

An outside perspective of mSCOA project governance and internal audit – Leading practice

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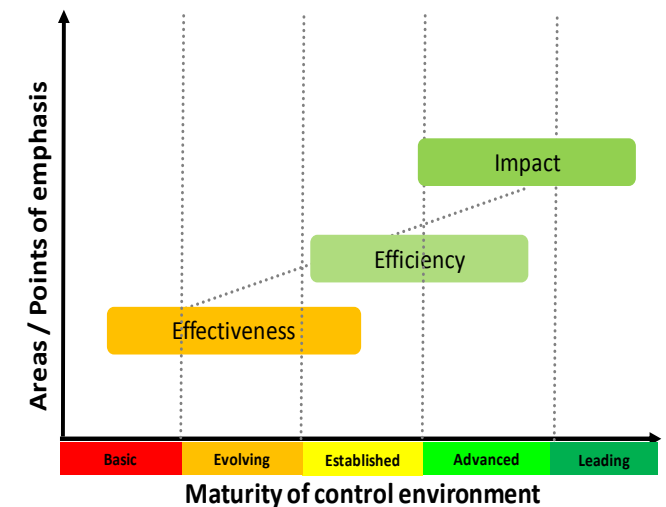
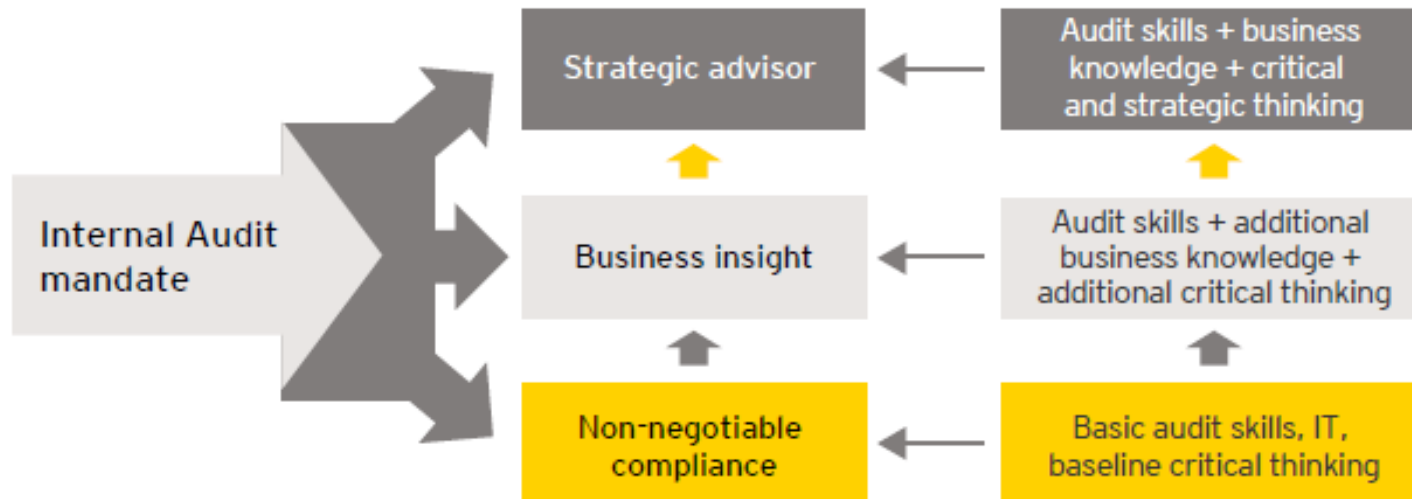


national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

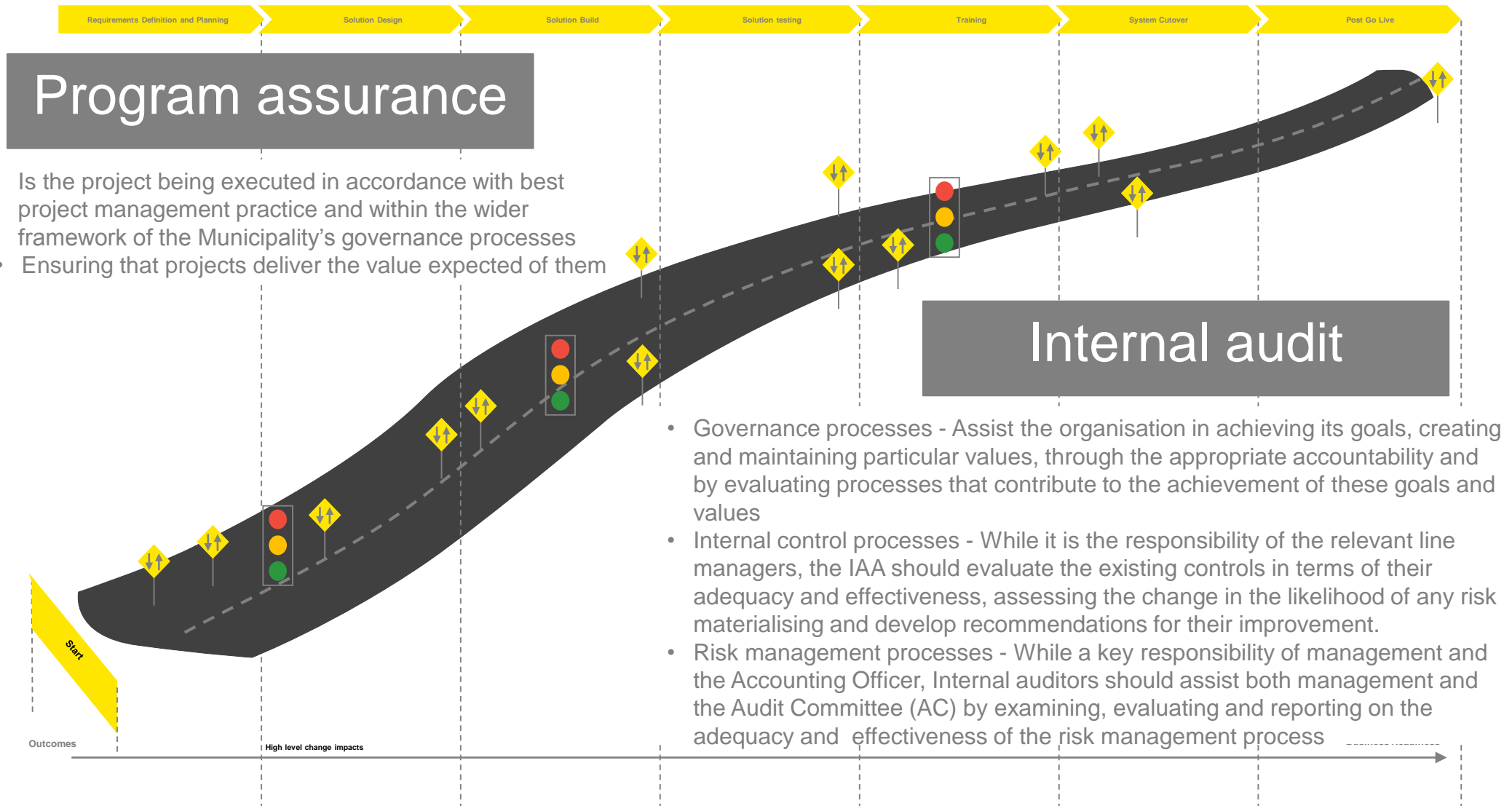
The role of internal audit

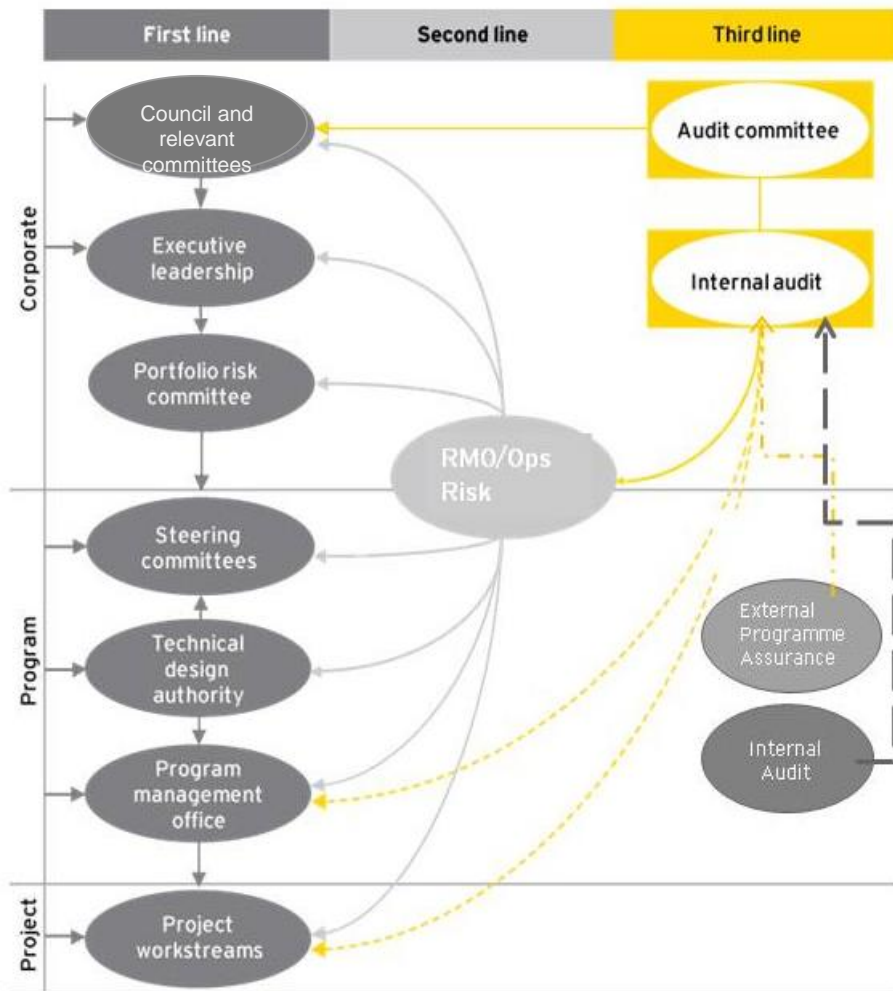
- ▶ The ISPPIA defines internal auditing as “an independent, objective assurance *and consulting* activity designed to add value and improve an organisation’s operations. It helps an organisation accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control and governance processes.”
- ▶ What about post mSCOA?





The relationship between internal audit and program assurance

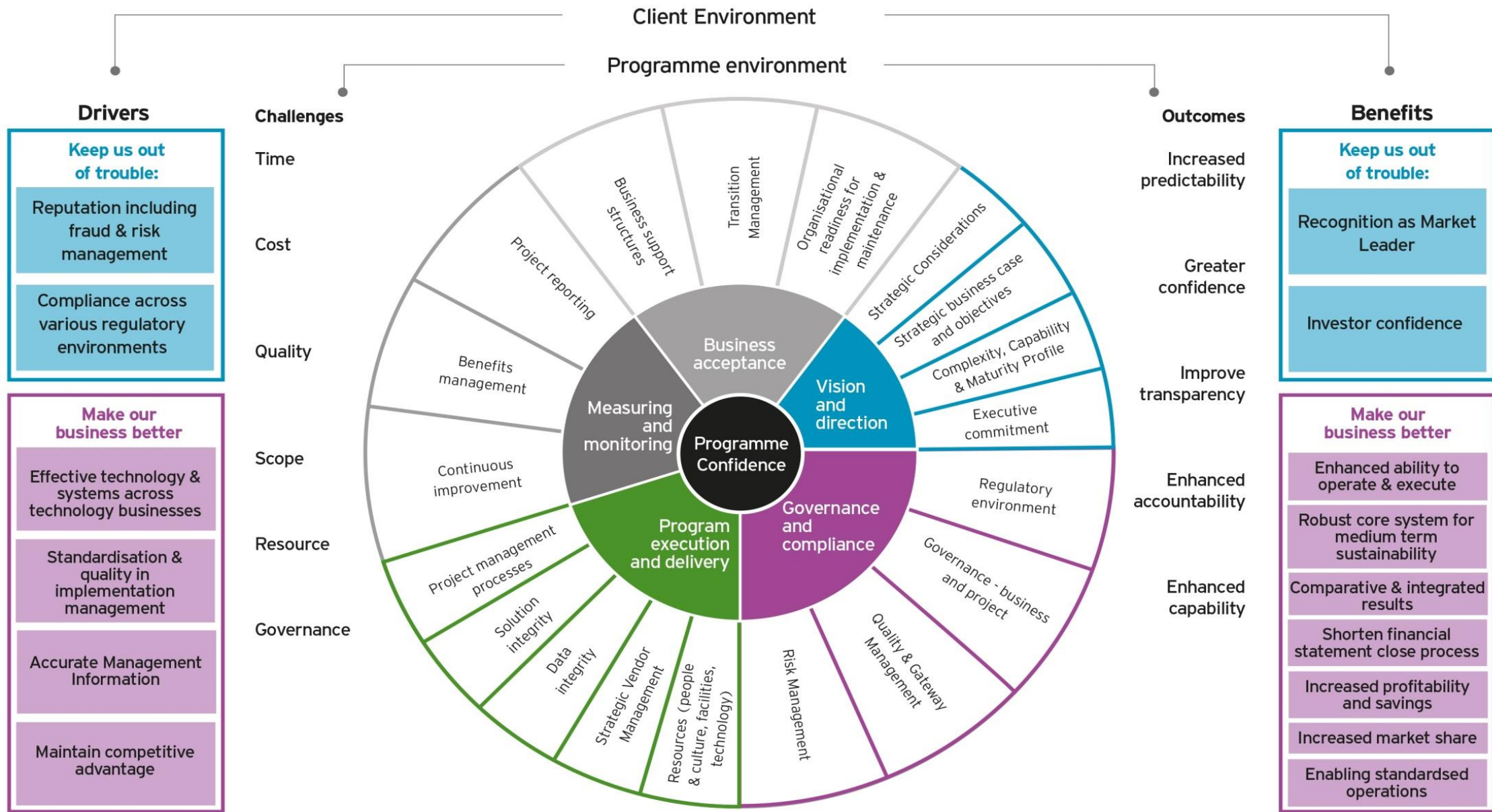




Key roles

- ▶ **Council** d (“heartbeat”): Responsible for providing overall portfolio and program direction. Accountable for corporate-level risk management.
 - ▶ **Executive leadership team:** Provides program sponsorship, strategy and direction. Responsible for sign-off of scope; functional, technical and service solutions; and changes to spending. Also responsible for monitoring of program plan, budget, risks, issues and change requests.
 - ▶ **Portfolio risk committee:** Responsible and accountable for providing overall portfolio risk management oversight. Accountable for portfolio and program-level risk management. Seeks interventions to address any concerns across portfolio.
 - ▶ **Audit committee:** Assists the board by setting the agenda for and receiving reports related to the effectiveness of risk management on the project and the effectiveness of controls within key business processes.
 - ▶ **Internal audit:** Typically will have some responsibility for providing independent assurance to the audit committee on the effectiveness of internal controls within key business processes on change programs.
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- ▶ **Steering committees:** Responsible for ensuring strong buy-in for the solution and that all stakeholder groups are represented appropriately. Accountable for effective governance and planning, sign-off of quality deliverables and ensuring that the solution and business change meets business and user requirements.
 - ▶ **Technical design authority:** Responsible for technical review of solution and ensuring adherence to technical architecture principles of the organization.
 - ▶ **Program management office:** Provides day-to-day management controls over the project, including management of project plan, budget, risks and issues. Responsible for communicating effectively with governance groups, raising risks and issues and required sign-offs.
 - ▶ **Independent PRM:** Responsible for independently reviewing and advising on the effectiveness of risk management at the program level, including effectiveness of mitigation strategies for key program risks.
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- ▶ **Project workstreams:** Responsible for day-to-day project delivery and management of project risk.

An Example of a Programme/Project Governance Framework



The critical role of Internal Audit – some activities

Review

Completeness of the risks identified in implementation and also the **adequacy of the controls** proposed to **mitigate** the risks

The **integrity of the data to be transferred** to the chart of accounts by designing **data analytics tests**

Governance and **segregation of functions** within the Finance function in the setting up of users of the new chart of accounts

Assist in reviewing the accuracy and completeness of financial records in MSCOA and **retain evidence for external audit**

Controls built into the chart of accounts to **prevent and detect mis-posting** of transactions

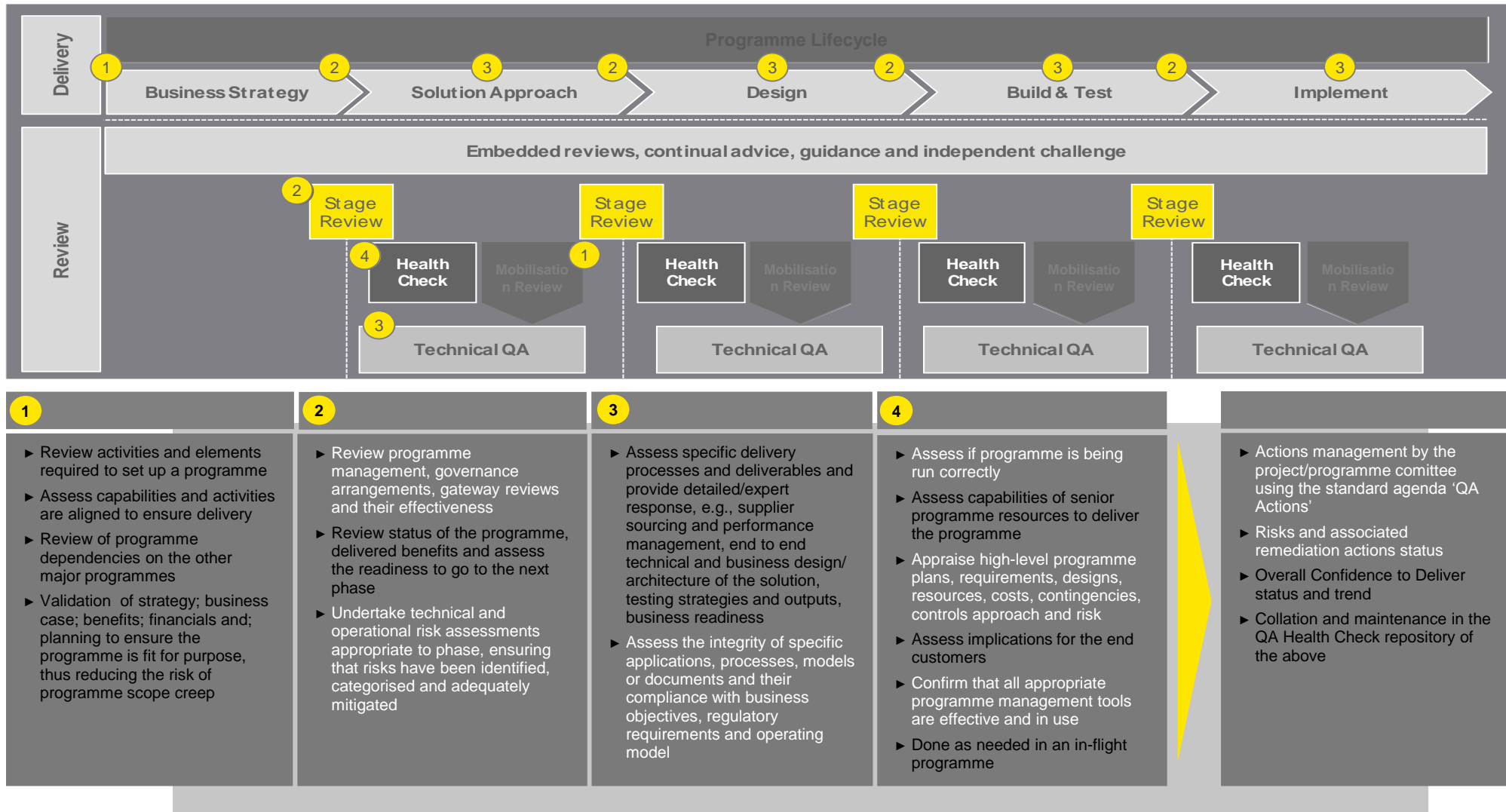
Review the **data migration process** for completeness, correctness and accuracy

Report

To the audit committee on the adequacy of the implementation and the controls in place to address the risks to implementation.

Your assessment needs will vary during the lifecycle of your programme(s)

► A best practice PA process describes distinct review activities that will be applied to each phase of a programme



To summarise

- ▶ Given the impact of mSCOA on the municipality, program assurance is required to provide the Council and relevant committees with assurance that the project is being managed properly and will deliver the required outcomes with integrity.
- ▶ Internal audit has a role in the implementation of mSCOA as a pure internal audit function.
- ▶ Internal audit has a role to play in delivering some of the programme assurance in its capacity as an assurance provider and as an independent consultant, but
 - ▶ Will need to have the right skills
 - ▶ Ensure there is no self review going forward - Consider the benefit of using other municipal auditors to perform the work (ie swapping IA departments for project related work)
- ▶ mSCOA will change the game for the impact internal audit can have.

Questions



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