

PART 3
REPORT OF THE
AUDIT COMMITTEE

REPORT OF THE PROVINCIAL GOVERNMENT WESTERN CAPE SHARED AUDIT COMMITTEE ON THE DEPARTMENT OF TRANSPORT AND PUBLIC WORKS (VOTE 10) FOR THE FINANCIAL YEAR ENDING 31 MARCH 2004

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

Appointment of Audit Committees

A Centralised Audit Committee was appointed on 23 June 2003 for the period 01 April 2003 to 31 March 2005 by Cabinet Resolution 75/2003 dated 30 April 2003.

At the same time the Provincial Treasury obtained Cabinet approval to decentralise the Audit Committee to the three larger departments viz, Education, Health and Social Services and Poverty Alleviation and a shared audit committee for the other provincial departments, as a step towards improving internal control in those departments.

The Shared Audit Committee on behalf of the remaining eleven departments, met both separately and together with the other Audit Committees, to develop and adopt a transversal Audit Charter and deal with organizational and training matters.

Audit Committee Members and Attendance:

The Shared Audit Committee members, attended meetings during the financial year under review, in terms of their adopted Audit Charter, as indicated below:

Member	Number of Meetings Attended
Mr J.A. Jarvis (Chairperson)	4
Ms L. Hendry (Resigned 31 December 2003)	1
Mr J. January	4
Mr V.W. Sikobi	3
Mr R. Warley	4

Audit Committee Responsibility

The Audit Committee reports that it has complied with its responsibilities arising from section 38(1) (a) of the PFMA and Treasury Regulation 3.1.13 and 27(1) (10). The Audit Committee also reports that it has regulated its affairs and has discharged its responsibilities in terms of the audit charter it adopted and the PFMA, except that it did not address internal audit issues as envisaged in its Charter and the PFMA, due to the suspension of Internal Audit activity in 2003 (Provincial Treasury Circular No. 25/2003).

Effectiveness of Internal Control

The system of internal control relating to asset management was not effective as compliance with prescribed policies and procedures were lacking. The implementation of additional "LOGIS" modules serving as an asset register has been noted and the Audit Committee continues to support the expeditious implementation thereof.

The Department has not yet implemented a system of risk management. The internal control systems of the Department are therefore not based on an assessment of key risks within the Department and such internal control systems cannot be regarded as effective.

The Audit Committee notes with increasing concern that during the year under review, only a limited amount of internal audit work was performed in the department. Internal audit plans for 2003/ 2004 were suspended in 2003 in terms of a decision of Top Management and the Executive (Cabinet), and as endorsed by the Office of the Auditor-General. The Sihluma Sonke Consortium appointed on a three-year rollout plan for internal audit services, has focused internal audit resources in the first year (2004/2005) on the three major departments. However, it is envisaged that some ad hoc internal audits will be performed in this department during the coming year.

In view of the above, this Audit Committee has had to rely largely on the audit work and the opinions of the Office of the Auditor-General.

The Audit Committee believes that there is a need for better communication and exchange of information between the Forensic Investigation and the Internal Control units; IT and Internal Audit; and the Office of the Auditor-General.

Evaluation of Financial Statements

The Audit Committee has:

- Reviewed and discussed with the Auditor-General, the audited annual financial statements to be included in the annual report;
- Reviewed the Auditor-General's management letters and their responses thereto;
- Reviewed significant adjustments resulting from the audit.
- Reviewed the Auditor-General's report.

The Audit Committee concurs and accepts the conclusions of the Auditor-General 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.

However, the Audit Committee draws attention to the qualified opinion given in the Government Motor Transport Trading Account based on non-compliance with Chapter 18 of the Treasury Regulations issued in terms of the PFMA (Act No.1 of 1999).

Appreciation

The Audit Committee wishes to express its appreciation to Mr Charles Clacher of the Provincial Treasury, Officials of the Department, the Auditor-General and the Sihluma for their assistance and co-operation in compiling this report.



(J.A. JARVIS)
CHAIRPERSON OF THE PROVINCIAL GOVERNMENT WESTERN CAPE SHARED
AUDIT COMMITTEE
Date: 5 August 2004