (IIA) and code of Ethics thereto.

2. THE PURPOSE OF THE DOCUMENT

The purpose of this document is to set out:

- Internal Audit mandate and the description of service to be performed;
- Internal Audit Approach;
- Internal Audit Scope;
- The internal audit project plan/timeline;
- Communication framework;
- Reporting framework;
- The one-year Operational Internal Audit Plan; and
- Three-year rolling strategic Internal Audit Plan.

3. BACKGROUND

Management conducted a Risk Assessment exercise through coordination by Internal Audit unit on the 26 and 27 June 2023 with the results informed the approach to developing Annual Internal Audit Plan ("IAP") for the year ending 30 June 2024. The risk was divided into Strategic level and Operational level.

The approach we adopted to the planning exercise and the compilation of the detailed plan is explained later in this document.

As mentioned above, the Annual Internal Audit Plan results from the Risk Assessment process and this report sets out the most significant areas where our internal audit efforts will be directed.

The Annual Internal Audit Plan plays an important role in achieving a balance between cost and value, while making meaningful contributions to the organization's overall governance, risk management, and internal controls, and is not limited to communicating planned internal audit activities to all relevant parties but also used to manage the internal audit function and to measure its performance on a periodic basis.

4. LIMITATIONS

There were no significant challenges that were experienced in finalising the risk assessment processes due to the availability of key management. The audit plan for the period 2023/2024 is based on risk identification and assessment done within the municipality during the month of June 2023.

The strategic risk assessment also identifies overarching municipal risks which are linked to strategic objectives, whereas operational risk assessment also identifies overarching municipal risks which are at an operational level. The outcome of this process was then the adopted Municipal Strategic Risk Register and Departmental Operational Risk Register.

This Annual Internal Audit Plan for the 2023/2024 will be reviewed on an on-going basis with management to maintain its relevance. In the event that any updates are required subsequent to the review and approval, these will be presented to the Audit Committee ("the Committee") for approval prior to the execution of any fieldwork by Internal Audit.

5. ENGAGEMENT PLANNING

The scope of work to be performed will be agreed with management prior to the commencement of each internal audit engagement. The scope of work will be included in a formal planning document which will set out the audit objectives and scope of the audit.

The scoping letter will include a description of the services to be performed, term or period of the assignment, the hours for the assignment, a high-level overview of the process or business area, including control objectives, risks and key controls to be tested; timeline of key events, audit team members and their roles, stakeholders, audit challenges and their mitigating actions, work location/s and the reporting lines through which issues will be reported and cleared within the business division prior finalization. Engagement planning approach could be summarised as follows:

- Issue notification letter to department or section to be audited prior commencement of audit;
- Entry meeting between Internal Audit Unit and department or section to be audited;
- Issue of engagement letter to department or section to be audited;
- Issue of Request for Information (RFI) to department or section to be audited;
- Allow 3(three) days grace period for information submission.

Our audits will be conducted in accordance with the Internal Auditing Standards as laid down by the Institute of Internal Auditor (SA). Internal audit work is planned with a reasonable expectation of detecting significant control weaknesses in the specific areas reviewed. However, internal audit procedures alone, even when carried out with due professional care, do not guarantee that errors, fraud or other irregularities will be detected.

Accordingly, our reviews and investigations as internal auditors should not be relied upon solely to disclose fraud, defalcation or other irregularities, which may exist. Management's attention is drawn to the fact that inherent limitations exist in the reliance on internal controls and procedures as errors and lapses in control can result from misunderstanding of instruction, collusion between individuals, mistakes in judgment, carelessness, or other personal factors as well as management override of set controls.

6. ENGAGEMENT REPORTING

Communication, particularly through reports, is an essential element of the internal audit process. Reports will clearly demonstrate the control and operational concerns arising from the audit, the root cause, the potential impact and the practical, reasonable recommendations for change.

A formal internal audit report will be prepared on completion of each focus area. The internal audit report and detailed summary of findings will be discussed and agreed with both senior and line management prior to the issuing of such report(s) to the Audit Committee. Where obtaining managements comments and approval will unduly delay the finalization of audit reports, these may be distributed marked "Issued without management comments". All copies of Internal audit reports will be submitted to the relevant head of department, Municipal Manager and Audit Committee.

Reporting of audit findings is regarded as one of the most important steps of the internal audit process and internal audit approach could be summarised as follows:

- Present draft reports to management for comments within 5 working days of completion of fieldwork.
- Obtain management comments within 5 working days from issuing of draft report.

- Present final report to management within 4 working days of receiving comments.
- Present summary of significant matters to the Audit Committee on a periodic basis.
- Report implementation status of management actions on internal audit and external audit reports to management and Audit Committee.
- Report on status of internal audit work against plan and any subsequent changes to the plan on a periodic basis.

7. REPORTING TO THE AUDIT COMMITTEE

Internal Audit will report quarterly to the Audit Committee and Senior Management of Winnie Madikizela-Mandela Local Municipality. The report will include, inter alia;

- Details of the internal audit activities for the preceding period/quarter.
- Results of the internal audit reviews undertaken and finalised during the preceding period/quarter.
- Progress against the approved Annual Internal Audit Plan- including any deviations from the approved plan.

All reports will be discussed and agreed with line management/process owners before being finalised and distributed to senior management and the Audit Committee.

8. QUALITY AND CONTINOUS IMPROVEMENT PLAN

Quality is very much a priority for Internal Audit. We will continually measure the quality of our work and our performance to ensure the achievement of the audit objectives and timeliness of our deliverables. Internal audit work will be reviewed by the Internal Audit Manager to ensure compliance with IIA standards.

9. OUR APPROACH

9.1 Objectives behind the approach

The aim of the internal audit planning process is to ensure that:

The process is inclusive, as it is derived from inputs obtained from management through the formal risk assessment process. Management's input is obtained regarding the key risk areas within their various business units. This is essential not only to ensure that the IAP is risk-based but also to obtain buy-in of senior management to the Internal Audit function, our approach and focus;

The IAP complies with the requirements of the Institute of Internal Auditors "IIA" and also ensures that the work is performed in accordance with our Approach as outlined in the proposal;

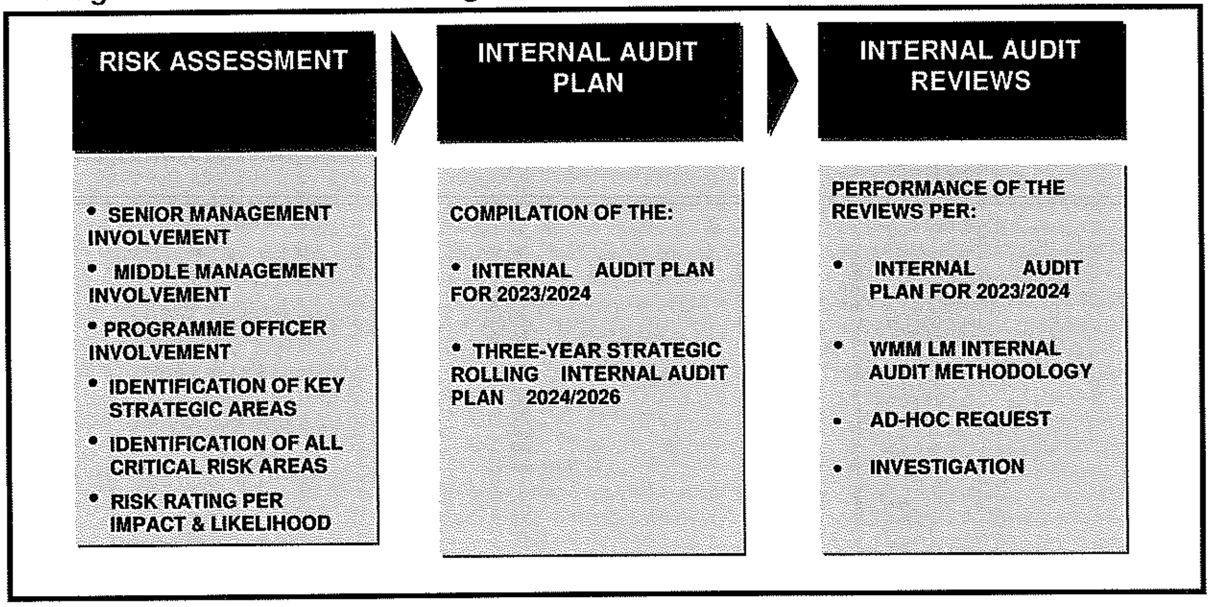
Assurance provided is in accordance with the COSO framework of control (a best practice framework developed in the United States as a method of establishing a common language of control);

Best practice risk-based planning approaches were adopted so that, where possible, the plan is focused on providing assurance over the key risk processes and areas within the municipality;

The IAP is flexible, where possible, to the changing needs of the municipality as the year unfolds; and the planning process has been used as a way to better understand the business and build relationships with management as a continuous process.

The diagram below shows the details of the process that is followed in the planning for the internal audit reviews. We commence with the risk assessment exercise which filters into the audit plan and performance of the internal audit reviews. Additional details on the contents of the diagram are provided below.

Diagram 1 – The Audit Planning Process



9.2 Risk Assessment Exercise and Results

The risk assessment process involved identifying risks at a strategic level linking the risks to the Municipality's strategic objectives and focussing on the inherent and residual factors of the identified risks. It also involved identifying risks at an operational level linking the risks to municipality's operational objectives and focussing on the inherent and residual factors of the identified risks. Having identified the key risk areas, these were used to determine the Internal Audit Plan. The inherent assessment of each risk was a key factor for prioritisation of risks.

The risk assessment remains a pre-audit assessment, subject to independent validation of the existing internal controls through the internal audit reviews. Given that the risk assessment was mainly focused at business unit level, we will identify process risks for the auditable areas to ensure that our approach remains risk-based.

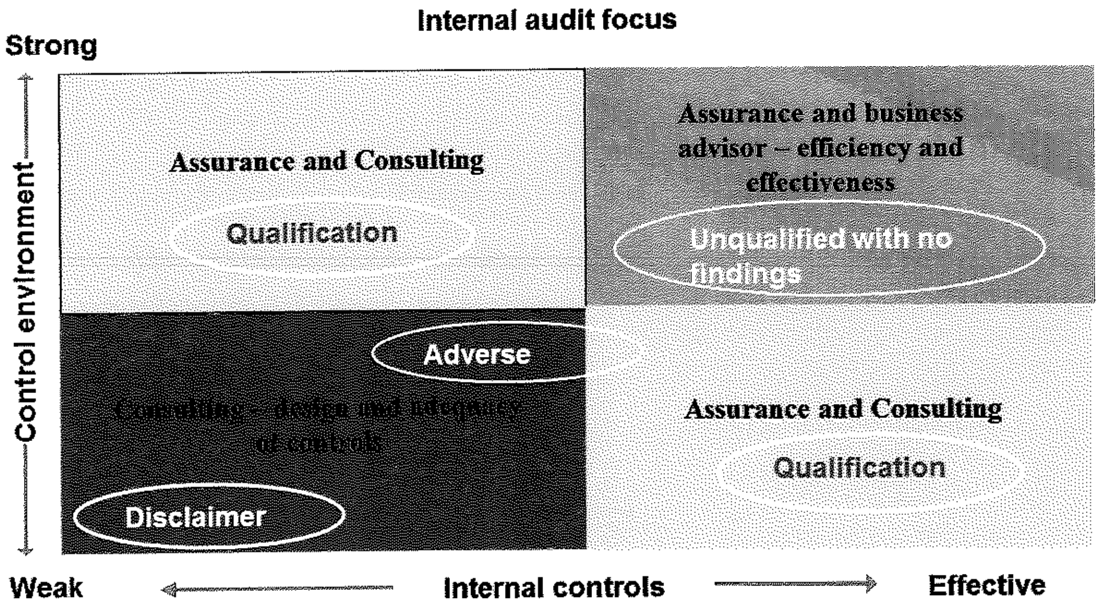
9.3 Balance between Assurance role and Consulting

Internal audit is defined as "an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes".

We thus believe it is of critical importance for the internal audit unit to strike a balance between the assurance and the consulting role. The critical questions considered in assessing the role are:

- When or how are we going to provide assurance on the areas of risk where we have identified well-designed controls? (Assurance)
- What are we going to do to assist the client on the areas of significant risk where we did not identify meaningful controls? (Consulting)

The diagram below illustrates how the internal audit focus evolves within its roles as defined by the Institute of Internal Auditors (IIA), depending on the maturity of the organisation to ensure its continued relevance.



Based on the risk factors identified during the risk assessment, and previous internal audit reports on the areas that were audited during the 2022/2023 financial year, it is clear the control environment and state of internal controls needs some improvements.

For the financial year 2023/2024 we recommend that the role of the internal audit unit focuses on balancing both the assurance and consultative role that focuses on assisting management with the design and adequacy of internal controls in the different business processes of the municipality with an objective to improve the audit outcome.

9.4 2023/2024 Annual Internal Audit Plan

We have applied global best practice internal audit planning methodology to determine the scope of the Internal Audit Plan while taking local considerations into play. This is to ensure that the reviews envisaged in the Internal Audit Plan focus on the critical or significant risks the Municipality may be exposed to, thereby ensuring that our approach is risk-based. The aspiration is to meet the AGSA halfway by ensuring that all components are monitored which makes the approach hybrid in nature even though priority is given to those components with a high residual risk.

The prescripts of King IV Report on Corporate Governance were also considered, King IV emphasizes that internal audit should follow a risk-based approach to its audit plan. This is consistent with section 165(2)(a) of MFMA, which requires an internal audit unit to prepare a risk-based internal audit plan. The audit plan should be informed by the strategy (five-year IDP) of the organization and the annual plan (SDBIP).

King IV expects Internal Audit Managers/heads of internal audit; internal audit planning should take the form of an assessment of the risk and opportunities facing the municipality and should:

- Align with municipal risk assessment process;
- Focus on providing an assessment of the municipality control environment;
- Consider the municipality risk and opportunities identified by management and another key; stakeholders; and
- Take cognisance of industry-relent emerging issues

Compliance to Section 2110 on Risk Management of the International standards for the Professional Practice of Internal Auditing requires an internal audit to assist the municipality by identifying and evaluating significant exposures to risk and contribute to its improvement.

Compilation of this plan has widely complied with Section 62(1)(c)(i) of Municipal Finance Management Act (Act 56 0f 2003) (MFMA) requires Accounting Officers to ensure that the Municipality have and maintain effective, efficient and transparent systems of risk management.

The objective of the Internal Audit function is to provide assurance regarding the design, adequacy and operating effectiveness of controls within the high-risk areas for specific identified Winnie Madikizela-Mandela functions, including the IT control environment. We have also indicated on the IAP in areas where we deem it necessary to provide advisory services instead of assurance.

9.5 Ad-hoc Requests

It is also important that as part of the Internal Audit Plan, time be set aside to attend to any ad-hoc requests that management and the Audit Committee may have from time to time. However, prior to accepting these requests, we would assess the requests against the identified/planned audits of the high-risk areas and together with management prioritise the requests based on how much value can be added comparatively.

9.6 Combined Assurance Responsibility

Risk management for the Municipality remains the responsibility of Winnie Madikizela-Mandela's management. Risk management should be an on-going governance process within the Municipality.

Individual members of the management team will remain responsible for the identification, assessment (prioritisation) and management of risk. This responsibility is not limited to the senior management, but extends to the line functions within programmes and units, and where practical, needs to be incorporated in the service level agreements with major service providers.

Management should identify critical risks on a strategic, business and process level and should implement adequate internal controls to ensure that critical risks are managed to an acceptable level.

Internal Audit provides assurance to management on the risk exposure of the Municipality as assessed during the evaluation of controls implemented to mitigate identified risks. Assurance responsibility with regards to risk management lies within the combination and co-ordination between, amongst others:

- Management
- Audit Committee
- Internal Audit
- External Audit

In the event that the Winnie Madikizela-Mandela management becomes aware of any changes in the risk profile of the Municipality, they may directly and through the AC, re-direct the efforts of Internal Audit to any such review that they believe will provide them with relevant assurance on the key risks affecting the organisation. It is essential to note that the responsibility to have an operational risk management function belongs to management.

9.7 Glossary to the Internal Audit Plan

Assurance Provider	Assurance provider to provide an assessment of the identified controls to address identified risks.
Auditable Process	Auditable areas or processes on which assurance will be provided to management regarding the adequacy and effectiveness of associated controls.
Risks	Risks identified during the risk assessment process and during the internal audit reviews performed in the previous year.
Impact Score	Quantification of the potential effect that an identified risk may have on the achievement of Winnie Madikizela-Mandela objectives. This is the dominant factor in directing Internal Audit effort in the compilation of the Internal Audit Plan. It is the Impact and Likelihood Scores that reflect the perceived risk exposure/possibility of the risk occurring.
Likelihood Score	Assessed probability of the risk occurring, not considering existing control efforts of management.
Inherent Risk Level	The level of absolute uncontrolled risk represented by the maximum possible loss, which could be derived in the absence of adequate and effective control strategy within Mbizana.
Residual Risk Level	The level of risk after considering the effect of the control strategy on the risk as identified currently within the business of Winnie Madikizela-Mandela
Internal Audit Plan 2023/2024	Proposed Internal Audit Plan for 2023/2024
Frequency of Rotation	Proposed rotation of Internal Audit reviews. Annually implies that Internal Audit would be required to assess the process on an annual basis. A combination of factors was considered in determining the frequency of rotation, such as Impact Score, nature of identified risks, etc

10. 2023/2024 ANNUAL INTERNAL AUDIT PLAN

In prioritising the activities for the purpose of compiling this IAP, the inherent risk level is the predominant factor for consideration, as this factor indicates the possible effect of the risk. The residual risk level is a variable factor that is influenced by the adequacy and effectiveness of control strategies implemented by management and need to be independently assessed by Internal Audit.

The proposed IAP for 2023/2024 was prepared after considering the following:

- The results of the strategic and operational risk assessment conducted in 26th and 27th June 2023.
- The strategic risk registers
- The departmental risk registers
- The details of findings raised by AGSA, and
- Risks identified by internal audit based on experience in the municipal environment.

The audit outcome of the prior year has been considered critically in determining and balancing the current year internal audit activity plan.

10.1 Internal Audits

a) Follow-Up Audits

The following areas which were audited on a risk basis in the previous financial year have been scheduled for follow-up audits due to their qualified outcome in the previous audits;

- Supply Chain Management review
- Audit Action Plan
- Infrastructure projects

b) Combined Assurance

The combined assurance model classifies the risk landscape into types of risk with a potentially positive or negative effect on the ability of your business to meet its strategic goals and protect or create value.

This "incorporates and optimizes all assurance services and functions so that, taken as a whole, they enable an effective control environment; support the integrity of information used for internal decision-making by management."

The Combined Assurance Model can help to reduce siloed thinking within an organisation and force an integrated approach to develop and implementing an effective control environment. It promotes a shared understanding of risk and control information and will enable the board to confidently assess whether controls are really addressing critical business risks.

c) Risk Based Audits

In the current financial year, risk-based audits will be conducted, however Internal Audit proposes full swing consulting engagements where controls are inadequate, and this will be informed from previous work done by internal audit and assessment of issues raised by AGSA. A concentrated effort on identifying controls gaps in business processes and recommending adequate controls to improve the internal control environment to an acceptable level is essential and will be adopted. (Please refer to consulting activities section below).

d) Cyclical Audits

For the purpose of the 2023/2024 coverage plan, the cyclical audits are composed of critical legislated audits. The following cyclical audits are included in the coverage plan.

- Audit of annual performance report;
- Quality review of the Annual Financial Statement (AFS);
- Review of the 2023/2024 Service Delivery and Budget Implementation Plan (SDBIP); and
- Review of the IDP adjustments processes

e) Ad hoc requests

Ad-hoc requests are composed of those audits that are specifically requested by management, audit committee, MPAC or council.

f) Consulting Activities

The following consulting activities are proposed in order to respond to risks identified in the finance and internal audit departments for which even after considering internal controls in place the residual risk remains on the high end of medium classification and some remain very high indicating inadequacy and ineffectiveness of controls.

The proposed activities focus primarily on developing standardised control processes, skills and knowledge transfer at different levels.

- Advise on the development of processes and controls for Quarterly and Annual Performance Reporting
- Quarterly MPAC and Finance Portfolio Committee workshops;
- Participation in the External Audit Steering Committee; and
- Internal **Controls Development** and **Coaching** programme focussing on:
    - Finance,
        - Revenue and Receivables
        - Asset Management
            - Fleet Management
        - Supply Chain Management
        - General expenditure
        - Payroll process
- Performance management
- Compliance monitoring
- Human Resources, and
- Internal audit.

This IAP seeks to ensure that the base of good internal controls is covered moving into year two- and three of the three-year coverage plans. This will ensure an alignment in understanding within the Municipality broadly.

11. RESOURCES AVAILABLE FOR AUDIT ACTIVITIES

11.1 Internal Resources

Internal audit unit comprises of Four (4) permanent officials, 2 interns. The internal audit officials have affiliated with the Institute of Internal Auditors and comprise of the following officials:

Official	Incumbent	Qualifications	Term	Expiry of contract
Mr N.A Mgxiva	Internal Audit Manager	Bcom Accounting, Diploma Internal Audit Technician, CPMD	Permanent	N/A
Mr L.G Mditshwa	Senior Internal Auditor	Post-Grad in Forensic Auditing, Advanced diploma in Accounting Science, Btech in Cost and Management Accounting, National Diploma in Internal Auditing, CPMD & CIA (in progress)	Permanent	N/A
Mrs N.J Ntola	Junior Internal Auditor	National Higher Certificate in Accountancy, National Diploma in Internal auditing & CPMD, Advance diploma in Accounting Science (in progress)	Permanent	N/A
Ms N Boco	Internal Audit Clerk	Bachelor of Accounting, Postgrad in Internal Auditing (in progress)	Permanent	N/A
Ms N Sonjica	Internal Audit Intern	National Higher certificate in Accountancy National Diploma Internal auditing Btech internal auditing	24 months	July 2024
Ms Z Tetiwe	Internal Audit Intern	National Diploma in Internal auditing, Btech Internal Auditing	24 months	July 2024

11.2 External Resources

The municipality appointed co-source team (Mayile Solutions) for a period of 36 months (03 May 2023 to 02 May 2026) who will be assisting in execution of internal audit projects.

Below table outline allocated hours and estimated budget to the co-source team for the 202387. Average rate per hour is calculated based on hourly rates charged as per contract data/ Service Level Agreement (SLA).

Audit Area	Period	Resource Requirement	No of hours	Average Rate per hour	Total Estimated Budget
Landfill site	3rd Quarter	Co-Source Team	100	R 1426.00	R 142 600.00
Occupational Health and Safety	3rd Quarter	Co-Source Team	100	R 1426.00	R 142 600.00
Asset Management	2nd and 4th Quarter	Co-Source Team	160	R 1426.00	R 228 160.00
IT Projects	3rd Quarter	Co-Source Team	120	R 1426.00	R 171 120.00
Review of Annual Financial Statements	August 2024	Co-Source Team	120	R 1426.00	R 171 120.00
Risk Management Review	3rd Quarter	Co-Source Team	80	R 1426.00	R 114 080.00
Facilitating Fraud and Ethics workshop for Q1	1st Quarter	Co-Source Team	20	R 1426.00	R 28 520.00
Facilitating Fraud and Ethics workshop for Q4	4th Quarter	Co-Source Team	20	R 1426.00	R 28 520.00
Facilitating risk assessment workshop	4th Quarter	Co-Source Team	40	R 1426.00	R 57 040.00
			760	**Total Budgeted Amount**	**R 1 055 240**

11.3 Technological resource required

The municipality requires an audit software in order to facilitate the efficiency and effectiveness of reporting.

11.4 Training Requirement

The internal audit will require the following trainings:

Training required	Personnel	Proposed date
Advanced Financial modelling (Excel)	SIA	29 -30 November 2023
Advanced Performance Auditing	SIA, JIA, IAC, INT	11-13 December 2023
IT Governance, Value, Risk & Controls based on COBIT 2019 Framework course for IA	SIA and IAM	15-16 February 2024
Advanced Understanding of 10 Stages of the Enterprise Risk Management Process for Internal Auditors	SIA and IAM	22-23 April 2024
Tools & Techniques for the Internal Auditor	JIA, IAC & INT	25-27 October 2023

Internal Audit Manager- IAM | Senior Internal Auditor- SIA | Junior Internal Auditor- JIA | Internal Audit Clerk- IAC | Interns- INT

12. APPROVAL OF THE ANNUAL INTERNAL AUDIT PLAN

12.1 Preparer of the Annual Internal Audit plan

The internal audit plan for 2023/2024 financial year is prepared by Manager: Internal Audit

Signature: ____________

Name: Mr N.A Mgxiva

Date: 30 / August / 2023

12.2 Acknowledgment of Internal Audit Plan

The internal audit plan for 2023/2024 financial year is acknowledged by Municipal Manager

Signature: ____________

Name: Mr L Mahlaka

Date: 11 / 09 / 2023

12.3 Approval of Internal Audit Plan

The internal audit plan for 2023/2024 financial year is approved by Audit Committee

Signature: ____________

Audit Committee Chairperson

Name: Ms N.E Mungwane CA (SA)

Date: 11 / 09 / 2023

ANNEXURE A – THREE YEAR STRATEGIC INTERNAL AUDIT ROLLING PLAN 2024-2026

Audit Area	Year 1	Year 2	Year 3
	2023/2024	2024/2025	2025/2026
TECHNICAL SERVICES			
Infrastructure	✓	✓	✓
ENVIRONMENTAL SERVICES			
Disaster Management	✓	✓	✓
Environmental Management	✓	✓	✓
PERFORMANCE MANAGEMENT SYSTEM			
Quarterly internal audit review of PMS information;	✓	✓	✓
Review of entire PMS process for alignment to the Integrated Development Plan and SMART principles.	✓	✓	✓
Annual Performance Report	✓	✓	✓
REVENUE AND INCOME			
Rates;	✓	✓	✓
Refuse;	✓	✓	✓
Electricity;	✓	✓	✓

Audit Area	Year 1	Year 2	Year 3
	2023/2024	2024/2025	2025/2026
EXPENDITURE MANAGEMENT			
Creditors and Expenditure Management processes	✓	✓	✓
GOVERNANCE			
Compliance with legislations and Municipal System Act;	✓	✓	✓
Code of ethics;	✓	✓	✓
Delegation framework;	✓	✓	
Risk Management i.e. Policy, Plan and Implementation;	✓	✓	✓
Fraud Prevention i.e. Policy, Plan and Implementation.	✓	✓	✓
Effectiveness and functionality of MPAC	✓	✓	✓
HUMAN RESOURCE			
Terminations	✓	✓	✓
Recruitment & Selection	✓	✓	✓
Leave Administration	✓	✓	✓
Overtime Management	✓	✓	✓
Training and Skills development	✓	✓	✓

Audit Area	Year 1	Year 2	Year 3
	2023/2024	2024/2025	2025/2026
Payroll processes	✓	✓	✓
Employee Verification	✓	✓	✓
SUPPLY CHAIN MANAGEMENT			
Competitive Bidding Process;	✓	✓	✓
Quotation Process;	✓	✓	✓
Contract Management;	✓	✓	✓
Declaration of interest; and	✓	✓	✓
Consequence Management (Investigations on Unauthorised, Irregular and Fruitless Expenditure).	✓	✓	✓
BANK AND CASH MANAGEMENT			
Investments;	✓	✓	✓
Bank and Cash Management;	✓	✓	✓
Bank Reconciliations;	✓	✓	✓
BUDGET & REPORTING			
Budget Compliance Review	✓	✓	✓

Audit Area	Year 1	Year 2	Year 3
	2023/2024	2024/2025	2025/2026
INVESTIGATION OF WASTEFUL, FRUITLESS, IRREGULAR, AND UNAUTHORISED EXPENDITURE			
Ensure that compliance processes are instituted and monitor the key controls available to avoid instances of these expenditures. Follow up on consequence management recommendations from the investigation reports.	✓	✓	✓
INFORMATION TECHNOLOGY (IT) GENERAL CONTROLS			
IT policies;	✓	✓	✓
Security management;	✓	✓	✓
Computer operations;	✓	✓	✓
User account management;	✓	✓	✓
IT Disaster recovery plan;	✓	✓	✓
Physical security and environmental control;	✓	✓	✓
Change management;	✓	✓	✓
Information security.	✓	✓	✓

Audit Area	Year 1	Year 2	Year 3
	2023/2024	2024/2025	2025/2026
ANNUAL INVENTORY STOCK COUNT			
Main Stores	✓	✓	✓
Electrical Stores	✓	✓	✓
Refuse	✓	✓	✓
ANNUAL FINANCIAL STATEMENTS			
Review of Annual Financial Statements prior to submission to the Audit Committee and Auditor-General	✓	✓	✓
AUDIT ACTION PLAN			
Review the adequacy and validation of the audit action plan.	✓	✓	✓
AGSA PERIODIC REVIEWS			
Periodic Reviews	✓	✓	✓
FOLLOW UP			
Follow up on previous Internal and External Audit Reports;	✓	✓	✓
QUALITY ASSURANCE REVIEW			
Internal Assessment;	✓	✓	✓

Audit Area	Year 1	Year 2	Year 3
	2023/2024	2024/2025	2025/2026
External Assessment;	✓		
GENERAL MANAGEMENT OF INTERNAL AUDIT FUNCTION			
Review of internal audit and audit committee charters;	✓	✓	✓
Preparing for and attending Audit Committee Meetings;	✓	✓	✓
Evaluation of staff performance	✓	✓	✓
Meetings with the Auditor General	✓	✓	✓

ANNEXURE B - 2023/2024 ANNUAL INTERNAL AUDIT PLAN – SUMMARY

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	**Co-source**
TECHNICAL SERVICES (INFRASTRUCTURE)					
Demand management	• To determine whether needs were determined and planning was done for infrastructure projects. • To determine whether the projects were aligned to the strategic objectives. • To assess whether projects are prioritised according to economy, efficiency and effectiveness.	2nd and 4th Quarter	Senior Internal Auditor, 2x Interns, Junior Internal Auditor	300	None
Project planning	• To determine if fundamental principles of project management were followed in planning for the implementation of the project to clearly define the scope of the project and systems required to execute such scope				
Project Implementation and Execution	• Determine whether the municipality effectively monitored and evaluated project progress to ensure timely, cost-effective and quality infrastructure projects.				
ENVIRONMENTAL SERVICES					
Disaster Management	• Review and monitoring of Disaster management Plans, testing of disaster recovery plan, Evaluating support services by ANDM and other stakeholders	1st and 3rd Quarter	Junior Internal Auditor, Internal Audit Clerk and 1x Intern Co-source	120	100
Landfill Site	• To determine the extent of compliance with the landfill site permit and any other relevant legislations				
HUMAN RESOURCES					
Skills and Training Development; Training	• Review competency framework and skills assessment methodology; • Review of skills audit processes and outcomes; • Assess the adequacy and effectiveness of internal	1st and 4th Quarter	Junior Internal Auditor, Internal Audit Clerk and 1x Intern	60	None
Terminations		3rd Quarter	Senior Internal Auditor, 2x	60	None

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours Internal	No of hours Co-source
	controls with regards to Human Resource Management • Review the policies, procedures and internal controls • Review leave and attendance register management • Adherence to health and safety • Reviewal of OHS policy • Review of salary calculations (increments, backpay, COGTA concurrence) • Review third-party payment (UIF, Medical Aid, Pension funds & etc) • Review of salary reconciliation		Interns		
Recruitment and Selection		2nd Quarter	Junior Internal Auditor, 2x Interns	60	None
Overtime Management		2nd and 4th Quarter	Junior Internal Auditor, Internal Audit Clerk, 3x Interns	80	None
Subsistence and Travel (S&T)		1st and 3rd Quarter	Senior Internal Auditor, Internal Audit Clerk, 1x Intern	80	None
Leave Management		4th Quarter	Senior Internal Auditor, Junior Internal Auditor, Internal Audit Clerk, 3x Interns	160	None
Employee verifications		3rd Quarter	Internal Audit Clerk, 1x Intern	40	None
Occupational Health and Safety		3rd Quarter	Senior Internal Auditor, 2x Interns Co-source	40	100
Payroll		1st Quarter	Senior Internal Auditor, Internal Audit Clerk, 2x Interns	200	None
REVENUE MANAGEMENT AUDIT					
Rates Electricity Traffic	• Determine if the municipality have reasonable processes to identify and collect all revenue which is due; • Review processes in place to reduce electricity losses; • Evaluate the Revenue Strategy of the municipality;	2nd & 4th Quarter	Senior Internal Auditor, 2x Intern, Junior Internal Auditor	180	None

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	Co-source
	• Review the Credit Control policy of the municipality; • Review tariff structure • Debtors are correctly accounted for in the general ledger; • Outstanding debtors are followed up and recovered in a timely manner; • All monies received by the cashiers are banked intact, timeously and accurately;				
ASSET MANAGEMENT					
Immovable Assets	• Review monthly assets reconciliations • Bar-coding/ tagging of assets • Review the FAR and confirm whether it is GRAP compliant • Review depreciation calculations • Review Fleet Management controls • Review the usage of municipal vehicles	2nd Quarter	Senior Internal Auditor, Junior Internal Auditor, Internal Audit Clerk, 1x Intern Co-source	80	60
Movable Assets		4th Quarter		80	40
Investment Assets		2nd Quarter		20	60
PERFORMANCE MANAGEMENT SYSTEM					
Quarterly internal audit review of PMS information;	Our approach will include: • Quarterly testing of PMS information; • Review of entire PMS process for alignment to the Integrated Development Plan and SMART principles. • Review of PM cascading to all employees. • Review performance contracts for all Senior Manager and the Municipal Manager • Review the credibility of POE files • Review of management recovery plan for targets that were not achieved	1st, 2nd, 3rd & 4th Quarter	Senior Internal Auditor, Junior Internal Auditor, Internal Audit Clerk, 3x Interns	240	None
Review of entire PMS process for alignment to the Integrated Development Plan and SMART principles.					
Management Recovery					

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	Co-source
plan					
	RECORDS MANAGEMENT				
Registry	• Review institution's management of knowledge and information • Review document management system	1^{st} and 4^{th} Quarter	Senior Internal Audit, Internal Audit Clerk, 2x Interns	160	None
	SUPPLY CHAIN MANAGEMENT				
Competitive Bidding Process Quotation Process Contract Management;	• To determine whether the municipality follows the correct processes and procedures when selecting bidders for an advertised tender • To confirm the accuracy, completeness and validity on submitted bids documents • To ensure that adequate security controls are in place to prevent selection of unqualified bidders • Confirm whether there is a correctly established SCM unit that is provided with trainings to be able to implement SCM policy • To confirm the accuracy, completeness and validity of contract register	1^{st}, 2^{nd}, 3^{rd} and 4^{th} Quarter	Senior Internal Auditor, Junior Internal Audit, Internal Audit Clerk, 3x Interns	200	None

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	Co-source
EXPENDITURE MANAGEMENT					
Creditors and expenditure management;	• Inspect invoices received from suppliers and processed are valid, accurate and complete; • Review creditor and once off vendor payments and reconciliations are valid, accurate and complete; • Review electronic fund payments are accurate, valid and approved; • Review debit orders; • Review creditors control account reconciliations; • Review reconciling items are investigated and resolved timeously; • Review creditors reconciliation are accurate and valid.	1^{st}, 2^{nd}, 3^{rd} and 4^{th} Quarter	Senior Internal Auditor, Junior Internal Audit, Internal Audit Clerk, 3x Interns	200	None
BANK AND CASH MANAGEMENT					
Investments;	Our approach will include: • Review, investment, bank and cash management policy • Review bank reconciliations performed • Perform detailed testing for the period under review • Document/update the systems description	1^{st} Quarter	Junior Internal Auditor, 2x Interns	60	None
Bank and Cash Management;		3^{rd} Quarter	Senior Internal Auditor, 1x Intern	60	None
Bank reconciliations;		4^{th} Quarter	Internal Audit Clerk, 1x Intern	60	None
GOOD GOVERNANCE					
Compliance with legislations and Municipal System Act;	Our approach will include: • Conduct interviews with officials; • Perform detailed testing for the period under review • Assess the adequacy and effectiveness of internal	1^{st} and 3^{rd} Quarter	Junior Internal Auditor, 2x Interns	200	None
Code of ethics;					

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	**Co-source**
Effectiveness and functionality of MPAC	controls over council & committee proceeding • Review conflict of Interest procedures relating to council processes				
	BUDGET AND REPORTING				
Budget Management Process	• Budget compilation process • Budget approval • Budget control, monitoring and reporting • Budget virements	4^{th} Quarter	Senior Internal Auditor, Junior Internal Auditor, Internal Audit Clerk, 2x Interns	80	None
	INFORMATION AND TECHNOLOGY AUDIT				
IT policies; Security management; Computer operations; User account management; IT Disaster recovery plan; Physical security and environmental control; Change management; Information security.	Our approach will include: • Document/update the systems description; • Perform a walkthrough of the system description using a sample of one to three; • Perform detailed testing for the period under review • Conduct interviews with officials; • Review the IT policies and procedures in place; • Review management of IT Governance in accordance with relevant laws and regulations. i.e King IV, COBIT 5 • ICT business continuity • Review management of physical security and environmental controls • Evaluate the available IT software, licences and reports	3^{rd} Quarter	Co-source Senior Internal Auditor	30	120

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	**Co-source**
ANNUAL INVENTORY STOCK COUNT					
Inventory physical stock taking	• Observation of physical stock count • Perform a walkthrough and select a sample for physical verification • Conduct interviews with officials;	4th Quarter	Internal Audit unit or AG(SA)	120	None
ANNUAL PERFORMANCE REPORT REVIEW					
Review of Annual Performance Report	Our approach will include performing detailed testing for the period under review to assess the following (i) Compliance (Existence, Timeliness and Presentation) (ii) Usefulness (Measurability, Relevancy and Consistency) (iii) Reliability (Validity, Accuracy and Completeness) The key concepts to be audited can further be defined as follows: ***Economy:*** To procure resources of the right quality in the right quantities at the right time and place at the lowest possible cost ***Efficiency:*** To achieve the optimal relationship between the output of goods, services or results and the resources used to produce them ***Effectiveness:*** To achieve policy objectives, operational goals and other intended effects	4th Quarter	Senior Internal Auditor, Junior Internal Audit, Internal Audit Clerk, 3x Interns	240	None
ANNUAL FINANCIAL STATEMENTS					
Review of Annual Financial Statements and Annual	• Review of Annual Financial Statements prior to submission to the Audit Committee and Auditor-General. • Review procedures on the AFS to ensure that they	August 2024	Senior Internal Auditor, Junior Internal Auditor, Co-source	80	120

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	**Co-source**
Performance Report prior to submission to the Audit Committee and Auditor-General	comply with GRAP standards; • Ensure that the disclosures of the AFS are appropriate and adequate • Review the Accounting file and the Information to the AFS, TB and GL				
RISK MANAGEMENT REVIEW					
To review the adequacy and effectiveness of the Risk management Process.	• Audit the adequacy of risk management procedure and assess the adequacy of mitigating strategies committed in addressing risk identified • Review risk management strategy • Review risk and control identification and assessment	3rd Quarter	Co-source Senior Internal Auditor	40	80
QUALITY ASSURANCE REVIEW					
Internal Assessment	• To assesses the efficiency and effectiveness of the internal audit activity and identifies opportunities for improvement • Evaluation of the internal audit activity's conformance with the Definition of Internal Auditing and the International Standards for the Professional Practice of Internal Auditing (Standards) and an evaluation of whether internal auditors apply the Code of Ethics	2nd and 4th Quarter	Manager: Internal Audit and Senior Internal	160	None
External Assessment		2nd Quarter	Treasury and CoGTA	None	None

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	**Co-source**
	AUDIT ACTION PLAN				
Review the implementation of the audit action plan.	• Review of the progress in respect of the implementation of the audit action plan; • Perform detailed testing for the period under review.	2nd and 4th Quarter	Senior Internal Auditor, Junior Internal Auditor, Internal Audit Clerk, 1x Intern	160	None
	INVESTIGATION OF WASTEFUL, FRUITLESS, IRREGULAR, AND UNAUTHORISED EXPENDITURE.				
Procurement Expenditure	Follow up on loss control procedures related to consequence management including implementation of recommendations from investigations on wasteful, fruitless, irregular, and unauthorised expenditure.	As required	Manager: Internal Audit	60	None
	FOLLOW UP				
Follow up on previous Internal and External Audit Reports;	• Update the Internal Audit follow up document • Update the Audit committee resolution register	Quarterly	Senior Internal Auditor, Junior Internal Auditor, Internal Audit Clerk, 1x Intern	120	None
	GENERAL MANAGEMENT OF INTERNAL AUDIT FUNCTION				
Review of internal audit and audit committee charters;	General Administration	As required	Junior Internal Auditor, Internal Audit Clerk, 2x Intern	400	None
Preparing for and attending Audit Committee Meetings;					
Risk assessment process facilitation; Strategic, operational					

Audit Area	Scope of Work	Timing	Resource Requirements	No of hours	
				Internal	Co-source
and SCM risk assessment.					
Meetings with the Auditor General					