



AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



2015-16  
PFMA

Briefing to the Portfolio Committee: Home Affairs  
Audit outcomes of the portfolio for the 2015-16 financial year

1

## The AGSA's promise and focus



# Reputation promise

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The Auditor-General of South Africa (AGSA) 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.

## Role of AGSA in the BRRR process

- 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 entities taking into consideration the objective of the committee to produce a BRRR.
- To provide the portfolio committee with applicable information and guidance on the Department of Home Affairs portfolio's 2015-16 audit outcomes so that they, the committee, can ensure effective oversight.
- To enable oversight to focus on areas that will lead to good governance.



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# Our annual audits examine three areas

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1

FAIR PRESENTATION AND  
RELIABILITY OF FINANCIAL  
STATEMENTS

2

RELIABLE AND CREDIBLE  
PERFORMANCE INFORMATION  
FOR PREDETERMINED  
OBJECTIVES

3

COMPLIANCE WITH KEY  
LEGISLATION ON FINANCIAL  
AND PERFORMANCE  
MANAGEMENT



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## Unqualified opinion with no findings (clean audit)



Auditee:

- produced credible and reliable financial statements that are free of material misstatements; and
- reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP); and
- observed/complied with key legislation in conducting their day-to-day to achieve on their mandate.

## Financially unqualified opinion with findings



Auditee produced financial statements without material misstatements but struggled to:

- align their performance reports to the predetermined objectives they committed to in their APPs; and/or
- set clear performance indicators and targets to measure their performance against their predetermined objectives; and/or
- report reliably on whether they achieved their performance targets; and/or
- determine which legislation they should comply with and implement the required policies, procedures and controls to ensure compliance.

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## Qualified opinion



Auditee:

- had same challenges as those that were unqualified 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.
- did not comply with key legislation in certain instances.

## Adverse opinion



Auditee:

- has so many material misstatements in their financial statements that we disagree with almost all the amounts and disclosures in the financial statements.
- did not comply with key legislation.

## Disclaimed opinion



Auditee:

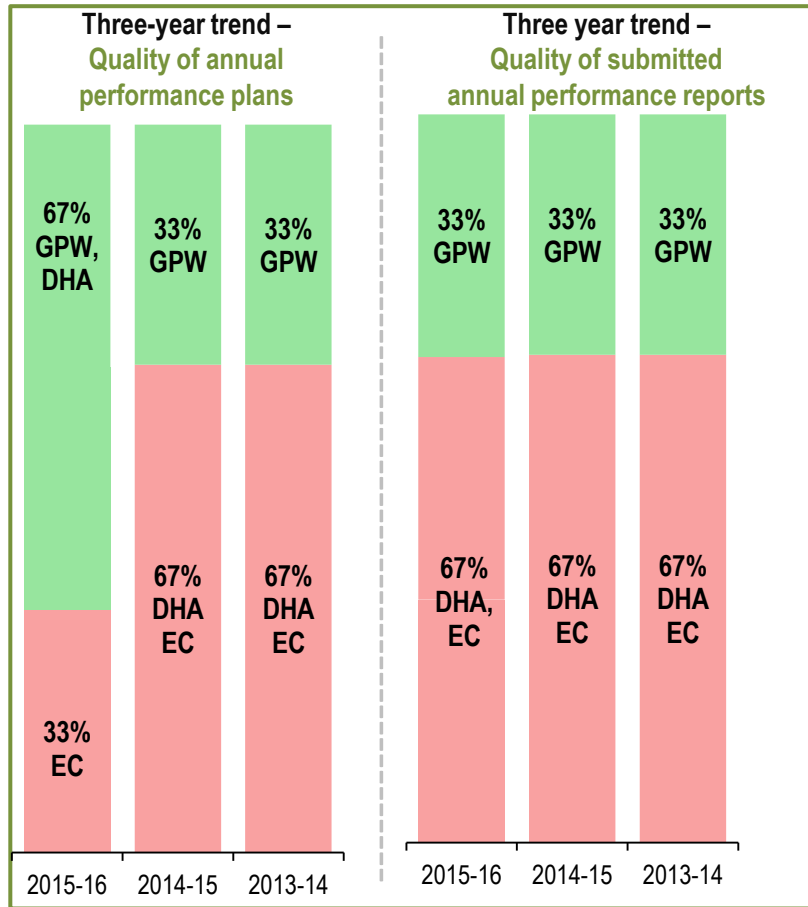
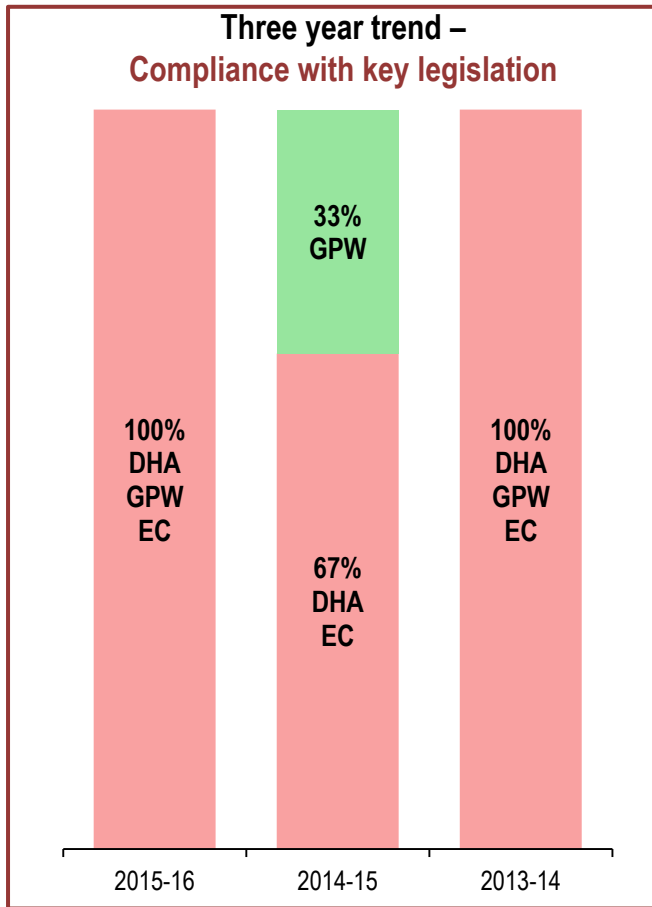
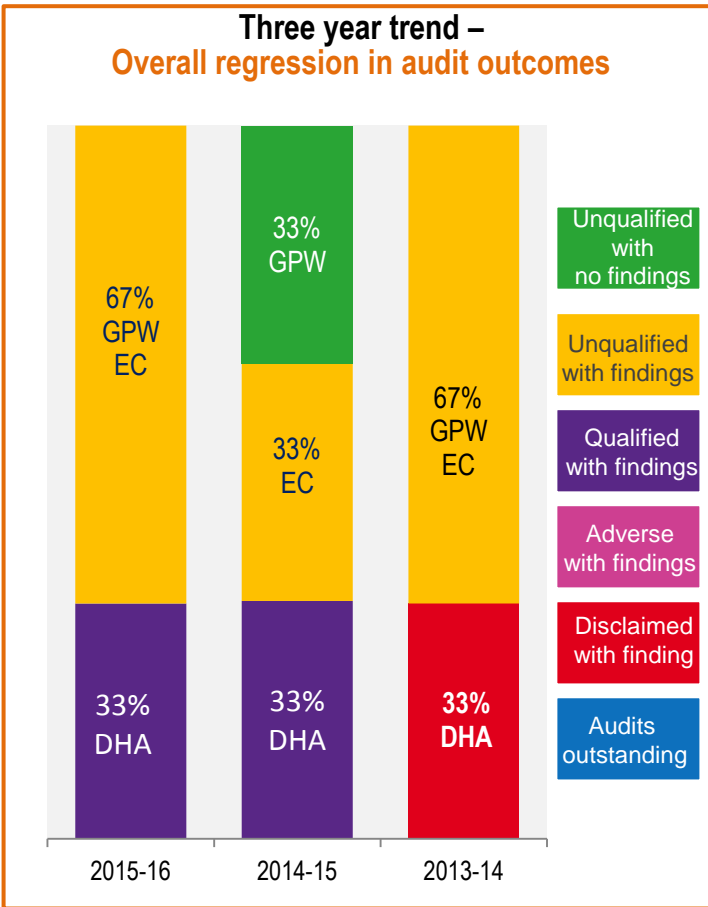
- could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements.
- was unable to provide sufficient supporting documentation for amounts in the financial statements and achievements reported in the annual performance report.
- did not comply with key legislation.

2

## The 2015-16 audit outcomes and key messages



# Regression in audit outcomes over 3 years



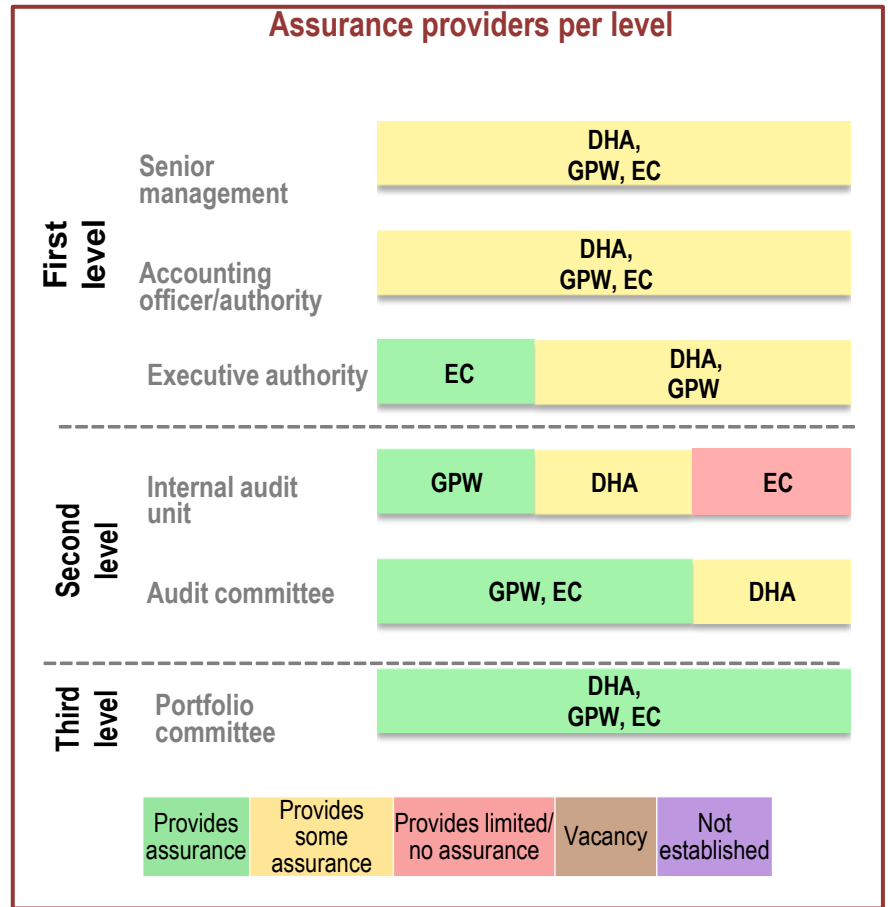
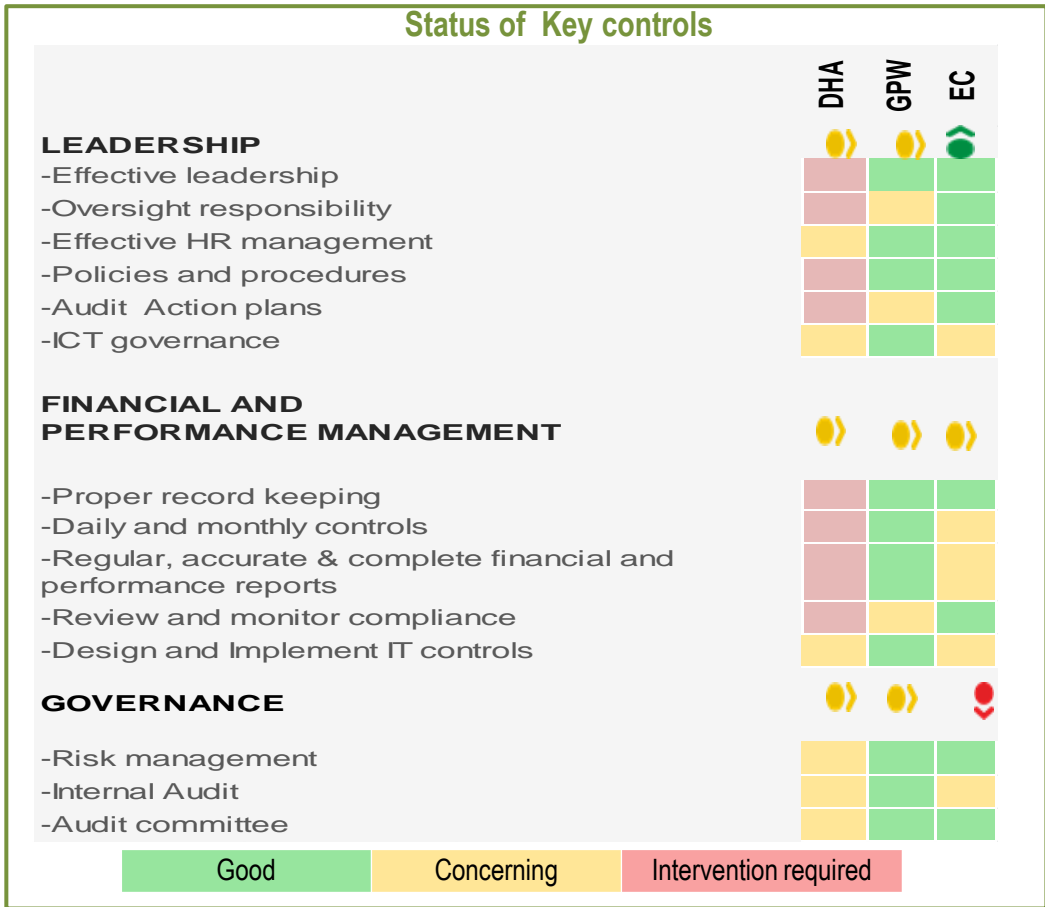
**1** To improve/maintain the **overall audit outcomes**, financial statements processes, The portfolio's overall outcomes has been stagnant over a three year period. Appropriate and timely monitoring and oversight processes remains matters that needs to be addressed in the portfolio.

**2** .... **compliance** with key legislation and.... Although a key driver for the audit outcomes across the portfolio is compliance with legislation, there is no consistent trend in the compliance issues over the years except for the current financial year. Inadequate monitoring of SCM legislation resulted in non-compliance with SCM legislation. Although internal controls detect I and FW expenditure, controls are not mature yet to prevent incurring I.FW expenditure.

**3** .... **performance planning and reporting** must be improved by.... The reliability of the annual performance report remains an issue for the EC and DHA whereas the GPW appears to have reached maturity in this area. Oversight and monitoring controls needs to be strengthened to ensure that reported performance is supported by valid, accurate and complete records.



# Regression in audit outcomes over 3 years - continued



- 4 ... providing attention to the **key controls** by...
- The audit outcomes of the DHA can be improved through leadership interventions that focus on:
    - Improving oversight through monitoring control procedures,
    - Tracking the implementation of credible action plans,
    - Implementing policies and procedures for effective revenue management.
  - Daily, weekly and monthly disciplines in financial management needs to be improved.
  - The reliability of the performance information at the DHA has improved over the years owing to focussed interventions. The matters that impacted on the audit outcomes are expected to be addressed in the next financial year.
  - Oversight by the DHA's governance structures needs enhancing to ensure that credible processes are in place to produce reliable financial information.

- 5 ... the key role players as part of their role in **combined assurance**
- Basis for PC evaluation:
- Oversight role into robust budget vote process, review of the annual report including the audit report, quarterly reporting;
  - Follow up on progress made by the entities to address poor audit outcomes;
  - Recommendations made in relation to key audit matters; and
  - Follow up on key matters reported in the committee's prior year BRRR report.
- Senior management, the accounting officer and the audit committee did not ensure that prior year audit outcomes were appropriately actioned to prevent repeat findings.






3

**Performance management linked  
to programmes/ objectives tested**



# Quality of annual performance plan slightly regressed and quality of submitted annual performance reports slightly regressed

Outcomes of programmes/objectives selected for testing:

Auditee:	Movement	Programmes/ Objectives	Usefulness	Reliability
Department of Home Affairs		<i>Programme 2: Citizen affairs</i>	No material findings reports.	No material findings reported.
		<i>Programme 3: Immigration affairs</i>	No material findings reported.	For 20% of indicators, the reported achievements against planned targets were not reliable. We were unable to obtain sufficient appropriate audit evidence for the target in one instance, in addition, the reported achievements against planned targets for another important indicator was not reliable when compared to the source information or evidence provided. This was due to lack of monitoring of the completeness of source documentation in support of actual achievements and frequent review of the validity of reported achievements against source documentation.
Government Printing Works		<ul style="list-style-type: none"> <li><i>Programme 1 : Production and operations</i></li> <li><i>Programme 2 : Strategic management</i></li> <li><i>Programme 3 : Financial management</i></li> <li><i>Programme 4 : Human resources</i></li> </ul>	No material findings reported.	No material findings reported.
Electoral Commission		<i>Programme 2 : Electoral operations</i>	No material findings reported.	No material findings reported. (Material adjustments)
		<i>Programme 3 : Outreach</i>	No material findings reported.	For 14% of the indicators sufficient and appropriate evidence was not provided hence a scope limitation and further for 29% of indicators evidence provided was not valid, accurate and complete.



4 **Financial management**





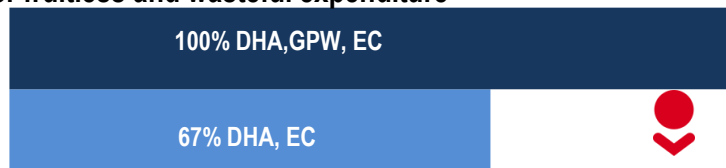
# Regression in compliance with legislation and slight improvement in quality of financial statements

Figure 1: Findings on compliance with key legislation – all auditees

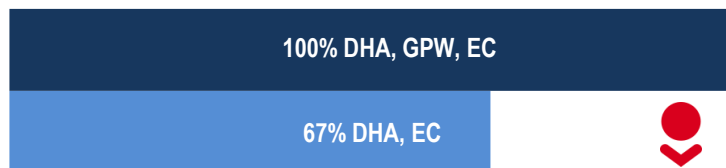
## Material misstatements in submitted annual financial statements



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



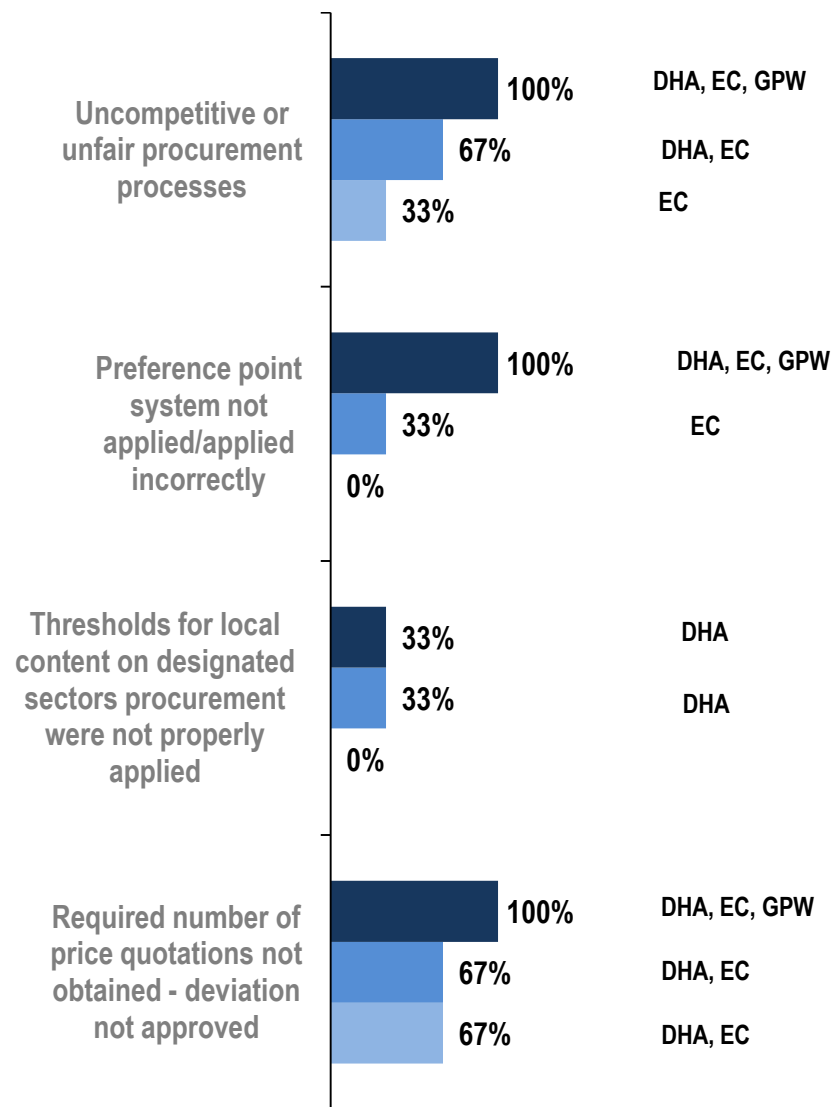
## Management of procurement and/or contracts



## Revenue management



Figure 2: Findings on compliance with key SCM legislation – all auditees



# Slight improvement in compliance with legislation and quality of financial statements

Figure 3: Qualification areas over three years

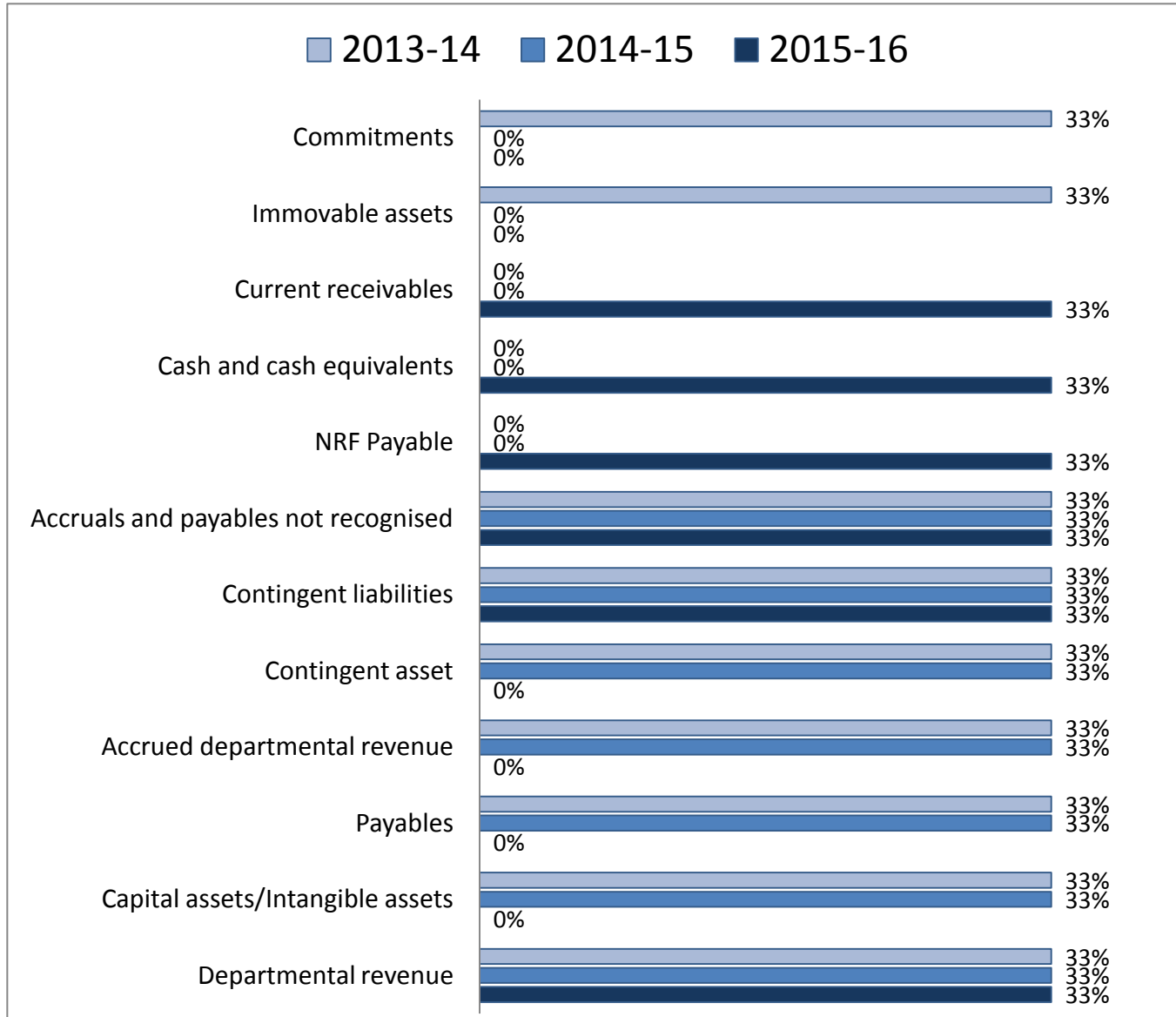
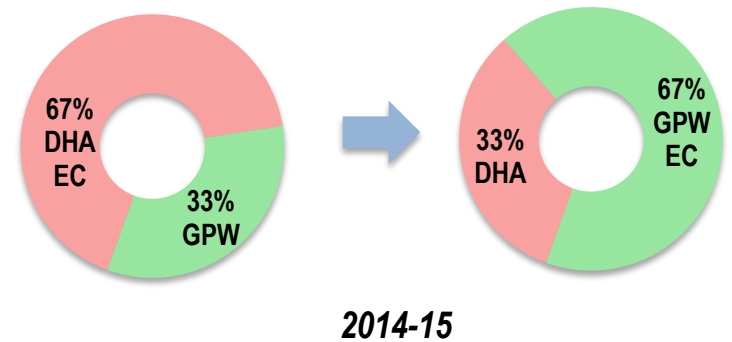
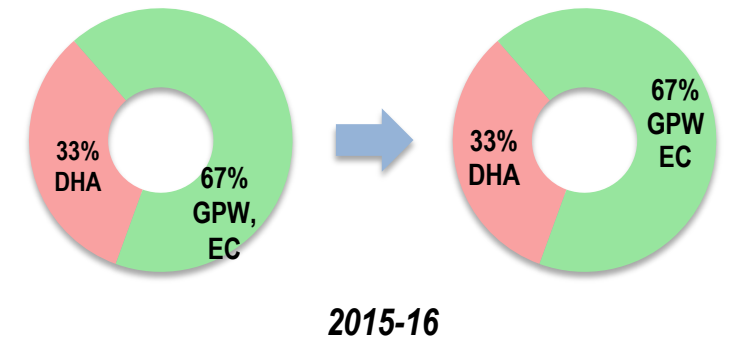
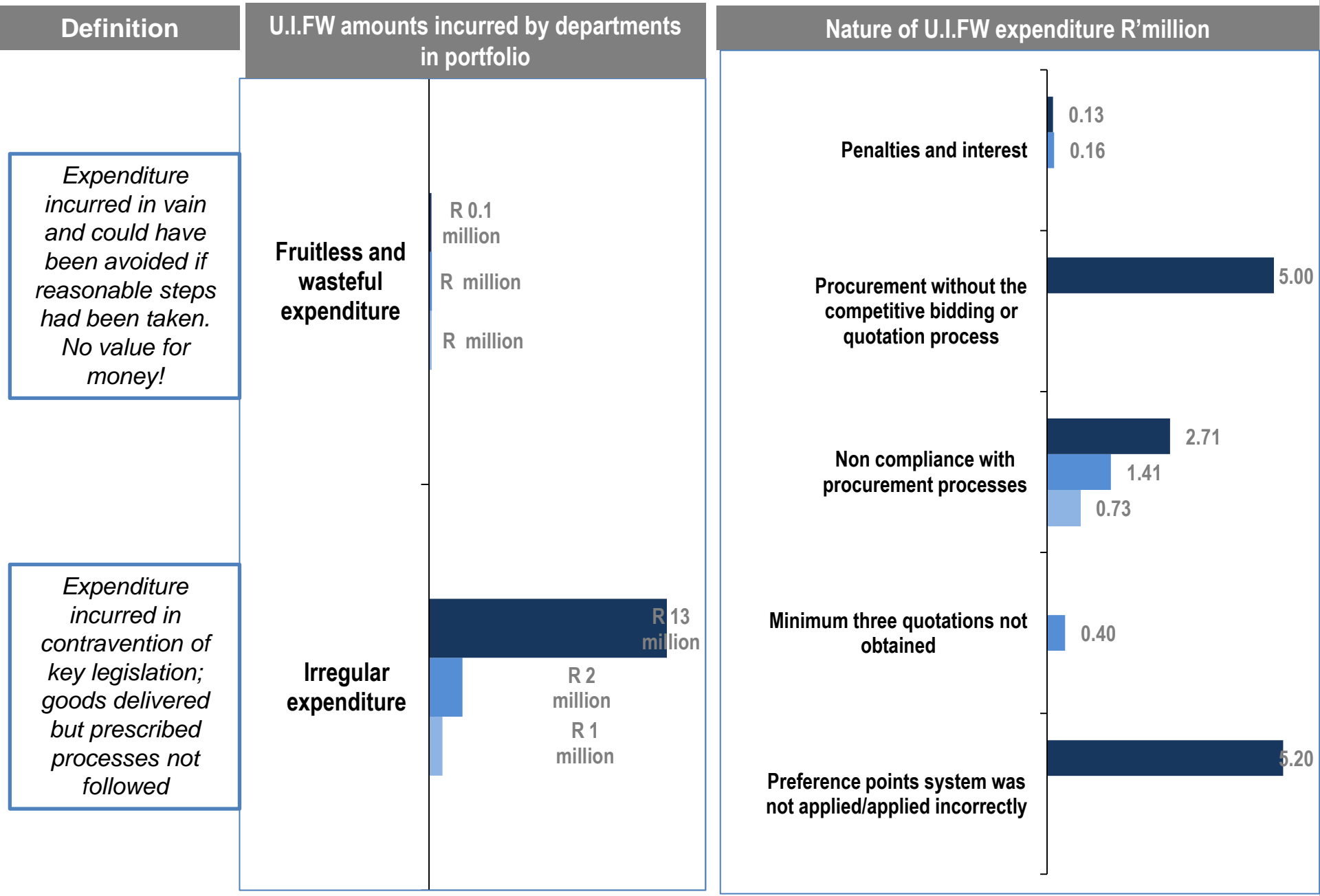


Figure 4: Auditees who avoided qualifications due to the correction of material misstatements during the audit

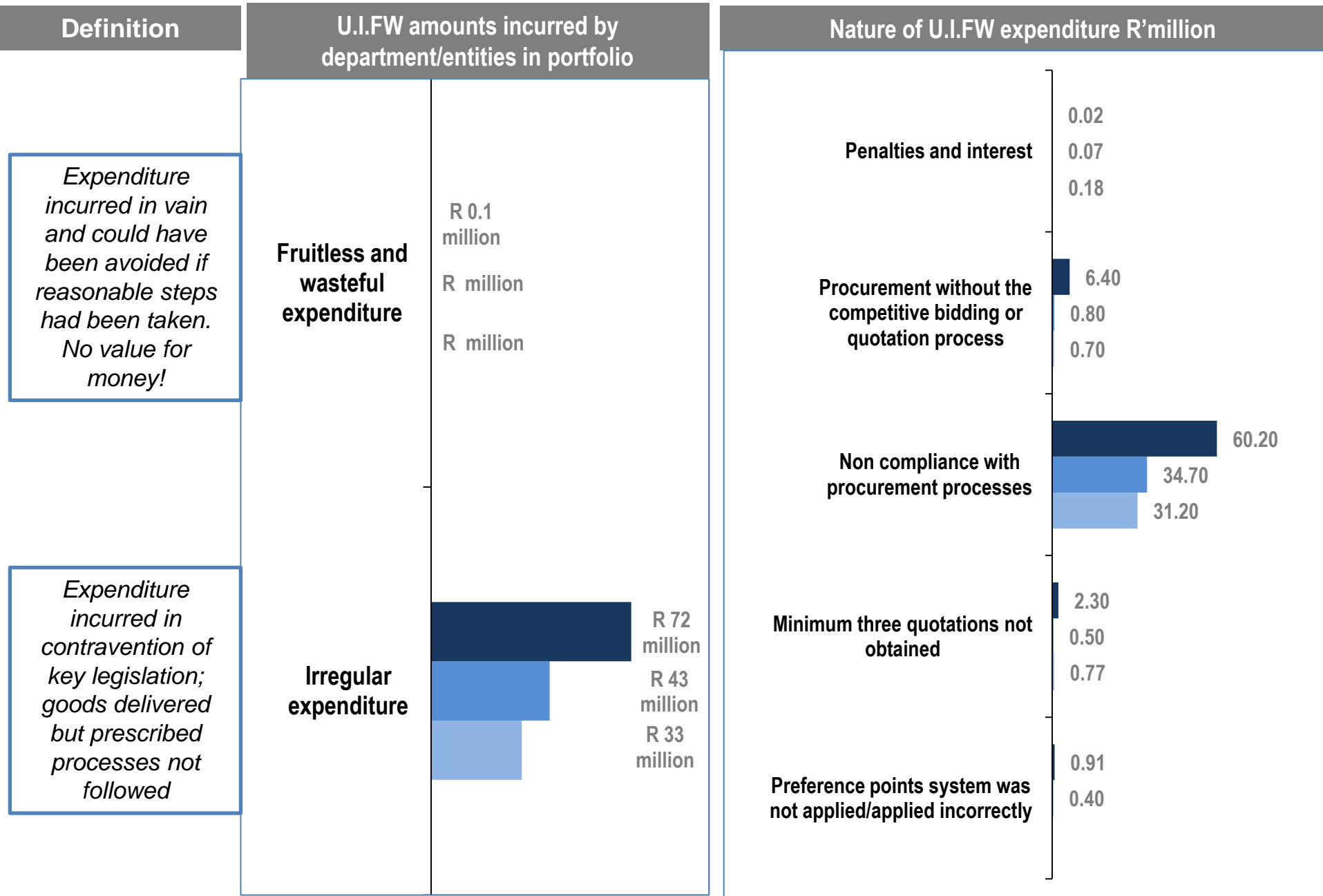


With no material misstatements (green)      With material misstatements (red)

# Irregular as well as fruitless and wasteful expenditure movement over 3 years[DHA]



# Irregular as well as fruitless and wasteful expenditure movement over 3 years[GPW and EC]

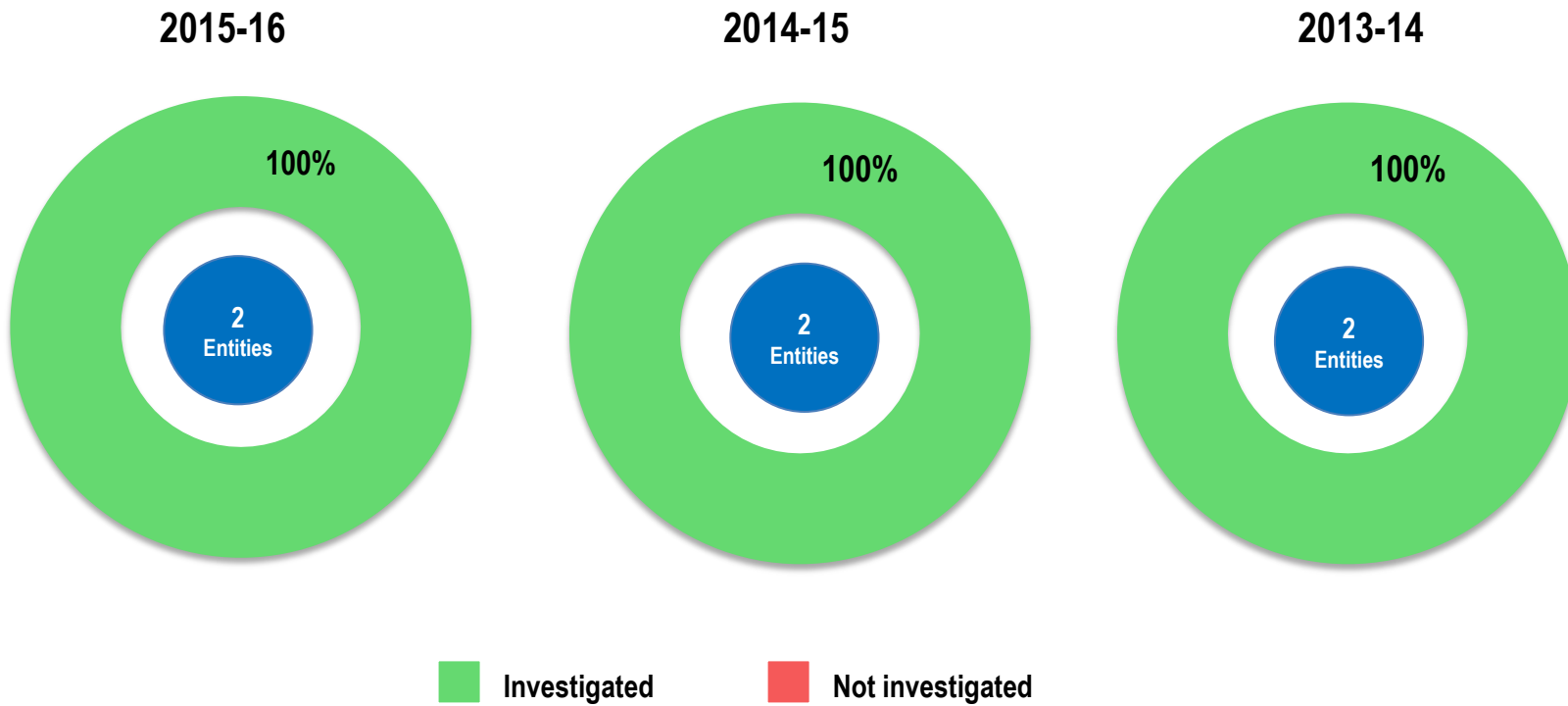




# Follow up action of unauthorised, irregular as well as fruitless and wasteful (UIFW) expenditure over 3 years

## Investigations of U.I.FW expenditure

2 auditees (100%) [2014-15: 2 (100%)] entities that incurred UIFW expenditure lodged investigations to determine root cause and consequences of U.I.FW incurred disciplinary steps were taken where applicable.



6

**Top three root causes, follow up on commitments and proposed recommendations**

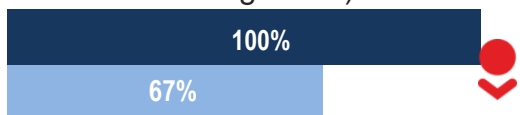


# Top three root causes, follow up on commitments and proposed recommendations

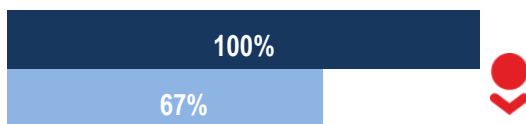
1 ... the following **root causes** must be addressed ...

## Root causes

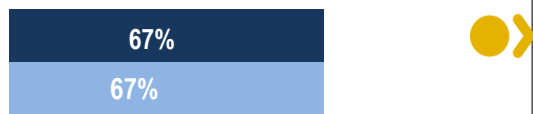
Slow response by management  
(Accounting officer and senior management)



Inadequate management oversight



Lack of consequences for poor performance and transgressions



■ 2015-16 ■ 2014-15

In 2014/15 the assessment does not relate to GPW at all. The DHA audit outcomes highlights the need for consequence management in the department and also indicates that leadership oversight is still an issue as well as the lack of timely intervention by the leadership of the department. The regression is primarily driven by the audit outcomes of the GPW that deteriorated in 15/16. If this is excluded, the indication is that there has been little improvement in addressing the root causes of poor audit outcomes.

2 ... through honouring the following **commitments** made by the executive authority.....

## Status of key commitments by minister

- Improve the process of asset management with regard to the maintenance of the asset register .
- Fast track the automation of the systems thereby reducing manual interventions.
- Implement credible action plans with milestones for tracking purposes
- Increase the accountability of reporting from the regional offices.
- Implement proper financial management processes and improved financial accountability.
- Establish an improved leadership model with stronger and strict leaders.
- Perform a competency based gap analysis and implement corrective action.

Not implemented In progress Implemented New

The commitments above relate only to the DHA. The minister is not accountable for the IEC and the GPW achieved a clean audit in the previous financial year, consequently no commitments were obtained in this regard. Although there has been improvement in so far as the audit outcomes on asset management is concerned, the commitments are still in progress.

3 ... and implementation of the following **proposed commitments** by the Portfolio committee and management...

- Address the 3 key root causes as identified, through:
1. Regular monitoring of the action plan to ensure that the identified deficiencies are addressed to avoid repeat findings and continued non-compliance. The PC must request management to provide feedback on the implementation and progress of the action plan during quarterly reporting.
  2. Although internal control processes exist, it must be consistently monitored and adhered to by all employees. Regular assessments of the status of internal controls. PC must request management to provide quarterly feedback on status of key controls.
  3. The accounting officer should intensify focus on ensuring that transgressors are held accountable and that action is taken as required by the PFMA. Action taken against repeat transgressors should be done in a timely manner, in order to eliminate repeat findings. List of action taken must be provided quarterly to PC for follow up.
  4. Continue engaging stakeholders in the foreign revenue process with a view to ensuring that standard operating procedures are implemented and resolutions are reached in respect of reconciling the qualified balances and accounts.

# Questions

