

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: _____

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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 <u>Risk Description:</u> 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 <u>Risk Description:</u> 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 <u>Risk Description:</u> 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 Risk Description: 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	Operation 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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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
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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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
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	Auditible 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	√		