Vuthela iLembe LED Programme (VIP)

Close out Report

NAME OF PROJECT: Audit and risk management – feasibility study, system review and training of internal auditors and risk managers Internal Audit Review

PROJECT NUMBER: VILP/I/028

May 2023

Contents

1. ACRONYMS AND DEFINITIONS

Acronym	Definition
SNG-GT	SNG Grant Thornton Advisory Services (Pty) Ltd
IDM	iLembe District Municipality
KDM	KwaDukuza Municipality
Mandeni	Mandeni Municipality
Ndwedwe	Ndwedwe Municipality
Maphumulo	Maphumulo Municipality
EI	Enterprise iLembe
PSC	Project Steering Committee
SECO	State Secretariat for Economic Affairs
PT	KwaZulu-Natal Provincial Treasury
NT	National Treasury
IA	Internal Audit
IT	Information Technology
ICT	Information and Communication Technology
BCM	Business Continuity Management
BCP	Business Continuity Plan
MFMA	Municipal Finance Management Act
DMC	Disaster Management Centre
RMC	Risk Management Committee
FRM	Fraud Risk Management
FRR	Fraud Risk Register
CMD	Case Management Database
QAIP	Quality Assurance Improvement Program
MOA	Memorandum of Agreement
SSU	Shared Services Unit

2. INTRODUCTION

SNG-GT has been appointed for the Audit and risk management – feasibility study, system review and training of internal auditors and risk managers project for iLembe District Municipality, and its local municipalities being KwaDukuza, Mandeni, Ndwedwe, Maphumulo and Enterprise iLembe, the municipal entity.

The overall focus of this assignment focussed on both the Internal Audit Function and Risk Management:

The outcomes of the assignment were aimed at achieving the following:
- Improving skills and strengthening functioning of internal audit units and undertake studies to identify appropriate shared services models for Internal Audit, and IT Audit functions within the district.
- Improve skills of enterprise risk officers and managers, strengthen coordination of business continuity which will positively improve service delivery.

The project implementation plan consists, on a high-level the following deliverables:
- Develop an Inception Report setting out a detailed project plan in consultation with the PSC.
- Current state review of the internal audit and risk management units.
- Feasibility study on the establishing of a shared internal audit unit.
- Developing the capacity of the existing Internal Audit units.
- Developing the capacity of Enterprise Risk Management officials.
- Feasibility study on shared enterprise risk management – Business Continuity

The project commenced in November 2020 with the project being completed on 20 April 2023.

The purpose of this close out report is to provide documented feedback on the implementation of the above.

3. PSC COMPOSITION

The PSC is made up of the following:
- Internal Audit Managers/Chief Audit Executives from all municipalities.
- Enterprise Risk Managers from all municipalities.
- Vuthela project management team.
- SNG-GT.

4. PROJECT IMPLEMENTATION

Number	Activity	Output	Start date	Due date	Date achieved
1.	**Project management and administration**	• Quarterly progress reports to the PSC. • Monthly progress reports to the PSC. • Agenda and minutes of PSC meetings.	November 2020	May 2023	November 2020 to May 2023
2.	**Inception report**	• Inception report approved by the PSC.	November 2020	July 2021	Achieved
3.	**Status review**				
3.1.	National and Provincial Treasuries consultations	• Agenda and minutes of PSC meetings.	November 2020	May 2023	November 2020 to May 2023
3.2.	In-depth review and analysis of the municipalities current status of internal audit and risk management units, including necessary tools of trade e.g., software and systems (Teammate, CURA and QAIP)	Final reports issued to: • IDM. • KDM. • Mandeni. • Ndwedwe. • Maphumulo. • EI.	July 2022	January 2023	Achieved
3.3.	Review the existing internal audit and risk management unit structure and advise on an ideal structure	Final reports issued to: • IDM. • KDM. • Mandeni. • Ndwedwe. • Maphumulo. • EI.	July 2022	January 2023	Achieved
3.4.	Review project risk management methodology and test business continuity plans	• Consolidated business continuity plan has been developed. • Walk through exercising conducted on 9th December. This included an additional workshop on 8 December to ensure that BCM is embedded along with skill transfer.	August 2022	January 2023	Achieved
3.5.	Review or develop business continuity plans	• Business Continuity Strategy reports issued to all five Municipalities including Enterprise iLembe. Development of a District wide BCP has been completed.	July 2022	January 2023	Achieved
3.6.	Review audit procedures on Performance Management System	Final reports issued to: • IDM. • KDM. • Mandeni. • Ndwedwe. • Maphumulo. • EI.	February 2022	June 2022	Achieved

Number	Activity	Output	Start date	Due date	Date achieved
3.7.	Review the effectiveness of systems in place in managing fraud and corruption	Final reports issued to: • IDM. • KDM. • Mandeni. • Ndwedwe. • Maphumulo. • EI.	March 2022	June 2022	Achieved
3.8.	Develop or review standard operating procedures and a methodology to monitor Auditor General audit action plan	Final reports issued to: • IDM. • KDM. • Mandeni. • Ndwedwe. • Maphumulo. • EI.	February 2022	July 2022	Achieved
3.9.	Develop a district wide internal audit methodology including the Quality Assurance and Improvement Programme (QAIP)	District wide internal audit methodology and Quality Assurance and Improvement Programme (QAIP) issued to: • IDM. • KDM. • Mandeni. • Ndwedwe. • Maphumulo. • EI.	August 2022	February 2023	Achieved
4.	**Feasibility study: establishing a shared internal audit unit**				
4.1.	Conduct a feasibility study on the establishment of a shared internal audit function within the district.	• Final report issued to Head of Internal Audit per municipality.	August 2022	January 2023	Achieved
4.2.	Develop a business model for shared ICT audit function and other compliance matters	• Final report issued to Head of Internal Audit per municipality.	August 2022	January 2023	Achieved
4.3.	Cost benefit analysis of a shared internal audit, ICT audit and Performance audit	• Final report issued to Head of Internal Audit per municipality.	August 2022	January 2023	Achieved
4.4.	Proposal for a suitable internal audit and data analytics software	• Final report issued to Head of Internal Audit per municipality.	August 2022	January 2023	Achieved
4.5.	Implementation of recommendations for feasibility study on shared services on Internal Audit and ICT, where feasible	• This item will not be possible to execute due to the unknown timeline for implementation (if required) of the feasibility study from item 4)	August 2022	N/A	Due to limited time, this activity could not be implemented.
5.	**Developing the capacity of existing internal audit units**				
5.1.	Conduct a comprehensive learning needs assessment	• Not applicable. • Item removed as approved at the PSC meeting held on 02 March 2023.	August 2022	February 2023	After waiting for almost a year to have access to the iDevelop toolkit to undertake assessment;

Number	Activity	Output	Start date	Due date	Date achieved
		• This was after SECO advised that NT will be rolling out assessments of Internal Auditors and Risk Managers using the iDevelop toolkit from June/July 2023.			SECO advised that this activity be suspended. The suspension of this activity is due to National Treasury rolling out the assessments of internal audit and enterprise risk management units of all municipalities in the country starting from June 2023.
5.2.	Design a training programme and manual to respond to learning needs identified	• Not applicable. • Item removed as approved at the PSC meeting on 02 March 2023.	August 2022	February 2023	This activity could not proceed due to it being dependent on activity 5.1.
5.3.	Internal audit officials trained on internal audit functions including QAIP, Data Analytics	• Attendance register. • District wide internal audit methodology, Quality Assurance, and Improvement Programme (QAIP) Working paper templates workshopped to Internal Auditors.	August 2022	January 2023	Achieved
6.	**Feasibility study on enterprise risk management shared function – business continuity**				
6.1.	Comprehensive assessment of IDM Disaster Management Centre to accommodate district wide shared business continuity function	• Final report issued	July 2022	December 2022	Achieved
6.2.	Develop a district wide business continuity plan	• District Wide BCP has been completed.	July 2022	December 2022	Achieved
7.	**Developing capacity of enterprise risk management**				
7.1.	Enterprise Risk Management officials trained on risk management activities	• Not applicable. • Item removed as approved at the PSC meeting held on 02 March 2023. • This was after SECO advised that NT will be rolling out assessments of Internal Auditors and Risk Managers using the iDevelop toolkit from June/July 2023.	August 2022	February 2023	After waiting for almost a year to have access to the iDevelop toolkit to undertake assessment; SECO advised that this activity be suspended. The suspension of this activity is due to National Treasury rolling out the assessments of internal audit and enterprise risk management units of all municipalities in the country starting from June 2023.

Number	Activity	Output	Start date	Due date	Date achieved

7.2.	Develop/Review policies, strategies, and plans for Enterprise Risk Management unit	• 6 policies to be developed and status as follows:
		  • Project Risk Management Framework (completed)
		  • Ethics Management Framework (in progress, to be issued on 19/04/2023)
		  • Ethics Management Strategy and Policy (in progress, to be issued on 19/04/2023)
		  • Accountability and Consequence Management Framework (completed)
		  • Private work policy (completed)
		  • Investigation Policy (completed)
		• The policies were shared with Risk managers for comments.
			June 2022	March 2023	Achieved

7.3.	Conduct workshops on risk management for Councillors, Management, Risk Champions, and Audit committee members in the district	• Workshop held on 14 February 2023.	August 2022	February 2023	Achieved
7.4.	Conduct workshops on internal audit function for Councillors, Management and Audit committee members in the district	• Workshop held on 15 February 2023.	August 2022	February 2023	Achieved
8.	**Project close out**				
8.1.	Project close out	• Agenda and minutes of PSC meetings.	March 2023	May 2023	Achieved

5. PROJECT ACTIVITIES PERFORMED

5.1. Project management and administration

A meeting was held with the Vuthela Project Manager to understand the requirements of the project and in particular, the requirements for the inception report on 19 November 2020.

During the implementation of this project, the PSC met to discuss progress reports, work performed to date as well as challenges on the below mentioned dates:

2020	2021	2022	2023
20 November	29 January	27 January	26 January
	26 February	29 January	02 March
	05 March	26 May	16 March – Did not quorate
	01 July	30 June	20 April – Did not quorate
	21 October	01 August	18 May 2023
		01 September	
		03 October	
		27 October	
		17 November	
		01 December	

Reference to detailed reports:
Annexure 1

Meetings with Provincial and National Treasury:

Provincial Treasury
09 February 2021
31 May 2022
12 May 2023

5.2. Inception report

A draft inception report was developed and presented at the first PSC meeting on 20 November 2020.
The inception report was further reviewed and approved by the PSC on 29 January 2021.
The final inception report was reviewed and approved by the PSC on 01 July 2021.

Reference to detailed reports:
Annexure 2

Status review:

5.3. National and Provincial Treasuries consultations

First meeting held with Provincial Treasury on 09 February 2021. The inception report and progress thereof were presented and accepted by Provincial Treasury.
Follow up meeting planned for 2021 after the first meeting did not sit due to non-availability of Treasury officials.
Provincial Treasury is invited to all PSC meetings, and they attend when available.
Second meeting with provincial treasury was held on the 31 May 2022 The inception report and progress thereof were presented and accepted by Provincial Treasury.
We consulted with National Treasury in November 2022, to discuss the internal audit shared services feasibility study and to obtain clarity on MFMA section 165 on the establishment of internal audit units in relation to shared services.
Meetings with PT could not be held in January due to their non availability, the meeting only took place on 12 May 2023.

Reference to detailed reports:
Annexure 3

5.4. In-depth review and analysis of the municipalities current status of internal audit and risk management units, including necessary tools of trade e.g., software and systems (Teammate, CURA and QAIP)

Objective:
The objective of this review was to assess adequacy and effectiveness of the internal controls in place by management to ensure effectiveness and efficiency as well as overall compliance with the National Internal Audit and Risk Management Frameworks, policies and other applicable laws and regulations.

Scope:
The scope of the Internal Audit and Risk Management review included the following critical areas:
- Compliance with relevant National Frameworks, Laws, and Regulations.
- Overall functionality of the Internal Audit and Risk Management Units.
- Governance processes.

Approach:
The process followed was:
- A questionnaire was prepared based on Circular 65 as issued by National Treasury.
- The questionnaire was provided to both the Chief Audit Executive and Risk Officer.
- Results analysed and reviewed against supporting documentation were applicable.
- Gaps identified required root cause analysis by management.
- Management improvement plan commented on by management.

Summary of key weaknesses identified:

Area	All municipalities, including EI
Internal Audit	**IDM (Review period – 01 July 2020 to 30 June 2021):** • There was one vacant position for the Internal Auditor; and this was attributable to financial constraints. • Internal Audit's annual performance was not conducted by the Audit Committee during the year ended 30 June 2021. • Internal audit function does not have the required tools of trade to perform its internal audit activities. **KDM (Review period – 01 July 2020 to 30 June 2021):** • There was one vacant position for the Senior Manager: Internal Audit; and this was attributable to financial constraints. • Internal audit function's annual performance was not evaluated to assess its overall performance. • Internal audit function does not have the necessary tools of trade to perform its internal audit activities. These are, Teammate, etc. **Mandeni (Review period – 01 July 2020 to 30 June 2021):** • Internal audit function is comprised of three officials. However, it was indicated that the current staff did not possess adequate expertise to perform their assigned responsibilities within the internal audit function. • Internal audit function does not have the necessary tools of trade to perform its internal audit activities. **Ndwedwe (Review period – 01 July 2020 to 30 June 2021):** • There was one vacant position for the Audit Intern. The post was vacant due to delays in the recruitment process. • Internal Audit Charter is annually reviewed for alignment with the overall legal frameworks; however, the Charter was not approved by the Audit Committee. - the Audit Committee also did not ensure the Charter independence and that the functions of the Charter are clearly understood. • Manager Internal Audit reports administratively to the Accounting Officer. However, the Audit Committee did not meet during the year under review and to review the reporting lines of the Internal Auditor. • The Audit Committee for the year under review was dysfunctional. We therefore could not conclude as to whether the Audit Committee Charter and the Audit Plan was approved by the Audit Committee • Through the review of the approved internal audit plan, we noted that it incorporated the critical areas of the internal audit activities as outlined in the International Standards for Professional Practice of Internal Auditing. These include compiling the Audit Plan on a Risk Based approach, areas like cyclical audits, legislated and compliance audits, etc. The internal audit plan did provide for the ad hoc assignments to accommodate any special requests that may be made by the Audit Committee in the execution of the annual internal audit plan. However, the Audit Committee did not meet during the year to confirm that the Audit Plan makes for provision for critical risk areas. • The Audit Committee did not function for the year under review. We were therefore not able to confirm if Internal Audit reports were submitted to the Audit Committee.

Area	All municipalities, including EI
	• The Audit Committee was dysfunctional. It was therefore not possible to determine the level of access to the Audit Committee
	• The Audit Committee was dysfunctional. It was therefore not possible to determine the if the Audit Committee reviewed the Internal Audit Plan.
	• No report was sent to the Audit Committee.
	• The Audit Committee was dysfunctional. It was therefore not possible to determine the if the Internal Audit Unit assisted with the administrative functions of the Audit Committee.
	• The Audit Committee was dysfunctional. It was therefore not possible to determine for the Audit Committee to review the Performance of Internal Audit Unit Annual performance of the internal audit unit was not conducted during the year ended 30 June 2021.
	• There were no software application software packages being utilized by the internal audit function to perform its audit activities.
	• The internal audit function's annual performance was not evaluated to assess its overall performance.
	• The internal audit function does not have the required tools of trade to perform its internal audit activities.
	Maphumulo (Review period – 01 July 2020 to 30 June 2021):
	• Internal Audit Unit has only one approved post – Manager Internal Audit and Compliance. We note the current structure may be inadequate to meet the needs of the Municipality.
	• Audit Committee did not review the administrative and functional reporting lines of the Internal Auditor.
	• Audit Committee did not review the compliance of the Internal Audit Unit with International Standards for the Professional Practice of Internal.
	• Internal Audit Function's annual performance was not evaluated to assess its overall performance.
	• Internal Audit Function does not have the necessary tools of trade to perform its Internal Audit activities.
	EI (Review period – 01 July 2021 to 30 June 2023):
	• Audit Committee did not regularly review the functional and administrative reporting lines of the Internal Audit or to ensure that the organizational structure is consistent with the principles of independence and accountability.
	• Internal Audit charter was not approved by the Audit Committee.
	• Internal Audit Plan was not approved by the Audit Committee for the year starting 01 July 2022.
	• Performance evaluation of the Internal Audit was not conducted during the period under review (ended 30 June 2022/3).
	• Through review of the Audit Committee Minutes, we noted that the Audit Committee did not review the compliance of the Internal Audit Unit with International Standards for the Professional Practice of Internal Auditing.
	• Internal Audit Function's annual performance was not evaluated to assess its overall performance.
	• Internal Audit Function does not have the necessary tools of trade to perform its Internal Audit activities.
Audit Committee	**IDM (Review period – 01 July 2020 to 30 June 2021):**
	• Audit Committee Charter was not displayed on website.
	• No self-review of Audit Committee members was undertaken for the 2020/21 period, neither did the Council conduct any assessment on the Audit Committee.
	KDM (Review period – 01 July 2020 to 30 June 2021):
	• Audit Committee Charter was not displayed on website.
	• No self-review of Audit Committee members was undertaken for the 2020/21 period, neither did the Council conduct any assessment on the Audit Committee.
	Mandeni (Review period – 01 July 2020 to 30 June 2021):
	• Audit Committee Charter was not displayed on website.
	• No self-review of Audit Committee members was undertaken for the 2020/21 period, neither did the Council conduct any assessment on the Audit Committee.
	• There was for formal induction process of the Audit Committee members as required by MFMA Circular 65
	Ndwedwe (Review period – 01 July 2020 to 30 June 2021):
	• The Website was reviewed, and it was noted that the Audit Charter was not displayed.
	• Council minutes regarding the annual review of the Charter was not forwarded to the Project Team
	• The Municipality failed to review the effectiveness of the Audit Committee for the year under review.
	• There was no evidence that there was a formal induction of Audit Committee Members as required by Circular 65.
	• There was no evidence that the Audit Committee submitted reports to Council

Area	All municipalities, including EI
	• The Audit Committee failed to assess its performance against its Charter.
	• The Audit Committee failed to conduct a detailed review of the Annual Financial Statements.
	• The Audit Committee failed to provide proper oversight over the Internal Audit function.
	• The Audit Committee failed to provide an objective overview of the effectiveness of the municipality's risk management.
	• The Audit Committee failed to obtain a proper understanding of the Control Environment.
	• The Audit Committee failed to provide proper oversight over Performance Management of the Municipality.
	• The Audit Committee failed to provide the necessary advice and guidance on IT related matters.
	• The Audit failed to meet as required as per the Municipal Charter.
	Maphumulo (Review period – 01 July 2020 to 30 June 2021):
	• The Website was reviewed, and no evidence of the Audit Charter was found.
	• Per discussion with Management, no self-review of Audit Committee members was undertaken for the 2020/21 period, neither did the Council conduct any assessment on the Audit Committee.
	• No evidence was submitted regarding Audit Committee self-assessments.
	EI (Review period – 01 July 2021 to 30 June 2023):
	• The Audit Committee failed to assess its performance against its Charter.
	• Audit Committee Charter was not displayed on website.
	• Council minutes regarding the annual review of the Charter was not forwarded to the Project Team.
	• There was no evidence that the Audit Committee had a Plan to manage its functions for the year under review.
	• There was no evidence that there was a formal induction of Audit Committee Members as required by Circular 65.
Risk Management	**IDM (Review period – 01 July 2020 to 30 June 2021):**
	• The post of Business Continuity Officer has not been filled.
	• The Municipality has not developed risk tolerance levels for each of its major risk categories.
	• The Risk Assessment Policy has not been adequately communicated to all Officials in the Municipality.
	• The Fraud Prevention Policy has not been communicated to all Officials in the Municipality.
	• There are no processes in place that ensures all new officials responsible for risk management related functions receive orientation and training to perform their respective functions.
	• No self-evaluation of the Risk Management Committee has been undertaken for the period 2020 /2021.
	• The Municipality has not evolved from using workshops and group discussions to more sophisticated methods of identifying risks. The Municipality currently uses QURA.
	KDM (Review period – 01 July 2020 to 30 June 2021):
	• The Risk Management Strategy does not address the capacity and infrastructure required to implement risk management (people, cost systems, institutional structures (It is included in strategy), governance arrangements, etc).
	• The Risk Management Support function is not appropriately staffed in terms of the number of people required, as well as their experience and qualifications. The current organogram may not meet the needs of the Municipality.
	• The responsibilities of the Risk Management Unit have not been adequately, documented and communicated throughout the Municipality.
	• The Municipality has not evolved from using workshops and group discussions to more sophisticated methods of identifying risks.
	• The Municipality has not developed risk tolerance levels for each of its major risk categories.
	• There is no adequate mechanism in place to communicate any changes to the business unit risk registers to the Chief Risk Officer.
	• The Risk Management Policy has not been communicated to all Officials in the Municipality.
	• The Anti - Fraud &Corruption Policy has not been communicated to all Officials in the Municipality.
	• There are no processes in place that ensures all new officials responsible for risk management related functions receive orientation and training to perform their respective functions.
	Mandeni (Review period – 01 July 2020 to 30 June 2021):
	• The Risk Management Strategy does not address the capacity and infrastructure required to implement risk management (people, cost systems, institutional structures, governance arrangements, etc.).
	• The Risk Management Support function is not appropriately staffed in terms of the number of people required, as well as their experience and qualifications. The current organogram may not meet the needs of the Municipality.

Area	All municipalities, including EI
	• The Municipality has not evolved from using workshops and group discussions to more sophisticated methods of identifying risks.
	• The Municipality has not developed risk tolerance levels for each of its major risk categories.
	• The information needs of the Risk Management Committee are not adequately established and is information provided in accordance with their requirements.
	• Action Plans been not adequately developed to address the key risks.
	• There is no adequate mechanism in place to communicate any changes to the business unit risk registers to the Chief Risk Officer.
	• Risk management key success factors have not been put in place.
	• The Risk Assessment Policy has not been communicated to all Officials in the Municipality.
	• The Fraud Prevention Policy has not been communicated to all Officials in the Municipality.
	• There are no processes in place that ensures all new officials responsible for risk management related functions receive orientation and training to perform their respective functions.
	• There is no library of risk incidents maintained.
	• The Risk Management Committee failed to meet as required for 2020/2021 year.
	• No self-evaluation of the Risk Management Committees has been undertaken for the period 2020/2021.
	Ndwedwe (Review period – 01 July 2020 to 30 June 2021):
	• The Risk Management Policy was not fully communicated to all Management and staff members of the Municipality
	• The Risk Management Strategy does not address the capacity and infrastructure required to implement risk management (people, cost systems, institutional structures, governance arrangements, etc
	• The Municipality failed to adopt a Fraud Prevention Policy / Strategy / Plan
	• Management did not fill all posts in the Risk Management Department. The Risk Management Support function is not appropriately staffed in terms of the number of people required, as well as their experience and qualifications. The current organogram may not meet the needs of the Municipality.
	• Some Business Units are not supportive of the Risk Management processes
	• Business Units have not taken adequate ownership of their (sub) risk registers.
	• Business Units and senior managers do not adequately support the risk management initiative, both in appearance and fact
	• The Accounting Officer does not adequately demonstrate his/her accountability for risk management in the Municipality, both in appearance and fact.
	• The Risk and Compliance Officer reports to the Chief Audit Executive. This is a conflict of interest as the Risk Assessment process is audited by Internal Audit
	• There is no evidence that adequate Training and Development opportunities have been provided to key risk management staff
	• The Municipality has not evolved from using workshops and group discussions to more sophisticated methods of identifying risks.
	• Key Risk Management functions are not fully funded.
	• The Risk Assessment process failed to take into account the IDP process.
	• The Municipality has not developed risk tolerance levels for each of its major risk categories.
	• The information needs of the Risk Management Committee not been adequately established and is information provided in accordance with their requirements.
	• Action Plans have not been adequately developed to address the key risks
	• There is no adequate mechanism in place to communicate any changes to the business unit risk registers to the Risk and Compliance Officer
	• Risk management key success factors have not been put in place.
	• The Risk Assessment Policy has not been communicated to all Officials in the Municipality
	• The Fraud Prevention Policy has not been communicated to all Officials in the Municipality
	• There are no processes in place that ensures all new officials responsible for risk management related functions receive orientation and training to perform their respective functions.
	• There is no library of risk incidents maintained.
	• The Risk Management Committee failed to meet for the year under review.
	• No self-evaluation of the Risk Management Committees has been undertaken for the period 2020 / 2021
	• There was no evidence to suggest that the Top Risks were actively monitored by s57 Managers on an ongoing basis.
	• There is no evidence of mechanisms in place to communicate any changes in the business unit risks registers to the Chief Risk Officer
	• The Audit Committee failed to advise the Risk Management Committee during the year under review.

Area	All municipalities, including EI
	• Performance Indicators have not been developed to assess the value add of risk management • Risk occurrences does not trigger the revision of risk assessment • The Municipality does not look for opportunities when engaging in risk management • Risk Management is not always a standing management agenda of all business functions. **Maphumulo (Review period – 01 July 2020 to 30 June 2021):** • The Risk Management Strategy does not address the capacity and infrastructure required to implement risk management (people, cost systems, institutional structures, governance arrangements, etc) • The Risk Management Support function is not appropriately staffed in terms of the number of people required, as well as their experience and qualifications. The current organogram may not meet the needs of the Municipality. Further the Risk and Compliance Officer is the Manager Internal Audit and Compliance Audit Executive. • The Municipality has not evolved from using workshops and group discussions to more sophisticated methods of identifying risks. • Risk management key success factors have not been put in place • There are no processes in place that ensures all new officials responsible for risk management related functions receive orientation and training to perform their respective functions. • There is no library of risk incidents maintained. • The risk registers are not scrutinised to identify patterns, correlation s and other useful intelligence • Per Discussion with Management – no self-evaluation of the Risk Management Committees has been undertaken for the period 2020 / 2021 • The Risk Management Process has been audited by the Internal Audit Unit. This is a conflict of interest as the Manager Internal Audit and Compliance is also responsible for Risk Compliance • Performance indicators / targets have not been developed to assess the value add of risk management. **EI (Review period – 01 July 2021 to 30 June 2023):** • The Risk Management Policy and the Fraud Prevention Framework has not been communicated to all Officials in the Municipality. • The Risk Management Strategy does not address the capacity and infrastructure required to implement risk management (people, cost systems, institutional structures, governance arrangements, etc. • The post of Risk Officer has not been filled by a full-time resource. • Performance Indicators / targets have not been developed to assess the value add of risk management. • There is no evidence that adequate Training and Development opportunities have been provided to key risk management staff. • The Entity has not evolved from using workshops and group discussions to more sophisticated methods of identifying risks. • Key Risk Management functions are not fully funded. • The Audit Committee failed to advise the Risk Management Committee during the year under review. • The Risk Assessment process failed to consider the IDP process. • The Entity has not developed risk tolerance levels for each of its major risk categories. • Risk management key success factors have not been put in place. • The Entity does not look for opportunities when engaging in risk management. • Risk Management is not always a standing management agenda of all business functions • The Risk Management activity is not fully audited by Internal Audit at least annually. • No self-evaluation of the Risk Management Committees has been undertaken for the period 2021/ 2022. • Performance targets are not cascaded into the targets of the risk management function, line management and Risk Management Committee. • No evaluation has been undertaken to determine to what extent has the risk management process has contributed to an improvement in the performance of the Entity. • Action Plans have not been adequately developed to address the key risks.

Recommendation/way forward:
Recommendations provided for all weaknesses identified to be implemented by management within the agreed implementation dates/period.

Reference to detailed reports:
Annexure 4

5.5. Review the existing internal audit and risk management unit structure and advise on an ideal structure

Objective:
The objective of the review is to assist management to review the existing Internal Audit and Risk Management unit structure and advise on an ideal structure.

Scope:
We utilised our model which assists Internal Audit and Risk Management functions to meet their corporate governance and mandated commitments while still being value adding. Our model which is aligned to the IIA & Risk Management standards considers critical questions addressing three key themes:
- Governance – Is the functions purpose and mandate aligned with expectations of the relevant municipalities Executive, Audit and Risk Committee ("ARC") and other stakeholders
- People – Does the function have the people, competencies, and experience to achieve objectives set out by the relevant municipalities now and as the risk and regulatory environment evolves in the foreseeable future?
- Infrastructure and Operations – Is there an appropriate level of investment in functions infrastructure to achieve its objectives?

Approach:
The process followed was:
- Gain an understanding of each municipalities current structure by reviewing relevant documentation.
- Conduct interviews with key stakeholders at each municipality to obtain responses to the key considerations.
- Compilation of a functional assessment report highlighting gaps noted in the current structure as well as a proposed future state structure.

Summary of proposed future structure:

Area	All municipalities, including Enterprise iLembe
Internal Audit	Ndwedwe, Maphumulo, Enterprise iLembe have outsourced their internal audit function, while Mandeni is co-sourced. All municipalities have either an Internal Audit manager or Chief Audit Executive. We analysed the Internal Audit Departments needs taking into consideration the Internal Audit structure, mandates, the Internal Audit budget and the 2020/21, 2021/22 & 2022/23 Internal Audit Plan, some of the proposed positions are as follows: **IDM:** • Manager of Internal Audit / Chief Audit Executive. • Assistant Manager / Senior Internal Auditor. • Senior Internal Auditor (specialist in IT Audit with General Internal Audit experience and Performance Audit experience). • General Internal Auditor X5; and (2 Internal Auditors with IT Audit and performance Audit experience). **KDM:** • Head of Internal Audit/ Chief Audit Executive; • Senior Manager Internal Audit; • Assistant Manager Internal Audit; • General Internal Auditor; • Specialist Internal Auditor (specialist in Performance Management Audit with General Internal Audit experience); and • Specialist Internal Auditor (specialist in IT Audit with General Internal Audit experience). **Mandeni:** • Head of Internal Audit / Chief Audit Executive; • Assistant Manager; • General Internal Auditor; and • Specialist Internal Auditor (specialist in IT Audit with General Internal Audit experience). **Maphumulo:** • Head of Internal Audit / Chief Audit Executive; • Assistant Manager; • General Internal Auditor; and • Specialist Internal Auditor (specialist in IT Audit with General Internal Audit experience). **Ndwedwe:** • Head of Internal Audit / Chief Audit Executive; • Internal Audit Manager; • General Internal Auditor X2; • Specialist Internal Auditor (specialist in IT Audit with General Internal Audit experience); and • Internal Audit Intern X2 **EI:**

Area	All municipalities, including Enterprise iLembe
	Should Enterprise iLembe decide to move away from the outsourced model we propose that the Enterprise either utilise Internal Audit resources from the iLembe District Municipality or consider using an Internal Audit shared services model within the entire iLembe District to ensure a co-ordinated and integrated services centre to deliver quality services.
Risk Management	**Current structure:** **IDM:** • Manager - Enterprise Risk Management; • Risk Management Officer; • Anti - Fraud and Corruption Officer; • Systems Control & Losses Management Officer; • Business Continuity Officer (Vacant); and • Enterprise Risk Management Clerk. **KDM:** • Assistant Manager: Risk; and • One (1) vacant position of a Risk Officer. **Mandeni:** • One (1) filled position of a Risk Officer. **Maphumulo:** • Manager Internal Audit, Risk & Compliance; and • Risk Management Intern (not part of the organogram). **Ndwedwe:** • Manager Risk & Compliance; • Risk & Compliance Officer (not budgeted for in the current organogram); and • Risk Intern (Currently Vacant). We analysed the Risk Management Departments current structure above and needs taking into consideration the Enterprise Risk Management implementation plan, some of the proposed positions are as follows: **Proposed future structure:** **IDM:** • Manager - Enterprise Risk Management / Chief Risk Officer. • Assistant Manager - Risk and Compliance. • Enterprise Risk Management Officer. • Anti - Fraud and Corruption Officer. • Systems Control & Losses Management Officer. • Business Continuity Officer. • Enterprise Risk Management Clerk x2. **KDM:** • Chief Risk Officer (reporting to administratively to the Municipal Manager); • Assistant Manager: Risk Management; • Risk Officer; and • Anti-Fraud and Corruption Officer. **Mandeni:** • Chief Risk Officer (reporting to administratively to the Municipal Manager); • Risk Officer; and • Risk Intern. **Maphumulo:** • Manager Internal, Risk & Compliance (reporting to administratively to the Municipal Manager); and • Risk Officer. **Ndwedwe:** • Manager Risk & Compliance; • Risk Management Officer (Anti-Fraud, Fraud and Corruption, Business Continuity); • Risk Management & Compliance Officer; • Loss and Control Clerk; and • Risk Intern X2.

Recommendation/way forward:
Recommended proposed future structure to be implemented by management within the agreed implementation dates/period.

Reference to detailed reports:
Annexure 5

5.6. Review project risk management methodology and test business continuity plans

Objective:
The objective of the review was to develop a project risk management framework and to test business continuity plans.

Scope:
To develop a project risk management framework.
* Test business continuity plans.

Approach:
The process followed was:
* To develop a project risk management framework.
* To test business continuity plans.

Outcome:
Developed a project risk management framework (5.23 below).
Test business continuity plans: Walk through exercising conducted on 09 December 2022. This included an additional workshop on 08 December 2022 to ensure that BCM is embedded along with skill transfer. In addition, certificates were issued to workshop attendees.

Recommendation/way forward:
Municipalities to finalise the project risk management framework and seek approval from their Council.
Business continuity plans: Municipalities to implement BCP as per the BCP.

Reference to detailed reports:
Annexure 6

5.7. Review or develop business continuity plans

Objective:
The objective of the review was to develop business continuity plans.

Scope:
To develop business continuity plans.

Approach:
The process followed was:
* Develop business continuity plans.

Outcome:
Developed business continuity plans (5.21 below).

Recommendation/way forward:
Business continuity plans: Municipalities to implement BCP as per the BCP.

Reference to detailed reports:
Annexure 6

5.8. Review audit procedures on Performance Management System

Objective:
The objective of this review was to assess adequacy and effectiveness of the internal controls in place by management to ensure effectiveness and efficiency as well as overall compliance with the National Internal Audit and Risk Management Frameworks, policies and other applicable laws and regulations

Scope:
Review audit procedures on Performance Management System.

Approach:
The process followed was:
- A request for information was submitted to the Chief Audit Executive for the current audit procedures utilised by the municipality.
- The above procedures were benchmarked against the relevant government circulars and regulations.
- Gaps identified required root cause analysis by management.
- Management improvement plan commented on by management.

Summary of key weaknesses identified:

Area	All municipalities, including Enterprise iLembe
Performance Management Systems	**IDM:** • No areas of improvement were noted. **KDM:** • No areas of improvement were noted. **Mandeni:** • Audit procedures do not test compliance with MFMA Circular 13. • Audit procedures are not comprehensive enough to cover important areas of budget. **Ndwedwe/Maphumulo/EI:** • At the commencement of the review, it was brought to our attention that the audit procedures on Performance Management System could not be provided to us due to third party limitations (out-sourced internal audit function). In view of this, we provided the audit procedures for the municipalities to perform their own benchmarking.

Recommendation/way forward:
PMS audit procedures be amended to include recommendation per the individual reports.

Reference to detailed reports:
Annexure 7

5.9. Review the effectiveness of systems in place in managing fraud and corruption

Objective:
Review the effectiveness of systems in place in managing fraud and corruption

Scope:
Limited to a review of documentation and information provided to us during the assignment and consultations with selected individuals from management.

Approach:
The process followed was:
Obtain and review selected pertinent documentation, which provided an insight to the fraud management control environment and operations. This includes a review of the following selected documents, amongst others:
a) Anti-Corruption Strategy (ACS) / Fraud Prevention Plan (FPP);
b) Fraud Response Plan;
c) Whistleblowing Policy;
d) Fraud policy;
e) ACS / FPP implementation plan;
f) Ethics and fraud risk registers;
g) Codes of Ethics and Business Conduct;
h) Ethics policy;
i) Private work policy;
j) Investigation policy;
k) Ethics Management Strategy;
l) Fraud awareness program;
m) Management reports on fraud and ethics management;
n) Report of previous fraud or ethics surveys; and
o) Anti-fraud training material.

Consult with selected individuals to obtain an understanding of the following:
a) The Municipality's FRM framework;
b) Activities conducted to encourage ethical behaviour, prevent fraud and corruption, detect incidents of fraud and corruption, investigation of reported incidents, and resolution of matters to the full extent of the law; and
c) Identify specific fraud and corruption related concerns.

Weaknesses identified:

Area	All municipalities, including Enterprise iLembe
Fraud Risk Governance	**IDM, including EI:** 1. IDM has an Anti-fraud Prevention Strategy (APS) that was reviewed in June 2021 and its objective is to create a culture within the municipality which promotes public service and discourages unethical conduct, fraud and corruption. 2. The ACS provides for fraud and corruption risk management responsibilities for the Municipal Manager, senior management team, all officials, councillors, and service providers. 3. In addition to the responsibilities of various stakeholders we noted under section 6 of the APS, a fraud mitigation structure with three layers of defence namely: • First Layer of Responsibility – Management and Councillors • Second Layer of Responsibility – Oversight Functions • Third Layer of Responsibility – Independent Assurance Functions 4. The Risk Management Committee (RMC) is the sub-committee of the governing body that has been provided with the responsibility to deal with fraud risk management related matters of IDM. 5. The RMC charter confirms that the RMC is responsible for the oversight and monitoring of implementation of the Anti-fraud and corruption strategy. 6. We were provided with the minutes of the RMC meetings for February 2021 and August 2021. On review of the minutes of the RMC meeting we noted that the implementation of Anti-fraud and Corruption Strategy is a standing agenda for the RMC meetings. These minutes revealed that the RMC discusses the following matters of the FRM programme: • The implementation of Anti-Fraud and Corruption Strategy; • Progress on procurement of hotline services; • Note that the hotline services will be done as a shared service; • Management to encourage staff to disclose Gift, Donations and sponsorships on the IDM Gift Register; • Completion of the Annual Declaration of Interest Forms are to be signed by Manco members as well as staff under their sections; and • DM employees to be alert for Donations and Sponsorships that might be offered by potential and existing Service Providers during the Covid-19 Pandemic lockdowns. 7. IDM does not have an investigation team and appears to outsource the function to external parties as reflected under paragraph 6.4.4. 8. IDM has a budget for fraud awareness of R200 000,00 and fraud hotline budget of a further R200 000,00. **KDM:** 1. The KLM has an Anti-Fraud and Corruption Strategy (ACS) for the financial year 2021/2022 that outlines the municipality's strategic approach to the fight against fraud and corruption. Even though the document was adopted on September 30th 2021, the document is not dated nor has it been signed. 2. We noted that paragraph 12 of the ACS 2021/2022 states that *"The KwaDukuza Municipality Integrity and Ethics Management section located in the office of the Municipal Manager shall monitor and evaluate the implementation of the Anti-Corruption Strategy."* 3. The Risk Management Committee (RMC) is the subcommittee of the governing body that had been provided with the responsibility to deal with Fraud Risk Management related matters of KLM. 4. We were provided with the RMC minutes for 26 February 2021, 2 and 11 June 2021. We noted that these minutes revealed that the RMC discusses the following matters in relation to Fraud Risk Management (FRM): a) The appointment of Ms Gutshwa as Assistant Manager, Risk and Ethics; b) Implementations of fraud risk plan; c) Strategic risk assessments plan; and d) Follow up plans on risk not achieved. 5. We reviewed the agenda of the meetings and we noted that fraud risk management is not stand alone in the meetings. 6. In addition to the responsibilities or various stake holders we noted under section 6 of the anti- fraud Prevention (APS) a fraud mitigation structure with three layers of defence namely; a) First Layer of Responsibility – Management and Councillors

Area	All municipalities, including Enterprise iLembe

	b) Second Layer of Responsibility – Oversight Functions
	c) Third Layer of Responsibility – Independent Assurance Functions.
	Mandeni:
	1. The MLM has an Anti-Fraud and Prevention Strategy (APS), dated April 2021, which outlines the municipality's strategic approach to the fight against fraud and corruption, however, the strategy has not been approved by the governing body of the municipality.
	2. According to Mr Manqele, the Risk Management Committee (RMC) is the sub-committee of the governing body that has been provided with the responsibility to monitor and address fraud risk management related matters of MLM. We were not provided with the RMC charter outlining the duties of the RMC particularly in so far as anti-corruption and fraud prevention are concerned.
	3. The extracts of the minutes of the RMC meetings indicates that one of the items discussed by the RMC, amongst other things, is fraud prevention policy and strategy. The municipality's APS states that the RMC is responsible for oversight and monitoring of fraud related matters.
	4. The Risk and Compliance Officer is responsible for the implementation of the APS.
	5. The APS does not outline the responsibilities of the stakeholders of the municipality in so far as anti-corruption and fraud prevention initiatives are concerned.
	6. The fraud prevention budget was reduced from R100,000 to the current R30,000 per annum
	Ndwedwe:
	1. The RMC is the sub-committee of the governing body that has been provided with the responsibility to monitor and address with fraud risk management related matters for NLM.
	2. In addition, according to the fraud prevention strategy 2021, the Risk Management Committee should further monitor the management of significant risks to the municipality
	3. We were informed of a R40 000,00 budget for only whistleblowing in terms of fraud prevention and detection.
	4. We requested the minutes of the RMC meetings but we were provided only the agenda of the meeting held on 21 October 2021. We were not provided with the contents of the meetings
	5. 5. In addition to the responsibilities of various stake holders we noted under section 6 of the Anti-fraud and Corruption Strategy (ACS) a fraud mitigation structure with three layers of defence namely:
	   a) First Layer of Responsibility – Management Councillors;
	   b) Second Layer of Responsibility – Oversight Functions; and
	   c) Third Layer of Responsibility – Independent Assurance Functions.
	6. We requested an RMC charter, but we did not receive it.
	Maphumulo:
	1. Issues of fraud are handled by the subcommittee of the governing body, the risk management committee (RMC), that has been provided with the responsibility to deal with the fraud risk management related matters of MLM.
	2. We requested an RMC charter but did not receive one. However, the FPPS states that the RMC will be responsible for oversight and monitoring of the fraud risk management program.
	3. The Manager: Internal Audit and Compliance is responsible for implementation of the FPPS.
	4. We were provided with the minutes of the meeting dated 11 May 2021 held by the Municipal Public Accounts Committee (MPAC) and noted that a discussion was held on risk management related issues as follows:
	   a. Development and assessment of fraud risk register for 2020 and 2022 by RCM
	   b. Approval of the fraud risk register by MPAC
	   c. Concern of the issue concerning the abuse of municipal vehicles
	5. Minutes of the meeting dated 27 August 2021 held by MPAC reveal that the following was discussed on risk management related issues:
	   a) Fraud Risk register with 12 risks
	   b) Fraud Risk Management action plans due

Fraud Risk Assessment	**IDM, including EI:** 1. IDM has a fraud risk register (FRR) that was updated sometime in May 2021. 2. The FRR lists the action owner and risk owner for each risk but not the people who be in the best position to commit the fraud / unethical action. **KDM:** 1. KLM has a Fraud Risk Register (FRR), which was last updated in the year 2021. 2. We noted that the FRR has a risk name and risk description for each fraud risk identified but the potential person/s committing each fraud has not been identified. **Mandeni:** 1. Mandeni has a Fraud Risk Register (FRR) that is dated 30 June 2021.

Area	All municipalities, including Enterprise iLembe
	2. The FRR lists the action owner but not the people who be in the best position to commit the fraud/unethical action. **Ndwedwe:** 1. Ndwedwe has a fraud risk register which was last updated in 2021 2. The FRR lists the action owner but not the people who be in the best position to commit the fraud/unethical action. **Maphumulo:** 1. Maphumulo has a fraud risk register which was last updated in 2021. FRR has been revived in January 2022. 2. The FRR lists the action owner but not the people who be in the best position to commit the fraud/unethical action.

Fraud training and awareness	**IDM, including EI:**
	1. IDM provided us with various social media posts in two dialects (English and IsiZulu) that are presented on their Facebook page and these cover the following:
	    a) Promotion of the National Fraud Hotline;
	    b) How corruption affects the municipality and its stakeholders;
	    c) How to stop it.
	We visited the Facebook page of the municipality, and we noted that the posts were flighted in June and July 2021.
	2. IDM has one A4 size poster on the outside entrance of the municipality warning that the municipality jobs are not for sale.
	3. 3. It appears that on 28 February 2019, IDM hosted an Anti-Corruption Day from 09H00 to 16H00 in collaboration with Mandeni, Ndwedwe, Maphumulo, and KwaDukuza local municipalities, with a program that indicates that discussions were held on programmes on anti-corruption related matters as well as dealing with fraud and corruption issues.
	4. 4. There is no evidence that IDM provides ethics and fraud awareness / training during induction of new employees.
	5. 5. Employees have not signed ethics pledges. The leadership and employees in taking ethics and integrity pledges and declarations, should express their commitment to performing their duties with integrity and in an ethical manner; to demonstrate core values of NLM in their behaviour and to help the organisation to fight against fraud and corruption by reporting unethical behaviour.
	6. There are no integrity pacts in place for suppliers. The Integrity Pact (IP) is a powerful tool developed by Transparency International (TI) https://www.transparency.org/en/tool-integrity-pacts to help governments, businesses and civil society fight corruption in public contracting. It consists of a process that includes an agreement between a government or government agency ('the authority') and all bidders for a public sector contract, setting out rights and obligations to the effect that neither side will pay, offer, demand, or accept bribes; nor will bidders collude with competitors to obtain the contract, or bribe representatives of the authority while carrying it out. An independent monitor who oversees IP implementation and ensures all parties uphold their commitments under the IP brings transparency and invaluable oversight to all stakeholders in a contracting process, from the authority to the public
	KDM:
	1. KDM provided us with social media banners with two languages (IsiZulu and English) to promote awareness amongst municipal employees as follows:
	    a) Loss prevention awareness;
	    b) How corruption affects you; and
	    c) What is corruption.
	2. KDM's website has a corruption hotline for employees to call to blow a whistle on fraud and corruption.
	3. We noted that an ethics presentation that was done in 2018 for Council awareness training covering definitions and examples of fraud, and corruption, Code of conduct and ethics.
	4. It appears that on 28 February 2019, iLembe hosted an Anti-Corruption Day from 09H00 to 16H00 in collaboration with KDM, Ndwedwe, Maphumulo and KwaDukuza with a program that indicates that discussions were held on anti-corruption related matters as well as dealing with fraud and corruption issues.
	Mandeni:
	1. Mandeni provided posters / social media banners in two dialects (English and IsiZulu) to promote fraud awareness amongst the municipality employees as follows:
	    a) Loss and prevention poster;
	    b) How corruption affects you; and
	    c) What is corruption.
	2. No presentations were provided relating to fraud awareness campaigns – just an ERM presentation.
	3. It appears that on 28 February 2019, iLembe hosted an Anti-Corruption Day from 09H00 to 16H00 in collaboration with Mandeni, Ndwedwe, Maphumulo, and KwaDukuza, with

Area	All municipalities, including Enterprise iLembe
	a program that indicates that discussions were held on programmes on anti-corruption related matters as well as dealing with fraud and corruption issues.
	4. No evidence was provided that Mandeni provides fraud training and awareness during inductions for new employees.
	5. There is no evidence that ethics pledges have been signed.
	6. Mandeni does not have in place integrity pacts with service providers of goods and services.
	Ndwedwe:
	1. It appears on 28 February 2019 iLembe (in collaboration with Mandeni, Ndwedwe, Maphumulo, KwaDukuza municipalities) held an Anti-corruption day from 09h00-16h00 with a programme on Anti-corruption related matters as well as dealing with fraud and corruption issues. It looked very high-level from the program.
	2. The AFS states that "Ethics training will be conducted at induction and on a continuing basis" yet we were not provided with evidence that such training takes place via induction or on an ongoing basis.
	3. Employees have not signed ethics pledges. The leadership and employees in taking ethics and integrity pledges and declarations, should express their commitment to performing their duties with integrity and in an ethical manner; to demonstrate core values of Ndwedwe in their behaviour and to help the organisation to fight against fraud and corruption by reporting unethical behaviour.
	4. There are no integrity pacts in place for suppliers. The Integrity Pact (IP) is a powerful tool developed by Transparency International (TI) https://www.transparency.org/en/tool-integrity-pacts to help governments, businesses and civil society fight corruption in public contracting. It consists of a process that includes an agreement between a government or government agency ('the authority') and all bidders for a public sector contract, setting out rights and obligations to the effect that neither side will pay, offer, demand, or accept bribes; nor will bidders collude with competitors to obtain the contract, or bribe representatives of the authority while carrying it out. An independent monitor who oversees IP implementation and ensures all parties uphold their commitments under the IP brings transparency and invaluable oversight to all stakeholders in a contracting process, from the authority to the public
	Maphumulo:
	1. In November 2020, an employee workshop was held on the Fraud Prevention Policy and Strategy 2020/21. The slides are an overview of the strategy.
	2. The slides state that the fraud reporting email is fraudreporting@maphumulo.gov.za yet when we sent an email to that address, we received an error message that said:
	3. Address not found - Your message wasn't delivered to fraudreporting@maphumulo.gov.za because the address couldn't be found or is unable to receive mail.
	4. In 2019, KZN Treasury did a Fraud Risk Assessment survey with employees. It consisted of a 5-page manual questionnaire. All five municipalities said that the response from employees was not good and that the municipalities have not received any feedback on the results. Surveys are an excellent method to gather information but because fraud is such a sensitive topic, it's important to ensure anonymity. The survey used manual forms, where employees need to write down comments and maybe have their handwriting recognised.
	5. Maphumulo provided us with social media graphics with two languages (IsiZulu and English) to promote awareness amongst municipal employees as follows:
	• How corruption affects you; and
	• What is corruption.
	6. An awareness training was done in 2018 covering definitions and examples of fraud, corruption, Code of conduct and ethics presentation
	7. It appears on 28 February 2019, iLembe, in collaboration with Mandeni, Maphumulo, KwaDukuza and Ndwedwe, held an Anti-corruption day from 9 am to 4pm. It is not clear what information they shared with the attendees of the event.
	8. A staff policy workshop was held from 11-12 November 2020. The fraud prevention policy and code of conduct were both given 15 minutes to be delivered. The attendance register for 11 November 2020 has 25 invitees listed but only 13 have signed their attendance.
Ethical culture	**IDM, including EI:**
	1. We surveyed IDM staff via an online survey and asked some ethics-related questions. These are our findings:
	a) Overall, the **culture is more positive** with **58%** of respondents feeling this way.
	b) b) **88%** of respondents consider themselves to be ethical yet when asked to answer an ethical dilemma, 41% would be able to justify their unethical behaviour.
	c) c) We asked what respondents' perceptions were regarding colleagues perceived honesty and stealing from IDM – 64% of respondents perceived various levels of stealing.

Area	All municipalities, including Enterprise iLembe
	2. The top three unethical behaviours being observed or suspected are nepotism, theft of time and corruption.
	KDM:
	1. We noted that paragraph 11.3 of the ACS states that the role of the Risk Management office and its practitioners is to actively manage ethics, provide ethical guidance to the Council, executive directors, senior management, and staff on ethics-related issues, co-ordinate fraud and ethics risk assessments, promote integrity and ethical behaviour in the KLM, advise employees on ethical matters, ensure organisational integrity of policies, procedures and practices, manage conflicts of interest, develop fraud and ethics awareness training and identify and report on unethical behaviours and corrupt activities.
	2. We surveyed KLM staff via an online survey and asked some ethics-related questions. These are our findings: a) Overall, the culture is slightly more positive with 55% of respondents feeling this way. b) 97% of respondents consider themselves to be ethical yet when asked to answer an ethical dilemma, 19% would be able to justify their unethical behaviour. c) We asked what respondents' perceptions were regarding colleagues perceived honesty and stealing from KLM – 84% of respondents perceived various levels of stealing. d) The top three unethical behaviour being observed or suspected are corruption, theft of time and asset theft.
	3. KLM further advised that FRM is not included in the Key Performance Indicators (KPI) of employees of the municipality.
	Mandeni:
	1. Mandeni provided posters / social media banners in two dialects (English and IsiZulu) to promote fraud awareness amongst the municipality employees as follows: a) Loss and prevention poster; b) How corruption affects you; and c) What is corruption.
	2. No presentations were provided relating to fraud awareness campaigns – just an ERM presentation.
	3. It appears that on 28 February 2019, iLembe hosted an Anti-Corruption Day from 09H00 to 16H00 in collaboration with Mandeni, Ndwedwe, Maphumulo, and KwaDukuza, with a program that indicates that discussions were held on programmes on anti-corruption related matters as well as dealing with fraud and corruption issues.
	4. No evidence was provided that Mandeni provides fraud training and awareness during inductions for new employees.
	5. There is no evidence that ethics pledges have been signed.
	6. Mandeni does not have in place integrity pacts with service providers of goods and services.
	Ndwedwe:
	1. The AFC strategy document states that, "The objectives of the strategy are to create a culture within NLM which promotes public service and discourages unethical conduct, fraud and corruption".
	2. We surveyed NLM staff via an online survey and asked some ethics-related questions. These are our findings:
	3. The culture is more positive with 61% of respondents feeling this way.
	4. 86% of respondents consider themselves to be ethical yet when asked to answer an ethical dilemma, 50% would be able to justify their unethical behaviour.
	5. We asked what respondents' perceptions were regarding colleagues perceived honesty and stealing from NLM – 77% of respondents perceived various levels of stealing.
	6. The top three unethical behaviours being observed or suspected are favouritism, theft of time and bribery.
	Maphumulo:
	1. We surveyed Maphumulo staff via an online survey and asked some ethics-related questions. These are our findings:
	2. Overall, the culture is negative with 58% of respondents feeling this way.
	3. 100% of respondents consider themselves to be ethical yet when asked to answer an ethical dilemma, 50% would be able to justify their unethical behaviour.
	4. We asked what respondents' perceptions were regarding colleagues perceived honesty and stealing from Maphumulo – 78% of respondents perceived various levels of stealing.
	5. The top three unethical behaviours being observed or suspected are favouritism, theft of time and corruption.
Fraud policies and procedures	**IDM, including EI:** 1. In respect of fraud policies and procedures we found that IDM has a Draft Anti-Fraud and Corruption Strategy and Policy (ACS), reviewed in June 2021. 2. We found no evidence of the existence of the following policies (but they are discussed in the ACS):

Area	All municipalities, including Enterprise iLembe
	a) Outside remunerative work policy; b) Whistleblowing policy; c) Conflict of interest policy; d) Gifts policy; 3. The issues pertaining to conflict of interest, outside remunerative work and gift acceptance tend to get staff members into trouble. There seems to be confusion amongst IDM employees regarding these two areas as they are not adequately covered in policies or training. 4. Concerning the fraud survey performed at IDM, we asked whether employees are allowed to have other remunerative work or deal with friends and family – 28% of respondents said 'yes', 36% said 'no' while 36% said they 'don't know'. We went on to ask if staff members are allowed to accept gifts – 10% of respondents said 'yes', 80% said 'no', while 10% said they 'don't know'. **KDM:** 1. In respect of fraud policies and procedures, we found the following policies at KDM: a) Anti-Fraud and Corruption Policy 2021 – 2022; b) Anti-Fraud and Corruption Strategy 2021 – 2022; and c) Whistle blowing policy 2021 2022. 2. The issues pertaining to conflict of interest and gift acceptance tend to get staff members into trouble. There seems to be confusion amongst KDM employees regarding these two areas as they are not adequately covered in policies or training. 3. Concerning the fraud survey performed at KDM, we asked whether employees are allowed to have other remunerative work or deal with friends and family – 39% of respondents said 'yes', 39% said 'no' while 22% said they 'don't know'. We went on to ask if staff members are allowed to accept gifts – 32% of respondents said 'yes', 52% said 'no', while 16% said they 'don't know'. **Mandeni:** 1. In respect of fraud policies and procedures, we found the following at MLM: a) Draft unsigned Fraud Prevention Policy Strategy dated April 2021; and b) Undated and unsigned Code of Ethics. 2. There is no evidence that municipality employees are trained on the said policies. 3. Aspects of managing conflicts of interest and gift acceptance are not adequately covered in policies or training. 4. The issues pertaining to conflict of interest, outside remunerative work and gift acceptance tend to get staff members into trouble. There seems to be confusion amongst MLM employees regarding these two areas as they are not adequately covered in policies or training. 5. Concerning the fraud survey performed at MLM, we asked whether employees are allowed to have other remunerative work or deal with friends and family – 17% of respondents said 'yes', 46% said 'no' while 37% said they 'don't know'. We went on to ask if staff members are allowed to accept gifts – 29% of respondents said 'yes', 58% said 'no', while 13% said they 'don't know'. **Ndwedwe:** 1. In respect of fraud policies and procedures we were provided the following for NLM: a) Code of conduct b) Anti-fraud and Corruption Strategy 2. The areas that tend to get staff members into trouble, in most organisations, are conflicts of interest, outside remunerative work and gift acceptance, and there seems to be confusion amongst NLM employees regarding these areas as they are not adequately covered in policies or training. In the fraud survey we asked whether employees are allowed to have other remunerative work or deal with friends and family – 15% of respondents said 'yes', 46% said 'no' while 39% said they 'don't know'. We went on to ask if staff members are allowed to accept gifts 39% of respondents said 'yes', 23% said 'no', while 38% said they 'don't know'. **Maphumulo:** 1. Maphumulo makes use of the Code of Conduct for Municipal Staff Members (The Code), which is an extract from Municipal Systems Act. It sets out the conduct that is expected from employees working for The Municipality. The spirit of this Code is to encourage and support ethical conduct by all employees. Code of Conduct for employees was emailed to all Municipality staff by the Manager Human Resources on the 28th October. 2. The Municipality has a draft Fraud Prevention Policy and Strategy 2020/21 (Strategy) that covers the prevention, detection and management of fraud and provides information for fair dealing in matters pertaining to fraud. The strategy aims to raise the awareness of fraud and its prevention in the Municipality environment and to give guidance to both the reporting of suspected fraud and how the investigation of that report will proceed. 3. The strategy mentions that the Internal auditor should review a register of personal gifts and hospitality accepted or declined by officials.

Area	All municipalities, including Enterprise iLembe
	4. The two areas that tend to get staff members into trouble, in most organisations, are conflicts of interest and gift acceptance, and there seems to be confusion amongst Maphumulo employees regarding these two areas as they are not adequately covered in policies or training. In the fraud survey we asked whether employees are allowed to have other remunerative work or deal with friends and family – 33% of respondents said 'yes', 11% said 'no' while 56% said they 'don't know'. We went on to ask if staff members are allowed to accept gifts – 25% of respondents said 'yes', 37% said 'no', while 38% said they 'don't know'. 5. The Fraud Prevention Policy and Strategy states that 'Acceptance of gifts or hospitality must be dealt with in accordance with the Gifts and Hospitality Policy' yet we were not provided with this policy. The Fraud Prevention Plan / Activities states that 'Before the end of July each year all employees must complete a declaration form listing all possible conflict of interest'. We perused the declaration form but it is a financial declaration and does not cover dealing with friends and family. 6. The FPPS states that the Internal auditor should 'Review a register of personal gifts and hospitality accepted or declined by officials. We were not provided with this register. 7. The FPPS contains a brief fraud response plan.
Pre-employment screening and vetting	**IDM, including EI:** 1. The ACS provides for pre-employment screening and requires that all shortlisted candidates be subjected to screening according to the classification of levels of employees. 2. The POPI act prevented the HR manager from supplying us with evidence of new employee vetting and screening, so we requested Ms Mpetsheni to obtain a list of new hires and to then choose a sample to verify. Ms Mpetsheni asked Mr Mlaba to obtain a list of new hires for the 21/22 financial year from HR and choose a sample of four employees. Mr Mlaba then found that of the four employees, none of them had criminal records checked and all four are in finance. **KDM:** 1. The POPI act prevented the HR manager from supplying us with evidence of new employee vetting and screening, so we requested Ms Gutshwa to obtain a list of new hires and to then choose a sample to verify. Ms Gutshwa obtained a list of new hires for the 21/22 financial year from HR and chose a sample of six employees. Ms Gutshwa then found that of the six employees, three did not have full vetting performed. All three of these employees did not have criminal records checked while two did not have their work experience verified. 2. The ACS table of contents indicates that paragraph 8.8 deals with the *'Recruitment Procedures'*, however, we noted that the body of the policy has no paragraph 8.8. **Mandeni:** 1. The Draft Fraud Prevention Policy Strategy of Mandeni provides that written references should be sought regarding honesty and integrity of potential employees and independent confirmation of professional qualifications should be obtained before offers of employment are made. 2. Mandeni advised that pre-employment screening and vetting is conducted by HR in the municipality. The following checks are conducted: a) Criminal records checks; b) Credit checks; c) Verification of academic qualifications; and d) Reference checks. 3. Mandeni further advised that when vetting new service providers, they refer to the CSD reports the service provider. 4. The POPI act prevented the HR manager from supplying us with evidence of new employee vetting and screening, so we requested Ms Bhengu to obtain a list of new hires and to then choose a sample to verify. Ms Bhengu obtained a list of twenty new hires from the 21/22 financial year and chose a sample of six employees. Ms Bhengu then found that of the six employees, only one (a cashier) had full vetting performed. Ms Mukelwe Mbuyazi, the HR officer, informed Ms Bhengu that vetting is done for only finance staff. Of the other five employees, three are in strategic positions (Information Communications Technology Manager, Project Management Unit Manager and Personal Assistant to the Deputy Mayor), meaning they have access to confidential information. Of the other five employees, only three had their previous work experience verified. None of them had criminal record or academic qualifications checked. **Ndwedwe:** 1. According to the ACS document, "Screening will be conducted on all shortlisted candidates and in accordance with the classification of the employee or the levels of screening" outlined in the document. 2. However, the Manager: Internal Audit stated that pre-employment screening and vetting is currently being performed only for Directors due to lack of capacity from Corporate Services.

Area	All municipalities, including Enterprise iLembe
	3. We requested a sample of new hires for the 21/22 financial year but, according to the Manager: Internal Audit, being a small municipality there had been new no employees employed in that period. She did, however, find out that for junior staff, vetting is usually done after appointment while only managers have their vetting done before appointment. **Maphumulo:** 1. According to the FPPS, the Head of Corporate Services is responsible for obtaining written references regarding honesty and integrity of potential employees, and independent confirmation of professional qualifications before offers of employment are made. 2. The Manager: Internal Audit and Compliance stated that pre-employment screening and vetting is currently being performed only for Directors due to lack of capacity from Corporate Services. 3. We requested The Manager: Internal Audit and Compliance to obtain a list of new hires and to then choose a sample to see what had been verified. Mr Mbatha obtained a list of new hires from the 21/22 financial year and chose a sample of three employees. Mr Mbatha then found that of the three non-managerial level employees, only one (a building control officer) had full vetting performed. Of the other two employees, neither one had criminal record or academic qualifications checked.
Case Management Database	Municipalities do not make use of a CMD.
Whistleblowing and reporting lines	**IDM, including EI:** 1. There is no Whistleblowing Policy, but whistleblowing is provided for in the ACS. 2. The following is the hotline details provided by IDM on their website for purposes of blowing the whistle: 031 572 6685 and www.impimpihotline.co.za 3. Although the ACS states that the municipalities that do not have whistle blowing policy in place should adopt the one as provided by the local Treasury for their unique circumstances, there is no evidence that they actually adopted the local Treasury whistle blowing policy. 4. In the fraud survey, employees were asked if someone they work with had asked them to do something illegal or unethical – 37% of respondents said 'yes'. This begs the question, did these employees action these requests and/or did they report them. It would seem they were not reported, as we were informed that many people are too scared to report for fear of victimisation. 5. We then asked to what extent staff members feel comfortable reporting suspected incidents of fraud or corruption. 56% of respondents said they are not at all comfortable reporting. Only 12% said they were 'completely' or 'very' comfortable' reporting. **KDM:** 1. KDM has a Whistleblowing policy adopted by the Council on 30 September 2021. Paragraph 6.4 states that KDM municipality encourages employees to put their names to allegations. Concerns expressed anonymously are difficult to investigate; nevertheless, they will be followed up at the discretion of the Municipality in consultation with other law enforcement agencies. 2. Furthermore, we noted that the suggestion boxes have been provided for employees to report on corrupt activities and are checked every Monday and Fraud hotline information is provided on posters for municipality employees and visitors to the organisation (0800701701). 3. We noted a poster at the entrance of the door, for employees to report corruption on the National Anti-Corruption Hotline (NACH). **Mandeni:** 1. On the Mandeni website, there is a whistle blower number to call, namely, 032 456 8263 which is the customer care number. 2. Mandeni has a suggestion box where municipal employees and stakeholders may report fraud incidents and it is under 24 hours surveillance of security cameras. 3. In the fraud survey, employees were asked if someone they work with had asked them to do something illegal or unethical – 25% of respondents said 'yes'. This begs the question, did these employees action these requests and/or did they report them. It would seem they were not reported, as we were informed that there have been no whistle-blowing reports in the past two years. 4. We then asked to what extent staff members feel comfortable reporting suspected incidents of fraud or corruption. 46% of respondents said they are not at all comfortable reporting. Only 29% said they were 'very comfortable' reporting. 5. These answers demonstrate that there is general mistrust of the current whistle-blowing system. **Ndwedwe:** 1. The NLM fraud prevention strategy makes provision for the whistle blowing policy but there is no evidence that the Local Treasury Whistleblowing policy has been adopted

Area	All municipalities, including Enterprise iLembe
	2. iLembe district currently has an on-going tender which will appoint an external service provider to facilitate whistleblowing services to all municipalities including NLM
3. Furthermore, we note the following on methods of reporting corrupt activities in the municipality:
a) Suggestion boxes have been provided for employees to report on corrupt activities and are checked every Monday.
b) Fraud hotline information is provided on social media posts for municipality Facebook visitors (the NACH number, 0800701701, is listed on posts).
4. In the fraud survey, employees were asked if someone they work with had asked them to do something illegal or unethical – 50% of respondents said 'yes'. This begs the question, did these employees action these requests and/or did they report them. It would seem they were not reported, as we were informed that there have been no whistle-blowing reports in the past two years. (Please see E1 on Annexure A)
5. We then asked to what extent staff members feel comfortable reporting suspected incidents of fraud or corruption. 39% of respondents said they are not at all comfortable reporting. Not one respondent chose 'completely comfortable' or 'very comfortable' reporting. (
Maphumulo:
1. We sent an email to fraudreporting@maphumulo.gov.za and received an error message that said:
a) Address not found
b) Your message wasn't delivered to fraudreporting@maphumulo.gov.za because the address couldn't be found or is unable to receive mail.
We then found the following reporting email address on the footer of the Maphumulo website under 'Contact Us': fraudhotline@maphumulo.gov.za
2. We sent an email to this email address and did not receive an error message but also did not receive a response to our email.
3. The Fraud Prevention Policy and Strategy 2020/21 slides presented in November 2020 at the employee workshop states the following:
a) *"The email address will be fraudreporting@maphumulo.gov.za*
b) *The emails will be opened at by the Internal Auditor on monthly basis and reported to the Fraud Prevention Committee on a quarterly basis"*
4. The municipality has suggestion boxes for the community to report any fraudulent related activities.

Recommendation/way forward:
The RMC should ensure that the implementation of the Anti-Fraud and Corruption Strategy is on their agenda
The municipality, when coming up with mitigating actions in the FRR, must aim to implement within reasonable timeframes and should consider each fraud risk at its own merit.
Where appropriate the municipality should consider simplified assessments / surveys on the ACS to gauge how well the staff and the stakeholders have received the information.
We recommend ethics awareness training combined with accountability. Without staff members being held accountable, the desired increase in ethical behaviour will not take place.
Municipality should consider developing the following policies as these topics seem to get lost in the larger ACS document, and then provide training.

Reference to detailed reports:
Annexure 8

5.10. Develop or review standard operating procedures and a methodology to monitor Auditor General audit action plan

Objective:
The objective of this review was to assess adequacy and effectiveness of the internal controls in place by management to ensure effectiveness and efficiency as well as overall compliance with the National Internal Audit and Risk Management Frameworks, policies and other applicable laws and regulations.

Scope:
The scope of the Internal Audit and Risk Management review included the following critical areas:
- Compliance with relevant National Frameworks, Laws, and Regulations.
- Overall functionality of the Internal Audit and Risk Management Units.
- Governance processes.

Approach:
The process followed was:
- A request for information was submitted to the Chief Audit Executive for the current standard operating procedures for the management of Auditor General audit action plan;
- The above standard operating procedures was benchmarked against the relevant government circulars and regulations.

Weaknesses identified:

Area	All municipalities, including Enterprise iLembe
Develop or review standard operating procedures and a methodology to monitor Auditor General audit action plan	**IDM/Mandeni/Ndwedwe/Maphumulo/EI:** • The is no Standard procedure in managing Auditor General Action plan. **KDM:** • Good Governance and Compliance Committee Terms of Reference does not clearly outline the role of internal audit and management regarding Auditor General audit action plan.

Recommendation/way forward:
Standard procedure in managing Auditor General Action plan developed for municipalities.
Terms of Reference amended to outline the role of internal audit and management regarding Auditor General audit action plan.

Reference to detailed reports:
Annexure 9

5.11. Develop a district wide internal audit methodology including the Quality Assurance and Improvement Programme (QAIP)

Objective:
The objective of this review was to develop a district wide internal audit methodology including the Quality Assurance and Improvement Programme (QAIP)

Scope:
The scope included the following critical areas:
- Development of a district wide internal audit methodology including the Quality Assurance and Improvement Programme (QAIP) that complies with the relevant National Frameworks, Laws, and Regulations, and Institute of Internal Auditors frameworks and standards.

Approach:
The process followed was:
- Developed of a district wide internal audit methodology including the Quality Assurance and Improvement Programme (QAIP) that complies with the relevant National Frameworks, Laws, and Regulations, and Institute of Internal Auditors frameworks and standards.
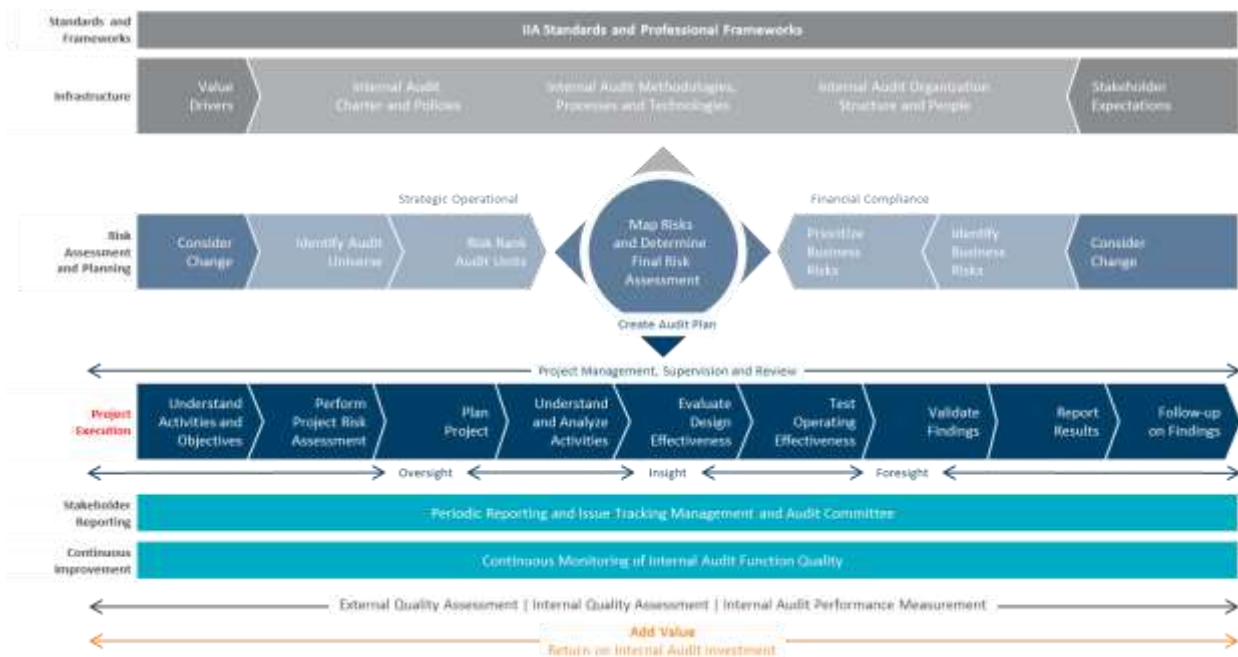
A district wide internal audit methodology including the Quality Assurance and Improvement Programme (QAIP) was developed and shared with all 5 municipalities and municipal entity.

Key areas per the internal audit methodology:

Key areas per the Quality Assurance and Improvement Programme (QAIP):
- Overview of the Internal Audit Quality Assurance and Improvement Program
- Internal Assessment
- External Assessment
- Reporting on Quality Program
- Administration Matters
- Quality Assurance and Improvement Program Process

Recommendation/way forward:
Municipalities begin utilising the methodology and QAIP to comply with the Institute of Internal Auditors standards.

Reference to detailed reports:
Annexure 10

Feasibility study: establishing a shared internal audit unit

5.12. Conduct a feasibility study on the establishment of a shared internal audit function within the district
5.13. Develop a business model for shared ICT audit function and other compliance matters
5.14. Cost benefit analysis of a shared internal audit, ICT audit and Performance audit
5.15. Proposal for a suitable internal audit and data analytics software
5.16. Implementation of recommendations for feasibility study on shared services on Internal Audit and ICT, where feasible (removed from project plan due to time factor)

Objective:
The objective of this review was to:
- Undertake a feasibility study on establishing a shared internal audit unit function within the district.
- Develop a business model for shared ICT audit function and other compliance matters
- Cost benefit analysis of a shared internal audit, ICT audit and Performance audit
- Proposal for a suitable internal audit and data analytics software

Scope:
The scope included the following critical areas:
- Undertake a feasibility study on establishing a shared internal audit unit function within the district.
- Develop a business model for shared ICT audit function and other compliance matters
- Cost benefit analysis of a shared internal audit, ICT audit and Performance audit
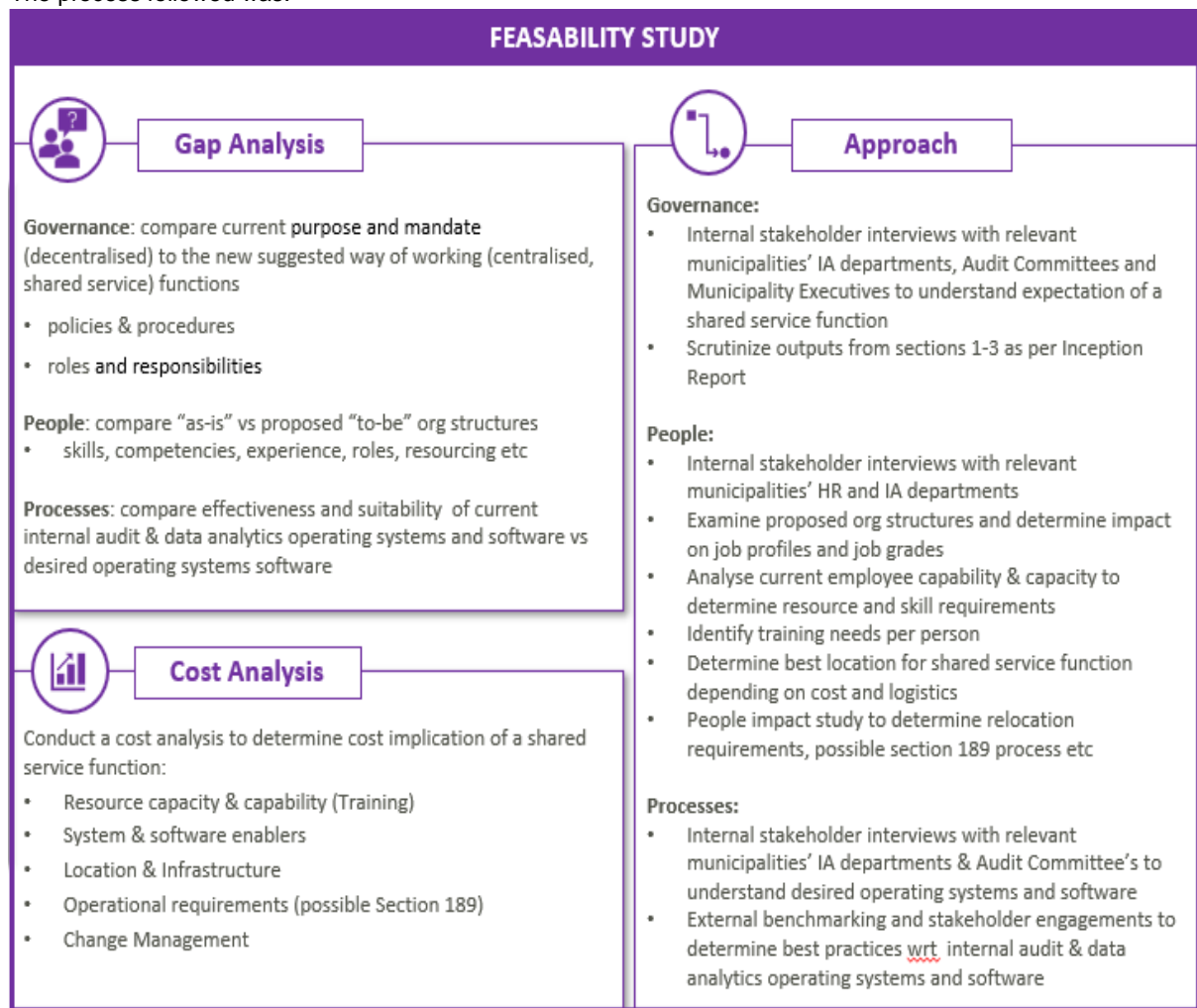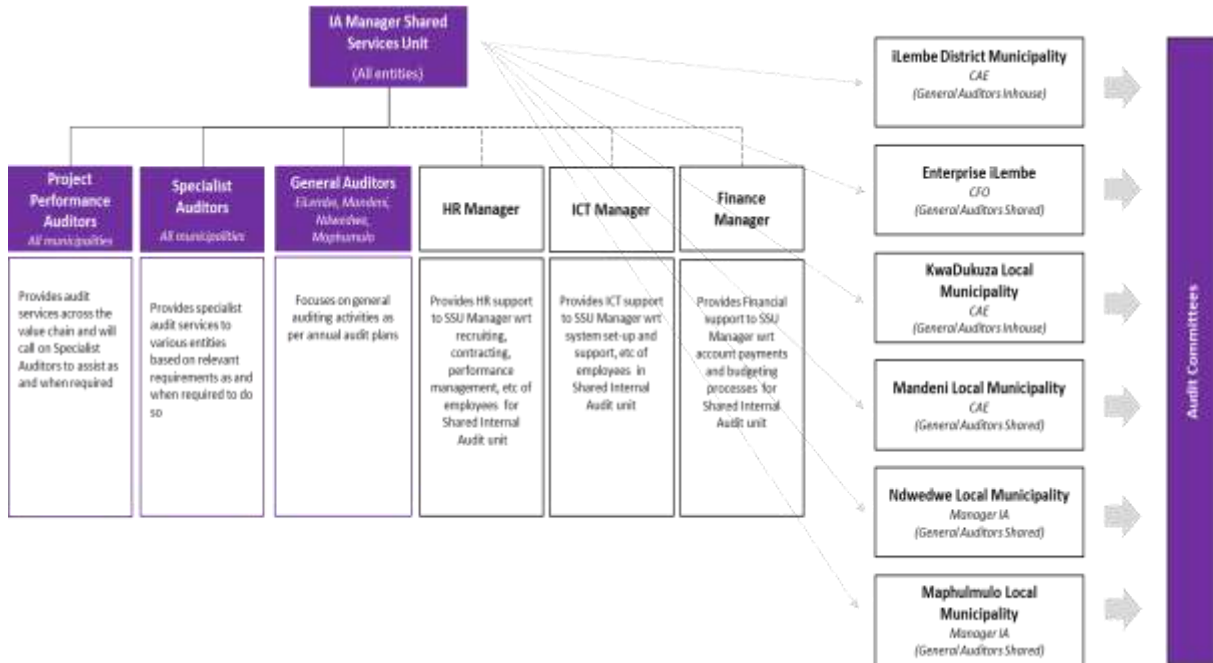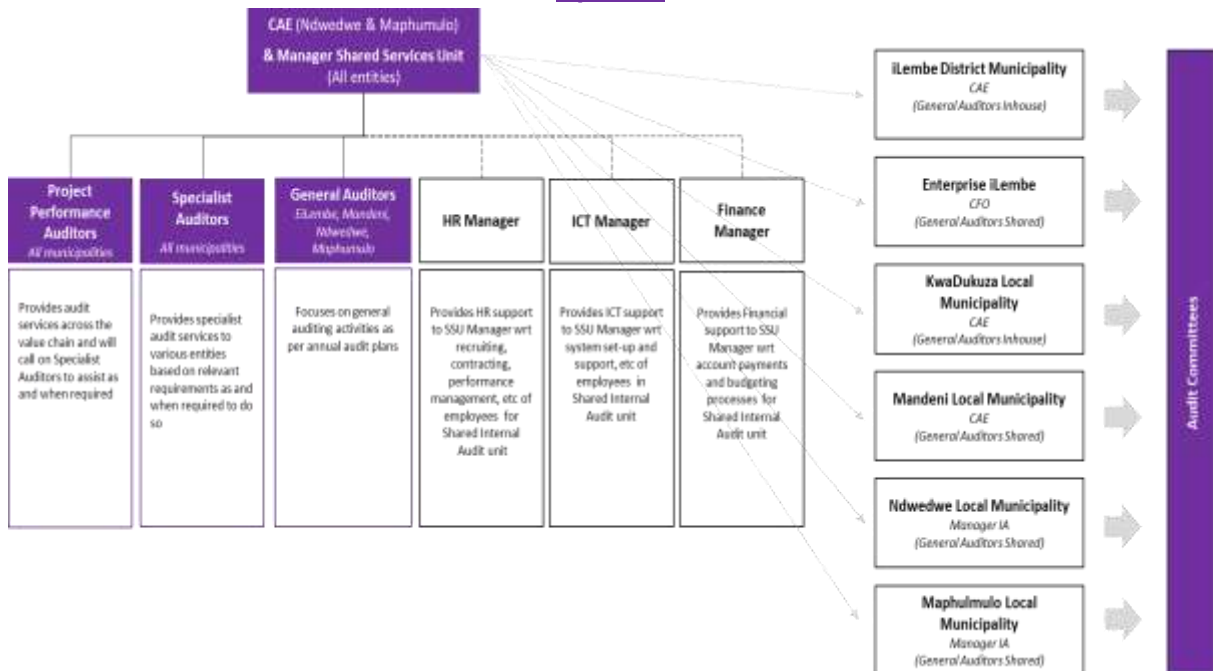- Proposal for a suitable internal audit and data analytics software

Approach:
The process followed was:

FEASABILITY STUDY

Gap Analysis

Governance: compare current purpose and mandate (decentralised) to the new suggested way of working (centralised, shared service) functions

- policies & procedures
- roles and responsibilities

People: compare "as-is" vs proposed "to-be" org structures
- skills, competencies, experience, roles, resourcing etc

Processes: compare effectiveness and suitability of current internal audit & data analytics operating systems and software vs desired operating systems software

Cost Analysis

Conduct a cost analysis to determine cost implication of a shared service function:
- Resource capacity & capability (Training)
- System & software enablers
- Location & Infrastructure
- Operational requirements (possible Section 189)
- Change Management

Approach

Governance:
- Internal stakeholder interviews with relevant municipalities' IA departments, Audit Committees and Municipality Executives to understand expectation of a shared service function
- Scrutinize outputs from sections 1-3 as per Inception Report

People:
- Internal stakeholder interviews with relevant municipalities' HR and IA departments
- Examine proposed org structures and determine impact on job profiles and job grades
- Analyse current employee capability & capacity to determine resource and skill requirements
- Identify training needs per person
- Determine best location for shared service function depending on cost and logistics
- People impact study to determine relocation requirements, possible section 189 process etc

Processes:
- Internal stakeholder interviews with relevant municipalities' IA departments & Audit Committee's to understand desired operating systems and software
- External benchmarking and stakeholder engagements to determine best practices wrt internal audit & data analytics operating systems and software

Option 1

Option 2

Recommendation/way forward:

- Based on the above study, appointment of ICT auditors through a shared service model will be feasible given the skills shortage.
- Detailed terms of reference must be developed and adopted by all municipalities.
- A memorandum of agreement be signed by all participating municipalities prior to the procurement of ICT services as the MOA will clarify roles and responsibilities of all participants.

Conclusion

The decision on whether to proceed with the Internal Audit Shared Service unit (SSU) or not, should be based on the value (or perceived value) that such will add to the benefit of the district and its entities.

Based on the feasibility study, it is the conclusion of the working group that the Internal Audit Shared Service Unit will not only add financial benefit, but also address the concerns of career pathways, training and development, quality assurance and continuity in the district.

It will add further value by addressing the weaknesses raised in the Inception Report regarding:
- Unfilled positions in the district
- The functional and administrative reporting lines have been revised
- iLembe district's internal audit function's objective annual performance assessed
- Legislative compliance
- Skilled resources shared across the district

In conclusion, the feasibility study was conducted to provide information, guidelines, and additional material for the further consideration of decision makers (CAEs, IA Managers, Audit Committees and Municipal Managers) to decide if the implementation of a SSU is something to be pursued or not. Further detailed work will need to be done should the decision be favourable.

Reference to detailed reports:
Annexure 11

Developing the capacity of existing internal audit units

5.17. Conduct a comprehensive learning needs assessment, of all Internal auditors, Risk Management officials and Interns, using an i-Develop tool from NT or an equivalent tool (removed from project plan: After waiting for almost a year for the toolkit which has been developed by NT, SECO recommended that this activity be suspended as they have been reliably advised by National Treasury that the assessment of both IA and ERM units throughout the country is planned for from June 2023.)

5.18. Design a training programme to respond to learning needs identified above and develop a training manual based on needs analysis, using accredited manuals developed by National Treasury (removed from project plan: After waiting for almost a year for the toolkit which has been developed by NT, SECO recommended that this activity be suspended as they have been reliably advised by National Treasury that the assessment of both IA and ERM units throughout the country is planned for from June 2023.)

5.19. Internal audit officials trained on internal audit functions including QAIP

Objective:
The objective of this review was to:
- Train internal audit officials on the internal audit functions including QAIP.

Scope:
The scope included the following critical areas:
- Methodology and QAIP training per item 3.11 above.

Approach:
The process followed was:
- Train internal audit officials on the internal audit functions including QAIP.

Outcome:
Workshop held on 16 March 2023 with internal audit officials.
Training presentation slides shared with internal audit officials.

Recommendation/way forward:
Municipalities begin utilising the methodology and QAIP to comply with the Institute of Internal Auditors standards.

Reference to detailed reports:
Annexure 12

Feasibility study on enterprise risk management shared function – business continuity

5.20. Comprehensive assessment of IDM Disaster Management Centre to accommodate district wide shared business continuity function

Objective:
High-level assessment on the iLembe District Disaster Management Centre in KwaDukuza.

Scope:
High-level assessment on the iLembe District Disaster Management Centre in KwaDukuza.

Approach:
The process followed was:
Carry out a physical site visit and to understand the facilities available, hardware and software compatibility, internal testing process of site reediness, site availability to accommodate all Municipalities, especially during a crisis.

Outcome:
Should the Disaster Management Centre be considered as an alternative work area recovery site, requirements for a stable and uninterrupted power supply would be required and tested regularly. In addition, sufficient WiFi bandwidth to accommodate staffing, and necessary systems / application accessed without restrictions. This would also require regular testing and monitoring.
certain limitations that would need to be addressed first, more especially the parking, access / exit (especially the no fire escape), staff with disabilities, alternative electricity generation and verification of wireless connectivity capacity, as well as a failover solution as a backup.
The District Municipality needs to formalise a decision on the use of the DMC building which needs to be aligned with the purpose, more especially taking in to account the proposed phase II work.

Recommendation/way forward:
Formalise the agreed purpose of the DMC and align with District wide strategies.
Review ICT capability at the DMC more especially in terms of capacity and internet security.
Consider ICT access to all local municipality servers and requirements and see if cloud hosting is not a better and more cost-effective option.
Civil Engineering to review drainage capabilities more especially around the access point and existing carpark, together with the adjacent municipal buildings.
Installation of an external fire escape staircase, and that all Health & Safety protocols and requirements are considered.
Review the current back-up generating capacity supporting the DMC and that it is sufficient, that the generator is in a working standby condition, with service plan and fuel supply reserves.
Consider alternative power generation using solar, battery storage and inverter.
Review seating capacity, more especially if one or more municipality is facing a crisis.
Consider creating work area on the ground floor open area, thus increasing the seating capacity and to cater for any staffing disabilities.
Upgrade the carpark area and improve on the security of the site.
Prepare business plans to apply for external funding towards the upgrading of the DMC to create a state-of-the-art Disaster Management and Work Area Recover Centre.

Reference to detailed reports:
Annexure 13

5.21. Develop a district wide business continuity plan

Objective:
The objective of the review was to develop business continuity plans.

Scope:
To develop business continuity plans.

Approach:
The process followed was:
Develop business continuity plans.

Outcome:
Developed business continuity plans (plans) and conducted a walkthrough of the business continuity plan as part of the validation stage (exercising and testing) to enable better understanding of the plans and their roles and responsibilities. This was attended by risk management personnel, risk champions, department heads / managers that have critical process activities, identified business continuity coordinators / champions, identified key resources who will become BCP team members.

In addition to this a workshop was held as a value add for embedding BCM. This was attended by business continuity coordinators, business continuity plan owners and alternates, and team members who are responsible for the identified critical process activities within the district to allow role players to gain a better understanding of the BCM programme as this was the first implementation of BCM.

Recommendation/way forward:
The municipalities should implement the business continuity plans. An implementation road map needs to be developed, to enable the local municipalities to adopt a structured approach in rolling out the business continuity management.

Maintenance is critical for successful implementation of BCM. Maintenance and review workshops should be considered to assess the overall progress in implementing the BCM capabilities in the local municipalities. This will enable regular updates of the plans and continually increase the municipalities' readiness to respond to disasters.

Reference to detailed reports:
Annexure 6

Developing capacity of enterprise risk management

5.22. Enterprise Risk Management officials trained on risk management activities (removed from project plan: After waiting for almost a year for the toolkit which has been developed by NT, SECO recommended that this activity be suspended as they have been reliably advised by National Treasury that the assessment of both IA and ERM units throughout the country is planned for from June 2023.)

5.23. Develop/Review policies, strategies, and plans for Enterprise Risk Management unit

Objective:
The objective of this review was to develop key policies that will assist the ERM units in their functions.

Scope:
Develop the following:
- Project Risk Management Framework
- Ethics Management Framework
- Ethics Management Strategy and Policy
- Accountability and Consequence Management Framework
- Private work policy
- Investigation Policy

Approach:
The process followed was:
- Develop the above policies.
- Workshop the above policies with ERM officials.

Outcome:
Developed the following:
- Project Risk Management Framework
- Ethics Management Framework
- Ethics Management Strategy and Policy
- Accountability and Consequence Management Framework
- Private work policy
- Investigation Policy

Workshopped the above policies with ERM officials.

Recommendation/way forward:
Municipalities to finalise the above and seek approval from their Council.

Reference to detailed reports:
Annexure 14

5.24. Conduct workshops on risk management for Councillors, Management, Risk Champions, and Audit committee members in the district

Objective:
The objective was to upskill through a workshop risk management for Councillors, Management, Risk Champions, and Audit committee members in the district

Attendees:

Municipality	Number of attendees
iLembe District Municipality	13
KwaDukuza Municipality	15
Mandeni Municipality	00
Ndwedwe Municipality	14
Maphumulo Municipality	02
Enterprise iLembe	01
Total number of attendees	**45**

Scope:
Workshop included the following:
- Fundamentals of Risk Management
- Purpose, Applicability and Background
- Municipalities Structure, Roles, and Responsibilities
- Risk Identification
- Risk Assessment
- Communication And Reporting
- Foundation Of Fraud Risk Management
- Performance and Evaluation of Risk Management

Approach:
The process followed was:
- Prepare workshop materials and presentation slides.
- Present the scope at a workshop to Councillors, Management, Risk Champions, and Audit committee members in the district.

Outcome:
- Prepared workshop materials and presentation slides.
- Presented on 14 February 2023, the scope at a workshop to Councillors, Management, Risk Champions, and Audit committee members in the district.

Recommendation/way forward:
Officials to identify gaps within their municipalities and propose amendments to their relevant structures.

Reference to detailed reports:
Annexure 15

5.25. Conduct workshops on internal audit function for Councillors, Management and Audit committee members in the district

Objective:
The objective was to upskill through a workshop internal audit function for Councillors, Management and Audit committee members in the district

Attendees:

Municipality	Number of attendees
iLembe District Municipality	01
KwaDukuza Municipality	10
Mandeni Municipality	00
Ndwedwe Municipality	14
Maphumulo Municipality	03
Enterprise iLembe	01
Total number of attendees	**29**

Scope:
Workshop included the following:
- Definition and establishment of the Internal Audit Activity
- Identifying the Chief Audit Executive (Head of Internal Audit)
- Independence and Objectivity
- The Internal Audit Charter
- Organising the Internal Audit Activity
- Developing an Internal Audit Strategic Plan
- Types of audits,
- Resource Requirements
- Outsourcing or Co Sourcing of Internal Audit Activity
- Quality Assurance and Improvement
- Coordination of efforts with other assurance providers
- Nature of Work
- Control Environment
- Audit Process
- Performance Assessments

Approach:
The process followed was:
- Prepare workshop materials and presentation slides.
- Present the scope at a workshop for internal audit function for Councillors, Management and Audit committee members in the district to Councillors, Management, Risk Champions, and Audit committee members in the district.

Outcome:
- Prepared workshop materials and presentation slides.
- Presented on 15 February 2023, the scope at a workshop for internal audit function for Councillors, Management and Audit committee members in the district to Councillors, Management, Risk Champions, and Audit committee members in the district.

Recommendation/way forward:
Officials to identify gaps within their municipalities and propose amendments to their relevant structures.

Reference to detailed reports:
Annexure 16

6. CHALLENGES AND LESSONS LEARNT

Challenges:

- Meetings postponed due to poor attendance., this was more noticeable in 2023.
- Delays in submitting requested information resulting in delayed issuance of reports within the agreed timeline.
- Unable to locate a district that is implementing IA shared service for external benchmarking process, as public sector entities that we engaged did not provide information/documentation utilised in their formation of a shared service.
- Delays in getting access to the iDevelop toolkit after it was demonstrated to all municipalities, as it was being perfected after being piloted to Gauteng and Western Cape provincial treasuries. This led to the suspension/removal of this activity from the project plan.
- Delays in confirmation of various workshop dates which led to the workshop been held later than planned.
- Poor attendance in workshop.
- The identified DMC to be used a as a work recovery site may not be able to accommodate all municipalities in the event of a crisis due to its capacity, hence a need for extension of the building.
- Extension of this building will require to be finance using any funding sources that can be tapped into. Some municipalities did not provide information within the required timeline.
- Non-availability/non-attendance at key meetings.
- The terminology of business continuity plan is still new in the district with few officials understanding it. There will be a need for continuous support of municipalities by PT to a level where all risk managers and role players understand the need for having BCPs and are able to apply in their business processes municipalities did not provide information within the required timeline.
- DMC is built on a floodplain site, which possess a serious challenge when there are floods.

Lesson learnt:

- Emphasise the importance for PSC meetings to quorum as per the inception report.
- Based on the North-West PT engagement on IA shared service, the shared service for IA is possible and can be approached in many ways but requires commitment from management and political buy-in.
- To consider in future, scope items of this nature to be included based on the various requirements of public sector supply chain management processes.
- Complete reliance on external parties can hamper deliverables. A second option with detailed scope and timelines must accompany project plans.
- The DMC is built on a floodplain site, which possess a serious challenge when there are floods.

7. CONCLUSION

We would like to acknowledge our appreciation for the co-operation received from the Vuthela LED officials as well as the representatives of each municipality for the provision of information, attendance, and participation in meetings.

8. ANNEXURES

Number	Activity	Annexure
1.	**Project management and administration**	1
2.	**Inception report**	2
3.	**Status review**	
3.1.	National and Provincial Treasuries consultations	3
3.2.	In-depth review and analysis of the municipalities current status of internal audit and risk management units, including necessary tools of trade e.g., software and systems (Teammate, CURA and QAIP)	4
3.3.	Review the existing internal audit and risk management unit structure and advise on an ideal structure	5
3.4.	Review project risk management methodology and test business continuity plans	6
3.5.	Review or develop business continuity plans	6
3.6.	Review audit procedures on Performance Management System	7
3.7.	Review the effectiveness of systems in place in managing fraud and corruption	8
3.8.	Develop or review standard operating procedures and a methodology to monitor Auditor General audit action plan	9
3.9.	Develop a district wide internal audit methodology including the Quality Assurance and Improvement Programme (QAIP)	10
4.	**Feasibility study: establishing a shared internal audit unit**	
4.1.	Conduct a feasibility study on the establishment of a shared internal audit function within the district.	11
4.2.	Develop a business model for shared ICT audit function and other compliance matters	
4.3.	Cost benefit analysis of a shared internal audit, ICT audit and Performance audit	
4.4.	Proposal for a suitable internal audit and data analytics software	
5.	**Developing the capacity of existing internal audit units**	
5.1.	Conduct a comprehensive learning needs assessment	-
5.2.	Design a training programme and manual to respond to learning needs identified	-
5.3.	Internal audit officials trained on internal audit functions including QAIP, Data Analytics	12
6.	**Feasibility study on enterprise risk management shared function – business continuity**	
6.1.	Comprehensive assessment of IDM Disaster Management Centre to accommodate district wide shared business continuity function	13
6.2.	Develop a district wide business continuity plan	6
7.	**Developing capacity of enterprise risk management**	
7.1.	Enterprise Risk Management officials trained on risk management activities	-
7.2.	Develop/Review policies, strategies, and plans for Enterprise Risk Management unit	14
7.3.	Conduct workshops on risk management for Councillors, Management, Risk Champions, and Audit committee members in the district	15
7.4.	Conduct workshops on internal audit function for Councillors, Management and Audit committee members in the district	16