Pixley ka Seme District Municipality

Business Plan for Northern Cape Financial Management Support Grant application

Project Name: Internal Audit Function

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1. Project/Programme Introduction

Project/Programme Name	MUNICIPAL SUPPORT- ASSET MANAGEMENT
Intended Output	Effective and efficiently functioning internal audit services
Vote	
Responsible Municipal Official	Mr. B. James-CFO
Project/Programme Manager/Director	Mr. R. Pieterse-Municipal Manager
Date	30.05.2016.
Project/Programme Life Cycle (Start and End dates)	01/07/2016- 30/06/2017
Project/Programme Cost	R 4 464 000.00
Project Cost required from Provincial Treasury	R 2 300 000.00

2. Executive Summary

A high level summary to orientate the reader to all the aspects of the Project/Programme must be provided, giving precisely most important information entailed in the Business Plan.

Narrative Summary (provided as a guide)	
Project/Programme Goal, impact & outcome	The goal of the project is to strengthen the capacity of the district municipality to improve the fully functioning internal audit that will serve its subordinate municipalities. This exercise will improve the audit results and enhance the service delivery to the communities.
Project/Programme Purpose	Municipalities within the province face various challenges which include among others, inadequate services delivery, poor financial management and lack of internal controls and requisite skills. The aim of the internal audit function is to assist municipalities in achieving the desired clean audit results and designing the comprehensive internal control systems and processes.
Project/Programme Output(s)	• Fully capacitated and functioning internal audit services that is able to serve the subordinate municipalities. • Improved audit outcomes. • Higher level of productivity and improved service delivery.
Performance Indicators	• Quality internal audit reports that can be reliable to external auditors. • An internal control charter that will be aligned to both internal operational policies and accounting policies.
Key Inputs/Activities	• Monitor the functioning of the internal audit services and assessment of the internal audit outcomes.

3. Project/Programme Profile (Detailed project information)

3.1. Background

It is one of the provincial government objectives to ensure that municipalities achieve clean audits and ultimately good governance, hence it is deemed necessary to establish the fully equipped and functioning internal audit services for municipalities to improve the implementation of internal controls.

3.2. Project/Programme Goal

The anticipated goal of the project is to establish and fund the skilled and fully equipped internal audit services that is able to serve the local municipalities for Pixley Ka Seme district municipality.

Impact/Outcome

Capacitated internal audit services under district municipality to be able to serve all local municipalities under that particular district.

3.3. Project/Programme Outputs

Describe the short-term results to be produced that are the immediate consequences of Project/Programme activities. The performance indicators should be a measure whether the Project/Programme has achieved the stated outputs.

Project/ Programme outputs	**Performance indicator**	**Baseline** ***(Current status)***	**Target**
Capacitating the internal audit services	100% internal audit services to all local municipalities under Pixley ka Seme.	Not all municipalities are paying for the internal audit service.	Fully capacitated and functioning internal audit services.

4. Policy alignment

- The Municipality must indicate whether the amount will be spent to address a specific policy priority or strategy (National, Provincial and Municipal).

5. Risk/SWOT Analysis

This section should provide information on Strengths, Weaknesses, Opportunities and Threats that the Project/Programme might have and create. All the stakeholders should be involved in order to make an informative analysis.

Strengths	Weaknesses	Opportunities	Threats
Financial assistance to enhance the capacity and skills transfer in order to equip the municipal internal audit staff.	Lack of funds to pay salaries of the internal audit staff.	Capacity building and adequate skills transfer. Fully functioning internal audit services to service subordinate municipalities.	Local municipalities fail to pay for the services to the parent municipality as per initial arrangement. Parent municipality unable to maintain the internal audit services due to lack of funds.

6. Activity resource schedule

The following should be considered when completing the activity schedule:

- List main activities identified in the Project/Programme plan
- Break down the activities into manageable tasks
- Clarify sequences and dependencies
- Estimate start up, duration and completion of activities
- Allocate task among team(s)
- Estimate time required for team members

Criteria to test the completeness of the activity schedule:

- Status, completion is measurable
- Start and End are clearly defined
- Activity produces a deliverable
- Time, costs can be estimated
- Activity duration is within 'acceptable' limits
- Work assignments are independent

Outputs in phases

Inputs/Activities	Performance indicators	Outputs/Outcomes	Delivery Date	Budget/Cost (R)	Responsible official
Funding the internal audit services for a parent municipality.	Fully equipped, skilled and functioning internal audit services.	Full internal audit services to the local municipalities.		2 300 000	Municipal Manager

7. Funding

7.1. Proposed sources of funding

- Funding to be sourced from the municipal reserves and the shortfall to be requested from the Northern Cape Provincial Treasury

7.2. Motivation

- The local municipalities being serviced are expected to pay the annual fee for the services rendered to the district municipality.
- Municipalities are expected to use MSIG to cover the costs, but this seems to be failing for other cash strapped municipalities.
- The unavailability of the requested funds might lead to ongoing audit disclaimers and that might impact negatively on service delivery.

8. Monitoring, Reporting and Evaluation

Provide details on monitoring and evaluation plan. Monitoring depends on data collection, it is therefore important to indicate how such data will be collected. If there are cost implications, these costs should be defined in the budget. Data collection may not be easy, let alone analysing it effectively and turning it into useful management information. There are different approaches that can be used for qualitative and quantitative data analysis. Below are some methods that could be used to analyse the data collected:

- Monitoring is about comparing what was originally planned with what actually happens. This analysis should form the basis for any monitoring, review and reporting system;

- Monitoring, evaluation and reporting could be an analysis of data over different time periods – analyse whether the situation is improving or not taking into account seasonal variations and explanation thereof.
- Some of the service delivery activities should be monitored using norms and standards. Therefore information should be collected and compared with the agreed norms and standards to help manager measure their performance and identify where there is a need for improvements.

8.1. Reporting

Report Type	Report due dates	Data source	Frequency of data collection	Responsible person
Quarterly reports	Every last working day of the quarter	Internal audit reports for the audit performed by the internal audit stuff.	During the audit process	Internal audit manager

9. Assumptions and risks

9.1. Assumptions

Include any assumptions that have been made in arriving at the cost estimates and proposed Project/Programme implementation plan. Where the achievement of the Project/Programme's objectives/goals depends on external factors, these should be mentioned/indicated (risk factors).

Summary	**Assumptions** *The necessary conditions that must exist for the cause – effect to behave as expected*	**Risk Indicators** *Risk indicators that will undermine the validity of the assumption*
Project/Programme Goal	The fairly skilled internal audit staff.	Lack of funding to sustain the internal audit function.
Outcomes	Fully functioning and capacitated internal audit structure	Lack of capacitated and skilled personnel to produce intended results.
Outputs	All local municipalities being serviced by the internal audit function.	Lack of funding to acquire the necessary skill in order to achieve the intended results.
Activities	Implementation of activities per project plan	Lack of proper management, implementation and

		reporting to relevant stakeholders.

9.2. Risk Management Matrix

Complete the following table with regards to the risk assessment. This should consider all the risk elements of the Project/Programme with respect to internal, external environment. This need to be updated and reviewed on a regular basis (as part of the annual review and planning processes)

Risk	Potential adverse impact	Risk Level (H/M/L)	Risk management strategy	Responsible person
Mismanagement of funds provided	Dysfunctional internal audit services	High	Intensified monitoring on budget spending. Capacitating the existing staff compliment to become custodians of the skills transfer and internal controls.	Municipal Manager
Lack of buy in from all relevant stakeholders. Lack of owning to responsibilities by parties with overreliance on the other. Lack of financial and human resources to carry out the MoU. And lack of cohesion amongst all relevant stakeholders.	Dysfunctional internal audit services	High	Intensified monitoring on budget spending. Capacitating the existing staff compliment to become custodians of the skills transfer and internal controls.	Municipal Manager

10. Other Information

10.1. List of stakeholders

A list of all stakeholders involved in the Project/Programme, who will form partnership with the department in the implementation of the Project/Programme, must be reflected together with their commitments (Financial and Non-Financial).

Name of a stakeholder	Relationship	Commitment (Financial/Non-Financial)
Pixley ka Seme district municipality	Project owner	Non-financial
Northern Cape Provincial Treasury	Project co-owner (oversight and assistance)	Financial and non-financial
Auditor General South Africa	External auditors	Non-financial

11. Approval by Municipal Manager

Approved by: Pieterse. R.T.   [signature]   30.05.2016.

Name   **Signature**   **Date**

On behalf of the Municipality (Municipal Manager)