

AUDIT COMMITTEE BRIEFING TO SCOPA FOR THE YEAR ENDED 31 MARCH 2018

DEPARTMENT: Vote 6 Department of Health

AUDIT COMMITTEE: Health

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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 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 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
- Reducing the opportunity for fraud by continuously monitoring forensic reports and corrective actions to prevent a re-occurrence

2. Summary of Audit Committee Report 2017/2018

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 some aspects of the system of Internal Control within the Department that need improvement. These are expanded below. We acknowledge the corrective measures committed to and 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.

Members of the audit committee are independent and have displayed the requisite skills expected of them as set out in the regulations.

The Audit Committee terms of reference are reviewed annually and were approved by Cabinet and we have complied with this as appropriate.

<p>3.2. Evaluation of the Annual Financial Statements</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>The Audit Committee has obtained explanations for all significant variances as compared to the appropriated budget and the prior year.</p> <p>No outstanding investigations were noted other than those reported by the Auditor-General, all of which have been handed over to the Forensic Investigations Unit.</p> <p>3.3 Review of accounting policies</p> <p>There were no changes to the accounting policies noted during the year under review.</p> <p>3.4 Review of management report and audit report</p> <p>The Audit Committee has discussed the Management report with the Auditor-General and the Management team. Managements’ responses have been noted.</p> <p>The committee noted that although there was progress in following up previously reported items by the Department, this remains a challenge, and the Audit Committee will continue to closely monitor this area.</p> <p>3.5 Internal Control</p> <p>The Committee deliberated the findings on control areas for improvement highlighted by the Auditor-General. 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 they are timeously resolved.</p> <p>The Committee regularly receives reports on control areas for improvement from Internal Audit based on risks identified by management.</p> <p>The following internal audit work was completed during the year under review:</p> <ul style="list-style-type: none"> • Consulting engagements: <ul style="list-style-type: none"> ○ Internal Audit Report: Infrastructure Maintenance ○ Internal Audit Report: Compliance Burden ○ Cost Containment Strategies ○ Internal Audit Report: ICT Automation and Digitisation 	<p>Actions contained in Management’s responses will be monitored on a quarterly basis.</p> <p>These findings and Managements corrective steps will be monitored by the Audit Committee</p>
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<ul style="list-style-type: none"> ○ Enterprise Risk Management • Assurance Engagements: <ul style="list-style-type: none"> ○ Transfer Payments ○ Transfer Payments – City of Cape Town ○ Transfer Payments – Mental Health NPO’s ○ Financial Statements <p>The Committee noted the breakdown of the required controls and will continue to monitor progress with the implementation of the action plans in response to Internal Audit findings on a quarterly basis.</p> <p>Recommendations made by Internal Audit arising from the consulting engagements have been accepted by Management and the implementation thereof is being monitored by the Audit Committee.</p> <p>3.6 Internal Audit Function</p> <p>The Internal Audit function reports functionally to the audit committee, and the following activities were effectively performed:</p> <ul style="list-style-type: none"> ▪ A risk based annual internal audit plan containing risk areas with significant impact which required coverage, which were included in the internal audit plan approved by the Audit Committee; ▪ Quarterly internal audit committee reports were presented quarterly at the Audit Committee meetings ▪ Management confirmed that both the assurance reports and the findings of the internal audit reports contributed to the improvement of the operations of the Department <p>The Audit Committee will continue to encourage increased assurance over all significant risk areas by overseeing the implementation of combined assurance principles.</p> <p>The Audit Committee will continue to monitor the availability of Internal Audit staff to this Department, arising out of recent staff loses, to ensure there are adequate resources to complete the Internal Audit Plan.</p> <p>3.7 In-year monitoring (IYM)</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>3.8 Predetermined Objectives (reported in the quarterly performance report QPR)</p> <p>The Audit Committee notes the reported findings by the Auditor General on predetermined objectives, but remains concerned that these matters specifically learner assessments had not been resolved due to technical interpretations.</p>	<p>Allocation of Internal Audit Resources to be closely monitored by the Audit Committee.</p>
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<p>3.9 Risk management</p> <p>During the year further progress has been made with the roll-out of Enterprise Wide Risk Management (ERM) and the alignment to the key risks of the Department. Internal audit has and continues to play a major role in assisting the Department with the implementation of the ERM process which management has embraced.</p>	
<p>4. Enhancing the effectiveness of the Audit Committee</p> <p>The Audit Committee continues to meet annually with the Executive Authority and 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 chairs of the Audit Committees have convened as a collective, and regularly engage with Internal Audit, Auditor-General of South Africa, top management and any other key role players with a view to resolving any transversal issues that may arise, to encourage proactive problem resolution and to promote combined assurance in each of their Audit Committees.</p>	
<p>5. Emerging Risks</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"> • Impact of applying the Modified Cash Standard reporting standards with respect to componentisation of assets and disclosure of inventory • Any impact resulting from the current review of Treasury Regulations 	<p>Emerging Risks will be covered in the Internal Audit Plan</p>
<p>6. SCOPA resolutions</p> <p>The Audit Committee notes that previous SCOPA resolutions have not been completed as reported in the Annual Report. These will closely monitored until implemented</p>	<p>Audit Committee to continue monitoring the implementation of SCOPA resolutions.</p>
<p>6.Conclusion</p> <p>The Audit Committee commends the HOD and her team on their huge effort to manage this Department. The Audit Committee hopes that a long term solution can be found, that clearly defines the outcomes of the National Department of Health Indicators and Provincial Departments ability to comply with these expected outcomes. The Audit Committee will continue to support the Department to maintain and improve their audit outcomes through the Head of Department.</p>	