PIXLEY KA SEME DISTRICT MUNICIPALITY

SHARED INTERNAL AUDIT UNIT

RISK-BASED AUDIT PLAN

2016/2017

ANNUAL INTERNAL AUDIT PLAN FOR THE YEAR ENDING JUNE 2017

INTRODUCTION

The Pixley Ka Seme District Municipality's Audit Committee is established as a committee of Council to assist the Council in the discharge of its financial management responsibilities, especially with respect to financial reporting, maintaining an effective system of internal control and fostering the Municipality's ethical climate.

In providing advice to Council on whether its duties have been adequately discharged, the Audit Committee makes references to Internal Audit work conducted, External Audit findings and Management Reports.

The Pixley Ka Seme District Municipality has established an Internal Audit Unit to assist the Council in the discharge of its financial management responsibilities and, in particular, in providing assurance that the system of internal controls operating within the PKS D/M and Category B Municipalities is working effectively. By its nature Internal Audit has no authority or line management responsibility.

The provision of professional, independent, Internal Auditing services can also assist to maximize the quality, effectiveness and efficiency of all present and future operations of the PKS D/M and Category B Municipalities.

Ultimately, determining both the scope of the Internal Audit functions and the extent of audit activities carried out from year to year are the responsibility of the Audit Committee with approval from Council.

The work program for the 2016/2017 audit year has been prepared by the Internal Audit Unit, in consultation with the Municipal Manager and relevant Senior Management and follows risk assessment workshops and work prioritization analysis.

The annual plan and work program are to be reviewed on a six monthly basis, to ensure they are still relevant to the needs of Pixley Ka Seme District Municipality. Any changes made as a result of this review will be tabled at the next Audit Committee meeting for approval.

SCOPE OF WORK

The scope of Internal Audit encompasses the examination and evaluation of the adequacy and effectiveness of the Municipality's system of internal control and the quality of performance in carrying out assigned responsibilities.

INTERNAL AUDIT WORK PROGRAM

The compilation of the Internal Audit Work Program and annual budget submission requires the attainment of an appropriate balance between competing priorities, in the light of the established goals. The actual audit activities within the program are prioritized as follows:

First: The program should:

(a) Provide reassurance to Council, through the Audit Committee, that the system of internal controls appears to be functioning as designed by Management, and that critical systems and processes are working efficiently and within acceptable risk exposure;

(b) Incorporate areas of concern as identified by Audit Committee, Management and External Auditors;

(c) Provide where appropriate and where invited by Management, audit coverage over the high risk areas identified during the risk identification and assessment exercise; and

(d) Provide a cost effective program of audit activities.

Secondly, the program must ensure resources are allocated on a priority basis. In the 2014/2015 program the priorities have been assessed as follows:

(a)   (i)   Assist Pixley Ka Seme District Municipality to maintain its system of compliance with legislative requirements:

      (ii)   Management, Audit committee referrals for advice or work to be carried out;

(b) Financial Management system, which are critical to the Pixley Ka Seme District Municipality's financial viability;

(c) Tasks which are considered "mandatory" (i.e. tasks which if not performed by Internal Audit, must still be performed and likely at a greater cost to the Pixley Ka Seme District Municipality;

(d) Key Systems reviews and tasks which are deemed "annual" (i.e. tasks which because of their nature or significance, should be performed each year)

(e) Tasks considered "cyclical" (i.e. tasks which by their nature could be reviewed on a rotational basis) are audited over a cycle of years.

Thirdly, the program must identify those activities considered essential in order to achieve the above stated objectives and which will require either contract labour or expert services to be obtained due to the limited skills or human resources of the Internal Audit Unit.

Ongoing review and monitoring of plans, working papers reports, liaison with management, risk and audit committees, and external auditors.	Maintain progress and adjust internal audit plans and combined assurance strategy. Attend audit committee meetings. Liaise with Auditor General.

An effective Internal Audit function requires staff planning and co-ordination and most importantly interaction with Management, the Auditor General and the Audit Committee.

As a result the Chief Audit Executive for the Municipality should budget for this interaction in the Annual Audit Plan.

Perform a strategic risk assessment by way of workshops and interviews, to identify the key business risks.	Completed the strategic level. Compiled the Strategic and Annual Audit Plans.

The strategic risk assessment has been completed but needs to constantly updated and reviewed on an ongoing basis.

If risk management structures have not been set up, Internal Audit still has the responsibility to ensure that its audit focus and activities remain relevant and add value – as a result the need to monitor the risk environment remains and this activity should be budgeted for.

Notice should be taken that the Audit year commence at October and ends at the end of September, the following year

FINANCE DEPARTMENT						
1	Other Income	H	**Planned**			**Planned**
	EXPENDITURE					
2	Cheque Control	M	**Planned**			**Planned**
3	Subsistence & Travelling	M	**Planned**			**Planned**
	SUPPLY CHAIN MANAGEMENT					
4	Demand Management	H		**Planned**		**Planned**
5	Acquisition Management	H		**Planned**	**Planned**	**Planned**
6	Bid Committees	H		**Planned**		**Planned**
7	Bid Process	H		**Planned**		**Planned**
8	Consultants	H		**Planned**		**Planned**
	ASSET MANAGEMENT					
9	New Assets	M	**Planned**			
10	Accounting	M	**Planned**			
11	Leases	H	**Planned**			
	MANAGEMENT ACCOUNTING					
12	Budget Preparation	M			**Planned**	
13	Budgetary control and forecasting	H			**Planned**	
	DEBTORS					
14	Debt account and collection	H			**Planned**	
15	**INFORMATION TECHNOLOGY - GENERAL CONTROLS**	H	**Planned**		**Planned**	
INFRASTRUCTURE DEVELOPMENT, LED AND HOUSING						
16	Housing Services	H	**Planned**		**Planned**	
17	LED	H		Planned		
18	RRAMS	H	Planned			

	STRATEGIC RISKS					
19	Integrated Development Plan (IDP)	H		Planned		
20	BUDGET	H		Planned		
21	Service Delivery and Budget Implementation Plan (SDBIP)	H	Planned	Planned	Planned	Planned
22	PMS & PERFORMANCE INFORMATION	H	Planned	Planned	Planned	Planned
23	ORGANISATIONAL STRUCTURE	H	·	Planned		Planned
CORPORATE SERVICES						
	PERSONNEL & PAYROLL					
24	Recruitment and Appointment	M		Planned		
25	Staff training and development	M		Planned		
26	Leave	M		Planned		
27	Overtime	H		Planned		
	SUPPORT SERVICES					
28	Council Vehicles	H	Planned			
29	Telecommunication	H	Planned		Planned	
30	**Legal Services**	M			Planned	
31	**Disaster Management**	H			Planned	
32	**Environmental Health**	H			Planned	
33	**RISK MANAGEMENT**	H	Planned			Planned
34	**COMPLIANCE WITH DORA**	M	Planned	Planned	Planned	Planned
35	**FOLLOW-UPS**		Planned	Planned	Planned	Planned
	TOTAL HOURS		40	120	120	120
	STAFF REQUIRED		4	4	4	4

Risk based audit activities should form the majority of the planned audit effort. The initial emphasis should be on ensuring sound controls and discipline is exercised in the areas identified as high risk.

For this reason the emphasis of the audit scope has been on financial discipline. The actual coverage (extent and detail) is determined during the planning stage of each audit identified, taking into account the circumstances and managements input.

By adopting this approach each audit can be tailored for effectiveness and efficiency. For example when auditing "Financial Management – Approval of projects", the intention is not to audit every project, but rather to focus on a sample of projects that at the time of the planned audit pose a high risk – the findings of the audit can then be compiled into a "generic document" and circulated to all the Departments for management information and action if appropriate.

In this way Internal Audit can add the most value (as they will not have the resources to audit all projects).

Fixed Assets	Review of key controls over fixed assets
Financial Discipline Reviews	Review of key financial controls
MFMA Compliance Review	Review of compliance to key aspects of the MFMA

As requested from time to time.

Any "value adding" Internal Audit function must set aside time to address management requests. However before accepting these requests they should be assessed in terms of importance against the planned audit activities.

The Annual Audit Plan for the first year of the three-year audit strategy Internal Audit has been designed with an emphasis on financial discipline based on the high-risk areas identified. As mentioned above this is because it may be appropriate to for the Internal Audit function to focus its attention on the high risk areas but concentrate on ensuring that the key financial controls and hence discipline required to successfully manage the Municipality, are in place.

Once the key controls are in place and operating as intended to the satisfaction of both Management and the Audit Committee, Internal Audit should then focus its attention on operational areas (in the second and third years of the internal audit strategy).

This approach, it is felt, will add the most value to the Municipality – a key aspect of the role of Internal Audit.

APPROVAL OF THE INTERNAL AUDIT PLAN FOR 2016/2017

Approved at De Aar on the ....14th....... Day of ....November....2016

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INTERNAL AUDIT
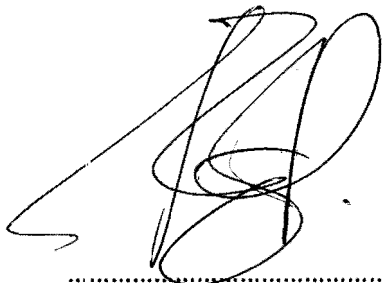
14/11/2016
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DATE

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CHAIRPERSON
AUDIT COMMITTEE

14/11/2016
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DATE

ACCEPTED BY:

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R PIETERSE
MUNICIPAL MANAGER

14/11/2016
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DATE

Pixley ka Seme District Municipality   7