



AUDITOR - GENERAL
SOUTH AFRICA

BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR):

Portfolio Committee on
Public Service and
Administration

10 October 2022

*Briefing document on the audit
outcomes for the public service and
administration portfolio:*

2021-22

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1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

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

1.2 Role of the AGSA

Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the committee's objective to produce a budgetary review and recommendations report (BRRR).

1.3 Role of the portfolio committee

Section 5(2) of the Money Bills Procedures and Related Matters Amendment Act 9 of 2009 allows for each committee to compile a BRRR, which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

- An assessment of entities' service delivery performance given available resources
- An assessment on the effectiveness and efficiency of entities' use and forward allocation of available resource
- Recommendations on the forward use of resources

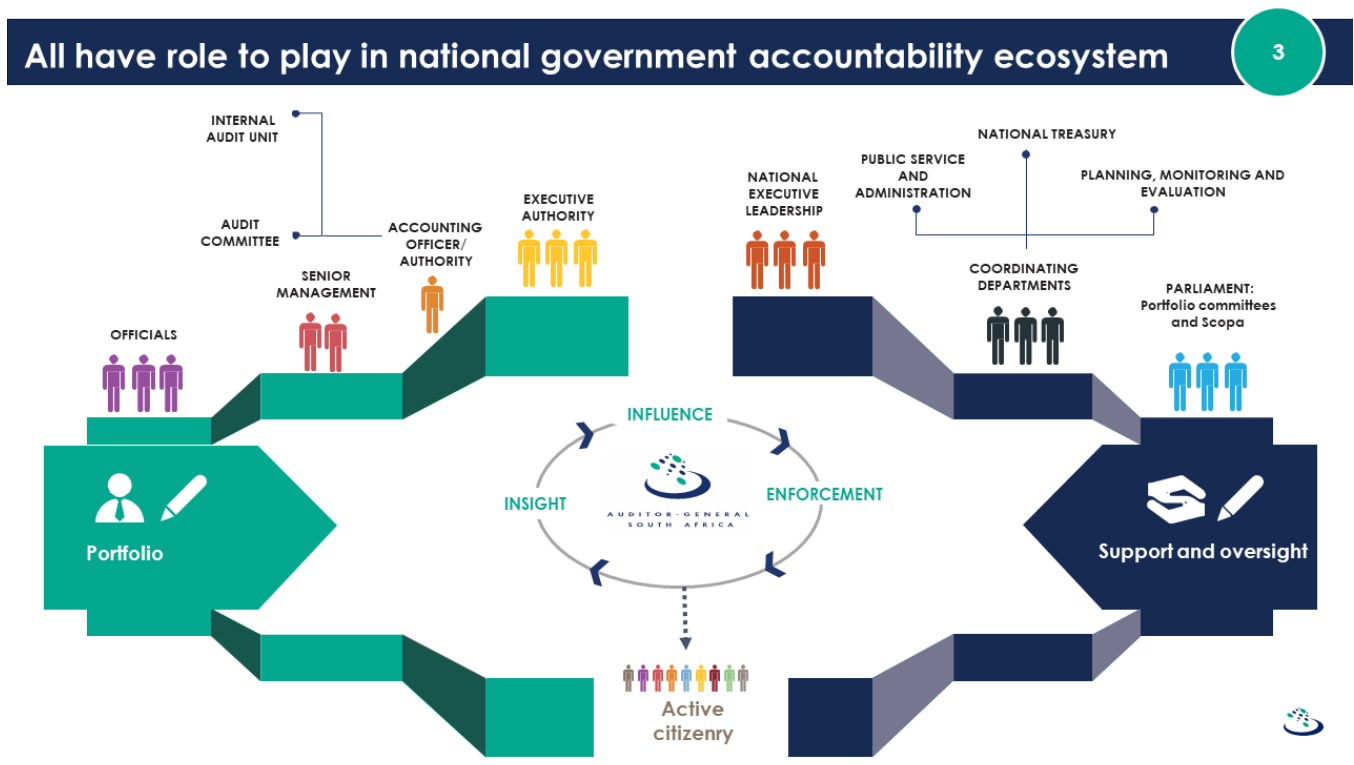
1.4 Mandate of the AGSA and the portfolio committee

AGSA mandate	Portfolio committee mandate
<p>Section 188 of the Constitution</p> <p>The AGSA must audit and report on the accounts, financial statements and financial management of government institutions.</p> <p>Section 20(2) of the Public Audit Act (PAA)</p> <ul style="list-style-type: none"> • The AGSA must prepare an audit report containing an opinion/conclusion on the: <ul style="list-style-type: none"> ○ fair presentation of the financial statements ○ compliance with applicable legislation ○ reported performance against predetermined objectives. • Discretionary audits (including special audits, investigations and performance audits) <p>Section 5(1B) of the PAA</p> <p>The auditor-general has the power to:</p> <ul style="list-style-type: none"> • issue a material irregularity • include recommendations in the audit report • take appropriate remedial action • issue a certificate of debt, as prescribed, where an accounting officer/authority has failed to comply with remedial action. 	<p>National Assembly Rule 227</p> <p>Portfolio committees may, among other things, perform the following functions:</p> <ul style="list-style-type: none"> • deal with bills and other matters falling within their portfolio, as referred to them in terms of the Constitution, legislation or rules, or by resolution of the assembly • maintain oversight of their portfolios of national executive authority, including implementation of legislation, any executive organ of state falling within their portfolio, any constitutional institution falling within their portfolio, and any other body or institution in respect of which oversight was assigned to them • consult and liaise with any executive organ of state or constitutional institution • monitor, investigate, enquire into and make recommendations concerning any such executive organ of state, constitutional institution or other body or institution, including the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, staff and policies of such organ of state, institution or other body or institution • consult and liaise with any executive organ of state or constitutional institution • perform any other functions, tasks or duties assigned to them in terms of the Constitution, legislation, these rules, the joint rules or resolutions of the assembly, including functions, tasks and duties concerning parliamentary oversight or supervision of such executive organs of state, constitutional institutions or other bodies or institutions.

1.5 Purpose of this document

The purpose of this briefing document is for the AGSA to reflect on the audit outcomes to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the objective of the committee to produce a BRRR.






1.6 Shifting the public sector culture through the accountability ecosystem



- The accountability ecosystem is the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability.
- A more active and engaged accountability ecosystem would add to the much-needed effort of shifting public sector culture and would alleviate the overreliance on the AGSA to assume responsibility for improving audit outcomes and enforcing consequences.
- Shifting the public sector culture towards one that is characterised by performance, accountability, transparency and integrity can only be accomplished if all role players in the broader accountability ecosystem fulfil their respective responsibilities and mandates.

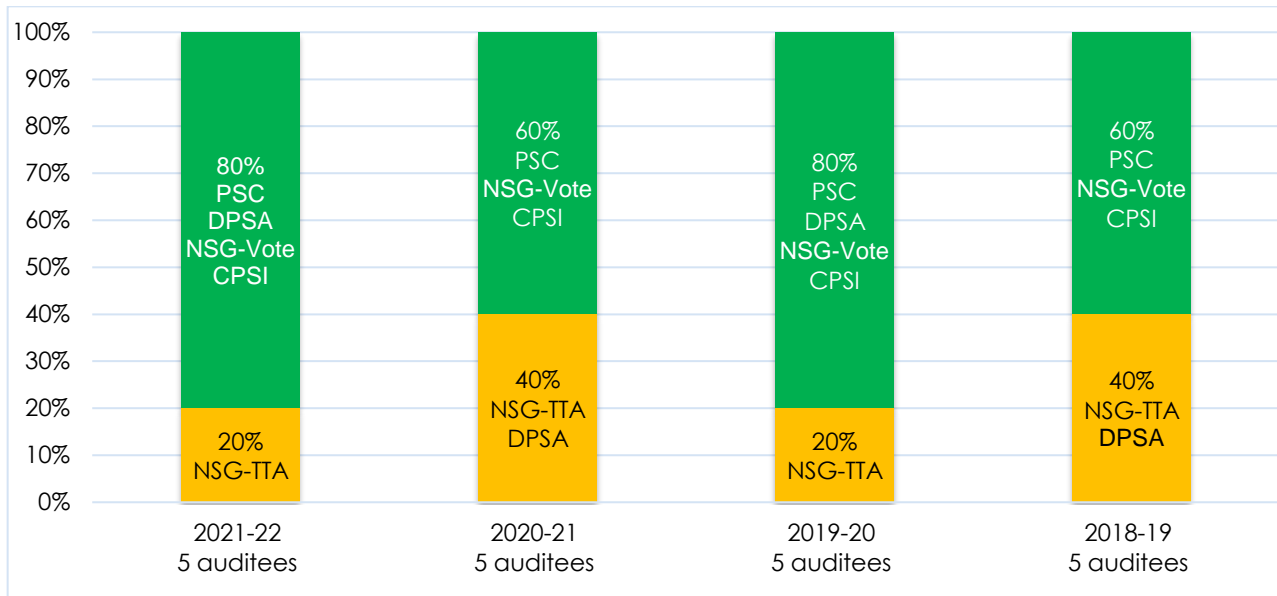
- *Given the nature of the AGSA’s mandate, by the time that we audit the financial statements of auditees and report on adverse findings, multiple failures have already occurred along the accountability value chain. After our audits, other steps are required to complete the accountability cycle.*
- *Improvement in sound financial management to enhance the lives of citizens does not only reside within the domain and responsibility of the accounting officer or authority and the auditors. It depends on the entire accountability ecosystem to enable a culture of accountability in a sustainable and meaningful way.*

1.7 Audit outcomes explained

Unqualified opinion with no findings (clean audit)	Financially unqualified opinion with findings	Qualified opinion	Adverse opinion	Disclaimed opinion
 <p>Auditee:</p> <ul style="list-style-type: none"> • produced credible and reliable financial statements that are free of material misstatements • reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP) • complied with key legislation in conducting their day-to-day operations to achieve their mandate 	 <p>Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled in one or more area to:</p> <ul style="list-style-type: none"> • align performance reports to the predetermined objectives they committed to in APPs • set clear performance indicators and targets to measure their performance against their predetermined objectives • report reliably on whether they achieved their performance targets • determine the legislation that they should comply with and implement the required policies, procedures and controls to ensure compliance 	 <p>Auditee:</p> <ul style="list-style-type: none"> • had the same challenges as those with unqualified opinions with findings but, in addition, they could not produce credible and reliable financial statements • had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published. 	 <p>Auditee:</p> <ul style="list-style-type: none"> • had the same challenges as those with qualified opinions but, in addition, they had so many material misstatements in their financial statements that we disagreed with almost all the amounts and disclosures in the financial statements 	 <p>Auditee:</p> <ul style="list-style-type: none"> • had the same challenges as those with qualified opinions but, in addition, they could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements

2. Improvement in audit outcomes over administration term

Four-year audit outcomes



2.1 Overview

There has been an improvement in audit outcomes over the administration period. The National School of Government Training Trading Account (NSG-TTA) has not been able to improve its audit outcomes throughout the period, while the Department of Public Service and Administration (DPSA) has shown inconsistent performance despite the improvements noted in 2020 and 2022. The financial statements of the NSG-TTA contained material misstatements that were corrected by management after the audit process. The Public Service Commission (PSC), the NSG Voting Account (NSG-Vote) and the Centre for Public Service Innovation (CPSI) have sustained their audit outcomes.

2.2 Detail on outcomes

Overview

The auditees within the public service portfolio obtained 92% of their annual targets. CPSI obtained 100% of its targets, while PSC achieved 95% of its targets. DPSA has the lowest achievement rate at 80%, therefore this department should put measures in place to ensure that the key targets in the MTSF are achieved timely.

2.2.1 Findings on the audit of the annual performance report and achievement of targets

Auditee	Material findings	No. of targets achieved against no. of targets planned for 2021-22 (%)	Impact of targets not achieved
NSG-Vote	<p><u>Programme 2: Public sector organisational and staff development</u></p> <p>During the course of the audit, management made material adjustments to the following indicators on the annual performance report (APR):</p> <ul style="list-style-type: none"> a) Percentage of business development interventions resulting in opportunities for uptake of NSG offerings b) Compulsory in-service training framework approved and programmes implemented 	26 out of 28 (93 %)	<p>Senior managers not competent to deal with discrimination matters in the public service</p> <p>Sufficient revenue and other funding sources may not be generated in NSG-TTA as part of the cost recovery</p>

Auditee	Material findings	No. of targets achieved against no. of targets planned for 2021-22 (%)	Impact of targets not achieved
	<ul style="list-style-type: none"> c) Percentage of senior managers in the public service trained on how to deal with all forms of discrimination d) Number of provincial departments of education trained (training of trainers [ToT]) by NSG to roll out training on handling diversity and dealing with all forms of discrimination to teachers and School Management Teams. 		
DPSA	<p>No material findings noted</p> <p><i>Targets not achieved</i></p> <ul style="list-style-type: none"> a) Legislative framework on mandatory in-service training framework for public service developed b) Revised Public Service Amendment Bill c) Public Administration Management Act amendment consulted on d) Personnel expenditure review conducted e) Job evaluation system for the public service developed 	20 out of 25 (80%)	<p>Key targets per medium-term strategic framework (MTSF) within the set deadline might not be achieved</p> <p>Non-achievement may delay the Bill becoming an Act, thus delaying the implementation of the amendments to the Public Service Act and depriving the public sector of the benefits of the amendment</p> <p>Delayed implementation of the job evaluation system may result in the public sector having jobs that are not fit for purpose and there might be lack of consequences for public servants who do not attend training offered by NSG</p>
PSC	No material findings noted	22 out of 23 (95%)	Target not achieved is an administration target



Auditee	Material findings	No. of targets achieved against no. of targets planned for 2021-22 (%)	Impact of targets not achieved
CPSI	No material findings noted	4 out of 4 (100%)	All targets were achieved

2.2.2 Findings on the audit of financial statements

Auditee	Outcome	Details on qualification areas
NSG-Vote	Unqualified opinion with no findings (clean)	None
NSG-TTA	Financial unqualified opinion with findings	Material adjustments on related parties and financial instruments
DPSA	Unqualified opinion with no findings (clean)	None
PSC	Unqualified opinion with no findings (clean)	None
CPSI	Unqualified opinion with no findings (clean)	None

2.2.3 Financial health risk

All the auditees within the public service portfolio will continue to operate as a going concern for the foreseeable future.

2.2.4 Irregular expenditure analysis

During the year under review, auditees incurred irregular expenditure amounting to R969 000, which was disclosed in the financial statements. The analysis of irregular expenditure shows that irregular expenditure decreased by 97% compared to the prior year. The expenditure is broken down below:

Auditee	Description	Amount (R)	Root cause	Impact
NSG Vote	Non-renewal of cash in transit contract – payments to G4.	54 000	Lack of proper contract management processes	Irregular expenditure
NSG-TTA	NSG showcased its course offering before paying exhibition costs (no order was issued prior to exhibition).	132 000	Did not follow proper procurement processes	Irregular expenditure
DPSA	Case failure to comply with treasury regulation 16A6s	11 000	Did not follow proper procurement processes	Irregular expenditure
PSC	IT-related services that are mandatory to be procured through the State Information Technology Agency (SITA) were not procured through SITA.	772 000	Did not procure IT goods through SITA	Irregular expenditure
Total IE disclosed		969 000		



2.2.5 Findings on compliance with legislation

We identified and reported the following material non-compliance issues:

Auditee	Description	Root cause
NSG-TTA	The financial statements submitted for auditing were not fully prepared in accordance with the prescribed financial reporting framework, as required by section 40(1)(b) of the Public Finance Management Act (PFMA).	Management did not adequately review the annual financial statements (AFS) and therefore the auditors identified material adjustments. Management subsequently adjusted the AFS.

2.2.6 Internal controls

The **significant** deficiencies in internal control that led to the AGSA's overall assessment of the status of the drivers of key controls are described below.

Auditee	Leadership	Financial and performance management	Governance
NSG-Vote	None	None	None
NSG-TTA	Human resource plan was not finalised as at 31 March 2022	There were findings affecting regular review, compliance and IT systems controls.	None
DPSA	None	None	None
PSC	None	None	None



3. Main root causes, recommendations and commitments for the portfolio

All role players should continue to work together to strengthen the capacity, processes and controls of entities in the portfolio, which will enable credible financial and performance reporting, compliance with key legislation, sound financial management and improved service delivery.

Overall root causes of significant findings in public service portfolio

Root cause	Recommendation	Commitment
Inadequate review of quarterly reports, annual performance report as well as financial statements (NSG-Vote and NSG-TTA)	Develop and implement effective action plans to address audit findings (NSG-Vote and NSG-TTA) Monitor compliance with laws and regulations (DPSA, PSC, NSG-TTA and NSG-Vote) to ensure there is no regression	

Key recommendations to, and commitments by, accounting officers and authorities

Root cause	Recommendation	Commitment

Commitments by executive authority

Commitment	Status

4. Portfolio committee message

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The quality of submitted annual financial statements and annual performance report remains a concern as material misstatements identified during the audit were subsequently adjusted by management (NSG-TTA). Management should ensure that the departments prepare regular, accurate and complete financial statements and annual performance report. DPSA has improved its audit outcomes while PSC, CPSI and NSG-Vote sustained clean audits.

Departments should attend to information technology systems deficiencies to ensure that the systems can produce sufficient data for management review, which affects management's ability to implement certain controls (NSG and PSC).

Proposed commitments

Commitment	Date of commitment