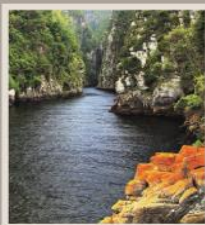


PFMA  
2015-16



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# Briefing to the Portfolio committee: International relations and cooperation

*12 October 2016*

1

# The AGSA's promise and focus



# Reputation promise

2015-16  
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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 International Relations and Cooperation portfolio's 2015-16 audit outcomes so that the committee can ensure effective oversight.
- To enable oversight to focus on areas that will lead to good governance.



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# Our annual audits examine three areas

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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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SOUTH AFRICA

## 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.

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## Qualified opinion



Auditee:

- had same challenges as those that were unqualified 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.
- did not comply with key legislation in certain instances.

## Adverse opinion



Auditee:

- has so many material misstatements in their financial statements that we disagree with almost all the amounts and disclosures in the financial statements.
- was unable to provide sufficient supporting documentation for amounts in the financial statements and achievements reported in the annual performance report.
- did not comply with key legislation.

## Disclaimed opinion



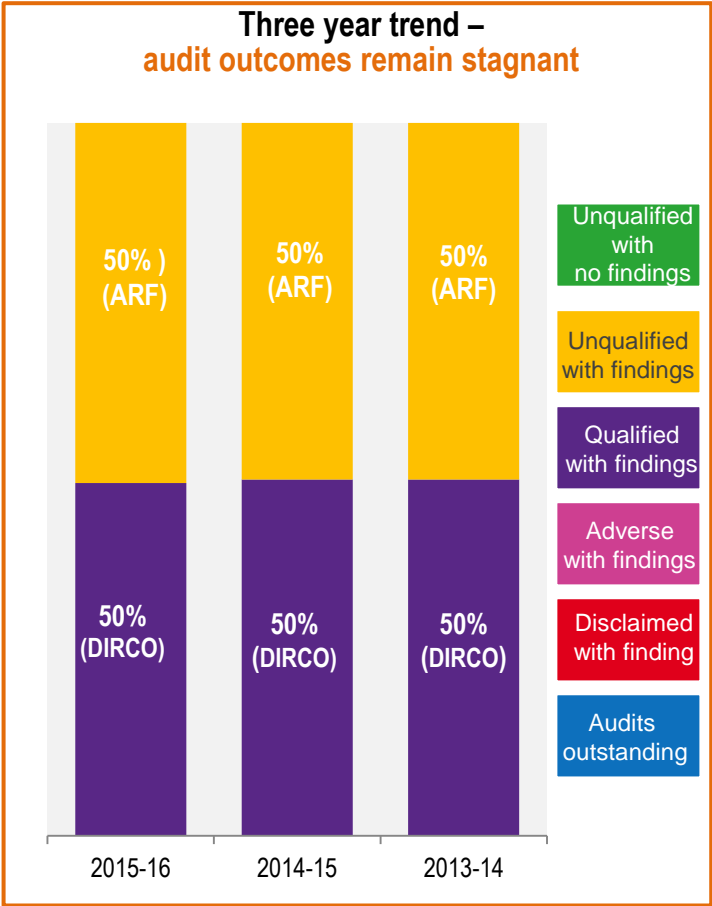
Auditee:

- 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.
- was unable to provide sufficient supporting documentation for amounts in the financial statements and achievements reported in the annual performance report.
- did not comply with key legislation.

## The 2015-16 audit outcomes and key messages

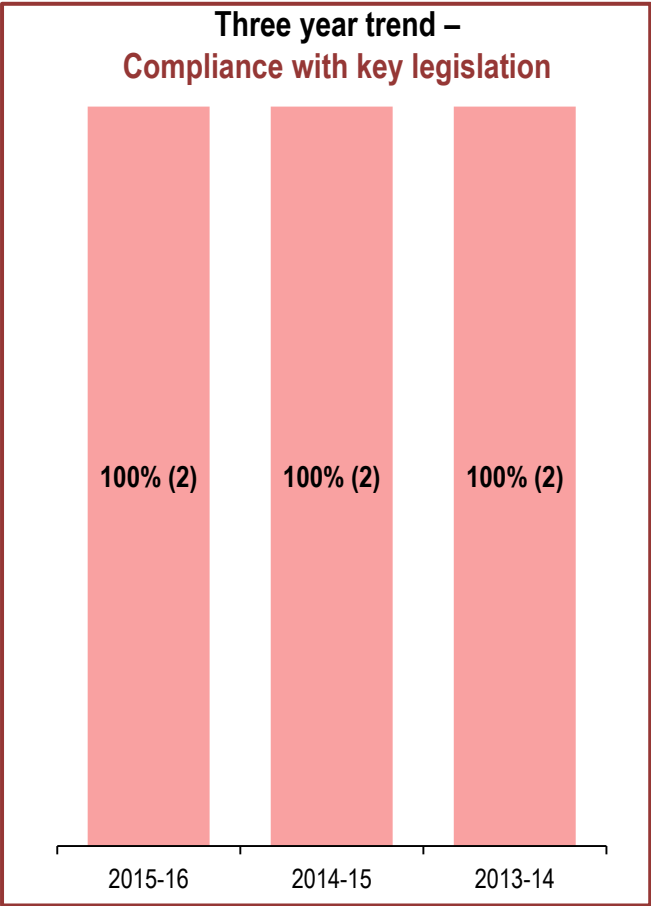


# Audit outcomes remain stagnant over 3 years



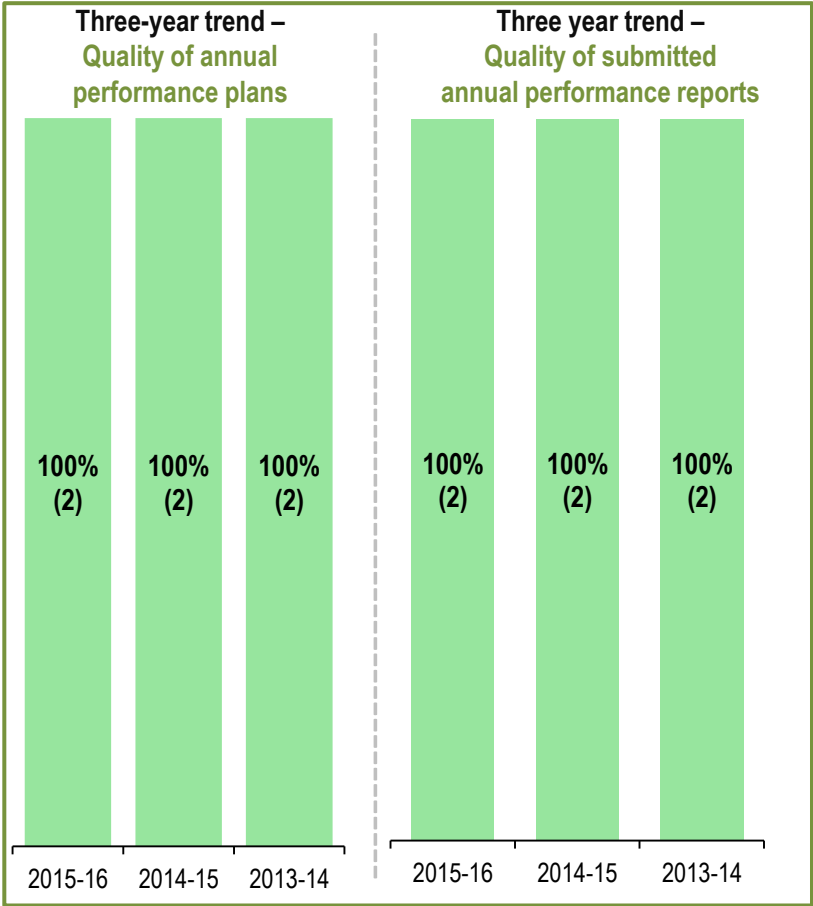
**1** The **overall audit outcomes**, remained stagnant for the portfolio

The audit outcomes of the portfolio remained stagnant over the three years. The lack of improvement in the overall audit outcomes was caused by DIRCO receiving a qualified audit opinion on its financial statements for the third consecutive year. The ARF remained unqualified with findings on compliance with legislation for the third consecutive year as well. This is due to slow response by accounting officer in addressing significant internal control deficiencies identified in the prior years regarding the asset management and compliance with legislation .



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

The area of compliance with legislation remained stagnant over the past three years. The portfolio continued to submit the financial statements that contained material misstatements and not taking effective steps to prevent irregular expenditure amounting to R339 million. DIRCO did not always follow a competitive bidding process. This is due to lack of consequence management for permitting non-compliance with legislation to occur and not holding officials accountable for not executing their responsibilities.

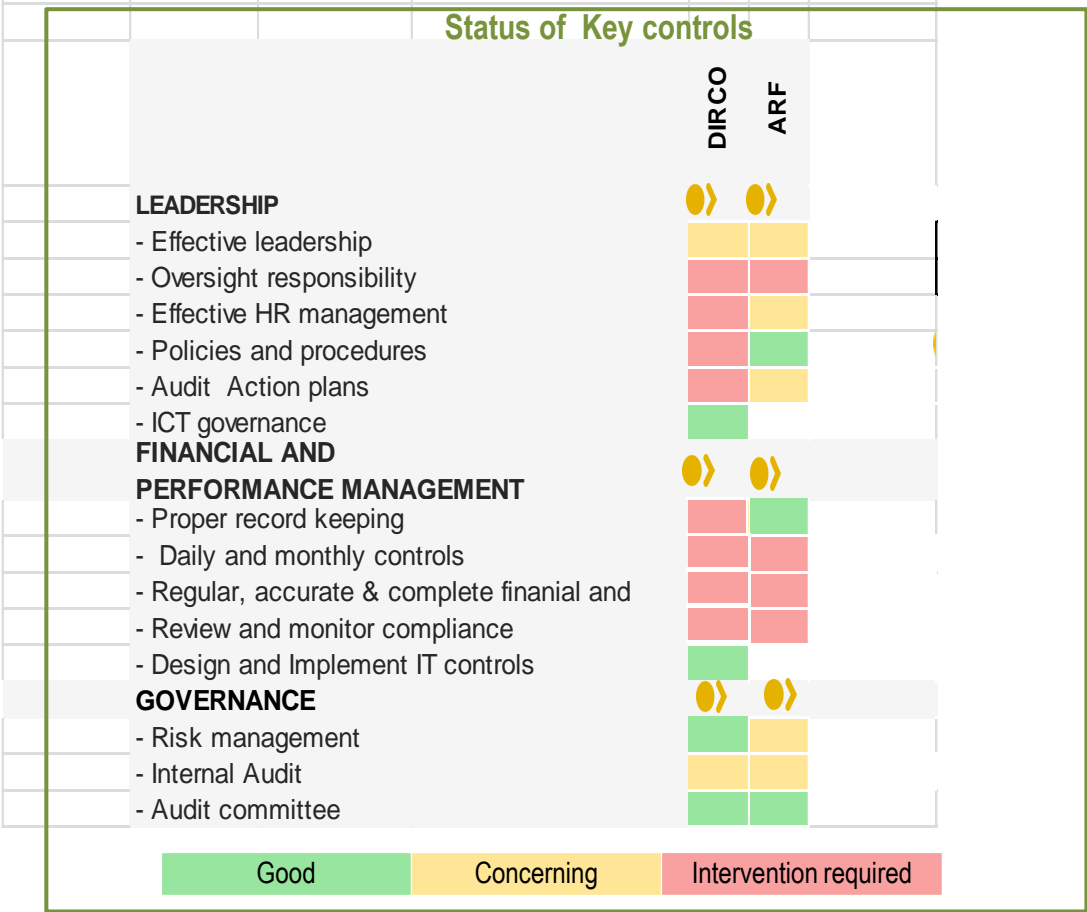


**3** .... **performance planning and reporting** must be improved by....

The portfolio continued to provide the annual performance reports that are useful and reliable . The annual performance plans have been consistent with the annual performance report and strategic plans. This is due to adequate performance management systems that includes the availability of technical indicator descriptions and performance information policy and procedures.



# Audit outcomes remain stagnant over 3 years - continued



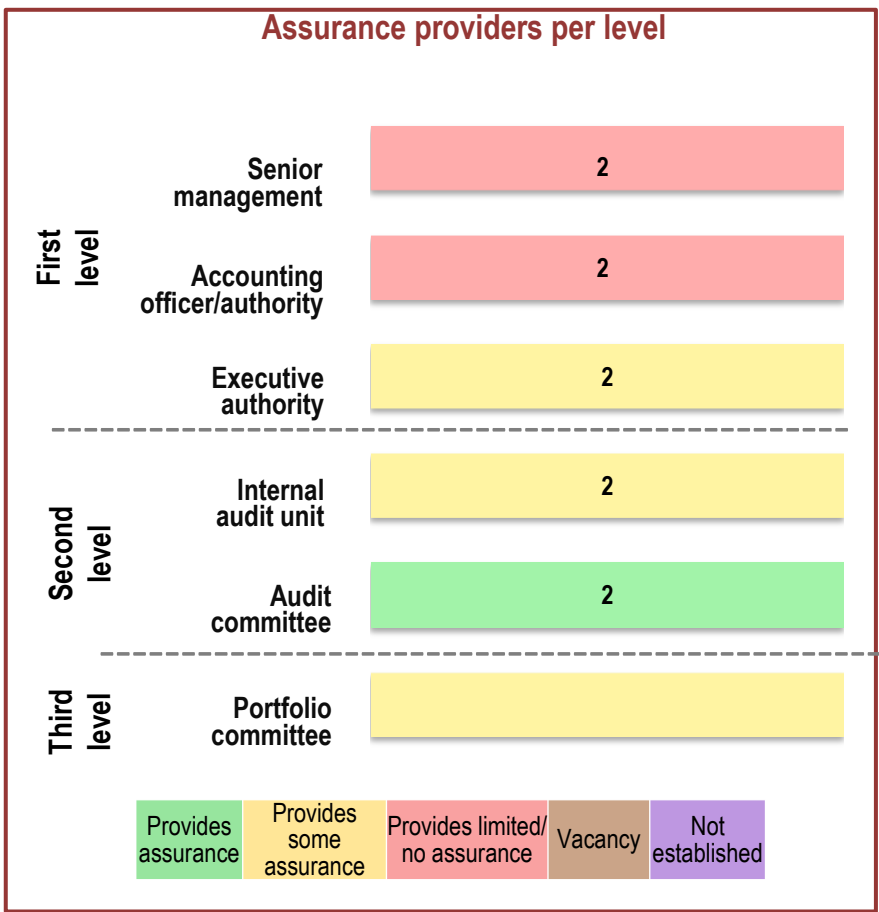
## 4 ... providing attention to the **key controls** by...

DIRCO remained stagnant due to the following :

- Accounting officer has been slow in addressing significant deficiencies noted in the previous year.
- Lack of implementation of consequence management process within the department.
- Senior management involved in the asset management and compliance monitoring process did not take accountability to address previously reported deficiencies.

ARF remained stagnant in the leadership due to them implementing the following :

- Accounting authority has been slow in addressing significant deficiencies noted in the previous year.



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

The level of assurance provided has remained stagnant. Overall, there is a lack of accountability and discipline by senior management in addressing audit findings.

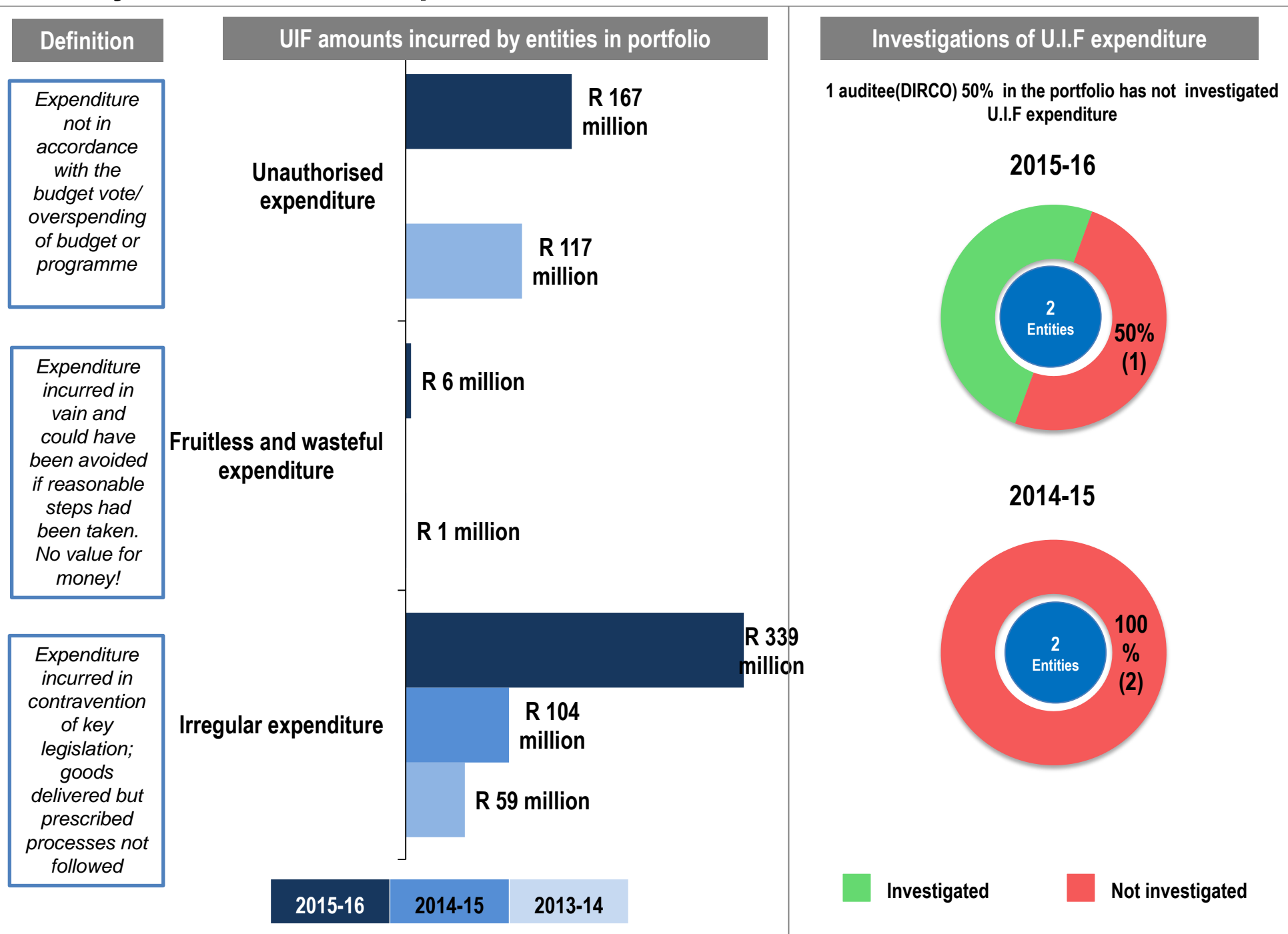
The accounting officer provides limited assurance as he has not honoured the commitment of the assets clean up.



**3 Financial management**



# Unauthorised, irregular as well as fruitless and wasteful expenditure increase over 3 years and follow up action



# Compliance with legislation and quality of financial statements remain stagnant

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

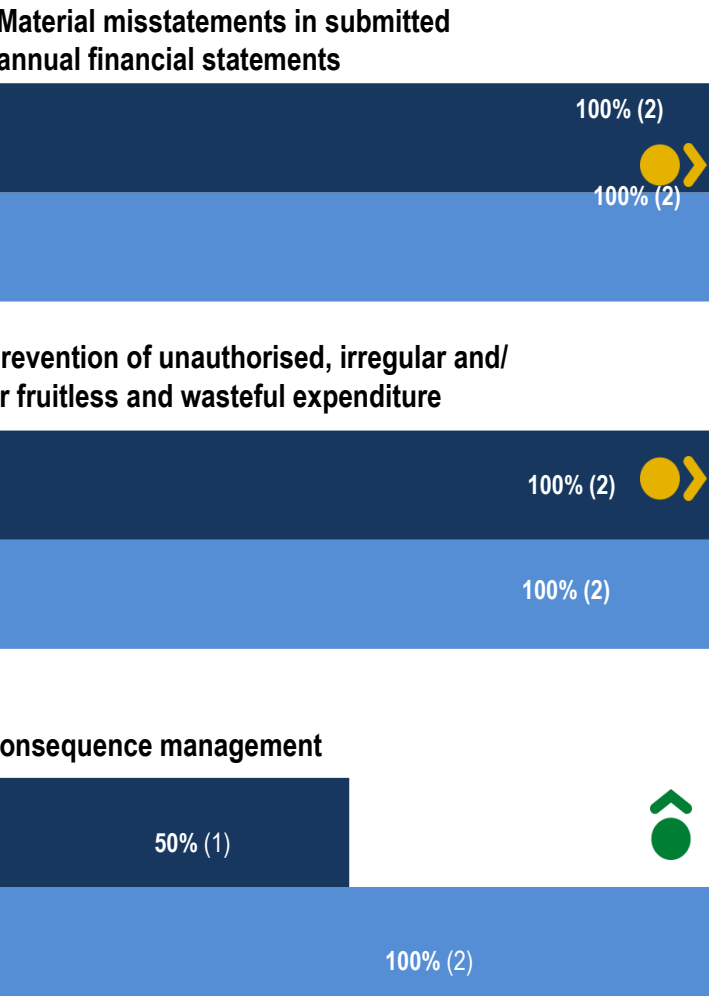


Figure 2: Findings on compliance with key SCM legislation – all auditees

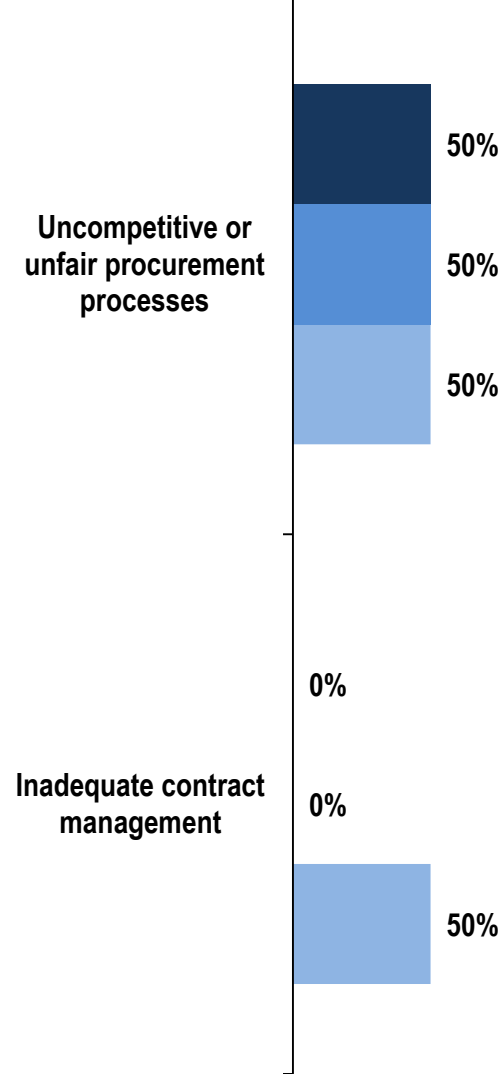


Figure 3: Qualification areas over three years

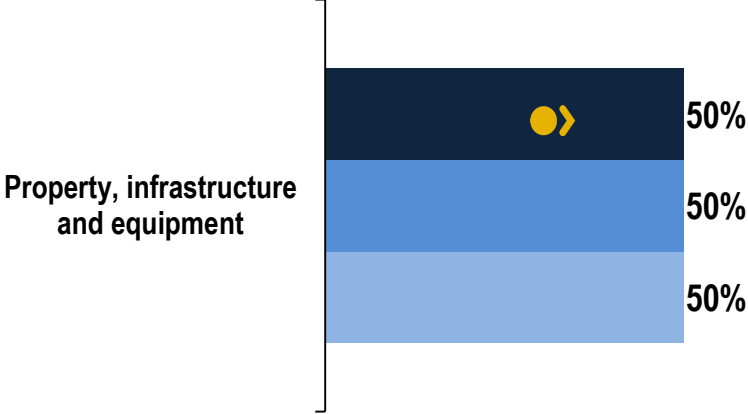
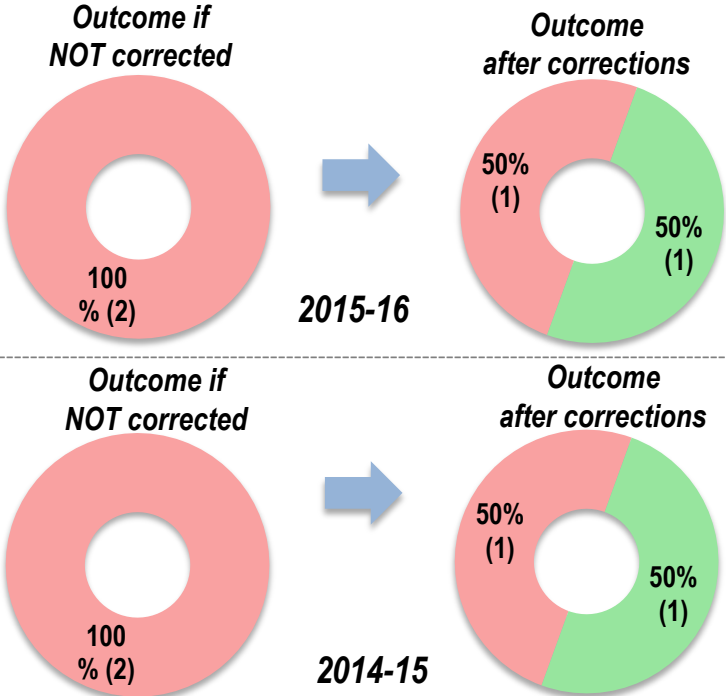


Figure 4: Auditees who avoided qualifications due to the correction of material misstatements during the audit



6

## Top three root causes, follow up on commitments and proposed recommendations



# Top three root causes, follow up on commitments and proposed recommendations

1

... the following **root causes** must be addressed ...

## Root causes

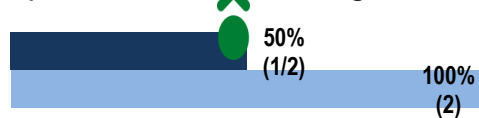
Slow response by management  
(Accounting officer and senior management)



Instability or vacancies  
in key positions



Lack of consequences for poor  
performance and transgressions



■ 2015-16 ■ 2014-15

2

... through honouring the following **commitments** made by the executive authority.....

## Status of key commitments by minister

- Effectiveness of action plans to address findings.
- Enhance performance and consequence management.
- Prepare monthly financial statements and reconciliations including disclosure notes.
- Engage with OAG on the heritage asset to obtain guidance and perform and assessment.
- Close monitoring of SCM compliance matters.
- CIO to address identified IT deficiencies
- Perform detailed root cause analysis for recurring asset issues.

Action plans to address repeat findings to be implemented and monitored in a timely manner.

Not implemented

In progress

Implemented

New

We met with the minister on 27 July 2016. The anticipated outcomes were discussed with the minister and the status of the implementation of the above commitments were followed up with the minister.  
The minister requested that she would appreciate it if the audit team could continue with the quarterly engagements regarding the status of key controls in the portfolio.

3

... and implementation of the following **proposed commitments** by the Portfolio committee and management...

- Commitment by the department to resolve the asset issues at missions and at Head Office.
- Commitment by the department to address repeat audit findings and ensure consequence management is instituted against officials who fail to address findings.
- Status update of the criminal proceedings instituted against the previous Accra High Commissioner and recoveries of monies.
- Monitor the status of implementation of SADPA and the impact on the activities of the ARF.
- Meet the Chairperson of the Audit Committee at least bi-annually with a view that all levels of assurance have a common understanding of the issues within the portfolio .



# Questions

