

**AUDIT COMMITTEE BRIEFING TO SCOPA for year ended March 2021**

**DEPARTMENT:** Vote 12 Department of Economic Development and Tourism

**MEC and ACCOUNTING OFFICER:** Min David Maynier & Mr Solly Fourie

**AUDIT COMMITTEE:** Economic Cluster

**AUDIT COMMITTEE CHAIRPERSON:** Richard Rhoda

**AUDIT COMMITTEE MEMBERS:** Annelise Cilliers, Merle Kinnes, Lynne Tromp

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**1. Introduction**

The role of the audit committee is to ensure that the department functions according to good governance principles, complies with accounting and audit standards and monitors that appropriate risk management arrangements are in place. The Audit Committee also monitors the adequacy and reliability of the financial information provided to all users of such information.

The audit committee continues to assist management in discharging its accountability and responsibilities to safeguard the assets, operate adequate systems and controls and preparing annual financial statements by:

- Improving communication and increasing contact, understanding and confidence between management, internal and external auditors
- Increasing accountability by reviewing the performance of internal and external auditors
- Strengthening the objectivity and credibility of financial reporting
- Supporting Internal Audit who is an important assurance provider to the Audit Committee
- And reducing the opportunity for fraud by continually improving the discipline and control

**2. Summary of Audit Committee Report 2020/2021**

From our review of the reports of the Internal Auditors, the Audit Report on the Annual Financial Statements and the Management Report of the Auditor-General of South Africa, the committee noted that there are no unresolved matters relating to operational and compliance controls.

The Audit Committee has noted the areas for improvement in the system of Internal Control of the Department. We acknowledge the corrective actions taken and the actions commenced by the Department subsequent to the year-end.

**3 Overview of Audit Committee Activities**

**Action taken**

**3.1 Compliance with our mandate**

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulation 3.1.

In particular the requirements of the Treasury Regulations have been complied with in that a shared audit committee has been appointed in terms of the regulation and functioned effectively for the year under review.

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<p>Members of the shared audit committee are independent and have displayed the requisite skills expected of them as set out in the regulations.</p> <p>The Audit Committee's Terms of Reference is reviewed annually and approved by Cabinet; and we have discharged all our responsibilities as contained therein. The latest Terms of Reference was approved on 10 November 2020.</p>	
<p><b>3.2. Evaluation of the Annual Financial Statements</b></p> <p>The Audit Committee concurs and accepts the Auditor-General's opinion regarding the Annual Financial Statements and proposes that the audited Annual Financial Statements be accepted and read together with the report of the Auditor-General.</p> <p>In particular the audit committee has obtained explanations for all significant variances from amounts voted to actual expenditure as per the appropriation statement and the restatement of prior year corresponding figures.</p> <p><b>3.3 Review of accounting policies</b></p> <p>The Audit Committee noted that no changes to the accounting policies occurred during the financial year.</p> <p><b>3.4 Review of management report and audit report</b></p> <p>The Audit Committee has discussed the Management report with the Auditor-General and the Management team and has noted Managements' responses.</p> <p>The committee notes the progress the Department has made during the year in implementing corrective actions on previously reported matters.</p> <p><b>3.5 Internal Control</b></p> <p>The Committee deliberated the findings on control areas for improvement highlighted by the Auditor-General with management. The Audit Committee has noted that there were no unresolved matters and those that were reported in the management report will be followed up on a quarterly basis to ensure that these are addressed.</p> <p>The Committee also regularly receives reports on control areas for improvement from Internal Audit based on risks identified by management.</p>	<p>Actions contained in Management's response will be monitored on a quarterly basis.</p> <p>These findings and Managements' corrective actions are monitored by</p>

<p><b>3.6 Internal Audit</b></p> <p>The internal audit coverage plan was approved in the context of limited resources. The plan has been met and the reports were submitted quarterly to the Audit Committee. The Audit Committee oversees the implementation of combined assurance principles to ensure that where assurance on areas of importance are not addressed in the internal audit plan, it has been considered or addressed by other assurance providers. The audit committee is pleased that the internal audit team completed all the internal audits for the year under review.</p> <p>The following internal audit engagements were approved by the audit committee and completed by internal audit during the year under review:</p> <p><b>Assurance Engagements:</b></p> <ul style="list-style-type: none"> <li>• Department of Public Service and Administration (DPSA): Directive on Public Administration and Management Delegations</li> <li>• Job Funds</li> <li>• SMME Booster Fund</li> <li>• Transfer Payments</li> <li>• Covid19 SCM Transactions (transversal project)</li> </ul> <p><b>Consulting Engagements:</b></p> <ul style="list-style-type: none"> <li>• CGF baseline maturity assessment (transversal project)</li> <li>• Water risk – water security governance (transversal project)</li> </ul> <p>The internal audit plan was completed for the year. The areas for improvements, as noted by internal audit during performance of their work, were agreed to by management. The Audit committee continues to monitor the actions on an on-going basis.</p> <p><b>Follow Up Audits:</b></p> <p>The status of implementation on corrective actions is a standing item on the quarterly Audit Committee agenda, and as such the Committee reviews progress on a quarterly basis. The implementation rate based on the management action plans confirmed as implemented by Internal Audit is 50%.</p>	<p>the Audit Committee</p> <p>A 50% implementation rate has been achieved</p>
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<p><b>3.7 In-year monitoring (IYM)</b></p> <p>The Audit Committee is satisfied with the content and quality of quarterly reports prepared and issued by the Accounting Officer of the Department during the year under review.</p> <p><b>3.8 Predetermined Objectives (reported in the quarterly performance report QPR)</b></p> <p>The Audit Committee noted the improvements and the unqualified opinion of the Auditor General on predetermined objectives and noted the conclusions and will monitor corrective action on a quarterly basis.</p> <p><b>3.9 Risk management</b></p> <p>The Audit Committee noted the progress that has been made to embed Enterprise Wide Risk Management (ERM) in the Department. Risk meetings are convened on a quarterly basis to determine any new risks and the progress on managing the risks. The Audit Committee is satisfied that Risk Management has been adopted as an important management tool in the Department and reviews the risk registers on a quarterly basis. The roll out of ERM includes identifying operational risks at program level which are also monitored quarterly.</p>	<p>Operational risks inclusion at program level will be monitored</p>
<p><b>4. Enhancing the effectiveness of the Audit Committee</b></p> <p>The Audit Committee continues to meet annually with the Executive Authority and at least quarterly, with the Accounting Officer to discuss progress with the oversight role of the Audit Committee and to follow up agreed actions.</p> <p>The Audit Committee recognizes the need to promote sound relationships between all the assurance providers and management.</p> <p>The Governance &amp; Administration Cluster Audit Committee also has transversal responsibilities, which relate to Internal Audit transversal responsibilities such as the transversal audit plan and quality assurance and improvement program, Accounting &amp; Financial Reporting, Consolidated Annual Financial Statements and the Provincial Risk Management Process. The chairs of the 5 Western Cape Government Audit Committees attends an extended meeting and are consulted on transversal matters, This committee regularly engage with Internal Audit, Auditor General of South Africa, Provincial Treasury,</p>	

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<p>top management and any other key role players with a view to resolving any transversal issues that may arise, to encourage proactive problem resolution to all departments.</p>	
<p><b>5. Emerging Risks</b></p> <p>The Audit Committee notes the Emerging Risks as presented by the Auditor General and will ensure that these risks are included in the risk profile of the Department and considered by the Internal Audit plan. In particular attention will be paid to the following risks:</p> <ul style="list-style-type: none"> <li>• Componentization of assets</li> <li>• PDO – AG Opinion</li> <li>• National instruction notes and interpretations</li> </ul>	<p>Emerging Risks will be considered in the Internal Audit Plan</p>
<p><b>6. SCOPA resolutions</b></p> <p>The Audit Committee noted no outstanding SCOPA resolutions. Any new Scopa resolutions will be followed up and monitored during our quarterly review meetings.</p>	<p>The Audit Committee will continue monitoring implementation of SCOPA resolutions in the current year.</p>
<p><b>Conclusion</b></p> <p>The Audit Committee noted the commitment of the Accounting Officer and his team to address the control deficiencies reported and that the Department once again achieved a clean audit with no findings. This is an excellent achievement and requires dedication of the whole team.</p>	