

Auditor-General
of South Africa

Performance period
2021-22

Audit committee report
feedback to SCoAG

7 October 2022

Members

J Biesman-Simons (Chair)
G Motau (Deputy Chair) (appointed March 2022)
C Roskruge
C Mampuru



Introduction

The audit committee (the committee) is pleased to present its report for the financial year ended 31 March 2022 to the Standing Committee on the Auditor-General (SCoAG) and all other stakeholders of the Auditor-General of South Africa (AGSA).

The committee must, based on the requirements of section 40(6)(a) of the Public Audit Act 25 of 2004 (PAA) and its terms of reference, comment in the annual report on certain matters. This comment is included in the audit committee's report on pages 152 to 154 of the integrated annual report for the year ended 31 March 2022. This presentation is based on that report.

While our primary focus as an oversight structure of the AGSA remains fulfilling our statutory and other duties as set out in our terms of reference, which are reviewed and approved annually, we strongly support the AGSA in its novel endeavour to shift the culture in the public sector through implementing its new strategy – #cultureshift2030.



Committee governance

The committee is a statutory oversight structure constituted in terms of section 40 of the PAA. The committee is accountable to the auditor-general (AG) and SCoAG.

The committee fulfilled its statutory duties to enable it to:

- comment in the integrated annual report on the adequacy and effectiveness of the internal control and its evaluation of the AGSA's annual financial statements
- control and direct the internal audit function within the AGSA.

Furthermore, in terms of its other responsibilities, the committee:

- oversaw the activities of the external audit function
- reviewed the risk management processes and concluded that they were operating satisfactorily
- evaluated whether the organisation has the resources and financial expertise to perform its duties
- ensured that the combined assurance model was applied to provide a coordinated approach to all assurance activities
- ensured that it fulfilled its oversight responsibilities for the integrated annual report.

Committee members:

J Biesman-Simons – chairperson
G Motau – deputy chairperson
C Roskrige
C Mampuru

All members of the committee are independent of the AGSA, have attended all scheduled committee meetings and have, prior to each sitting, declared their independence and that they are free of any conflict of interest in discharging their statutory duties throughout the reporting period.

The background is a solid teal color. On the left, there is a large teal map pin icon with a white outline. Inside the top part of the pin is a large teal circle containing the text 'ACTIVITIES OF THE COMMITTEE'. A dashed white line forms a large circle around the top and sides of the pin. To the right of the pin is a large, irregular teal shape that resembles a map pin or a location marker. There are several smaller teal circles scattered around the design. At the bottom, there are faint, light blue concentric circles resembling ripples in water.

ACTIVITIES OF THE
COMMITTEE



External audit and evaluation of the annual financial statements

The committee assessed the external auditor's independence, as required by section 39(2)(b) of the PAA, and recommended their reappointment to Scoag, which appoints the external auditor annually.

The committee is satisfied that Crowe JHB (the external auditor) is independent and not conflicted in any way, and has conducted the external audit for the 2021-22 financial year under the direction of the engagement partner, Mr Raakesh Khandoo.

The audit committee of the AGSA has been tracking the external auditor's B-BBEE transformation plan as per the commitment to Scoag in the letter dated 25 March 2019, and are pleased to inform you that they have achieved a level 3 B-BBEE rating.



External audit and evaluation of the annual financial statements

The committee:

- considered the audit approach and audit risks in approving the external audit plan
- considered the appropriateness of the accounting policies, accounting treatments, and any significant unusual transactions and judgement areas; and reviewed compliance with the International Financial Reporting Standards and the PAA
- considered the management report received from the external auditors and reviewed the summary of unadjusted differences, of which there were none in the current reporting period
- reviewed the audit report on the annual financial statements and the audit report on performance against predetermined objectives
- reviewed the financial statements and agreed with management and the external auditors that the AGSA is a going concern
- ensured that the nature, scope and materiality of non-audit services do not compromise the independence of the external auditor
- met separately with the external auditors without management present to ensure that the quality, credibility and effectiveness of the external audit process was maintained at all times, and received confirmation that no pressure was put on them to suppress any findings, nor were any scope or other restrictions placed on their work
- considered all factors and risks that may have an impact on the integrity of information in the integrated annual report (IAR) and that it presents the economic, social and environmental performance of the AGSA.

After reviewing the management representation letters addressed to the external auditor, the committee recommended that the deputy auditor-general (DAG) sign the annual financial statements and that the AG and DAG sign the IAR



Internal audit

Ngubane Management Company (Johannesburg) Proprietary Limited ("Ngubane" or "the internal auditor") was the AGSA's internal auditor, completing the last year of its three-year contract with the AGSA.

In accordance with its terms of reference and the internal audit charter, the committee:

- reviewed and approved the three-year rolling plan, annual operational plan and internal audit charter
- considered reports from the internal auditor on the internal audit work performed throughout the year, and its annual written assessment, which concluded that the internal controls in the areas tested were satisfactory (i.e., adequate and effective); however, some deficiencies were identified, which the internal auditor advised were mainly administrative in nature and can easily be rectified
- met separately with the internal auditor without management present to ensure that the independence, quality, credibility, and effectiveness of the internal audit process was maintained at all times, and received confirmation that no scope or other restrictions were placed on the auditor, nor was pressure applied to suppress audit findings.

The committee concluded that, considering the work done in the current year by the internal auditors, and the reliance they place on other assurance providers and their written assessment, the system of internal control in place at the AGSA is adequate and is operating effectively.

In view of the end of the contractual arrangement with Ngubane, the audit committee embarked on a procurement process to appoint a new outsourced internal audit service provider for the AGSA for the next three years.



Risk management

Under the stewardship of a chief risk officer, the Risk and Ethics business unit (R&E) is responsible for coordinating the risk management function in the AGSA. The committee was kept abreast of organisational, strategic and other key business risks, as well as those posed by the introduction of the new International Standard of Quality Management (ISQM), which comes into effect on 15 December 2022.

The committee exercised oversight on:

- the strategic risks of the organisation, where it monitored implementation of the mitigations agreed with management to manage the risks to an acceptable level, and reviewed and approved the proposed strategic risk profile for the 2022-23 financial period
- the assurance received from the internal auditors on the risk management function
- the risk appetite statement for the reporting period, monitored the organisation's performance in relation to the appetite measures defined and approved the organisation's risk appetite statement for the 2022-23 performance period
- the 2021-22 combined assurance matrix, ensuring that the assurance obtained from the different assurance providers for all material risk areas is adequate. In addition, the combined assurance framework for 2022/23 was approved.

The committee is satisfied with its oversight of the adequacy and effectiveness of risk management processes employed by the organisation throughout the financial year to manage risks to an acceptable level.



Assessment of the finance function and CFO

The committee assessed the composition, experience and skillset of the finance function, as well as the performance and expertise of the former chief financial officer (CFO), and is satisfied that those were appropriate to fulfil their responsibilities.

The committee welcomes the new CFO and is confident that the finance function will continue to fulfil its financial management responsibilities for the organisation.



Key focus areas

During the 2021-22 performance period, the committee focused on the organisation's information technology (IT) function due to the observations of various assurance providers in the previous performance period and the relative leadership instability within the function.

Considering the outcomes of assurance providers in the current performance period, and the work that management has done to stabilise the IT function, the committee is pleased with the progress that has been made and encourages management to continue on this trajectory.

For the 2022-23 performance period, the committee will continue to monitor the IT function, to strive to positively and constructively contribute towards a sustainable system of internal control for the organisation, while being responsive to the ever-changing risk environment in which the organisation operates.



Conclusion on the integrated annual report, which includes the annual financial statements

In the committee's opinion, the AGSA's system of internal control and risk management processes is adequate and is operating effectively, with some minor deficiencies that can easily be rectified. The committee recommended to the DAG that he may sign the annual financial statements and that the DAG and AG may sign the integrated annual report.

The committee is satisfied that it has adequately discharged its responsibilities as outlined in the PAA and its terms of reference during the current financial year.

Thank you



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