

PFMA  
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# Briefing to the Joint Standing Committee on Financial Management of Parliament

Audit outcomes for the  
2015-16 financial year



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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## 1. Introduction

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

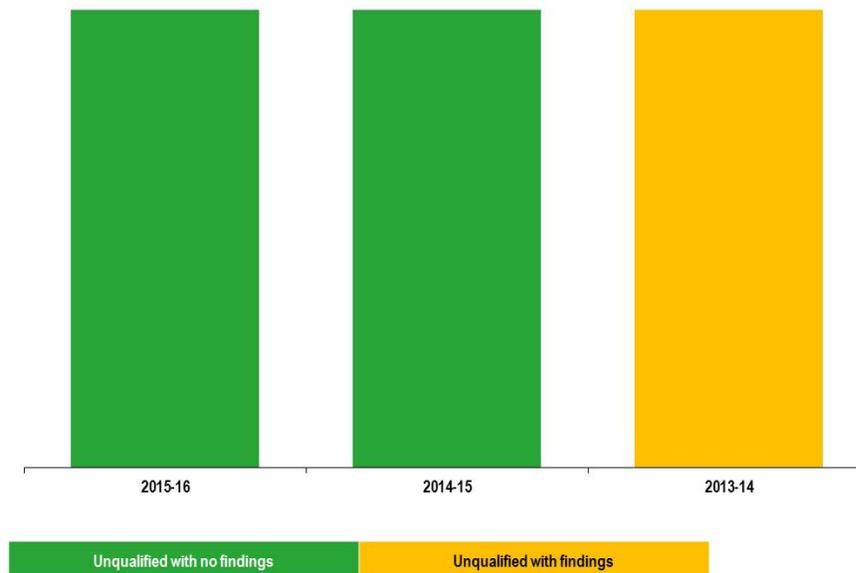
The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

### 1.2 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 of Vote 2 for the 2015-16 financial year.

## 2. Overview

**Figure 1: Three-year audit outcome**



The Parliament of the Republic of South Africa (Parliament) has sustained its audit outcome of unqualified with no findings of the previous year. This is due to a stronger focus by leadership on monitoring the implementation of the action plan to address past audit findings and the related processes of performing an adequate risk assessment and addressing identified control weaknesses.

The overall quality of the financial statements submitted for auditing has improved compared to the previous year, mainly due to improved review of and enhanced reconciling controls for financial information before inclusion thereof in the financial statements. Although the financial statements were free of material misstatements, the following controls should be monitored to sustain a control environment that supports reliable financial reporting:

- Management should continue to enhance existing processes for reconciling and reviewing financial information supporting other disclosures in the financial statements.

We did not identify any material findings relating to compliance with legislation. The following controls should, however, be strengthened to sustain a control environment that supports compliance with legislation:

- Management should enforce workflow processes to ensure that all invoices are paid within the prescribed 30 days of receipt.
- Management implemented the new Supply Chain Management (SCM) regulations as from April 2015; however, processes and controls around the SCM process should continue to be enhanced to sustain a control environment that supports compliance with the regulations. Irregular expenditure increased slightly from R569 000 in the previous year to R653 000 in the current year. This is mainly attributed to non-compliance with procurement processes.

Although Parliament has a stable financial health environment, it had an operating deficit year on year while a net liability position was also realised due to an increase in the provision for post-retirement benefits for members of parliament. These indicators should be monitored as they could pose sustainability challenges in the longer term. Our current assessment indicates that these do not have a negative impact in the short to medium term due to adequate cash reserves.

Action plans and commitments made in the prior year were not fully implemented for the area of performance reporting as the annual performance report was not adequately reviewed prior to submission for audit purposes. This resulted in Parliament submitting an annual performance report that contained material misstatements which were subsequently corrected.

The following controls should be strengthened to establish and sustain a control environment that supports useful and reliable reporting on the performance of Parliament.

- As previously reported, management should strengthen record management controls to ensure that supporting documentation for the reported performance contained in the annual performance report is properly maintained and can be easily retrieved. Appropriate consequence management measures should be implemented by leadership for the incomplete implementation of action plans in the area of performance reporting
- Action plans should be implemented to ensure that quarterly financial and performance reports are tabled in Parliament within the legislated time frames to allow for effective oversight
- The accounting officer should implement processes to ensure that the appropriate levels of management monitor action plans relating to the implementation of standard operating procedures for all programmes
- Strengthening of systems to plan, collate and report on performance information will contribute towards creating and sustaining a control environment that supports the quality and reliability of the annual performance report.

Parliament has reasonable systems of internal control; however, it is encouraged to seek continuous improvements in implementing effective human resource management controls, developing standard operating procedures and maintaining proper records for reporting on predetermined objectives, and monitoring the implementation of its action plans for internal control deficiencies reported. The first levels of assurance provided in the area of financial and performance reporting should furthermore be

strengthened to avoid repeat audit findings. While there has been stability in the leadership of Parliament, the senior management vacancy rate of 29,41% is the same as for the previous year because of the strategic austerity initiative to freeze certain posts.

Parliament has adequate controls with regard to IT governance, IT service continuity, physical and environmental controls, problem and incident management, change management and user account management.

We did not meet with the executive authority during the past year; however, we assessed the executive authority as having performed their oversight functions adequately as evidenced by the sustained clean audit outcome. The executive authority should further ensure continuous monitoring of commitments made by the accounting officer to address audit findings and key controls to ensure the sustainability of the audit outcome.

Internal audit and the audit committee continued to perform their functions in accordance with their mandate.

The secretary to Parliament and management should continue to work towards improving the key controls, addressing previously identified root causes and ensuring that there are improvements in the key risk areas, thereby providing assurance on the quality of the financial statements and performance reports, as well as ensuring compliance with key legislation.

Recommendations as included above, coupled with the leadership's continued commitment to maintain and further improve the internal control environment, will ensure that the audit outcome is sustained.