

Internal Audit Issues Progress report

TO Audit and Risk Committee
FROM Pieter Labuschagne - Risk Manager
DATE 27 February 2019
SUBJECT **Internal Audit Issues Progress report**

1 Purpose of Report

To inform the committee of progress made with the internal audit findings.

2 Background

During their tenure as appointed internal auditor, KPMG performed three reviews to consider the effectiveness of key controls, compliance with current policies and procedures relating to procurement, contract management and if JDE is fit-for-purpose. Their audit opinion rated JDE (together with Approval Plus) as performing adequately and is therefore fit-for purpose as a financial system for TCDC. Their opinions for the procurement and contract management reviews rated TCDC's control environment as developing because of control weaknesses identified which, if not appropriately addressed, could in the future result in the audited business processes not achieving their control objectives.

The reports and findings were previously presented to the Audit and Risk Committee. Several improvement opportunities were identified to help the effectiveness of key controls, compliance with current policies and procedures. However, to date not all have been implemented.

3 Discussion

The outcomes of the three audits are as follows:

- *Procurement (final report dated February 2016)*
The design and operating effectiveness of the procurement control environment was reviewed. Four high-risk findings were identified, relating to procurement strategy, procurement policy and procedures, lack of approved supplier contract list, and supporting documentation for setting up supplier bank accounts.
- *Contract Management (final report dated December 2016)*
KPMG reviewed the design and operating effectiveness of the contract management process. Four high-risk findings were identified, relating to compliance to the procurement policy, conflict of interest declarations, legal review of non-standardised contracts and lack of a contract management policy.
- *JDE Fit for Purpose (final report dated March 2017)*
JDE is a full-fledged financial and Enterprise Resource Planning system (ERP). KPMG conducted a review to assess whether the set-up of JDE was fit for the purposes of financial processes and information. Four medium-risk findings were identified, relating to enhancing reporting functionality to support better decision making, implementing timely integration and updating from Approval Plus to JDE, extending JDE access to more users and enhance Pathways integration, and introducing project costing module to control and monitor project costs.
The Legal, Audit and Risk Group are engaging with the organisation to assess progress with the audit finding recommendations and will report progress thereof to the Audit and Risk Committee on the 25 June 2019 meeting.

4 Suggested Resolution(s)

That the Audit and Risk Committee:

1. Receives the 'Internal Audit Issues Progress' report, dated 27 February 2019.