

**" The City of Heritage "**



**Ulundi LOCAL MUNICIPALITY**

**ANNUAL INTERNAL AUDIT PLAN FOR THE YEAR ENDING 30 JUNE 2017**

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**ULUNDI  
LOCAL  
MUNICIPALITY**

**" The City of Heritage "**



**ANNUAL INTERNAL AUDIT PLAN  
FOR THE THREE YEAR ENDING  
30 JUNE 2017**

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**" The City of Heritage "**



2014-2017 Internal Audit Strategic Plan



**Ulundi LOCAL MUNICIPALITY**

**ANNUAL INTERNAL AUDIT PLAN FOR THE YEAR ENDING 30 JUNE 2017**

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## **APPROVAL OF PLAN**

**Prepared by** : \_\_\_\_\_

**SM KHOMO  
INTERNAL AUDITOR.**

**Reviewed by** : \_\_\_\_\_

**NG ZULU  
MUNICIPAL MANAGER  
ULUNDI LOCAL MUNICIPALITY**

**Approved by** : \_\_\_\_\_

**LB Van Der Merwe.  
CHAIRPERSON: AUDIT COMMITTEE  
ULUNDI LOCAL MUNICIPALITY.**

**Date approved** : \_\_\_\_\_





**Ulundi LOCAL MUNICIPALITY**

**ANNUAL INTERNAL AUDIT PLAN FOR THE YEAR ENDING 30 JUNE 2017**

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## Ulundi LOCAL MUNICIPALITY

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#### Background

##### Local Municipality:

Ulundi Local Municipality is one of the six municipalities within the Zululand District. Its powers and functions are defined in the Constitution (Schedules 4 and 5 and Chapter 7) and refined further in the Municipal Structures Act (Section 84 and 85) and notice gazetted by the MEC for Local Government.

#### 1. INTRODUCTION

The Institute of Internal Auditors defines internal auditing as follows:

".....an independent, objective assurance and consulting activity designed to add value and improve organizations, operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and government processes"

In terms of the Municipal Finance Management Act 56 of 2003 chapter 8 Sec 62©, the accounting officer for the Municipality must ensure that the entity has and maintains, inter alia, effective, efficient and transparent systems of financial accounting, risk management and internal controls.

Ulundi Local Municipality has prepared three – year strategic internal audit plan for Internal Audit Unit to be compliance with the Act.

#### 2. PURPOSE OF THIS DOCUMENT

##### Purpose of this Document

This document sets out the Internal Audit Plan for the period of July 2014/2015 and 2015/2016 to 2016/2017 for consideration and approval by the Audit Committee. The Plan incorporates:

- Annual Internal Audit Plan for the year ending 30 June 2016.
- Strategic three- year rolling Internal Audit Plan.

The Internal Audit Plan was designed to provide an independent, objective Assurance and advisory services, in an efficient and effective manner, to the following key stakeholders:

- Audit Committee
- Accounting Officer
- Top Management Team and
- Senior Management.

The overall approach was to formulate a risk -based plan to align the priorities of the Internal Audit Unit with the strategic objectives and goals of the Ulundi Local Municipality and the related strategic and major business risks as identified by Management.

This document sets out the Annual Internal Audit Plan for the year ended 30 June 2016 for consideration and approval by the Audit Committee.



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The plan was prepared based on:

- Results of the risk assessment workshop conducted by ourselves with management with assistance from KZN Treasury on 27 May 2015;
- The strategic and major risks identified and determined by the priority of ranking based on the Internal Audit three year plan, Internal Audit and Auditor General Report findings of identified audit areas and the expertise and resources available to Internal Audit;
- The gradual implementation of the “combined assurance” principle whereby the efforts of various assurance providers are effectively coordinated to avoid duplication and inefficiencies;

The Internal Audit Plan for Ulundi Municipality was designed to provide an independent, objective assurance and advisory service, in an efficient and effective manner, to the following key stakeholders:

- District municipality’s Council through the Audit Committee of the municipality;
- KwaZulu-Natal Department of Local Government and Traditional Affairs;
- National Department of Provincial and Local Government;
- Municipal Manager;
- Local line management.

The overall approach was to formulate a risk-based Annual Internal Audit Plan to align the priorities of the Internal Audit function with the strategic objectives and goals of Ulundi and the related strategic and major business risks as identified by management , the Auditor General and previous audit reports.

### **3. RESTRICTION ON DISTRIBUTION OF THIS DOCUMENT**

This document has been prepared for the sole and exclusive use of the Ulundi Local Municipality, the internal audit unit will not be held responsible to any third party who may use or rely upon the contents of this document for purposes other than that for which it was originally intended.

### **4. INTERNAL AUDIT – ROLES AND RESPONSIBILITIES**

The Internal Audit function evaluates and contributes to the improvement of governance, risk management and controls.

#### **Governance**

The Internal Audit Unit assists Management in achieving the goal of the Ulundi Local Municipality by evaluating the process through which:

- Risk and control information is communicated.
- The accomplishment of Municipal Performance goals is monitored.
- Accountability is ensured and corporate and values are preserved.

#### **Risk Management.**

Internal Audit Unit assists Ulundi Local Municipality in facilitating the risk management process. This includes assisting management in identifying, evaluating and assessing significant strategic and organization risks, and the monitoring thereof.



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#### **Controls.**

The Internal Audit Unit evaluates whether the internal controls upon which Management relies to mitigate the risks to acceptable levels, are appropriate and functioning as intended and develops recommendation for enhancement or improvements in the control environment.

#### **The Internal Audit Unit is authorized to:**

- Have unrestricted access to all functions, records, property and personnel.
- Have full uninhibited access to the Audit Committee.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives.
- Obtain the necessary assistance of personnel directorates of Ulundi Local Municipality where they perform reviews, as well as specified services from within the Municipality.

#### **The Internal Audit Unit is not authorized to:**

- Perform any operation duties for Ulundi Local Municipality.
- Direct activities of any municipal employee by the Internal Auditing Unit, except to the extent that such employees have been appropriate assigned to auditing teams or to otherwise assist the internal auditors in carrying out investigations.

The Internal Audit Unit will conduct audits in accordance with the "Code of Ethics" and " Standard for the Professional Practice of Internal Auditing" of the Internal Auditors as well as relevant Municipal legislation.

#### **Other Internal Audit Responsibilities / Activities.**

- Additional Internal audit activities include:

#### **Planning and reporting activities of the Internal Audit Unit include amongst others:**

- Preparation of strategic three year internal audit plan.
- Preparation of a detailed annual internal audit plan.
- Liaison with top management, external auditors and key stakeholders.
- Reporting to the Audit Committee.
- Follow-up on reports issued.

#### **Project Management**

Project Management activities of the Internal Audit Unit include amongst others:

- Organizing and directing audit staff, including monthly internal audit management meetings.
- Review of working papers and reports.
- Monitoring activities against plan.
- Quality assurance reviews.

#### **Management Responsibilities.**

Management is responsible for the establishment and maintenance of an effective system of governance, risk management and internal control.

The objectives of the system of the internal control are inter alia, to provide Management with reasonable, but not absolute, assurance that:

- Risks are properly managed.
- Assets are safeguard
- Financial and operation information is reliable.
- Operations are effective and efficient.



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- Laws, regulations and contracts are complied with.

The principal safeguard against fraud, misstatement and irregularities is an effective system of internal control. It must, however, be recognized that there are inherent limitations in any systems of internal control- including human error and circumventions through collusion. The prevention and detection of fraud is therefore Managements responsibility.

#### *Advisory Services*

Advisory service activities of the Internal Audit function includes amongst others:

- Providing assistance and expertise on either newly developed systems or improving current systems;
- Assisting management with the facilitation of risk assessments and the implementation of a formal system of risk management;
- Act as a "sounding board" to management for ad-hoc projects.

#### **5. FRAUD CONSIDERATIONS**

The principal safeguard against fraud, misstatement and irregularities is an effective system of internal control. It must, however, be recognised that there are inherent limitations in any system of internal control – including human error and circumventions through collusion. The prevention and detection of fraud is therefore management's responsibility.

#### **6. CO-ORDINATION AND CO-OPERATION**

It is accepted that the co-operation and availability of the municipality's personnel plays a significant role in impacting on the effectiveness and efficiency of our service to the municipality. Every effort must be made to obtain the complete co-operation of Departmental Site management.

#### **7. OUR APPROACH**

##### **9.1. SCOPE OF INTERNAL AUDIT**

The scope of Internal Audit, in line with good Corporate Governance principles and the Ulundi's Audit Charter, is to determine whether Ulundi's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as required;
- Significant financial, managerial, and operating information is accurate, reliable and timely;
- Employees actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programmes, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the municipality's control process;
- Significant legislative or regulatory issues impacting the municipality are recognised and addressed appropriately;



## **Ulundi LOCAL MUNICIPALITY**

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- Proactive steps towards the Skill Development and Human Resource Management including antecedent verification should cover serious Operational Risk emanating from high attrition rate - a common phenomenon in South Africa;
- Adherence to Municipal Finance Management Act, Municipal Systems Act, Division of Revenue Act, Supply Chain Management Framework etc;
- Compliance with various policies for example the Supply Chain Management, Human Resource Policy, Debtors Policy, Investment Policy, etc;
- Corporate Governance such as various Committees is meeting with regularity and agenda. Minutes are properly documented and circulated and follow up action is taken and reviewed in a timely manner.

Although investigating fraud and other irregularities are not the primary focus of an Internal Audit approach, Internal Audit should maintain close liaison with management should any such issues be identified.

#### **9.2. REPORTING AND COMMUNICATION**

- Communication, orally and through reports, is an essential part of the Internal Audit process. Internal Audit should also communicate with management through a series of planned formal meetings.
- Progress reports are to be submitted to management on an on-going basis. A quarterly summarised report is to be submitted to management with a copy going to the Audit Committee. Reports are to clearly demonstrate the control and operational concerns arising from the reviews, the potential impact and the practical reasoned recommendations for change. Any critical issues to be reported orally to management and the Audit Committee immediately upon identification. Management to be given 5 days to respond to management reports and have 30 days after the issuance of final reports to see that corrective action on reported weaknesses is either planned or taken.
- Follow-up audits to be carried out to ensure that control weaknesses have been adequately rectified, or that appropriate action is being planned.

#### **9.3. COMPLIANCE REVIEWS**

We will concentrate on the basic internal control environment (Financial Management review). Internal Audit will concentrate on the operational risks identified during the risk assessment. Management is responsible for mitigating all risks.

The main focus during the review of internal controls will be to evaluate the effectiveness of controls around initiation and approval of transactions prior to final processing and recording.

#### **9.4. COMMENCING THE AUDIT**

Before an audit at a division is commenced, Internal Audit will prepare an Audit Planning Memorandum in consultation with the Head of the division. This will ensure that the division's expectations are addressed.

#### **9.5 Period for submission of Required Documents.**

The management has taken a decision to set a minimum period for the submission of the requested information from auditee (clients) with a minimum of 1 day and maximum of 3 days after that the request will be escalated to the Municipal Manager a maximum of 7 days is allowed to have the information submitted.





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**10. STRATEGIC INTERNAL AUDIT PLAN 2014 TO 2017**

The Strategic Internal Audit Plan 2014 to 2017 does not include detailed Information Technology audits.

The Strategic three year rolling Audit Plan will be maintained and updated according to the annual risk assessments.

Audit Area	Year 1	Year 2	Year 3
	2014/2015	2015/2016	2016/2017
<b>Technical Section:</b>			
<ul style="list-style-type: none"> <li>Review of Project Management.</li> <li>Facilities Management.</li> </ul>	x	x	X
<b>Performance Management System (PMS):</b>			
<ul style="list-style-type: none"> <li>Review of the PMS policy and implementation within the municipality;</li> <li>Compliance to Municipal Planning Management Regulations;</li> <li>PMS - Section 57 management contracts;</li> <li>Quarterly internal audit reviews of PMS information.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Compliance to Municipal Planning Management Regulations;</li> <li>PMS - Section 57 management contracts;</li> <li>Quarterly internal audit reviews of PMS information.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Quarterly internal audit reviews of PMS information.</li> </ul>	x	x	x
<b>Risk Management:</b>			
<ul style="list-style-type: none"> <li>Risk Management i.e. Policy, Plan and Implementation</li> <li>Fraud Prevention</li> <li>Establishment of Risk Committee</li> <li>Code of Ethics</li> <li>Disaster Recovery Planning/Business Continuity Management</li> <li>Risk Registers.</li> </ul>	x	x	x
<b>IT Based audit Reviews.</b>			
<ul style="list-style-type: none"> <li>Review of general controls and application controls such as backup , passwords control, and access rights.</li> </ul>	x	X	x
<b>Human Resource:</b>			
<ul style="list-style-type: none"> <li>Review of compliance of HR policies with labour and related framework and legislation;</li> <li>Recruitment and Appointments;</li> <li>Terminations;</li> <li>Leave Administration;</li> <li>Record Keeping;</li> <li>Overtime Management;</li> <li>Training and Development;</li> <li>Disciplinary procedures</li> <li>Succession Planning;</li> <li>Health, Safety and Environment.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Recruitment and Appointments;</li> <li>Terminations;</li> <li>Leave Administration;</li> <li>Record Keeping;</li> <li>Overtime Management;</li> <li>Training and Development;</li> <li>Disciplinary procedures</li> <li>Succession Planning;</li> <li>Health, Safety and Environment.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Terminations;</li> <li>Leave Administration;</li> <li>Record Keeping;</li> <li>Overtime Management;</li> <li>Training and Development;</li> <li>Disciplinary procedures</li> <li>Succession Planning;</li> <li>Health, Safety and Environment.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Record Keeping;</li> <li>Overtime Management;</li> <li>Training and Development;</li> <li>Disciplinary procedures</li> <li>Succession Planning;</li> <li>Health, Safety and Environment.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Overtime Management;</li> <li>Training and Development;</li> <li>Disciplinary procedures</li> <li>Succession Planning;</li> <li>Health, Safety and Environment.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Training and Development;</li> <li>Disciplinary procedures</li> <li>Succession Planning;</li> <li>Health, Safety and Environment.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Disciplinary procedures</li> <li>Succession Planning;</li> <li>Health, Safety and Environment.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Succession Planning;</li> <li>Health, Safety and Environment.</li> </ul>	x	x	x
<ul style="list-style-type: none"> <li>Health, Safety and Environment.</li> </ul>	x	x	x



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Audit Area	Year 1	Year 2	Year 3
	2014/2015	2015/2016	2016/2017
<b>Banking and Cash Management:</b> <ul style="list-style-type: none"> <li>• Investments;</li> <li>• Bank and Cash Management;</li> <li>• Bank Reconciliations;</li> <li>• Petty Cash.</li> </ul>	X	X	X
<ul style="list-style-type: none"> <li>•</li> </ul>	X	X	X
<b>Supply Chain Management:</b> <ul style="list-style-type: none"> <li>• Ordering;</li> <li>• Tender process (demand, acquisition, logistics, disposal, risk management);</li> <li>• Receiving Process;</li> <li>• Invoicing and Reconciliation;</li> <li>• Contract Management;</li> <li>• Creditor (including payments);</li> <li>Inventory Management (Stores).</li> </ul>	X	X	X
<ul style="list-style-type: none"> <li>•</li> </ul>	X	X	X
<b>Payroll:</b> <ul style="list-style-type: none"> <li>• Payroll management;</li> <li>• Master file amendments.</li> <li>• Subsistence and travel allowances;</li> <li>• Councilors Allowances.</li> <li>• Performance Bonus.</li> </ul>	X	X	X
<ul style="list-style-type: none"> <li>•</li> </ul>	X	X	X
<b>Planning and Social Development:</b> <ul style="list-style-type: none"> <li>• Local Economic Development projects (LED);</li> </ul>	X	X	X
<ul style="list-style-type: none"> <li>•</li> </ul>	X	X	X
<b>Fixed Asset Management:</b> <ul style="list-style-type: none"> <li>• Fixed Asset Register;</li> <li>• Reconciliation;</li> <li>• Fleet Management.</li> <li>• Physical Verification of Assets.</li> </ul>	X	X	X
<ul style="list-style-type: none"> <li>•</li> </ul>	X	X	X
<b>IDP Review:</b> <ul style="list-style-type: none"> <li>• Planning, Implementation and Monitoring.</li> <li>• Compliance with Relevant laws.</li> </ul>	X	X	X
<ul style="list-style-type: none"> <li>•</li> </ul>	X	X	X
<b>Follow up:</b> <ul style="list-style-type: none"> <li>• Follow up on previous Internal Audit reports;</li> <li>• Follow up Auditor General's report.</li> </ul>	X	X	X
<ul style="list-style-type: none"> <li>•</li> </ul>			
<ul style="list-style-type: none"> <li>•</li> </ul>			

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ANNUAL INTERNAL AUDIT PLAN FOR THE YEAR ENDING 30 JUNE 2016

**11. ANNUAL INTERNAL AUDIT PLAN FOR 2016-2017.**

**11.1. YEAR -ONE**

No	Planned work	Detail	Targeted period.
1.	<b>Annual Audits:</b> <ul style="list-style-type: none"> <li>• Annual Financial Statement Audits.</li> <li>• Annual Performance Audit.</li> </ul>	Reviewing of AFS to identify whether there are prepared in accordance with grap.  Inspect the annual report and annual performance report to verify whether it is prepared in accordance with MSA Requirement.	July / August 2016.
2.	<b>Year end : Annual Report Review</b> <b>Fourth Quarter PMS.</b>	<ul style="list-style-type: none"> <li>• Review the link between PMS, IDP, SDBIP and Budgets</li> </ul>	July / August 2016.
3.	<b>Interim AFS</b> <b>Mid - Year Review</b>	<ul style="list-style-type: none"> <li>• Perform and audit on Mid -year performance and Budget review .</li> <li>• Perform an audit on Bi- Annual Financial Statements.</li> </ul>	January/ February 2017.
4.	<b>Review of Reconciliation.</b>	<ul style="list-style-type: none"> <li>• Review of the all reconciliation including bank reconciliation, creditors, debtors reconciliation,</li> </ul>	September 2016
5.	<b>1<sup>ST</sup> Quarter Cycle Audit:</b> <b>Dash board</b>	Follow up on the Dash board objectives and commitment as agreed by management.	October 2016
6.	<b>IT Based audit Reviews.</b> 1. Review of general controls and application controls such as backup , passwords control, and access rights.	Our approach will include: <ul style="list-style-type: none"> <li>• Updating the systems description;</li> <li>• Perform a walkthrough of the system description using a sample of one. Based on the system description results a sample will be selected for detailed testing.</li> </ul>	October / November 2016
7.	<b>1<sup>ST</sup> Quarter PMS Review</b>	Performing a review on PMS system and Organisational Score card.	October 2016.



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No	Planned work	Detail	Targeted period.
8.	<p><b>Human Resource:</b></p> <ol style="list-style-type: none"> <li>1. Review of compliance of HR policies with labour and related framework and legislation;</li> <li>2. Recruitment and Appointments;</li> <li>3. Terminations;</li> </ol> <ul style="list-style-type: none"> <li>• Leave Administration.</li> </ul>	<p>Our approach will include:</p> <ul style="list-style-type: none"> <li>• Updating the systems description;</li> <li>• Perform a walkthrough of the system description using a sample of one.</li> <li>• Based on the system description results a sample will be selected for detailed testing. Update system description and perform walkthrough of controls.</li> <li>• Conduct routine review of controls over appointments; terminations, personnel files, leave taken, unpaid leave, sale of leave, user access profiles, change of details;</li> <li>• Test leave accruals and entitlement and ensure that it complies with the Basic Conditions of Employment Act and with SALGA Regulations;</li> <li>• Review declaration of financial interests register for staff and councillors;</li> <li>• Review the accuracy of a sample of attendance registers by conducting a physical inspection of staff and reconciling to the Payroll;</li> <li>• Assess adequacy of physical measures that are in place to safeguard confidential personnel data;</li> <li>• Review the impact of unfilled vacancies on segregation of duties within each department as well as the impact on service delivery (Vacant posts on Organogram);</li> <li>• Review of career development plans for staff (Skills Development &amp; Employment Equity).</li> <li>• Review of post capture procedures within HR.</li> <li>• Review of Contract Staff – on contract for more than 12 months repeatedly.</li> </ul> <p>Review of Overtime process and procedures in place in the approval of overtime.</p>	<p><b>October / November 2016.</b></p>
9.	<p><b>2<sup>nd</sup> Quarter PMS Review.</b></p>	<p>Performing a review on PMS system and Organisational Score card.</p>	<p><b>January 2017.</b></p>
10.	<p><b>2<sup>nd</sup> Quarter – Cyclical Audit</b></p> <p><b>Dashboard Review</b></p> <p><b>AG Action Plan</b></p>	<p>Performing an audit on Dashboard Review-</p> <p>AG Action Plan- review action plan on previous raised AG findings.</p>	<p><b>January / February 2017.</b></p>



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No	Planned work	Detail	Targeted period.
	<b>Risk Review</b>	Risk Review- review the progress made in mitigating risk.	
11.	<b>Supply Chain Management:</b> <ul style="list-style-type: none"> <li>• Ordering;</li> <li>• Tender process (demand, acquisition, logistics, disposal, risk management);</li> <li>• Receiving Process;</li> <li>• Invoicing and Reconciliation;</li> <li>• Contract Management;</li> <li>• Creditor (including payments);</li> </ul>	<ul style="list-style-type: none"> <li>• Perform a follow-up of previously reported items;</li> <li>• Perform routine detailed testing of controls for creditors and payments;</li> <li>• Select a sample of payments, including petty cash payments, and test that all relevant supporting documentation were attached, that they match, that the attached invoices are mathematically correct and that the amount paid to the supplier was accurate. Test that they were appropriately approved;</li> <li>• Select a sample of supplier reconciliations and re-perform calculations to ensure that they are accurate, reviewed and timeously performed;</li> <li>• Select a sample of debit order and test that they were approved by the appropriate delegated official and that they are appropriately supported;</li> <li>• Review the adequacy of safeguarding of unused pre-numbered face value documents.</li> <li>• Document and review the process surrounding Sec 36 Urgency and emergency orders.</li> </ul>	<b>January / February 2017.</b>
12.	Inventory Management (Stores).	Follow up on previous raised findings. Performing a stock count audit with SCM officials to ensure that internal controls are adequate.	<b>January 2017</b>
13.	<b>Fixed Asset Management:</b> <ol style="list-style-type: none"> <li>1. Fixed Asset Register;</li> <li>2. Reconciliation;</li> <li>3. Fleet Management.</li> <li>4. Maintenance Schedule's.</li> </ol>	Our approach will include: <ul style="list-style-type: none"> <li>• Updating / Documenting the systems description;</li> <li>• Perform a walkthrough of the system description using a sample of one to five.</li> <li>• Based on the system description results a sample will be selected for detailed testing.</li> <li>• Physical Verification.</li> <li>• Review the fixed asset register for adequacy and timely reconciliation to the general ledger;</li> <li>• Test the reconciliation between the fixed asset register and the general ledger fixed asset balance to ensure that they match;</li> <li>• Select a sample of assets and re-perform calculation of depreciation</li> </ul>	<b>February / March 2017.</b>



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No	Planned work	Detail	Targeted period.
		<p>to test the accuracy thereof and compliance with GRAP;</p> <ul style="list-style-type: none"> <li>Review the fixed asset register to ensure that the acquisition dates, tag numbers, detailed descriptions of assets.</li> </ul>	
14.	<b>Revenue Management.</b>	<p>Rates, electricity, refuse, protection revenue and other revenue received through municipality .</p> <ul style="list-style-type: none"> <li>Conducting follow up on previous raised.</li> </ul>	<b>February / March 2017.</b>
15.	<b>Grants , Subsidies and Donations.</b>	<p>Updating the system description and detailed testing.</p> <ul style="list-style-type: none"> <li>Conducting follow up on previous raised.</li> </ul>	<b>February / March 2017</b>
17.	<b>Payroll:</b> 1. Payroll management; 2. Subsistence and travel allowances; 1. Councilors' allowances.	<p>Our approach will include:</p> <ul style="list-style-type: none"> <li>Updating the systems description;</li> <li>Perform a walkthrough of the system description using a sample of one to five. Based on the system description results a sample will be selected for detailed testing.</li> </ul>	<b>March / April 2017.</b>
18.	<b>3<sup>RD</sup> Quarter – PMS Review</b>	Performing a review on PMS system and Organisational Score card.	<b>April 2017.</b>
19.	<b>3<sup>rd</sup> Quarter Cyclical Audit: Dashboard Review</b>  <b>AG Action Plan</b>  <b>Risk Review</b>	<p>Performing an audit on Dashboard Review-</p> <p>AG Action Plan- review action plan on previous raised AG findings.</p> <p>Risk Review- review the progress made in mitigating risk.</p>	<b>April 2017</b>
20.	<b>Banking and Cash Management:</b> 2. Investments; 3. Bank and Cash Management; 4. Bank Reconciliations; • Petty Cash.	<p>Our approach will include:</p> <ul style="list-style-type: none"> <li>Updating the systems description;</li> <li>Perform a walkthrough of the system description using a sample of one.</li> <li>Based on the system description results a sample will be selected for detailed testing.</li> </ul>	<b>April 2017</b>
21.	<b>Review of Reconciliation.</b>	<ul style="list-style-type: none"> <li>Review of the all reconciliation including bank reconciliation, creditors, debtors reconciliation,</li> </ul>	May 2017.
22.	<b>4<sup>th</sup> Quarter Cyclical Audit .</b> • Dash Board – Follow up. • AG Action Plan – Follow up • Risk Management –	<p>Performing an audit on Dashboard Review-</p> <p>AG Action Plan- review action plan on previous raised AG findings.</p> <p>Risk Review- review the progress made in</p>	<b>June 2017.</b>



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No	Planned work	Detail	Targeted period.
	Follow ups	mitigating risk.	
23.	<ul style="list-style-type: none"> <li>• <b>Year end – Audits.</b></li> </ul>	<ul style="list-style-type: none"> <li>• Year End Audits:</li> <li>• Cash Count Audits.</li> <li>• Stock Count Audits</li> </ul>	<b>June 2017.</b>
24.	<ul style="list-style-type: none"> <li>• <b>Special investigations</b></li> </ul>	<ul style="list-style-type: none"> <li>• At the request of the Municipal Manager, the Audit Committee, or MPAC certain special assignments / projects will be undertaken. No special investigation will be undertaken without prior approval from the Municipal Manager and the Audit Committee.</li> </ul>	No period targets this will be performed as per the request of the Committees and management listed on the left Colum.





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**11.2 Budgeted Hours per Quarter for year one.**

<b>Audit Area</b>	<b>Total</b>	<b>Planning and Review Hours</b>	<b>Field Work.</b>	<b>Audit Cycle 1 (July - Sept)</b>	<b>Audit Cycle 2 (Oct - Dec)</b>	<b>Audit Cycle 3 (Jan - Mar)</b>	<b>Audit Cycle 4 (Apr - June)</b>
<b>1st Quarter budgeted hours.</b>	<b>564</b>	<b>84</b>	<b>480</b>				
Annual Audits – AFS and Annual Performance Audit.	260	40	220	✓	-	-	-
Dash Board Review ( June/ July )	40		40	✓	-	-	-
Performance Management Quarter 4.	144	4	140	✓	-	-	-
Review of Reconciliations	120	40	80	✓	-	-	-
<b>2nd Quarter Total Budgeted Hours.</b>	<b>1020</b>	<b>160</b>	<b>820</b>				
Dash board Review	120	40	80	-	✓	-	-
IT Based Audit Review	220	40	180	-	✓	-	-
1 <sup>st</sup> Quarter PMS Review	280	40	240	-	✓	-	-
Human Resource	400	40	360	-	✓	-	-
<b>3rd Quarter Total Budget Hours.</b>	<b>1615</b>	<b>167</b>	<b>1400</b>				
Interim AFS Review	96	16	80			✓	
Annual reported and Mid Year Review	200	40	160			✓	
Dash Board Review Q2	88	80	80			✓	
Performance Management review Q2	40		40			✓	
Supply Chain Management	400	40	360	-	-	✓	-
Fixed Asset Review	200	40	160			✓	
Inventory Management Review	176	16	160			✓	
Revenue Management	243	3	240	-	-	✓	-
Risk Management - Review Q2.	84	4	80	-	-	✓	-



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Dash board – Follow up -Q2	40		40	-	-	✓	-
Grants and Subsidies	48	8	40				
<b>4th Quarter Total Budgeted Hours.</b>	<b>1306</b>	<b>118</b>	<b>1188</b>				
Payroll Management.	300	60	240				✓
Performance Management Q3.	163	3	160	-	-	-	✓
Bank and Cash Management	96	16	80	-	-	-	✓
Review of Reconciliations.	96	16	80	-	-	-	✓
Dash board – Follow up	40		40	-	-	-	✓
Risk Management - Updating of Risk Register.	60		60	-	-	-	✓
Year end – Stock Take and Cash Count.	184	24	160	-	-	-	✓
<b>Other</b>	<b>168</b>	<b>40</b>	<b>128</b>				✓
Financial Discipline Review	64	16	48	✓	✓	✓	✓
Special Investigations / Audits	104	24	80	✓	✓	✓	✓
<b>Administration-</b>	<b>480</b>	<b>0</b>	<b>480</b>				
Planning ( Administrative)	240		240	✓	✓	✓	✓
Meetings Admin and Audit Committee	80		80	✓	✓	✓	✓
Reporting - General ( Preparation of Audit committee packs.	160		160	✓	✓	✓	✓
<b>Total Hours</b>	<b>6019</b>	<b>282</b>	<b>5290</b>				



**ULUNDI LOCAL MUNICIPALITY**

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**Available Resources and Capacity within the Department.**

The internal audit department made out of a team of three employees, based on the plan the intention is to undertake all the assignments internally. Apart from the IT audit , which we need a specialised skill since this has been a critical risk over the years. The IA unit has done an audit on IT however based on our assessment we have identified the need to have the specialised body to perform the review. We will require the specialised skills when need arises where a special skill is required in the certain fields.

**Financial Resources.**

There has been a budget for Professional fees amounting to R 50 000. And this amount is a provision in case there is need to outsource our services. For the IT audit we will request for assistance from Treasury, and we believe there will be no fees charged. We will advise the committee as we proceed with our request from Treasury.

**11.3. Scheduling of Internal Audit projects.**

The Internal audit plan has been Scheduled per quarters as listed in the Budgeted hours and detailed planning.

The following process will be followed:

1. We will update / compile a system description and perform a walkthrough using a sample of one for the areas to be audited.
2. We will perform detailed testing of the applicable systems updated / documented.
3. An Internal Audit Scoping Memorandum will be submitted to the respective Senior Management for the section to be audited and the Municipal Manager will be notified.
4. Conduct the Internal Audit and prepare an Internal Audit report. Ensure management receives audit queries immediately after the audit. Management must respond to all audit queries immediately or at the latest within 1 weeks of request.
5. All reports will be finalised with management and action plans and dates agreed.
6. All previous audit reports will be include the specific risk register and followed up on bi-annually and reported to top management and Audit committee.

