



AUDITOR - GENERAL
SOUTH AFRICA

Briefing to the Joint Standing Committee on Financial Management of Parliament of the Republic of South Africa

10 November 2021



Our mission and vision



OUR MISSION

We have a constitutional mandate and, as the supreme audit institution of South Africa, exist to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



OUR VISION

To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability

Mandate for the AGSA and portfolio committees

AGSA mandate

Constitution section 188

AGSA must audit and report on accounts, financial statements and financial management of government institutions

PAA section 20(2)

- AGSA must prepare an audit report containing an opinion/ conclusion on:
 - the fair presentation of the financial statements
 - compliance with applicable legislation
 - reported performance against predetermined objectives
- Discretionary audits (including special audits, investigations and performance audits).

Section 5(1B)

- Auditor-General has the power :
 - to take an appropriate remedial action
 - where an accounting officer/authority has failed to comply with remedial action, to issue a certificate of debt, as prescribed.

Portfolio committees

National Assembly Rule 227

Portfolio committees may, amongst other things, perform the following functions:

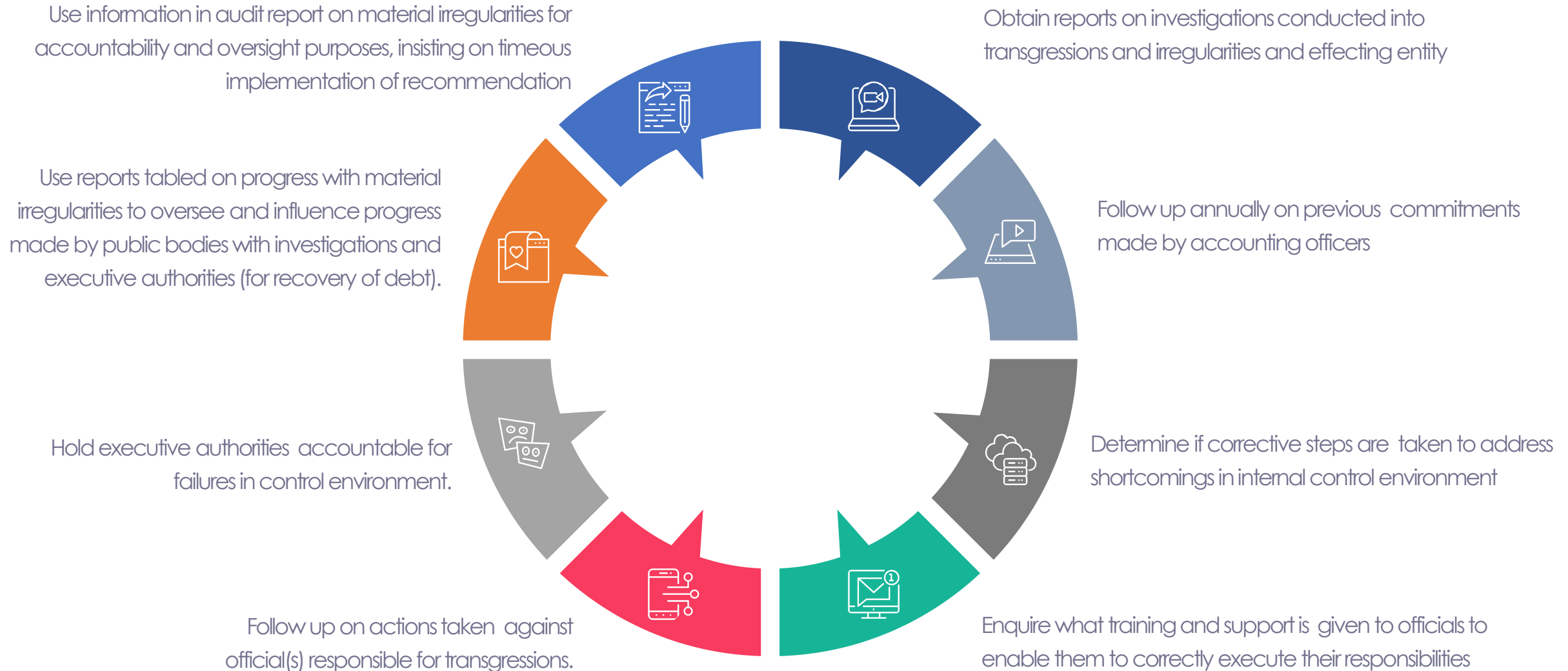
- Deal with bills and other matters falling within their portfolio, as referred to them in terms of the constitution, legislation or rules, or by resolution of the Assembly
- Maintain oversight of their portfolios of national executive authority, including implementation of legislation
- Consult and liaise with any executive organ of state or constitutional institution
- Monitor, investigate, enquire into and make recommendations concerning any such executive organ of state, constitutional institution or other body or institution, including the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, staff and policies of such organ of state, institution or other body or institution
- Consult and liaise with any executive organ of state or constitutional institution

Role of the AGSA in the reporting process

Our role as the Auditor-General of South Africa (AGSA) is to reflect on the audit work performed to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the committee's objective to produce a *Budgetary review and recommendations report (BRRR)*.



What we understand as the role of oversight





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Focus

AGSA audit outcomes

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

The AG's annual audits examine:

1. Fair presentation and absence of significant misstatements in **financial statements**
2. Reliable and credible **performance information** for predetermined objectives
3. **Compliance with laws and regulations** governing financial matters

Movement over the previous year is depicted as follows:



Improved

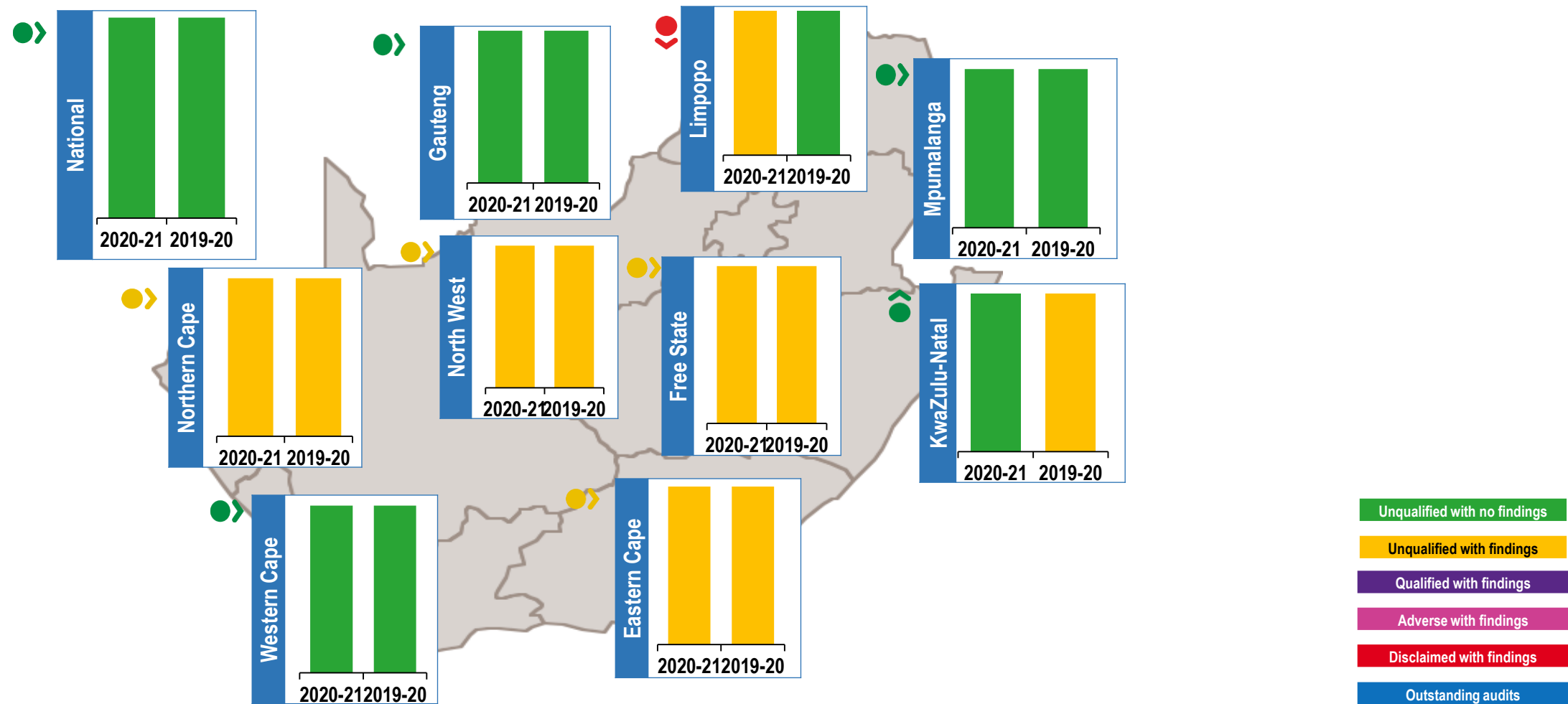


Unchanged

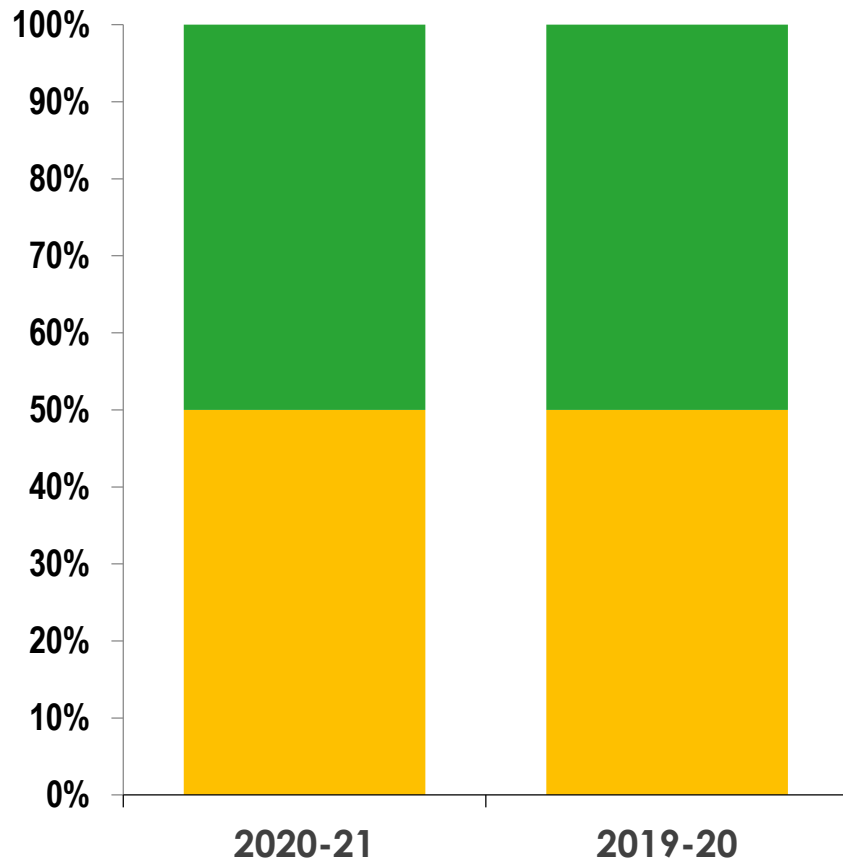


Regressed

Audit outcomes – Legislature Sector



Legislature outcome summarised



Movement	
	1
	1
	8

- The overall outcomes in the Legislature sector has remained the same over the 2 financial periods at 5 clean audits and 5 unqualified with findings.
- Limpopo Legislature regressed from a clean audit to unqualified with findings.
- KZN Legislature improved from unqualified with findings to clean.
- Free State, North West, Northern Cape and Eastern Cape Legislatures remained unchanged at unqualified with findings.
- Parliament, Western Cape, Gauteng and Mpumalanga remained clean for the 2020-21 financial period.

Audit outcomes
are depicted as follows:



Audit outcomes of Parliament over 5 years





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Parliament Snapshot

Snapshot 2020-21

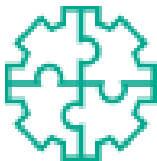


Clean audit

type of material
irregularity



Financially unqualified
financial statements



Quality of performance
reports



No findings on compliance
with legislation: 8
(2019-20: 7)



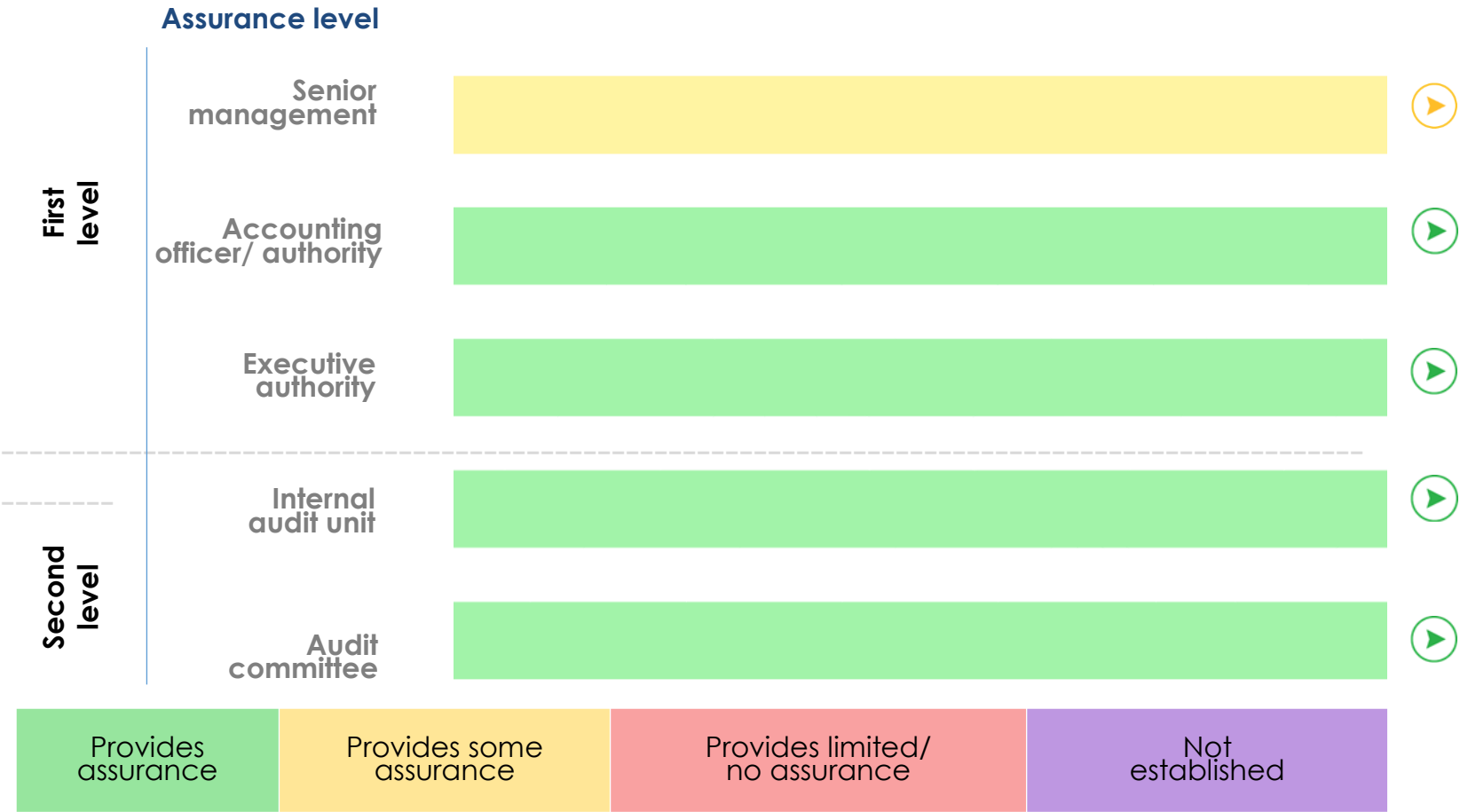
Irregular expenditure: R0
(2019-20: R0)



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Governance and internal controls

Assurance provided



Status of internal control



* CBDA is not included in assessment of internal controls, which is not performed for small auditees.



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Financial Health and Financial Management

Financial Health

Overview

The financial viability assessment provides useful information for accountability and decision-making purposes and complements the financial statements by providing insights and perspectives thereon.

Assessment of financial health


Parliament's overall assessment for financial health has improved from the 2019-20 financial period. The improvement is mainly due to the increase in cash reserves from R113 million in 2019-20 to R326million in the 2020-21 financial period. This is a direct result of a decrease in operating expenditure as a result of the COVID 19 lockdown.

Parliament also improved their net liability position due to majority of its members exiting the fund as a result of the general elections that took place in May 2019. This resulted in the liability for the exit gratuities to decrease on the statement of financial position.

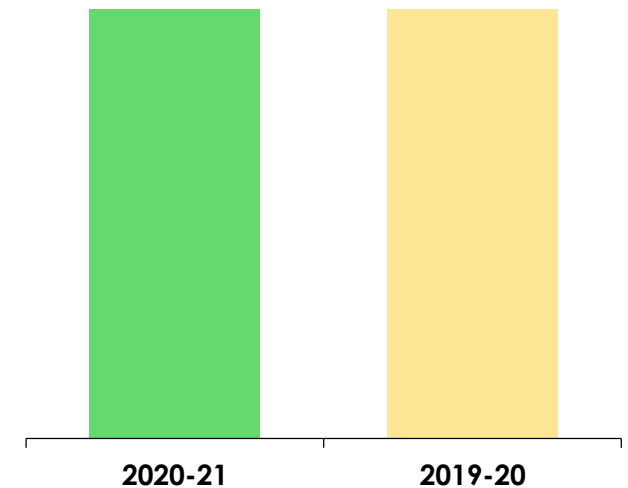
However, it should be noted that the creditor's payment days increased from 27 to 46 days in the current year.

 Two or less unfavourable indicators

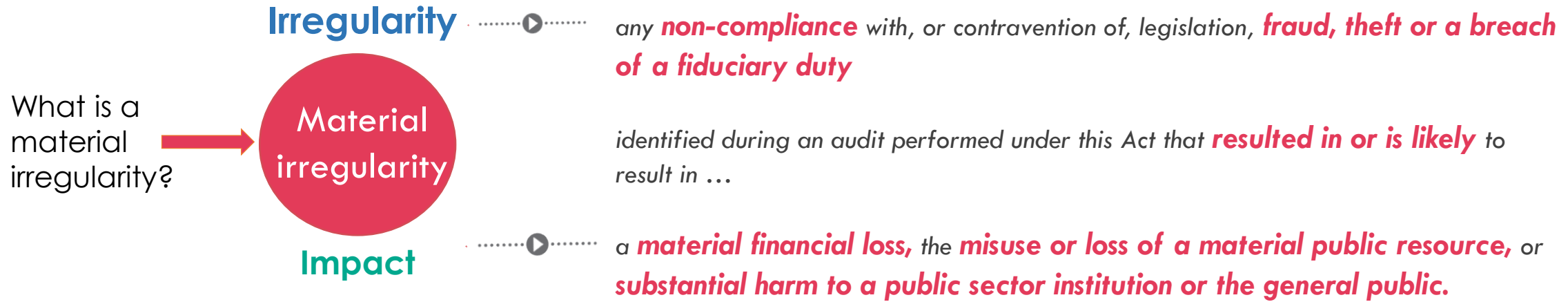
 More than two unfavourable indicators

 Significant doubt that operations can continue in future and/or auditee received a disclaimed or adverse opinion, which meant that the financial statements were not reliable enough for analyses

Financial health



At the center of the PAA amendments – material irregularity



To allow for establishing capacity and processes, we will follow a **phased-in approach** for identifying MIs in 2020-21 based on:

1. the type of material irregularity to be identified and reported
2. the auditees where it will be implemented

Type of material irregularity

Selection criteria

Any non-compliance in line with the definition stated above.

The MI process is implemented at selected auditees audited by the AGSA that represent **a significant portion of the expenditure budget and the irregular expenditure** of national, provincial and local government, including state-owned entities. The selection is also focused on auditees that are key contributors to **government priorities**. **For 2021, the DBSA and NT were selected for MI implementation in the finance portfolio.**

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