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Datum: 1 March 2016
Date:

INTERNAL AUDIT QUALITY ASSURANCE PROGRAM

In terms of Standard 1300 for the International Standards for the Professional Practice of Internal Auditing (ISPPA hereafter), the Chief Audit Executive should develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity and continuously monitors its effectiveness.

PURPOSE:

The purpose of this program is to help the internal auditing activity add value and improve the organisation's operations and to provide assurance that the internal audit activity is in conformity with the Standards and the Code of Ethics. ***This program includes periodic internal and external quality assessments and ongoing internal monitoring. Internal assessments will be done continuously. External quality assessment will be budgeted for in the next financial year.***

Quality assurance is essential since it clarifies and validates management's expectations of the Internal Audit unit. It assesses the unit's structure, methodologies, resources and capabilities. It assesses compliance with the ISPPA as promulgated by the Institute of Internal Auditors. It also identifies opportunities to improve the unit's structure and processes

AUDIT PROCESS:

The under mentioned protocols relating to the audit process have been established/ are to be established in order to add value to our customers (all the respective departments).

(a) RISK ASSESSMENT

NKM's Risk Management System was approved and adopted by Council on 9 December 2010. A Chief Risk Officer was appointed by Council in June 2012. The reviewed risk register and action plans on all high risks are in process and will be submitted for Council approval by the Chief Risk Officer after finalisation.

A risk assessment will be performed on an annual basis during the second quarter of the audit year (January to March) and the results will be considered for input into the annual and three year strategic audit plan of the IAU. A business approach will be followed to consider the significant business risks facing the customers (respective departments) in achieving its objectives and satisfying the needs of key stakeholders.

The risk management strategy and process will be assessed by the IAU – for appropriateness in deriving the risk profile of the respective departments.

(b) ANNUAL AUDIT PLAN

The annual audit plan, which must be based on the risk assessment process as per section 62(c)(i) of the MFMA, is part to a three-year strategic audit plan which is reviewed on a quarterly basis.

The annual audit plan will be negotiated with management and then submitted to the Audit Committee for approval.

Changes affecting the municipality's business environment as well as changes to the clients' (respective departments') risk profile will be regularly reviewed and updated on the risk register by the risk management unit to ensure that the planned audits remain relevant. Any subsequent changes to the audit plan have to be discussed with management and approved by the audit committee.

(c) AUDIT PROJECT PLANNING

During this phase the objectives, scope and timing of the audit are communicated to the management of the municipality.

- **Letter of engagement**

The IAU will issue a letter of engagement (at least 14 days prior to the commencement date of the planned audit) to inform management of the impending audit in terms of the audit plan. Management will designate the appropriate individual/s in the municipality to be audited, to liaise with the auditors for the duration of the audit.

- **The entrance meeting**

The opening planning meeting is scheduled with management prior to commencement of the audit.

- The agenda for the entrance meeting will provide for the following:

- i. Objectives of the audit
- ii. Time schedule
- iii. Scope of the audit
- iv. Inputs and concerns raised by management.

- The respective Internal Auditors will be responsible for the management of the abovementioned actions.

- Copies of the abovementioned documents should be included in the quarterly report to the Audit Committee.

(d) FIELDWORK/ EXECUTION

Fieldwork focuses mainly on designing and executing the testing of controls and transaction testing. The auditor determines whether or not the controls are operating effectively. Based on the issues discovered during the fieldwork phase, the scope may need to be adjusted, in which case management will be informed accordingly.

Regular meetings will be scheduled with management for the following purposes:



- To confirm and obtain agreement on the findings.
- To identify the root cause of identified control deficiencies in consultation with management.
- To make recommendations.
- To find the best practical solution to the finding (agreed management action).

Significant and/or repeat audit findings will be escalated to the Head of the Department(s)/ Municipal Manager as and when they are discovered.

Based on the results of the fieldwork, a draft preliminary report will be issued to line management for discussion and agreement.

e) AGREED MANAGEMENT COMMENTS / ACTIONS

Agreed management actions, which are clear indications of the activities and steps to be taken to address the identified control deficiencies, are devised during this stage in consultation with line management.

Management is expected to provide final agreed management action within 7 calendar days of issuing the preliminary internal audit report, failing which, the matter will be escalated to the Municipal Manager.

(f) EXIT MEETING

The agenda for the exit meeting will provide for the following:

1. Submission of a draft audit report.
2. Discussion of all findings.
3. Performance evaluation of the audit project.

Based on the outcome of the exit meeting a final audit report will be submitted to the Municipal Manager and relevant senior management.

The Head:Internal Audit will be responsible for the reviewing of this process. Audit reports will be submitted to the Audit Committee on a quarterly basis.

(g) FOLLOW-UP AUDITS

Follow-up audits on findings reported on during the year will be conducted during every quarter of the audit year.

The purpose of the follow-up audit is to ascertain the implementation status of the agreed management action and evaluate the adequacy and progress of the actions taken. The audit process and the protocol followed are similar to those of a normal audit.

Management meetings will be held monthly on report back of implementation of recommendations by senior management and minutes of these meetings will be submitted to the Council and Audit Committee.

(h) CUSTOMER SATISFACTION SURVEY:

The IAU endeavour to measure our audit performance by means of a Customer Satisfaction Survey. This document will be issued to the relevant Head of Departments when the audit commences and is to be returned to the Chief: Internal Audit at the exit meeting.

(i) REPORTING TO AUDIT COMMITTEES

Once a final audit report has been issued and cleared with all levels of management, the results of the report will be presented to the Municipal Manager and then to the Audit Committee and Council. Included in the report will be any material items, repeat audit findings, requests undertaken and emerging risks/issues.

(j) CUSTOMER REQUESTS

Requests for specific audits should be submitted in writing to the Head Internal Audit for consideration. The request should give details of the background, scope, purpose and timing of the services required. Once a request has been received, the IAU will submit the request to the audit committee in line with paragraph 5.5(i) of the approved Audit Committee Charter. The Audit Committee will make an assessment taking into account the availability of resources, the impact on current planned audits, the timing of the request as well as the overall risk to the municipality.

(k) PEER REVIEWING

Peer reviewing is currently conducted only internally. Due to distances and lack of available peers in the area external peer reviewing is impractical.

(l) INDIVIDUAL PERFORMANCES OF THE INTERNAL AUDITORS

- A schedule of the components to be audited will be provided to the Head of Department at the entrance meeting.
- After the audit has been completed, the schedule will be reviewed by the Head Internal Audit to determine whether all the components have been audited.
- If any components were not audited, acceptable reasons should be provided for the non-execution of the procedures.

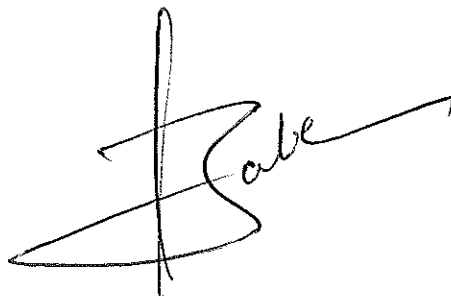
REVIEWED AND APPROVED ON THIS _____ DAY OF _____ 2016
AT SPRINGBOK

CHAIR PERSON
AUDIT COMMITTEE
M

DATE

HEAD INTERNAL AUDIT
Ms AM BEUKES

DATE



GOEDKEURING EN IMPLEMENTERING

BELEID NAAM: *	IMPLEMENTERINGS DATUM: 2016-07-01
RAAD GOEDKEURING:	DATUM: 6 Junie 2016

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