

DIRCO Audit Committee

DIRCO BRRR 2017

Challenges causing financial performance concerns

04 October 2017



**international relations
& cooperation**

Department:
International Relations and Cooperation
REPUBLIC OF SOUTH AFRICA

DIRCO received an unqualified audit opinion in 2016/17!

“From the outset, as the Audit Committee, we wish to congratulate DIRCO on getting an unqualified audit opinion from the Auditor General for the financial year 2016/17, after three years of successive qualifications.

This milestone would not have been achieved, had it not been for the support, dedication and commitment of the Portfolio Committee.

We have encouraged the department to keep up the good work and make it a priority to work towards the achievement of a ‘clean’ audit opinion from now on”



Presentation Outline

- Part A – General overview of the Audit Committee’s purpose and authority
- Part B – Commendable actions/behaviour that contributed to the positive audit outcomes
- Part C – Progress update on matters raised with the Portfolio Committee in the past
- Part D – Current/persistent challenges for the attention of the Portfolio Committee



PART A: General overview of the Audit Committee's purpose and authority



Purpose and legal authority of the Audit Committee

- Section 38(1)(a)(ii) of the PFMA prescribes that:
“The accounting officer for a department, trading entity or constitutional institution must ensure that a Department, trading entity or constitutional institution maintains a system of internal audit under the control and direction of an audit committee complying with and operating in accordance with regulations and instructions prescribed in terms of sections 76 and 77.”



Purpose and legal authority of the Audit Committee (continues)

- The Audit Committee is **advisory** and **should not perform** any management function or assume any management responsibilities and, may make **recommendations** to the Director General for his approval or final decision. The Director-General retains the responsibility for implementing such recommendations.
- The Audit Committee shall assist the Director General in the oversight of the financial information, performance information, effectiveness of internal controls and risk management, effectiveness of internal audit and compliance with the laws and regulations.



PART B: Commendable actions that contributed to the positive audit outcomes



Commendable actions that contributed to the positive audit outcomes

- Regular interactions between the Audit Committee and the Portfolio Committee
- Regular attendance of the Audit Committee meetings by the Director General
- Enhanced tracking/monitoring of the Audit Committee meetings resolutions
- Capacitation and better utilisation of the internal assurance providers, such as Internal Audit and Risk Management
- Management's improved interactions with various oversight stakeholders, such as the National Treasury, Audit Committee and the Auditor General



PART C: Progress update on matters raised with the Portfolio Committee in the past



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Matters raised in the past, including progress update

No	Matters	Status update
1	Dissatisfaction that most of the findings from the previous financial years were not addressed	Partially completed
2	Challenges in the maintenance and the reporting on the Asset Register	Completed
3	Assessment of the Works of Art (Heritage Assets)	Completed
4	Adherence/compliance to the Supply Chain Management prescripts	Limited progress
5	Compliance with the legislation, including the reinforcement or monitoring of consequence management.	Limited progress
6	Capacitation of both the Internal Audit & Risk Management units	Completed



PART D: Current/persistent challenges for the attention of the Portfolio Committee



Current challenges

No	Matters	Recommendations	Status update
1.	Non-payment by DIRCO of the old ARF accounts receivable (a compliance matter for the ARF)	Source funding and/or budget for the settlement of these accounts receivable	Limited progress
2.	Administrative deficiencies at some of the Missions	Clarify the role of the HOMs, including the amendments of performance agreements to reflect the administrative responsibilities	In progress
3.	Recurring irregular, fruitless and wasteful expenditure	Commission an investigation into all the irregular, fruitless and wasteful expenditure incurred	Limited progress



Current challenges (continues)

No	Matters	Recommendations	Status update
4.	Non-implementation of the consequence management	Management to regularly report on disciplinary matters/cases	Limited progress
5.	Accumulating unauthorised expenditure incurred on unfunded mandates, forex losses	Liaise with the SARB and NT on finding solutions to the overspending due to the foreign exchange fluctuations Rationalise the Missions, specifically the LRP component	In progress In progress
6.	Leadership deficiencies in some parts of the Department, resulting in a culture of impunity and low staff morale	Conduct a culture survey and implement the recommendations timely	No progress

Current challenges (continues)

No	Matters	Recommendations	Status update
7.	Increased spending on the residential accommodation in Missions	<p>Develop an asset acquisition strategy</p> <p>Conduct an assessment on the possibility of leasing out or disposing off unused state-owned properties abroad</p>	<p>In progress</p> <p>Limited progress</p>
8.	<p>ICT infrastructure is outdated and requires upgrade and continuous maintenance</p> <p>The implementation of the infrastructure refresher plan has taken more than 3 years to take off</p>	<p>Capacitation of staff involved in the implementation of the ICT refresher plan</p> <p>The management of projects should be formalised by the development and the implementation of project management methodology</p>	<p>Limited progress</p>

Other matters

- ❖ Inadequate preparation for the Audit Committee meetings due to the meeting documents submitted “**late**”
- ❖ Audit Committee documents not discussed/quality assured by Senior Management prior to tabling in the Audit Committee
- ❖ **Non attendance** of meetings by some of the high level officials e.g. some of the DDGs responsible for the missions
- ❖ Inadequate “follow-up audits” conducted due to the size of the Internal Audit Unit – although all the posts have been filled, overall the unit is too small in relation to the size of the Department
- ❖ The identification of risks is happening, but the response strategy to mitigate the risks is not effective



Thank you!

