



Briefing to Portfolio Committee on Justice and Constitutional Development – Public Protector of South Africa (PPSA)

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 Public Protector – South Africa (PPSA)**, 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



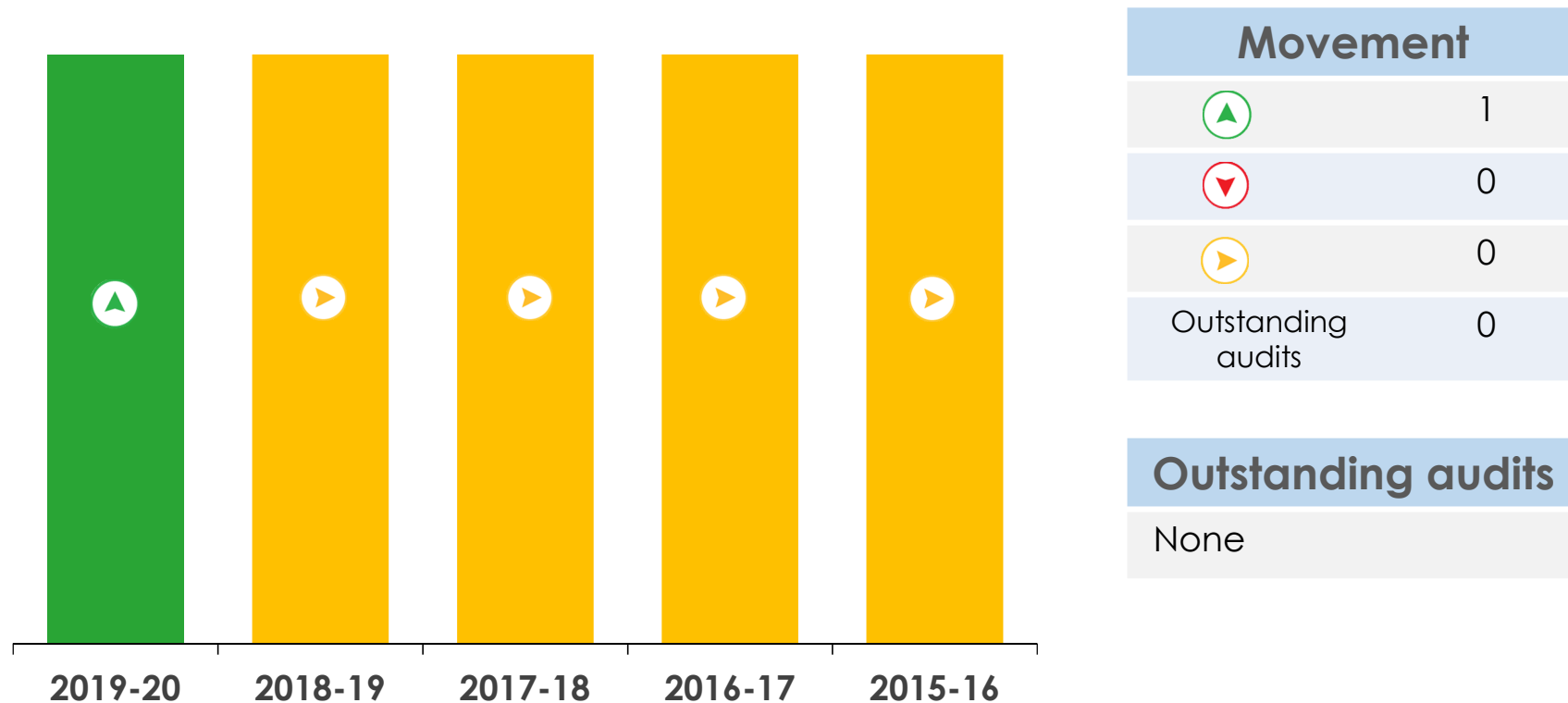
Regressed



ACCOUNTABILITY = PLAN + DO + CHECK + ACT



Audit outcomes of portfolio over five years (PPSA)

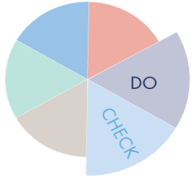


- We commend PPSA on improving their audit outcomes to an unqualified audit with no findings.
- The financial and performance reports submitted for audit were free from material misstatements.

The improvement in audit outcomes is mainly attributable to the following:

- Improvement in the daily and monthly processing controls
- Implementation and monitoring of a tool to monitor payments to suppliers.
- Improved quality review processes of the financial and performance reports.
- Stability in the finance, SCM and performance management positions
- Monitoring of compliance with laws and applicable legislation





Credible financial reporting



Financial statements

Submission of financial statements by legislated date

Movement



2019-20

2018-19

1

1

Financial statements submitted without errors



1

1

Quality of final submission after audit



1

1

No material misstatements in the financial statements were identified at the PPSA during the current financial year. This is an improvement as there were material adjustments in the prior 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 the PPSA in the current and previous financial year.

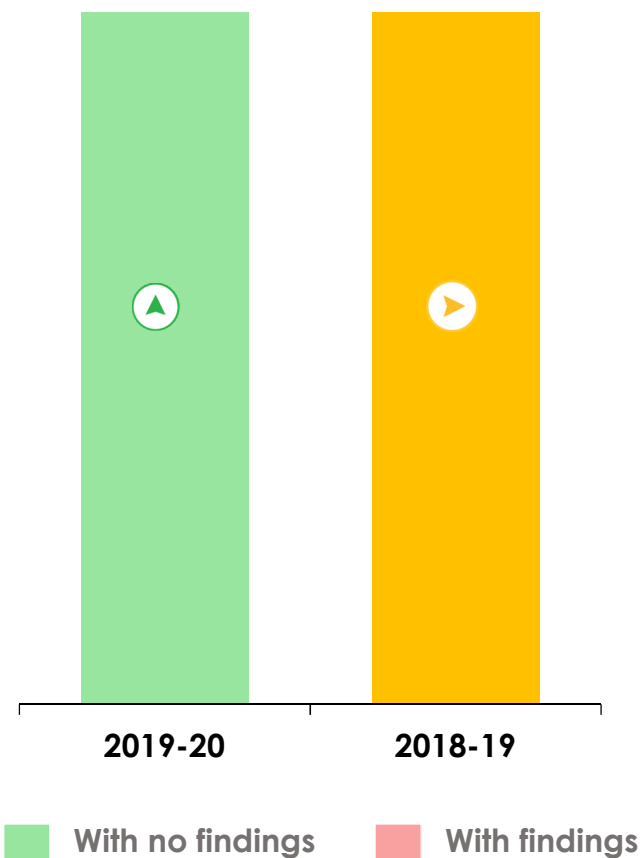
Reliable reporting of achievements	▶	1	1
Usefulness of performance indicators and targets	▶	1	1





Disregard for compliance with legislation

Findings on compliance with key legislation

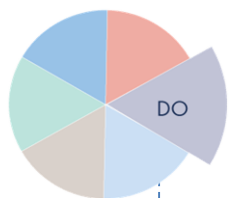


Non-compliance areas

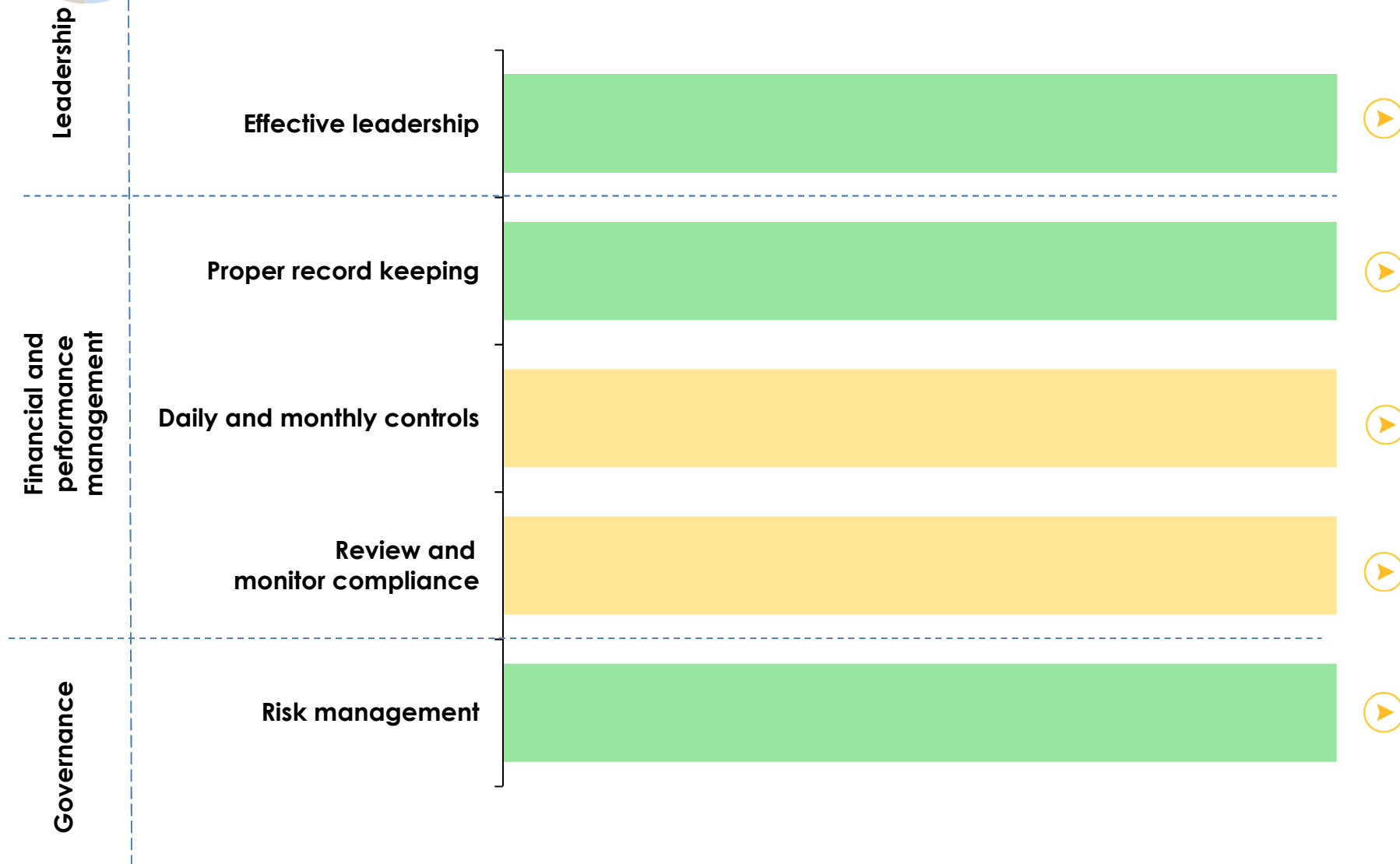
No material non-compliance with legislation were identified during the current financial year at the PPSA.

This is an improvement in comparison to the previous financial year where the institution had findings on payments not made within 30 days and material adjustments to financial statements submitted for audit.





Status of internal control



Good



Of concern



Intervention required

13

PFMA
2019-20



Assurance provided

Assurance		
First level	Senior management	<div></div> ▶
	Accounting officer	<div></div> ▲
	Executive authority	<div></div> ▶
Second level	Internal audit unit	<div></div> ▶
	Audit committee	<div></div> ▶

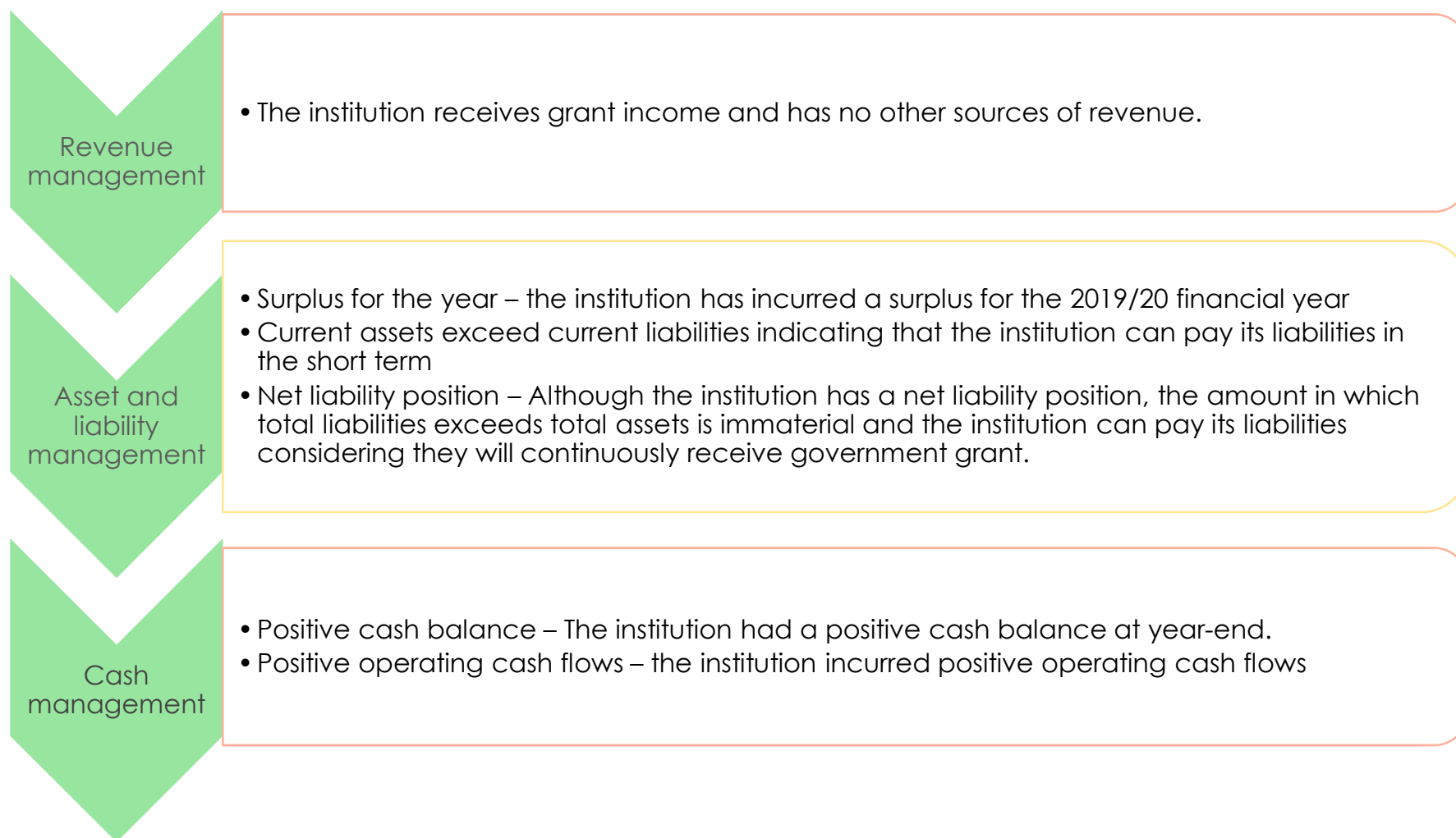


Financial health and financial management



Financial health

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



Of concern



Intervention required

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 amounting to R34 297 was incurred during the 2019-20 and R2 419 in the 2018-19 financial year

Nature of the fruitless and wasteful expenditure

- Fruitless and wasteful expenditure incurred related to the following:
 - Cancellation of trips (Accommodation and flight)- R16 041
 - Incorrect order issued to service provider – R13 000
 - Cancellation of tender – R 1008
 - Interest on outstanding payment to DPW – R4 248

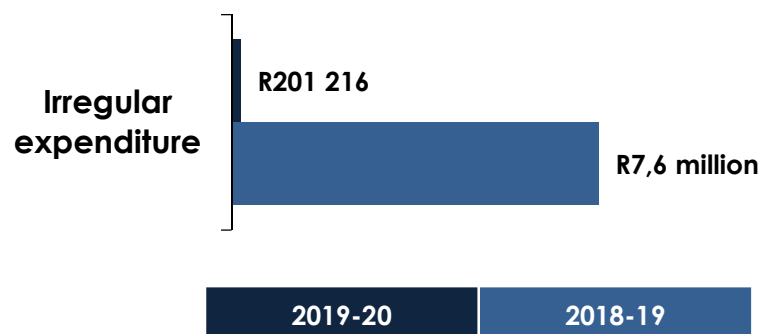


Irregular expenditure decreased over 2 years

Definition

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

Irregular expenditure incurred

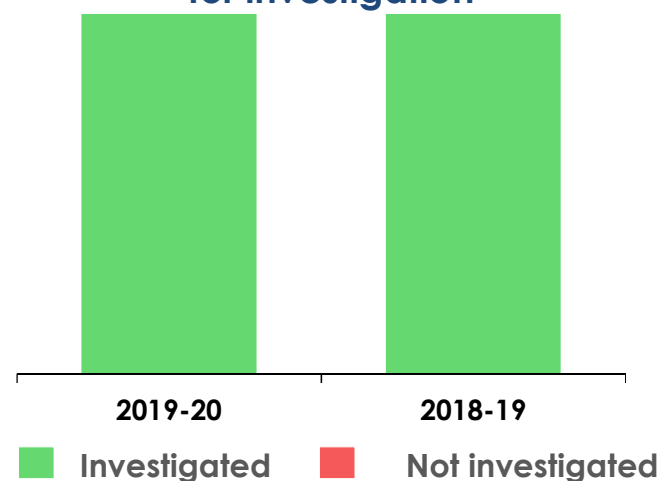


- R105 021 represents incidents of non-compliance incurred in the 2019-20 financial year
- R96 195 is expenditure on ongoing multi-year contracts, where payment made is above the initial contract value

Nature of the irregular expenditure

- The non-compliance identified in the 2019-20 financial year, in the main, relates to:
 - Payments to attorneys above the agreed charge out rates.
 - Appointment of service provider whose tax matters had not been declared by the South African Revenue Service to be in order.

Previous year irregular expenditure reported for investigation



Supply chain management



Improvement in SCM compliance (2019-20: 4 non-compliance findings)

All SCM findings should be investigated

Most common findings on supply chain management

- Quotations awarded to bidders who did not submit declaration of interest.
- Payments made in excess of approved contract rates
- Services procured from a supplier whose tax matters had not been declared by the South African Revenue Service to be in order



With no findings



With findings



With material findings 19

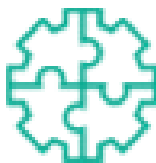
Portfolio snapshot (2019-20)



Clean audit: 1
(2018-19: 0)



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



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

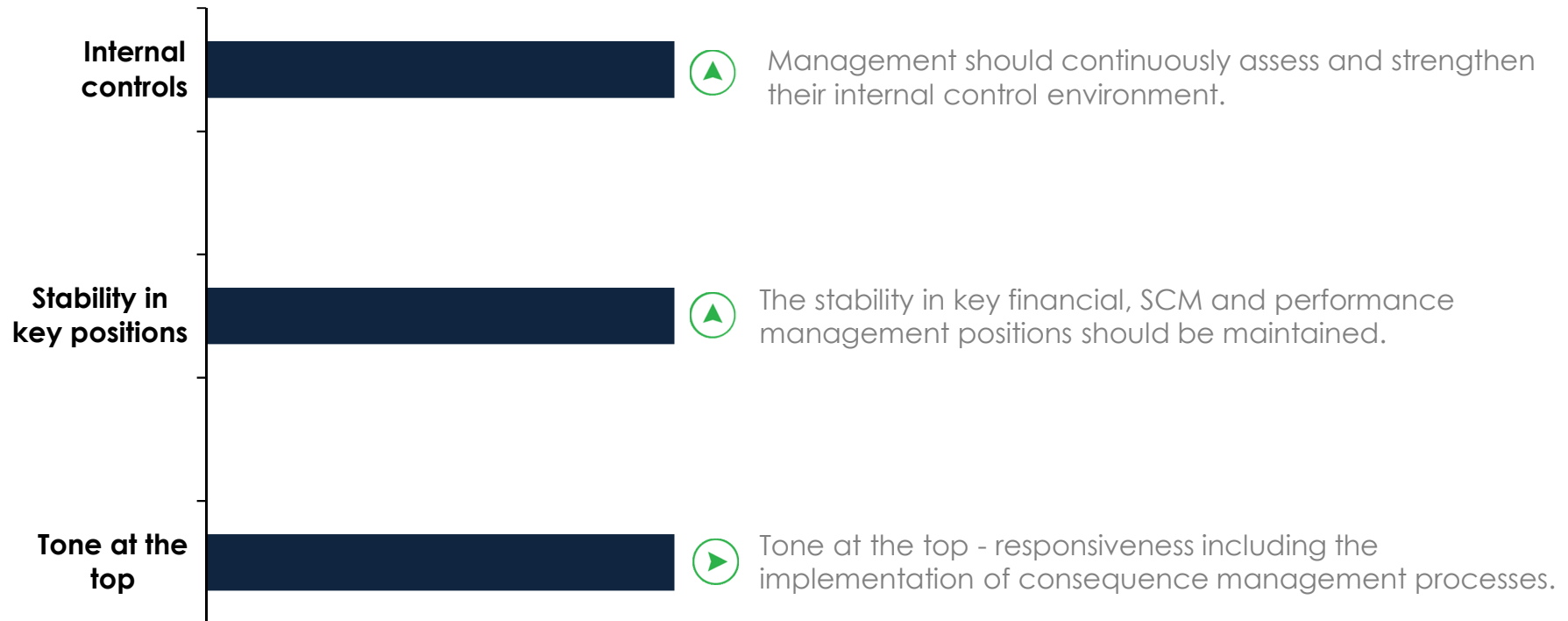


**No findings on compliance
with legislation: 1**
(2018-19: 0)



**Irregular expenditure:
R201 216**
(2018-19: R7,6 Million)

Best practices



Recommendations

To the institution

- Strengthening of review controls within recording and reporting of financial and performance information to ensure the correctness of information reported.
- Continuous follow-ups with suppliers to ensure that invoices are timeously submitted to the institution.
- Management should also continuously monitor the audit action plans to prevent repeat audit findings.

To the Portfolio Committee

- Request accounting officer to provide feedback on the implementation and progress of action plans to ensure repeat audit findings are avoided and the clean audit outcome is maintained.



Overall message

- We commend the PPSA on obtaining clean audit outcomes for the first time.



Thank you



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