

13.

APPROVAL/ADOPTION OF NEWLY COMPILED AUDIT COMMITTEE WORKPLAN

3/2/3/12

DC Van Der Heever

(028) 313 5035

Internal Audit Services

10 April 2015

1. Executive Summary

The purpose of the report is to present Council with the newly compiled Audit Committee Workplan, pursuant to it being reviewed by the Audit Committee on 25 March 2015, for approval and adoption with effect from 01 May 2015.

2. Service Delivery and Budget Implementation Plan - IGNITE

Office of the Municipal Manager
Internal Audit Services

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

MFMA National Treasury Circular 65

6. Background/Discussion

The Audit Committee Workplan of Overstrand Municipality is designed and will be used to maintain regular, ongoing contact with internal auditors, external auditors and management, and to coordinate activities related to overall expectations. Furthermore, the workplan will also be used to coordinate communications and may be modified by the Audit Committee to include other activities deemed necessary, from time to time, by the Audit Committee.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Audit Committee Workplan

RECOMMENDATION TO THE COUNCIL:

that the newly compiled/reviewed Audit Committee Workplan of Overstrand Municipality **be approved** and implemented with effect from 01 May 2015.

RESPONSIBLE OFFICIAL :

D C VAN DER HEEVER

TARGET DATE FOR IMPLEMENTATION :

01 MAY 2015

OVERSTRAND MUNICIPALITY

AUDIT COMMITTEE WORKPLAN



AUDIT COMMITTEE WORKPLAN

INTRODUCTION

The Audit Committee Workplan of Overstrand Municipality is designed and will be used to maintain regular, ongoing contact with internal auditors, external auditors and management, and to coordinate activities related to overall expectations. Furthermore, the workplan will also be used to coordinate communications and may be modified by the Audit Committee to include other activities deemed necessary, from time to time, by the Audit Committee.

KEY: A – At least annually Q – Quarterly AN – As necessary	FREQUENCY			TIMING (QUARTER)			
	A	Q	AN	Q1	Q2	Q3	Q4
FINANCIAL MANAGEMENT							
Hold sessions with management	X						
Obtain agreement on responsibilities and communication and performance expectations.	X						
Meet to discuss quarterly financial results and how this compares with the approved budget.		X					
Discuss with management the materiality of any identified audit difference not corrected by management and consider if uncorrected difference could be material in future periods.	X						
Review management’s certification of quarterly annual financial information.	X						
Evaluate culture and environment (“ <i>tone at the top</i> ”)	X	X					
Review management’s project plan to perform annual assessment of the effectiveness of internal control over financial reporting.		X					
Review management’s assessment and related report on internal control over financial reporting.	X						
Review new accounting and financial reporting requirements.	X						
Discuss critical accounting policies and all material alternative accounting treatments that management has discussed with the Auditor-General.	X						
Discuss significant accounting estimates and judgments and the rational for those			X				

OVERSTRAND MUNICIPALITY
AUDIT COMMITTEE WORKPLAN



KEY: A – At least annually Q – Quarterly AN – As necessary	FREQUENCY			TIMING (QUARTER)			
	A	Q	AN	Q1	Q2	Q3	Q4
judgments.							
Discuss proposed significant, complex and/ or unusual transactions and their effect on the financial statements.			X				
Discuss the process for identifying related party transactions.	X						
Discuss the rationale for significant related party transactions and whether they have been properly disclosed.			X				
Review fraud prevention plans and controls.	X						
Assess the risk of material misstatements due to fraud and how management has responded to those risks.	X						
Review and monitor annual procurement plans.	X	X					
Discuss annual budget prior to adoption by Council.	X						
Discuss financial compliance with laws and regulations.		X					
Other matters (e.g. adequacy of staffing)			X				
AUDITOR-GENERAL							
Hold sessions with the AG.	X		X				
Obtain agreement on responsibilities, deliverables and communication and performance expectations.	X						
Review the audit team and evaluate their credentials and expertise, including the continuity of the team.	X						
Review the audit engagement letters.	X						
Discuss risk considerations.			X				
Discuss key accounting and auditing developments.			X				
Discuss the scope of the annual audit and interim reviews and the related timing.	X						
Review the estimated annual audit fees.	X						
Review the results of the annual audit (including required communications).	X						
Review the summary of unadjusted	X						

AUDIT COMMITTEE WORKPLAN

KEY: A – At least annually Q – Quarterly AN – As necessary	FREQUENCY			TIMING (QUARTER)			
	A	Q	AN	Q1	Q2	Q3	Q4
differences.							
Discuss critical accounting policies and all material alternative accounting treatments that the independent auditors have discussed with management.	X						
Review other material written communication that the independent auditors discussed with management.	X						
Receive and audit scope update.			X				
Understand areas of audit emphasis.			X				
Discuss the quality of the Municipality’s control environment, including the “ <i>tone at the top</i> ”.	X						
Discuss the AG’s observations related to the effectiveness of the audit committee.	X						
Discuss any significant deficiencies and material weaknesses in internal controls and the adequacy of management’s plans for remedial action.			X				
Discuss any significant recommendation for improvements in internal controls and the adequacy of management’s response to the recommendations.	X						
Discuss how management is complying with policies and procedures and any pressure they are under to accept less than high-quality financial reporting and performance reporting.	X						
Discuss any identified or suspected fraud and illegal acts involving senior management and other employees.			X				
Areas requiring special attention.			X				
Review the results of special work or procedures performed.			X				
Other matters (e.g. adequacy of financial staff or resources).			X				
CAE/ INTERNAL AUDIT ACTIVITY							
Hold sessions with the CAE/ Internal Audit Activity.			X				

KEY: A – At least annually Q – Quarterly AN – As necessary	FREQUENCY			TIMING (QUARTER)			
	A	Q	AN	Q1	Q2	Q3	Q4
Obtain agreement on responsibilities and communication and performance expectations.	X						
Review resources and expertise.	X						
Review Internal Audit Charter.	X						
Review scope of Internal Audit Plan for upcoming year.	X						
Approve Internal Auditing costs (budget/ actual).	X						
Discuss Internal Audit’s coordination with AG.	X						
Discuss any identified or suspected fraud and illegal acts involving senior management and other employees.			X				
Obtain and review results of compliance reviews.	X						
Discuss the quality of the Municipality’s control environment, including the “ <i>tone at the top</i> ”.	X						
Obtain results of quarterly performance information reviews.		X					
Obtain results of the review of the Annual Financial Statements.	X						
Discuss any significant recommendations for improvements in internal controls and the adequacy of management’s response to the recommendations.	X						
Review summary of significant audit findings and status update relative to the annual plan.		X					
Review the results of the periodic “ <i>peer</i> ” review (IA annual assessment).	X						
Review the appointment, replacement, re-assignment, or dismissal of the CAE.			X				
MANAGEMENT							
Discuss information system matters (IT).			X				
Discuss the IDP/ SDBIP.	X						
Discuss quarterly performance reports.		X					
Discuss mid-year reports.			X				



KEY: A – At least annually Q – Quarterly AN – As necessary	FREQUENCY			TIMING (QUARTER)			
	A	Q	AN	Q1	Q2	Q3	Q4
Discuss annual risk assessment.	X						
Review the status of the risk registers.		X					
Review fraud prevention plan.		X					
Review case/ fraud register.		X	X				
AUDIT COMMITTEE							
Report to Council quarterly.		X					
Report to Council on specific matters (e.g. Mid-year report, budget, draft AFS and annual performance information).	X	X	X				
Review Audit Committee Charter.	X						
Compile and approve annual Audit Committee Report (Oversight Report).	X						
Evaluate management's effectiveness.	X						
Evaluate audit committee effectiveness (i.e. self-assessment) and the performance of its members.	X						

APPROVAL

This Audit Workplan has been compiled by the Chief Audit Executive and its contents are supported, recommended and approved for implementation by the Accounting Officer and Audit Committee as set out below, effective from the date of approval.

CHIEF AUDIT EXECUTIVE

DATE

ACCOUNTING OFFICER

DATE

AUDIT COMMITTEE

DATE

14. APPROVAL/ADOPTION OF NEWLY COMPILED QUALITY ASSURANCE & IMPLEMENTATION PROGRAM (QAIP)

5/14/3

DC Van Der Heever
10 April 2015

(028) 313 5035

Internal Audit Services

1. Executive Summary

The purpose of the report is to present Council with the newly compiled Quality Assurance & Implementation Program (QAIP), pursuant to it being reviewed by the Audit Committee on 25 March 2015, for approval and adoption with effect from 01 May 2015.

2. Service Delivery and Budget Implementation Plan - IGNITE

Office of the Municipal Manager
Internal Audit Services

3. Compliance with Strategic Priority

Provision of democratic, accountable and ethical governance

4. Delegated Authority

None

5. Legal Requirements

National Treasury Internal Audit Framework
Institute of Internal Auditors Standard

6. Background/Discussion

Standard 1300 of the International Standards for the Professional Practice of Internal Auditing (Standards) prescribe that the Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Activity (IAA).

A quality assurance and improvement program is designed to enable an evaluation of the IAA's conformance with the *Definition of Internal Auditing* and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The program also assesses the efficiency and effectiveness of the IAA and identifies opportunities for improvement.

In this regard, Overstrand Municipality's *Quality Assurance & Improvement Program (QAIP)* is develop and designed to provide reasonable assurance to

the various role-players, as to the adequacy and effectiveness of the system of internal control (control framework/ environment) of the municipality.

7. Financial Implications

None

8. Staff Implications

None

9. Comments from other Departments, Divisions and Administrations

None

10. Annexures

Annexure A: Quality Assurance & Implementation Program (QAIP)

RECOMMENDATION TO THE COUNCIL:

that the newly compiled/ reviewed Quality Assurance & Implementation Program (QAIP) of Overstrand Municipality **be approved** and implemented with effect from 01 May 2015.

RESPONSIBLE OFFICIAL :

D C VAN DER HEEVER

TARGET DATE FOR IMPLEMENTATION :

01 MAY 2015



INTERNAL AUDIT

QUALITY ASSURANCE
&
IMPLEMENTATION PROGRAM (QAIP)

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP)

Introduction

Standard 1300 of the International Standards for the Professional Practice of Internal Auditing (Standards) prescribe that the Chief Audit Executive must develop and maintain a quality assurance and improvement program that covers all aspects of the Internal Audit Activity (IAA).

A quality assurance and improvement program is designed to enable an evaluation of the IAA's conformance with the *Definition of Internal Auditing* and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*. The program also assesses the efficiency and effectiveness of the IAA and identifies opportunities for improvement.

In this regard, Overstrand Municipality's **Quality Assurance & Improvement Program (QAIP)** is developed and designed to provide reasonable assurance, to the various role-players, as to the adequacy and effectiveness of the system of internal control (control framework/ environment) of the municipality.

The QAIP include both internal and external assessments.

INTERNAL ASSESSMENTS

Internal assessments include:

- A. **Ongoing monitoring/ reviews** – of the performance of the IAA. Ongoing monitoring is an integral part of the day-to-day supervision, review and measurement of the IAA.
- B. **Periodic assessment(s)** – are designed to evaluate and assess conformance with the *Definition of Internal Auditing*, the *Code of Ethics*, the *Standards* and the *Internal Audit Charter*. Periodic assessments may be conducted through:
 - Annual role-player survey (Top Management Team and Audit Committee)
 - Internal Audit Self Evaluations

EXTERNAL ASSESSMENTS

External assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the Overstrand municipality.

- A. **General Considerations** – External assessments will appraise and express an opinion about Internal Audit's conformance with the *Standards*, *Definition of Internal Auditing* and *Code of Ethics* and include recommendations for improvement, as appropriate.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP)

- B. Timing** – An external assessment will be conducted every five years.
- C. Scope of External Assessment** – The external assessment will consist of a broad scope of coverage that includes the following elements of IAA:
- Conformance with the *Standards*, Definition of Internal Auditing, the Code of Ethics, and Internal Audit's Charter and any applicable legislative and regulatory requirements.
 - A determination whether the IAA adds value and improves Overstrand municipality's operations.

REPORTING ON QUALITY PROGRAM

- A. Internal Assessments** – Results of internal assessments will be reported to the Audit Committee and to the senior management annually.
- B. External Assessments** – Results of external assessments will be provided to the Audit Committee and senior management. The external assessment report will be accompanied by a written action plan in response to significant comments and recommendations contained in the report.
- C. Follow-up** – The Chief Audit Executive will implement appropriate follow-up actions to ensure that recommendations made in the report are implemented and appropriate action plans developed within a reasonable timeframe.

The QAIP has been developed and will be maintained by the Chief Audit Executive.

DC Van Der Heever

Chief Audit Executive
Overstrand Municipality

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM (QAIP)

DECLARATION BY THE AUDIT COMMITTEE REGARDING THE QUALITY ASSURANCE AND IMPLEMENTATION PROGRAM

We the undersigned members of the Audit Committee (AC) reviewed the Quality Assurance and Implementation Program, as developed and maintained by the Chief Audit Executive.

Chairperson:
Audit Committee
(Mr. GN Lawrence)

Date

Member:
Audit Committee
(Mrs. K Montgomery)

Date

Member:
Audit Committee
(Mr. DWJ Jacobs)

Date

Member:
Audit Committee
(Mr. H Liebenberg)

Date

Member:
Audit Committee
(Mr. H Beekman)

Date