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Briefing to portfolio committee on public  
service and administration **audit outcomes**

**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

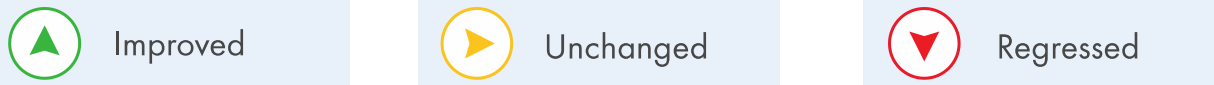
# Important to note

The percentages in this presentation are calculated based on the **completed audits of five auditees (CPSI, DPSA, NSG-VOTE , NSG-TTA and PSC)**, unless indicated otherwise.

Audit outcomes are indicated as follows:



Movement over the previous year is depicted as follows:

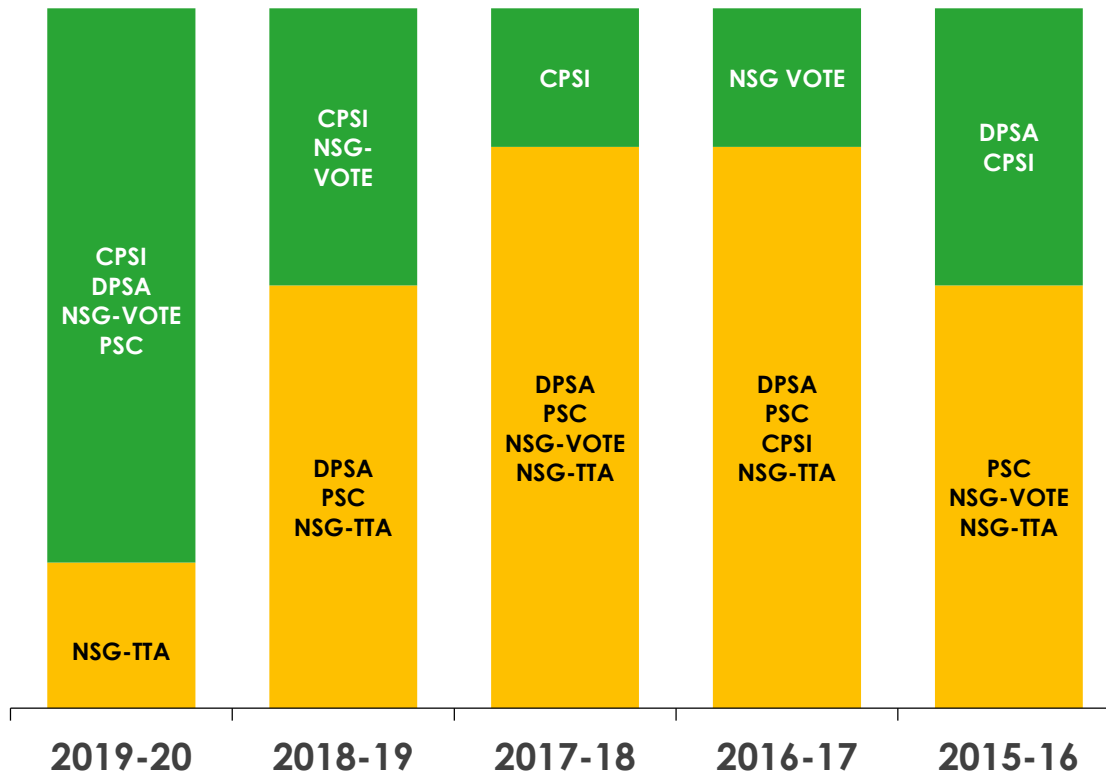


# ACCOUNTABILITY = PLAN + DO + CHECK + ACT





# Audit outcomes of portfolio over five years



Movement	
▲	2
▼	0
▶	3

Outstanding audits
None

- We commend the CPSI and NSG VOTE for retaining their clean audit and DPSA and PSC for obtaining clean audits.
- There has been an improvement on the Financial Statement preparation as there were no material adjustments effected to the annual financial statements submitted for audit purposes for all the entities.
- NSG TTA need to put measures in place to address measures in consequence management which remains a concern for them under compliance with laws and regulations.



# Credible financial reporting



## Financial statements

Submission of financial statements by legislated date (all auditees)

Financial statements submitted without errors

Quality of final submission after audit

### Movement



2019-20

2018-19

5

5

5

3

5

5

We commend all the entities for submitting financial statements that are free from material misstatements





# Credible performance reporting



## Performance report

Performance report submitted without errors (**CPSI, DPSA, and PSC**)

Quality of final submission after audit (**NSG-VOTE and NSG-TTA**)

### Movement



2019-20

2018-19

	3	1
	5	4

**The NSG-VOTE and the NSG-TTA** had no material findings only because they corrected all misstatements identified during the audit. Areas of material misstatements subsequently corrected by management are as follows

Reliable reporting of achievements



2

4

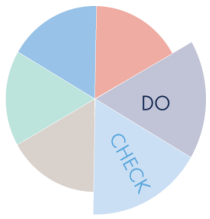
Usefulness of performance indicators and targets



0

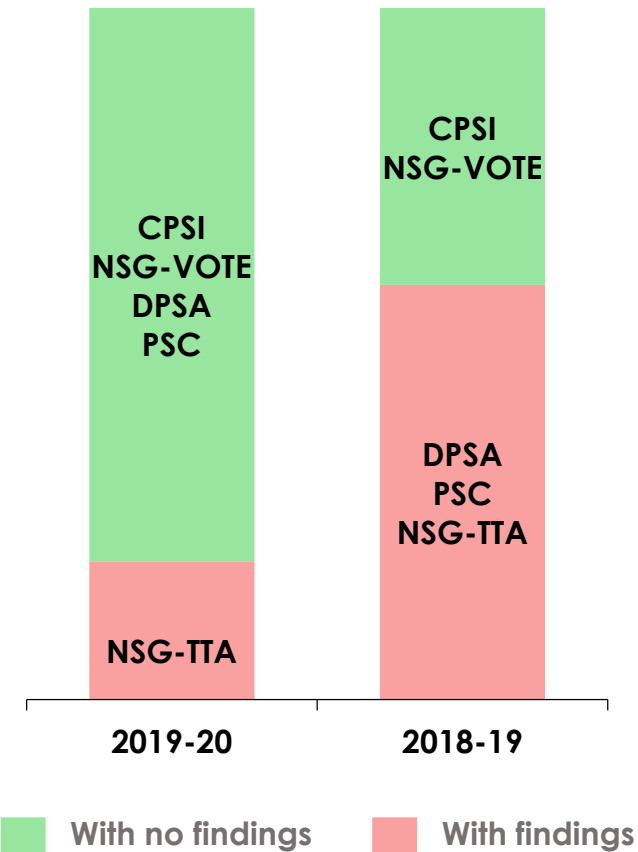
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# Disregard for compliance with legislation

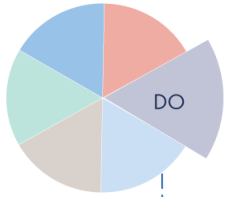
## Findings on compliance with key legislation



## Non-compliance area

- Consequence management (**NSG-TTA**)

# Status of internal control



Leadership

Effective leadership

DPSA, PSC, NSG-VOTE & NSG-TTA



Financial and performance management

Proper record keeping

DPSA, PSC & NSG-TTA

NSG-VOTE



Daily and monthly controls

DPSA, NSG-VOTE & PSC

NSG-TTA



Review and monitor compliance

NSG-VOTE, DPSA, PSC

NSG-TTA



Governance

Risk management

DPSA, PSC, NSG-VOTE & NSG-TTA



Good



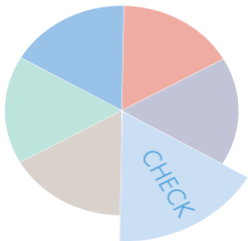
Of concern



Intervention required

13





# Assurance provided

## Assurance

First  
level

Senior  
management

DPSA, PSC, NSG-VOTE & NSG-TTA



Accounting  
officer

PSC, NSG-VOTE & NSG-TTA

DPSA



Executive  
authority

DPSA, PSC, NSG-VOTE & NSG-TTA



Second  
level

Internal  
audit unit

DPSA, PSC, NSG-VOTE & NSG-TTA



Audit  
committee

DPSA, PSC, NSG-VOTE & NSG-TTA



Provides  
assurance

Provides some  
assurance

Provides limited/  
no assurance

Not  
established

# Financial health and financial management



# Financial health

All auditees in the portfolio are a going concern. Concerning areas are highlighted below:

## Revenue management

- Collection of debt – inability to collect monies owed and the resultant debtors impairment provision due to possibility of amount owed being irrecoverable for the **NSG-TTA**. (Debtors' impairment provision is high)

## Asset and liability management

- Deficit – the **PSC** reported an accrual-adjusted deficit for the year. Measures must be implemented to address this situation to ensure sustainable service delivery and financial viability.
- Liquidity – current liabilities exceeded current assets, indicating liquidity issues for **PSC, DPSA and NSG-VOTE**. This highlights a risk that the auditee will not be able to pay their creditors as payments become due.



Of concern



Intervention required

# Unauthorised expenditure over two years

## Definition

*Expenditure not in accordance with the budget vote/overspending of budget or programme*

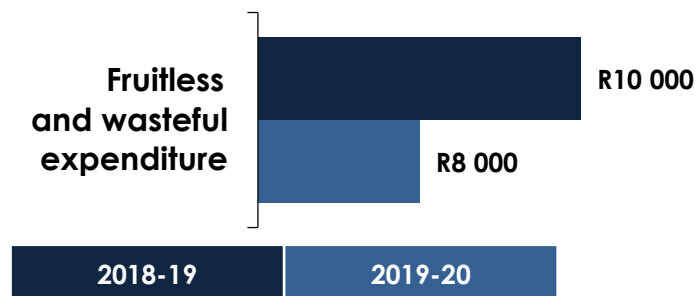
*None of the entities in the portfolio incurred unauthorised expenditure in the current and the previous financial year.*

# Fruitless and wasteful expenditure decreased over two years

## Definition

*Expenditure incurred in vain and could have been avoided had reasonable steps been taken. No value for money!*

## Fruitless and wasteful expenditure incurred by entities in portfolio

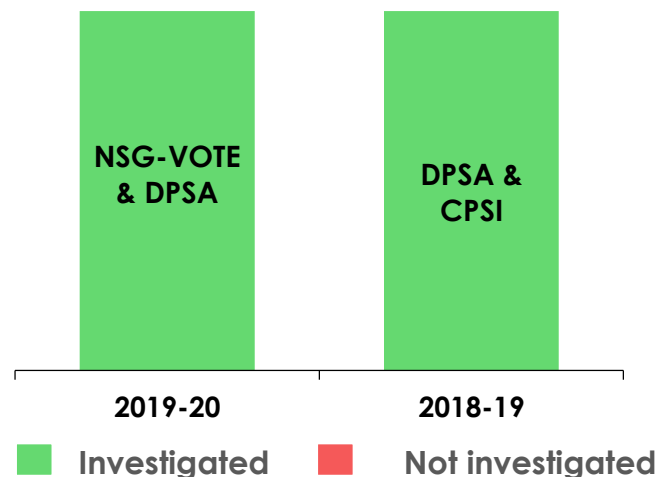


- R8 000 represents non-compliance in 2019-20 **(DPSA)**
- None of the expenditure was on ongoing multi-year contracts.

## Nature of the fruitless and wasteful expenditure

- R5000 represents an employee missing a flight due to incorrect names used to book the flight
- R3000 represents late cancellation of a shuttle service booked for an employee

## Previous year fruitless and wasteful expenditure reported for investigation



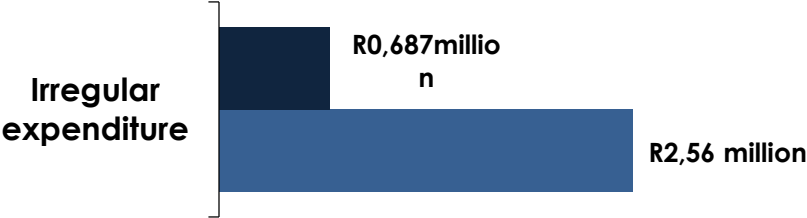


# Irregular expenditure decreased over two years

## Definition

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

## Irregular expenditure incurred by entities in portfolio



- R0,687 million represents irregular expenditure incurred in 2019-20 resulting from a multi-year contract awarded in 2018-19

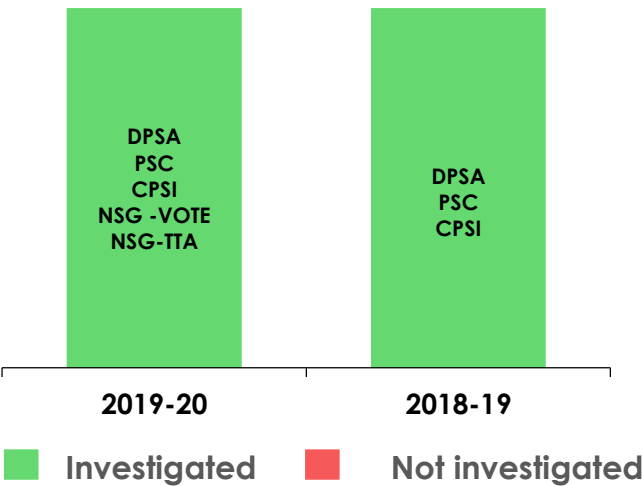
2019-20

2018-19

## Nature of irregular expenditure

- Mandatory IT goods/services not procured through SITA for the **PSC**.

## Previous year irregular expenditure reported for investigation

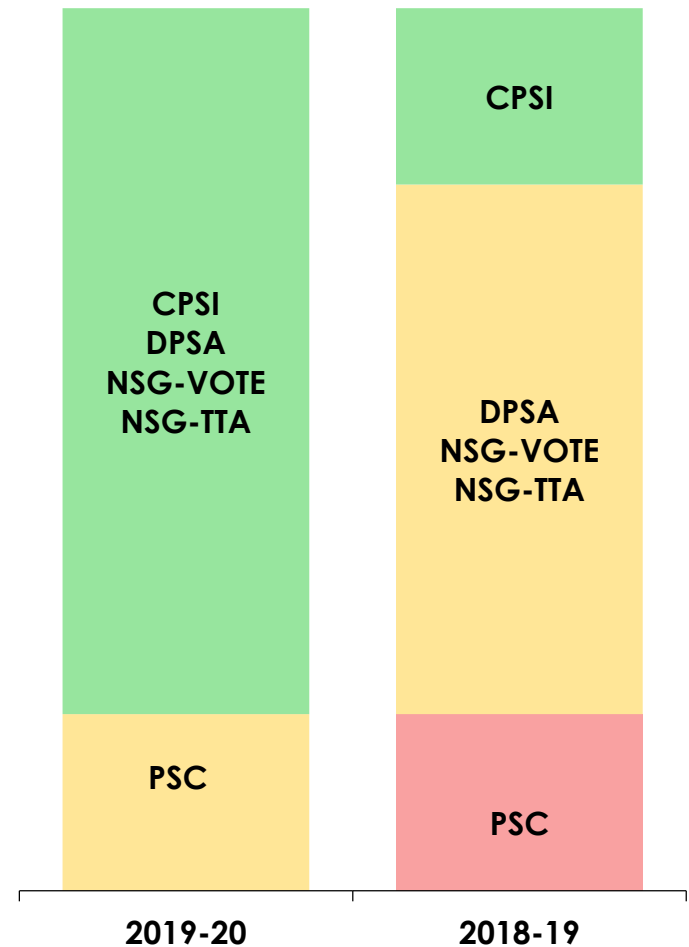


# Supply chain management



Improvement in SCM compliance  
(2019-20: 100% with no material findings)

No material findings on supply chain management in 2019-20 in the audit report. The graphic represents findings included in the management report.



With no findings



With findings

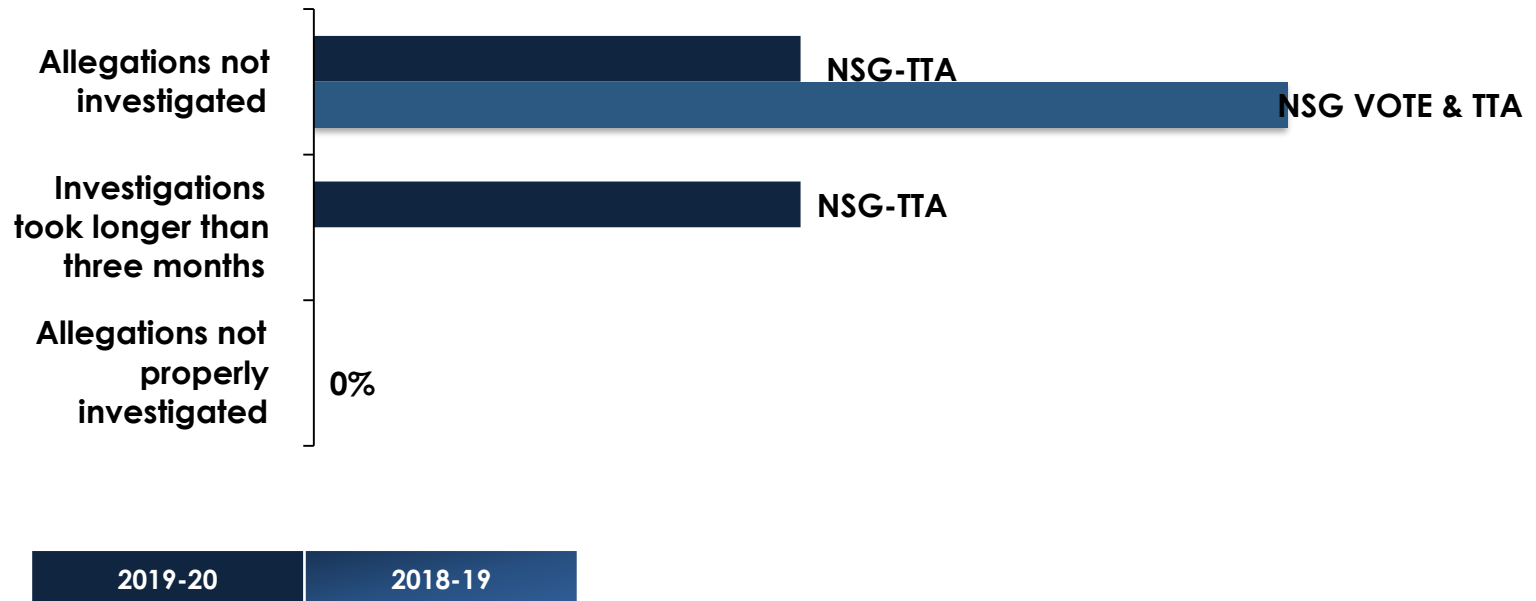


With material findings 20



# Fraud and lack of consequences

## Allegations of financial and/or fraud and SCM misconduct



### Nature of transgressions – allegations in 2017-18

- Soliciting of bribes by employees from suppliers. (NSG-TTA)
- Employees taking training material for personal use. (NSG-TTA)
- Employees doing business with other state institutions. (NSG-TTA)
- Employees doing private work during business hours. (NSG-TTA)
- Leave taken by employees without completing leave forms. (NSG-TTA)



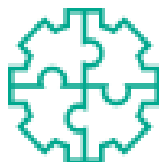
# Portfolio snapshot (2019-20)



**Clean audits: CPSI, PSC,  
DPSA & NSG-VOTE**  
(2018-19: CPSI, NSG-  
VOTE)



**Financially  
unqualified financial  
statements: 100%**  
(2018-19: 100%)



**No findings on performance  
reports:**  
**DPSA, PSC, NSG-VOTE, NSG-  
TTA & CPSI**  
(2018-19: DPSA, CPSI, NSG-  
VOTE & NSG-TTA)



**No findings on compliance  
with legislation: NSG-VOTE &  
CPSI, PSC, DPSA**  
(2018-19: CPSI, NSG-VOTE)



**Irregular expenditure:**  
**R0,687 million**  
(2018-19: R2,56 million)

## Root causes (NSG-TTA)

- Slow or no response to improving key controls and addressing risk areas.
  - Management (accounting officers and senior management) does not respond **with the required urgency** to our messages about **addressing risks and improving internal controls**.
- Regular, accurate and complete reports
  - Management should prepare **regular, accurate and complete** performance reports; supported and evidenced by **reliable** information.







## Status of records review – DPSA

### Objectives

**Identify key areas of concern** that may derail progress in the preparation of financial and performance reports and compliance with relevant legislation, and consequential regression in audit outcome

Provide our assessment of the **status of key focus areas** that we reviewed

Assess **progress made in implementing action plans/follow** through with commitments made in previous engagements

Identify **matters that add value** in putting measures and action plans in place well in advance to mitigate risks

### Reflections

As part of our commitment to continually assist the department, we performed a high level risk assessment process at the DPSA. There were no significant matters identified during the status of records review. The period covered by the review is 01 April 2019 to 31 December 2019.

The key focus areas reviewed are;

- Oversight and monitoring
- Financial Management
- Financial Health
- IT management
- HR Management
- Compliance management
- Procurement and contract management
- Performance management

The Department of Public Service and Administration (DPSA) attained an unqualified audit opinion with no findings (clean audit) for the financial year ended 31 March 2020.



# Overall message

- There is an overall improvement in the portfolio with four entities attaining clean audit opinion (**CPSI, DPSA, NSG-VOTE and PSC** ) as opposed to two in the prior year (CPSI and NSG VOTE).
- NSG-TTA needs to address the root causes identified in order to improve the audit outcome.
- There is a need to keep a close eye on compliance with laws and regulations and performance reporting (**NSG-TTA**).



# Recommendations

## To department and its entities

- There must be timely review of quarterly and annual performance reports as well as financial statements. Furthermore, compliance with laws and regulations must be closely monitored by management and accounting officers.
- Adequate systems for collection and recording of revenue received from training provided should be implemented for the NSG-TTA.

## To executive authority

- The minister should request management to provide feedback on the implementation and progress of action plans to ensure improvement (NSG-TTA) and maintain good audit outcome (CPSI, DPSA, NSG-VOTE and PSC) in the portfolio.

# THANK YOU



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