

**MSUNDUZI MUNICIPALITY**

**INTERNAL AUDIT UNIT**



**ANNUAL AUDIT PLAN  
FOR 2012/13**

*'Auditing to Enhance, Protect and Promote Service Delivery'*

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**1. MANDATE****1.1 Legislative Requirements for Internal Audit Activity****1.1.1 *Municipal Finance Management Act, Act 53 of 2003***

In terms of Section 62 (c) of the Municipal Finance Management Act no 56 of 2003 (MFMA), the Accounting Officer of a Municipality is responsible for managing the financial administration of the municipality, and must for this purpose take all reasonable steps to ensure—

- that the municipality has and maintains effective, efficient and transparent systems—
  - (i) of financial and risk management and internal control; and
  - (ii) of internal audit operating in accordance with any prescribed norms and standards;

Furthermore, Section 165 (1) of the MFMA, states that the each municipality must have an internal audit unit.

Section 165 (2) states that the internal audit unit of a municipality must—

- (a) prepare a risk-based audit plan and an internal audit program for each financial year;
- (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to—
  - (i) internal audit;
  - (ii) internal controls;
  - (iii) accounting procedures and practices;
  - (iv) risk and risk management;
  - (v) performance management;
  - (vi) loss control; and
  - (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and
  - (viii) perform such other duties as may be assigned to it by the Accounting Officer.

**1.1.2 Local Government: Municipal Planning & Performance Management Regulations**

Regulation 14 (1) (a) of the Local Government: Municipal Planning & Performance Management Regulations of 2001, prescribe that a municipality must develop and implement mechanisms, systems and processes for auditing the results of performance measurements as part of its internal auditing processes.

Sub-regulation (b) of Regulation 14 states that any auditing in terms of paragraph (a) must include assessments of the following:

- (i) The functionality of the municipality's performance management system;
- (ii) whether the municipality's performance management system complies with the Act; and
- (iii) the extent to which the municipality's performance measurements are reliable in measuring performance of municipalities on indicators referred to in regulation 9 and 10.

Sub-regulation (c) states that a municipality's internal auditors must-

- (i) on a continuous basis audit the performance measurements of the municipality; and
- (ii) submit quarterly reports on their audits to the Municipal Manager and the Performance Audit Committee referred to in sub regulation (2).

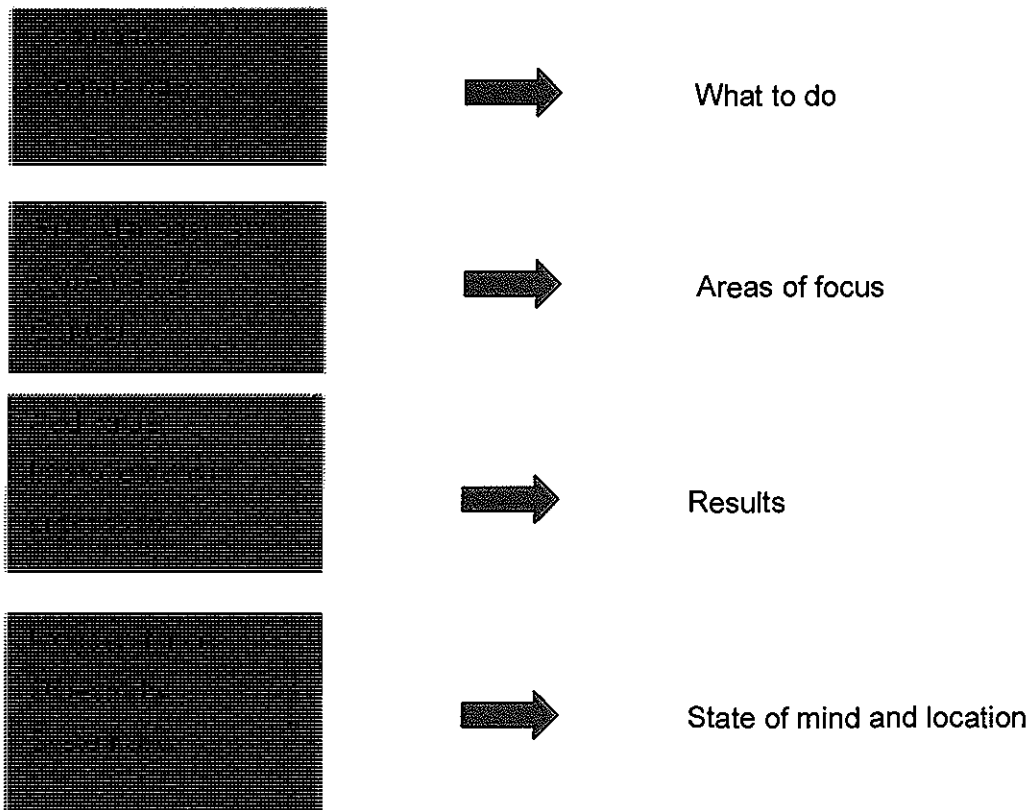
**1.2 Professional Requirements**

Msunduzi Municipality Internal Audit Unit subscribe to the statements and standards issued by the accountancy, auditing and internal auditing bodies and International Standards for the Professional Practice of Internal Audit (ISPPIA) issued by the Institute of Internal Auditors of South Africa (IIA) and Code of Ethics thereto.

**2. OBJECTIVES AND SCOPE OF THE ANNUAL AUDIT PLAN**

Our primary objective is to provide an independent and objective assurance and consulting services designed to add value and improve Msunduzi Municipality's administration operations through a systematic, disciplined approach to evaluate and improve the effectiveness of the systems of internal control, risk management and governance processes.

The definition internal auditing has many facets that, if unpacked, gives a very good understanding of what an internal auditor is expected to do. The diagram below represents the different elements of the definition



We have a responsibility to review the functionality of the municipality's performance management system, whether the municipality's performance management system complies with the regulatory framework, the extent to which the municipality's performance measurements are reliable in measuring performance of the municipality on indicators.

The following typically, core internal audit services will be undertaken in order to achieve the above primary objective:

- Risk and Control identification & assessment;
- The review of adherence to the Constitution of the Republic of South Africa, Act 108 1996 (as amended), Local Government legislation and other Legislation

relating to operations at Msunduzi Municipality, Regulations, Bylaws, Policies & Procedures and Contractual obligations arising from different relationships;

- The review of systems of internal controls and business systems (Finance, Human Resource and non-financial) and business processes;
- The examination of financial and operating information for management;
- The review of governance processes;
- The review of risk management processes, practices and management thereof;
- Performance information review;
- Special assignments (consulting activity e.g. sundry payment review prior to effecting payments, special review of payment vouchers prior to effecting payments);
- Review of IT systems; and
- Forensic investigations as may be required by the municipality.

The scope of our audits for the acknowledgement and support by the Accounting Officer and approval by the Audit Committee is detailed in annexure A attached hereto.

### **3. ACCOUNTABILITY**

Internal Audit Unit is directly accountable functionally to the Audit Committee, as established in terms of section 166 of the MFMA. This accountability applies despite the administrative location of the Internal Audit Unit which is under the Office of the Municipal Manager.

Internal Audit Unit is responsible to the Accounting Officer to ensure that it gives assurance as to the effectiveness and efficiency of the systems of internal controls, risk management and governance process employed in the municipality. This should not, however, be construed as channelling the Internal Audit's direct responsibility to the Accounting Officers as this function reports to the Audit Committee as laid out in Section 166 of the MFMA.

Internal audit as a philosophy is a management tool designed to apprise and advice the Council, Executive Committee, Accounting Officer and his Executive Management on governance, risk management and control processes. This affirms the attitude of the internal auditor's role in internal audit activity which requires that reports are issued, discussed with management and management comments obtained incorporated into

the reports before audit report to the Audit Committee is compiled and tabled before the Audit Committee.

**4. ENGAGEMENT CO-ORDINATION & CO-OPERATION**

It is accepted that the co-operation and availability of Msunduzi Municipality management and personnel plays a significant role in impacting the effectiveness and efficiency of our internal audit activity to the departments/business units. We undertake to explain the purpose of internal audit, the objectives, scope and approach for each audit assignment and discuss risks as identified by either management or ourselves in order to obtain the complete co-operation of management and staff. We will make every effort to obtain the complete co-operation of the departmental process management and site supervisors.

The Executive Manager: Internal Audit Unit will play a co-ordination role on municipality's internal audit activity and any concerns, suggestions and inputs should be directed to him. All internal audit assignments will be sanctioned by the Executive Manager: Internal Audit Unit.

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Our key contacts within the municipality are the Municipal Manager, all Deputy Municipal Managers, Process Managers and Managers.

**5. REPORTING STRUCTURE**

Communication, particularly through reports, is an essential element of the internal audit process. Matters of significance which require the attention of the Deputy Municipal Managers will be discussed verbally before we finalise each audit assignment on regular basis, however, if the matter is severe in nature and its impact is catastrophic and of high security and in our assessment and requires the Municipal Manager's urgent attention it will be escalated to him. Otherwise all matters will be discussed with the Process Managers and management comments confirmed with the Deputy Municipal Managers.

Reports will clearly demonstrate the weaknesses in the system of internal control, risk management, governance and operating concerns arising from the audits. The structure will detail the standard, actual finding, root cause, the potential impact and reasoned recommendations for change. Our reports will also clearly demonstrate the following amongst others:

- graphically summary of audit results per rating;
- summary of findings processes or sub-processes in a chart per percentage;
- our opinion on each processes or sub-process or activity reviewed; and
- overall audit opinion on the areas reviewed.

Reporting will take place on a continuous basis as work is finalised with the Process Managers. Once the draft reports have been finalised they will be issued to the Deputy Municipal Managers with a view to discuss them and confirm management comments. It is the prerogative of the Deputy Municipal Manager to decide who should get a copy of the report and be part of the discussion of the report unless we have strong and justifiable reasons that certain officials must not see the content of the report. Deputy Municipal Managers will be afforded maximum of two weeks (14 days) to provide management comments and action plan. During the two week period a meeting between ourselves and the Deputy Municipal Managers and their teams should take place. Should we not obtain co-operation we will escalate the matter to the Municipal Manager as an Accounting officer. If we are unable to get co-operation of the Municipal Manager, we will escalate the matter to the Audit Committee, however, we don't envisage such situation taking place.

Once we have received management comments and agreed on the action plan, those will be incorporated into the report and report issued to the Municipal Manager as a final report with a copy to the Deputy Municipal Manager and electronic copies to the Process Managers and Managers. Copies of our final audit reports will be forwarded to the Auditor General for information in an electronic form.

Quarterly progress reports on the annual audit plan will be submitted to the Municipal Manager and the Audit Committee.

An Audit Committee report will be compiled and submitted to the Audit Committee on quarterly basis or alternatively to suite the Audit Committee meetings calendar.



**6. INTERNAL AUDIT EXPECTATIONS**

The following are expectations from our client business units:

- Unrestricted access to all records of the municipality and any other information and objects in the custody and control of any person employed by Msunduzi Municipality which is necessary and critical for the performance of our duties.
- Timely submission of management comments and action plan to address the weaknesses identified during audits and ensure that this is done within 14 days from the date of receipt of the draft report. Should we not receive a response within the timeframe thereafter; the matter will be escalated to the Accounting Officer.
- The Process Managers or their delegates will be responsible for administration arrangements (e.g. office space, furniture, parking, etc.) at the audit point.
- Implementation of our recommendations and agreed action plan (follow up to verify implementation – 6 months after submission of the final report).
- Management takes responsibility for risk management and collapse of the system of internal control and governance.

**7. APPROACH TO THE PREPARATION OF AN ANNUAL AUDIT PLAN****7.1 Background**

Our approach to the preparation of the annual audit was informed by the following:

Risk and Control Identification and Assessment at Msunduzi Municipality was conducted by the KwaZulu-Natal Provincial Internal Audit Unit and completed in February 2012. We have reviewed the Risk and Control Self-Assessment Report dated February 2012, annual plan for the year of the three year rolling audit plan approved by the Audit Committee in February 2012 and the report of Auditor-General. These documents were all considered as we prepared the annual plan for 2012/13.

As far as the Risk Profile/Register, we will review and update Risk Profile and Risk Management Strategy during 2012/13 financial year to ensure that risks that might have emerged from March 2012 until the next Risk Assessment workshop have

adequate controls and to take into cognisance new controls that have been implemented as a result of new or improved policies and procedures and financial or other systems and with the change in Political Leadership and Administrative leadership. This played a role in informing our annual audit plan for 2013/14 financial year.

Emanating from the Risk and Control Self-Assessment, a three year rolling audit plan was developed with a view to addressing the municipality's critical areas. The audit coverage covers vast areas in municipality which are mostly support functions compared to core functions of the municipality in broad terms:

## 7.2 Our Approach

Risk based auditing implies risk based planning. We want to handle the significant exposure to risk in the municipality. We want to make an impact as internal auditors. In terms of the definition which is encapsulated in our Internal Audit Charter, we articulate our role as providers of **assurance** or **consulting** activity. This is the point where we believe we should bring to surface.

If one were to guess a typical risk profile, or at least its parameters, it would resemble the one in **figure 1**.

**Figure 1:**

<i>Risk Elements</i>	<b>Inherent Risk</b>	<b>Control Assessment</b>	<b>Residual Risk</b>
One	High	Strong	Low
Two	High	Weak	High
Three	Low	Strong	Low
Four	Low	Weak	Low

Now there would be risks and controls somewhere that the auditor/management may be for better judgement would assess as medium. For the purpose of this discussion I have ignored them, are inclusive in our plan.

**Risk Element One: High Risk – Strong controls**

These are the areas where according to the assessment by management, have put in place adequate controls against high risks exposures. Our reaction here is testing those controls for effective operation and give management **assurance** that controls they have put in place are operating as designed. Where the controls are not operating effectively we would give management advice through our recommendations on what they can do to strengthen the effectiveness of these controls.

Our plan therefore has identified these areas and developed a road map of the controls that we intend testing. Our individual engagement planning memorandum which will be discussed with management and audit programs that will be prepared before commencement of each audit will focus more on how these controls will best be tested.

**Risk Element Two: High Risk – Weak control**

In these areas we have assessed that there are no identified controls or weak controls identified for high risks exposures. In these areas we need to be mindful that management probably was not aware or did not appreciate that they are exposed to risks that they are not adequately mitigating, or due to lack of knowledge and skills did not know how to mitigate against such risks. A very clear understanding of why the risk is not controlled would have to be obtained during the Risk and Control Self-Assessment stage. As we move forward in institutionalising risk management within the municipality, we will ensure that management put action plan in place to develop intervention that will develop controls to mitigate against those risks.

**Risk Elements Three: Low Risk – Strong Controls**

We must never lose sight of the fact that management also assessed the risk as low or medium in the first place, and that our approach is risk-based, therefore we should be focussing our attention on high risk exposure.

Before we make that conclusion and move on we need to thoroughly understand these “strong controls”. Are they strong because they adequately address the risk or are they a potential over-investment in controls? If these controls are adequate for the risk we should, in fact, ignore these elements. If, however, the controls are too strong for the

risk, we need to play a role in **advising** management to cut down on certain controls that do not add value but simply stifling efficiency in the operations. This will be done with great caution, as it is extremely risky to cut down on controls.

### **Risk Element Four: Low Risk – Weak control**

We need to be mindful that the resources of the municipality are limited and cannot afford the budget for auditing everything. If we are comfortable with management assessments of risks and controls, we have nothing to audit in this area.

Audit areas have been prioritized based on their nature and inherent risk rating and the residual risk rating. Areas with inherent risk that is above 3 which we have deemed high but have controls that are sufficient (where no further action is required in terms of the assessment by management) have been given a high priority. Areas with inherent risk that is above 3 but with no controls in place or have weak controls and further action has been identified have been given less priority in order to afford management time to implement action plan. It does not add value to audit areas which we as auditors are well aware that there are either no controls or there are weak controls. What is critical is to test the effectiveness of the controls that management believe are adequate against high risks.

### **Questions used for the Evaluation of the Plan**

As Internal Audit Unit we have formulated a plan of approach for the year that has just commenced. We have evaluated the plan for adequacy and appropriateness before finalisation and approval by raising the following questions at the back of our minds.

### **Balance between Assurance and Consulting**

The plan strike a nice balance between the anticipated assurance activities and the consulting opportunities that Internal Audit intends to seize. Remember the plan is based on the assessment of risks and, therefore, the questions that one would be having in mind are:

- When / how are we going to provide assurance on the areas of risk where we have identified well-designed controls? (*Assurance*)

- What are we going to do to assist the client on the areas of significant risk where we did not identify meaningful controls? (*Consulting*)

The previous municipality annual audit plans that one looked at do not seem to be clearly striking this balance. They shy away from the identification and planning of consulting activity. A typical response has been, "We will wait until the departments have implemented our recommendations or controls in these areas and we will conduct a follow-up audit." If one looks at this issue closely, it means that there is great consulting activity that can be played by Internal Audit function in an environment where there is a fundamental lack of systems of internal control. This again must be looked at against the capacity of internal audit.

### **Balance between Risk Management, Control and Governance**

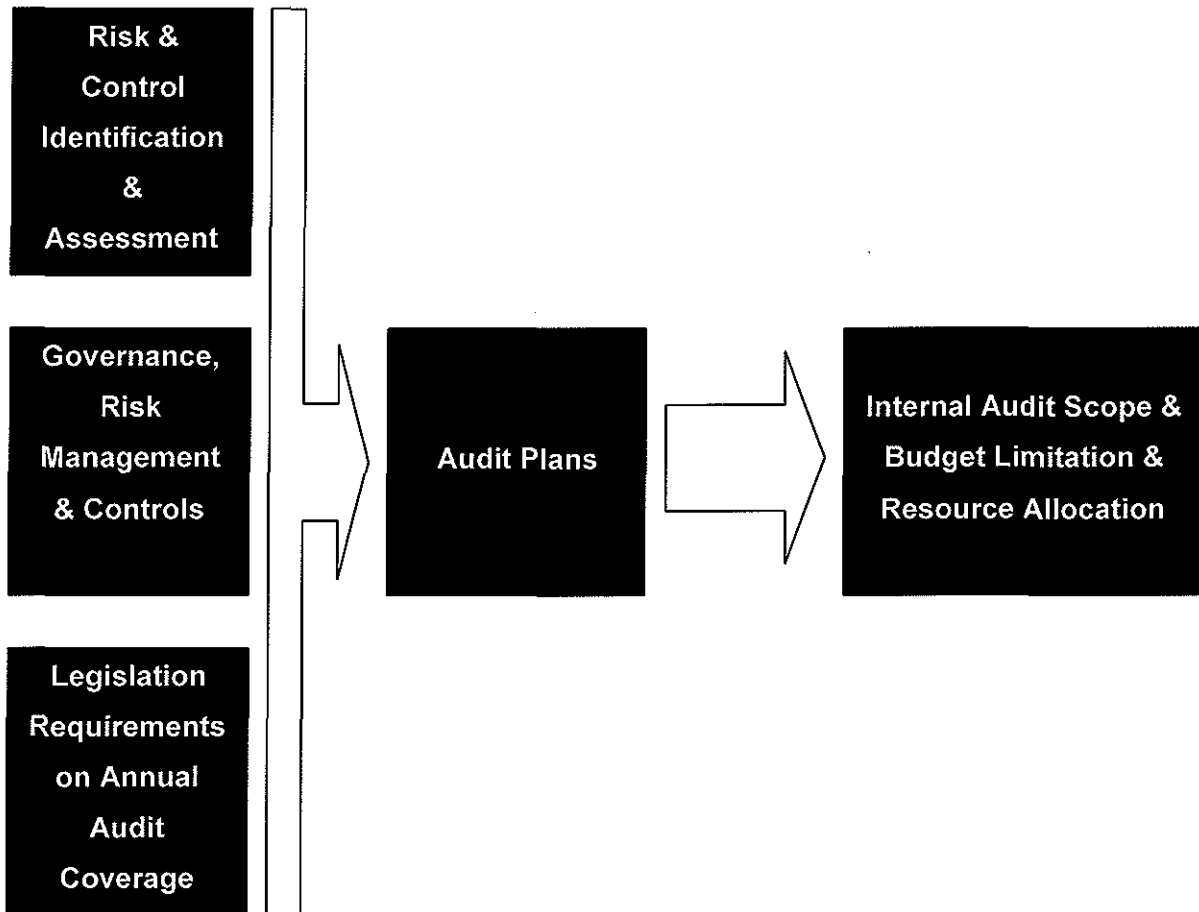
Our previous annual audit plans placed a very strong emphasis on controls. Almost all assignments planned are tests of some controls that have been identified in the risks assessment exercise. Very little gets done on the reviews of risk management and governance processes.

Typically you will find that the platform of an organisation in terms of risk management strategies and approaches; and its governance structure and culture will determine if the controls will be effective. We often wonder why certain controls fail the test of operational effectiveness even though they are so well designed. The answer lies in the environment, governance and risk management.

In this light, this requires that we should review, analyse and give feedback and strive to change the way in which the municipality is governed. This means for example that when looking at an investigation into fraud & corruption or theft or any other irregularity that was performed, we are not looking at whether the fraudster was found; we are looking at how the leadership dealt with him/her! This will speak a significant governance language and can encourage or discourage fraud, corruption and other irregularities in the municipality depending on how the leadership condones or resents such incidents.

We have scrutinised our plan for 2012/13 to ensure that they strike a very clear balance between reviews of controls, governance processes and risks management strategies and processes.

The following diagram illustrates the process by which the internal audit plan was formulated:



## 8. FINANCIAL IMPLICATIONS

Due to lack of capacity within the Unit, internal audit services will be co-sourced to external service providers, appointed in compliance with the Supply Chain Management process and will be managed and co-ordinated by the Executive Manager: Internal Audit Unit.

We had originally budgeted R 2 706 000.00 made of the following votes:

- a) 036 100 1100 for Consultants
- b) 036 100 1195 for External Services

In our discussion with the Manager: Budget, Mr Gwala we were informed that our budget was adjusted from R 2 706 000.00 to R 1 400.00. However, we were not informed of the adjustment, we just found out by pure luck when we were doing a follow-up on accruals.

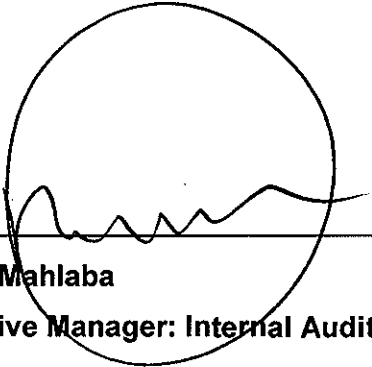
The unit has at least two incumbents who are internal audit material which I can use as internal auditors. The other two will be discussed in another forum once a report to Management Committee has been finalised. Implementation of the new structure is a process that will be informed by the approval, costs and implementation plan of the approved structure.

The current budget will cripple internal audit activity which is a very critical if we are to turn this municipality around on matters of systems of internal control, risk management and governance. This unit has a crucial role to play toward attaining a clean administration which will culminate to clean audit report by 2014.

Whilst one understand the competing needs of the municipality, however, I plead that adjustment budget should cater for the short fall discussed above.

9. APPROVAL OF THE INTERNAL AUDIT PLAN

As Internal Audit Unit we have formulated a plan of approach for the year that has just commenced. We have evaluated the plan for adequacy and appropriateness before finalisation and approval.



Mr P J Mahlaba  
Executive Manager: Internal Audit Unit

01 August 2012

Date

The annual audit plan is acknowledged & supported by the Accounting Officer of The Msunduzi Municipality:



Mr M A Nkosi  
Municipal Manager

01/08/2012

Date

Annual Audit Plan has been reviewed by the Audit Committee and approved:



Ms Sushila Keshav  
Chairperson: Audit Committee

7/8/2012

Date





26	Investigations																
<b>E</b>	<b>Other planned activities</b>																
27	Anti fraud and corruption Policy Review & Strategy Development & Workshops			x	x	x	x	x	x								466.666
28	Internal Audit Methodology Development		x	x													
29	Three Year Rolling Internal Audit Plan & Annual Audit Plan 2013/14 Development													x			
30	Review Internal Audit Charter													x			
31	Review Audit Committee charter													x			
	<b>RISK MANAGEMENT</b>																
32	Risk & Control Identification & Assessment		x	x													
33	Risk Management Strategy			x	x												
34	Risk Management Methodology			x	x												
34	Risk Management Training				x	x	x	x	x	x	x						
	<b>AUDITS 2011/12 IN PROGRESS</b>																
	Follow up Audit - Market		x														180
	Overtime		x														180
	Performance Review Quarter 3		x														180
	Performance Review & Annual Performance - Qrt 4 2011/12		x														180
	Data Analytics Review		x														
	Water & Electricity Losses		x														180

**TOTAL HOURS**

**5943**

Msunduzi Municipality  
Annual Audit Plan 2012/13

Project No	Department	Focus Area	Risks	Broad Audit Objective	Hours	Timeframe	Status
1	Budget & Treasury	Conditional Grants & Investments (DoRA)	<p>The National Treasury may stop the transfer of funds to the municipality in terms of Section 38 of the MFMA due to non-compliance with conditions of grants.</p> <p>Unsound business decision (investments) due to ineffective month end closure and financial reporting.</p> <p>Unreliable, misleading and untimely financial information (misallocation of expenditure) relating to conditional grants thus giving a incorrect balances.</p> <p>Misappropriation of grant funding.</p> <p>Failure to spend conditional grants resulting to call up of funds thus losing revenue &amp; compromise of service delivery.</p>	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	180	July 12-Sept 12	
2	Corporate Business Unit	Annual Report & Annual Performance Review	<p>Material misstatements may occur which renders annual report incredible.</p> <p>Inadequate disclosure of all material matters as per to statutory requirements.</p>	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	96	July 12-Sept 12	
3	Infrastructure Services	Fleet Management	<p>The Technical staff may not be consulted prior to acquiring a new fleet resulting to unsuitable fleet being acquired for the purpose and the area in which the municipality operates.</p> <p>The fleet may be overused or abused resulting to shortened lifespan.</p> <p>Municipal resources such a fuel, oil, hydraulic may be waste through spillage due to negligence by staff, thus incurring unnecessary expenditure.</p> <p>Theft of spares, fuel, vehicle parts, etc.</p> <p>Vehicles may sent to doggy or unregistered motor repair/service garages which could result to repetitive faults caused by used spares yet charge for new spares.</p> <p>Body and mechanical defects in vehicles caused by negligence of staff due to no daily checks for both outgoing and incoming fleet to detect defects and assign accountability thereof.</p>	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	200	Sept 12-Nov 12	

			Increased maintenance costs & shortened useful life of vehicles caused by lack of maintenance plan.				
			High rate of accidents.				
			Theft of vehicles.				
4	Economic Development & Growth	Housing Rental Stock	Illegal occupation of Council Housing Rental Stock resulting to loss of income.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	200	Sept 12-Nov 12	
			Housing Rental Stock in dilapidated state which could cause loss of life & damage to tenants assets due lack of maintenance.				
			Non-collection of rent on Housing Rental Stock resulting loss of income.				
			Arrear rental amounts may not be recoverable.				
			Incomplete debtors' records may result in incorrect instalments being charged.				
			The Council's legal recourse against debtors/tenants for recovery of rentals may be diminished due to lack of complete & properly maintained & updated individual lease files.				
			Rental collected may differ compared to the rental agreed to as per the lease agreements.				
			Tenants may submit false information relating to their income in order to qualify for occupancy of the rental housing stock or qualify for reduced rental resulting to loss of rental income.				
			Tenants may be doing illegal business or criminal activities which could result in Asset Forfeiture Unit attaching municipal property as deemed a tool used in committing crime.				
5	Corporate Services	Human Resource Planning	Redundancy of personnel due to haphazard creation of posts which are not informed by scientific strategic human resource planning & taking account of both short & long term implications resulting to bloated & uneconomical organisational structure that is not sustainable.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	160	Oct 12-Dec 12	
			High staff turnover, vacancy rate & instability.				
			Low staff moral due to work overload & pressure impacting negatively on productivity.				
			The municipality may not be adequately responsive to its human resources' lack of necessary competencies, training needs and equality in terms of gender, race and people living with disability.				

			The municipality may not be able to recruit and retain highly skilled, knowledgeable and talented human capital.				
			Employees may submit fake matric & tertiary certificates.				
			The municipality may employ persons with criminal record or who has been dismissed from employment previously for serious misconduct acts or reputation that would be detrimental to & compromise the integrity of the municipality.				
			Labour abuse in relation to leave resulting to labour disputes and poor working relationships caused by the leave policy of the municipality which may not be aligned to the Basic Conditions of Employment Act of 1997 .				
			Recruitment and selection process may be cumbersome, inefficient, ineffective, uneconomical and not in line with the best practice which could result to delays and frustrations which have an impact on service delivery.				
			Non-compliance with Employment Equity Act or failure to redress imbalances of the past resulting in racial and male dominated senior, middle management & key positions & non-compliance with the government policy of creating a balanced workforce in terms of gender and race.				
			Undue political influence may be exerted on the selection panel to shortlist candidates who are relatives & or friends of the councillors who do not necessarily meet the requirements of the advertised post/s which could result in appointment of incompetent candidates.				
			The criteria for the short listing process may be inadequate to identify candidates with potential which result in candidates with potential not short listed or candidates without the necessary potential or skills and know-how of the job shortlist.				
			The interview questions may not be properly safeguarded resulting in a compromise in confidentiality and appointment of an unsuitable candidate.				
			Inadequate recording of interview proceedings could make grievances and disputes which could be resolved easily to be very complex and result to long drawn labour disputes which may delay assumption of duty by the candidate offered a post and compromise service delivery.				

			Questions set and posed to the candidates may not be adequate / appropriate or relevant for the post to be filled resulting and the panel members may not be of the same mind when discussing the questions and possible answers which could result to the selection of unsuitable candidate.				
			Employment contract for section 57 may not comply with minimum requirements of legal principles and law of contract which could render such performance agreement invalid and not usable in misconduct resulting from poor performance.				
			Conflict of interest & non-disclosure of registrable interest in the form of shares and other financial interest in private or public companies or other corporate entities recognized by law; directorships and partnerships; remunerated work outside the Council, consultancies and retainer ships; sponsorships; gifts and hospitality from other sources other the family member and ownership and other interests in land and property by section 57, 56 & other employees of the Municipal Council which could tarnish the reputation of the Council & audit queries.				
6	Corporate Business Unit	Governance Review	Collapse of system of internal control, risk management & governance within the municipality due to poor working ethics & relationships at the top echelon & political interference & infighting within the member of Council. poor wo.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	160	Oct 12-Dec 12	
7	Infrastructure Services	Infrastructure Services – Project Management	Failure to provide additional funding within grants for insurance of projects in progress in the event of theft, breakages and incidents could result in over expenditure on projects and unsustainability of projects.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	200	Nov 12-Dec 12	
			Poor quality material being used on the project resulting to substandard work.				
			Poor workmanship on appointed contractor				
			Project does not meet the requirements of the local municipality, does not have the facilities needed				
			Late appointment of quantity surveyors or & architects, implementing/consulting engineers/agents & contractors				
			Construction not completed on time due to weather conditions				
			Construction not completed on time due to constructor's incapacity to deliver				
			Unrealistically high contract prices				
			Internal corruption in the tendering process				

			Price escalations during the project			
8	Community Services	Landfill Site & Waste Management	The landfill site may not be environmentally friendly, pickers at risk of illness due to eating condemned food from the site, surrounding residents affected by odour, dust and smoke from the site.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	160	Nov 12-Dec 12
			Non-billing & inaccurate billing of customers resulting to loss of income.			
			Uncontrollable fires on the landfill site and other anomalies may occur as a result of not being packed properly.			
			The landfill site may have a shorter life span due to lack of mechanisms for proper management and recycling of any resources from sites.			
			Sites not compliant with licensing conditions and threatened of closure by regulatory authorities			
			The condition of the landfill site may deteriorate.			
			Inadequate management of Leachate and contaminated storm water causing environmental threat to the surroundings			
			Negative media publicity as a result of the poor state of landfill site			
			Pickers may have access to the landfill site resulting to difficulties in operations due to lack of security.			
			Demolition of the fence in the landfill site to gain illegal access.			
			Pickers may off-load waste from delivering trucks before accessing the site.			
			Dysfunctional and fragmented approach to waste management			
			Illegal dumping which causes health hazards to ratepayers.			
			Non-collection of waste could resulting to violent service delivery protests causing damage to Council & community property & loss of life.			
			Lack of administration of the prevention injection to protect staff working with waste for diseases e.g. hepatitis could result to litigation.			
9	Community Services	Disaster Management (Fire Services)	Loss of life & property due to bad turn around time in responding to reports of fire.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	160	Jan 12-Mar 12
			Lack precautionary measures when attending to the scenes of fire could result to loss of life.			

10	Budget & Treasury	Asset Management	Inaccurate/incomplete information recorded on the asset register resulting in non-reliance on the completeness, accuracy and validity of the financial statements.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	180	Apr 12 - Jun 12	
			Misuse, abuse and neglecting of assets				
			Inability to determine asset book values.				
			Outdated and inaccurate asset register.				
			Theft or loss of assets.				
			Asset additions that are not justified and underutilisation.				
			Reduced asset useful life due to poor maintenance.				
			Asset disposals for no benefit to the organisation.				
			Fruitless expenditure/financial loss resulting from insured redundant assets which are not removed from the list of insured items on timely basis.				
			Municipality assets used for personal benefit.				
			Loss of suppliers warranty or to the lifespan of the assets being shortened due to lack of maintenance in accordance with supplier's maintenance plan.				
<b>B</b>		<b>Follow up Audits</b>					
11	All Business Units	AG Follow Up Audit & AG Dashboard	Qualified audit report		200	Jan 13-Jun 13	
12	Budget & Treasury	Revenue Management	Lack of implementation of internal audit recommendations & agreed action plan by management resulting to deterioration of systems of internal control and governance.	To ensure that the recommendations and agreed action plan has been adequately implemented by	160	Feb 13 -Mar 13	
13	Infrastructure Services	Water & Electricity Losses	Lack of implementation of internal audit recommendations & agreed action plan by management resulting to deterioration of systems of internal control and governance.	To ensure that the recommendations and agreed action plan has been adequately implemented by management.	160	Feb 13 -Mar 13	
14	Budget & Treasury	Supply Chain Management	Lack of implementation of internal audit recommendations & agreed action plan by management resulting to deterioration of systems of internal control and governance.	To ensure that the recommendations and agreed action plan has been adequately implemented by management.	160	Jan 13 - Mar 13	
15	Budget & Treasury	Financial Monitoring	Lack of implementation of internal audit recommendations & agreed action plan by management resulting to deterioration of systems of internal control and governance.	To ensure that the recommendations and agreed action plan has been adequately implemented by management.	140	Nov 12 - Dec 12	



16	Budget & Treasury	Pay office	Lack of implementation of internal audit recommendations & agreed action plan by management resulting to deterioration of systems of internal control and governance.	To ensure that the recommendations and agreed action plan has been adequately implemented by management.	140	Apr 13 - Jun 13	
17	Corporate Services	Overtime & Leave	Lack of implementation of internal audit recommendations & agreed action plan by management resulting to deterioration of systems of internal control and governance.	To ensure that the recommendations and agreed action plan has been adequately implemented by management.	140	Apr 13 - Jun 13	
18	Budget & Treasury	Expenditure Management	Lack of implementation of internal audit recommendations & agreed action plan by management resulting to deterioration of systems of internal control and governance.	To ensure that the recommendations and agreed action plan has been adequately implemented by management.	140	Nov 12 - Dec 12	
19	Corporate Business Unit	Call Centre	Lack of implementation of internal audit recommendations & agreed action plan by management resulting to deterioration of systems of internal control and governance.	To ensure that the recommendations and agreed action plan has been adequately implemented by management.	140	Apr 13 - Jun 13	
<b>C</b>		<b>Performance Audits</b>					
20	Corporate Business Unit	Performance Review - Qrt 1	Non-compliance with the Municipal Finance Management Act and relevant policies and procedures.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	160	Oct 12 - Nov 12	
21	Corporate Business Unit	Performance Information Audits - Qrt 2 & Mid-Term Review	Poor performance by the municipality which may detriment the image of the municipality.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	180	Feb 13 - Mar 13	
22	Corporate Business Unit	Performance Information Audits - Qrt 3	Failure to deliver on mandate and implement corrective decisions promptly where necessary.	Our primary objective is to express an opinion on the adequacy of the design and effectiveness of the operation of the systems of internal control.	160	Apr 13 - May 13	
			Unavailability of information resulting in inappropriate budget adjustments.				
			Budget overspending resulting from inappropriate information used to form decisions.				
			Delayed dissemination of financial management information resulting in poor decision making.				
<b>D</b>		<b>Special Assignments (as per management/exco request)</b>					
23	All Business Units	Analysis of AFS		To ensure compliance with legislation, GRAP and policies of the municipality.	40	Aug 12 - Aug 12	

24	Budget & Treasury	Sample Testing –Trade/Sundry Payables		To ensure compliance with legislation and policies of the municipality.	960	Monthly	
25	Budget & Treasury	Adhoc Review of Payment Validations		To ensure compliance with legislation and policies of the municipality.	0		
26	All Business Units	Investigations					
		<b>Other planned activities</b>					
27	All Business Units	Anti fraud and corruption Policy Review & Strategy Development & Workshops			466,666	Oct 12 - Mar 13	
28	Corporate Business Unit	Internal Audit Methodology Development				Sep 12 - Oct 12	
29	Corporate Business Unit	Three Year Rolling Internal Audit Plan & Annual Audit Plan 2013/14 Development				Apr 13 - Jun 13	
30	Corporate Business Unit	Review Internal Audit Charter				Apr 13 - Jun 13	
31	Corporate Business Unit	Review Audit Committee charter				Apr 13 - Jun 13	
		<b>RISK MANAGEMENT</b>					
32	All Business Units	Risk & Control Identification & Assessment				Aug 12 - Sep 12	
33	All Business Units	Risk Management Strategy				Sep 12 - Oct 12	
34	Corporate Business Unit	Risk Management Methodology				Sep 12 - Oct 12	
35	All Business Units	Risk Management Training				Oct 12 - Mar 13	
		<b>AUDITS 2011/12 IN PROGRESS</b>					
	Economic Development & Growth	Follow up Audit - Market			180	Aug 12 - Aug 12	
	Corporate Services	Overtime			180	Aug 12 - Aug 12	
	Corporate Business Unit	Performance Review Quarter 3			180	Aug 12 - Aug 12	
	Corporate Business Unit	Performance Review & Annual Performance - Qrt 4 2011/12			180	Aug 12 - Sep 12	
	All Business Units	Data Analytics Review			180	Jul 12 - Aug 12	
	Water & Electricity Losses	Water & Electricity Losses			180	Jul 12 - Aug 12	
	<b>TOTAL</b>				<b>6122,666</b>		