Western Cape: CFO Forum

Information Systems Audit – Western Cape Local Government
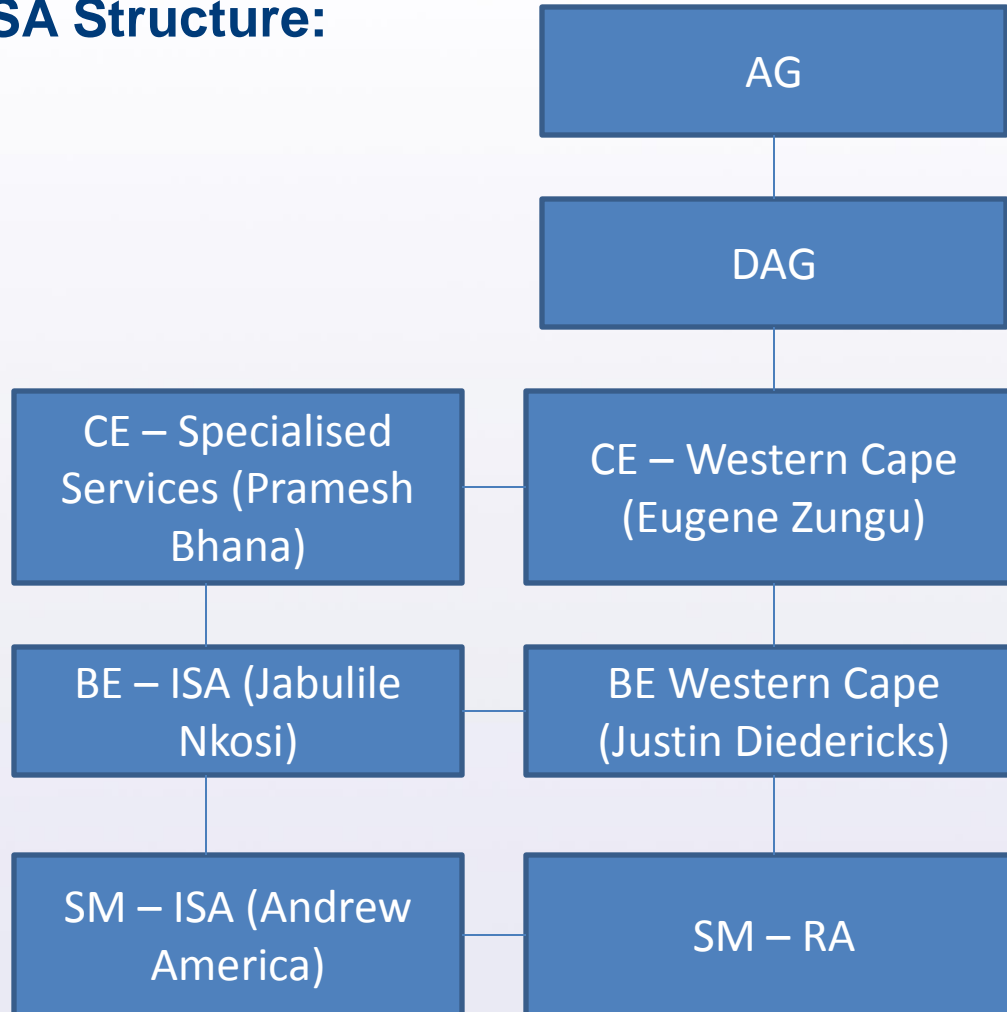
8 September 2011

Reputation promise/mission

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

Information Systems Audit (ISA)

AGSA Structure:

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│ CE – Specialised │─────│ CE – Western Cape│
│ Services (Pramesh│     │  (Eugene Zungu)  │
│     Bhana)       │     │                  │
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│ BE – ISA (Jabulile│────│ BE Western Cape  │
│     Nkosi)       │     │(Justin Diedericks)│
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│ SM – ISA (Andrew │─────│    SM – RA       │
│    America)      │     │                  │
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ISA – Service Lines

- **General Control Reviews**

- **Application Control Reviews**

- **CAATs (Data Analytics)**

- **Project Management/SDLC reviews**

- **Network Security Reviews (e.g. strength on periphery)**

- **ERP (SAP, Oracle, JD Edwards)**

Information Systems Technology

As in all other provinces, municipalities are **heavily reliant on IT** systems to perform their statutory financial management, reporting and administrative functions.

These systems **enable the automation** of business processes and transaction processing, which contributes to effective internal control.

The information processed and **stored on IT systems is vital** to the accuracy and reliability of the financial and performance information used by management for planning, monitoring and reporting.

e.g. City of Johannesburg billing (SAP)

Information Systems Audit

INTERNATIONAL STANDARDS OF AUDITING

1. **ISA 315 – Understanding the Entity and its environment includes INTERNAL CONTROL & ASSESSING THE RISK OF MATERIAL MISSTATEMENT**

2. **ISA 330 – The Auditors procedures in Response to Assessed Risks**

   ❑ **Overall Response (Substantive or Combined Approach)**

   ❑ **Audit Procedures responsive to ROMM at Assertion Level**

General Control Reviews – Focus Areas

RISK	FOCUS AREA
Misalignment of IT with Municipal objectives as outlined in the strategic documents (e.g. IDP) may result limited progress, fruitless and wasteful expenditure and affect service delivery negatively	IT Governance
A Breach in security may result in denial of service i.e. affect processing or reputation negatively	Security Management
Inadequate processes may result in financial losses and ultimately service delivery	User Account Management
Inability to recover data losses may result in the cease of operations for significant periods of time.	IT Service Continuity

General Control Reviews (Continue)

RISK	FOCUS AREA
Inadequate processes may result in unauthorise changes, which can impact negatively on the integrity of data e.g. a qualification of financial statements as a result	Programme Change Management
Inadequate processes may result in damage to the IT equipment through theft, if not properly secured. Fruitless and wasteful expenditure may be incurred if equipment are not properly maintained .	Facility and Environmental
Inadequate processes may impact negatively on data integrity e.g. incorrect billing	Data Centre

ISA – Reflections

About a third of municipalities has not address the risks associated with computer information systems and the mitigation thereof, as well as the adequacy of governance arrangements to oversee information system issues, as part of their financial management improvement plans.

The key risks that remained unaddressed include the following:

- **lack of IT governance processes to ensure that IT functions are operational and capacitated**
- **lack of disaster recovery plans and centers to ensure the availability of information in instances of data loss**
- **high dependency on service providers due to a lack of specialist skills and support to implement and manage system security functions**
- **lack of prescripts to ensure the selection of cost effective financial systems, resulting in many different systems.**

- **The impact of not addressing the IT risks can only be evaluated during the 2010-11 audit.**

Initiatives – Ensure continues improvement

- **IT findings to be included in all Municipalities Action Plans as applicable**

- **Progress made should be discussed and monitored on a regular basis i.e. standing item on agenda of management meetings (e.g. IT Steering Committee consist of management)**

- **IT should not be viewed as a isolated function from Financial Management and be embraced to mitigate the associated risks and enhance the function (King 3)**

Audit Process – 10/11 cycle

- **Timelines August to October 2011 (envisage to make this earlier going forward April to Aug)**

- **Teams already started at some municipalities and if not, will do so shortly**

- **Scope – Focus areas for the General Controls review with the exception of Application and Data analytics at some municipalities. (This will be discussed during engagement meetings)**

- **Process – Follow a similar process as RA**

Questions & Contact details

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