



Briefing to Portfolio Committee on Justice and Constitutional Development – Office of the Chief Justice (OCJ)

17 November 2020

PFMA
2019-20



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 reporting 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 *Budgetary Review and Recommendations Report (BRRR)*.



The 2019-20 audit outcomes



Our annual audit examines three areas

THE AG's
ANNUAL
AUDITS
EXAMINE

3

AREAS:



1 FAIR PRESENTATION AND
ABSENCE OF SIGNIFICANT
MISSTATEMENTS IN
FINANCIAL STATEMENTS

2 RELIABLE AND CREDIBLE
PERFORMANCE
INFORMATION FOR
PREDETERMINED OBJECTIVES

3 COMPLIANCE WITH ALL
LAWS AND REGULATIONS
GOVERNING FINANCIAL
MATTERS

The AGSA expresses the following different audit opinions

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 in 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 area to:

- align performance reports to the predetermined objectives they committed to in 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 that 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

Important to note

The percentages in this presentation are calculated based on the **completed audit of the Office of the Chief Justice (OCJ)**, unless indicated otherwise.

Audit outcomes are indicated as follows:



Unqualified
with no findings



Unqualified
with findings



Qualified
with findings



Adverse
with findings



Disclaimed
with findings



Outstanding
audits

Movement over the previous year is depicted as follows:



Improved



Unchanged



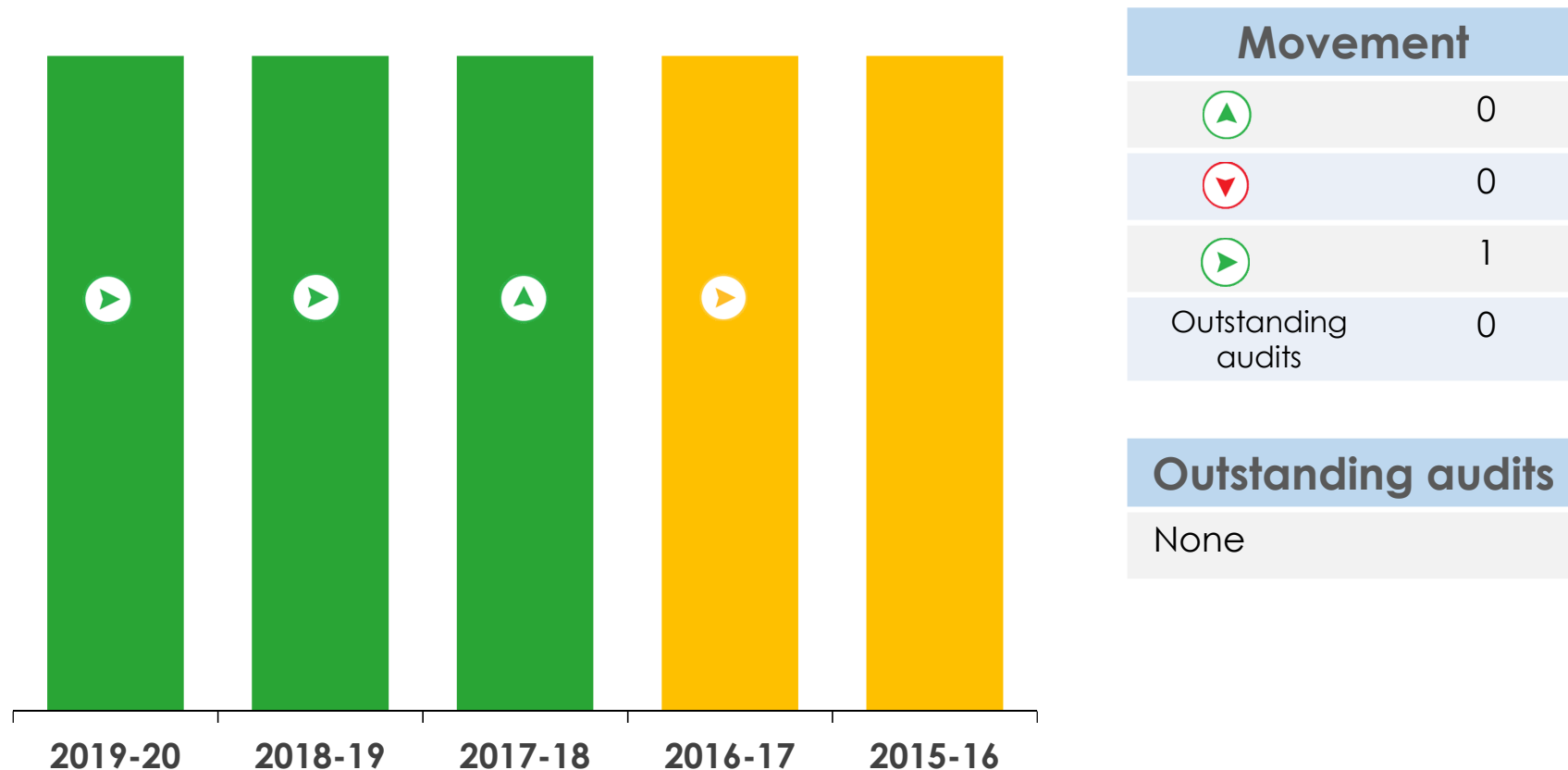
Regressed



ACCOUNTABILITY = PLAN + DO + CHECK + ACT

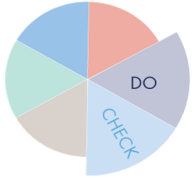


Audit outcomes of portfolio over five years (OCJ)



- We commend **OCJ** on maintaining the clean audit outcomes for the past 3 financial years.
- The financial and performance reports submitted for audit were free from material misstatements.
- This is due to the quality review processes that the department has implemented and maintained.
- Monitoring of compliance with laws and applicable legislation by the department also contributed to maintaining the clean audit outcome.





Credible financial reporting



Financial statements

Submission of financial statements by legislated date



Financial statements submitted without errors



Quality of final submission after audit



Movement

2019-20

2018-19

	1	1
1		1
1		1

No material misstatements in the financial statements were identified at the OCJ during the current and previous financial year.





Credible performance reporting



Performance report

	Movement	2019-20	2018-19
Performance report submitted without errors	➤	1	1
Quality of final submission after audit	➤	1	1

No material findings on the performance reporting were identified at OCJ in the current and previous financial year.

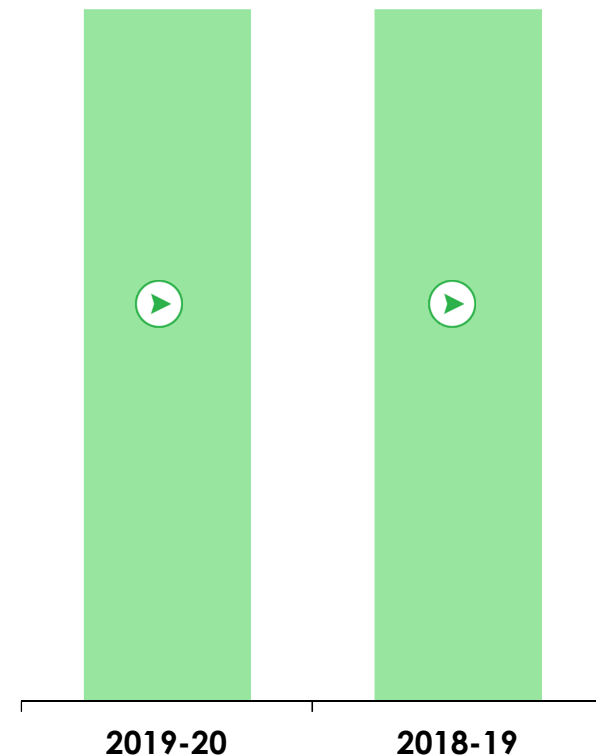
Reliable reporting of achievements	➤	1	1
Usefulness of performance indicators and targets	➤	1	1





Disregard for compliance with legislation

Findings on compliance with key legislation



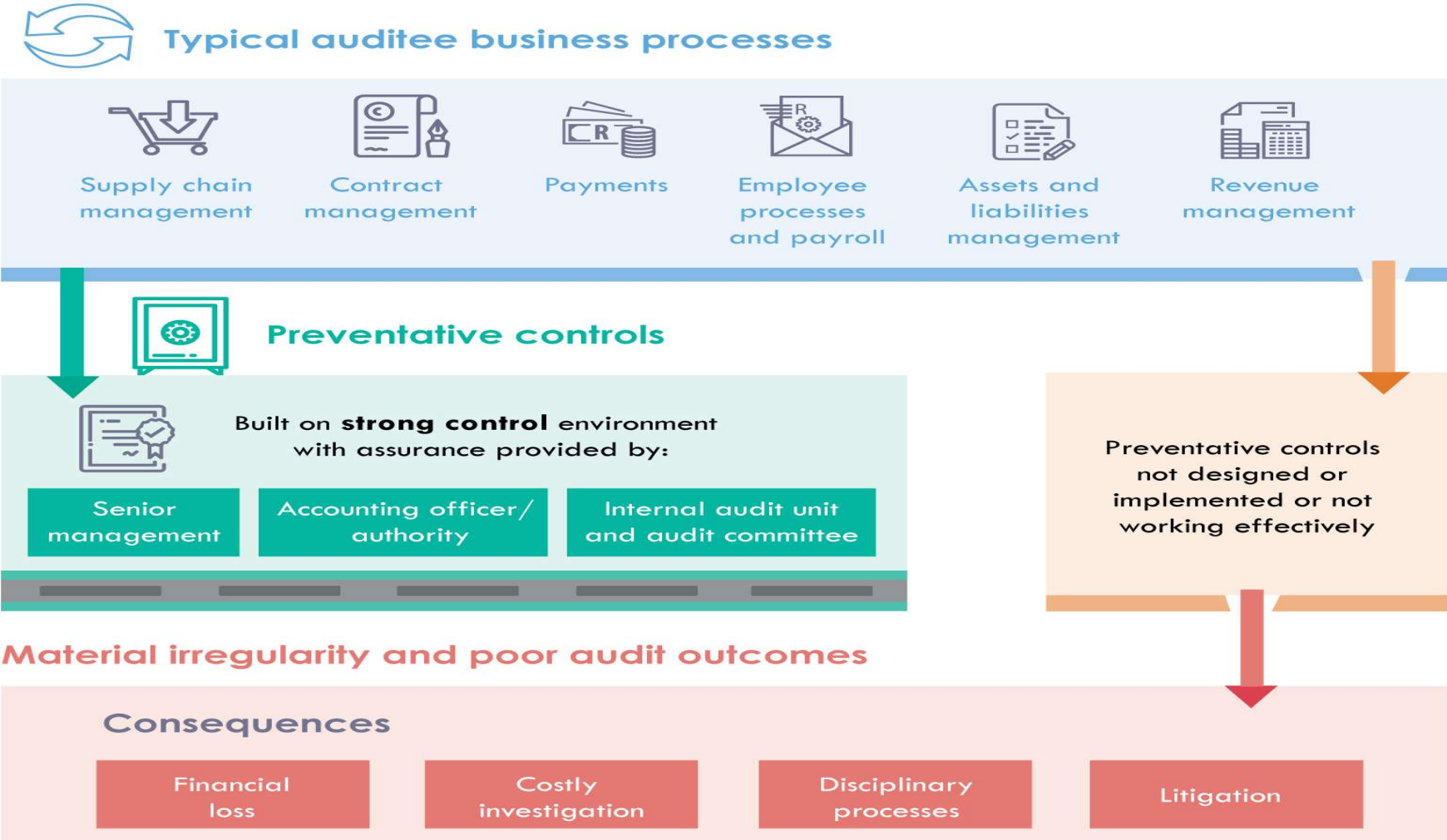
With no findings With findings

Non-compliance areas

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



Preventative controls



FUNDAMENTALS OF STRONG PREVENTATIVE CONTROLS

Leadership that inspires a **culture of ethical behaviour and commitment** to good governance

Adequate and sufficiently skills officials who instill confidence toward effective and consistently functioning of internal controls

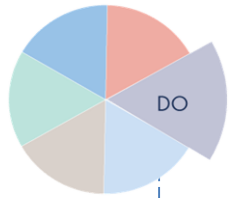
Comprehensive policies and procedures that empowers the employees to perform their day to day duties with ease

Mechanisms for officials to report any pressure or influence directed towards them not to act in line with the set policies and procedures

Regular risk assessment accompanied with **response** measures that are monitored on a regular basis

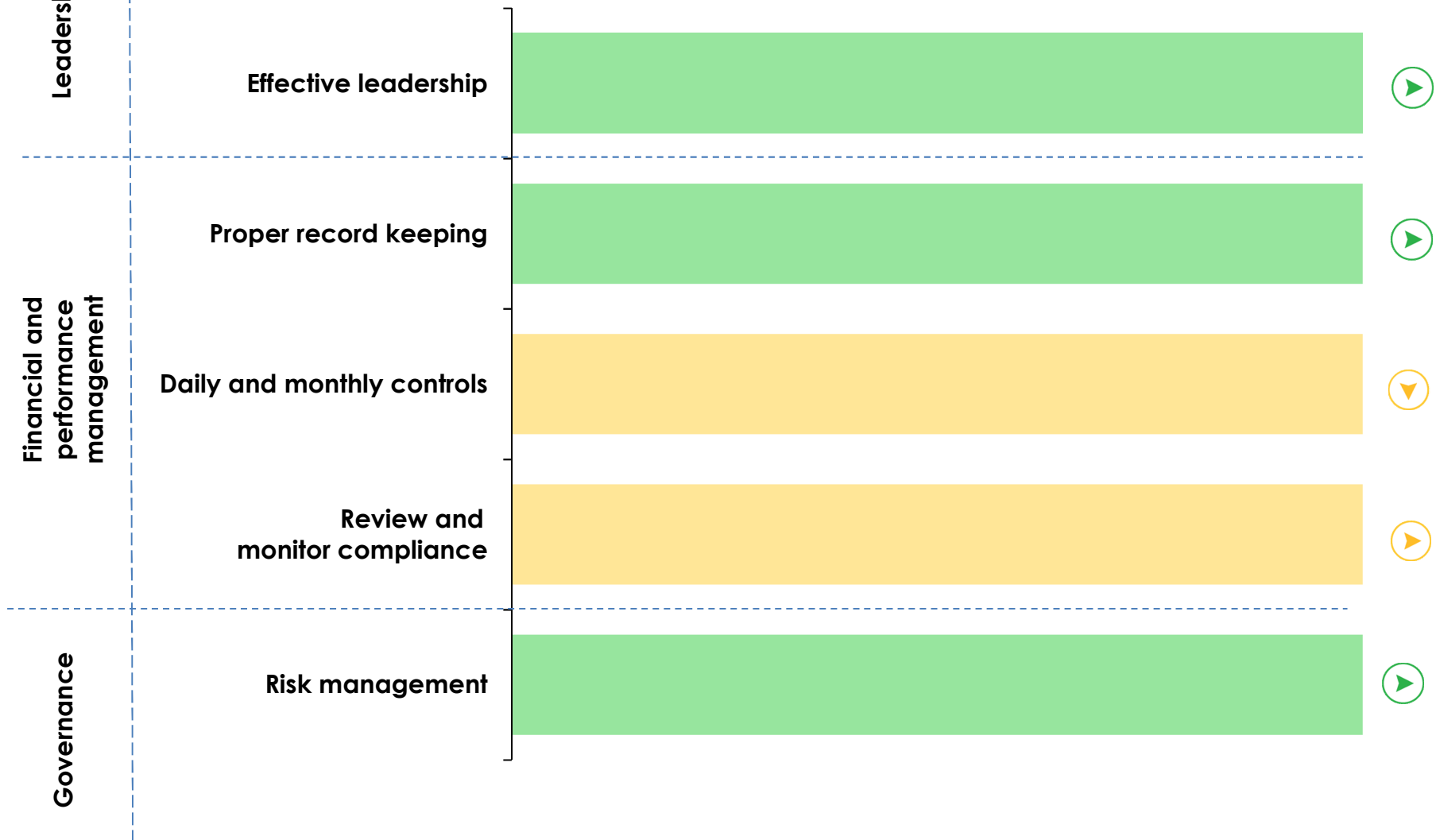
Combined assurance model where all assurance providers; i.e. Senior management, internal audit function and audit committee are working toward the same goal to strengthen controls through monitoring and oversight.





Leadership

Status of internal control



Good



Of concern





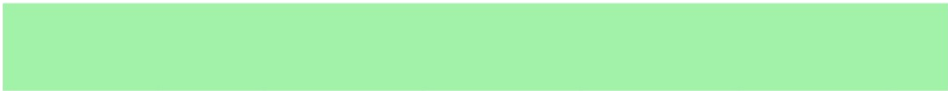

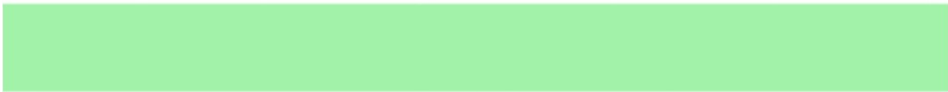

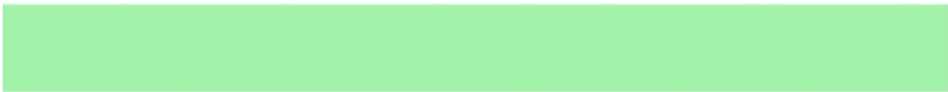

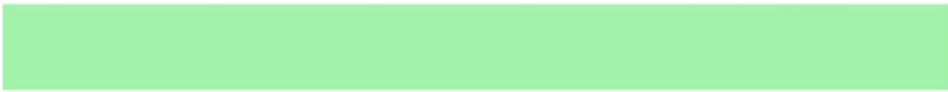

Intervention required

15

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2019-20



Assurance provided

Assurance		
First level	Senior management	 
	Accounting officer/authority	 
	Executive authority	 
Second level	Internal audit unit	 
	Audit committee	 

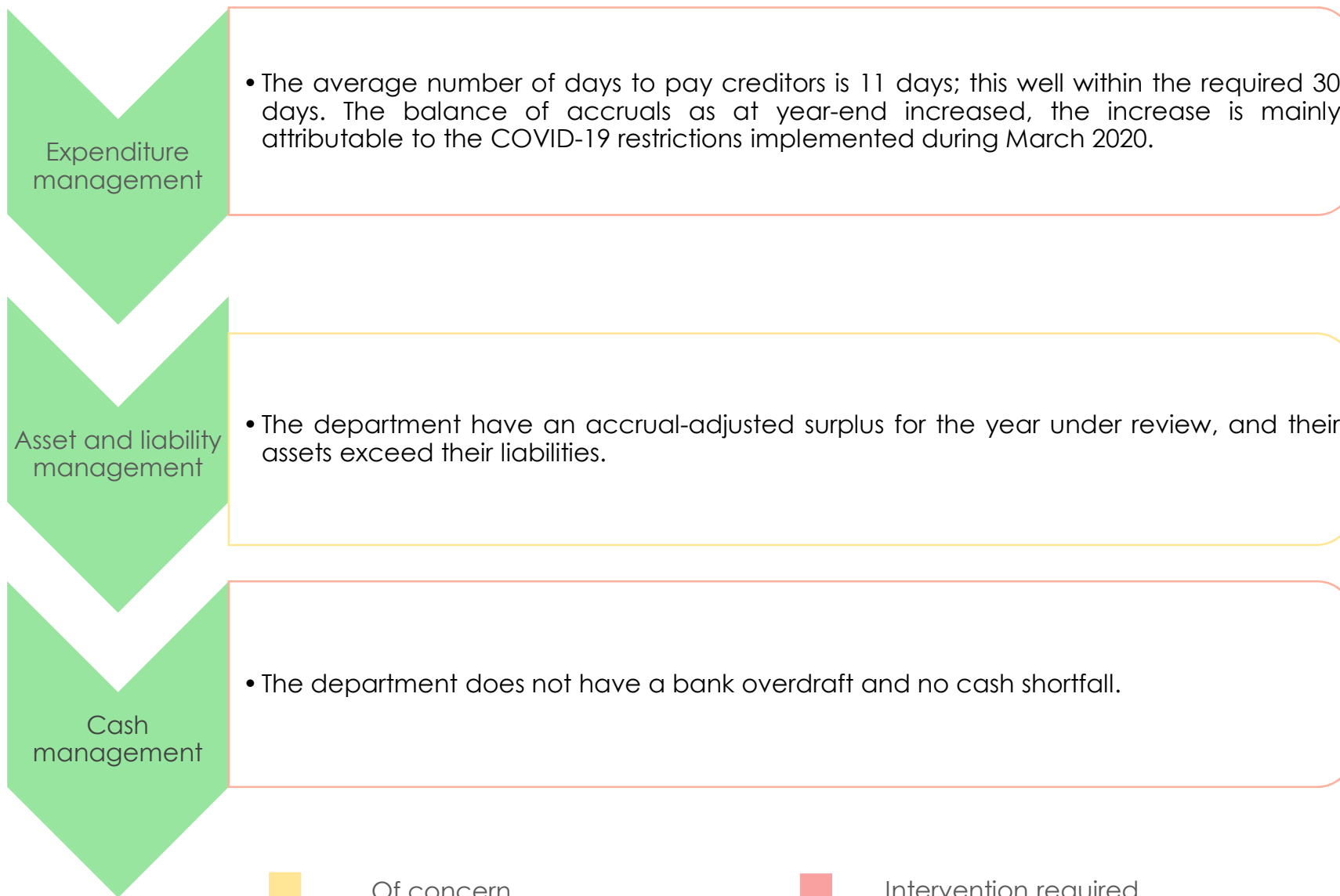


Financial health and financial management



Financial health

No material uncertainty exists of the auditee can continue to operate in future



Fruitless and wasteful expenditure increased over 2 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

**Fruitless and
wasteful
expenditure**

R0 million

R0 million

2019-20

2018-19

- No fruitless and wasteful expenditure was incurred during the 2019-20 and 2018-19 financial periods

Nature of the fruitless and wasteful expenditure

- No fruitless and wasteful expenditure was incurred during the 2019-20 and 2018-19 financial periods,.
- The closing balance of the 2 financial years also remains at R0.

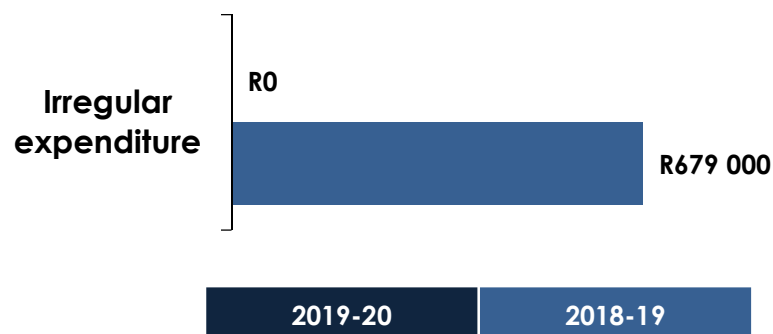


Irregular expenditure decreased over 2 years

Definition

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

Irregular expenditure incurred

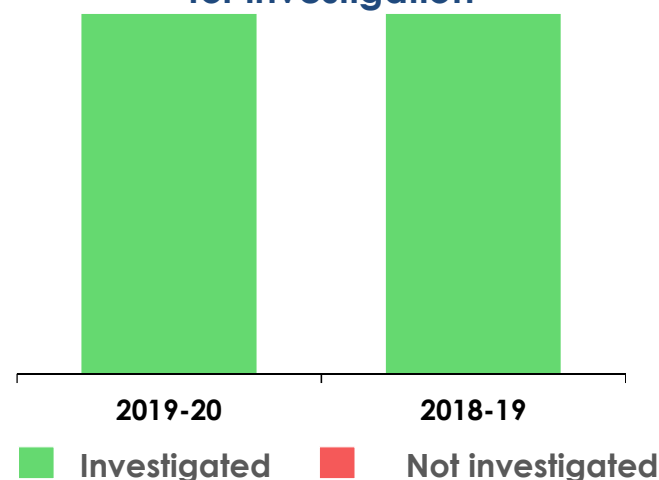


- No irregular expenditure was incurred during the 2019-20 financial year.
- R679 000 of irregular expenditure was identified during the 2018-19 financial year. This irregular expenditure has been investigated and is currently awaiting condonation by the National Treasury.

Nature of the irregular expenditure

- The non-compliance identified in the 2018-19 financial year relates to:
 - (a) deviation from local production content prescripts and
 - (b) foreign suppliers that did not submit the required standard bid documents .
- The non-compliance amounting to R679 000 identified in the 2018-19 financial year is awaiting National Treasury condonement.

Previous year irregular expenditure reported for investigation

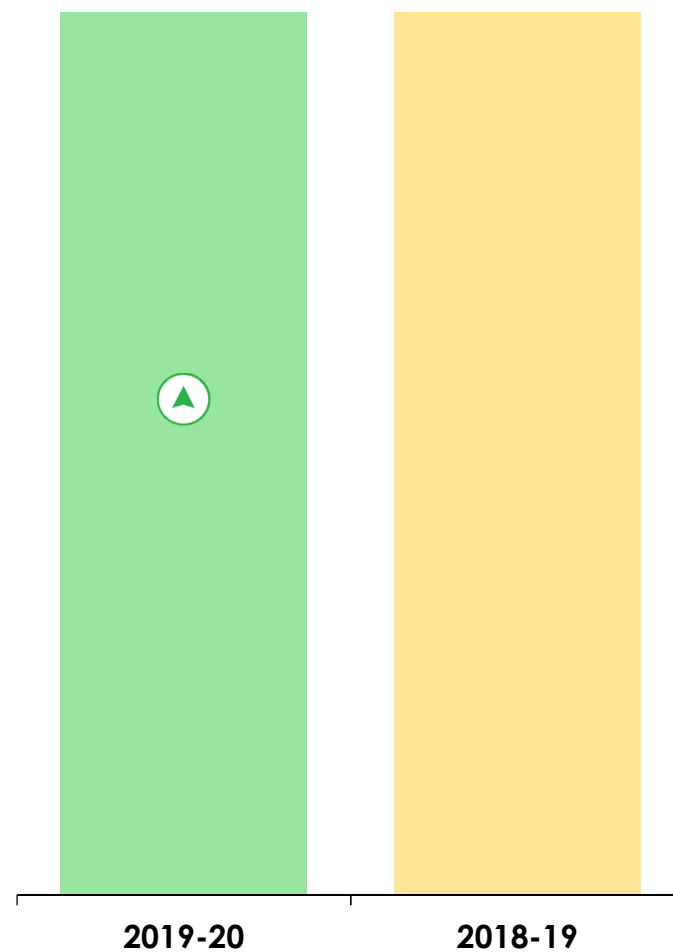


Supply chain management



Improvement in SCM compliance (2019-20: 0 non-compliance findings)

There were no SCM non-compliance findings in the 2019/20 financial year.



With no findings



With findings



With material findings 21

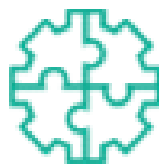
Portfolio snapshot (2019-20)



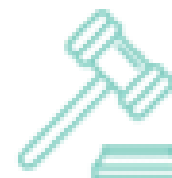
Clean audit: 1
(2018-19: 1)



**Financially
unqualified financial
statements: 1**
(2018-19: 1)



**No findings on performance
report: 1**
(2018-19: 1)



**No findings on compliance
with legislation: 1**
(2018-19: 1)



**Irregular expenditure:
R0**
(2018-19: R679 000)

Best practices



Recommendations

To the department

- Strengthening of controls within financial and performance reporting. Misstatements were noted in prepayments and service bonuses disclosures in the financial statements, these were however immaterial.
- Some of the ICT policies and procedures are reviewed but not yet approved. Management should ensure that IT policies and procedures are approved and fully implemented. They should also ensure stability in key management positions within the ICT unit.



Recommendations

To the Portfolio Committee

- The Committee should request feedback on the implementation of the audit action plans to ensure that:
- The accounting officer of the department provided 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 maintained 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.



Overall message

- We commend the OCJ on obtaining clean audit outcomes for the third consecutive year.



Thank you



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