



AUDITOR - GENERAL
SOUTH AFRICA

Auditing to build public confidence



2015-16
PFMA

Briefing to the Portfolio Committee: Public Service Administration and
Planning Monitoring and Evaluation

Audit outcomes of the PME portfolio for the 2015-16 financial year

1

The AGSA's promise, focus and message



Reputation promise

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 public service administration and planning, monitoring and evaluation portfolio 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.



Our annual audits examine three areas

2015-16
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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.

2015-16
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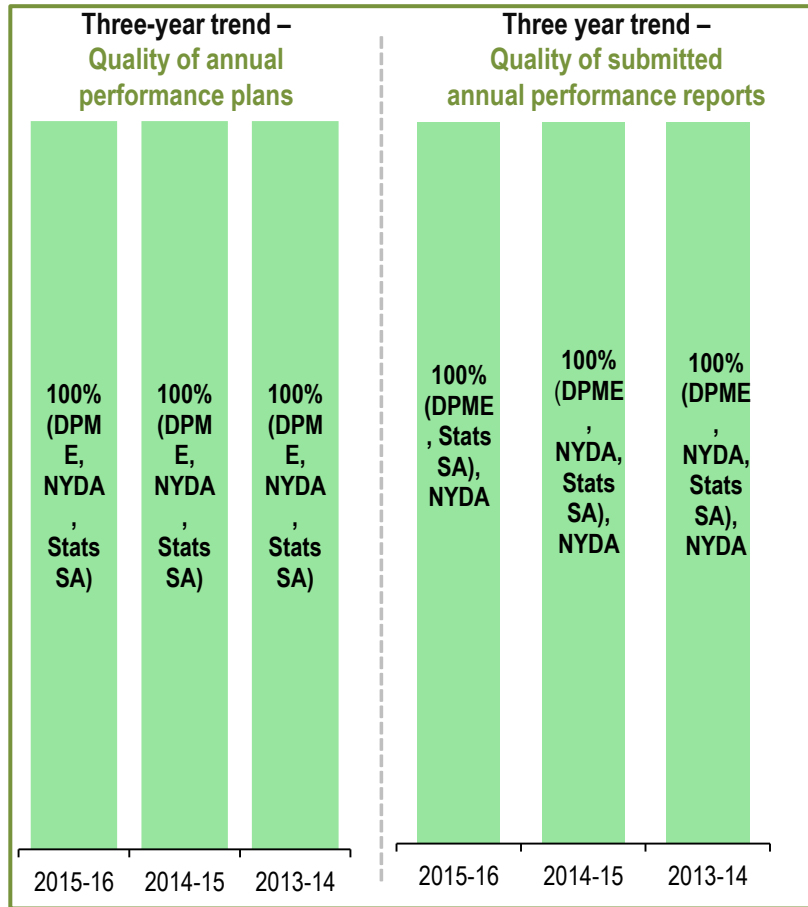
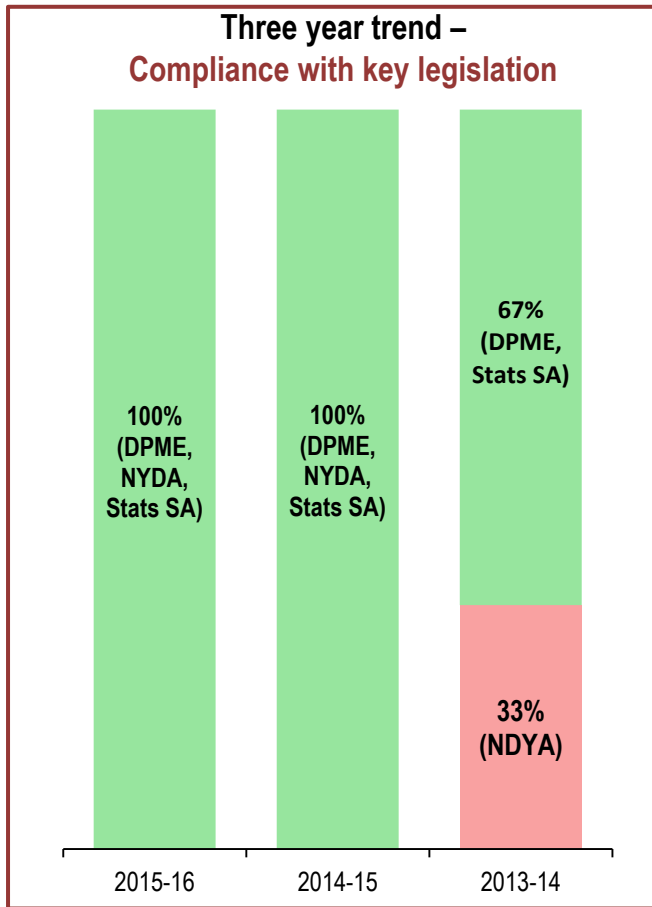
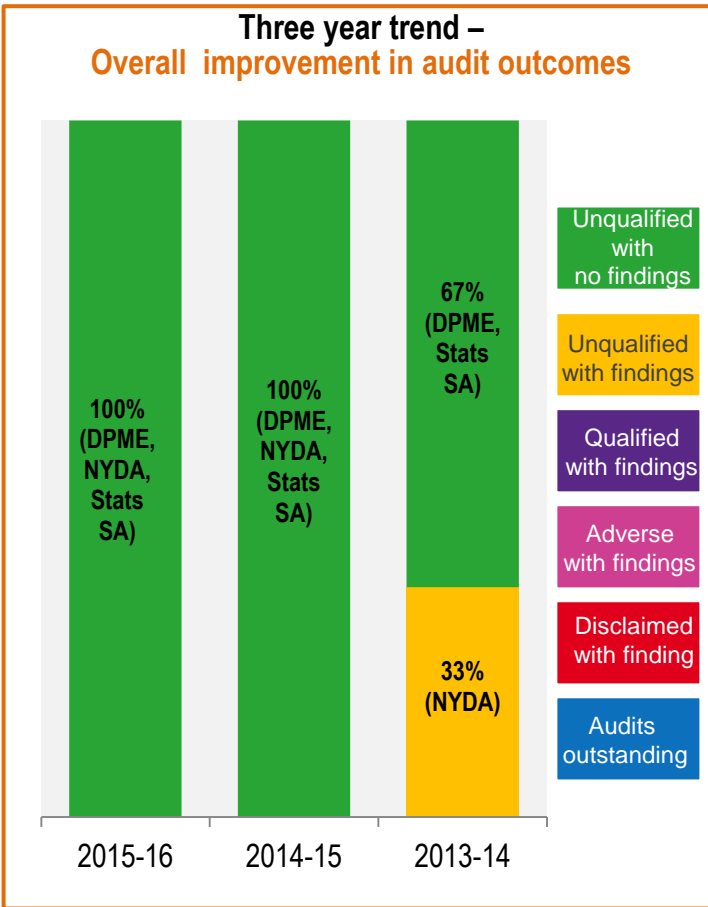
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2

**The 2015-16 audit outcomes, key
messages and follow up of
2014-15 commitments**



Improvement in audit outcomes over 3 years



1 To maintain the **overall audit outcomes**, financial statements processes,

The portfolio's overall outcomes has been sustained; the portfolio maintained unqualified audit opinions with no findings from 2014/15 to 2015/16. The portfolio showed an improvement in 2013/14 to 2014/15 due to the entity achieving financially unqualified audit opinion with no findings on both compliance with legislation and predetermined objectives (clean audit). Portfolio should maintain the following good practices to sustain the audit outcomes:

- Basic financial disciplines and monthly processing and reconciling of transactions
- Regular preparation of credible financial reports

2 **compliance** with key legislation and....

The portfolio maintained its good status of complying with key applicable legislations. The following good practices should be maintained in order to sustain the good compliance status:

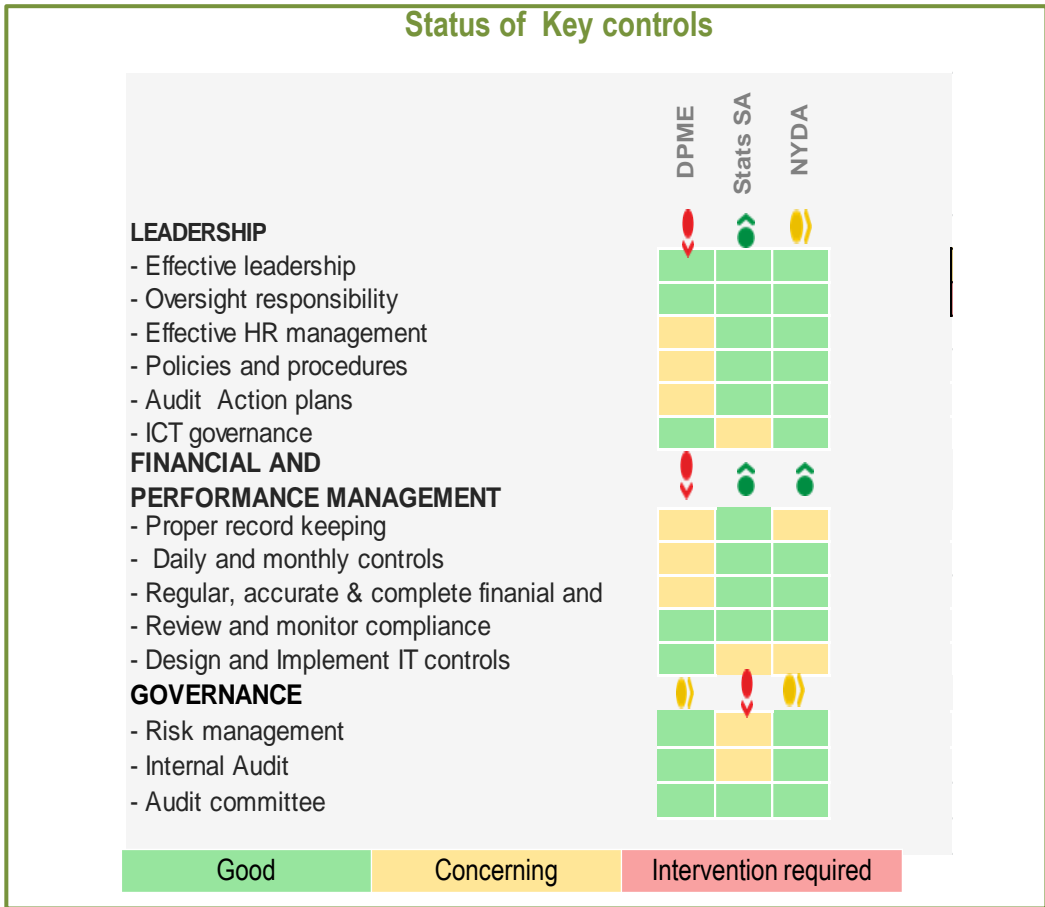
- Continue to monitor the use of compliance checklists and regular reviews of compliance with key applicable legislation.

3 **performance planning and reporting** must be improved by....

Despite the portfolio not having findings on predetermined objectives, focussed interventions are still required in order to improve the quality of the annual performance report produced by the portfolio and submitted for audit. The annual performance reports submitted for audit by DPME and Stats SA contained material misstatements for three years in a row. NDYA is commended for submitting for audit the annual performance report that is free from material misstatement; this shows an improvement in the quality of its annual performance reports. The portfolio avoided material findings in its audit reports only because it corrected all the misstatements identified during the audit process. The following controls should be strengthened to create control environment that will achieve quality annual performance reporting:

- Implementation of action plans to address quality of the annual performance reports and continuously monitor those action plans
- Robust reviews of the performance reporting by leadership and oversight structures
- Hold official responsible to prepare and review annual performance reports accountable through performance and consequence management processes

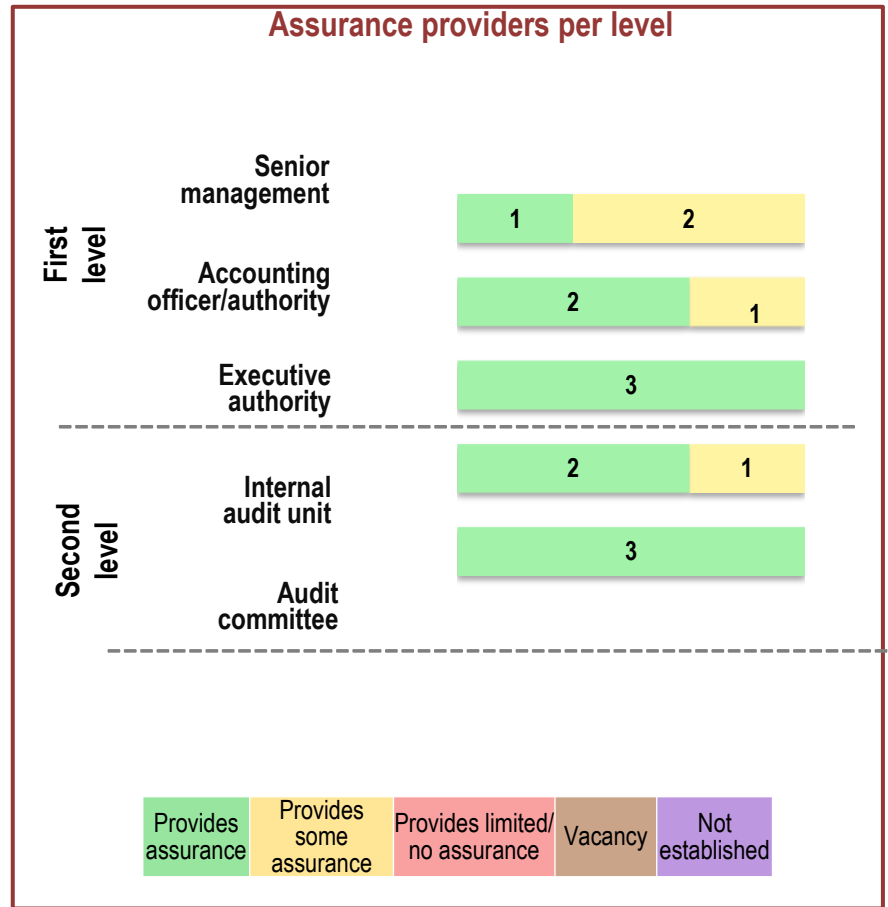
Improvement in audit outcomes over 3 years - continued



4 ... providing attention to the **key controls** by...

Despite the portfolio not receiving any modified financial audit outcomes, focussed interventions and commitments are still required in order to maintain the current status of the overall audit outcomes and improve the quality of annual performance reports. The following controls should be strengthened:

- The system of record keeping for performance reporting to ensure that complete, relevant and accurate evidence is readily available and accessible to support the reported performance.



5 ... the key role players as part of their role in **combined assurance**




The level of assurance provided has remained stagnant. The accounting officers, internal audit, audit committee and the minister have provided assurance and contributed towards sustained key controls. Senior management's efforts in developing and implementing controls to improve the quality of annual performance report remain a concern in DPME and NYDA. Internal Audit (IA) at Stats SA is in the process of capacitating their IT audit resources and development of interns to ensure that is adequately resourced and is fully operational.

3 Performance management



Quality of annual performance plan and annual performance reports remained stagnant.

Outcomes of programmes/objectives selected for testing:

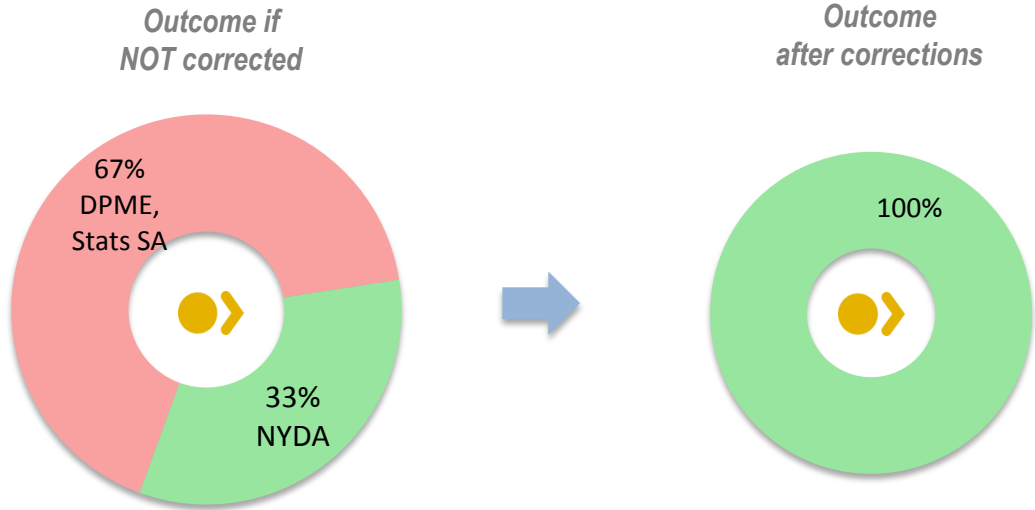
| Auditee: | Movement | Programmes/ Objectives | Usefulness | Reliability |
|----------|---|--|--------------------------------|--------------------------------|
| DPME |  | <i>Programme 2: Oversight, Monitoring and Evaluation</i> | No material findings reported. | No material findings reported. |
| | | <i>Programme 3: Institutional Performance, Monitoring and Evaluation</i> | No material findings reported. | No material findings reported. |
| | | <i>Programme 4: Governance of Public Administration</i> | No material findings reported. | No material findings reported. |
| Stats SA |  | <i>Programme 2: Economic Statistics</i> | No material findings reported. | No material findings reported. |
| | | <i>Programme 5: Statistical Support and Informatics</i> | No material findings reported. | No material findings reported. |
| | | <i>Programme 6: Statistical Collection and Outreach</i> | No material findings reported. | No material findings reported. |
| NYDA |  | <i>Programme 1: Economic Participation</i> | No material findings reported. | No material findings reported. |
| | | <i>Programme 2: Education and Skills Development</i> | No material findings reported. | No material findings reported. |
| | | <i>Programme 5: Governance</i> | No material findings reported. | No material findings reported. |



Quality of annual performance plan and annual performance reports remained stagnant

No improvement in quality of annual performance reports submitted for audit

The portfolio avoided findings due to the correction of material misstatements during the audit process
2015-16



Material misstatements were identified on the following programmes:

- 1. DPME – all audited programmes
 - Programme 2: Oversight, Monitoring and Evaluation
 - Programme 3: Institutional Performance, Monitoring and Evaluation
 - Programme 4: Governance of Public Administration
- 2. Stats SA
 - Programme 6: Statistical Collection and Outreach

4 **Financial management**



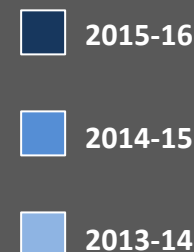
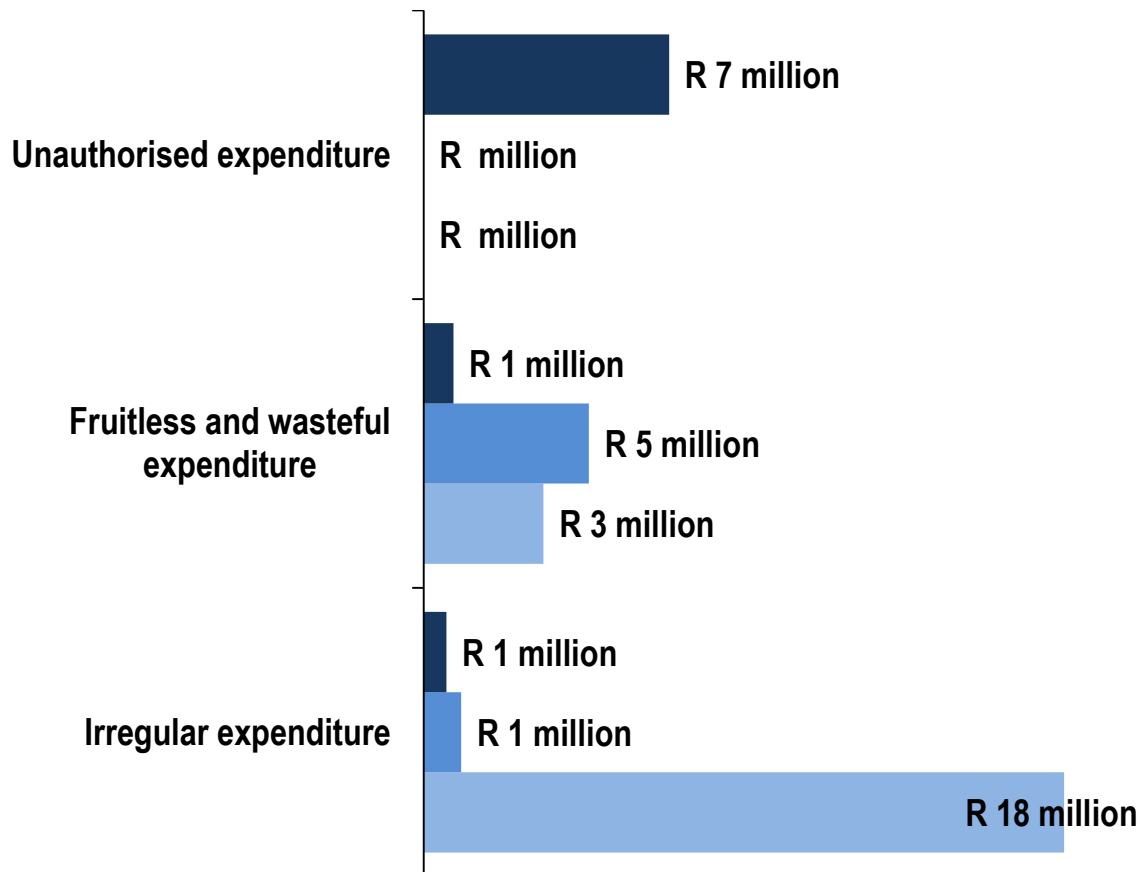
Unauthorised, irregular as well as fruitless and wasteful expenditure increase over 3 years

Definition

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

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

Expenditure incurred in contravention of key legislation; goods delivered but prescribed processes not followed



Unauthorised expenditure

2015/16: Stats SA R6 803 000 - overspent in a main division within a vote to fund one of its unfunded mandate (the Living Conditions Survey (LCS)).

2014/15: R1 340 000 - Stats SA utilised transfers to other institution to defray current expenditure without obtaining approval from National Treasury. The unauthorised expenditure was identified during 2015/16 audit.

Fruitless and wasteful expenditure

2015/16: DPME R347 000 (cancellation fee for conference and no shows); Stats SA R472 000 (late cancellation and no shows) and NYDA R4 000 (interest and penalties)

Irregular expenditure

2015/16 – DPME R146 000 (procurement without competitive bidding or quotations and non-compliance with SCM procurement process requirements); Stats SA R222 000 (Non-compliance to cost containment practice note 1/2014; Non-compliance to SCM prescripts and Non-compliance to petty cash practice note) and NYDA R265 000 (Procurement without competitive bidding or quotation; non-compliance with legislation on contracts and non-compliance with SCM procurement process requirements)



2014/15 commitments

| Auditee | Status of key commitments by Minister |
|----------------------|--|
| DPME and NYDA | <p>The commitment to sustained audit outcome in the portfolio by training and continued focus on the implementation of controls over financial and performance reporting and compliance with legislation has been implemented as evidenced by sustained clean audit outcome.</p> <p>The commitment to improve quarterly and annual controls to ensure accurate and complete performance reporting is in progress however it did not achieve the anticipated results as evidenced by repeat material adjustment in the annual performance report.</p> |
| Stats SA | <p>We were not able to meet the Minister during the reporting period as a result we could not evaluate whether the following commitments made by the Minister were honoured:</p> <ul style="list-style-type: none">• hold discussions with management and National Treasury on the matter of Statistics SA's unfunded mandates.• monitor the implementation of the corrective action plan.• monitor the implementation of performance and consequence management.• provide feedback on the outcome of the investigation into procurement of goods and services. |

Top three root causes and recommendations

| Root causes | Recommendation |
|---|--|
| Slow response by management (Accounting officer and senior management) | <p>Implement prior year action plans/commitments and regular monitor the action plans to ensure that the identified deficiencies are addressed to avoid repeat findings on predetermined objectives.</p> <p>Although internal control processes exist, it must be consistently monitored to ensure is adhered to by all employees.</p> <p>Strengthen the reviews of the annual performance reports to achieve quality performance reporting.</p> |
| Lack of consequences for poor performance and transgressions | <p>The accounting officers 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.</p> |

Questions

