

## **PART 3: AUDIT COMMITTEE REPORT**

### **PROVINCIAL GOVERNMENT WESTERN CAPE DEPARTMENT OF LOCAL GOVERNMENT AND HOUSING (VOTE 8) AUDIT COMMITTEE REPORT FOR THE FINANCIAL YEAR ENDED 31 MARCH 2008**

We are pleased to present our report for the above-mentioned financial year.

#### **Appointment of the Shared Audit Committee**

The Department of Local Government and Housing (Vote 8) was served by a Shared Audit Committee appointed under Cabinet Resolution 75/2003 on 23 June 2003 which was subsequently extended by Cabinet Resolutions 95/2005 and 77/2007. The term of the Shared Audit Committee expired on 31 December 2007.

Commencing 1 January 2008 the Department is served by the Governance and Administration Cluster Audit Committee, under Cabinet Resolution 55/2007.

#### **Audit Committee Members and Attendance**

The Shared Audit Committee is required to meet a minimum of 4 times per annum as per its approved Terms of Reference. During the term of the Shared Audit Committee the following meetings were held and attended from 1 April 2007 until 31 December 2007:

<b>Member</b>	<b>Meetings Attended</b>
Mr JA Jarvis (Chairperson)	9
Mr J January	4
Mr P Jones	8
Mr R Warley	2

No formal meetings for the Governance and Administration Cluster Audit Committee were held for the period 1 January 2008 to 31 March 2008.

#### **Audit Committee Responsibility**

The Audit Committees have complied with their responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulation 3.1.13 and 27(1)(10). The Audit Committees have also regulated their affairs and discharged their responsibilities in terms of the approved Audit Committee Charter.

## **Effectiveness of Internal Control**

### **Internal Audit Function**

In 2004 the Sihluma Sonke Consortium was appointed to develop and transfer internal audit skills to the staff of the Provincial Government over a three-year period. At the end of December 2006 the Consortium contract was extended for a further 2 years to allow the development of the Internal Audit function to be completed. Some progress was made to internalise internal audit capacity and skills within Provincial Treasury. Significant progress is being made in the new financial year.

### **Internal Control**

The evaluation of internal control comprises an evaluation of:

- The adequacy of the design of the control environment;
- The extent of compliance to established policies, procedures and applicable legislation; and
- The efficiency and effectiveness of controls implemented by management to achieve the overall departmental objectives.

In line with the Operational Internal Audit plan for 2007/08 approved by the Shared Audit Committee the internal audit effort was focused on assessing design and compliance for the following processes:

1. MIE – Civil Engineering Infrastructure
2. MIE – Infrastructure Planning
3. Asset Management – Asset Property Planning
4. Service Delivery – People's Housing Project
5. Policy and Strategy – Strategy Support
6. Financial Accounting (Debtors)
7. Communications and Special Projects
8. Rental Housing Tribunal
9. Records Management
10. Regional Co-ordination & Community Participation
11. Housing Subsidy Administration
12. Various Follow-up audits

Based on the results of the above audits, the system of internal control is adequate; however in some instances it was not operating as intended for the year under review, as compliance with certain prescribed policies and procedures was lacking.

Internal Audit received commitment from Management to implement corrective action on weaknesses identified.

### **Enterprise Risk Management**

Enterprise Risk Management is at an early stage of implementation. The Governance & Administration Cluster Audit Committee is monitoring the progress of implementation on a quarterly basis.

### **Information Technology**

In the previous financial year the Shared Audit Committee expressed its concerns regarding the growing crisis of IT within the Provincial Government. This included the need to replace outdated equipment, improve security, back-up information and develop plans to address the business needs of its customers including this department.

During the year under review internal audit results showed no significant progress largely due to the transversal nature of the underlying IT service.

The Governance & Administration Cluster Audit Committee strongly urges Provincial Government to escalate this crisis to the highest level of priority for action to prevent a collapse of the IT systems.

### **In Year Management Reporting**

The In Year Management Reports (IYM) were submitted to the Audit Committees as required and the Committees were accordingly informed of the financial situation of the Department in relation to its budget. The Committees continue to monitor these reports.

### **Evaluation of Financial Statements**

The Governance & Administration Cluster Audit Committee has:

- Reviewed and discussed the audited Annual Financial Statements to be included in the Annual Report with the Auditor-General and the Accounting Officer;
- Reviewed the Auditor-General's management letter and management's response thereto; and
- Reviewed significant adjustments resulting from the audit.

The Governance & Administration Cluster Audit Committee concurs and accepts the Auditor-General's conclusions on the Annual Financial Statements, and is of the opinion that the audited Annual Financial Statements read together with the report of the Auditor-General be accepted.

### **Appreciation**

The Audit Committees wish to express their appreciation to the Provincial Treasury, Officials of the Department, the Auditor-General and the Internal Audit Unit for the information they have provided for us to compile this report.



Mr. J.A. Jarvis  
Chairperson of the Shared Audit Committee

Date: 6 August 2008



Mr. P.C. Jones  
Chairperson of the Governance and  
Administration Cluster Audit Committee  
Date: 6 August 2008