



RISK BASED INTERNAL AUDIT PLAN

1 JULY 2018 – 30 JUNE 2019

WEST COAST DISTRICT MUNICIPALITY

RISK BASED INTERNAL AUDIT PLAN FOR 2018/2019

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1. INTRODUCTION

A risk identification and assessment process was executed up until the third quarter of the 2017/18 financial year. Management and personnel of West Coast District Municipality (WCDM) were asked to identify and rate the risks. A final report documenting the results of this project was loaded on the *Risk Ignite System*.

The risk register includes risks both from the internal municipal environment as well as the external environment. Risks, including fraud risks, were identified based on the information from the risk register, Internal audit three year Strategic Plan, the Auditor General's Management report, Audit-and Council Committee meetings, Municipal Governance Review Outlook (MGRO), the 5 year Integrated Development Plan (IDP), as well as the last key controls assessment conducted by the Internal Audit, were used as the basis for the preparation of the risk based Internal Audit plan.

During the identification of risks, inherent risks with a likelihood of a 5 rating, classified as being high as per the municipality's risk appetite, were used as the basis to determine the auditable areas for the Internal Audit plan.

It was further taken into account that the risks as identified represent auditable inherent risks.

2. EXECUTION OF THE INTERNAL AUDIT WORK

A project management plan is compiled for the execution of the Internal Audit work for 2018/2019.

The approach for the execution of the Internal Audit function is as follows:

- a) Internal Audit function will be conducted throughout the year to ensure a regular and continuous presence at the Municipality.
- b) Obtain an understanding of the business and operational processes by compiling a detailed processes flow; ensuring maximum correlation of municipal process to best practise and/or accounting standards.
- c) Identifying the inherent risk and highlighting key internal controls in place or to be effected.
- d) Our approach is to evaluate systems and perform walk through tests to confirm our understanding of the system. Weaknesses in the system will be reported and management can, as a result of this, request Internal Audit to conduct more detailed compliance and/or substantive tests.
- e) If required by management we will test compliance to certain key controls on a regular basis.
- f) Make recommendations for improvements on possible control weaknesses identified.
- g) Obtain management comments and compile action/implementation plans.
- h) Issue a written report to management.

3. LIAISON WITH EXTERNAL AUDITORS

- a) Internal Audit shall co-ordinate their work with Council's External Auditors as directed by management and the Audit and Performance Committee. The External Auditors will look at the following work performed by us, for their risk identification:

- 1) Supply Chain Management
- 2) Inventory Counts
- 3) Predetermined Objectives
- 4) Information Technology

This is however dependant on their evaluation of skills and competencies of our Internal Audit staff and the scope of the work we will perform.

- b) External Auditors shall have access to Internal Audit documentation.

Audit scope and coverage

- c) A full coverage of the risk identified, to determine whether the controls are in place is adequate to mitigate/manage the risk. Review of processes will be performed to determine whether implemented processes are effective and efficient.

Source of Information

- d) Interviews with staff, review of relevant policies and procedures, the establishment of system description and process flow will be performed to determine the comprehensive scope of activities that will be concentrated on, to cover the identified risk.

Internal

Audit

Risk Plan

2018/2019

FUNCTIONS	RISKS IDENTIFIED	REFERENCE	CONTROLS THAT WILL BE EVALUATED	HOURS
Financial planning and Control	a) Non-Compliance with Division of Revenue (DORA) Act.	a) Compliance 165 (2) (vii) MFMA	a) Review compliance with DORA b) Monitoring grants expenditure	120
	b) Inadequate and ineffective Accounting Procedures and Practices	b) Compliance 165 (2) (iii) MFMA	Inventory Management	216
	c) Non-Compliance with Supply Chain Management Policy and regulations	c) Risk Register	a) Local Content implementation	1 680
			b) Detection of employees in Service of State	
			c) BBBE Certificate validations	
			d) Functioning SCM Committees	
			e) Expense monitoring against contract amounts.	
			f) SCM declaration process and Policy review	
			d) Implementation of System of Delegations	

	d) Inadequate and ineffective IT Governance.	d) Risk Register	a) Testing of disaster recovery and business continuity plan evaluated. &	944
			b) Incident reporting to Telkom and monitoring of uptime.	
			c) Back-up and Anti-Virus updates	
			d) User Access Management	
	e) Inadequate and ineffective Loss Control Process and Procedures	e) Compliance 165 (2) (vi) MFMA	a) Tag System	272
			b) Asset Disposal Management	
			c) Insurance of Assets	

FUNCTIONS	RISKS IDENTIFIED	REFERENCE	CONTROLS THAT WILL BE EVALUATED	HOURS
Predetermined objectives	f) Inadequate and ineffective Performance Management	f) Compliance-S165 (2) (v) MFMA	a) Alignment between the IDP and SDBIP	1 408
			b) Review of Standard Operating Procedures that support Key Performance Indicators	
			c) Quarterly Monitoring of performance	
			d) Correctness of Objectives	
Risk Management	g) Inadequate Risk Management process.	g) Compliance-S165(2) (iv) MFMA	a) Evaluation of the Risk assessment Process	232
			b) Implementation of Risk Management Plan	
			c) Monitoring and Reporting	
Compliance and MGRO Reviews	h) Non-Compliance with Key Legislation	h) Compliance-S165 (2) (vii) MFMA	Testing the Implementation and monitoring of compliance and MGRO system	568
Human Resource	i) Unskilled workforce	i) Risk Register	Workplace skills plan	608
	j) Hazardous working environment	j) Risk Register	Health and safety control environment	
Project Management	k) Inadequate and ineffective monitoring of Projects	k) Risk Register	Project implementation and monitoring	184
Bulk Services	l) Inadequate supply of Bulk Water Services	l) Risk Register	Water demand management	216
ADHOC	m) Audits requested by management	m) None	As requested	360
	Audits requested by the AC, auditor general and council	n) None	As requested	

5. RESOURCE MANAGEMENT

Human Resources

Internal audit unit comprises of five (5) officials:

Officials	Job Title	Qualifications	Audit Experience
A Adams	Chief Executive Audit	Post Grad diploma: Accounting Science (Honours:CTA) Completed articles	10 years
K Frans	Internal Auditor	ND: Internal Auditing	5 years
N Mlambo	Internal Auditor	B Comm: Internal Auditing	4 years
I Vilankulu	Intern: Internal Audit	ND: Accounting	1 year
Y Mzondi	Intern: Internal Audit	B tech: Internal Auditing	2 months

6. TIME AVAILABLE

Year 2018/2019:

	Total hours Per annum	Chief Audit Executive	Senior Internal Auditor	Internal Auditor	Intern: Internal Audit	Intern: Internal Audit
Work hours avail	9 880	1 976	1 976	1 976	1 976	1 976
#Leave	1 728	408	264	400	408	248
*Meetings	792	488	80	80	72	72
!Training	552	-	120	120	80	232
Available hours	6 808	1 080	1 512	1 376	1 416	1 424

*Meeting hours include internal audit team meetings, Council, Executive Mayoral, Greater Extended Management, Risk Management, KPI Monitoring, MPAC, Audit Committee and IT Steering Committee Meetings.

Leave hours include, annual leave, study leave, family responsibility leave and sick leave

! Training hours include, Municipal Minimum Competency Training and Institute of Internal Auditors (IIA) Training

7. REPORTING

- a) Internal Audit will perform the Internal Audit procedures in line with the scope as set out.
- b) After every engagement a written report will be prepared and issued by the Auditors to management. This report will contain the outcome and findings and any recommendations made.
- c) An agreed conclusion will be documented in the report, where management accepted internal audit's recommendation.
- d) If the recommendation is not accepted then management's comments will be documented verbatim and internal audit will give their response, based on the comments.
- e) The Chief Audit Executive will establish and maintain a system to monitor the disposition of results communicated to management. A follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.
- f) Internal Audit will submit a quarterly report to the Audit Committee on:
 - o Status of Internal Audit activities;
 - o Significant findings and management action plans
 - o Management comments on the findings reported;
 - o Follow-up on previously reported Internal Audit findings;
 - o Any instance of fraud or non-compliance with legislation identified during the performance of the Internal Audit activities; and
 - o Performance of Internal Audit against the annual Internal Audit plan to allow effective monitoring and possible intervention.

8. CONTACT PERSONS

The reporting framework for this assignment is as follows:

WEST COAST DISTRICT MUNICIPALITY	
NAME	CONTACT NUMBER
David Joubert Municipal Manager	(022) 433 8410
Ashton Adams Chief Audit Executive	(022) 433 8416
Karel Frans Senior Internal Auditor	(022) 433 8488
Ntombifuthi Mlambo Internal Auditor	(022) 433 8449

9. REVIEW DATE

This Internal Audit Plan will be reviewed on an annual basis or when necessary and submitted to the Audit and Performance Committee and Council for approval.

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Approved by Audit Committee

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Date

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Accepted by Accounting Officer

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Date