



## **RISK BASED INTERNAL AUDIT PLAN**

**1 JULY 2019 – 30 JUNE 2020**

**WEST COAST DISTRICT MUNICIPALITY**

**RISK BASED INTERNAL AUDIT PLAN FOR 2019/2020**

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## **1. INTRODUCTION**

A risk identification and assessment process was executed up until the fourth quarter of the 2018/19 financial year. Management and personnel of West Coast District Municipality (WCDM) were asked to identify and rate the risks.

The risk register includes risks both from the internal municipal environment as well as the external environment. 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), 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 2019/2020.

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

- a) 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.
- b) Identifying the inherent risk and highlighting key internal controls in place or to be effected.
- c) 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.
- d) If required by management we will test compliance to certain key controls on a regular basis.
- e) Make recommendations for improvements on possible control weaknesses identified.
- f) Obtain management comments and compile action/implementation plans.
- g) 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) Predetermined Objectives

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 upon request.

#### 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

2019/2020

<b>REVIEW OF THE FOLLOWING PROCESS/CYCLE</b>	<b>RISKS IDENTIFIED</b>	<b>REFERENCE</b>	<b>HOURS</b>
<b>DORA</b>	a) Non-Compliance with Division of Revenue (DORA) Act.	a) Compliance 165 (2) (vii) MFMA	<b>300</b>
<b>FINANCIAL STATEMENTS</b>	b) Inadequate and ineffective Accounting Procedures and Practices	b) Compliance 165 (2) (iii) MFMA	<b>378</b>
<b>SUPPLY CHAIN MANAGEMENT</b>	c) Non-Compliance with Supply Chain Management Policy and regulations	c) Transversal Risk in Local Government and a risk as per the Financial Risk Register (5)	<b>606</b>
<b>FINANCIAL</b>	e) Inadequate and ineffective Loss Control Process and Procedures	e) Compliance 165 (2) (vi) MFMA	<b>272</b>

REVIEW OF THE FOLLOWING PROCESS/CYCLE	RISKS IDENTIFIED	REFERENCE	HOURS
<b>PREDETERMINED OBJECTIVES</b>	f) Inadequate and ineffective Performance Management	f) Compliance-S165 (2) (v) MFMA	<b>1 152</b>
<b>RISK MANAGEMENT</b>	g) Inadequate Risk Management process.	g) Compliance-S165(2) (iv) MFMA	<b>232</b>
<b>COMPLIANCE AND MGRO</b>	h) Non-Compliance with Key Legislation	h) Compliance-S165 (2) (vii) MFMA	<b>568</b>
<b>STRATEGIC SERVICES</b>	i) The IDP may not be an effective planning tool	i) Risk Register	<b>420</b>
<b>WATER</b>	k) Inadequate supply of Bulk Water Services	k) Internal audit Strategic plan 2017-2020	<b>216</b>
<b>MUNICIPAL HEALTH</b>	L) Municipal health may not be adequately staffed	L) Risk identified as per Administration and Community Services Risk Register (5)	<b>360</b>
<b>ADHOC</b>	m) Audits requested by management	m) None	<b>360</b>
	n) Audits requested by the AC, auditor general and council	n) None	

## 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	11 years
K Frans	Senior: Internal Auditor	ND: Internal Auditing	6 years
I Nkuna	Internal Auditor	ND: Accounting	2 year
Intern 1-	Intern	Finance or audit related	Not necessary as experience will be gained on the job
Intern 2-	Intern	Finance or audit related	Not necessary as experience will be gained on the job

## 6. TIME AVAILABLE

Year 2019/2020:

	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	1 608	408	328	408	232	232
*Meetings	2400	852	440	440	334	334
!Training	1008	-	48	-	480	480
<b>Available hours</b>	<b>4 864</b>	<b>716</b>	<b>1 160</b>	<b>1 128</b>	<b>930</b>	<b>930</b>

\*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 and the preparation thereof.

# 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:
  - Status of Internal Audit activities;
  - Significant findings and management action plans
  - Management comments on the findings reported;
  - Follow-up on previously reported Internal Audit findings;
  - Any instance of fraud or non-compliance with legislation identified during the performance of the Internal Audit activities; and
  - 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:

<b>WEST COAST DISTRICT MUNICIPALITY</b>	
<b>NAME</b>	<b>CONTACT NUMBER</b>
David Joubert Municipal Manager	(022) 433 8410
Ashton Adams Chief Audit Executive	(022) 433 8416
Karel Frans Senior Internal Auditor	(022) 433 8488
Ingiphile Nkuna Internal Auditor	(022) 433 8451