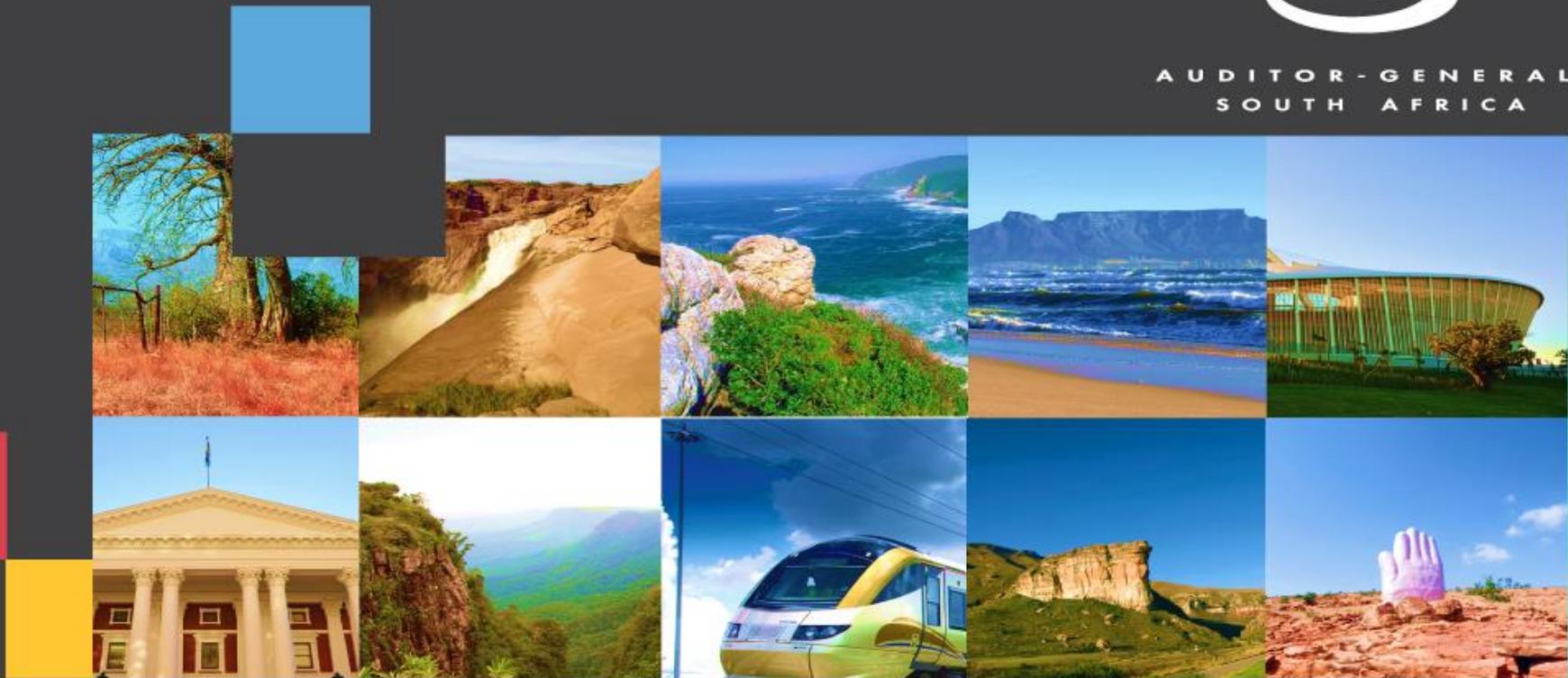




AUDITOR-GENERAL  
SOUTH AFRICA



*Auditing to build public confidence*

## Presentation to the Small Business Development Portfolio Committee

Assurance assessment criteria for the 2016-17 financial year

2 May 2017

# The AGSA's promise and focus



# Reputation promise

2016-17  
PFMA

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.



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# Purpose of presentation

2016-17  
PFMA

- Share with the committee the criteria that will be used by the Auditor-General of South Africa (AGSA) to evaluate the level of assurance provided by the committee in terms of the combined assurance model.
- Obtain commitments from the committee on specific oversight actions to be taken to improve the audit outcomes of the portfolio.



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# Legislative requirements

2016-17  
PFMA

- The Constitution (Section 55.2) vests the National Assembly and provincial legislatures with the power of oversight over their respective executives, it recognises that legislatures have a critical role to play in overseeing better performance.
- The National Assembly and the provincial legislatures are required by the Constitution to provide for mechanisms to ensure that all executive organs of state within their respective spheres are accountable to them, and that they maintain oversight of the executive authority and any organ of state, including the implementation of legislation.
- National Treasury Guideline for legislative oversight through Annual reports, 2005



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# Role of Portfolio Committee

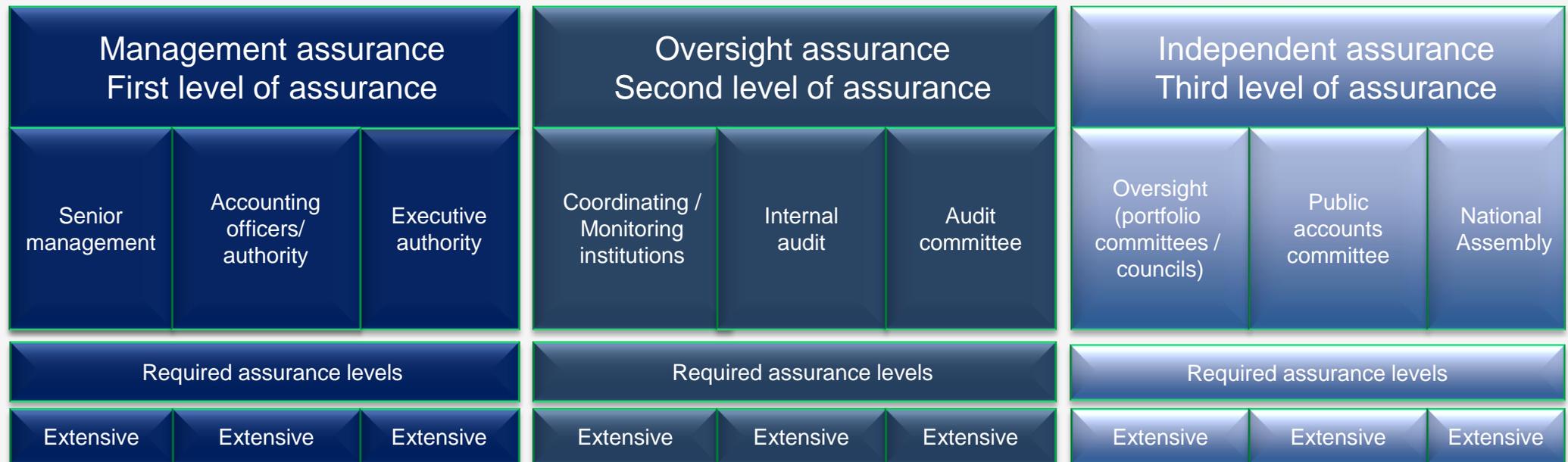
2016-17  
PFMA

- In fulfilling this constitutional obligation it is suggested that the aim of the oversight process is to give the Portfolio committee (and through it the legislature) the confidence that the department, constitutional institution or public entity under review is actually delivering.
- The national Portfolio committees are ideally placed to exercise oversight of the service delivery performance of departments and entities that fall within the same portfolios.



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# Combined assurance model



## 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 financial and performance reporting. 7





## Budget

Criteria	Evidence to support compliance
<p>Did the Portfolio Committee perform the following in consideration of the departmental budget votes.</p> <ul style="list-style-type: none"> <li>Portfolio committees should aim to complete the oversight process on annual reports timeously, so that their recommendations can also be taken into account for the following year's budget allocation process.</li> <li>It is recommended that Portfolio committees develop department specific reports (Budgetary Review and Recommendations Reports/BRRR) which express the Committee's view on the budget of the Department for recommendation to the National Treasury ahead of the following year's budget period.</li> </ul> <p>Note: Such consideration should include a formal negotiation between a committee and a department about the desirable outcomes that might be expected from the policy priorities and resource allocations as indicated in the budget.</p>	<p>BRRR reports</p> <p>AGSA briefing of committee on audit outcomes of the relevant portfolio</p>





## Performance information and service delivery

Criteria	Evidence to support compliance
<p>Did the committee review the quality of the performance information as highlighted by any audit of performance information which the Auditor-General performed, or in the light of any other information that came to the committee's attention.</p>	<p>Committee reports after oversight meeting on the performance reporting of the department and entities. Minutes of committee meeting that reviewed the performance reporting of the department and entities.</p>
<p>Did the committee review the annual performance report of the department and entities against the annual performance plan and strategic plan to ensure that the department and entities reported on each and every performance target specified in their strategic and annual performance plans.</p> <p>Note:</p> <ul style="list-style-type: none"> <li>- evaluate management's explanations as to why the entity's service delivery performance did not attain the targets set in the strategic plan.</li> <li>- In the case of national departments, members should also refer to the relevant Vote in the estimates of National Expenditure applicable to the financial year under review, as this document sets out clear measurable objectives against which the departments have to report in their annual reports</li> </ul>	<p>Committee reports after oversight meeting on the performance reporting of the department and entities. Minutes of committee meeting that reviewed the performance reporting of the department and entities.</p>

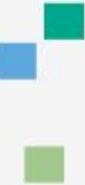




## Performance information and service delivery

Criteria	Evidence to support compliance
<p>Did the committee consider any performance audit reports tabled by the Auditor-General which reflected on the economy, efficiency and effectiveness of service delivery.(where applicable).</p>	<p>Committee reports after oversight meeting on the performance audit reports of the department and/or entities. Minutes of committee meeting that reviewed the performance audit reports of the department and/or entities.</p>
<p>Did the committee review the implementation of the entity's service delivery improvement programme(where applicable).</p>	<p>Committee reports after oversight meeting on the performance reporting of the department and entities. Minutes of committee meeting that reviewed the performance reporting of the department and entities.</p>
<p>Did the committee Quarterly reports and ascertain whether unforeseeable circumstances have impeded a department's(and/or entities) work, whether there was a problem of inadequate planning by managers/implementers, or if a department's(and/or entities) staff and those they may contract are failing to deliver for other reasons. This investigation must be done with a view to producing recommendations that will assist a department with moving ahead with successful delivery of a programme, sub-programme etc.</p>	<p>Committee reports after oversight meeting on the performance reporting of the department and entities. Minutes of committee meeting that reviewed the performance reporting of the department and entities.</p>





## Accountability – AGSA audit reports

Criteria	Evidence to support compliance
<p>Did the committee review the audit report/s of the department and entities as included in the annual reports.</p> <p>In respect of audit outcomes the questions that members may consider exploring include:</p> <ul style="list-style-type: none"> <li>• What is the outcome?</li> <li>• Apart from overspending, does the audit identify any other unauthorised expenditure?</li> <li>• Are any other serious matters raised by the Auditor-General under Emphasis of Matter</li> </ul>	<p>Committee reports after oversight meeting on the annual reports of the department and/or entities.</p> <p>Minutes of committee meeting that reviewed the annual reports of the department and/or entities.</p>
<p>Did the committee follow up on progress made by the department and entities to address poor audit outcomes.</p> <ul style="list-style-type: none"> <li>• The Portfolio committee should consider what corrective steps have been taken or are being taken to address poor audit outcomes (it is recommended that this should include considering root causes and recommendations raised by the AGSA and progress made in relation thereto thus far).</li> <li>• It is recommended that the committee sets up a follow-up meetings with the executive on AGSA findings.</li> </ul>	<p>Committee reports after oversight meeting on the annual reports of the department and/or entities.</p> <p>Minutes of committee meeting that reviewed the annual reports of the department and/or entities.</p> <p>Specific recommendations made by the committee in the oversight report.</p>





## Accountability – AGSA audit reports

Criteria	Evidence to support compliance
<p>Did the committees make recommendations in relation to key issues that the committee would like to draw to the department and entities attention as regards its performance in the preceding year.</p>	<p>Committee reports after oversight meeting on the annual reports of the department and/or entities. Minutes of committee meeting that reviewed the annual reports of the department and/or entities. Specific recommendations made by the committee in the oversight report</p>
<p>Did members of the committee consider the entity's performance in the light of any comments or recommendations that the committee may have made in its previous Oversight Report and/or in respect of resolutions taken by the House. The portfolio committee should then identify key issues that need to be explored and possibly prioritise certain key questions.</p>	<p>Committee reports after oversight meeting on the annual reports of the department and/or entities. Minutes of committee meeting that reviewed the annual reports of the department and/or entities. Specific recommendations made by the committee in the oversight report.</p>



## Overall Outcome on level of assurance

Level of assurance	Criteria for conclusion on level of assurance
Provides assurance	Committee fulfilled the majority of the functions in terms of assessment criteria
Provides some assurance	Committee fulfilled some of the functions in terms of the assessment criteria
Provides limited or no assurance	Committee did not fulfil any of the functions in terms of the assessment criteria



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## Proposed commitments



# Proposed commitments from Portfolio Committee



Root Cause	Commitment
<p>Slow response by management (Accounting officer/ authority and senior management)</p>	<p>Regular monitoring of the action plans to ensure that the identified deficiencies are addressed to avoid repeat findings and continued non-compliance. PC must request management to provide feedback on the implementation and progress and of the action plan during quarterly reporting.</p>
<p>Instability or vacancies in key positions</p>	<p>Regular assessments of the status of internal controls, especially regarding financial statement and performance reporting preparation and filling of key vacant posts to ensure stability of leadership, must be undertaken by management to address deficiencies as and when they arise. PC must request management to provide quarterly feedback on status of key controls and management of key vacancies in the portfolio.</p>
<p>Lack of consequences for poor performance and transgressions</p>	<p>The accounting officers/authorities should intensify their 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 so in a timely manner, in order to eliminate repeat findings. List of action taken must be provided quarterly to PC for follow up.</p>

# Questions



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