

Department of Human Settlements Audit Committee Briefing to SCOPA
for the year ended 31st March 2021

Department: Vote 8: Western Cape Department of Human Settlements

Audit Committee: Department of Human Settlements Audit Committee

Audit Committee Chairperson: Ameen Amod (Chairpersonship ended on 31 Dec 2021)

Audit Committee Members: Annelise Cilliers, Ebrahim Abrahams, Pieter Strauss (Was appointed Chairperson on 01 Jan 2022)

CONTENTS	PAGE
1. INTRODUCTION	2
2. SUMMARY OF AUDIT COMMITTEE REPORT 2020/2021	2
3. OVERVIEW OF AUDIT COMMITTEE ACTIVITIES	
3.1 Compliance with our mandate	2
3.2 Evaluation of the Annual Financial Statements	3
3.3 Review of Accounting Policies	3
3.4 Review Management Report and Audit Report	3
3.5 Internal Control	3
3.6 Internal Audit Function	4
3.7 In-year Monitoring	5
3.8 Predetermined Objectives (QPR)	5
3.9 Risk Management	5
4. ENHANCING THE EFFECTIVENESS OF THE AUDIT COMMITTEE	5
5. EMERGING RISKS	6
6. SCOPA RESOLUTIONS	6
7. CONCLUSION	6

Department of Human Settlements Audit Committee Briefing to SCOPA
for the year ended 31st March 2021

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. In addition, 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 responsibilities to safeguard it's assets, operate adequate systems and controls and prepare 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.
- Strengthen the objectivity and credibility of financial reporting.
- Reducing the opportunity for fraud by continually improving the discipline and control, and
- Supporting Internal Audit, who is an important assurance provider to the Audit Committee.

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 (AGSA), 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 applied by the Department that need improvement. These are expressed in our Audit Committee Report and are expanded on below. We acknowledge the corrective measures committed to and commenced by the Department after 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 Public Finance Management Act (PFMA) and Treasury Regulation 3.1 and functioned effectively for the year under review.

As reported in our Annual Report, the Audit Committee has adopted appropriate formal Terms of Reference as our Audit Committee charter, which have been

Department of Human Settlements Audit Committee Briefing to SCOPA
for the year ended 31st March 2021

<p>reviewed and approved by Cabinet.</p> <p>We have regulated our affairs in compliance with this charter, and we have discharged all our responsibilities as contained therein.</p> <p>The members of the Audit Committee are independent and as a collective have displayed the requisite skills expected of them as set out in the regulations.</p>	
<p>3.2. Evaluation of the Annual Financial Statements</p> <p>The Audit Committee concurs and accepts AGSA’s opinion regarding the Annual Financial Statements and proposes that the audited Annual Financial Statements be accepted and read together with the report of AGSA.</p> <p>In particular, 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 AGSA, which have been handed over to Provincial Forensic Services.</p> <p>3.3 Review of Accounting Policies</p> <p>The Audit Committee noted that any changes to the accounting policies, other than those reported by AGSA in his management report, were adequately presented in the Annual Financial Statements.</p> <p>3.4 Review of Management Report and Audit Report</p> <p>The Audit Committee has discussed the Management report with AGSA and the Management team and has noted Management’s responses. In particular, the Audit Committee noted that the Department received an Unqualified with findings Audit Opinion.</p> <p>3.5 Internal Control</p> <p>The Audit Committee deliberated the findings on non-significant control weaknesses highlighted by AGSA with Management. The Audit Committee has noted those findings, and these will be followed up on a quarterly basis to ensure that these are resolved.</p> <p>The committee also regularly receives reports on control weaknesses from Internal</p>	<p>Action plans contained in Management’s response will be monitored by the Audit Committee on a quarterly basis.</p>

Department of Human Settlements Audit Committee Briefing to SCOPA
for the year ended 31st March 2021

<p>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"> • Housing Demand Database • DPSA (Directive on Public Administration and Management Delegations) • Grant Expenditure Management • COVID-19 Supply Chain Management Transaction (transversal engagement). <p>The status of implementation on corrective actions is a standing item on quarterly Audit Committee agenda. The Audit Committee reviews progress on a quarterly basis and is satisfied with the progress made by the Department. The Department has implemented 42% of Internal Audit’s recommendations as verified by Internal Audit and Internal Control.</p> <p>3.6 Internal Audit Function</p> <p>Internal Audit, in their analysis of the Audit Universe, identified a total of 20 risks as requiring assurance coverage.</p> <ul style="list-style-type: none"> • 4 risks were covered in the financial year under question, • 8 risks were covered via the Combined Assurance principles by other Assurance providers, and • 8 risks were not covered and constitutes an Assurance Gap of 40% (8/20) <p>The Audit Committee agreed to a reduced coverage plan in the context of limited resources, which has been met and these reports were submitted quarterly to the Audit Committee.</p> <p>The Audit Committee remains concerned that further audit coverage is required to cover a significant percentage of high-risk areas. The Audit Committee will encourage increased assurance over significant risk by overseeing the implementation of combined assurance principles.</p>	<p>These findings and Management’s corrective steps will be monitored by the Audit Committee on a quarterly basis.</p>
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Department of Human Settlements Audit Committee Briefing to SCOPA
for the year ended 31st March 2021

<p>The Audit Committee is pleased that the Internal Audit Function completed all planned internal audits for the year under review.</p> <p>3.7 In-year Monitoring (IYM)</p> <p>The Audit Committee is satisfied with the content and quality of quarterly IYM 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 is satisfied with the content and quality of Quarterly Performance Reports prepared and issued by the Accounting Officer of the Department during the year under review. The Committee also notes the findings and conclusions of the Auditor General on predetermined objectives and will monitor Management’s commitments on corrective actions on a quarterly basis.</p> <p>3.9 Risk Management</p> <p>During the year under review, further progress has been made with the roll out of Enterprise-Wide Risk Management (ERM) and the alignment of key risks to the strategic objectives of the Department.</p> <p>We are pleased that the Department has taken greater ownership of ERM, and we envisage further embedding of ERM within the discourse and fabric of the Department.</p> <p>The Audit Committee will monitor further progress on a quarterly basis against the agreed plan.</p>	<p>The Audit Committee will continue to monitor the Department’s progress with ERM.</p>
<p>4. Enhancing the effectiveness of the Audit Committee</p> <p>The Audit Committee continues to meet quarterly with the Accounting Officer to discuss progress with the oversight role of the Audit Committee and to follow up on 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</p>	

**Department of Human Settlements Audit Committee Briefing to SCOPA
for the year ended 31st March 2021**

<p>engage with Internal Audit, Auditor General of South Africa, Top Management, and 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.</p>	
<p>5. Emerging Risks</p> <p>The Audit Committee notes the presence of emerging risks and will ensure that these risks are considered for inclusion in the risk profile of the Department and are considered by the Internal Audit plan. In particular, attention will be paid to the following risks:</p> <ul style="list-style-type: none"> • Componentisation of assets. • Inventory disclosure – increasingly onerous requirements. • IFMS Piloting in the Western Cape. • The move from Clean Audits to Performance Auditing (effective, efficient and economic audits) and service delivery. • The changes within the Accounting Officer position has created its own dynamic. • The inability of some Municipalities to effectively spend their allocated transfer payments from the Department. • COVID-19 and the new norms on service delivery, staff productivity, and on-site interactions. This brings with it risks and opportunities that face the Department. (ICT, productivity, budgetary, social, performance, etc) 	<p>Emerging Risks will be covered within the Combined Assurance Framework, and closely monitored by the Audit Committee.</p>
<p>6. SCOPA resolutions</p> <p>The Audit Committee notes that no SCOPA resolutions were submitted to the Department in the previous year.</p>	
<p>Conclusion</p> <p>The Audit Committee noted the commitment of the Acting Accounting Officer and her team to address the control deficiencies after receiving an Unqualified with findings audit opinion in this Department. The Audit Committee will continue to be available to provide support and guidance to the Accounting Officer and the Department.</p>	