

## **PART 3 - REPORT OF THE AUDIT COMMITTEE**

### **REPORT OF THE WESTERN CAPE PROVINCIAL GOVERNMENT AUDIT COMMITTEE ON THE DEPARTMENT OF EDUCATION (VOTE 5) FOR THE FINANCIAL YEAR ENDED 31 MARCH 2007**

#### **1. Introduction**

The Audit Committee is pleased to present its report for the above-mentioned financial year ended 31 March 2007.

#### **2. Audit Committee Members and Attendance**

- 2.1 The Audit Committee consists of the members listed hereunder. It is required to meet a minimum of 4 times per annum as per its approved Terms of Reference. During the current year 6 meetings were held.

<b>2.2 Members for the year</b>	<b>Number of Meetings Attended</b>
Mr RG Nicholls (Chairperson)	6
Dr L Kathan	4
Mr J January	3
Mr R Lalu	5
Mr M Joshua (Appointed 01 May 2006)	4

#### **3. Audit Committee Responsibility**

The Audit Committee reports that it has complied with its responsibilities arising from Section 38 (1)(a) of the Public Finance Management Act, 1999 (Act 1 of 1999) and Treasury Regulation 3.1.13 as required.

The Audit Committee also reports that it has adopted an appropriate formal Terms of Reference as its audit committee charter, has regulated its affairs in compliance with this charter and has discharged all its responsibilities as contained therein.

#### **4. Effectiveness of Internal Control**

In our opinion, based on the reports received from the service providers and information reported during our audit committee meetings, the internal control environment contains weaknesses which are unacceptable and need to be substantially strengthened in the financial year ending March 2008. We further believe that findings reported by the audit service providers need to result in positive change. The Accounting Officer has established an audit monitoring team with a brief to ensure that the necessary action is taken to address the findings reported by the audit service providers.

Achievement on the above brief is one of very limited success. Delivery on the brief must be a priority for the 2007/08 financial year.

#### **5. Internal Audit**

As reported last year by the Audit Committee, the internal audit has not been effective in creating the necessary positive change related to the audit service provider findings. The internal audit process must be re-visited with a view to ensuring that the correct value is provided to address the reported weaknesses and facilitate the correction needed.

Change initiatives and the internal audit plan for 2007/08 has been compiled with specific input from the Audit Committee and the department to enable this process to deliver the required corrective value.

A Quality Assessment Review was undertaken by the Institute of Internal Auditors (IIA), on the Provincial Internal Audit function which also services the Education Department. The Audit Committee has been informed that the opinion expressed by the IIA has been that the Internal Audit function is only partially compliant with the Standards of the IIA.

#### **6. The quality of in year management and monthly / quarterly reports submitted in terms of the PFMA and the Division of Revenue Act**

In our opinion the requirements of the PFMA and Division of Revenue Act have been met by the monthly and quarterly reports produced and delivered to stakeholders.

The In-Year Monitoring Treasury process results have not been fed back to our committee. Such a process can effectively enable the committee to monitor any significant deviations found.

The Auditor-General found a number of errors in the un-audited Annual Financial Statements related to disclosure requirements. These matters should have been detected by the Financial Governance section of the Accounting Component to allow correction before the Annual Financial Statements are submitted for audit.

#### **7. Information Technology**

Information Technology remains an area needing attention. The transversal systems general and application controls are graded as unreliable by the Auditor-General.

It is further reported to the Audit Committee that the user controls related to computer input and output are non-existent or ineffective which with the general and application control weaknesses make these areas high risk.

These weaknesses result in the user controls not being a source of reliance for both the audit process and the user.

The Audit Committee received an internal audit report on the provincial IT function. The report indicated a number of critical weaknesses in the IT systems managed by the Ce-I which also impacts on this department. The Audit Committee noted that some of the weaknesses reported related to outdated IT infrastructure, inadequate back-up strategies, high staff vacancy rates within the Ce-I and budget constraints.

#### **8. Evaluation of Financial Statements**

The Audit Committee has:

- reviewed and discussed the audited 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;
- reviewed significant adjustments resulting from the audit.

The Audit Committee concurs and accepts the Auditor-General's conclusion on the annual financial statements and is of the opinion that the audited annual financial statements be accepted and read together with the report of the Auditor-General.

## Conclusion

As concluded last year, good corporate governance and effective controls especially in the computer and risk management areas must be the prioritised matters for attention and improvement in the financial year ending March 2008.

A handwritten signature in black ink, appearing to read 'Rg Nicholls'.

MR RG NICHOLLS  
CHAIRPERSON OF THE WESTERN CAPE  
EDUCATION DEPARTMENT AUDIT COMMITTEE  
DATE: 17 September 2007