

BUDGETARY REVIEW AND
RECOMMENDATIONS REPORT | PFMA
2018-19

Briefing to portfolio committee on the on Justice and
Constitutional Development – Office of the Chief Justice



AUDITOR-GENERAL
SOUTH AFRICA

Reputation promise

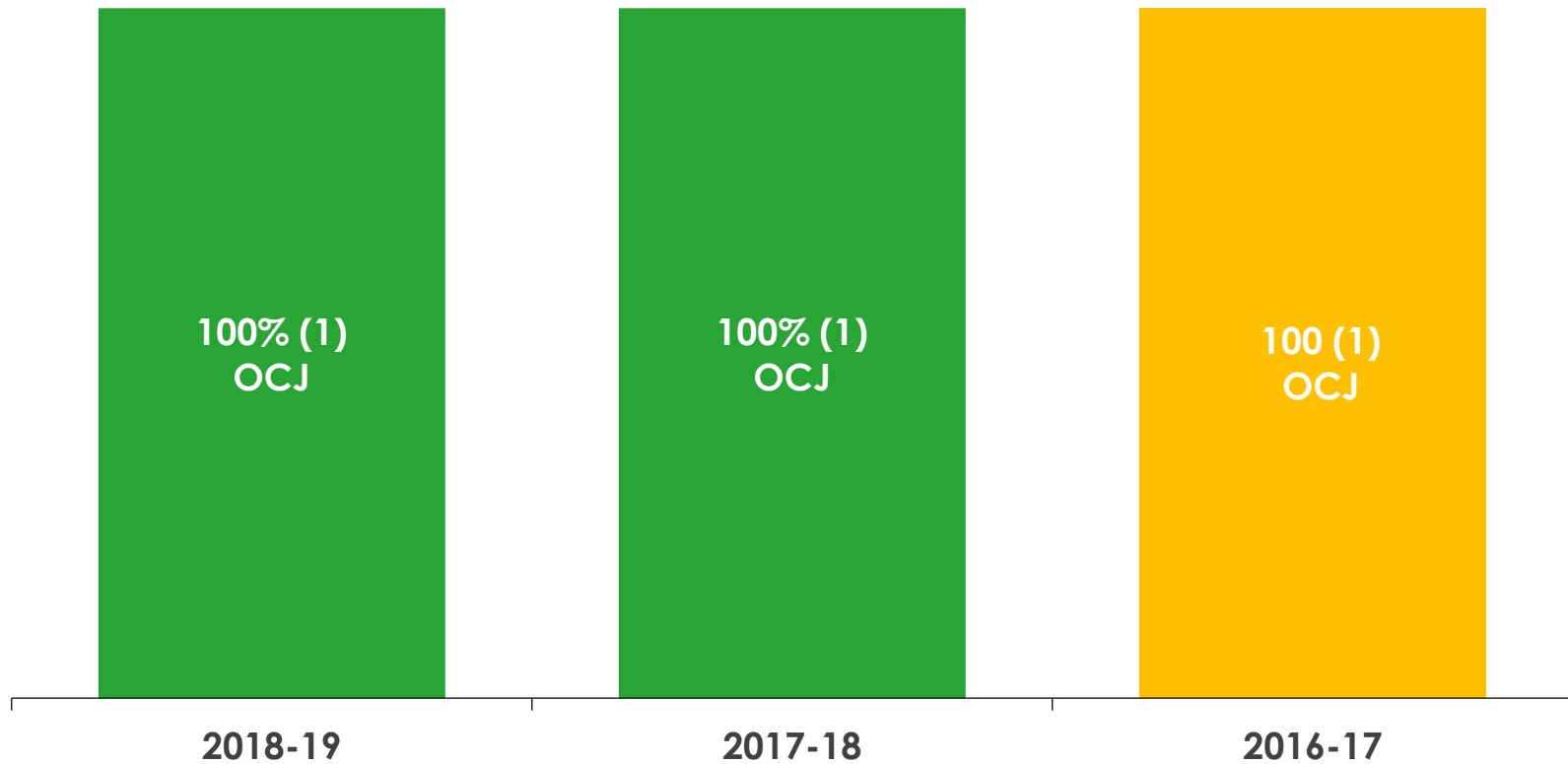
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the supreme audit institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.




The 2018-19 audit outcomes



Audit outcomes of portfolio over three years



- We commend the Office of the Chief Justice (OCJ) for retaining its clean audit. The financial and performance reports submitted for audit were free from material misstatements and this is due to the quality review processes that the department has implemented and maintained. The monitoring of compliance with laws and applicable legislation by the department also contributed to maintain the good audit outcome.

 Improved

 Unchanged

 Regressed





Credible financial reporting



Financial statements

Submission of financial statements by legislated date (all auditees)

Quality of initial submission for auditing

Quality of final submission after auditing

Movement



2018-19

2017-18

100%

100%

100%

100%

100%

100%



100% - No material misstatements were identified at the OCJ during the current and previous financial year.

No qualification areas identified





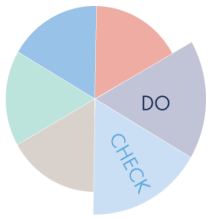
Credible performance reporting



Performance report

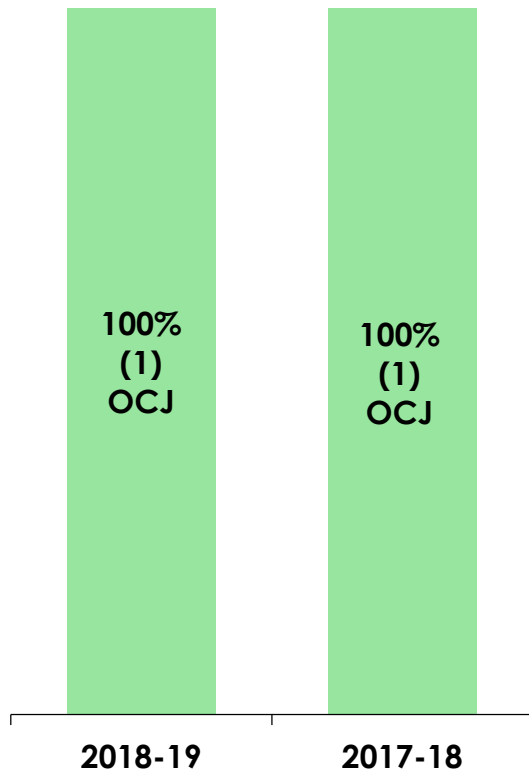
	Movement	2018-19	2017-18
Quality of initial submission for auditing	▶	100%	100%
Quality of final submission after auditing	▶	100%	100%
<p>100% - No material findings on the performance reporting were identified at OCJ in the current or previous financial years.</p>			
Reliable reporting of achievements (OCJ)		100%	100%
Usefulness of performance indicators and targets (OCJ)		100%	100%





Disregard for compliance with legislation

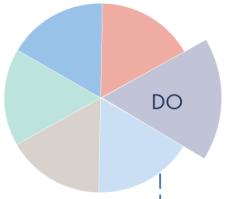
Findings on compliance with key legislation



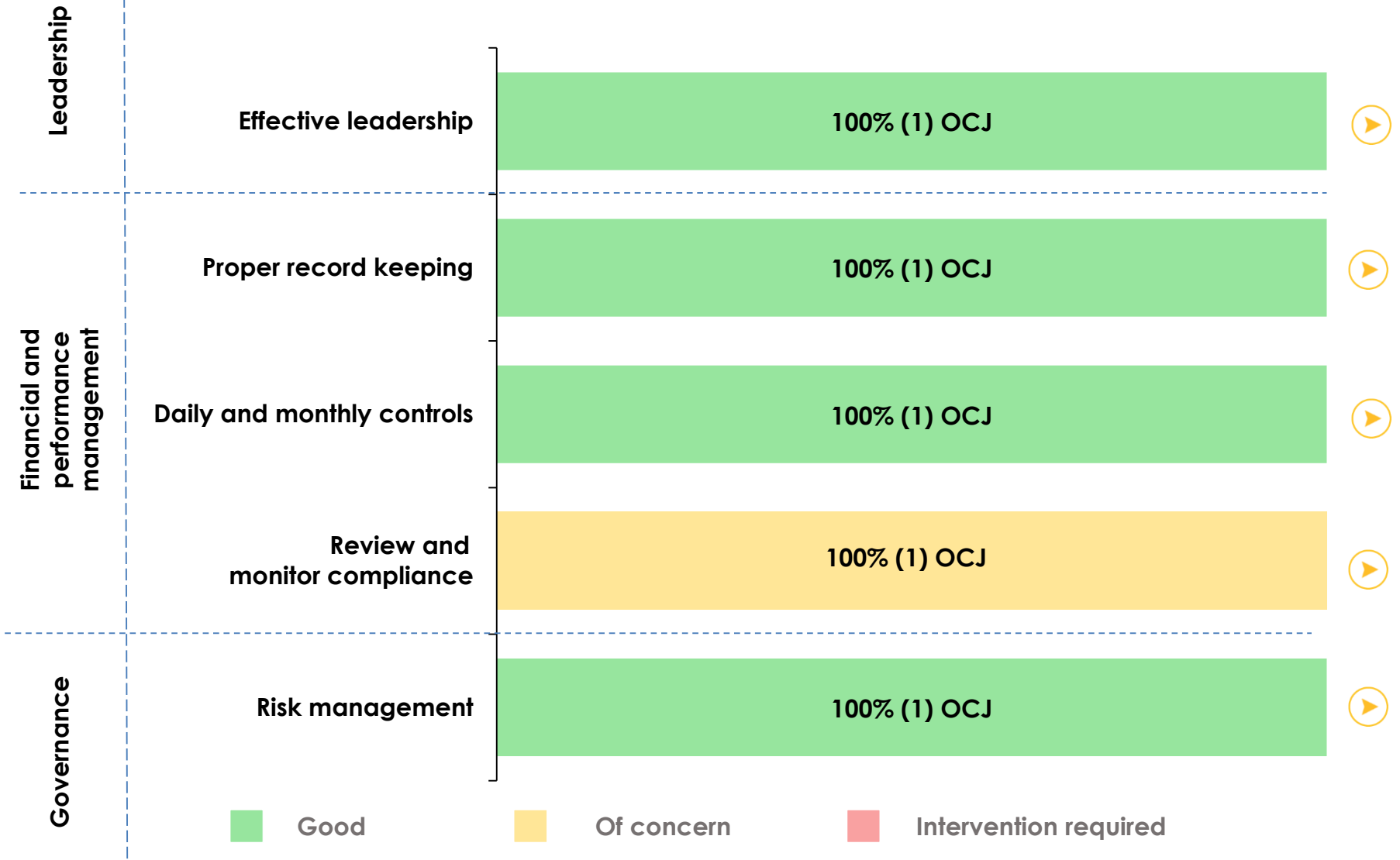
No material non-compliance areas identified during the current and previous financial years at the OCJ.

■ With no findings ■ With findings



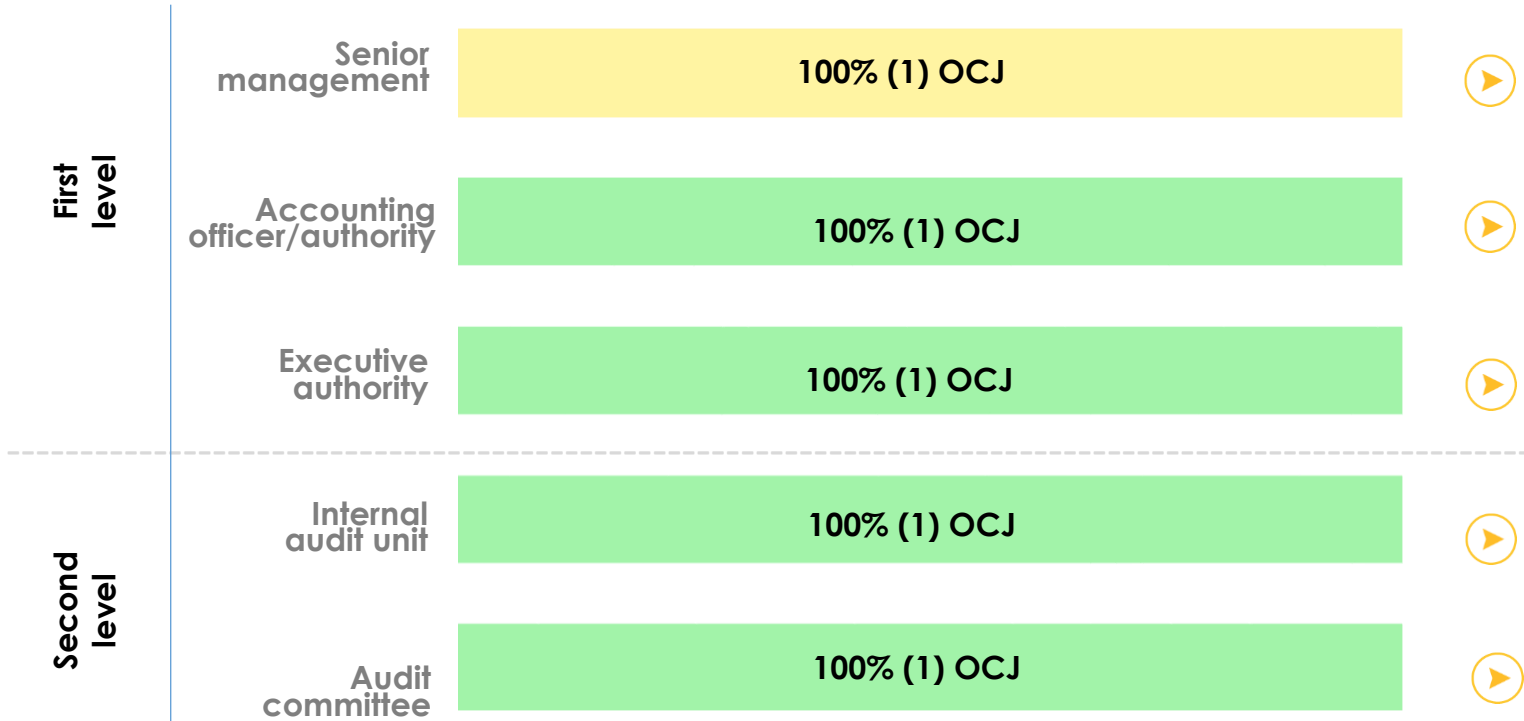


Status of internal control





Assurance provided



Financial health and financial management



Financial health



- An accrual-adjusted net current liability position was realised. Current liabilities exceeded current assets indicating liquidity issues, which means that the auditee will not be able to pay its creditors as payments become due.
- An accrual-adjusted net liability position was realised. Highlights a possible risk that the auditee cannot continue its operations at the desired levels, which may lead to an interruption or breakdown in service delivery.



Of concern



Intervention required

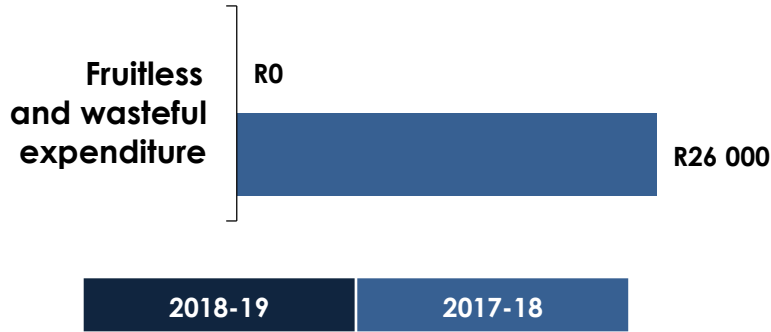


Fruitless and wasteful expenditure decreases over two years

Definition

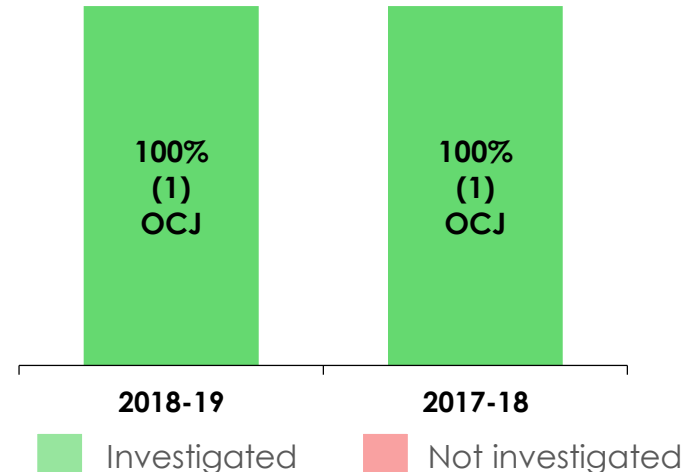
Expenditure incurred in vain and could have been avoided if reasonable steps had been taken – no value for money!

Fruitless and wasteful expenditure incurred by department in portfolio



- R26 000 fruitless expenditure was identified during the 2017-18 financial year; investigated and condoned during the 2018-19 financial year.

Previous year fruitless and wasteful expenditure reported for investigation



Nature of fruitless and wasteful expenditure

- The fruitless and wasteful expenditure identified in the prior financial year relates to interest charged on a late payment.

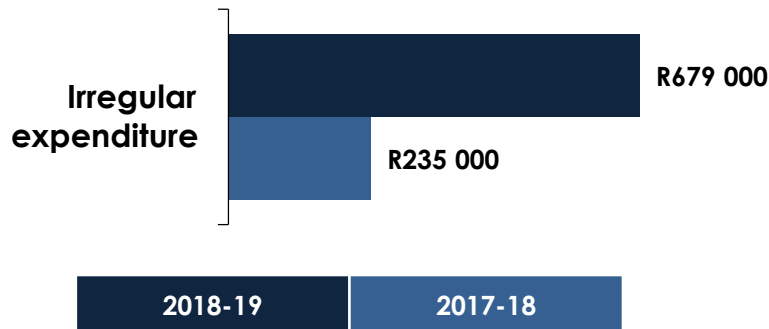


Irregular expenditure increases over two years

Definition

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

Irregular expenditure incurred by department in portfolio

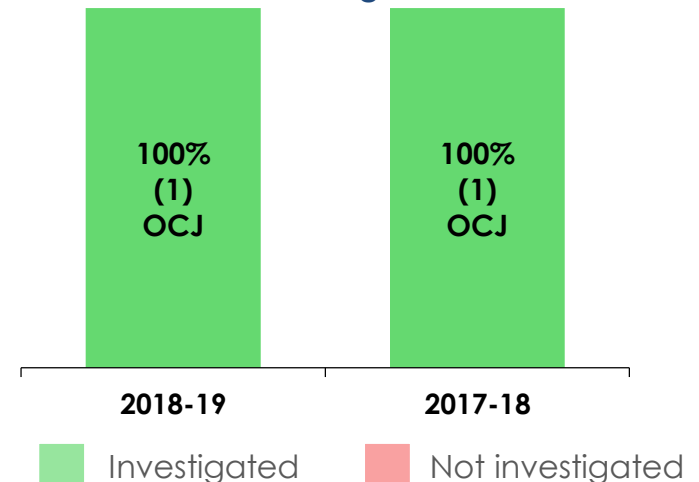


- *The identified irregular expenditure in the prior financial year has been investigated and condoned during the 2018-19 financial year.*
- *R679 000 irregular expenditure was identified during the 2018-19 financial year.*

Nature of irregular expenditure

- *Deviation from local production content prescripts.*
- *Foreign suppliers did not submitted the required standard bid documents .*

Previous year irregular expenditure reported for investigation



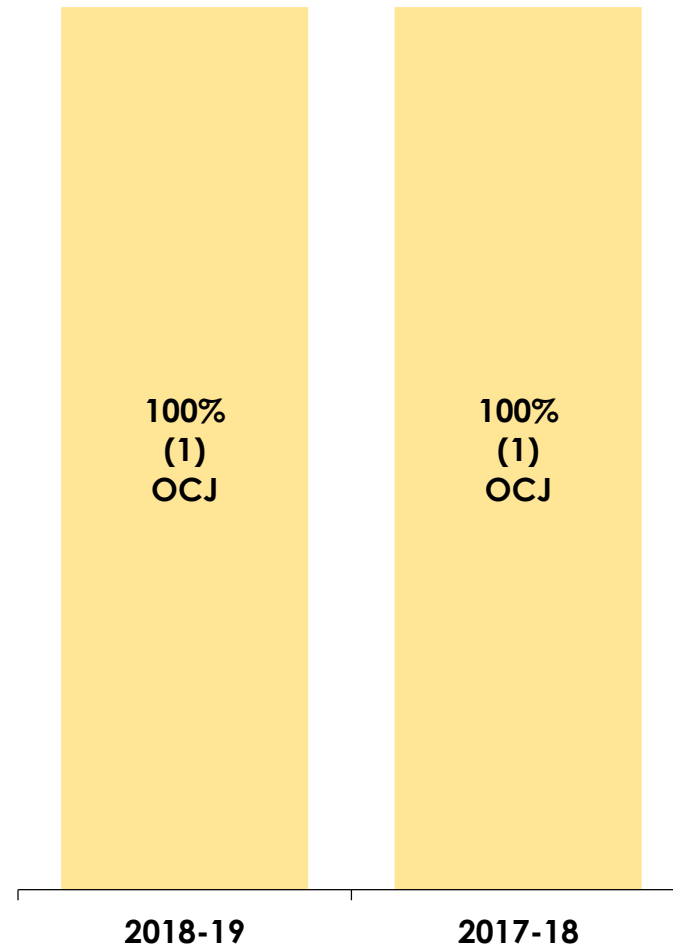
Supply chain management (SCM)

▶ Stagnation in SCM compliance

All SCM findings should be investigated and was investigated

Most common SCM findings

- Non-compliance with local production content prescripts during the current and previous financial years.
- Non-compliance with the submission of prescribed standard bid documents by foreign suppliers during the current financial year.



■ With no findings ■ With findings ■ With material findings



Best practices



Recommendations

To department

- The internal control deficiency identified at the department was due to the ineffective monitoring of compliance legislations as there were three (3) instances where procurement for goods and services taken place without following the correct procedures that resulted in irregular expenditure. Although these instances were not material, it is recommended that the department implement effective controls to ensure that proper procurement processes are being followed.
- The Chief Information Officer was appointed in the end of the third quarter of the financial year and was able to develop significant policies; however these policies were not yet been implemented as at year end, which was the reason for the increase of the number of findings relating to information technology. It is recommended that management should ensure that these policies are communicated to the management and implemented and that the findings are adequately addressed.



Recommendations

To Portfolio Committee

- The Committee must request regular feedback on the implementation of the audit action plans to address poor audit outcomes within the portfolio to ensure that:
- The accounting officer of the department continues to provide assurance as there were no significant issues identified on the financial statements or reporting, performance reporting and compliance with applicable laws and regulations.
- The oversight structures continues maintain their status of the previous year by providing the required level of assurance over financial and performance reporting as well as compliance with legislation and holding management of the department accountable for its mandate.



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