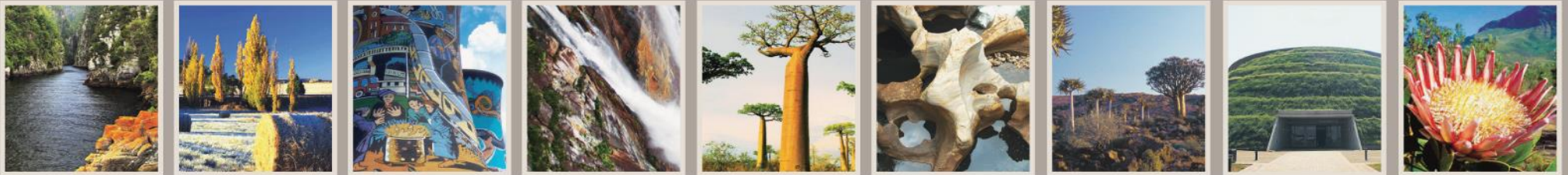


PFMA
2015-16



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



Briefing to the Communications Portfolio Committee

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

1

The AGSA's promise and focus

1



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

Role of the 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 of assessing the performance of the entities taking into consideration the objective of the committee to produce a BRRR



Our annual audits examine three areas

PFMA
2015-16



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



AUDITOR-GENERAL
SOUTH AFRICA

Unqualified opinion with no findings (clean audit)



Auditee:

- produced credible and reliable financial statements that are free of material misstatements
- reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP)
- complied with key legislation when conducting their day-to-day operations to achieve their mandate

Financially unqualified opinion with findings



Auditee produced financial statements without material misstatements or could correct the material misstatements but struggled in one or more areas to:

- align their performance reports to the predetermined objectives they committed to in their APPs
- set clear performance indicators and targets to measure their performance against their predetermined objectives
- report reliably on whether they achieved their performance targets
- determine the legislation they should comply with and implement the required policies, procedures and controls to ensure compliance

Qualified opinion



Auditee:

- had the same challenges as those with unqualified opinions with findings but, in addition, they could not produce credible and reliable financial statements
- had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published

Adverse opinion



Auditee:

- had the same challenges as those with qualified opinions but, in addition, they had so many material misstatements in their financial statements that we disagreed with almost all the amounts and disclosures in the financial statements

Disclaimed opinion



Auditee:

- had the same challenges as those with qualified opinions but, in addition, they could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements

2

The 2015-16 audit outcomes and key messages

2



AUDITOR - GENERAL
SOUTH AFRICA

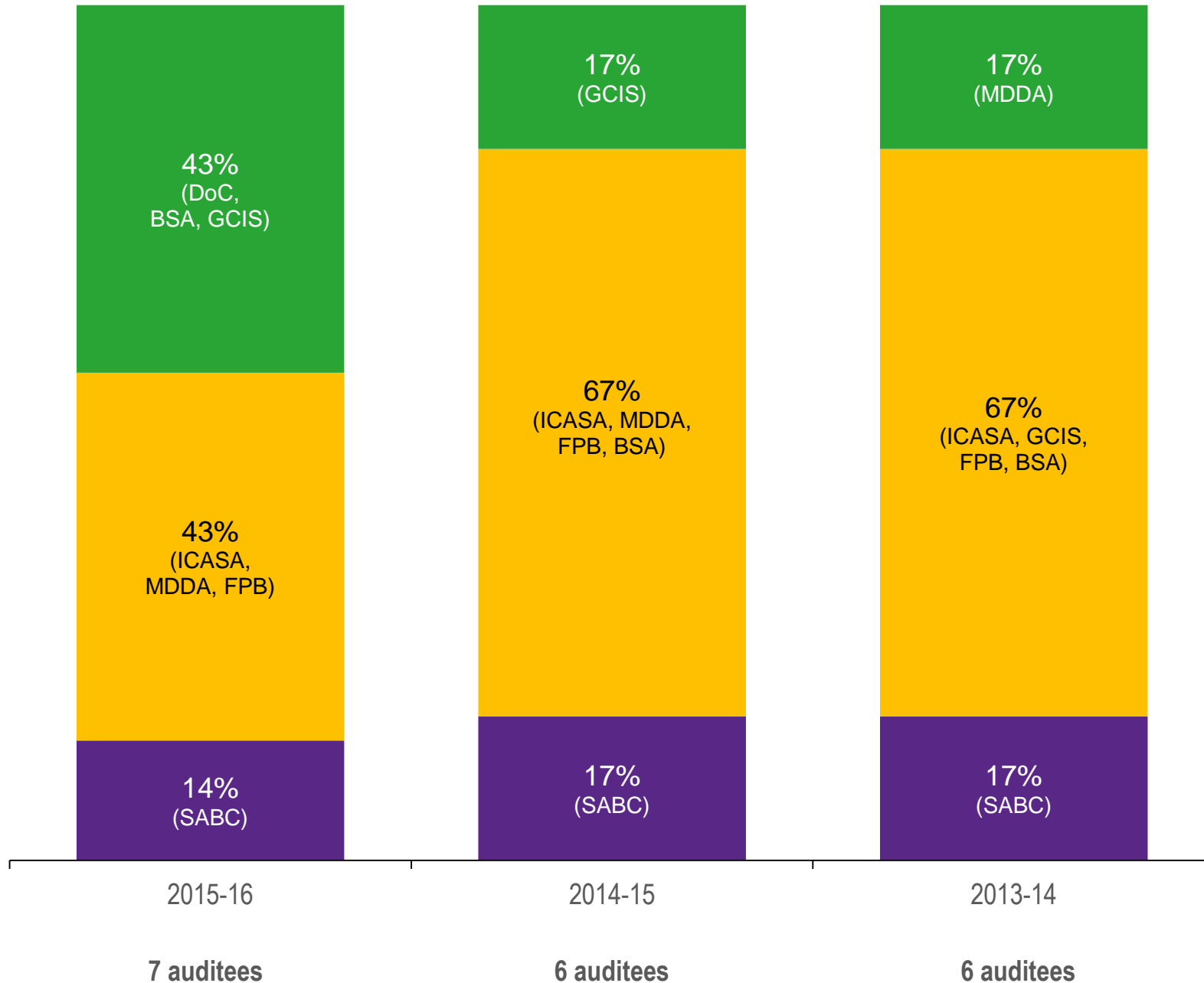
Departments and entities in the portfolio

- Department of Communications (DoC) (New Department)
- Government Communications Information Systems (GCIS)
- Independent Communications Authority of South Africa (ICASA)
- South African Broadcasting Corporation (SABC)
- Media Development and Diversity Agency (MDDA)
- Brand SA (BSA)
- Film and Publication Board (FPB)



Audit outcomes over three years – Communications portfolio

PFMA
2015-16



- Unqualified with no findings
- Unqualified with findings
- Qualified with findings



AUDITOR-GENERAL
SOUTH AFRICA

Improvement over three years in areas on which the SABC has received qualified opinions

PFMA
2015-16

Qualifications areas	2015-16	2014-15	2013-14
Irregular, fruitless and wasteful expenditure	X	X	X
TV Licence and related receivables		X	X
Taxation		X	X
Property, plant and equipment			X
Mobile income			X
Deferred government grants			X
IFRS 7 disclosure note (receivables)			X



AUDITOR-GENERAL
SOUTH AFRICA

3

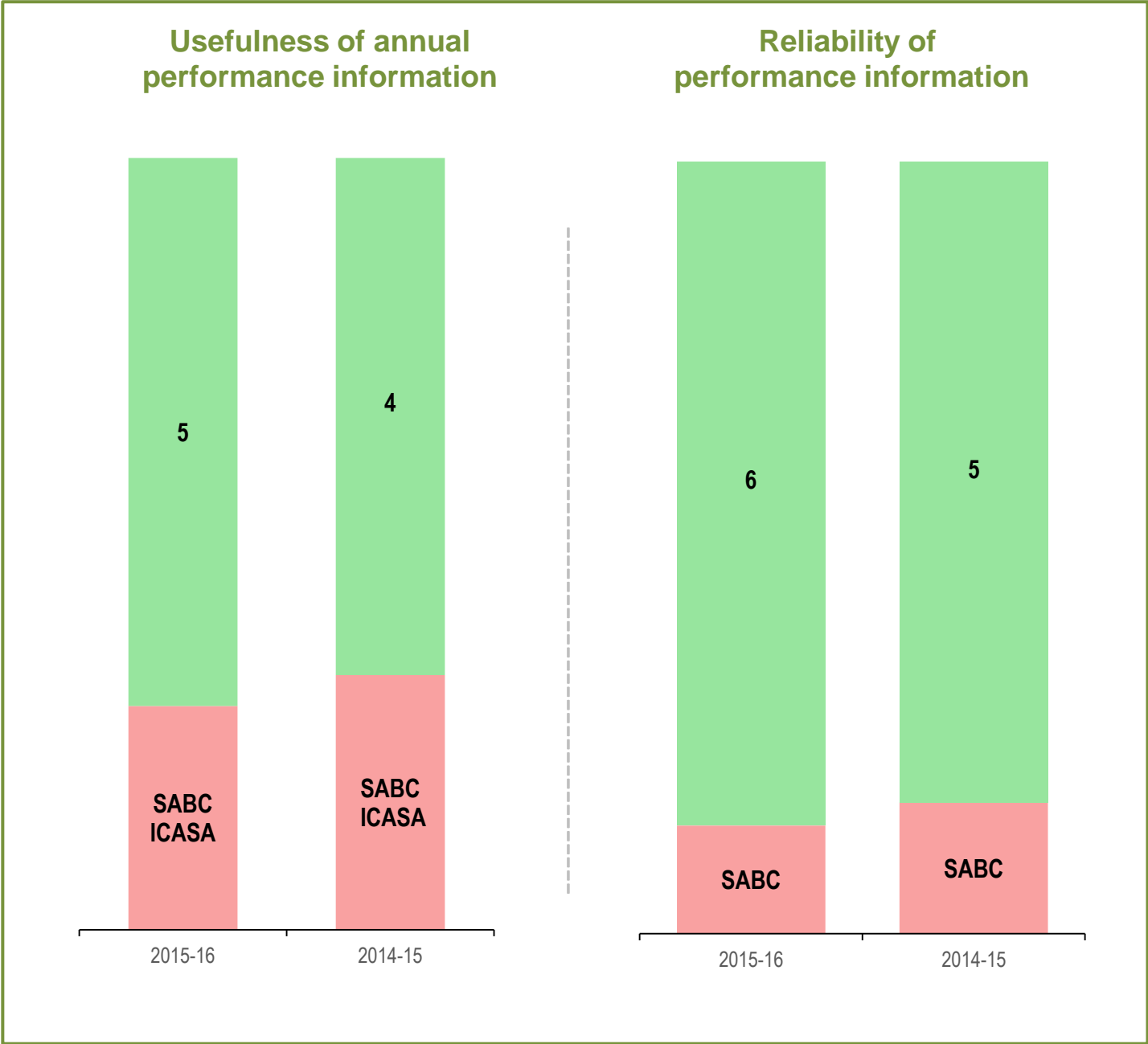
Performance management linked to programmes or objectives tested

3



AUDITOR - GENERAL
SOUTH AFRICA

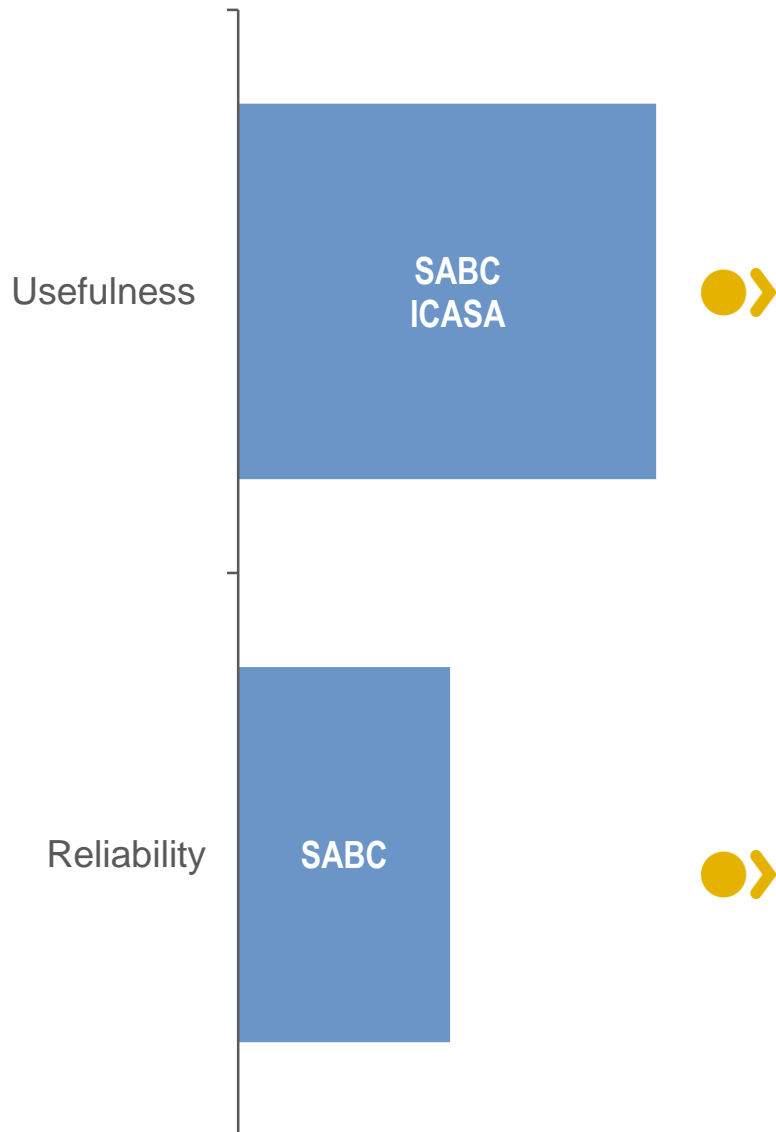
Quality of performance information



With no material findings
With material findings



Most common material findings on usefulness and reliability



Usefulness

The most common findings on the usefulness of information were the following:

- Indicators/measures not well defined
- Performance targets not measurable
- Reasons for variance not supported

Reliability

The most common findings on reliability of information were the following:

- Reported information not complete
- Reported information not valid
- Reported information not accurate

Stagnant



4

Compliance

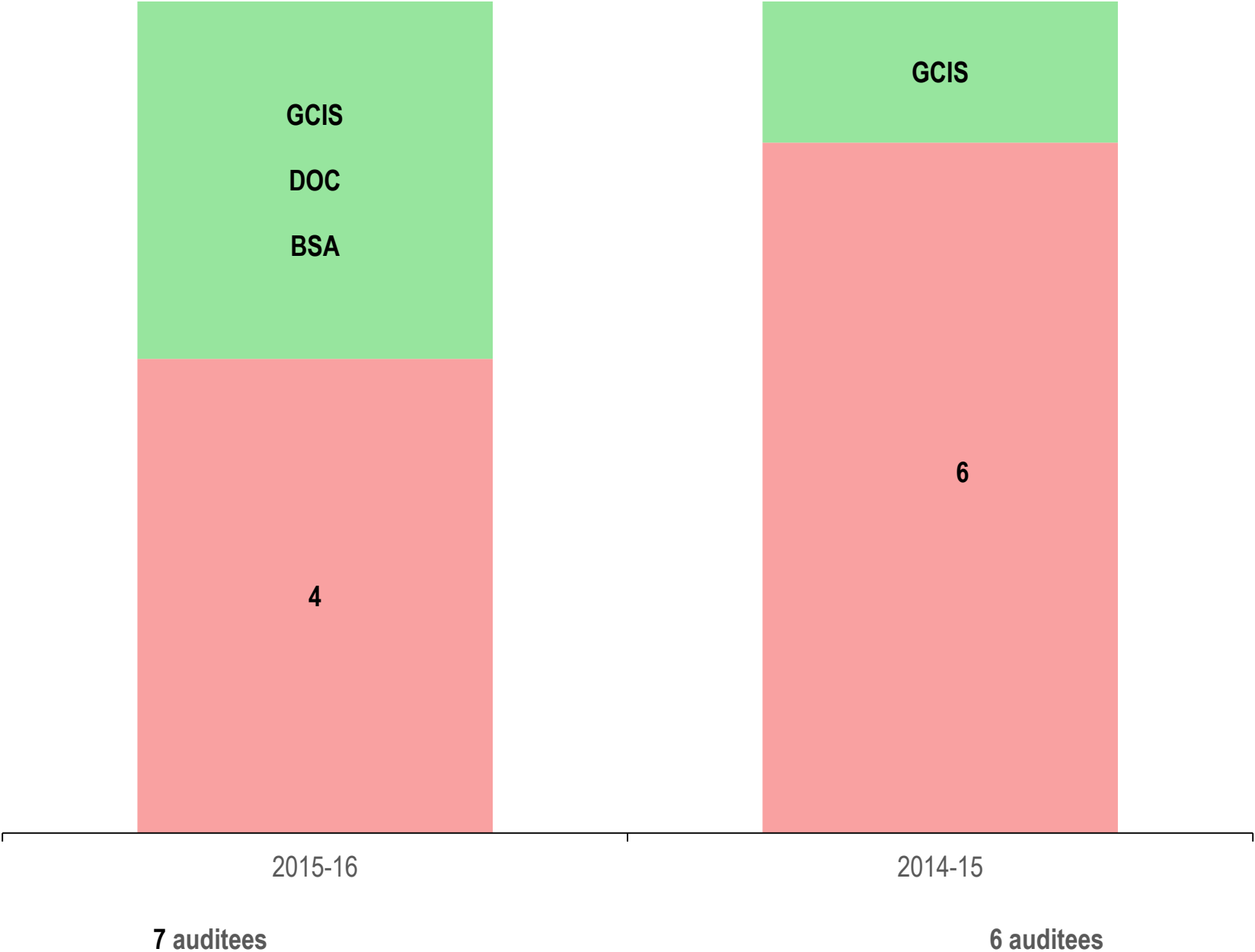
4



AUDITOR - GENERAL
SOUTH AFRICA

Movement in compliance with legislation

PFMA
2015-16



- With no material compliance findings
- With material compliance findings

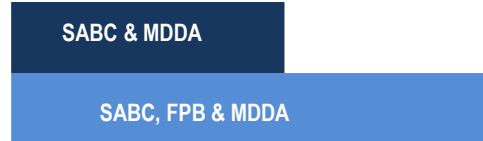


AUDITOR-GENERAL
SOUTH AFRICA

Slight improvement in compliance with legislation and quality of financial statements

Figure 1: Findings on compliance with key legislation – all auditees

Material misstatements in submitted annual financial statements



Prevention of unauthorised, irregular and/or fruitless and wasteful expenditure



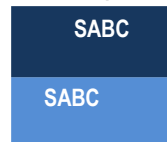
Strategic planning and performance management



Management of procurement and/or contracts



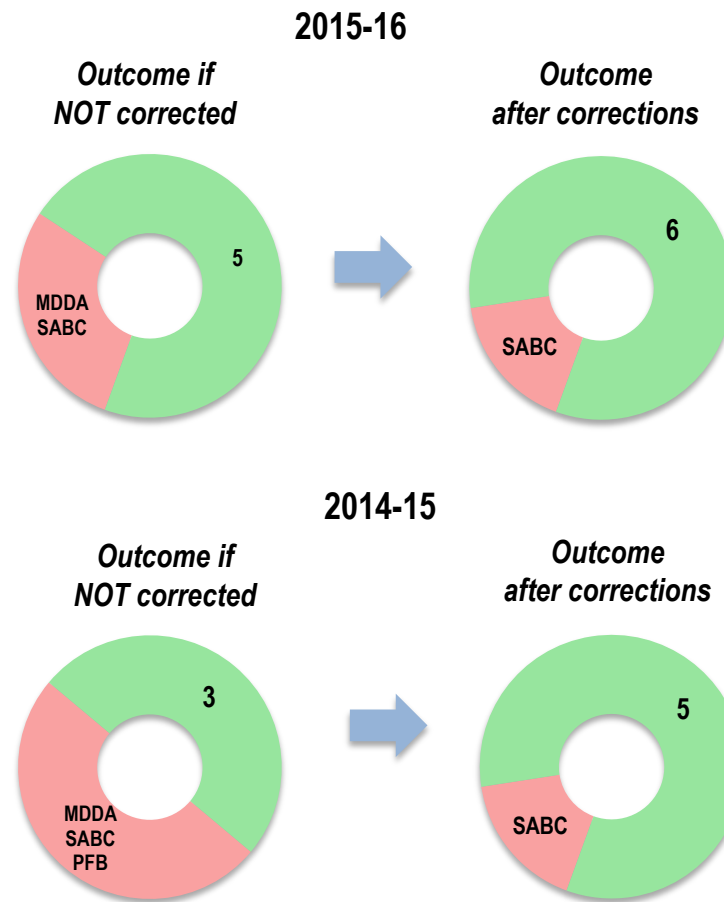
Consequence management



2015-16 2014-15

Figure 3: Quality of submitted financial statements

2 auditees avoided qualifications by correcting material misstatements during the audit process in 2015-16, and 1 auditee did so in 2014-15



With no material misstatements With material misstatements



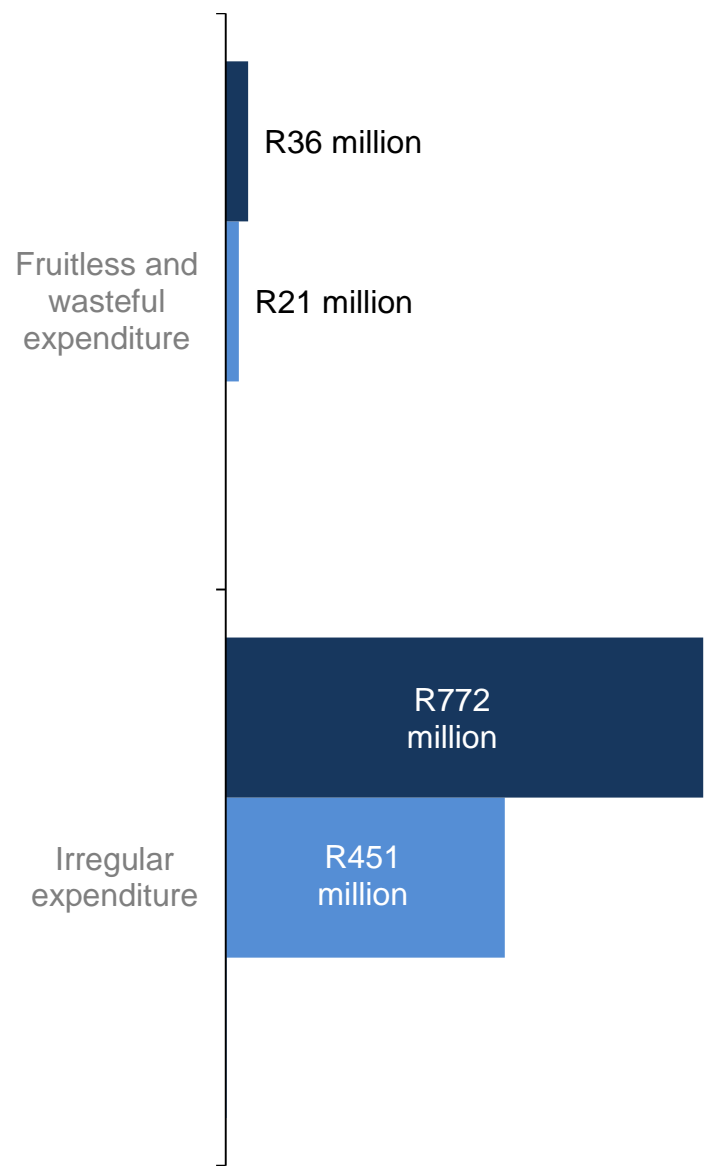
Irregular, fruitless and wasteful expenditure

Definition

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

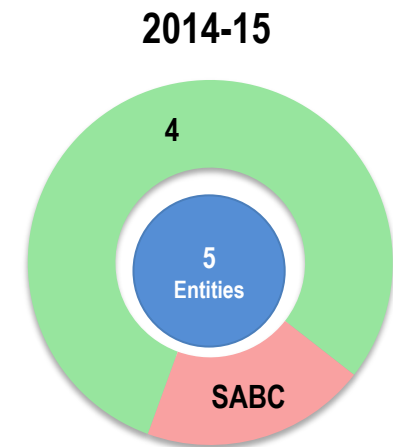
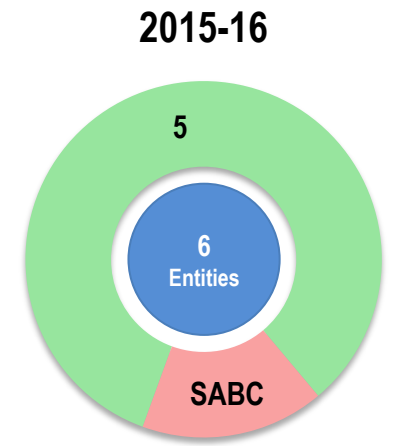
UIFW amounts incurred by entities in portfolio



2015-16 2014-15

Investigations of UIFW expenditure

5 auditees (75%) in 2015-16 and 4 in 2014-15 (80%) lodged investigations to determine root cause and consequences of U.I.F incurred



Investigated Not investigated

5

**Key controls, assurance providers,
follow-up on commitments, top
three root causes and proposed
recommendations**

5

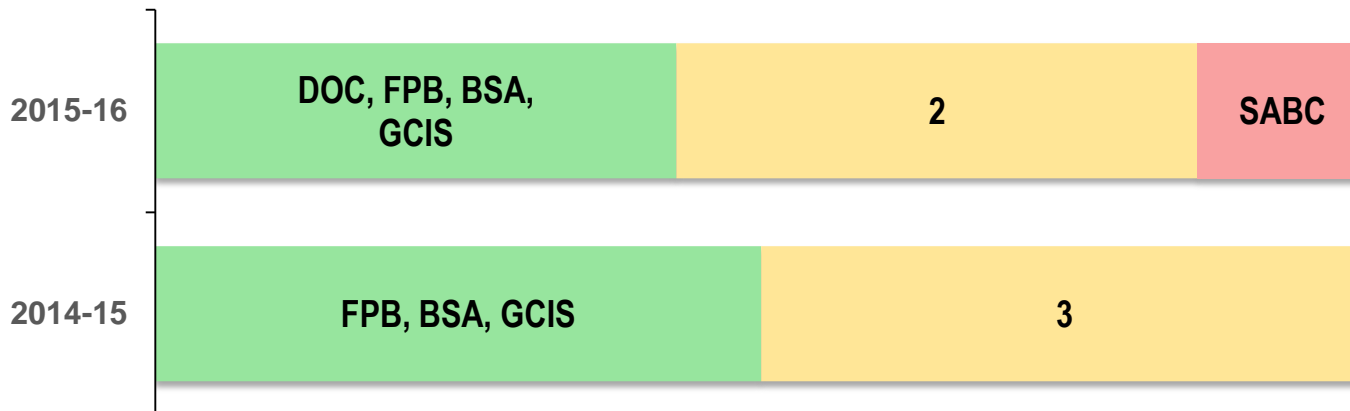


Regression in controls

PFMA
2015-16



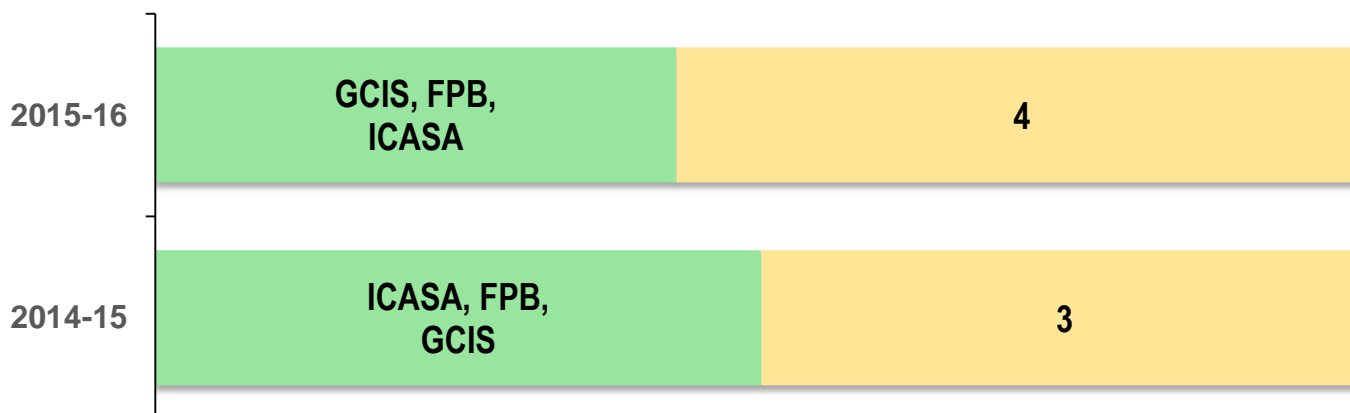
Leadership



Financial and performance management



Governance



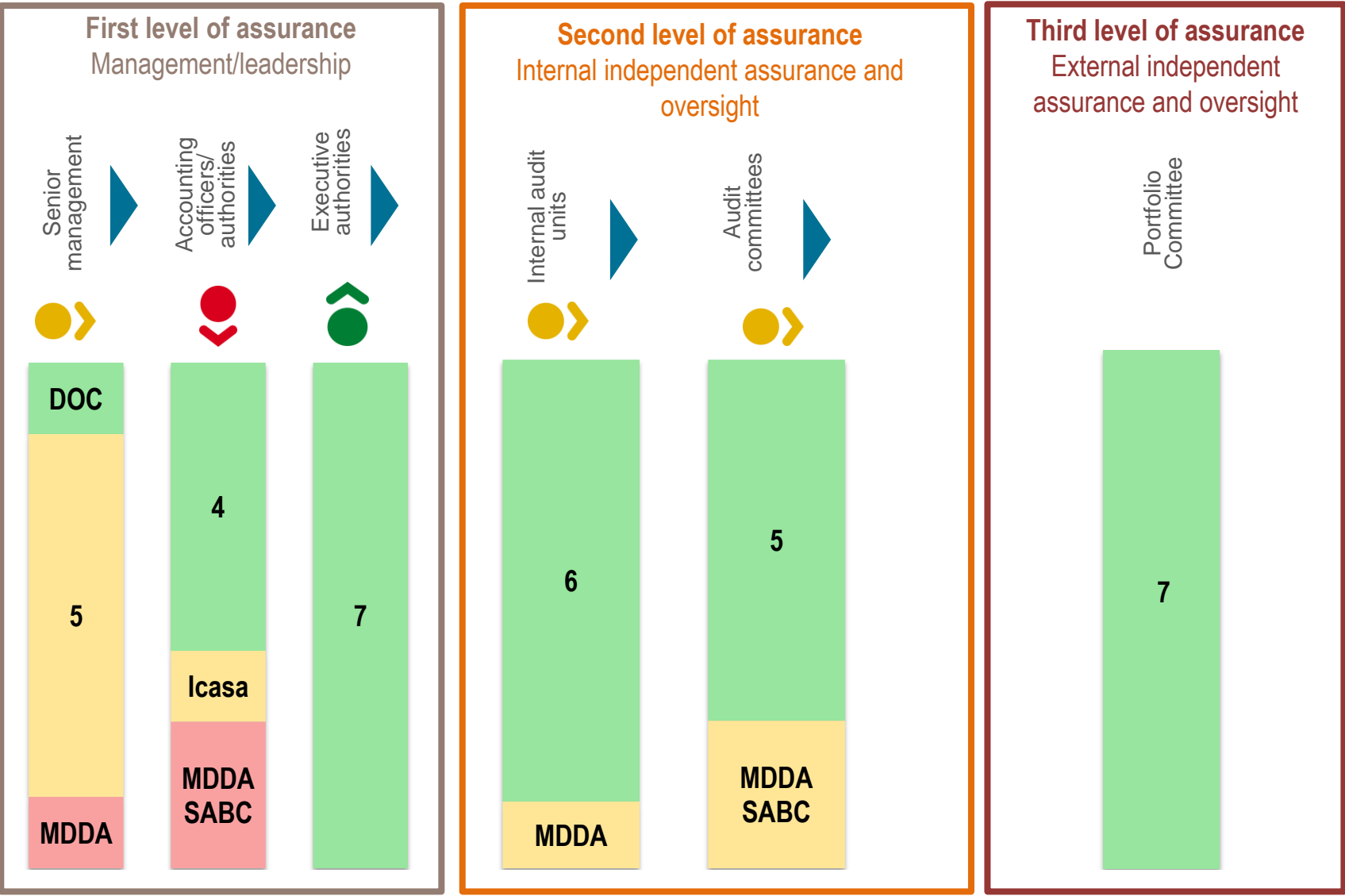
- Good
- Of concern
- Intervention required

- Stagnant or little progress
- Regressed



AUDITOR-GENERAL
SOUTH AFRICA

Improvement in assurance provided by key role players



PFMA
2015-16

- Provides assurance
- Provides some assurance
- Provides limited / no assurance



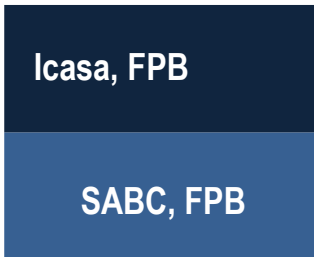
AUDITOR - GENERAL
SOUTH AFRICA

Basis for PC evaluation:

- **Oversight role** - robust budget vote process; review of the annual report including the audit report; quarterly reporting
- **Follow-up** on auditees' progress to address poor audit outcomes and key matters in the BRRR report
- **Recommendations** made in relation to key audit matters

Top root causes

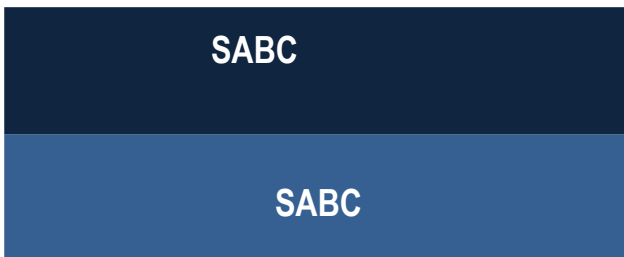
Slow response to improving key controls and addressing risk areas



Instability or vacancies in key positions or key officials lacking competencies



Inadequate consequences for poor performance and transgressions



2015-16

2014-15



Key recommendation for improvement

- Financial statements must be thoroughly reviewed for reliability and credibility before submission for audit purposes. Assurance providers must play a critical role in this
- Implement a performance management system to ensure reliable reporting on performance information
- Fill key vacancies with competent personnel
- Implement a record management system, especially for procurement and contract management
- Stabilise governance structures to provide effective oversight
- Establish and implement action plans in response to external and internal audit findings. These must be monitored by the assurance providers
- Implement daily and monthly internal controls of transactions recognition and reduce the overreliance on consultants
- Implement an individual performance management system ,which must be aligned to consequence management



Follow up on commitments by the minister

PFMA
2015-16

Letters will be written to all the entities that incurred irregular expenditure requesting details of expenditure and progress on consequence management

Establishment of an audit committee forum

Filling vacancies in the governance structures and at senior management level

Frequent assessment of the implementation of the action plans to address internal and external audit findings

Strengthen the records management of financial and performance information

In progress



AUDITOR-GENERAL
SOUTH AFRICA

Questions

