

MERAFONG CITY LOCAL MUNICIPALITY

**Internal Audit Three-Year Rolling Plan for the years
ending 30 June 2018**

and

**Revised One-Year Operational Plan for the year
ending 30 June 2016**



**Prepared By:
Merafong Assurance Services**

**Reference Number:
MAS01/2015/2016**

**MERAFONG CITY LOCAL MUNICIPALITY
INTERNAL AUDIT THREE-YEAR ROLLING PLAN FOR THE PERIOD ENDING 30 JUNE 2018 AND
REVISED ONE-YEAR OPERATIONAL PLAN FOR THE PERIOD ENDING 30 JUNE 2016**

The signatories below are for the approval of the Internal Audit Three-Year Rolling Plan for the period ending 30 June 2018 and One-Year Operational Plan for the period ending 30 June 2016.

PREPARED BY:

**Mr. MB Mokgwamme
Acting Manager: Internal Audit
Merafong City Local Municipality**

Date: _____

SECONDED BY:

**Mr. LR Thibini
Acting Municipal Manager
Merafong City Local Municipality**

Date: _____

APPROVED BY:

**Ms. MK. Mbonambi
Chairperson of the Audit Committee
Merafong City Local Municipality**

Date: _____

**MERAFONG CITY LOCAL MUNICIPALITY
INTERNAL AUDIT THREE-YEAR ROLLING PLAN FOR THE PERIOD ENDING 30 JUNE 2018 AND REVISED ONE-YEAR OPERATIONAL PLAN FOR THE
PERIOD ENDING 30 JUNE 2016**

1. REVISED ANNUAL RISK-BASED AUDIT PLAN (2015/2016)

| # | Division | Business Process / Auditable Area | Risk No. | High Level Scope of Work | Budgeted Hours | Audit Coverage | | Assurance providers | | |
|----|---------------------------|---|----------|---|----------------|----------------|---------|---------------------|----------------|------------|
| | | | | | | 2015/2016 | Quarter | Internal Audit | External Audit | Management |
| 1. | Supply Chain Management | Inventory Management Risk Description: Misuse and loss of Council assets | ER.10 | <ul style="list-style-type: none"> Review and evaluate the controls over the physical transfer (movement) of inventory (in its various forms). Review whether the inventory costs are recorded at the correct amount and are allocated to the correct financial year. | 160 | ✓ | Q1 | ✓ | | |
| 2. | Town Planning | Land Management Risk Description: Shortage of suitable land | ER.14 | Evaluate the adequacy and effective of land acquisition framework and dolomite risk management framework. | 240 | ✓ | Q1 | ✓ | | |
| 3. | Project Management Office | Contract Management Risk Description: Poor contract management system | ER.13 | Review the adequacy and effective of controls relating to centralisation of Contract Management. | 160 | ✓ | Q1 | ✓ | | |

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| # | Division | Business Process / Auditable Area | Risk No. | High Level Scope of Work | Budgeted Hours | Audit Coverage | | Assurance providers | | |
|----|-------------------------|---|---------------------------|--|----------------|----------------|---------|---------------------|----------------|------------|
| | | | | | | 2015/2016 | Quarter | Internal Audit | External Audit | Management |
| 4. | Expenditure | Payroll Cycle | A-G Management Letter | Determine the accuracy and completeness of HR calculations on salary increase for the 2015/2016. | 160 | ✓ | Q1 | ✓ | | |
| 5. | Supply Chain Management | Procurement Process - Tender <u>Risk Description:</u> Delays in the completion of projects | ER.15 | Evaluate the adequacy and effectiveness of the Tenders process relating to: <ul style="list-style-type: none"> • Adherence to policy • Invitations of Bids • Receipt of Bids • Bid evaluation and adjudication • Clearing successful bidders before the awarding of contracts • Proper record keeping • Contract management | 320 | ✓ | Q3 | ✓ | | |
| 6. | Risk Management | Risk Management | Operational risk register | Determine whether appropriate Risk Management processes are in place and whether these processes are adequate and effective. | 200 | ✓ | Q3 | ✓ | | |

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| # | Division | Business Process / Auditable Area | Risk No. | High Level Scope of Work | Budgeted Hours | Audit Coverage | | Assurance providers | | |
|----|---------------|---|-------------------------------|--|----------------|----------------|----------|---------------------|----------------|------------|
| | | | | | | 2015/2016 | Quarter | Internal Audit | External Audit | Management |
| 7. | Human Capital | Rental Income <u>Risk Description:</u> Loss of revenue | ER.05 | Review the adequacy and effectiveness on rental income: <ul style="list-style-type: none"> Lease contract (both municipal staff and community); Recovery of outstanding debts; Rental income billing and invoicing; Reporting and monitoring; | 240 | ✓ | Q4 | ✓ | | |
| 8. | Expenditure | Overtime Management and Stand By Allowance | A-G Management Letter | Evaluate the adequacy and effectiveness of the overtime process relating to: <ul style="list-style-type: none"> Adherence to policy Allocation of overtime Authorization of overtime Payment of overtime | 240 | ✓ | Q4 | ✓ | | |
| 9. | IDP/PMS/IGR | Pre-Determine Objectives | Operati-on risk register: PMO | Determine whether the reported performance against predetermined objectives is relevant, reliable and useful in all material respects, based on predetermined criteria. | 480 | ✓ | Q1 to Q4 | ✓ | | |

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| # | Division | Business Process / Auditable Area | Risk No. | High Level Scope of Work | Budgeted Hours | Audit Coverage | | Assurance providers | | |
|--|-------------------------|---|-----------------------|---|----------------|----------------|----------|---------------------|----------------|------------|
| | | | | | | 2015/2016 | Quarter | Internal Audit | External Audit | Management |
| 10. | All Division | Fraud and Corruption <u>Risk Description:</u> Community protests & lack of public confidence | ER.08 | Investigations of irregularities reported up to the disciplinary procedures. Review and assess the specific activity/process requested by management in order to assist management in addressing governance, risk management, and control processes. | 640 | ✓ | Q1 to Q4 | ✓ | | |
| 11. | All Division | Inadequate identification of root causes affecting the control environment | A-G Management Letter | Assess and gauge the movement in the status of key controls from the previous to the current assessment collectively for each of the three audit dimensions of financial information, performance information and compliance with laws and regulations. | 320 | ✓ | Q1 to Q4 | ✓ | | |
| AD-HOC AUDIT PROJECTS (maximum of 5 projects during the financial year) | | | | | | | | | | |
| 12. | Project Management Unit | EPWP Audit | | | 240 | ✓ | Q1 | ✓ | | |

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| # | Division | Business Process / Auditable Area | Risk No. | High Level Scope of Work | Budgeted Hours | Audit Coverage | | Assurance providers | | |
|-----|---------------------------|--|----------|--|----------------|----------------|---------|---------------------|----------------|------------|
| | | | | | | 2015/2016 | Quarter | Internal Audit | External Audit | Management |
| 13. | Corporate Shared Services | Fleet Management <u>Risk Description:</u> Misuse and loss of Council assets | ER.10 | Review the adequacy and effectiveness of controls relating to fleet management including: <ul style="list-style-type: none"> • Adherence to policy; • Implementation of the Fleet Management Systems Operating Procedure; | 240 | ✓ | Q2 | ✓ | | |
| 14. | Project Management Unit | MIG Expenditure Investigation | | | 240 | ✓ | Q2 | ✓ | | |

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2. THE FOLLOWING TABLE INDICATES PROGRESS MADE ON THE INTERNAL AUDIT PLAN (2015/2016)

| # | Business Process / Auditable Area | Budgeted Hours | Quarters | Audit Plan | Ad-Hoc | Progress/Comments |
|----|--|----------------|----------|------------|--------|--|
| 1 | Inventory Management | 160 | Q1 | ✓ | | Complete |
| 2 | Land Management | 240 | Q1 | ✓ | | In Progress, draft report issued |
| 3 | Contract Management | 160 | Q1 | ✓ | | In Progress, draft report issued |
| 4 | Payroll Cycle | 160 | Q1 | ✓ | | Complete |
| 5 | EPWP Audit | 240 | Q1 | | ✓ | In Progress |
| 6 | Fleet Management | 240 | Q2 | | ✓ | In Progress, draft report issued |
| 7 | MIG Expenditure Investigation | 240 | Q2 | | ✓ | Incomplete, to be completed during the 2 nd quarter |
| 8 | Procurement Process - Tender | 320 | Q3 | ✓ | | Incomplete, to be completed during the 3 rd quarter |
| 9 | Risk Management | 200 | Q3 | ✓ | | Incomplete, to be completed during the 3 rd quarter |
| 10 | Rental Income | 240 | Q4 | ✓ | | Incomplete, to be completed during the 4 th quarter |
| 11 | Overtime Management and Stand By Allowance | 240 | Q4 | ✓ | | Incomplete, to be completed during the 4 th quarter |
| 12 | Pre-Determine Objectives | 480 | Q1 to Q4 | ✓ | | Q1, Complete Q2, Complete Mid-Term, Complete Q3, to be completed during the 3 rd quarter Q4, to be completed during the 4 th quarter |
| 13 | Fraud and Corruption | 640 | Q1 to Q4 | ✓ | | Continuous |
| 14 | Inadequate identification of root causes affecting the control environment | 320 | Q1 to Q4 | ✓ | | Continuous |

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3. THREE-YEAR STRATEGIC RISK-BASED AUDIT PLAN 2015/2016 – 2017/2018

| No | Risk Strategic (SR)/ Operational (OR) or Audit Universe (AU) | Identified risks as per Audit Judgement | Inherent Risk | Residual Risk | Auditable Area | Department / Division | 2015//2016 | 2016/ 2017 | 2017/ 2018 |
|----|--|--|---------------|---------------|-----------------------------------|-----------------------------------|------------|------------|------------|
| 1 | R.09. 2015/16 | Ageing/ Ineffective Infrastructure Assets | 25 (High) | 20 (High) | Infrastructure Maintenance | Infrastructure Development | | | √ |
| 2 | R.07. 2015/2016 | Interruption of Basic Services Water and Electricity | 25 (High) | 20 (High) | Infrastructure Integrated | Infrastructure Development | | | √ |
| 3 | R.01. 2015/2016 | Pollution | 25 (High) | 20 (High) | Environmental Management | Economic Development and Planning | | | √ |
| 4 | R.15. 2015/2016 | Delays in Completion of Projects | 20 (High) | 12 (Medium) | Performance Management | All Departments | | √ | |
| 5 | R.02. 2015/2016 | ICT System Integrity and Loss of Data | 25 (High) | 16 (Medium) | Disaster Recovery Management Plan | Corporate Shared Services | | √ | |
| 6 | R.13. 2015/2016/SR | Poor Contract Management System | 25 (High) | 12 (Medium) | Contract Management | Project Management Office | | √ | |

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| No | Risk Strategic (SR)/ Operational (OR) or Audit Universe (AU) | Identified risks as per Audit Judgement | Inherent Risk | Residual Risk | Auditable Area | Department / Division | 2015//2016 | 2016/ 2017 | 2017/ 2018 |
|----|--|--|---------------|---------------|----------------------------|---|------------|------------|------------|
| 7 | R.08. 2015/16 | Community Protests and Lack of Public Confidence | 25 (High) | 20 (High) | Infrastructure Maintenance | Corporate Shared Services Infrastructure Development | | | √ |
| 8 | R.03. 2015/16 | Poverty and Under Development | 25 (High) | 20 (High) | Local Economic Development | Economic Development and Planning | | | √ |
| 9 | R.11. 2015/16 | Underspending/Overspending on Capital Budget (MIG) | 25 (High) | 16 (High) | Performance Management | Finance | | | √ |
| 10 | R.05. 2015/2016 | Loss of Revenue | 25 (High) | 20 (High) | Revenue Management | Finance | | | √ |
| 11 | R.10. 2015/2016/OR | Misuse of Council Assets | 20 (High) | 16 (High) | Asset Management | Finance | | | √ |
| 12 | R.14. 2015/2016/SR | Shortage of Suitable Land | 25 (High) | 20 (High) | Land Management | Economic Development and Planning | | | √ |
| 13 | ER.04. 2015/2016 | Poor Management of Human Resources | 25 (High) | 20 (High) | Human Resources Management | Corporate Shared Services | | | √ |

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| No | Risk Strategic (SR)/ Operational (OR) or Audit Universe (AU) | Identified risks as per Audit Judgement | Inherent Risk | Residual Risk | Auditable Area | Department / Division | 2015//2016 | 2016/ 2017 | 2017/ 2018 |
|----|--|---|---------------|---------------|---|-----------------------------------|------------|------------|------------|
| 14 | ER.06. 2015/2016 | Mushrooming of informal Settlements | 25 (High) | 20 (High) | Land Management | Economic Development and Planning | | | √ |
| 15 | ER.12. 2015/2016 | Litigations | 20 (High) | 15 (Medium) | Litigations against Merafong City Local Municipality (MCLM) | Corporate Shared Services | | √ | |
| 16 | Operational Register Supply Chain | Decentralized Procurement of Service | 20 (High) | 9 (Medium) | Procurement Process-Tender | Finance | √ | | |
| 17 | No Link to Risk Register | | | | Cash Management: Bank Reconciliation | Finance | √ | | |
| 18 | No Link to Risk Register | | | | Cash Management: Investment | Finance | √ | | |
| 19 | ER.10. 2015/2016 | Misuse and loss of council assets | 20 (High) | 12 (Medium) | Asset Management | Finance | √ | | |

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|----|--|---|---------------|---------------|---|-----------------------------------|------------|------------|------------|
| 20 | Operational Register Revenue | Outstanding Debtors | 25 (High) | 9 (Medium) | Accounts Receivable (Debt Collection and) | Finance | √ | | |
| 21 | No Link to Risk Register | | | | Non-current liabilities | Finance | √ | | |
| 22 | No Link to Risk Register | | | | Inventory Management | Finance | √ | | |
| 23 | No Link to Risk Register | | | | Cash Management | Finance | √ | | |
| 24 | No Link to Risk Register | | | | Payroll Cycle | Finance | √ | | |
| 25 | ER.14 2015/2016 | Shortage of suitable land | 25 (High) | 12 (Medium) | Land Management | Economic Development and Planning | √ | | |

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|----|--|---|---------------|---------------|--|---------------------------|------------|------------|------------|
| 26 | Operational risk register of PMO | Late capturing of information on the QPR System | 20 (High) | 15 (High) | Pre-Determine Objectives | Chief Operating Officer | √ | | |
| 27 | ER.13. 2015/2016 | Poor contract management | 25 (High) | 12 (Medium) | Contract Management | Project Management Office | √ | | |
| 28 | No Link to Risk Register | | | | Risk Management | Risk Management | √ | | |
| 29 | ER.05. 2015/2016 | Loss of Revenue | 25 (High) | 20 (High) | Rental Income | Finance | √ | | |
| 30 | No Link to Risk Register | | | | Overtime Management and Stand By Allowance | Finance | √ | | |
| 31 | ER.07 2015/2016 | Interruption of basic services | 25 (High) | 20 (Medium) | Refuse Removal and Collection | Community Services | √ | | |

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| No | Risk Strategic (SR)/ Operational (OR) or Audit Universe (AU) | Identified risks as per Audit Judgement | Inherent Risk | Residual Risk | Auditable Area | Department / Division | 2015//2016 | 2016/ 2017 | 2017/ 2018 |
|----|--|---|---------------|---------------|--|---------------------------|------------|------------|------------|
| 32 | | No Link to Risk Register | | | Fraud and Corruption | All Departments | √ | | |
| 33 | | No Link to Risk Register | | | Leave Management | Corporate Shared Services | √ | | |
| 34 | | No Link to Risk Register | | | Inadequate identification of root causes affecting the control environment | All Departments | √ | | |