

REPORT TO MAYCO COUNCIL

CITY OF CAPE TOWN | ISIXEKO SASEKAPA | STAD KAAPSTAD

1. ITEM NUMBER : MC 42/06/11

2. SUBJECT (LSUB0934)

**FINAL 2011/2012 DIRECTORATE INTERNAL AUDIT EXECUTIVE SUMMARY
OF THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN
(SDBIP)**

2. ISIHLOKO

ISISHWANKATHELO SESIGQEBA SECANDELO LOLAWULO
LWEZOPHICOTHO LWANGAPHAKATHI ESIJOLISWE KUNIKEZELO
LWENKONZO KOWAMA-2011/2012 NAKWISICWANGCISO
SOKUZALISEKISWA KOHLAHLO-LWABIWO-MALI (SDBIP)

2. ONDERWERP

**DIREKTORAAT INTERNE OUDIT SE FINALE BEKNOPTTE OORSIG VAN DIE
DIENSLEWERINGS-EN-BEGROTINGSIMPLEMENTERINGSPLAN (SDBIP)
VIR 2011/2012**

3. PURPOSE

The purpose of this report is to submit to the Audit Committee for their consideration and recommendation to the Executive Mayor, the final 2011/2012 Directorate Executive Summary including the SDBIP.

These documents underpin the 2011/2012 Corporate SDBIP that will be submitted to the Executive Mayor for approval in terms of section 53 (1)(c)(ii) and 69(3)(a) of Act No. 56 of 2003: Local Government: Municipal Finance Management Act (MFMA).

4. FOR DECISION BY

The Executive Mayor in consultation with the Mayoral Committee.

5. EXECUTIVE SUMMARY

In terms of the MFMA: Municipal Budget and Reporting Regulations, a Directorate Executive Summary must be completed for each Directorate SDBIP.

The final 2011/2012 Directorate Executive Summary contains *inter alia* a brief description of financial information on the capital and operating budget as required by the Regulations. It also contains a brief description of the directorate's structure, the services provided and the customer groups, as well as how the directorate's objectives and indicators relate to the Integrated Development Plan.

The final Directorate Executive Summary is attached as **Annexure A**.

The purpose of this report is to submit the final 2011/2012 Directorate Executive Summary of the SDBIP to the Audit Committee for consideration and recommendation to the Executive Mayor.

The 2011/2012 Directorate Executive Summary and SDBIP will be submitted to National and Provincial Treasury and the electronic versions will be placed on the city website at www.capetown.gov.za/idp after noting by Council.

6. RECOMMENDATIONS

- 6.1 That the Audit Committee makes recommendation to the Executive Mayor on the contents of the final 2011/2012 Directorate Executive Summary of the Service Delivery and Budget Implementation Plan
- 6.2 That the Executive Mayor in consultation with the Mayoral Committee approves the final 2011/2012 Directorate Executive Summary of the Service Delivery and Budget Implementation Plan
- 6.3 That Council notes the final 2011/2012 Directorate Executive Summary of the Service Delivery and Budget Implementation Plan

6. ISINDULULO

- 6.1 Ukuba iKomiti yezoPhicotho mayenze isindululo kuSodolophu wesiGqeba ngokujoliswe kokuqulathwe kwisiShwankathelo sokugqibela seCandelo loLawulo ngokumalunga noNikezelo lweNkonzo kowama- 2011/2012 nesiCwangciso sokuZalisekiswa koHlahlo-lwabiwo-mali.
- 6.2 Ukuba uSodolophu wesigqeba ecebisana neKomiti yoLawulo yakhe makaphumeze isiShwankathelo sokugqibela sesiGqeba kwiCandelo loLawulo sokuNikezelwa kweNkonzo nesiCwangciso sokuZalisekiswa koHlahlo-lwabiwo-mali kowama-2011/2012.

- 6.3 Ukuba iBhunga maliqwalasele isiShwankathelo sokugqibela sesiGqeba seCandelo loLawulo nesiCwangciso sokuZalisekiswa koHlahlo-lwabiwo-mali kowama-2011/2012.

6. AANBEVELING

- 6.1 Dat die ouditkomitee aanbevelings maak by die uitvoerende burgemeester oor die inhoud van die direktoraat se finale beknopte oorsig van die dienslewering-en-begrotingsimplementeringsplan vir 2011/2012.
- 6.2 Dat die uitvoerende burgemeester in oorlegpleging met die burgemeesterskomitee die direktoraat se finale beknopte oorsig van die dienslewering-en-begrotingsimplementeringsplan vir 2011/2012 goedkeur.
- 6.3 Dat die Raad kennis neem van direktoraat se finale beknopte oorsig van die dienslewering-en-begrotingsimplementeringsplan vir 2011/2012.

7. DISCUSSION/CONTENTS

a. Constitutional and Policy Implications

This process is driven by legislation.

b. Environmental implications

Does your report have any environmental implications: No ☒ Yes ☐

c. Legal Implications

The process of preparing a Service Delivery and Budget Implementation Plan must *inter alia* comply with :

Section 53(1)(c)(ii) and 69(3)(a) of Act No. 56 of 2003: Local Government: Municipal Finance Management Act as well as the Municipal Budget and Reporting Regulations (Schedule A, Part 2, Sections 22, 23 & 24).

In terms of the MFMA: Municipal Budget and Reporting Regulations a Directorate Executive Summary must be completed for each Directorate SDBIP.

d. **Staff Implications**

Does your report impact on staff resources, budget, grading, remuneration, allowances, designation, job description, location or your organisational structure?

No ☒

Yes ☐

e. **Risk Implications**

Does this report and/or its recommendations expose the City to any risk?
No.

f. **Other Services Consulted**

All relevant Directorates were consulted.

ANNEXURES

Annexure A: Final Directorate Internal Audit Executive Summary of the Service
Delivery and Budget Implementation Plan 2011/2012

FOR FURTHER DETAILS CONTACT:

| | |
|-----------------|-------------------------------|
| NAME | Riaan Vosloo |
| CONTACT NUMBERS | 021 400 3879 |
| E-MAIL ADDRESS | Riaan.vosloo@capretown.gov.za |
| DIRECTORATE | Internal Audit |
| FILE REF NO | |

Riaan Vosloo
27/05/2011

ayed

LEGAL COMPLIANCE

☒ REPORT COMPLIANT WITH THE PROVISIONS OF COUNCIL'S DELEGATIONS, POLICIES, BY-LAWS AND ALL LEGISLATION RELATING TO THE MATTER UNDER CONSIDERATION.

☐ NON-COMPLIANT

NAME RIIANA SATED

TEL 021 400 4508

DATE 31/05/2011

Comment:

Certified as legally compliant:

Based on the contents of the report.

[Signature]

[Signature]

Chief Audit Executive

Comment:

DATE

31/05/11



CITY OF CAPE TOWN ISIXEKO SASAKAPA STAD KAAPSTAD

INTERNAL AUDIT

FINAL DIRECTORATE EXECUTIVE SUMMARY

OF THE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN

2011/2012

Chief Audit Executive: ZULPHA ABRAMS

Website *(for detailed SDBIP)* : _____

830

ANNEXURE A

1. EXECUTIVE SUMMARY

The Directorate: Internal Audit's mission is to provide independent, objective assurance and consulting services designed to add value and improve the organisation's operations. It helps the organisation accomplish its objectives by bringing about a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.

2 PURPOSE AND SERVICE MANDATE OF DIRECTORATE

2.1 Purpose

The Directorate: Internal Audit's vision is to be recognised by the City and the audit industry as a unit adding value and contributing to the achievement of the City's goals. To assist the City to become known for its effective and equitable service delivery and to distinguish itself as a well governed and efficiently run administration.

2.2 Mandate

In terms of the Municipal Finance Management Act No 56 of 2003 ("MFMA") as amended, the City Manager must ensure that the CoCT has and maintains *inter alia* effective, efficient and transparent systems of financial and risk management and internal controls.

Section 165 of the MFMA prescribes that an internal audit unit must:

- (a) prepare a risk-based audit plan and an internal audit program for each financial year;
- (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to-
 - (i) internal audit;
 - (ii) internal controls;
 - (iii) accounting procedures and practices;
 - (iv) risk and risk management;
 - (v) performance management;
 - (vi) loss control; and
- (vii) compliance with the MFMA, the Annual Division of Revenue Act and any other applicable legislation; and

8
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- (c) perform such duties as may be assigned to it by the accounting officer.

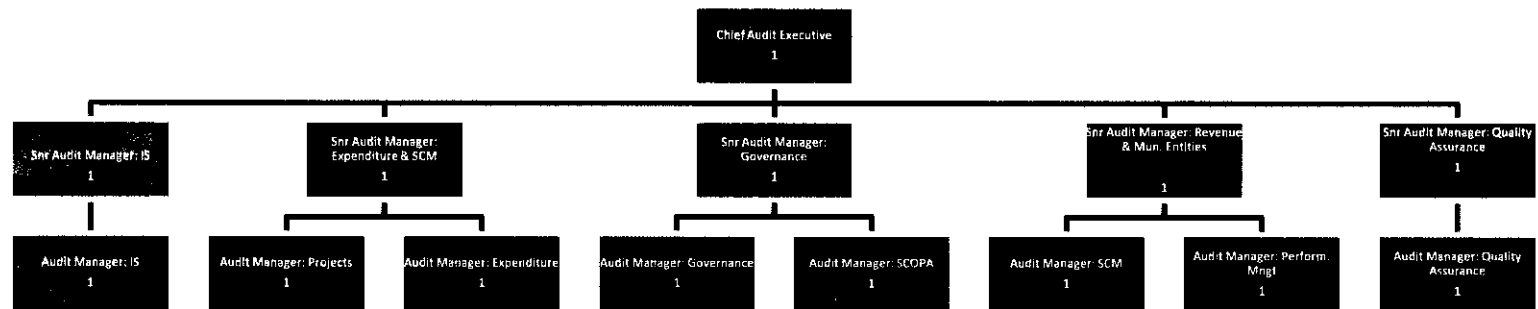
S62(1)(c)(ii) of the MFMA also states that the accounting officer of a municipality must ensure that the municipality has and maintains effective, efficient and transparent systems of internal audit operating in accordance with any prescribed norms and standards.

The Directorate: Internal Audit operates in terms of and is governed by the International Standards of the Institute of Internal Auditors (IIA), an international professional body.

2.3 Customers

| Customers | Services provided by internal audit |
|--|--|
| COCT (City Manager and all Executive Directors) | <ul style="list-style-type: none">◆ Financial Auditing◆ Information System Auditing◆ Risk Management Auditing◆ Sustainability Auditing◆ Performance Management Auditing◆ Governance Auditing◆ Performance Auditing (value for money) |

3. Senior management organogram



823

4. **LINKAGE TO THE IDP and changes to the indicators and targets**

Strategic Focus Area 8: Good governance and regulatory reform refers.

A corporate scorecard indicator - 8B.7 Percentage audit findings resolved was introduced to the corporate scorecard in the 2007/2008 financial year.

The corporate scorecard was amended for the 2010/11 financial year (approved at the Mayco meeting on 18 May 2010) and the indicator Percentage internal audit findings resolved was removed from the corporate scorecard.

The monitoring of resolutions of audit findings as per follow-up audits performed remains a Directorate scorecard indicator. The Chief Audit Executive reports to the Executive Management Team (EMT) and the Audit Committee on a quarterly basis on the status of the recurring findings.

The indicator Monitoring of resolutions of audit findings as per follow-up audits performed is reflected on the on attached 2011/12 Directorate Internal Audit SDBIP

5. **PERFORMANCE PROGRESS AND IMPACT (if applicable)**

Percentage audit findings resolved as per follow-up audits

Fin. year 2010/11: Target 60% Actual 72% (Quarter 2 – December 2010)

Fin. year 2009/10: Target 60% Actual 45%

Fin. year 2008/09: Target 60% Actual 53%

Fin. year 2007/08: Target 50% Actual 48%

6 **FINANCIAL INFORMATION**

6.1 ***Summary of revenue by source;***

All Income from secondary charges.

834

6.2

Summary of operating expenditure by type: INTERNAL AUDIT

| Description R thousand | Budget |
|---|---------------|
| Expenditure By Type | |
| Employee related costs | 30 664 |
| Depreciation & asset impairment | 302 |
| Contracted services | 604 |
| Other expenditure | 1 667 |
| Total Expenditure excluding activity based costing | 33 237 |
| Activity based costing | 1 913 |
| Total Expenditure including activity based costing | 35 150 |
| | |

6.3

Summary of capital expenditure by type:**WC000 Cape Town - Supporting Table SA36 Detailed capital budget**

| Municipal Vote/Capital project R thousand | Program/ Project description | Project number | Asset Class 4. | Asset Sub- Class 4. | Total Project Estimate | Prior year outcomes 2010/11 | | | 2011/2012 Medium Term Revenue & Expenditure Framework | | | Project information | |
|--|------------------------------------|-------------------|----------------------|---------------------------|------------------------------|-------------------------------|-------------------------------|---------------------------|--|------------------------------|------------------------------|----------------------|-------------------|
| | | | | | | Audited Outcome 2008/09 | Adjusted Budget 2009/10 | Budget Year 2010/11 | Budget Year 2011/12 | Budget Year +1 2012/13 | Budget Year +2 2013/14 | Ward locati on | New or renewal |
| Parent municipality: | | | | | | | | | | | | | |
| Internal Audit | Various | Various | Various | Various | | 484 155 | 475 727 | 241 845 | 171 444 | 121 444 | 121 444 | None | Various |
| Total Capital expenditure | | | | | | 484 155 | 475 727 | 241 845 | 171 444 | 121 444 | 121 444 | None | Various |

6.4 A description of discretionary and non discretionary expenditure.

Only non discretionary expenditure by Directorate: Internal Audit

Overview in narrative form of:

6.5 Any risks to achieving revenue projections, any expected major shifts in revenue patterns and planned alternative sources of revenue

Not applicable to Directorate Internal Audit

6.6 On the directorate capital programme in the context of the overall capital programme of the municipality (review directorate budget in relation to the City's overall budget and comment on major capital projects)

Furniture & Equipment and Computer Hardware only Directorate Internal Audit capital projects. 0.01% of Capital budget of COCT allocated to Internal Audit

7 LINK TO DIRECTORATE OBJECTIVES (if applicable)

Not applicable to Internal Audit (covered by paragraph 6.6)

8 OBJECTIVES AND INDICATORS OF THE DIRECTORATE SERVICE DELIVERY AND BUDGET IMPLEMENTATION PLAN (SDBIP)

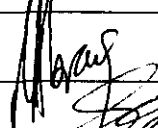
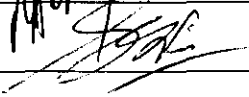
What do you plan to do and How do you intend to achieve this: Include the Key Objectives and Indicators and targets.

| Objectives | Indicator(s) of this Objective | Target (by Sept 2011) | Target (by Dec 2011) | Target (by March 2012) | Target (by June 2012) |
|------------|--------------------------------|-----------------------|----------------------|------------------------|-----------------------|
|------------|--------------------------------|-----------------------|----------------------|------------------------|-----------------------|

As per attached Appendix 1

9 AUTHORISATION

The undersigned do hereby indicate their agreement with the contents of this document and the outcomes.

| | Name | Signature | Date |
|-----------------------|---------------|---|----------|
| Chief Audit Executive | Zulpha Abrams |  | 31/05/11 |
| Mayco Member | Ian Neilson |  | 2/6/11 |

10

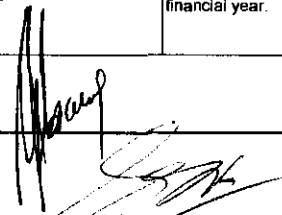
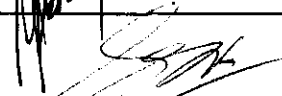
APPENDICES: (If any)

Appendix 1: 2011/2012 Directorate Internal Audit SDBIP

857

| | A | B | C | D | E | F | G | H | I | J | K | L | M |
|----|---|--|-----------------------------------|--|--|--------------------------------|--|------------------|---|--------------------|----------------------|---------------------------------------|-------------------------|
| 1 | FINAL 2011 / 2012 DIRECTORATE INTERNAL AUDIT SDBIP | | | | | | | | | | | | |
| 2 | ALIGNMENT TO IOP | | Responsible Department (s) | Objective | Indicator (To include unit of measure) | Baseline 10/11 | Annual Target 2011/12 | Frequency | TARGETS *The targets will be updated based on the actual achievement at 30 June 2011. This change will be indicated as part of the 2010/2011 first quarters report on performance. | | | | General Comments |
| 3 | SFA & Directorate Objective No. | Corporate Scorecard Indicator No. | | | | | | | 30 Sept 2011 | 31 Dec 2011 | 31 March 2012 | 30 June 2012 | |
| 4 | | | | To prepare and execute a risk based operational audit plan | A prepared, submitted and approved risk based audit plan | Achievement as at 30 June 2011 | Approved 11/12 Audit Plan by 30/06/11 | annually | | | | Approved 11/12 Audit Plan by 30/06/11 | |
| 5 | | | | To prepare and execute a risk based operational audit plan | % projects completed as per audit plan | Achievement as at 30 June 2011 | 90% completion of audit plan (10% shortfall attributed to ad-hoc assignments, changing circumstances and changes in risk profiles) | quarterly | 10% | 30% | 60% | 90% | |
| 6 | | | | Monitoring of audit reports and quality control | % management agreement with actions to address audit findings | Achievement as at 30 June 2011 | 70% | quarterly | 70% | 70% | 70% | 70% | |
| 7 | | | | Monitoring of audit reports and quality control | Evidence of 100% review for all audit projects completed on TeamMate | Achievement as at 30 June 2011 | 100% | quarterly | 100% | 100% | 100% | 100% | 858 |
| 8 | | | | Monitoring of audit reports and quality control | External Quality Assurance review completed | Achievement as at 30 June 2011 | Generally Conformed rating | annually | | | | Generally Conformed rating | 858 |
| 9 | | | | Continue to move towards innovative internal audit techniques | Control Self Assessment workshops completed and report issued | Achievement as at 30 June 2011 | Control Self Assessment workshops completed and 3 reports issued | quarterly | | 1 report issued | 1 report issued | 1 report issued | |
| 10 | | 8B 3 | | Management of key financial and governance areas such as income control, cash flow, indigent support, alternative income opportunities, assets and risk management | Percentage spend of Capital budget | Achievement as at 30 June 2011 | 95% | quarterly | 15% | 25% | 65% | 95% | |
| 11 | | | | Management of key financial and governance areas such as income control, cash flow, indigent support, alternative income opportunities, assets and risk management | Percentage of Internal Audit Operating budget spent. | Achievement as at 30 June 2011 | 95% | quarterly | 24% | 50% | 74% | 95% | |

| 3 | SFA & Directorate Objective No. | Corporate Scorecard Indicator No. | Responsible Director | Objective | (To include unit of measure) | Baseline 10/11 | Annual Target 2011/12 | Frequency | I | J | K | L | General Comments |
|----|---------------------------------|-----------------------------------|----------------------|--|---|--------------------------------|---|-------------|---|---|---|---|------------------|
| | | | | | | | | | 30 Sept 2011 | 31 Dec 2011 | 31 March 2012 | 30 June 2012 | |
| 12 | | | | Management of key financial and governance areas such as income control, cash flow, indigent support, alternative income opportunities, assets and risk management | Monitoring of resolutions of audit findings as per follow-up audits performed | Achievement as at 30 June 2011 | Report to EMT and Audit Committee on status of recurring findings | quarterly | Report to EMT and Audit Committee on status of recurring findings | Report to EMT and Audit Committee on status of recurring findings | Report to EMT and Audit Committee on status of recurring findings | Report to EMT and Audit Committee on status of recurring findings | |
| 13 | | | | Stakeholder satisfaction | >65% audit customer feedback rating for completed projects | Achievement as at 30 June 2011 | 65% | quarterly | 65% | 65% | 65% | 65% | |
| 14 | | | | Stakeholder satisfaction | >70% Audit Committee rating for overall service delivery | Achievement as at 30 June 2011 | 70% | annually | | | | 70% | |
| 15 | | | | Stakeholder satisfaction | >70% SCOPA rating for overall service delivery | Achievement as at 30 June 2011 | 70% | annually | | | | 70% | |
| 16 | | | | Stakeholder satisfaction | >65% client account management feedback rating | New | 65% | bi-annually | | 65% | | 65% | |
| 17 | | | | Ensure performance of all Internal Audit staff, managed in accordance with agreed policy and procedures | Productivity % achieved as per the approved time keeping system | Achievement as at 30 June 2011 | 60% | quarterly | 60% | 60% | 60% | 60% | 85% |
| 18 | | | | Ensure performance of all Internal Audit staff, managed in accordance with agreed policy and procedures | Completion of Performance Assessment Forms on projects performed per staff member | Achievement as at 30 June 2011 | 100% | quarterly | 100% | 100% | 100% | 100% | |
| 19 | | | | Ensuring enhanced service delivery with efficient institutional arrangements | % budget spent on implementation of WPSP | Achievement as at 30 June 2011 | 90% | quarterly | 10% | 30% | 60% | 90% | |
| 20 | | | | Management of key financial and governance areas such as income control, cash flow, indigent support, alternative income opportunities, assets and risk management | Percentage annual assets verification process completed | Achievement as at 30 June 2011 | 100% | annually | | | | 100% completed by 30 June | |

| | A | B | C | D | E | F | G | H | I | J | K | L | M |
|----|---|-----------------------------------|----------------------|--|---|--------------------------------|--|-----------|--|--|--|--|------------------|
| | SFA & Directorate Objective No. | Corporate Scorecard Indicator No. | Responsible Director | Objective | (To include unit of measure) | Baseline 10/11 | Annual Target 2011/12 | Frequency | 30 Sept 2011 | 31 Dec 2011 | 31 March 2012 | 30 June 2012 | General Comments |
| 3 | | | | | | | | | | | | | |
| 21 | | 8A.2 | | Ensuring enhanced service delivery with efficient institutional arrangements | % improvement of responsiveness in service delivery | NEW | 12 % reduction by end June, in time taken to close ALL notification Types (measured against the baseline of % at previous end June)) | quarterly | 3% improvement against baseline | 6% improvement against baseline | 9% improvement against baseline | 12 % improvement against baseline | |
| 22 | | 8A.3 | | Ensuring enhanced service delivery with efficient institutional arrangements | Staff availability as measured by % absenteeism | Achievement as at 30 June 2011 | ≤ 4% average over 12-month rolling period | quarterly | ≤ 4% average over 12-month rolling period | ≤ 4% average over 12-month rolling period | ≤ 4% average over 12-month rolling period | ≤ 4% average over 12-month rolling period | |
| 23 | | | | Ensuring enhanced service delivery with efficient institutional arrangements | Retention of Skills as measured by staff turnover. | Achievement as at 30 June 2011 | ≤ 12% (within skilled categories) | quarterly | ≤ 12% (within skilled categories) | ≤ 12% (within skilled categories) | ≤ 12% (within skilled categories) | ≤ 12% (within skilled categories) | |
| 24 | | | | Ensuring enhanced service delivery with efficient institutional arrangements | % Compliance with EE approved plan per Directorate in terms of new appointments for the current financial year. | Achievement as at 30 June 2011 | % compliance as determined by Directorate EE plans | quarterly | % compliance as determined by Directorate EE plans | % compliance as determined by Directorate EE plans | % compliance as determined by Directorate EE plans | % compliance as determined by Directorate EE plans | |
| 25 | <div>Approved by Chief Audit Executive : </div> <div>Approved by Mayco Member: </div> <div>Date: 31/05/11</div> <div>Date: 2/6/11</div> | | | | | | | | | | | | |
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