

EASTERN CAPE PROVINCE
SENQU LOCAL MUNICIPALITY



“A unified, people centred, developmental and vibrant Municipality”

**ONE YEAR OPERATIONAL INTERNAL AUDIT
PLAN FOR THE YEAR ENDING 30 JUNE 2020 AND
THREE YEAR STRATEGIC INTERNAL AUDIT PLAN
FOR THE YEARS ENDING 30 JUNE 2022**



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20
TABLE OF CONTENTS

1.	INTRODUCTION	4
1.2	PROFESSIONAL REQUIREMENTS	5
2.	THE PURPOSE OF DOCUMENT:	5
3.	DEFINITION OF INTERNAL AUDITING	5
4.	INTERNAL AUDIT MANDATE	5
5.	INTERNAL AUDIT APPROACH	7
6.	ENGAGEMENT PLANNING	9
7.	ENGAGEMENT REPORTING	9
8.	REPORTING TO THE AUDIT COMMITTEE	10
9.	MANAGEMENT'S RESPONSIBILITY	10
10.	LIAISON WITH THE OFFICE OF THE AUDITOR GENERAL	11
11.	QUALITY AND CONTINUOUS IMPROVEMENT PLAN	11
12.	RESOURCES AVAILABLE FOR AUDIT ACTIVITIES	12
12.1	RESOURCES	12
13.	PLANNED AUDIT PROJECTS FOR THE YEAR AND ALLOCATION OF PROJECTS	13
14.	THREE-YEAR STRATEGIC ROLLING PLAN	24
15.	SCOPE FOR CONSULTING SERVICES PROJECTS	27
16.	APPROVAL OF PLAN	27
17.	CONCLUSION	27
	SUMMARY OF THE STRATEGIC RISKS OF THE MUNICIPALITY	29
	ANNEXURE B	33



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

SUMMARY OF THE AUDIT UNIVERSE (AS DEDUCTED BY THE INTERNAL AUDIT UNIT FROM THE STRATEGIC RISK REGISTER, UNDERSTANDING OF THE INSTITUTION, AND LOCAL GOVERNMENT)

33



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

1. INTRODUCTION

1.1 Legislative Requirements for Internal Audit Activity

1.1.1 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.

1.1.2 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).



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

1.2 Professional Requirements

Senqu 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 document:

The purpose of this document is to set out:

- Internal Audit mandate and the description of services to be performed;
- Internal Audit Approach;
- Internal Audit Scope;
- The internal audit project plan/timeline;
- Communication framework including project management;
- Reporting framework, as well as ongoing progress reporting;
- Contact details;
- The One-year Operational Internal Audit Plan.
- Three year rolling Strategic Internal Audit Plan.

3. Definition of Internal Auditing

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

4. Internal Audit Mandate

The primary objective of the Internal Audit function is to provide a comprehensive service to ensure adequate measures and procedures are in place for sound economic, effective and efficient management as required by the Act and King IV. Internal Audit will conduct audits to assist management in the effectiveness of the organization's system of internal controls and quality performance. Core internal audit services include:

- The review of the effectiveness of internal control systems, management and financial information systems, including all associated electronic information systems, and the submission of recommendations, as appropriate;
- The review of the process by which management identifies, assesses and manages risk;
- The review of the economy, efficiency and effectiveness of operations, the functioning of non-financial indicators and controls in this regard;
- The review of the implementation of corporate policies, plans and procedures; and
- The follow-up on audit findings raised by both internal and external audit.



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

Although investigating fraud and other irregularities are not the primary focus of our approach, we will maintain close liaison with Management and the Audit and Risk Committee should we identify any such issues, and will recommend the appropriate action.

The Internal Audit function must assist the Municipality in maintaining effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the following:

- (a) The information systems environment;
- (b) The reliability and integrity of financial and operational information;
- (c) The effectiveness of operations; and
- (d) Compliance with laws, regulations and controls.

The Internal Audit function must assist the Municipality in achieving the objectives of the institution by evaluating and developing recommendations for the enhancement or improvement of the processes through which:

- (a) Objectives and values are established and communicated;
- (b) The accomplishment of objectives is monitored;
- (c) Accountability is ensured; and
- (d) Corporate values are preserved



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

5. INTERNAL AUDIT APPROACH

A risk based strategic approach is adopted which takes into account the results of the Operational and Strategic risk assessment conducted in 2019, as well as subsequent discussions with management and external audit. (Refer to Appendix A for summary of strategic risk register).

This approach involves a focus on understanding the work of each focus area and identifying risks associated with that focus area. It further includes a process of linking risk analysis to assigned planning and audit program development. The scope of the Internal Audit work is therefore focused on the risks as identified by management in the areas selected for review and thus does not imply that all areas, controls and/or weaknesses are covered through the internal audit plan or work performed.

Risk-based audit planning is a systematic process whereby the audit universe is identified, prioritized, and scheduled for the execution of audit activities. Through the risk-based audit planning process, IAA priorities have been identified and scheduled in those areas that reflect the greatest need or priority. Risk exposure is defined as the level of risk to which each auditable area is exposed to and considers the following:

The auditable area current and future business conditions and presence of risk factors;

The number and nature of potential risk events to which the auditable area is exposed to as a result of its business conditions;

The severity of consequences if the risk exposed to, materialises; and

The overall state of control in place within the auditable area.

Impact/Severity relates to the effect (impact) that such a risk could have on the project deliverables/business operations in the event of it materialising.

The impact is rated in context of a “worst case scenario” where the quality of current controls or management measures are ignored and not taken into consideration.

“Likelihood” has reference to the possible or probable occurrence of an event (identified as a risk) that could impact negatively on achieving the objective.



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

Internal Audit's five step approach to developing the Annual Operational Plan is set out below. A more detailed description can be found on the following pages.

NO	STEP	DESCRIPTION
Step 3	Assess the significance of controls	Identification of auditable areas with a high reliance on controls.
Step 4	Determine frequency audit	Determine how often each auditable area should be subject to audit taking account of the inherent risk and the significant of the controls.
Step 5	Define the audit plan	Determine the timing and scope of audit work based on the organisation's priorities and consider additional audit requirements to those identified from the risk assessment process.

Internal Audit has identified the auditable areas for the municipality (**Refer to Annexure A**). Auditable areas include functions, processes, systems, or locations. Any processes or systems which cover multiple areas are separated into their own distinct cross cutting auditable area. The articulation of Auditable Areas is not intended to convey the organisational structure or reporting lines of the organisation.



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

6. 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 and expenses that will be incurred 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 to finalization.

Our audits will be conducted in accordance with the Internal Auditing Standards as laid down by the Institute of Internal Auditors. 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 instructions, collusion between individuals, mistakes in judgment, carelessness, or other personal factors as well as management override of set controls.

It should be recognized that controls are designed to provide reasonable, but not absolute, assurance that errors and irregularities will not occur, and that procedures are performed in accordance with management's intentions. There are inherent limitations that should be recognized in the considering of the potential effectiveness of any system of controls. Control procedures can be circumvented intentionally by management, either with respect to the estimates and judgments required in the processing of data.

Further, the projection of any evaluation of control to future periods is subject to the risk that the procedures may become inadequate due to changes in conditions and deterioration in the degree of compliance with procedures.

7. 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 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 ten (10) working days of completion of fieldwork.
- Obtain management comments within ten (10) working days from issuing of draft report.
- Present final report to management within five (5) working days of receiving comments.



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

- 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.

8. REPORTING TO THE AUDIT COMMITTEE

Internal Audit will report quarterly to the Audit Committee and Senior Management of Senqu 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. Where obtaining management comments and approval will unduly delay the finalisation of audit reports these may be distributed marked "Issued without management comments".

9. MANAGEMENT'S RESPONSIBILITY

King IV Report on Corporate Governance holds managers accountable for the orderly running of the business. Management is responsible for the establishment and maintenance of an effective system of governance to:

- Establish and communicate organisational goals and values;
- Monitor the accomplishment of goals; and
- Ensure that accountability and values are preserved.

Management is further responsible for the establishment and maintenance of an effective system of internal control. The objectives of the system of internal control are, inter alia, to provide management with reasonable, but not absolute, assurance that:

- Risks are properly managed,
- Assets are safeguarded,
- Financial and operational information are reliable,
- Operations are effective and efficient,
- Laws, regulations and contracts are complied with.

The principal safeguard against fraud, misstatement and irregularities is an effective system of internal control. It must, however, be recognised that there are inherent limitations in any system of internal control – including human error and circumventions through collusion. The prevention and detection of fraud is therefore management's responsibility.



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

10. LIAISON WITH THE OFFICE OF THE AUDITOR GENERAL

Internal Audit will liaise closely with the Auditor-General and facilitate sharing of audit plans and working papers.

As part of combined assurance and in order to obtain efficiencies wherever possible, to ensure full coverage and avoid duplication of efforts, meetings will be held with members of the External audit teams, to allow them to consider and conclude on the level of reliance that they will place on the internal audit work.

Where appropriate, communication between Internal Audit Unit and External Audit will take place regularly to discuss the scope of internal audit work for individual assignments and the findings relating to these assignments. This communication will be done via e-mail or in one-on-one meetings.

11. QUALITY AND CONTINUOUS 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 Supervisor and Chief Audit Executive to ensure compliance with the IIA standards.

12. RESOURCES AVAILABLE FOR AUDIT ACTIVITIES

12.1 RESOURCES

NO.	INCUMBENT	DATE OF APPOINTMENT	TERM	CURRENT INTERNAL RESOURCES	
				EXPIRY OF CONTRACT	COMMENT
1.	Chief Audit Executive	01 September 2019	Permanent	N/A	N/A
2.	Internal Audit Supervisor	01 February 2019	Permanent	N/A	N/A
3.	Senior Internal Auditor	01 August 2018	Permanent	N/A	N/A
4.	Internal Audit Intern	01 October 2018	3 years	30 September 2021	Internship
5.	Internal Audit Intern	01 August 2019	3 years	31 July 2022	Internship
6.	The Municipality has also appointed Lunika Chartered Accountants and Auditors for a period of three (3) years to work with the in-house staff.				



13. PLANNED AUDIT PROJECTS FOR THE YEAR AND ALLOCATION OF PROJECTS

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
Cyclical Reviews & General management of Internal audit function						
Review the Internal Audit and Audit Committee Charters			✓			
Preparation one year Internal Audit Plans and 3 year rolling plan			✓			
Reporting and Attendance of Audit Committee meetings			✓	✓	✓	✓
Liaison with External Auditors			✓	✓	✓	✓
Overall management of the Internal Audit Unit			✓	✓	✓	✓
Risk Management activities			✓	✓	✓	✓
Review Risk and Control Identification and Assessment						
Review Risk Management Strategy and confirm the relevance of its content to the municipal environment.						
Review the Risk Management Methodology						
Determine whether Risk Management issues are reported on a quarterly basis and that the content of reports is credible.						



SENQU
MUNICIPALITY

SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
Quarterly Audit of performance management system, IDP and SDBIP			✓	✓	✓	
Review compliance of the IDP, SDBIP and Performance Agreements in terms of activity, content and timeframes.						
Review compliance of the KPA's and KPI's in terms of the SMART principles.						
Review performance contracts for all Executive Directors and the Municipal Manager to confirm the linkage of these performance contract with the IDP.						
Review the link between PMS, IDP, SDBIP and Budgets						
Review the credibility of POE files						
Conduct physical verification of projects						
Review of Draft Annual Performance Report 2018/2019			✓			
Ensure that POE agrees to the reported target. (Testing covers all quarters)						



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
Review the content and credibility of the information contained in the APR.						
Ensure that the processes are in compliance with all relevant legislative requirements.						
Mid-year Performance Report and Annual Report					✓	
Annual Financial Statements (AFS) review 2018/2019			✓			
Perform review procedures on the AFS to ensure that they 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.						
Validate and confirm the implementation of the Audit Action Plan			✓	✓	✓	✓
Follow-up on the implementation of AG and Internal Audit Action Plan						
Recommendations from Auditor General are being implemented.						
Key controls assessment / dashboard			✓		✓	✓



SENQU
MUNICIPALITY

SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July- Sep	Oct- Dec	Jan- Mar	April- Jun
Recommendations from Auditor General are being implemented						
Risk Based Reviews						
Maintenance of existing Infrastructure			✓			
1. Review the roads and stormwater maintenance plan and determine whether the plan complies with the requirements of the Roads Management Act 2004 (i.e. requires the Council of a Municipality (the Roads Authority as per section 37 (1), ii-iv) to inspect, repair and maintain public Roads (section 40) for which is a Roads Authority. This applies to any part of a public road which is:						
1.1) A roadway						
1.2) A pathway						
1.3) A road shoulder, or						
1.4) Road infrastructure, for which Council is the Road Authority						
2. Review the maintenance plan for electrical infrastructure						
3. Review the infrastructure maintenance plan for municipal solid waste sites and determine whether the municipality complies with Section 156 of the Constitution of Republic of South Africa (Act No. 108 of 1996)						
4. Review the infrastructure maintenance plan of public amenities						
Supply Chain Management Audit						✓



SENQU
MUNICIPALITY

SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July- Sep	Oct- Dec	Jan- Mar	April- Jun
1. Compliance with Supply Chain Management Processes, Policies, and all relevant legislative requirements, contract management processes.	Service Delivery demands	Supply Chain Management processes, policies and relevant legislation.				
MIG funds and Infrastructure projects.	Service Delivery demands	Existence and sufficiency of formal processes, policies and plans the management of infrastructure projects and the monitoring of MIG funds.	✓			
1. Review project management planning and determine whether infrastructure projects are properly monitored and the quality of projects is being evaluated.						
2. Determine whether funding for MIG projects is properly utilised and the conditions of MIG grant are met.						
Capital Projects Register	Service Delivery demands	PMU to have the Project Accountant that will liaise with the Finance Department to ensure that their reports reconcile.		✓		
1. Reconcile monthly reports to CoGTA with the reports from BTO.						
2. Ensures that PMU reports to CoGTA agrees with the reports prepared by Budget and Treasury Office.						
3. Project Control Sheet should agree with the report from BTO.						
4. Provide assurance that systems in place are working as intended.						
5. Cut-off dates for submission of invoices should be standardised.						
6. The Strategic Planning session should be aligned to project plans for the next financial period.						
Local Economic Development	Economic Environment	Existence of policies that relates to LED			✓	
1. Review the LED Strategy and determine whether it addresses the issues of investor attraction.						



SENQU
MUNICIPALITY

SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
2. Review the municipal LED strategy and determine whether it provide a concrete framework for the implementation of responsible tourism policies						
3. Determine whether the municipality identified and packaged opportunities for creation of jobs, SMME and BEE investment opportunities						
Service Revenue, Debtors and Cash Collection	Financial	Processes in place to address electricity losses		✓		
1. Verify, recalculate and analyse the electricity losses reported by comparing the electricity purchased from Eskom accounts to the electricity sales.		Enforcement of By-Laws				
2. Review processes in place to reduce electricity losses.						
3. Evaluate the Revenue Strategy of the municipality and determine whether the strategy does address the ways to enhance municipal revenue.						
4. Review the Credit Control Policy of the municipality and confirm its relevance to the municipal environment.						
5. Review the indigent database/register and confirm its legitimacy.						
6. Review the municipality's tariff structure and confirm that the tariff structure is line with relevant legislative frameworks and that it was approved by Council.						



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
Change Management Program / Project Management (mSCOA) 1. Review the Change Management Policy and confirm its effectiveness and relevance to changes made. 2. Provide assurance that risk management and control processes that are in place to ensure that the risks relating to the conversion to a new system are managed effectively	Compliance/Regulatory	Change Management Policy and Procedures	✓			
Audit of ICT Security Measures 1. Review the IT policies and procedures in place to ensure compliance with relevant laws and regulations. 2. Review management of IT Governance in accordance with relevant laws and regulations i.e. King IV, COBIT 5, ISO 38500 and ISO 2700; 3. Evaluate the available IT software, licences, and reports to determine appropriateness of usage. 4. To review the adequacy and effectiveness of internal controls surrounding the 5. Management of physical security and environmental controls 6. User account management (on the domain and application systems) – use of instant messaging, privileged user monitoring, data sanitation, export/save control, endpoint security, physical media control, disposal and destruction, and mobile device protection. 6. ICT business continuity:	Information Technology	ICT Governance Framework and ICT Policies		✓		✓
Council and Committees					✓	



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
1. Ensure oversight and compliance with statutory responsibilities and Council policies		Compliance with relevant policies and Standing Rules of Council.				
2. Assess the adequacy and effectiveness of internal controls over council & committee proceedings						
3. Review the adequacy of monitoring mechanisms for the implementation of Council Resolutions						
4. Review of risk management strategies and initiatives of the Council						
5. Review Conflict of Interest procedures relating to council processes to ensure effective controls that properly monitor any disclosed council interests.						
Anti-Fraud and Corruption		Fraud and Corruption Policy, Strategy and Fraud Prevention Plan.			✓	
1. Determining whether the municipality has set the correct tone for the moral atmosphere of the work environment and that positive ethics are practiced and supported within the municipality.						
2. Determine whether Council and Executive Management act in the best interest of the municipality.		Conflict of Interest Policy				



SENQU
MUNICIPALITY

SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
Determine whether Council and Executive Management has built a sustainable ethical culture within the municipality.						
Fixed Assets Management	Governance	Asset Management Policy			✓	
1. Review monthly asset reconciliations						
2. Ensure that asset reconciliation balances agree to balances on the ledger and trial balance.						
3. Review the Fixed Asset Register and confirm whether it is GRAP Compliant.						
4. Review depreciation calculations.						
5. Confirm whether assets as selected from the asset register do actual exist and the completeness of the asset register thereof.						
Human Resource Management and employee remuneration		Human Resource Policies		✓		
1. Assess the adequacy and effectiveness of internal controls with regards to human resources management and remuneration of employees						



SENQU
MUNICIPALITY

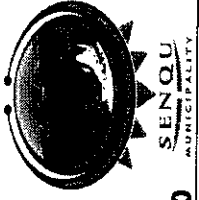
SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
2. Staff attraction and retention		Reconciliation of leave taken by employees through signing of the leave forms with the computerized leave management system and attendance registers.				
3. Review the policies, procedures and internal controls in place.						
4. Review leave and attendance register management.						
5. Pull the report from the biometric system and reconcile it with the attendance register to confirm its accuracy.						



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	ISSUES TO CONSIDER	July-Sep	Oct-Dec	Jan-Mar	April-Jun
Grants and Other Income		Determine whether all conditional grants relating to capital projects conditions are met	✓			
1. Determine whether conditional grants are only treated as 'transfers recognized' revenue when the grant revenue has been 'earned' by spending it in accordance with the conditions of the grant.						
2. Determine whether there were any roll-overs during the period under review and were they approved by the National Treasury.		Whether the grants conditions are met.				



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

14. THREE-YEAR STRATEGIC ROLLING PLAN

REF	AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER	Inherent Rating	Risk Rating	Prioritization	Audit frequency	2019/20	2020/21	2021/22
CROSS CUTTING ISSUES									
A1	FINANCIAL FOCUS								
A11	Asset Management	Service Delivery							
A12	Grants Management	Sustainability of financial resources							
A13	Income generation and other income (Revenue Generated from services, e.g Service Charges, Refuse Removal, Car Registration and Testing Centre)	Sustainability of financial resources							
A14	Budget Control	Sustainability of financial resources							
A15	Supply Chain Management & Contract Management	Implementation of required systems and processes							
A16	MIG funds & Infrastructure Projects	Service Delivery							
A17	Capital Projects Register	Service Delivery							
A2	OTHER								



SENQU
MUNICIPALITY

SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

REFERENCE TO THE STRATEGIC RISK REGISTER		Audit frequency		Prioritization		Inherent Risk Rating		2019/20	2020/21	2021/22
REF	AUDITABLE AREA									
A21	Change Program or Project Management (Mscoa)	Implementation of required systems and processes						>	>	>
A22	Disaster Recovery/ Business Continuity	Implementation of required systems and processes						>	>	
A23	Information Governance & Records Management	Governance								>
A24	Organizational Performance Management	Governance						>	>	>
A25	Complaints Management & Communication (Public Participation)	Brand Management						>	>	>
A26	Audit of Land utilization and Land Invasion in urban areas	Service Delivery						>	>	>
B. GOVERNANCE AND FINANCE										
B1	GOVERNANCE AND FINANCE									
B11	Risk Management	Governance						>	>	>
B12	Internal Audit	Governance						>	>	>
B13	Health and Safety	Compliance with OHS requirements						>	>	>
B14	Council Support Services	Governance						>	>	>
B15	Statutory Compliance Monitoring	Municipal Compliance Universe								>
B16	Litigation Cases	Regulatory inefficiencies								>
B17	Anti-Fraud and Corruption	Governance						>	>	>
B18	Validation of Audit Action Plan	Governance						>	>	>
B19	Regulation 32 Contracts	Governance						>	>	>
B20	Mid-year Performance Report & Annual Report	Governance						>	>	>
B21	GOVERNANCE AND FINANCE									



SENQU LOCAL MUNICIPALITY: INTERNAL AUDIT ANNUAL PLAN for 2019/20

REF	AUDITABLE AREA	REFERENCE TO THE STRATEGIC RISK REGISTER		Inherent Rating	Risk	Prioritization	Audit frequency	2019/20	2020/21	2021/22
B21	Review of Annual Financial Statements	Governance						>	>	>
B22	Review of the Annual Performance Report	Governance						>	>	>
B23	Human Resource Planning and Employee Remuneration	Sustainability of Financial Resources						>	>	>
OPERATIONAL SERVICES										
C1	Fleet Management	Implementation of Required Systems and Processes						>	>	>
C2	Human Resource Management (Recruitment and Selection Process, Learning and Development, Leave Management)	Governance						>	>	>
C3	Stores Management	Implementation of Required Systems and Processes						>	>	>
C4	Facilities Management	Information Technology						>	>	>
C5	Information and Communication Technology (IT Security Measures)	Governance						>	>	>
C6	Creditability of Control Dishoard							>	>	>
COMMUNITY SERVICES										
D1	Maintenance of Existing Infrastructure (Roads and Stormwater, Electrical Infrastructure, Municipal Solid Waste and Public Amenities)	Service Delivery						>	>	>
D2	Local Economic Development	Economic Environment						>	>	>

15. SCOPE FOR CONSULTING SERVICES PROJECTS

The areas listed below have been identified as possible areas for provision of consulting services

- Facilitation of risk assessments – included in the annual audit plan
- Facilitating the development of a formal ethics management programme for the municipality – included in the annual audit plan.
- Participation in special tasks related to the implementation of the Treasury Regulations on the Standard Chart of Accounts – timing not predictable.
- Development of standard operating procedures for the use of Regulation 32.

16. APPROVAL OF PLAN

The 2019/20 internal audit operational plan is submitted for approval to the Audit Committee and is subject to review (in consultation with the Audit Committee and the Municipal Manager).

17. CONCLUSION

The internal audit activity's approach to providing quality service to the municipality is based on facilitation of risk management, effective communication and cooperation with management and other relevant stakeholders. We therefore commit to developing a culture of open discussion and exchange of ideas by working together with management and the staff being audited to jointly identify problem areas and to develop practical solutions for the improvement of internal control systems. This will allow us to realize internal audit's main objective which is to bring in a systematic and disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

Internal audit supports the achievement of Senqu Local Municipality's strategic and management objectives; however, it should be noted that the following factors would have a direct influence on the efficiency, effectiveness, management and execution of the internal audit plan:

- Availability of management and staff during the audit, including providing prompt responses to requests for information (including relevance of information supplied), queries and recommendations.
- Continuous risk assessment – the risk environment should be assessed on annual basis and emerging risks should be pro-actively identified and communicated to management and the Chief Risk Officer.
- The extent and materiality of ad-hoc audit request could have a significant impact on the normal audit planning, execution and timing process as well as internal audit ability to effectively deliver against the approved internal audit plan.

The approach to the internal audit will be flexible and where necessary the planned approach can be adjusted to take account of any special requests by management. The detailed scope and timing of the work and the focus of the planned projects can be amended and/or the projects removed from the plan to take account of special requests of Management and Audit Committee.

During the implementation of this internal audit plan, the internal audit activity will adhere to the Code of Ethics and the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA) as amended. The prescripts of the Internal Audit Charter will also be upheld at all times.

The internal audit activity will maintain strict confidentiality in respect of any information that may become known to them in the course of performing their duties, and shall only disclose such information as may become necessary or required by the law. Where disclosures are required, the Manager: Internal Audit shall inform the Audit Committee and the Accounting Officer, and seek counsel where necessary.

The plan has been prepared by:

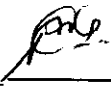


CHIEF AUDIT EXECUTIVE
NOLUYOLO NGCEKE

01 October 2019

Date

The plan has been noted by:



ACTING MUNICIPAL MANAGER
MCEBISI PATRICK NONJOLA

01/10/2019

Date

This plan has been approved by the Audit Committee:

AUDIT COMMITTEE CHAIRPERSON
DUMISANI MRWETYANA

Date

ANNEXURE A

SUMMARY OF THE STRATEGIC RISKS OF THE MUNICIPALITY

The following table depicts the strategic risks of the municipality identified by management in June 2019.

No.	Risk name	Root causes	Inherent risk	Perceived effectiveness control	Residual exposure risk Prioritization
1.	Inadequate maintenance of existing infrastructure	No prioritisation of maintenance of roads and storm water infrastructure (due lack adequate data); No prioritisation of maintenance of electrical infrastructure (due lack adequate data); No prioritisation of maintenance of municipal solid waste sites infrastructure (due lack adequate data); No prioritisation of maintenance of public amenities infrastructure (due lack adequate data)		Roads & Storm water maintenance plan in place (Existing roads maintenance team but not achieving much due to insufficient plant and staff) Electrical maintenance plan in place Minor maintenance is taking place. Minor maintenance is taking place.	
2.	Poor planning, monitoring and evaluation of the quality of infrastructure projects during construction	Lack of segregation of duties on project life cycle; Too many projects; Poor utilisation of human resources; Lack of overall development vision (Council to confirm); Using the reserves to fund MIG projects;		Decrease in useful of assets; Funds to be returned; Potential community protests.	
3.	Under 29 councillor 29 of land and increased urban sprawl	Infrastructure implementation outside municipal's SDF or municipal land use-planning policies; Tribal leaders extending their authority.		Senqu Land Use Scheme regulations; Senqu SPLUMA By-Law; and PIE Act.	
4.	Investment interest declines	Poorly maintained or non-existing economic infrastructure e.g roads and communication networks; and Limited and poor state of tourism facilities (caravan parks). Poor enforcement of by-laws		Cleansing schedules for Mass Job creation; LED Strategy; and Gazetted By-Laws	

No.	Risk name	Root causes	Inherent risk	Perceived effectiveness control	Residual exposure Prioritization risk
5.	Loss income	Theft of electricity; Community members is unable to rates due to economic conditions. Fraud and corruption; Lack of compliance by-laws and traffic regulations.		Meter Reading Using Meter Reading Tool; Monitoring low or no consumption on pre-paid electricity meters; Technical Department to Conduct Physical Inspection of properties ; and RollOut of Prepid Meters	Medium
6.	Non-compliance with the implementation date of Mscoa	Not receiving grants from National Treasury. Business continuity		Integrate Unbundled GRAP Compliant Asset Register to Mscoa System; Audited Unbundled Asset Register to be integrated to Mscoa v 6.2 System	
7.	Breach of IT security measures	Unauthorised users accessing the network (Hackers); Outdated MS exchange software; Backup failures and damage to the server. Manipulating current systems; Human factors; and Current SCM procedures hinders procurement of software security online.		Utilize tenders to procure software from 3 rd Party vendors	
8.	Non-usage of technological innovation	Use of outdated systems (e.g. leave system, manual performance management system risk management and compliance EDMS etc.)		Implementation of Sebata EMS sub systems.	
9.	Land invasion in urban areas	Non-enforcement of municipal by-laws; Interference of traditional authorities; Politicians not playing the roles; conflicting statements by political and administrative arms; The influx foreign nationals		Municipality issuing notices to individuals who transgress; Municipality gets court order; SPLUMA By-Law; Building control policy; Building control officer x 1 and Land-Use Officer x 1; PIE Act. Workshop were conducted on SPLUMA, town planning applications	Medium

No.	Risk name	Root causes	Inherent risk	Perceived effectiveness control	Residual exposure Prioritization risk
				and processes. Land invasion strategy to address illegal use of municipal vacant properties.	
10.	Discontinuity of service delivery	No business continuity plan(e.g. actions plans when disaster occur);		Have an effective and trained OHS Committee and Municipal Buildings have Certificate of Occupation Certificates and Fire equipment is serviced annually by an accredited	
11.	Perceived lack of service delivery by residents	Inadequate communication between the municipality and communities; Clashing schedules for public participation (e.g. public participation is held when most people are at work)		Functional customer and public participation unit; Councillors has been training on communication and interview skills (media training for 31ouncilor31 27 Feb 2019); Ward committee members are also trained; Platforms: 1)Radio slots (speak to your 31ouncilor program) 2) Integrated Public Participation Forum (quarterly); 3) War room (this provide an opportunity to engage with relevant stakeholders such Eskom, all sector departments etc. with Communities)	Medium
12	Potential litigation	Non-compliance with NEMWA due to following: 1) Non-compaction at all municipal SWS 2) Lack of waste management policy 3) No licensed SWS in Rhodes and therefore, SWS is illegal		On-going upgrades as per resource allocation; Existing Customer Care unit in Corporate; Existing approved tariffs; and Job Cards	

No.	Risk name	Root causes	Inherent risk	Perceived effectiveness control	Residual exposure Prioritization risk
		4) Non-compliance Electronic Regulation Act in terms of NRS requires a 24-hour call centre.			

ANNEXURE B

SUMMARY OF THE AUDIT UNIVERSE (AS DEDUCTED BY THE INTERNAL AUDIT UNIT FROM THE STRATEGIC RISK REGISTER, UNDERSTANDING OF THE INSTITUTION, AND LOCAL GOVERNMENT)

SOURCE		NATURE OR CATEGORY			
RISK BASED AUDIT UNIVERSE					
EXTERNAL RISKS	Regulatory	Environmental		Physical /natural disaster	
	Political	Vendor / Supplier		Government priorities	
INTERNAL RISKS	Strategic	Technology		Human resources	
	Strategy development and review Alignment Resourcing Strategy performance	Availability Accuracy / integrity Confidentiality Efficiency Automation vs manual operation Regulatory constraints and demands Usage		Availability Competency Safety Integrity Leadership Communication	
	Financial	Information / Financial / Regulatory / Management Reporting		Operating	
	Service / product pricing Revenue collection / credit management Reserves creation Sustainability Budget monitoring	Existence Completeness Ownership Valuation Accuracy Disclosure		Product / service quality Support services Supply Chain Capacity Efficiency	Repairs and m Service user s Compliance Physical secur Change mana
NON-RISK-BASED AUDIT UNIVERSE (LEGAL REQUIREMENTS AND BEST PRACTICES)					
Quarterly performance management system reviews (legislated)			Interim financial statement reviews (good practice)		
Internal audit quality assurance reviews (legislated)			Assurance on management's quarterly self-control reviews (good practice)		