



Auditing to build public confidence

28 August 2018

Combined Assurance Model

Reputation promise

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.



Constitutional mandate of the Auditor General

- Chapter 9 of the Constitution of the Republic of South Africa, 1996 establishes the institution of the Auditor-General (AG) as one of the state institutions supporting constitutional democracy.
- The Constitution entrenches the organisation's independence by directing that the AG is subject only to the Constitution and the law.
- The Constitution requires the AG to be impartial and to exercise its powers and perform its functions without fear, favour or prejudice.
- The functions of the AG are described in section 188 of the Constitution. These functions are further regulated by chapters 2 and 3 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA).
- The powers of the AG to audit are based on section 4 of the PAA which differentiates between mandatory and discretionary functions for audits.
- AG audits financial statements, compliance with key legislation and reporting on pre-determined objectives as required by section 20(2) of the PAA.



Constitutional mandate of the Auditor General (cont.)

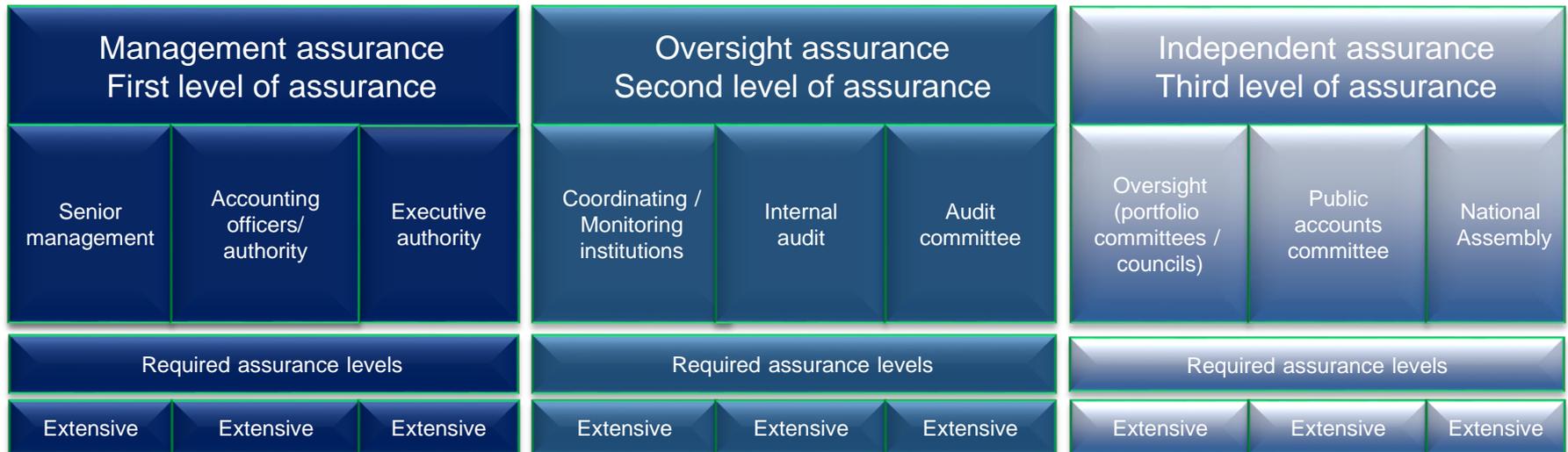
- There is also discretion on other audits that the AG can perform as envisaged in section 5(1)(d) of the PAA.
- As such, the AGSA can decide on how to approach audits as long as it is not contrary to law or auditing standards.
- It is on this basis that the AG decided to use the combined assurance model to assess parliament and legislatures on their oversight role of departments and public entities.



Accountability Cycle



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.

Combined assurance assessment criteria for portfolio committees

The assessment criteria that the AG is using to evaluate portfolio committees (PC) is based on the legislative requirements and best practice. These include, among others the oversight model of the South African legislative sector, National Treasury Guideline for legislative oversight through annual reports, Rules of the National Assembly 9th edition*.

The following criteria is used to evaluate the assurance provided by the portfolio committee:

- Invitation of the entities (including the department) to present the Annual Performance Plan to review and engage the entities,
- Discuss the portfolio budget (vote) for the department and its entities and report to the national assembly,
- Review of the department's quarterly performance information reports as submitted by the department,
- When reviewing quarterly reports, the PC should ascertain whether unforeseeable circumstances have impeded a department's work, whether there was a problem of inadequate planning or if the department is failing to deliver for other reasons,



Combined assurance assessment criteria for portfolio committees(cont.)

- The PC should review the quality of performance information in the annual report and take into account the issues highlighted by the AG audit report or any other information that came to its attention,
- The PC should hold public hearing as part of the oversight process,
- During the review of the annual report the PC should focus on investigating the circumstances that led to under or over expenditure of the entity's budget and the impact thereof on service delivery,
- The PC should follow up on progress made by the portfolio to address poor audit outcomes in relation to performance information and other service delivery matters - from audit reports, performance audit reports, sectors reports and general reports (where these have been reviewed),
- The PC should raise questions regarding the portfolio's performance in light of comments or recommendations that the committee made in its previous oversight report and/or in respect of resolutions taken by the House (National Assembly),
- Honouring of commitments made to AG to improve audit outcomes in the portfolio.



Conclusion and way forward

- The portfolio committee is the third level of assurance as indicated in slide number 5 above and as AG we assess all the assurance providers,
- Effective assurance providers will ensure that there is proper oversight, accountability and governance in the public sector thereby building public confidence,
- The mandate of the AG will also be realised if all assurance providers are effective,
- The AG will assess the assurance provided by the portfolio committee on transport for the 2017/18 financial year using the criteria as stipulated above,
- A right and opportunity for the portfolio committee to reply on the assessment will be provided,
- The audit outcomes of the portfolio for the 2017/18 including the 2016/17 audit outcomes of PRASA will be tabled during the BRRR session in October 2018.





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