



AUDITOR-GENERAL
SOUTH AFRICA



Auditing to build public confidence

Briefing to the Portfolio Committee on International Relations & Cooperation

Audit outcomes of the portfolio for the 2014-15 financial year

October 2015

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.**



Purpose of the presentation



Annually oversight committees set aside time to focus on assessing the performance of departments. On completion of the process, portfolio committees are required to develop department-specific reports, namely budgetary review and recommendations reports (BRRR) which express the committee's view on the department's budget for recommendation to the National Treasury ahead of the following year's budget period.

Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role in assessing the performance of the departments taking into consideration the objective of the committee to produce a BRRR.



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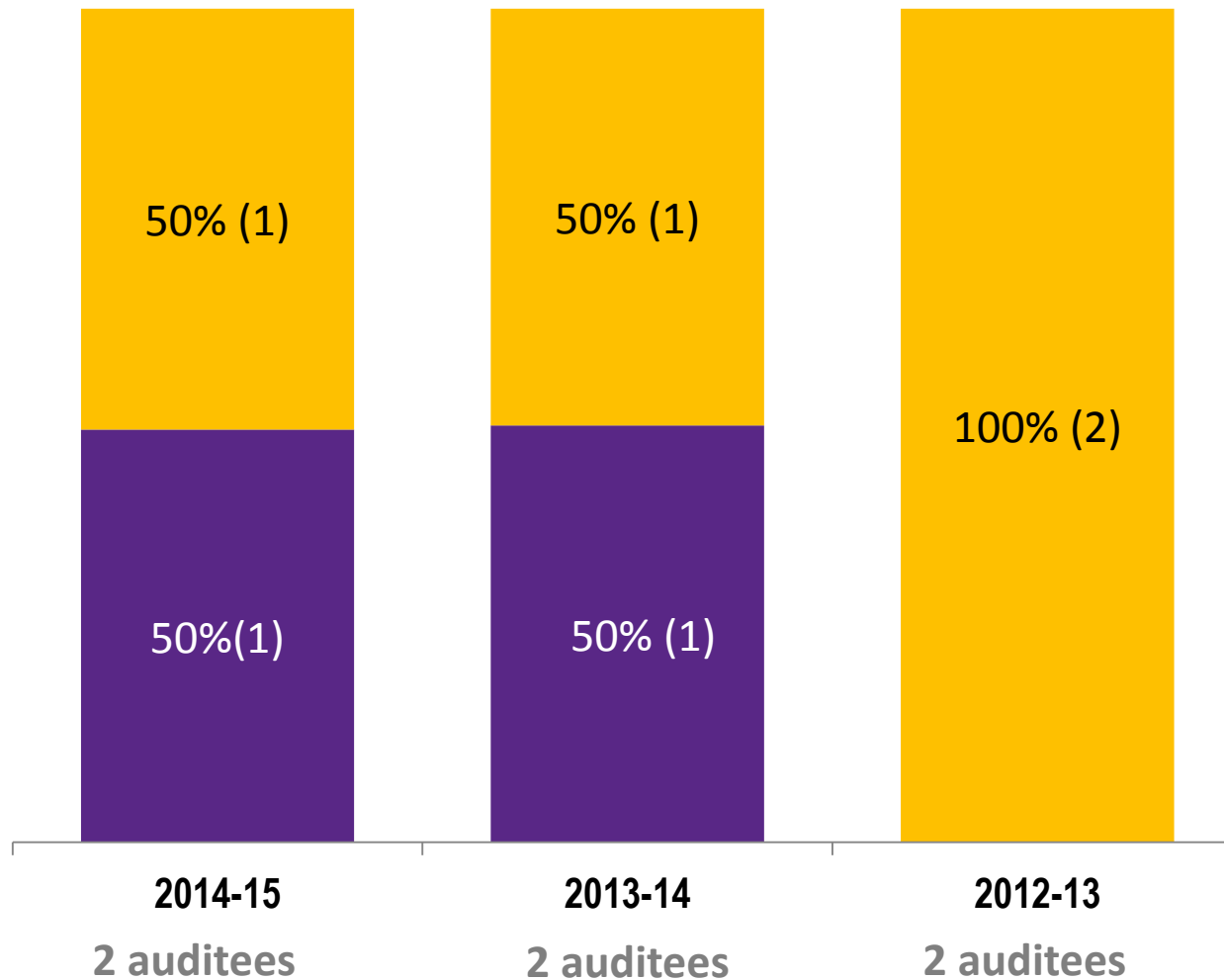
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1. Movement in overall audit outcomes over the past three years



2014-15
PFMA

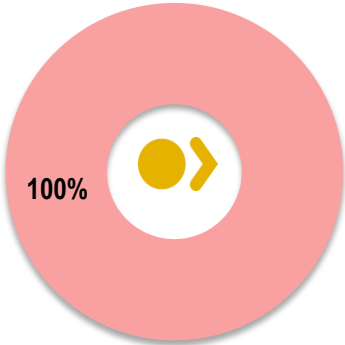
-  Unqualified with no findings
-  Unqualified with findings
-  Qualified with findings
-  Adverse or disclaimer with findings
-  Audits outstanding



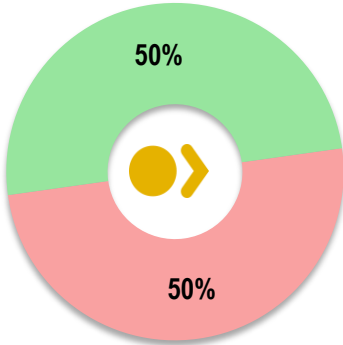
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Auditor-General six key focus areas

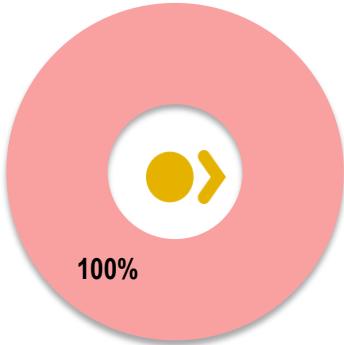
Quality of submitted financial statements



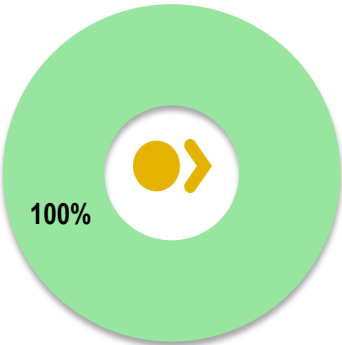
Quality of submitted performance reports



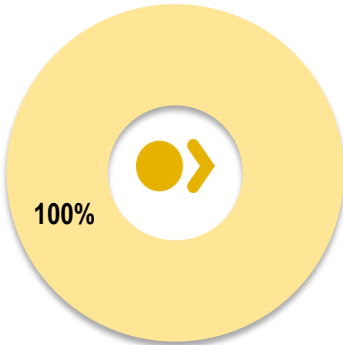
Supply Chain Management



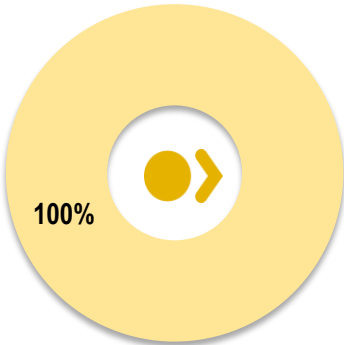
Financial health



Human resource management



Information technology



2014-15
PFMA



Good



Concerning



Intervention required



Improvement



Stagnant or limited progress



Regressed



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Quality of submitted financial statements

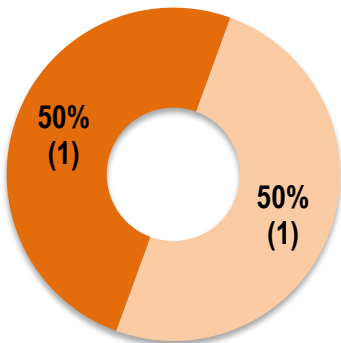
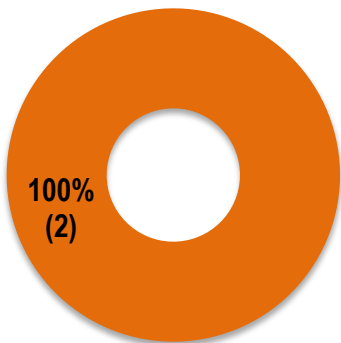
2014-15
PFMA

2014-15

Outcome if
NOT corrected



Outcome
after corrections



1 auditee



Avoided qualifications
by correcting material
misstatements
during audit process

Financially unqualified
with / without findings

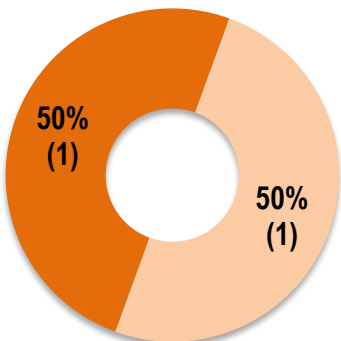
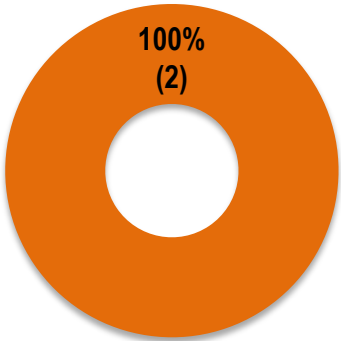
Financially qualified
(qualified / disclaimed
with findings)

2013-14

Outcome if
NOT corrected



Outcome
after corrections



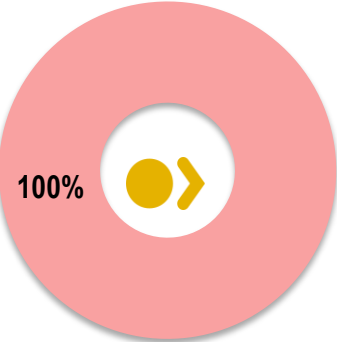
1 auditee



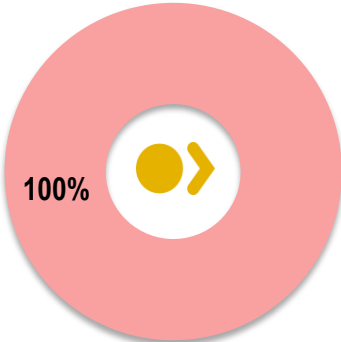
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Most auditees did not comply with legislation in the following areas

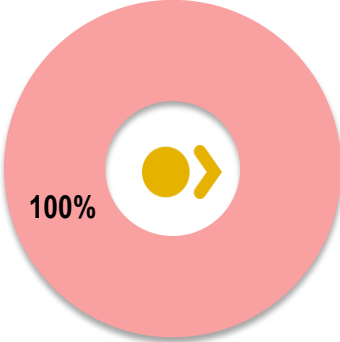
Quality of annual financial statements submitted



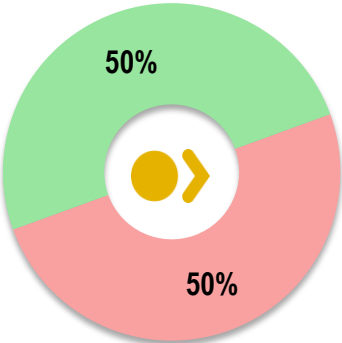
Prevention of unauthorised, irregular and/ or fruitless and wasteful expenditure



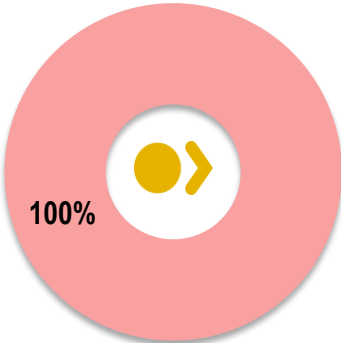
Management of procurement and or contracts



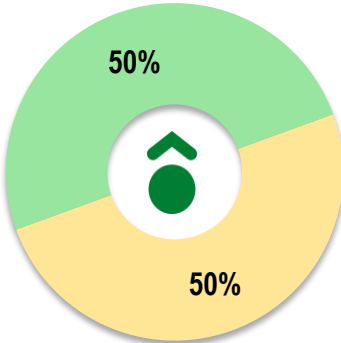
Management of strategic planning and performance



Human resource & consequence management



Internal audit & Audit committee



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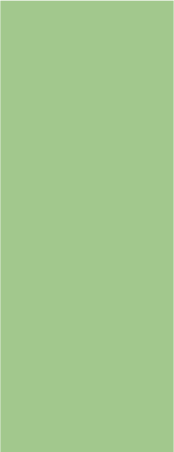
- Good
- Concerning
- Intervention required
- Improvement
- Stagnant or limited progress
- Regressed



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Financial health of the portfolio

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Focus areas for financial health	Status	Comment
Foreign exchange fluctuations		<p>Whilst there are no significant financial health indicators of concern relating to the 2014-15 audit, the downward devaluation of the rand against major currencies and the differential between forex rates used during the MTEF process versus prevailing forex rates could negatively impact on DIRCO's ability to effectively function, deliver and execute South Africa's foreign policy.</p> <p>The accounting officer and senior management should continue engagements with National Treasury on long term proactive measures to counter the effects of negative forex fluctuations in addition to appropriation adjustments.</p>



Good



Concerning



Intervention
required

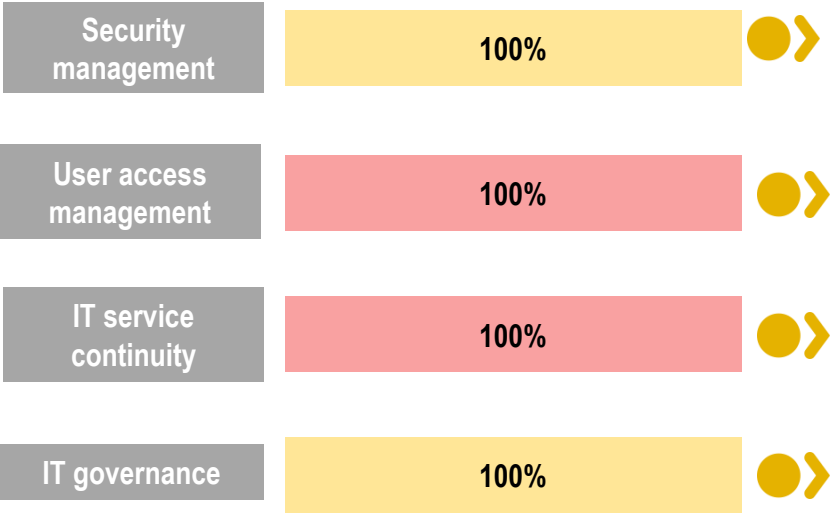


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Information technology

Status on the information technology focus areas

Department



- Good
- Concerning
- Intervention required
- Improved
- Stagnant or little progress
- Regressed



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2. UIFW expenditure

Unauthorised expenditure



Expenditure not in accordance with the budget vote/ overspending of budget or programme

Irregular expenditure



Expenditure incurred in contravention of key legislation, prescribed processes not followed

Fruitless and wasteful expenditure



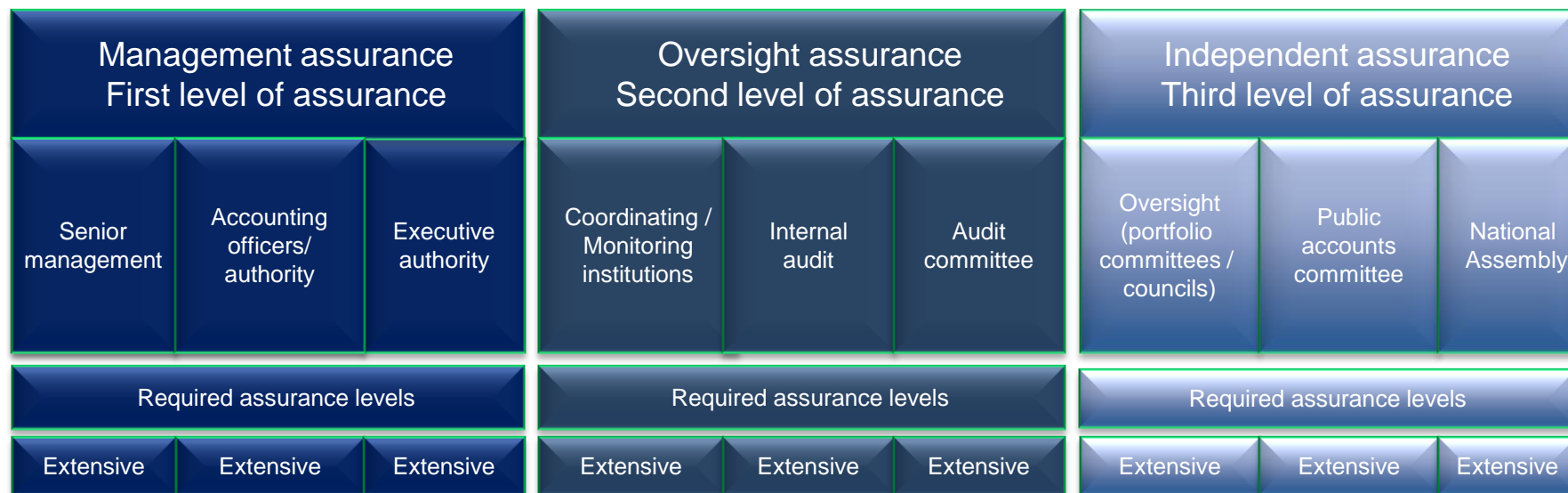
Expenditure incurred in vain and could have been avoided if reasonable steps had been taken. No value for money!

Definitions

DIRCO	R215 568 000	●➤	R102 369 000	●⬇	R363 000	●⬆
ARF		N/A	R1 219 141	●⬆	-	●➤
Totals	R215 568 000	●➤	R103 588 141	●⬆	R363 000	●⬆

- ⬆ Decrease in incurred expenditure
- No change
- ⬇ Increase in incurred expenditure

3. Combined assurance – complimentary mandate



Management's assurance role

- **Senior management** – take immediate action to address specific recommendations and adhere to financial management and internal control systems
- **Accounting officers/ authority** – hold officials accountable on implementation of internal controls and report progress quarterly and annually
- **Executive authority** – monitor the progress of performance and enforce accountability and consequences

Oversight's assurance role

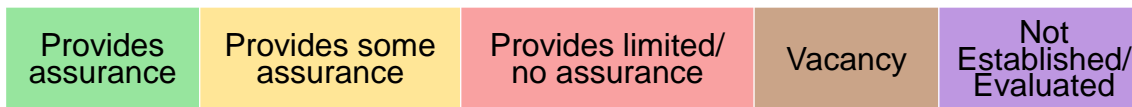
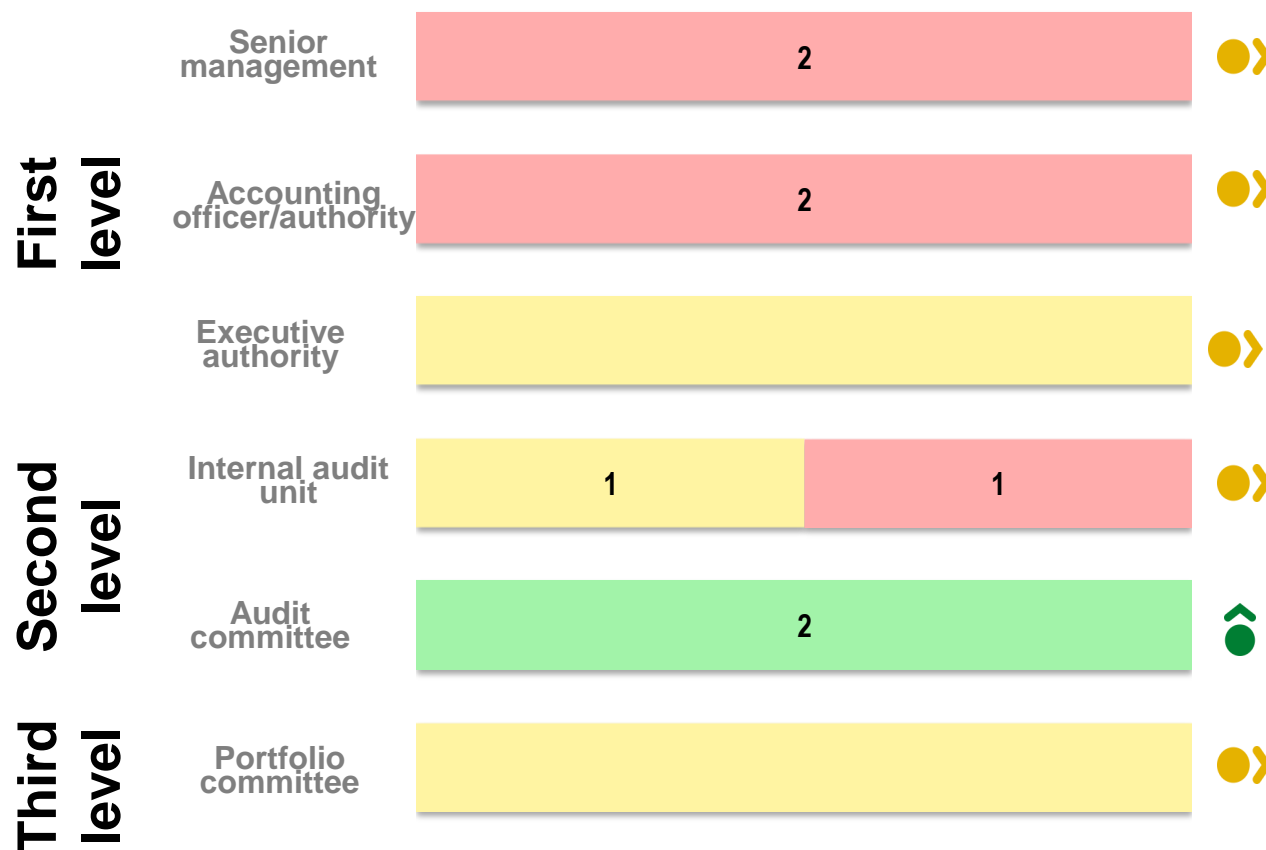
- **National Treasury/ DPSA** – monitor compliance with laws and regulations and enforce appropriate action
- **Internal audit** – follow up on management's actions to address specific recommendations and conduct own audits on the key focus areas in the internal control environment and report on quarterly progress
- **Audit committee** – monitor risks and the implementation of commitments on corrective action made by management as well as quarterly progress on the action plans

Role of independent assurance

- **Oversight (portfolio committees)** – review and monitor quarterly progress on the implementation of action plans to address deficiencies
- **Public accounts committee** – exercise specific oversight on a regular basis on any report which it may deem necessary
- **National Assembly** – provide independent oversight on the reliability, accuracy and credibility of National and provincial government

4. Assessment of assurance providers for portfolio

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Improvement

Stagnant or little progress

Regressed



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5. Driver of key controls for portfolio

2014-15
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Good

Concerning

Intervention
required

Improvement

Stagnant or
little
progress

Regressed



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Drivers of internal control

Department & Entities	Leadership						Financial & performance management					Governance		
	Effective leadership culture	Oversight responsibility	HR management	Policies and procedures	Action plans	IT governance	Proper record keeping	Processing and reconciling controls	Reporting	Compliance	IT systems controls	Risk management	Internal audit	Audit committee
Department of International Relations & Cooperation	Good	Concerning	Concerning	Concerning	Concerning	Concerning	Concerning	Concerning	Concerning	Concerning	Concerning	Good	Concerning	Good
African Renaissance & International Cooperation Fund	Concerning	Concerning	Concerning	Concerning	Concerning		Concerning	Concerning	Concerning	Concerning		Concerning	Concerning	Good

6. Top 3 Root causes & Recommendations

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2014-15



2013-14



Improved



Stagnant or
little
progress



Regressed



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15

Slow response by management in addressing the root causes of poor audit outcomes

100%



100%

Recommendation: Improve the oversight provided by key role players including the DG, DGF, internal audit and audit committee over the corrective action taken to address audit findings including the functioning of the asset task team and improve the monitoring mechanisms used by these role players in monitoring progress. Compile a credible asset register which includes the following processes: 100% asset verifications; Disposal of old and or obsolete assets including those in storage facilities if a decision has been made that these assets cannot be used or are surplus to business needs; Investigate missing assets and write off these assets if they cannot be located after a proper investigation and approval process is followed; Timely update of asset register for additions, disposals and retirements/scraping.

Key officials lack appropriate competencies

100%



Recommendation: All personnel that provide inputs to the financial statements should be trained on the financial reporting framework to ensure that valid, accurate and complete financial statements are compiled and are supported by appropriate documentation including proper reconciliations.

Lack of consequences for poor performance and transgressions

100%



100%

Recommendation: Staff involved in procurement and senior management should be trained on SCM legislative requirements and performance management to ensure non-compliance is prevented and performance and consequence management is enhanced.

7. Minister commitments to address root causes

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Status of key commitments by minister

(1) Implement proper oversight mechanisms over the ARF and ensure a framework is implemented; to govern the activities of the entity ; (2) Follow up on the development of existing and new finance team to perform effective financial management including monthly reconciliations; (3) Monitor the compiling of monthly financial statements and reconciliations, including disclosure notes; (4) Perform a detailed root cause analysis for recurring asset issues despite new interventions being rolled out so that appropriate action can be taken; (5) CFO to commit/deploy resources to deal with timely update of fixed asset registers at head office; (6) Close monitoring of SCM compliance and HR management; (7) CIO to address identified IT deficiencies.

(1) Improve the monitoring mechanisms used by oversight structures to monitor progress made in achieving clean administration.

(1) Enhance performance and consequence management; (2) Improve the oversight provided by key role players of the corrective action taken to address repeat audit findings.

Not implemented

In progress

New



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Questions

