



Province of the
EASTERN CAPE
COOPERATIVE GOVERNANCE
& TRADITIONAL AFFAIRS

Policy on Agreed Management Action Plans

Policy on Agreed Management Action Plans

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1. BACKGROUND

The policy has been established due to the number of repeat audit findings and the inability to timeously address agreed management actions as per the Internal Audit reports and External audit management letters.

In terms of TR 3.2.6 *“Internal audit must be conducted in accordance with the standards set by the Institute of Internal Auditors”*.

Standard 15.2 of the Global Internal Audit Standards (GIAS) requires Confirming the Implementation of Recommendations or Action Plans

- *The Chief Audit Executive must establish a follow-up process to monitor and ensure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.*
- *The internal audit activity must monitor the disposition of results of consulting engagements to the extent agreed upon with the client.”*

2. OBJECTIVES

The objective of this guideline document is to ensure that:

- 2.1. There is clear governance around the resolution of agreed management actions resulting from the internal audit activity as well as external audit.
- 2.2. Appropriate workable risk control solution(s) are identified and implemented within a realistic timeframes.
- 2.3. Requests for extending due dates for high and medium priority agreed management actions are agreed before expiry at the appropriate level seniority.
- 2.4. Internal Audit is conducting their follow-up reviews (findings assurance) within the agreed timeframe.
- 2.5. Appropriate action is taken when agreed management action fails during the finding assurance process.

3. REGULATORY FRAMEWORK

- 3.1. Constitution of the Republic of South Africa Act, No. 108 of 1996
- 3.2. Public Finance Management Act, No. 1 of 1999 as amended

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3.3. Treasury Regulations

3.4. Global Internal Audit Standards (GIAS)

3. PRINCIPLES, VALUES AND PHILOSOPHY

To successfully implement these guidelines, the following is expected from management:

3.1. Commitment and support from Senior and Line management;

3.2. Awareness of adherence to the Policy;

3.3. Open communication lines (ongoing communication);

3.4. Ownership of Management action plans in relation to internal and external audit findings;

3.5. Responsibility and accountability for agreed actions;

3.6. Agreed actions endorsed by management with appropriate seniority to enable actions to be undertaken and willingness to accept responsibility for implementing them;

3.7. Agreed actions addressing the root cause of the finding;

3.8. Agreed actions resulting in a sustainable control environment; and

3.9. Agreed action due dates, allowing for sustainability.

4. SCOPE

The guidelines apply to all Departmental offices and officials hereinafter referred to as Business Units and encompass both Internal Audit as well as External Audit findings.

5. POLICY STATEMENT

The guidelines articulate the official policy position of the Internal audit activity.

5.1 Following the notification to the Business areas of audit findings, the business areas must formulate a clear plan of action for resolving all audit findings, including realistic dates for the implementation of the stated agree actions or alternative workable control solutions to address the risk exposures.

5.2 In exceptional cases it may be impractical, due to complexity or dependency, to agree on a realistic timescale for resolution prior to the issuance of the audit report. In such circumstances 'milestones' may be agreed with the auditors to allow for sufficient time to agree an action plan and realistic date for implementation.

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5.3 The business has a responsibility to implement actions agreed with the auditors (Internal and external) as set out in the audit reports/ management letter.

5.4 Where an extension either to the timescale for an agreed action or to a 'milestone' is considered unavoidable, this should be agreed as follows:

Priority	Recommend	Approval
High priority actions (Significant findings)	Deputy Director General	Accounting Officer
Medium priority actions (Less Significant findings)	General Manager	Deputy Director General
Low priority actions (Minor findings)	Senior Manager	General Manager

5.5 All due date extensions, regardless of priority, should be submitted to the Chief Audit Executive for agreement.

5.6 A due date extension should only be approved if the request satisfies one or more of the following criteria:

- 5.6.1 Where implementation of the agreed action has been delayed due to late delivery of a dependency outside the control of the Business Unit Manager;
- 5.6.2 Where allowing more time to implement the Agreed action would result in a substantially better risk solution than a solution delivered by the original due date;
and
- 5.6.3 Where circumstances that could not genuinely have been foreseen by either management or Internal Audit activity staff at the time of agreeing the original due date, now render that date unrealistic.

5.7 Internal Audit will conduct follow-up audits (finding Assurance) on findings with agreed implantation dates that has passed.

5.8 The implementation of all External Audit findings is tracked by the Internal Control unit and an independent follow-up is conducted by Internal Audit when the implementation date has passed.

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- 5.9 Where a decision is made to accept the risk, rather than implement the stated agreed actions, that action is governed by standard 11.5 – Communicating the Acceptance of Risks, the process to be followed is covered in the Internal Audit Methodology.
- 5.10 The follow-up audit (finding assurance) process for significant and less significant findings will be as follows:
- 5.10.1 Management will inform Internal Audit as the agreed action has been implemented;
 - 5.10.2 Internal Audit will send a notification advising management of timings of work and information required;
 - 5.10.3 The follow-up review will focus only on those risks relating to the original findings and will not cover the entire original scope of the audit;
 - 5.10.4 Management is required to co-operate and provide assurance similar to when an audit is being performed;
 - 5.10.5 Internal Audit will send a notification advising management of those items passing findings assurance. The agreed management action status is set to “Implemented”/ Fully Addressed
 - 5.10.6 Internal Audit will send a notification advising management of those items failing findings assurance. The agreed management action status is set to “ Not Implemented”. A new agreed management action and updated due date will have to be set.
- 5.11 Statistics regarding the number of outstanding agreed management actions, implemented agreed management actions, partially implemented, Overdue (no feedback provided) on agreed management actions, findings not due as well as failed finding assurance must be reported to the Accounting officer and Audit Committee for consideration.

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6. ADHERENCE

7.1 No deviation to this policy are permitted.

7.2 Any incident where this policy has been breached should be monitored and reported to the Accounting Officer.

7.3 A breach of This Policy statement may lead to a consequence management process being followed.

7.4 Where there are disputes regarding non-adherence to this Policy and / or significant findings/ action Plans it will be escalated by Internal Audit to the Accounting Officer and Audit Committee for consideration.

7. POLICY REVIEW

These guidelines will be reviewed every 3 years, and as and when the need arises by the CAE to ensure that it is aligned to the Standards; the requirements of Department and leading practices.

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8. APPROVAL OF THE POLICY ON AGREED MANAGEMENT ACTION PLANS

This guideline was prepared by the Chief Audit Executive, recommended by the Accounting Officer and endorsed by the Chairperson of the Audit Committee and approved by the Member of the Executive Council (MEC).

Prepared by:



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Chief Audit Executive

Date 27 March 2025

Recommended by:



Mr V Mlokothe
Head of Department

Date: 30/03/2025

Endorsed by:



Mr P Zitumane
Audit Committee Chairperson

Date: 11/04/2025

Approved by:



Mr Z Williams
Member of Executive council

Date: 24.04.2025

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9. GLOSSARY OF TERMS

Agreed Management Actions are those actions, agreed between management and internal/ external audit. To be implemented at an agreed future target to resolved weaknesses/ control failures (findings) identified.

Repeat audit findings are those findings which management have not implemented corrective action from prior audit (as agreed to be implemented by management at the target date), and consequently, the auditors repeat the recommendation in the follow-up/ subsequent audit.

Findings Assurance is to provide an independent view that the agreed management action to correct the finding identified has been effectively implemented, thus that the original non-conformity/ control weakness/ failures has been eliminated.

A **milestone** is the end of a stage that marks the completion of a phase, typically marked by a high level event such as completion, endorsement or signing of a deliverable, document or a high level review meeting. In addition to signalling of a deliverable, a milestone may also signify an important decision or the derivation of a critical piece of information, which outlines or effects the future of a project. In this sense, a milestone not only signifies distance travelled (key stages in a project) but also indicates direction of travel since key decisions made at milestones may alter the route through the project plan.

Significant findings are weakness which require prompt action and which are considered serious in terms of the area under review. These include significant disruption of business operations, material impact on financial information, major exposure of Eastern Cape Department of Cooperative Governance and Traditional Affairs (ECCOGTA) resources or to fraudulent practices.

Less Significant findings are weakness which require action but so not expose ECCOGTA to material risk at present.

Minor Findings are weakness which do not represent a significant risk to the control environment and can normally be corrected at a minimal cost. The correction of these control weakness will have the effect of an improved control environment.

