

ANNEXURE A

INTERNAL AUDIT PLAN

**TASEZ – THREE YEAR STRATEGIC INTERNAL AUDIT PLAN FOR THE PERIOD ENDING 31 MARCH 2023
AND OPERATIONAL PLAN FOR THE PERIOD ENDING 31 MARCH 2021**

Private and confidential

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**TASEZ – THREE YEAR STRATEGIC INTERNAL AUDIT PLAN FOR THE PERIOD ENDING 31 MARCH 2023
AND OPERATIONAL PLAN FOR THE PERIOD ENDING 31 MARCH 2021**

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1. EXECUTIVE SUMMARY

The Internal Audit Function conducts audits and reviews to assess whether risks are being managed, controls are being designed, implemented, and operating effectively. These audits and reviews are performed with the main objective of ensuring that the organizational strategic goals and objectives are being achieved. Risk assessment is a continuous process, there are always Internal and external environmental pressures which may present new threats to the organisation. Therefore, it is of paramount importance for management to continually adapt its policies and procedures to manage its changing risks at an acceptable level.

2. INTRODUCTION

The Public Finance Management Act (PFMA) of 1999 as amended, requires the Executive Council, as the Accounting Authority which is the Board of Directors in relation to TASEZ, to ensure that the organisation has and maintains, inter alia, effective, efficient and transparent systems of financial and risk management and internal controls.

Therefore, this internal audit plan has been prepared in terms of the PFMA and Treasury Regulation 27.2.7 which provides, inter alia, that:

The internal audit function must, in consultation with the Audit Committee, prepare:

- a) a strategic internal audit plan based on its assessment of key areas of risk for the entity, having regard to its current operations, the operations proposed in its corporate or strategic plan and its risk management strategy;
- b) plans indicating the scope of each audit in the annual internal audit plan

Tholisiwe has been engaged by the Tshwane Automotive Special Economic Zone (hereafter referred to as TASEZ) as its outsourced internal audit services provider. As part of our service delivery and to ensure that there is adequate assurance over the internal control systems implemented by the Corporation to mitigate identified risks, we have prepared a Three-Year Strategic Rolling Internal Audit Plan and One-Year Operational Plan for the year ending 31 March 2023 and 31 March 2021 respectively, for review and approval by the Audit Committee.

It is our assessment that the proposed coverage plan presented in Appendix A below will provide a level of internal audit coverage that:

- Is responsive to the relative criticality of individual TASEZ business projects and functions;
- Is risk-based; and

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- Supports the pursuit of TASEZ's strategic objectives.

The one-year operational internal audit plan has been prepared based on:

- Risks identified by the in-house risk management function within the entity;
- High-level review of the TASEZ's Corporate Plan for the 2020 financial year; and
- TASEZ's concerns/risks as expressed during interactions and exploratory meetings with management of the TASEZ.

It is the responsibility of Internal Audit, management, the risk management function and the Audit Committee to review these risks for completeness (if any), decide on the reasonableness of the scores allocated to each risk, and based on their knowledge of the business, re-rank the risks as they deem appropriate on an on-going basis.

This therefore requires that the plan is dynamic, continues to be risk-based and may focus on areas that were not on the original annual plan.

3. MISSION STATEMENT

The audit process provides oversight to obtain reasonable assurance regarding management's assertions that objectives are achieved for effectiveness and efficiency of operations, reliability of financial information, and compliance with laws and regulations. Internal audit (IA) will proactively partner with its business management on the performance of financial, compliance, information technology and operational audits, as well as consulting reviews and special projects, to maximise value-added contributions from the process.



Value is created with an integrated audit approach using

- **well trained,**
- **knowledgeable professionals,**
- **total quality principles,**
- **teamwork,**
- **innovation and**
- **world-class audit tools and techniques.**

4. MANDATE

As the internal auditor, we have been tasked to address the following:

- Prepare a rolling three-year strategic internal audit plan based on its assessment of key areas of risk, having regard to its current operations, the operations proposed in its corporate or strategic plan and its risk management strategy;
- Prepare an internal audit plan for year of the rolling plan;
- Plans indicating the scope of each audit in the annual internal audit plan;
- Reporting to the audit committee detailing its performance against the plan, to allow effective monitoring and intervention when necessary;
- Assist the Board of Directors in maintaining effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement;
- Assist the Board of Directors in achieving the objectives of the institution by evaluating and developing recommendations for the enhancement or improvement of the processes through which:
 - objectives and values are established and communicated
 - the accomplishment of objectives is monitored.
 - accountability is ensured; and
 - corporate values are preserved.
- Attend EXCO meetings as an invitee and report on audit related matters.
- Perform ad hoc assignments as and when requested by management and approved by the audit committee.

The audit coverage, scope and each of the aspects to be covered will be finalised with TASEZ Executive management.

5. ROLES AND RESPONSIBILITIES

The Institute of Internal Auditors defines internal auditing as follows:

"... an independent, objective assurance and consulting activity designed to add value and improve an organisation's operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes".

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The internal audit activity therefore evaluates and contributes to the improvement of risk management, control and governance systems within TASEZ.

Governance

The Internal Audit Function shall assist Management in achieving the goals of TASEZ by evaluating the process through which:

- Goals and values are established and communicated.
- The accomplishment of goals is monitored.
- Accountability is ensured and corporate values are preserved.

It is currently intended that the Governance function will be managed from a Management perspective.

Risk Management

The Internal Audit Function shall assist Management in identifying, evaluating and assessing significant organisational risks and provide assurance as to the effectiveness of related internal controls regarding the focus areas reviewed with regards to TASEZ.

Furthermore, Internal Audit shall evaluate the risk management process of TASEZ for adequacy, efficiency and effectiveness.

Internal Controls

Internal Audit shall evaluate whether the internal controls systems of the focus areas as set out in its Internal Audit Plan, which management relies on to manage the risks to acceptable levels, are appropriate and functioning as intended (i.e. are they effective, yet efficient) and provide recommendations, where applicable, for enhancement or improvement.

The Internal Audit Function is authorised to:

- Have unrestricted access to all functions, records, property and personnel.
- Have full and uninhibited access to the Audit Committee.
- Assist with the allocation of its resources, frequencies, subjects, scope of work to be performed, and apply the techniques required to accomplish audit objectives.

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- Obtain the necessary assistance of personnel in divisions and functions of TASEZ where they perform audits, as well as other specialised services from within or outside TASEZ.

The Internal Audit Function is not authorised to:



The Internal Audit Function will conduct audits in accordance with the "Code of Ethics" and "International Standards for the Professional Practice of Internal Auditing" of The Institute of Internal Auditors as well as other corporate governance principles and regulations.

Management's responsibilities

Management is responsible for the establishment and maintenance of an effective system of governance to:

- Establish and communicate organisational goals and values.
- Monitor the accomplishment of goals.
- Ensure accountability and values are preserved.

Management is furthermore responsible for the establishment and maintenance of an effective system of internal control. The objectives of the system of internal control are, inter alia, to provide management with reasonable, but not absolute, assurance that:

- Risks are properly managed.
- Assets are safeguarded.
- Financial and operational information are reliable.
- Operations are effective and efficient.
- Laws, regulations and contracts are complied with.

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A principal safeguard against fraud, misstatement and irregularities is an effective system of internal control. It must, however, be recognised that there are inherent limitations in any system of internal control – including human error and circumventions through collusion. The prevention and detection of fraud is therefore management's responsibility.

Management representations made shall be requested to be presented in the form of a management representation letter and will be considered to form part of our audit evidence. Any management representations made will be accepted on face value and in good faith, with only limited testing and evaluation to assess the reasonableness thereof.

Quality control

It is important to monitor both the extent and the quality of the Internal Audit service to TASEZ on an ongoing basis.

The quality of the Internal Audit assignments will be addressed by adhering to the Institute of Internal Auditors' standards on quality control, and the Internal Auditor's procedures such as the involvement of the internal audit staff in charge of functional areas in the planning as well as on-going review of the work during the execution and reporting phases.

6. RISK PROFILE

Risk Analysis

Risk analysis consists of three crucial elements: identification, quantification and managing of risks. Identification depends to a significant extent on the knowledge of TASEZ's operations and the environment in which it operates.

Quantification depends on a combination of mathematics and judgement. Judgement depends on the knowledge of the assessors and the required objectives. Risk analysis is not a static process. Assessments need to be revised as additional information becomes available. The ultimate action will depend on how risk-averse those responsible for the risks are. TASEZ management identifies the business categories or risk categories.

Management of risk includes analyzing the forecasted risk, evaluating their potential threats and taking precautionary steps to curb them.

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Risks identified

The internal audit methodology applied at TASEZ is executed in terms of the control framework prescribed by the Commission of Sponsoring Organisations of the Treadway Commission (COSO). The following table represents the top strategic risks identified by management, root cause and impact to the organisation if not managed effectively.

Management Risk Register

Department	Risk details	Inherent risk exposure	Controls in place to mitigate risks	Residual risk exposure
Business Development	<ul style="list-style-type: none"> Inability to accommodate all tenants who want to be part of Phase 1 	25	<ol style="list-style-type: none"> Find alternative space for the tenants that cannot be accommodated in phase 1, CoT to acquire the land parcel in phase 3 (also termed phase 1a) to accommodate investors that do not fit in phase 1; Fast Track the township establishment of Phase 2 land for ready investors; Desktop study to look at alternative brownfields space in and around Silverton area that can serve as an interim solution. 	5
CEO's office	<ul style="list-style-type: none"> Lack of required expertise to support the set-up and operational execution of the TASEZ 	25	<ol style="list-style-type: none"> Shareholders accelerate support with identifying and placement of seconded resources into the TASEZ structure to fill critical positions; Identification of an HR resource with experience in sourcing medical aids and pension funds that can be seconded to the TASEZ to support with an appropriate 	10

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			medical aid and pension fund for TASEZ and 3. Recruitment of staff in all approved positions	
CEO's office	<ul style="list-style-type: none"> ▪ Failure to achieve the project timelines of Ford's new model introduction thereby affecting the set targets on job creation 	25	<ol style="list-style-type: none"> 1. To continue rolling-out the stakeholder and communication plan. 2. To keep continuous engagement with communities 	10
Business Development	<ul style="list-style-type: none"> ▪ Inability to meet the set targets to support SMME's 	20	<ol style="list-style-type: none"> 1. To continue rolling-out the stakeholder and communication plan. 2. To implement the SMME plan; 3. Review TASEZ funding application 	10
Business Development	<ul style="list-style-type: none"> ▪ Community strikes 	25	<ol style="list-style-type: none"> 1. Roll out community engagement plan and media plan; 2. Set-up and implement the PSDT (Walk-in-Centres); 3. Manage the SMME development and Skills Development programmes with appointed contractors. 	10
Chief Financial Officer	<ul style="list-style-type: none"> ▪ Insufficient funds available for project expenditure. The CDC in the bill of quantities for all investors have not made sufficient provision for contingencies. 	25	Engage CDC to provide additional budget for contingencies. Approach the dtic in an application for additional funding.	12
Chief Financial Officer	<ul style="list-style-type: none"> ▪ Contractors not paid timeously. There is no system in place to track invoices submitted by the contractors/sub contractors /SMME's. This could result in late payment to these ultimately resulting in work 	15	Invoice schedule and payment dates has been established. Monitoring over CDC to ensure timeous payment is made.	10

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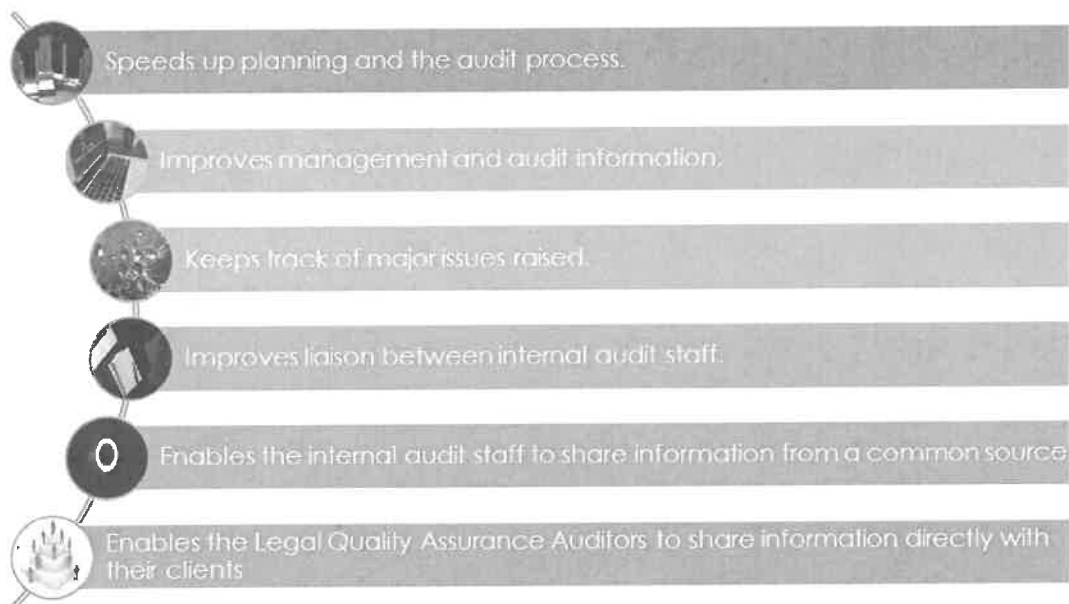
	<p>stoppages and delays in achieve beneficial occupancy date.</p>			
Infrastructure	<ul style="list-style-type: none"> ▪ Steel Shortage for production of Steel goods. Including, but not limited to Structural Steel & Reinforcing. 	25	<ol style="list-style-type: none"> 1. Advance Payment being arranged to secure supply of structural Steel. Engaged the steel industry association and steel suppliers to communicate the importance of this project and to make steel available. 	10
Infrastructure	<ul style="list-style-type: none"> ▪ Time lost due to injury on duty on the construction site. (Safety Lost Time Injury) 	25	<ol style="list-style-type: none"> 1. Visible Felt Leadership conducted by TASEZ. Subject engaged at length to Date, CDC & TASEZ escalation personnel established 03 March 2021. Safety Manager appointed as of 10/03/21. 	10

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7. STRATEGIC APPROACH

We have adopted a risk based strategic approach which considers the results of the risk assessment conducted by Management and the Board. This approach involves a focus on understanding the work of each focus area and identifying risks associated with that focus area. It further includes a process of linking risk analysis to planned audit assignments. Internal Audit work will consequently concentrate significantly on high risks areas and low to medium risks areas will be allocated less resources and time. This means that audit projects that would be most appropriate to address the highest risk areas shall be prioritized.

Our audit is supported by Cura audit software and data analysis tools such as Idea and ACL as the situation may demand. This has the following advantages:



The scope of Internal Audit, with the understanding that only samples of transactions are selected, is to determine whether TASEZ's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning in a manner appropriate to ensure that:

- Risks are appropriately identified and managed;
- Interaction with the various governance groups occurs as needed;
- Significant financial, managerial, and operating information is accurate, reliable and timely;

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- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently and adequately protected;
- Programmes, plans and objectives are achieved;
- Quality and continuous improvement are fostered in the organisation's control processes;
- Significant legislative or regulatory issues impacting the organisation are recognised and addressed appropriately; and
- Assets are adequately and appropriately safeguarded.

Depending on the risk assessment made, in some cases it may be necessary to test the entire population of transactions.

The focus of reviews will be limited to the following types of reviews as indicated in our three-year strategic and annual operational plan attached:

1. General Management of the Internal Audit Functions
2. Performance Information audits
3. Governance and Compliance Reviews
4. Human Resource Management and Payroll Processing
5. Financial Discipline Review
6. Procurement and Contract Management Reviews
7. Records Management
8. Ad-hoc requests by management and Audit Committee; and
9. Follow-up reviews on issues previously reported.

The Internal Audit scope of work is limited to the areas indicated in the three-year strategic plan and annual operational plan in Appendix A and B respectively.

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8. UNDERSTANDING THE ORGANISATION

Vision

To be the benchmark for SEZs in South Africa whilst contributing to the growth of the Automotive Sector with the objective of being a major creator of new businesses and contributor to employment, transformation and socio-economic development.

Mission

To be a catalyst for employment, transformation and socio-economic development and industry growth by being a node attracting automotive suppliers and automotive-related manufacturers, assemblers and supporting services.

Strategic goals and objective

- To create economic growth and transformation within the South African Automotive Sector
- To create awareness and support for the development and growth of the automotive SEZ
- To support the process of attracting automotive and related industries and tenants into the SEZ whilst achieving socio economic empowerment for the surrounding communities
- To ensure greater inclusion (Deepen value addition) of SMME within the Automotive Value Chain

9. TASEZ'S EXPECTATIONS

TASEZ expects the following from Internal Audit:

- Value-for-money;
- Follow-up reviews on the corrective actions taken by management in reaction to the weaknesses identified in the management letter of the External Auditors and previous Internal Audit reports.
- Efficient and effective audits which are proactive and promptly reported with the application of suitably skilled senior staff;
- Clear and concise reports with implementable recommendations
- Adequate visibility of the Internal Audit function within TASEZ;
- Reporting to the Audit Committee that there has been compliance with relevant regulations and that controls relating to high-risk areas were functioning as intended for the period under review.

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10. CO-ORDINATION OF INTERNAL AUDIT

Internal audit team

Position	Name	Contact
Director	Georgina Tekie	georgina@tholisiwe.co.za
Director	Tafadzwa Chifamba	tafadzwa@tholisiwe.co.za
Manager	Clapaton Mutamba	clapaton@tholisiwe.co.za

Contact with TASEZ

The Internal Audit function reports administratively to the CFO and functionally to the Audit Committee. The CFO will be responsible for all administration arrangements of the Internal Audit, for example approvals of expenses of the Internal Audit function. The Audit Committee will approve the annual operational plan of the Internal Audit function.

It is accepted that the co-operation and availability of TASEZ personnel plays a significant role in impacting the effectiveness and efficiency of the Internal Audit function. Every effort must be made to obtain the complete co-operation of TASEZ's management. Any delays should be reported to the Principal and the Audit Committee.

Contact with the external auditors

Internal Audit should liaise closely with the External Auditors, the Auditor General South Africa (AGSA), to avoid unnecessary duplication of audit work. Liaison with the AGSA will include holding regular meetings between the External Auditors and the Internal Audit function to ensure that there is proper co-ordination.

The contact persons are:

Position	Name	Contact
Senior manager (AGSA)	Gugulethu Mashao	fxaba@agsa.co.za

External audit will rely on the work performed by internal audit, based on the following assumptions:

- Integrated planning meetings between internal and external audit;
- Planning memorandums should be aligned;
- The focus areas (Scope) should be aligned during integrated planning meetings;
- The audit procedures within the focus areas should be aligned and executed according to audit standards. Audit procedures should address:

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- Design of controls;
- Implementation of controls (Testing risk realisation); and
- Operating effectiveness (Testing risk realisation).
- Reporting should focus on the design, implementation and operating effectiveness of controls, and should include the following:
 - Audit finding and risk;
 - Internal Control Deficiency that is correctly categorised;
 - Recommendation that should address the internal control deficiency;
 - Management response that address the internal control deficiency; and
 - Auditors comments where applicable.
- Audit files, working papers and evidence should comply with auditing standards;
- Sampling should be done on operating effectiveness and will be based on External Audit's sampling methodology;
- Timing of audits will be agreed upon in the integrated planning meetings.

This will be achieved by:

1. The sharing of plans between internal and external audit;
2. Peer review on audit procedures;
3. Sharing of audit files;
4. Constant engagement between internal and external audit;
5. Internal audit will finalise the required work before the deadlines as stipulated by External Audit.

11. REPORTING AND COMMUNICATION

Reporting of the internal auditing process will take place on a continuous basis as reviews are finalised and will be addressed to the CFO, CEO, and the Audit Committee. All reports will be discussed in draft format with the relevant managers before being issued.

Reports will clearly demonstrate the control and operational concerns arising from the reviews and/or audits, the potential impact and the practical reasoned recommendations for change. Management will be given sufficient days to respond to the management reports and will have 30 days after the issuance of final reports to ensure that corrective action on reported weaknesses is either planned or taken.

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12. APPROVAL OF THE INTERNAL AUDIT PLAN

Prepared by

Date


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25 March 2021
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Tholisiwe Chartered Accountants Inc.

Acknowledged by

Date



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Chief Executive Officer

Approved by

Date

 Shabeer Khan
31 March 2021
.....

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Audit Committee Chairperson

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ANNEXURE A – THREE YEAR INTERNAL AUDIT PLAN

This plan was devised after discussions with management and assessment of risk thereof. The timing of the audits and the details of the internal audit programs shall be developed and finalised with management input, based upon the specific risks identified in the strategic and operational risk registers. The plan is flexible i.e. it may be updated based on the progression of our understanding of the business, systems, processes and any other emerging risks. All significant updates shall be submitted to the CFO and Audit Committee for approval. The procedures documented in the scope of work are minimum and can be enhanced as we execute the plan.

Focus Area	Scope of Work	Audit Coverage Period		
		2021	2022	2023
General Management of the Internal Audit Function	<ul style="list-style-type: none"> ▪ Review of Internal Audit and Audit Committee Charters ▪ Communication of internal audit plans and resource requirements, to management and the Audit Committee for review and approval; ▪ Preparation of Internal Audit Plan (strategic and operational) ▪ Effective deployment of appropriate and sufficient resources to achieve the approved internal audit plan ▪ Provision of written assessments on the effectiveness of the system of internal controls and risk management to the Audit, Risk and IT Committee ▪ Discussion of reports with senior management ▪ Periodic reporting to executive management and the Audit Committee on the internal audit activity's purpose, authority, responsibility, and performance relative to its plan. Reporting will also include significant risk exposures and control issues, including instances of fraud, corruption, unethical behaviour, and irregularities, governance issues, and other matters needed or requested by executive management and the Audit Committee ▪ Meeting the external auditor ▪ Provision of Advisory and related client service activities, the nature and scope of which will be agreed with the TASEZ and are intended to add value and improve an organisation's governance, risk management, and control processes without the internal auditor assuming management responsibility. 	✓	✓	✓

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<p>Performance Information and Quarterly Reporting Risk 1, 3, 4, 5 and 6</p>	<ul style="list-style-type: none"> ▪ Review Compliance with the PFMA. ▪ Review Strategic Plan and Annual Performance Plan for compliance with regulatory framework. ▪ Review Quarterly reports for usefulness ▪ Review reported performance information in Quarterly Report for reliability (validity accuracy and completeness) ▪ Existence of an established, transparent and effective process for monitoring and reporting on performance achieved against planned targets in the annual business plan. ▪ Quarterly report submitted to DTIC and National Treasury include all the required documents 	✓	✓	✓
<p>Governance and Compliance</p>	<ul style="list-style-type: none"> ▪ Compliance with PFMA, and other relevant legislation ▪ Compliance with Companies Act No 71 of 2008 ▪ Review design and operating effectiveness of the internal governance structures and processes of the organisation. ▪ Revive process of managing conflict of interest ▪ Review process of ensuring that resolutions are implemented 	✓	✓	✓
<p>Financial Discipline Review Risk 7</p>	<p>The major focus areas here would be:</p> <p>Budgeting Process and Monitoring</p> <ul style="list-style-type: none"> ▪ Financial controls on project budgets, including reconciliation of actual expenditure against budget, and the adequacy of controls over funds. ▪ Expenditure budget forecasting and financial statement analysis. ▪ Forecasting ▪ Budget Control ▪ Working Capital Management <p>Revenue and receivables</p> <p>Select a representative sample of recorded transactions and trace to supporting documentation ensuring that:</p>	✓	✓	✓

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	<ul style="list-style-type: none"> o Revenue has been recorded using accurate amounts and in the correct accounting period ▪ Identify any shortcomings in how supporting documentation for revenue is generated and stored (manually or electronically) ▪ Test the completeness of the recording process ▪ Confirm if the accounting policy used by management is in accordance to the applicable standards. <p>General Expenditure and payables</p> <ul style="list-style-type: none"> ▪ Invoicing and Payments ▪ Segregation of duties ▪ Changes to banking details ▪ Allocation of payments to correct general ledger account ▪ Completeness and accuracy of creditors reconciliations <p>Project Expenditure</p> <ul style="list-style-type: none"> ▪ Test key controls over payment of project expenditure incurred by the implementing agent (Coega) i.e. <ul style="list-style-type: none"> o Inspect invoices submitted by Coega against deliverables/progress reports. o Inspect checklist by Quantity Surveyor for review of Coega Invoices against deliverables/progress reports. o Inspect payment drawdown for approval by DTIC to pay the implementing agent. o Confirm if the project amounts were correctly recorded and classified in the accounting records. <p>Cash and Bank</p> <ul style="list-style-type: none"> ▪ Test key financial controls over bank account reconciliations, disbursements, and receipts. ▪ Compliance with National Treasury Regulations ▪ Test the reconciliations between the general ledger and the bank / cash sub-ledgers. ▪ Review controls over clearing reconciling items if any. 			
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	<ul style="list-style-type: none"> ▪ Confirm if funds received from various funders are ring fenced (i.e. designated to specific bank accounts) and used for the intended purpose. ▪ Review operation of Petty Cash. <p>Journal Entries</p> <ul style="list-style-type: none"> ▪ Inspect a list of journal entries passed and consider the following for sample selection: Journals with whole numbers, created and authorised by the same person, journals created on weekends or public holidays or after office hours, journals that do not balance and those which do not have adequate reasoning and or rationale. ▪ Segregation of duties in processing and approval of journals ▪ Adequate supporting documents attached to copies of journals process <p>General ledger reconciliations</p> <ul style="list-style-type: none"> ▪ Reconciliations are performed on a monthly basis ▪ Reconciliations are regularly reviewed by senior officials ▪ All general ledger accounts are reconciled ▪ Follow up of general ledger reconciliations reconciling items. ▪ Reconciliation process and segregation of duties <p>Policies and Procedures</p> <ul style="list-style-type: none"> ▪ Review adequacy of policies and procedures <p>Fixed Assets</p> <p>The major focus areas here would be:</p> <ul style="list-style-type: none"> ▪ Existence of fixed assets and agree to assets register. ▪ Completeness of fixed assets ▪ Adequacy of policies, procedures and controls over the acquisition, recording, safeguarding and disposal of fixed assets. ▪ Compliance with laws and regulations (e.g. PFMA and Treasury Regulations). ▪ Reconciliations (depreciation, general ledger, asset movement). ▪ Test addition and disposal of selected fixed assets. ▪ Residual values, depreciation, maintenance, repairs and maintenance. ▪ Safeguarding of assets ▪ Acquisition and Disposal of assets / useful lives and residual values 		
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	<ul style="list-style-type: none"> ▪ Maintenance of the Fixed Assets Register I Master-file ▪ Appreciation of assets / Impairments ▪ Movement of assets <p>Commitments</p> <ul style="list-style-type: none"> ▪ Agreeing sample of items in commitment schedule to underlying contracts and recalculation of commitments ▪ Review of approval of payments made ▪ Agreeing payments made to schedule <p>Related parties</p> <ul style="list-style-type: none"> ▪ Review process for identification of related parties ▪ Review of completeness and accuracy of related parties 			
<p>Human Resource Management and Payroll Processing</p> <p>Risk 2</p>	<p>The major focus areas here would be:</p> <p>Recruitment, Promotions and Termination Personnel structure, employment policies, procedures and practices.</p> <ul style="list-style-type: none"> ▪ Compliance with laws and regulations (e.g. PFMA, LRA and BCEA). ▪ Adequacy of staff levels, recruitment procedures, staff retention procedures and succession planning at all levels. ▪ Effectiveness of internal communication ▪ Compliance with employment Equity Plan <p>Leave Management</p> <ul style="list-style-type: none"> ▪ Adequacy of policies, procedures and controls over the Payroll and Leave systems ▪ Leave administration ▪ Provision for leave pay. <p>Performance Management and Staff Development</p> <ul style="list-style-type: none"> ▪ Capacity building. ▪ Staff training and development. 	✓		✓

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	<p>Payroll Process</p> <ul style="list-style-type: none"> ▪ Adequacy of policies, procedures and controls over the Payroll and Leave systems ▪ Statutory compliance (PAYE, UIF, SDL, UIF, WCA, etc.). ▪ Examine and understand Retirement medical benefits and accounting thereof. ▪ Payroll Master File amendment ▪ Overtime planning and approval ▪ Third party payments ▪ Segregation of duties <p>Skills review gap analysis</p>			
<p>Procurement and Contract Management</p>	<p>Evaluate the adequacy and effectiveness of controls around the procurement process with regards to:</p> <ul style="list-style-type: none"> ▪ Procurement Policies and Procedures: Existence, Adequacy, Review and Compliance ▪ Delegation of Authority: Existence and Adherence ▪ Probity checks on a sample of tenders ▪ Segregation of duties: Adherence to standard procurement procedures with regards to requisitioning, quotations, ordering, and receipt of goods and services ▪ Competitive bidding i.e. quotations and tender processes ▪ Requisitioning, specifications, advertisement, bid collection, adjudication and evaluation ▪ Bid Committees – existence, composition thereof and adherence to the guiding policy ▪ Training of SCM officials ▪ Emergency procurement – existence of and adherence to guidelines ▪ Irregular and Fruitless and wasteful expenditure avoided ▪ Follow up on previously reported audit findings ▪ Special focus in year 1 will be on project expenditure <p>Contract management</p> <ul style="list-style-type: none"> ▪ Evaluate the adequacy and effectiveness of controls around the Contracts Management processes in relation to: ▪ Policies and procedures - Existence, Adequacy, Review and Compliance ▪ Existence and review of binding Service Level Agreements 	<p>✓</p>	<p>✓</p>	<p>✓</p>

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	<ul style="list-style-type: none"> ▪ Monitoring of contracts and performance of service providers Contract amendment and extensions ▪ Adequacy of policies, procedures and controls over the acquisition and recording of materials and services. ▪ Compliance with laws and regulations (e.g. PFMA and Treasury Regulations, as well as Supply Chain Management). <p>Policies and Procedures</p> <ul style="list-style-type: none"> ▪ Review adequacy of policies and procedures 			
<p>Annual Financial Statements Review</p>	<p>The scope of the audit will cover the evaluation of the adequacy and effectiveness of controls around the following areas:</p> <ul style="list-style-type: none"> ▪ Review AFS compliance with the relevant standard i.e. IFRS ▪ Review accounting policies adopted for compliance with IFRS ▪ Review accuracy and completeness of AFS and supporting schedules ▪ Agreeing lead schedules to financial statement items <p>NB The review of the AFS does not constitute a full review of the financial statements that will give absolute assurance that financial statements submitted to AGSA are not misstated.</p>	✓	✓	✓
<p>Record Management</p>	<p>The major focus areas here would be:</p> <ul style="list-style-type: none"> ▪ Review of retrieval strategy ▪ Existence of record management policies, procedures and framework ▪ Review the adequacy and effectiveness of controls and processes in respect of: <ul style="list-style-type: none"> ○ Data management strategy/file plan and retention schedule ○ Safeguarding of information /storage of information (hard and soft copy) ○ Classification of documents ▪ Restricted access to storage/data rooms. ▪ Review adequacy of controls for formal document request mechanism currently existing internally to ensure that when documents are missing, it is easy to locate and retrieve them. 			✓

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	<ul style="list-style-type: none"> Review the adequacy of control to avoid misfiling of documents – cabinets and documents are properly and visibly labelled to ensure less lead times to search for documents. 			
Follow Up of Internal and External Audit Findings	Review on a test basis if management has implemented controls to ensure that internal and External Auditors findings are addressed.	✓	✓	✓
Ad-hoc Assignments including Auditor-General assistance work	Conduct ad-hoc assignments based on management, board and audit committee requests.	✓	✓	✓