



SWELLENDAM MUNICIPALITY

2023/24 CHIEF AUDIT EXECUTIVE (CAE) STATUS UPDATE REPORT:

4th QUARTER INTERNAL AUDIT PROGRESS

Prepared by: Mr. A Petersen

1. **INTRODUCTION**

The purpose of this report is to inform the Municipal Manager and Audit and Performance Audit Committee (APAC) on the status of the Internal Audit Activities for the 4th quarter of the 2023/24 financial year. The report covers the period 01 April 2024 to 30 June 2024. The report provides information to the Audit and Performance Audit Committee on the progress made in line with the approved 2023/24 Internal Audit Three-year Rolling Strategic Plan. Additionally, it addresses various administrative and governance matters pertaining to the Internal Audit function, intending to aid the Audit and Performance Audit Committee in fulfilling its mandated responsibilities as stipulated in the approved charter.

The report is in line with the Internal Audit Charter and the Institute of the International Professional Practise Framework (standards) of Internal Auditing.

2. **STAFFING**

The operational capability of the internal audit function during the reviewed period is outlined as follows:

Name and Surname	Position
Vacant	Chief Audit Executive (CAE)
Mr. Ashwin Petersen	Senior Internal Auditor
Mr. Herschelle Swart	Internal Auditor
Ms. Mariska Vermeulen	Internal Audit Intern

Currently, the Senior Internal Auditor is performing strategic functions and assisting with operational aspects within the Internal Audit function. The Senior Internal Auditor plays a pivotal role in both the Audit and Performance Audit Committee (APAC) meetings and the Fraud and Risk Management Committee (FARMCO) meetings. In addition, the Senior Internal Auditor contributes immensely to the functioning of the Risk Management processes of Swellendam Municipality. The Risk Management function will reside in the office of the Performance and Compliance Officer from 01 July 2024.

3. **PROFESSIONAL STANDARDS**

The Internal Audit function of Swellendam Municipality will govern itself by adherence to the Municipal Financial Management Act (MFMA) 56 of 2003, section 165 and the mandatory elements of The Institute of Internal Auditors' International Professional Practices Framework, including the Core Principles for the Professional Practice of Internal Auditing, the Code of Ethics, the International Standards for the Professional Practice of Internal Auditing (Standards), and the Definition of Internal Auditing.

Annual Declarations are also signed by the Internal Audit staff to ensure conformance with the abovementioned.

3. **INDEPENDENCE AND OBJECTIVITY**

The Internal Audit function is independent in all material aspects and the Internal Auditors are objective in performing their work responsibilities. To strengthen the organisational independence of the Internal Audit function, the function is situated in the Office of the Municipal Manager; reporting functionally to the Audit and Performance Audit Committee and administratively to the Municipal Manager.

The Senior Internal Auditor (SIA) hereby confirms that the Internal Audit function of Swellendam Municipality is organisationally independent, as required by the IIA Standards.

In addition, individual declaration of interest forms are also signed by audit staff for each audit engagement. This declaration is signed for every engagement by all internal audit staff. It covers the

individual objectivity required by Internal Auditors and reports on any possible conflicts of interest per engagement.

4. SCOPE LIMITATIONS

We are pleased to report that no material scope limitations were experienced for the period under review. Scope limitations noted during reviews are reported as part of the individual audit reports.

5. INTERNAL AUDIT STAFFING/ RESOURCE REQUIREMENTS

The structure of the Internal Audit function makes provision for the following posts, namely: Chief Audit Executive (1 post), Senior Internal Auditor (1 post) and Internal Auditor (1 Post). There is currently 1 vacant post (Chief Audit Executive) in the Internal Audit structure. Furthermore, the position of the Internal Audit Intern will become vacant from 1 July 2024.

There is also a need for certain specialized audit skills, such as ICT auditing; environmental auditing; forensic auditing; etc. However, provision should be made on the budget for outsourcing and/or shared services if deemed necessary.

The impact of the resource limitations means that the Internal Audit function might not be able to cover the full risk and audit universe of the municipality. However, the high-risk areas that are not included in the Annual Risk-Based Audit Operational Plan due to capacity constraints, will be communicated to Management and the Audit and Performance Audit Committee every quarter.

6. STAFF TRAINING/ MEETINGS/ FORUMS/ OTHER ENGAGEMENTS

The following engagements were attended by the internal audit staff:

Date of Engagement	Engagement Details	Attended by
1st Quarter: 01 July 2023 – 30 September 2023		
24 July 2023	Internal Audit Strategic Meetings	SIA
31 July 2023	Risk Management Workshop	All IA Staff
02 August 2023	Fraud and Risk Management Committee Meeting	SIA/IA
2nd Quarter: 01 October 2023 – 31 December 2023		
16 – 20 October 2023	Strategic Leadership and Management Specialisation (<i>Online Course</i>)	SIA
01 – 07 November 2023	Leading Diverse Teams and Organisations (<i>Online Course</i>)	SIA
03 November 2023	District Audit and Risk Management Forum	SIA
20 – 24 November 2023	Minimum Municipal Competency (MMC) Training	SIA/IAI
3rd Quarter: 01 January 2024 – 31 March 2024		
24 January 2024	Get to Know the New Global Internal Audit Standards	All IA Staff
09 – 10 February 2024	Risk Management Workshop	All IA Staff
13 February 2024	Fraud and Risk Management Committee Meeting	SIA/IA
01 March 2024	District Internal Audit & Risk Management Forum	SIA
4th Quarter: 01 April 2024 – 30 June 2024		
13 May 2024	Fraud and Risk Management Committee Meeting	SIA/IA/IAI
25 April 2024	Risk Management Workshop	SIA
26 April 2024	Chief Audit Executive Forum	SIA/IA
14 May 2024	Anti-Corruption and Ethics Workshop	SIA/IA
07 June 2024	Unpacking the Global Internal Audit Standards	SIA/IA
14 June 2024	District Internal Audit & Risk Management Forum	SIA

7. STAFF CERTIFICATIONS, EXPERIENCE & CONTINUED PROFESSIONAL DEVELOPMENT

Name	Designation	Certification/ Qualification	Experience
Mr. Ashwin Petersen	Senior Internal Auditor	Magister of Technologiae degree: Internal Auditing; Baccalaureus Technologiae Degree: Internal Auditing; National Diploma: Internal Auditing, Diploma – Municipal Minimum Competency (in progress)	Overall, 5 years of Internal Auditing experience which consists of 3 years in the private sector and 2 years in the public sector. Knowledge and experience in risk management, compliance, and performance management.
Mr. Herschelle Swart	Internal Auditor	Bachelor of Administration; Diploma - Municipal Minimum Competency; Certificate in Public Sector Risk Management	Overall, 6 years of Internal Auditing experience. Knowledge in risk management, compliance, and performance management.
Ms. Mariska Vermeulen	Internal Audit: intern	National Diploma: Management BCom Hons (Business Management) BCom Hons (Financial Management) – In progress, Diploma – Municipal Minimum Competency (in progress)	Overall, 2 years of Internal Auditing experience. Knowledge in risk management, compliance, and performance management.

8. APPROVED 2023/2024 RBIAP

The 2023/24 Internal Audit Three-year Rolling Strategic Plan was presented to the Audit and Performance Audit Committee on 27 June 2023. After taking the comments and recommendations of the Audit and Performance Committee members into account, the 2023/24 Internal Audit Three-year Rolling Strategic Plan and Annual Risk-Based Internal Audit Operational Plan was approved on 26 July 2023. The approved version of the 2023/24 Internal Audit Three-year Rolling Strategic Plan and Annual Risk-Based Internal Audit Operational Plan is outlined below:

Audit Projects		1st Quarter	2nd Quarter	3rd Quarter	4th Quarter
		July – Sept	Oct - Dec	Jan - Mar	Apr – June
Statutory Audits					
1.	2023/2024 Compliance Reviews: MFMA; MSA & DORA	200			
2.	Performance Management and SDBIP (Quarterly)	160	80	80	80
Risk-Based Audits					
3.	SCM Compliance and Procurement Review		210		
4.	Aging and Inadequate Roads and Stormwater Review			180	
5.	Land Evasions & Erection of Illegal Structures Review				180
6.	High-Level AFS Review	80			
Other					
7.	Internal Quality Assurance Review				40
8.	Governance Review			180	
9.	Risk Management Review		130		
10.	Annual Stock Count (Year-end)	40			
11.	Follow-up schedule (Quarterly Update)	50	50	50	50

9. PROGRESS REPORT ON THE 2023/2024 RBIAP

An overview of the status of the Internal audit work performed in terms of the approved internal audit plan for the 4th quarter of the 2023/24 financial year is presented below:

Audit Ref	Audit Activity Planned	Status	Comments	Budgeted Hours	Actual Hours	Reason for Deviation
1st Quarter Audit Activities (July 2023 – September 2023)						
2022/23 – 001	2022/2023 Annual Stock Count Review	Completed	The Final Report Issued in the 1 st Quarter and will be tabled to APAC in August 2023.	40	40	None
2023/24 – 002	2022/2023 Compliance review	Completed	The Final Report Issued in the 1 st Quarter and will be tabled to APAC in August 2023	200	200	None
2022/23 – 003	2022/2023 Annual Performance Management (SDBIP) Review	Completed	The Final Report Issued in the 1 st Quarter and will be tabled to APAC in August 2023	160	160	None
2023/24 – 004	2022/2023 Annual Financial Statements (AFS) High-Level Review	Completed	The Final Report Issued in the 1 st Quarter and will be tabled to APAC in August 2023	80	80	None
2022/23 – 005	Internal Audit Follow-Up Review	Completed	The Final Report Issued in the 1 st Quarter and will be tabled to APAC in August 2023.	50	50	None
2nd Quarter Audit Activities (October 2023 – December 2023)						
2023/24 – 006	2023/2 1 st Quarter SDBIP Performance Review	Completed	The Final Report Issued in the 2 nd Quarter and will be tabled to APAC in December 2023.	80	80	None
2023/24 – 007	Governance Review	Completed	The Final Report Issued in the 2 nd Quarter and will be tabled to APAC in December 2023.	180	180	None
2023/24 – 008	Internal Audit Follow-Up Review	Completed	The Final Report Issued in the 2 nd Quarter and will be tabled to APAC in December 2023.	50	50	None

3 rd Quarter Audit Activities (January 2024 – March 2024)							
2023/24 009	-	2023/24 2 nd Quarter SDBIP Performance Review	Completed	The Final Report Issued in the 3 rd Quarter and will be tabled to APAC in April 2024.	80	80	None
2023/24 010	-	2023/2024 Aging and Inadequate Roads and Stormwater Review	Completed	The Final Report Issued in the 3 rd Quarter and will be tabled to APAC in April 2024.	180	180	None
2023/24 011	-	SCM Compliance and Procurement Review	Completed	The Final Report Issued in the 3 rd Quarter and will be tabled to APAC in April 2024.	210	210	None
2023/24 012	-	Risk Management Review	Completed	The Final Report Issued in the 3 rd Quarter and will be tabled to APAC in April 2024.	130	130	None
2023/24 013	-	Internal Audit Follow-Up Review	Completed	The Final Report Issued in the 3 rd Quarter and will be tabled to APAC in April 2024.	50	50	None
4 th Quarter Audit Activities (April 2024 – June 2024)							
2023/24 014	-	2023/24 3 rd Quarter SDBIP Performance Review	Completed	The Final Report issued in the 4 th Quarter and will be tabled to APAC in June 2024	80	80	None
2023/24 015	-	Land Evasions & Erection of Illegal Structures Review	In Progress	Internal Audit in the process with the engagement. Report will be tabled at the next APAC Meeting.	180	180	None
2023/24 016	-	Internal Quality Assurance Review	Completed	The Final Report issued in the 4 th Quarter and will be tabled to APAC in June 2024	40	40	None
2023/24 017	-	Internal Audit Follow-Up Review	Completed	The Final Report issued in the 4 th Quarter and will be tabled to APAC in June 2024	50	50	None

PERFORMANCE: 94% of the 2023/24 RBIAP (16/17 Completed/ 17 Planned)

Budgeted Hours	1840
Hour Spent for the period	1840
Hours Available	0

10. ADDITIONAL AD HOC ACTIVITIES PERFORMANCE

The following audit activities were performed during the quarter under review, that were not included in the approved 2023/24 Internal Audit Three-year Rolling Strategic Plan and Annual Risk-Based Internal Audit Operational Plan. The ad hoc/ special requests were received from management and the scope of the audit activities has been discussed and agreed to by management:

Activities	Activity Type	Requested by	Hours Available	Approved	Progress	Hours Spent
1st Quarter: July – September 2023						
Ongoing Risk Management	Formal & Informal	Municipal Manager	Yes	Yes	Completed	50
Adhoc: Electrical Metering Investigation	Formal	Municipal Manager	Yes	Yes	Completed	50
2nd Quarter: October – December 2023						
AGSA Assistance: Asset Verification	Formal	AGSA	Yes	Yes	Completed	80
Ongoing Risk Management	Formal & Informal	Municipal Manager	Yes	Yes	Completed	50
3rd Quarter: January – March 2024						
Ongoing Risk Management	Formal & Informal	Municipal Manager	Yes	Yes	Completed	50
Adhoc: Duplication of Order Collected at Supplier	Formal	Municipal Manager	Yes	Yes	Completed	50
4th Quarter: April – June 2024						
Ongoing Risk Management	Formal & Informal	Municipal Manager	Yes	Yes	Completed	50
Adhoc: Requisition and Goods Receive Notes (Barrydale)	Informal	Municipal Manager	Yes	Yes	Completed	50

Budgeted Hours	400
Hours Spent for the period	430
Available Hours (over)	30



Senior Internal Auditor
Mr. A. Petersen

18 June 2024

Date