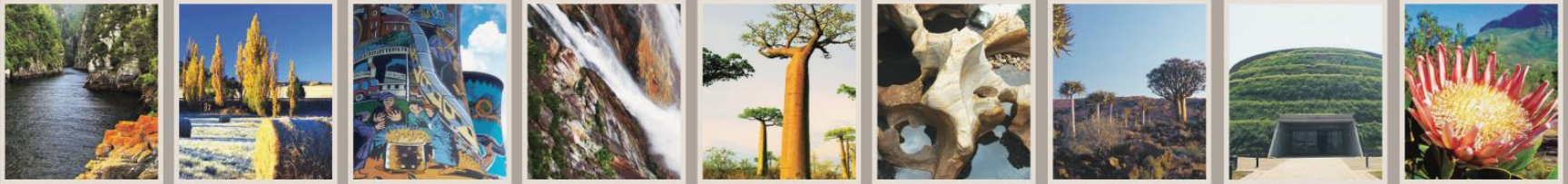


PFMA
2015-16



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Report of the Auditor-General on South African Broadcasting Corporation for the years ending 31 March 2014, 2015 and 2016

1

The AGSA's promise and focus

1



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Reputation promise

PFMA
2015-16

The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the supreme audit institution (SAI) 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



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Our annual audits examine three areas

PFMA
2015-16



1 FAIR PRESENTATION AND RELIABILITY OF FINANCIAL STATEMENTS

Auditing to build public confidence

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
- reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP)
- complied with key legislation when conducting their day-to-day operations to achieve their mandate

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Financially unqualified opinion with findings



Auditee produced financial statements without material misstatements or could correct the material misstatements but struggled in one or more areas to:

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



Qualified opinion



Auditee:

- had the same challenges as those with unqualified opinions 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

Adverse opinion



Auditee:

- had the same challenges as those with qualified opinions but, in addition, they had so many material misstatements in their financial statements that we disagreed with almost all the amounts and disclosures in the financial statements

Disclaimed opinion

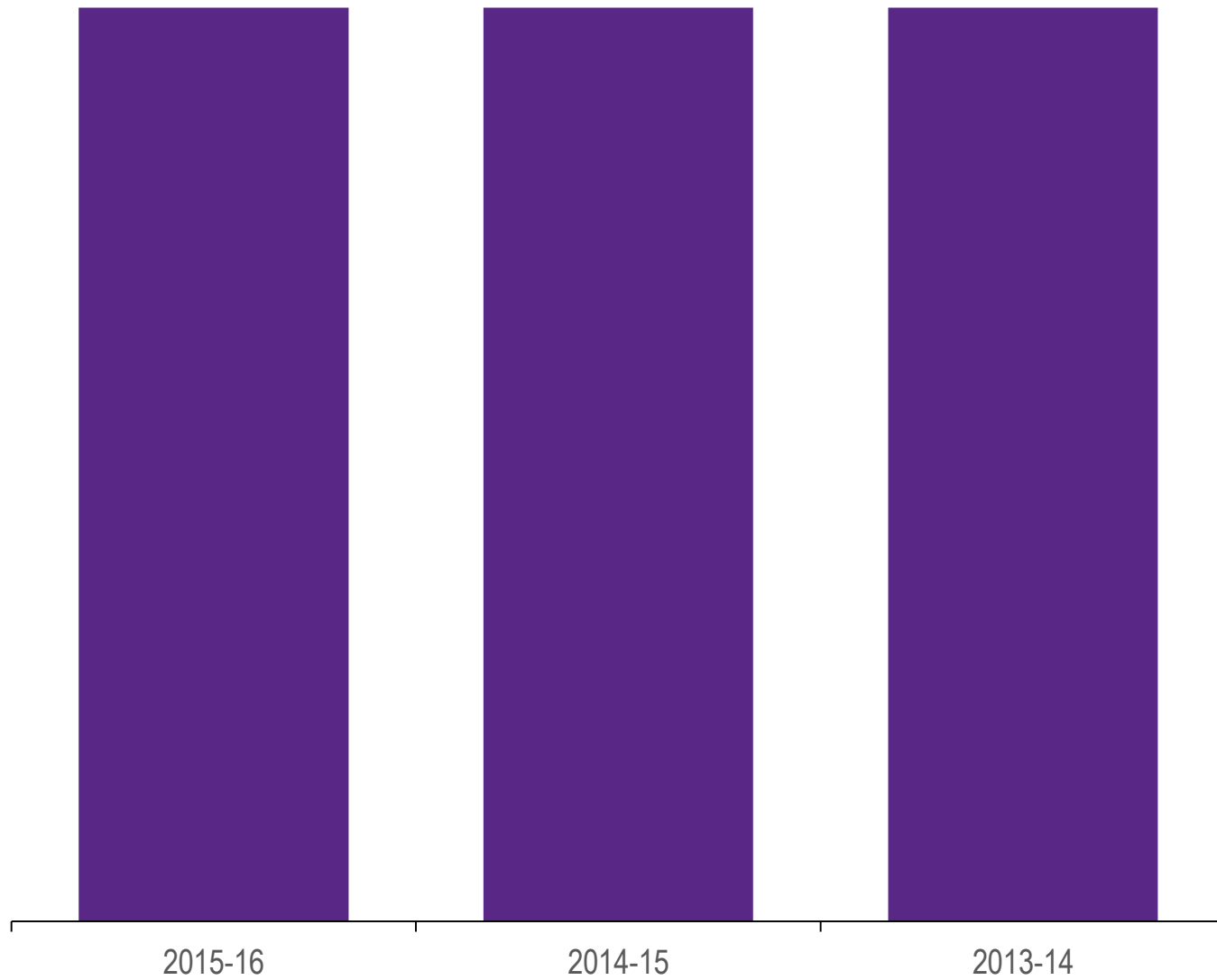


Auditee:

- had the same challenges as those with qualified opinions but, in addition, they 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



SABC audit outcomes over three years



- Unqualified with no findings
- Unqualified with findings
- Qualified with findings



Improvement over three years in areas on which the SABC has received qualified opinions

Qualifications areas	2015-16	2014-15	2013-14
Irregular, fruitless and wasteful expenditure	X	X	X
TV Licence and related receivables		X	X
Taxation		X	X
Property, plant and equipment			X
Mobile income			X
Deferred government grants			X
IFRS 7 disclosure note (receivables)			X



Irregular expenditure

Expenditure incurred in contravention of key legislation and/ or prescribed processes not followed.

Such expenditure does not necessarily mean that money was wasted or that fraud had been committed, but is rather an indicator that legislation/ prescribed processes are not followed. This legislation requirements is aimed at ensuring that procurement processes are competitive and fair.

It is the role of Board to investigate all irregular expenditure to determine whether it constitutes misconduct, fraud or losses that should be recovered and, where deemed necessary, to recover these expenditures.

Irregular expenditure **identified** during the current year (*as disclosed in note 43 of financial statements for 2015/16*):

2015-16	2014-15	2013-14
R763 505 000*	R413 793 000*	R3 390 469 000*

Total accumulated balance in the AFS – R 5.1 billion

** Disclosed amount was qualified*



Most common types of irregular expenditure

- No original tax clearance on the date of the award
- Payments without contracts
- Inadequate contract management
- Procurement process not followed/ inadequate deviation from the SCM policy
- Deviation from the Delegation of Authority Framework



Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and that would have been avoided had reasonable care been taken.

Fruitless and wasteful expenditure **identified** during the current year *(as disclosed in note 43 of financial statements)*:

2015-16	2014-15	2013-14
R34 678 000*	R18 840 000*	R54 600 000*

Total accumulated balance in the AFS – R xxxx

** Disclosed amount was qualified*



2

Compliance

2



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Compliance with key legislation

Area	2015-16	2014-15	2013-14
Annual financial statements	X	X	X
Asset management	X	X	X
Expenditure management	X	X	X
Procurement management	X	X	X
Revenue management		X	X
Strategic planning and performance management	X	X	X
Consequence management	X	X	X



3

Performance management linked
to programmes or objectives
tested

3



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Audit of reported performance information

Area	2015-16	2014-15	2013-14
Usefulness	X	X	X
Reliability	X	X	X

Most common findings

Usefulness

The most common findings on the usefulness of information were the following:

- Indicators/measures not well defined
- Performance targets not measurable

Reliability

The most common findings on reliability of information were the following:

- Reported information not complete
- Reported information not valid
- Reported information not accurate



4

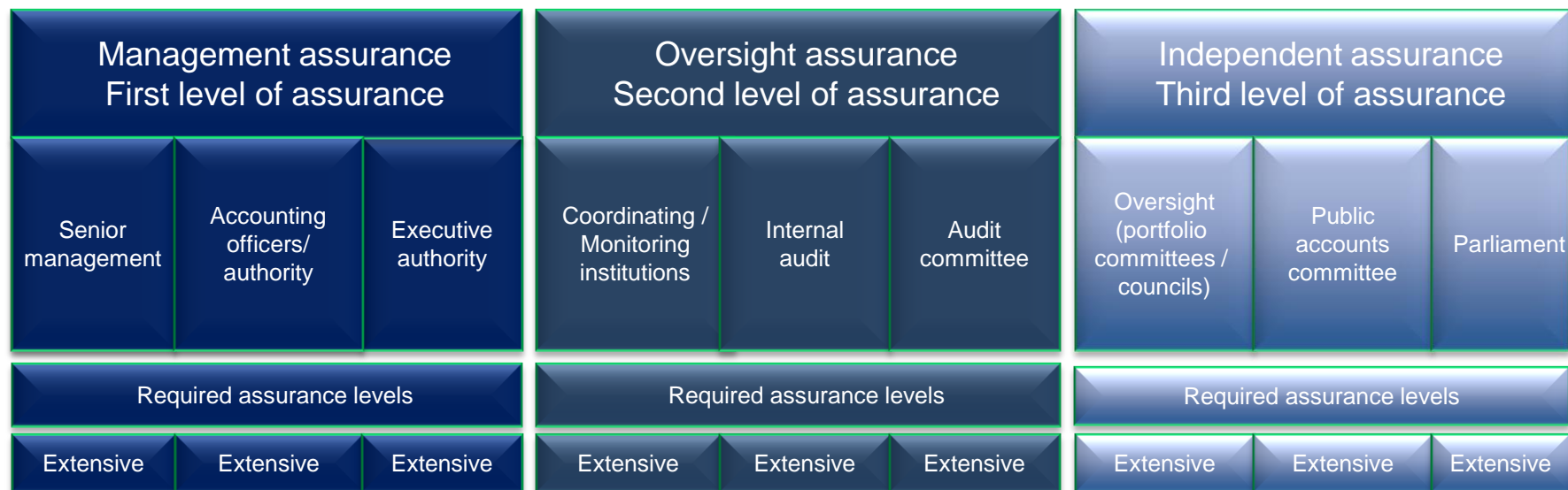
Key controls, assurance providers, root causes and proposed recommendations

4



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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

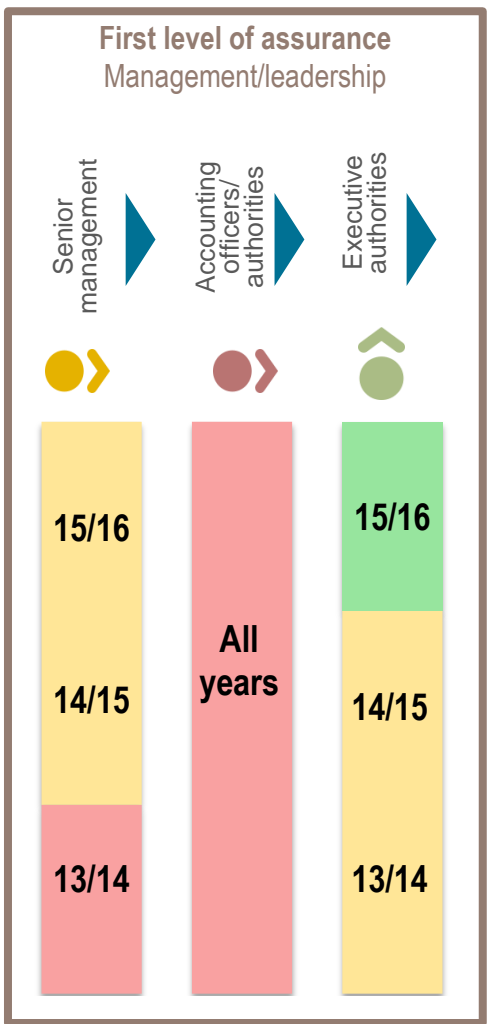
- **National Treasury/ DPSA** – monitor compliance with laws and regulations and enforce appropriate action
- **Internal audit** – follow up on management's actions to address specific recommendations and conduct own audits on the key focus areas in the internal control environment and report on quarterly 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
- **Parliament** – provide independent oversight on the reliability, accuracy and credibility of National and provincial government



Improvement in assurance provided by key role players



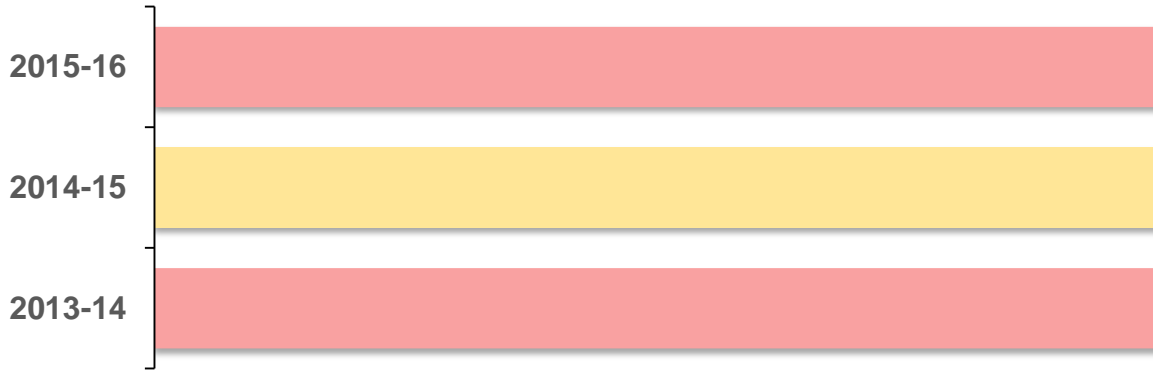
- Provides assurance
- Provides some assurance
- Provides limited / no assurance



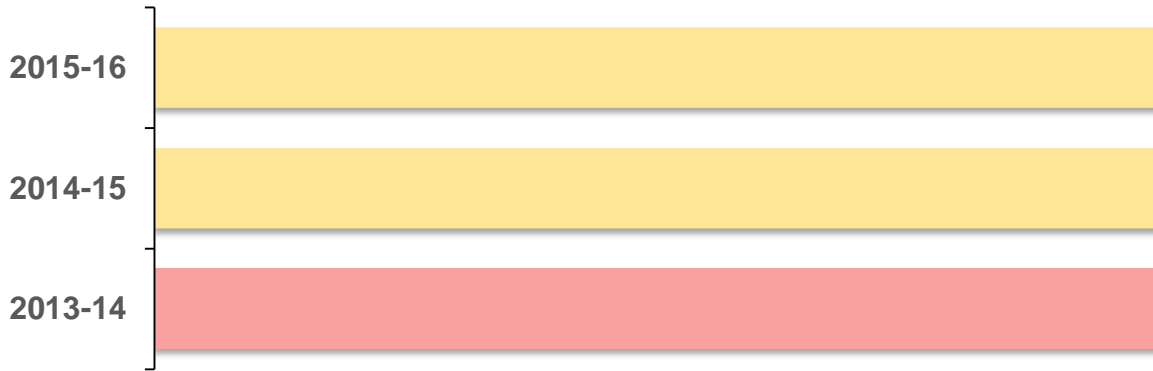
Regression in controls



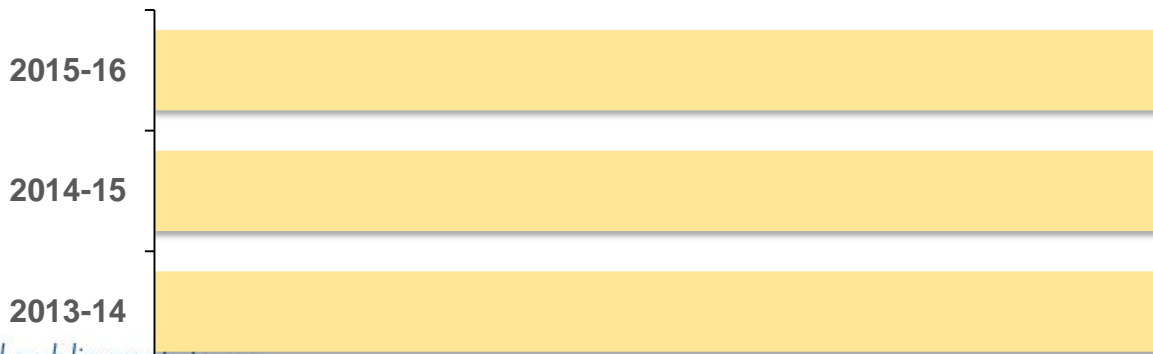
Leadership



Financial and performance management



Governance



- Good
- Of concern
- Intervention required

- Stagnant or little progress
- ⬇ Regressed



Root causes

- Instability or vacancies in key positions or key officials lacking competencies.
- Ineffective implementation and monitoring of action plans, especially on irregular, fruitless and wasteful expenditure.
- Lack of consequences to ensure implementation of action plans.
- Slow response to address weaknesses identified in the systems and processes for reporting of performance management.
- Inadequate consequences for poor performance and transgressions.
- Inadequate record management system to support financial and performance information.



Key recommendation for improvement

- Financial statements must be thoroughly reviewed for reliability and credibility before submission for audit purposes. Assurance providers must play a critical role in this.
- Implement a performance management system to ensure reliable reporting on performance information.
- Fill key vacancies with competent personnel.
- Implement a record management system, especially for procurement and contract management.
- Stabilise governance structures to provide effective oversight.
- Establish and implement action plans in response to external and internal audit findings. These must be monitored by the assurance providers.
- Implement daily and monthly internal controls of transactions recognition and reduce the overreliance on consultants.
- Implement an individual performance management system, which must be aligned to consequence management.



Questions



How to get in touch with the AGSA



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