

AUDIT COMMITTEE OF THE AUDITOR-GENERAL OF SOUTH AFRICA

Building public confidence through auditing



We, the Audit Committee support this proposition by, among others, ...
... strengthening the AGSA assurance and oversight by helping DAG to maintain oversight over the AGSA's risk management and internal audit systems.



THE AUDIT COMMITTEE OF THE AUDITOR-GENERAL OF SOUTH AFRICA

Legislation

- The Constitution establishes the Auditor-General of South Africa (AGSA)
- The Constitution and Public Audit Act (PAA) provides for the establishment of the Standing Committee on the Auditor-General to maintain oversight over the AGSA and to assist and protect the AGSA

We, the Audit Committee support the SCOAG by, among others, ...

... strengthening the AGSA assurance and oversight by helping DAG to maintain oversight over the AGSA's risk management and internal audit systems.



GOVERNANCE STRUCTURES ...

AGSA Corporate governance defined by the Constitution of South Africa and the Public Audit Act, 2004 (PAA)

The Constitution which establishes the AGSA as a state institution, defines the governing principles of the AGSA and its key functions

The PAA in turn provides for the establishment of a parliamentary oversight mechanism (SCOAG) to assist and protect the AG to ensure independence, impartiality, dignity and effectiveness of the AG and to advise Parliament

The PAA further facilitates the formation of and defines the functions of other key structures of the AGSA which include the advisory structure, the Remuneration Committee and the Audit Committee



GOVERNANCE STRUCTURES: PUBLIC AUDIT ACT ...

gives effect to Constitution - Auditor-General of South Africa (AGSA) (s2(a))

provides for the Oversight Mechanism (SCoAG) (s2(c))

allows AG to appoint Advisory and other structures (s5(2)(b))

provides for appointment of Auditor-General (as the individual) (s6)

provides for appointment, after consultation with SCOAG, of Deputy Auditor-General (s31(1))

requires an Audit Committee (s40(1))



GOVERNANCE STRUCTURES: PUBLIC AUDIT ACT REFERS TO ...

The National Assembly

The National Treasury regarding the budget and business plan (s38(2)(b) and s38(4))



GOVERNANCE STRUCTURES: OVERSIGHT MECHANISM/SCOAG...

a Committee of the National Assembly required to be established by the PAA to perform oversight over the AGSA

In terms of its constitutional mandate, the AGSA is responsible to the National Assembly

PAA stipulates that the AG will report to the National Assembly via the Oversight Mechanism/SCOAG



GOVERNANCE STRUCTURES: PUBLIC AUDIT ACT CREATES...

The PAA further stipulates that the Oversight Mechanism/SCOAG will consider the budget and business plan of the AGSA and then make recommendations to the National Assembly and National Treasury.

Interactions with SCOAG have been rigorous and resulted in the incorporation of SCOAG's inputs into the budget and strategic plan



GOVERNANCE STRUCTURES: AUDIT COMMITTEE ...

AG Interactions with the previous SCOAG concentrated, in the main, on discussing the Annual Report, the budget and the strategic plan, auditing standards, complaints policy, etc.



GOVERNANCE STRUCTURES: AUDIT COMMITTEE ...

The Audit Committee was established in terms of the PAA to help the Deputy AG to maintain sound financial and risk management and internal audit systems

The Committee consists of 4 independent external members as per best practice to ensure the independence of the Audit Committee appointed by DAG in consultation with the AG

The Chairperson is independent, aware of the status of the position, possesses the necessary business, financial and leadership skills and is not a political office bearer



GOVERNANCE STRUCTURES: AUDIT COMMITTEE ...

The Audit Committee annually considers:

The audit coverage plans of the external and internal auditors

Integrated annual report including the audited financial statements

Risk management (a risk oversight committee created and chaired by an Audit Committee member)

Appointment of external auditors



GOVERNANCE STRUCTURES: OTHER STRUCTURES...

In addition to the entities mentioned above, the following entities currently play a key role in the governance of the AGSA:

Remuneration Committee

Quality Control Assessment Committee (an Audit Committee member represented)

Executive Management Committee (EXCO) and its subcommittees e.g. Tender Committee, Management Approval Framework and Policy Committee.



GOVERNANCE STRUCTURES: REMUNERATION COMMITTEE ...

This committee is valuable as it provides the AG with specialised advice on remuneration and related issues

Committee plays a professional advisory role and the final decision-making power rests with the AG

Committee consists of 4 independent members and three executive members and is chaired by an independent non-executive member



GOVERNANCE STRUCTURES: EXCO ...

Executive Committee and its subcommittees:

Assists the DAG in managing the business and affairs of the organisation and this practice works well

Consists of the DAG, 2 National Leaders and all Corporate Executives

Exco meetings focus on the implementation of the AGSA's business and strategic plans throughout the year

Exco has established a number of subcommittees which function very well e.g. Tender Committee, Management Approval Framework and Policy Committee.



GOVERNANCE STRUCTURES: METHOD OF WORK...

The AGSA recommends three annual interactions:

Annual Report

Budget and Strategic Plan

PAA required interactions e.g. complaints



GOVERNANCE STRUCTURES: METHOD OF WORK...

The Audit Committee recommends following process annually:

1. Meeting by Audit Committee **Chair** with SCOAG **Chair** to discuss the Annual Report
2. Meeting with SCOAG to discuss Audit Committee Report and its assessment of AGSA Annual Report and audited Annual Financial Statements (AFS)
3. Recommendation to SCOAG on appointment of external auditor



EFFECTIVE GOVERNANCE REQUIRES ...

In order to ensure an efficient and effective corporate governance framework it is *inter alia* important to:

- Agree basic governance principles that will be adhered to
- Clarify role and function of statutory and other entities – terms of reference, annual work plan
- Clarify relationship and interaction between different role players
- Clarify accountability/responsibility – decision-making power v recommendation-making power
- Avoid unnecessary reporting duplication (“work smart”)
- Agree formal delegation of authority framework



WAY FORWARD ...

SCOAG Method of Work confirming Audit Committee interactions annually:

to provide SCOAG assurance regarding the Annual Report and audited AFS

to recommend to SCOAG annually the appointment of the external auditors

