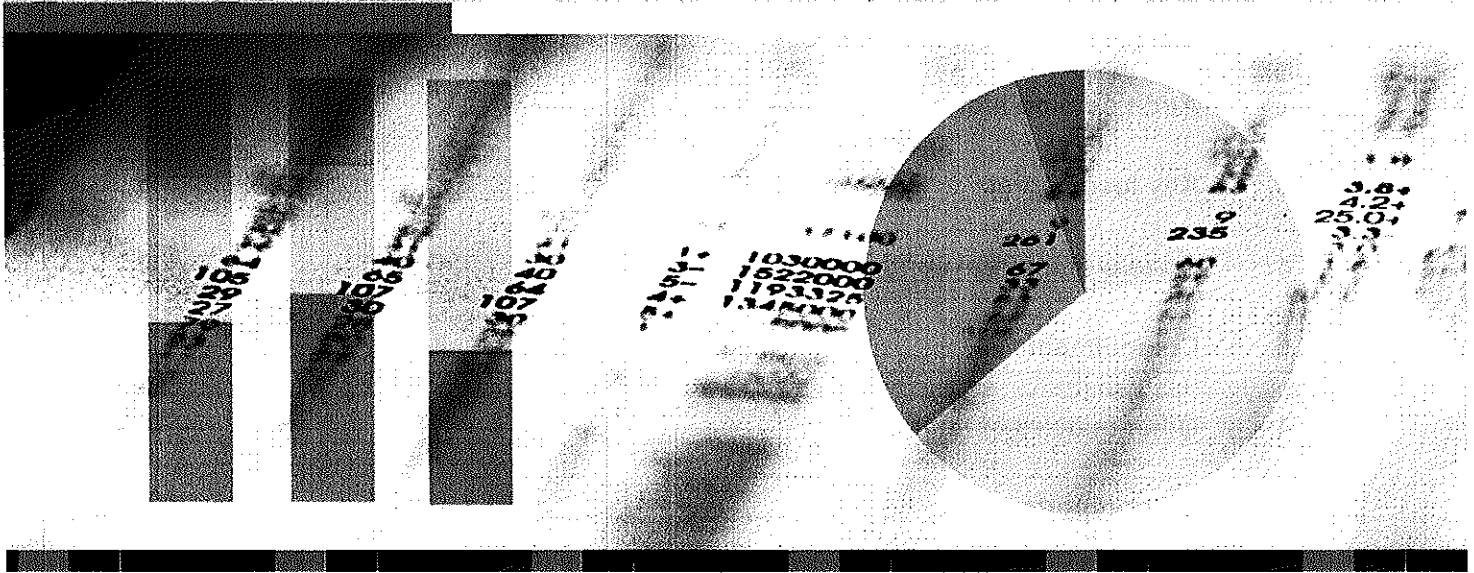


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14.10.14

PC BRIEFING NOTE



PFMA audit outcomes of the 2013-14 financial year for the

Environmental Affairs Portfolio

14 October 2014



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence

3 floor

1. Introduction

✓ 1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General 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.

✓ 1.2 Purpose of document

The purpose of this briefing document is for the Auditor-General of South Africa (AGSA) to provide an overview of the audit outcomes and other findings in respect of the Environmental Affairs portfolio for the 2013/14 financial year.

1.3 Overview

The Department of Environmental Affairs (DEA) is mandated to ensure the protection of the environment and conservation of natural resources, balanced with sustainable development and the equitable distribution of the benefits derived from natural resources. In its quest for better use and management of the natural environment, the Department of Environmental Affairs is guided by its constitutional mandate, as contained in section 24 of the Constitution.

The Department of Environmental Affairs fulfils its mandate through formulating, coordinating and monitoring the implementation of national environmental policies, programmes and legislation.

The department was created from the former Department of Environmental Affairs and Tourism as well as the Department of Water Affairs and Forestry. In 2009 President Jacob Zuma announced the establishment of the Ministry of Water and Environmental Affairs. In 2010 the Department of Environmental Affairs and Tourism separated. In 2014 President Jacob Zuma announced the split and Environmental Affairs now has their own minister.

In line with the oversight responsibilities as set out above, the department has oversight of four entities, namely (1) South African National Parks (SANParks), (2) South African Weather Service (SAWS), (3) South African National Biodiversity Institute (SANBI) and (4) iSimangaliso Wetland Park Authority.

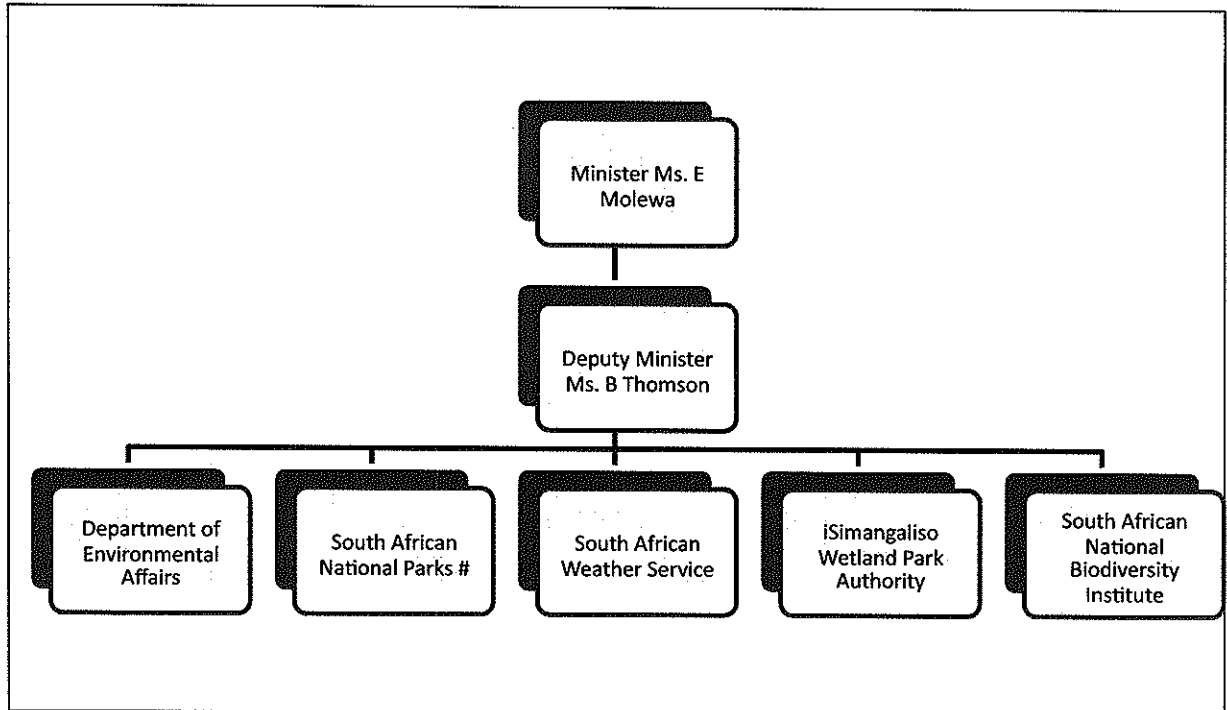
The net improvement in the overall audit outcome is due to the DEA and SANBI improving to financially unqualified with no findings after addressing previous findings on material non-compliance with legislation. SANParks audit outcome regressed, as they received material findings on their annual performance report and compliance with legislation. SAWS did not improve their audit outcome, as they did not prevent material findings on compliance with legislation. iSimangaliso Wetland Park Authority maintained its clean audit opinion.

SANParks regression was due to the instability and vacancies in key positions which lead to the non-compliance and material findings on pre-determined objectives in the audit report. SAWS stagnant performance was due to their policy not being aligned to SCM regulation which caused bidders relating to quotations not to submit a declaration on whether they are employed by the state or connected to any person employed by the state (non-compliance in the audit report).

The quality of financial statements submitted for audit regressed at SANParks causing them to have a material non-compliance, whilst, the quality of financial statements at DEA, SAWS and SANBI improved from the prior year.



1.4 Organisational structure



CEO and CFO positions currently vacant since April 2014

1.5 Funding

The Department is primarily funded with funds appropriated in terms of the Annual Appropriation Act (and the Adjustments Appropriation Act). The final appropriation for the 2013/14 financial year amounted to R5 431 200 000 (2012/13: R5 175 321 000).

2. Audit opinion history

AUDIT OPINIONS	08/09	09/10	10/11	11/12	12/13	13/14
• Department of Environmental Affairs	N1	N1				
• South African National Parks						
• South African Weather Service						
• South African National Biodiversity Institute						
• iSimangaliso Wetland Park Authority						
QUALIFICATION ISSUES	08/09	09/10	10/11	11/12	12/13	13/14
No reports were qualified for the last six years						

* best
 ↓
 Green - unqualified no findings
 yellow - unqualified findings
 blue - adverse; audit outstanding
 ↓
 non-compliance performance info.

Material amendments to financial statements - big issue ↓ solved ↓ improved

→ regressed
 ↓
 → improved
 ↓
 → best
 ↓
 also same issue as DEA + SANBI but resolved. Now 2013/14 diff. finding



(AG 2)

3. Key focus areas

Auditee						
Department of Environmental Affairs				IT controls No improvement		
South African National Parks		Predetermined objectives Regression	HR Management Regression	IT controls No improvement	Material errors/ omissions in AFS submitted for audit Regression	
South African Weather Service	Supply chain management Regression	Predetermined objectives Regression	HR Management Regression	IT controls No improvement		
South African National Biodiversity Institute						
iSimangaliso Wetland Park Authority	Supply chain management Regression					

STATUS LEGEND

	No matters
	Matters that do not affect the audit report
	Matters that affects the audit report

3.1. Supply chain management

Entity	Finding	Root cause	Recommendation
South African Weather Service	Quotations were awarded to bidders who did not submit a declaration on whether they are employed by the state or connected to any person employed by the state.	The entity's SCM policy is not aligned to the Preferential Procurement Policy Framework Act.	Management should ensure that the supply chain management policy is adequately updated and implemented.
iSimangaliso Wetland Park Authority	Awards were made to suppliers in service of other state institutions without SBD forms.	Lack of monitoring controls to ensure that suppliers declare if they are in the employment of the state. Conflict of interest policies and procedures not communicated to all employees.	Supply chain management should implement monitoring controls to ensure that suppliers declare if they are in the employment of the state and that they have applied to the Head of Department for permission to conduct business with other state institutions. The conflict of interest policies and procedures should be communicated to all employees.



3.4. Information technology controls

Entity	Finding	Root cause	Recommendation
Department of Environmental Affairs	<p><u>Security Management</u></p> <p>Password settings were not in line with the approved policy.</p> <p><u>User Access Controls</u></p> <p>The activities of administrators on the network operating system and the Basic Accounting System (BAS) were not monitored or reviewed on a periodic basis.</p> <p><u>Information Technology Service Continuity</u></p> <p>The Department's approved IT disaster recovery plan (DRP) was outdated.</p>	<p><u>Security Management</u></p> <ul style="list-style-type: none"> Inadequate skills. <p><u>User Access Controls</u></p> <ul style="list-style-type: none"> Inadequate record keeping of reviews performed on administrators. <p><u>Information Technology Service Continuity</u></p> <ul style="list-style-type: none"> Ineffective leadership. 	<p><u>Security Management</u></p> <ul style="list-style-type: none"> The password policy should be adhered to. <p><u>User Access Controls</u></p> <ul style="list-style-type: none"> Management is encouraged to ensure that evidence is retained of the reviews performed on system controllers for reference and control purposes. <p><u>Information Technology Service Continuity</u></p> <ul style="list-style-type: none"> The department is encouraged to update the DRP as well as the DRP's instructions regarding the schedules for testing.
South African National Parks	<p><u>Security Management</u></p> <p>Controls surrounding the network environment were inadequate.</p> <p><u>User Access Controls</u></p> <p>Management activities such as the review of user access rights and administrator activities were not performed.</p> <p><u>Information Technology Service Continuity</u></p> <p>A Disaster Recovery Plan (DRP) and IT Continuity Plan was drafted in 2007, however, these plans had not been reviewed and</p>	<p><u>Security Management</u></p> <ul style="list-style-type: none"> Ineffective leadership. <p><u>User Access Controls</u></p> <ul style="list-style-type: none"> Ineffective leadership. <p><u>Information Technology Service Continuity</u></p> <ul style="list-style-type: none"> Ineffective leadership. 	<p><u>Security Management</u></p> <ul style="list-style-type: none"> Controls surrounding the network environment should be enhanced to mitigate the risk of unauthorised access. <p><u>User Access Controls</u></p> <ul style="list-style-type: none"> Management should ensure activities such as the review of user access rights and administrator activities are performed. <p><u>Information Technology Service Continuity</u></p> <ul style="list-style-type: none"> The entity is encouraged to update the DRP and IT Continuity Plan as well as the DRP's instructions regarding



4. Drivers of internal controls

	Key controls			Audit areas		
	Financial statements	Performance reports	Compliance with legislation			
Effective leadership	5 0 0	5 0 0	5 0 0			
Human resources controls	3 1 1	4 1 0	5 0 0			
ICT governance and controls	1 3 1					
Audit action plans	5 0 0	5 0 0	5 0 0			
Proper record keeping	4 1 0	4 0 1	5 0 0			
Daily and monthly controls	4 1 0	5 0 0	5 0 0			
Review and monitor compliance	5 0 0	5 0 0	3 2 0			

Good
Concerning
Intervention required
Not assessed

SANParks should fill the vacant CFO position to support reliable financial reporting.

- Management at SAWS and SANParks should regularly attend training to adequately review the annual performance report for accuracy, validity and completeness. Staff should be monitored and held accountable.

The minister should address the root causes and inadequate controls as follows:

- Address instability by ensuring that vacancies in key positions are filled.

The CEO's and CFO's should address the root causes and inadequate controls as follows:

- Ensure that key officials at SAWS have the appropriate competencies in reporting accurate performance information. *training.*

5. Commitments

5.1. The minister made the following commitment for the 2013/14 financial year:

Commitment	Status
A commitment was made to have the CEO and CFO positions at SANParks filled before 31 October 2014.	This commitment is in progress.

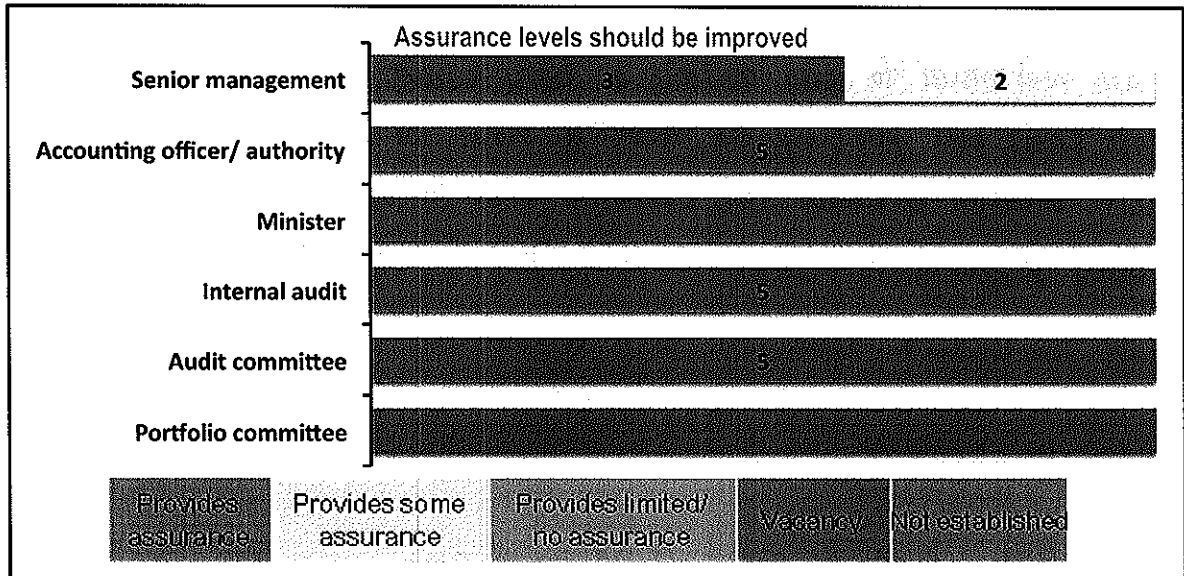
STATUS LEGEND

	Fully implemented and functioning
	In progress
	Not implemented and not functioning



8. Combined Assurance on Risk Management

AG 2



The first and second levels of assurance should be improved by ensuring stability at the level of CEO and senior management. We met with the minister twice in the past year which impacted the audit outcomes as the DEA and SANBI improved. Furthermore the assurance provided through the oversight of the portfolio committee should be maintained.