



Presentation to Standing Committee on Public Accounts on audit process

07 June 2023



AUDITOR-GENERAL
SOUTH AFRICA



MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution 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.

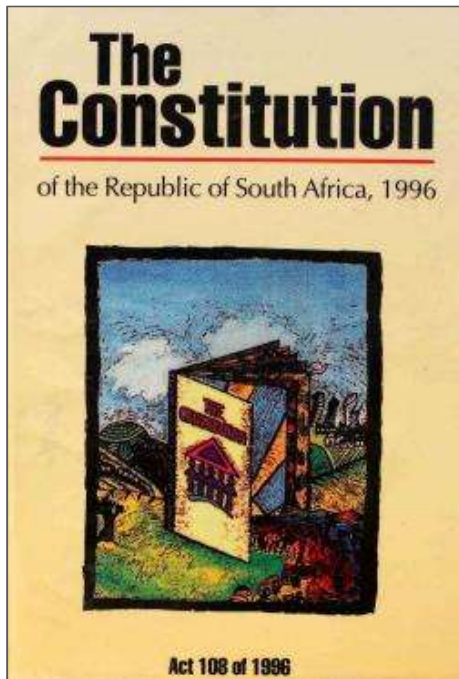


VISION

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



We have a constitutional and professional mandate as South Africa's supreme audit institution to not just be satisfied with producing reports, but to keep working and persevering in making a difference to the lives of citizens



+ Chapter 3 : Section 41
All organs of state must secure the well-being of the people of the republic

+ Chapter 3 : Section 41
All organs of state must provide effective, transparent, accountable and coherent government for the republic as a whole

+ Chapter 9
Strengthen constitutional democracy in the republic

+ INTOSAI – P 12
*Public sector audit, as championed by the supreme audit institution (SAI), is an important factor in **making a difference in the lives of citizens ...** an independent, effective and credible **SAI is an essential component in a democratic system where accountability, transparency and integrity** are indispensable parts of a stable democracy*



United Nations

+ UN Resolution A/RES/69/228

The ultimate role of an SAI is to make a difference in the lives of citizens



We will realise our **strategic aspiration** by focusing on six strategic goals



Sustainably

Acquire, develop and maintain the quantity, quality and configuration of people, resources and capabilities to safely achieve and sustain our desired levels of impact



Insight

Generate audit insights that illuminate understanding, drive action and yield results



Efficiently

Unlock latent capacity in the existing resource base and our people and lower the cost and effort with which we derive each marginal unit of quality, insight, influence and enforcement



Influence

Move stakeholders from mere awareness of our messaging to action on and advocacy of our messaging



Shift public sector culture

Move a critical mass of auditees towards organisational cultures characterised by transparency, integrity and accountability



Enforcement

Apply powers to directly and indirectly recover resources lost to the state and taxpayers and ensure application of consequences for wrongdoing



+ PAA section 20(2)(a)
The auditor's report must reflect an opinion, conclusion or findings on the **financial statements** of the auditee in accordance with the applicable financial reporting framework and legislation.

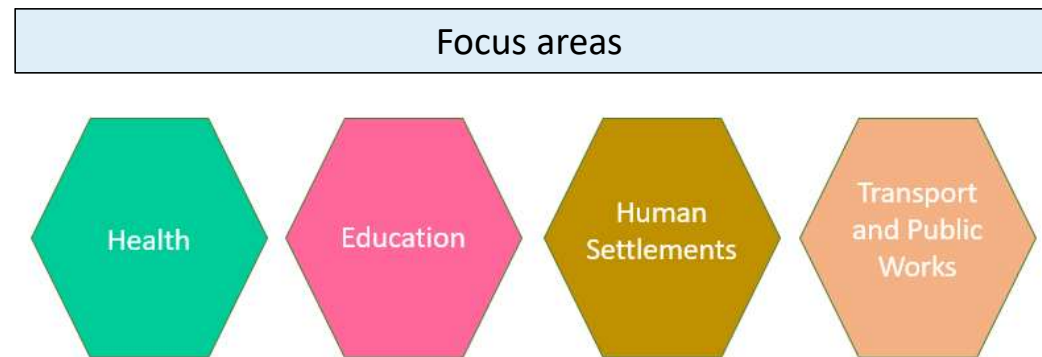
+ PAA section 20(2)(b)
The auditor's report must reflect an opinion, conclusion or findings on the auditee's **compliance with any applicable legislation** relating to financial matters, financial management and other related matters.

+ PAA section 20(2)(c)
The auditor's report must reflect an opinion, conclusion or findings on the reported performance of the auditee against its **predetermined objectives**.

+ PAA section 5(1)(aA)
The AGSA may, at a fee, and without compromising the role of the AG as an independent auditor, perform an appropriate audit of any institution referred to in section 4(1) or (3) to determine whether appropriate and adequate measures have been implemented to ensure that resources are procured **economically** and utilised **efficiently** and **effectively**

PAA section 13(1)(b)
+ Additional specific audit focus areas are identified based on an annual risk assessment.

PAA section 20(3) / Performance audit integration work focus areas:
The AG may report on whether the auditee's resources were procured **economically** and utilised **efficiently** and **effectively**.
In the context of performance auditing, performance auditors are used as specialists to analyse complex systems and processes in order to identify gaps and weaknesses that may impact negatively on service delivery.



Audit areas and scope in terms of section 20 of the PAA

Audit of the financial statements

- Fair presentation of financial statements in terms of the applicable financial reporting framework
- Departments - MCS
- Public entities – GRAP

Audit of Performance information

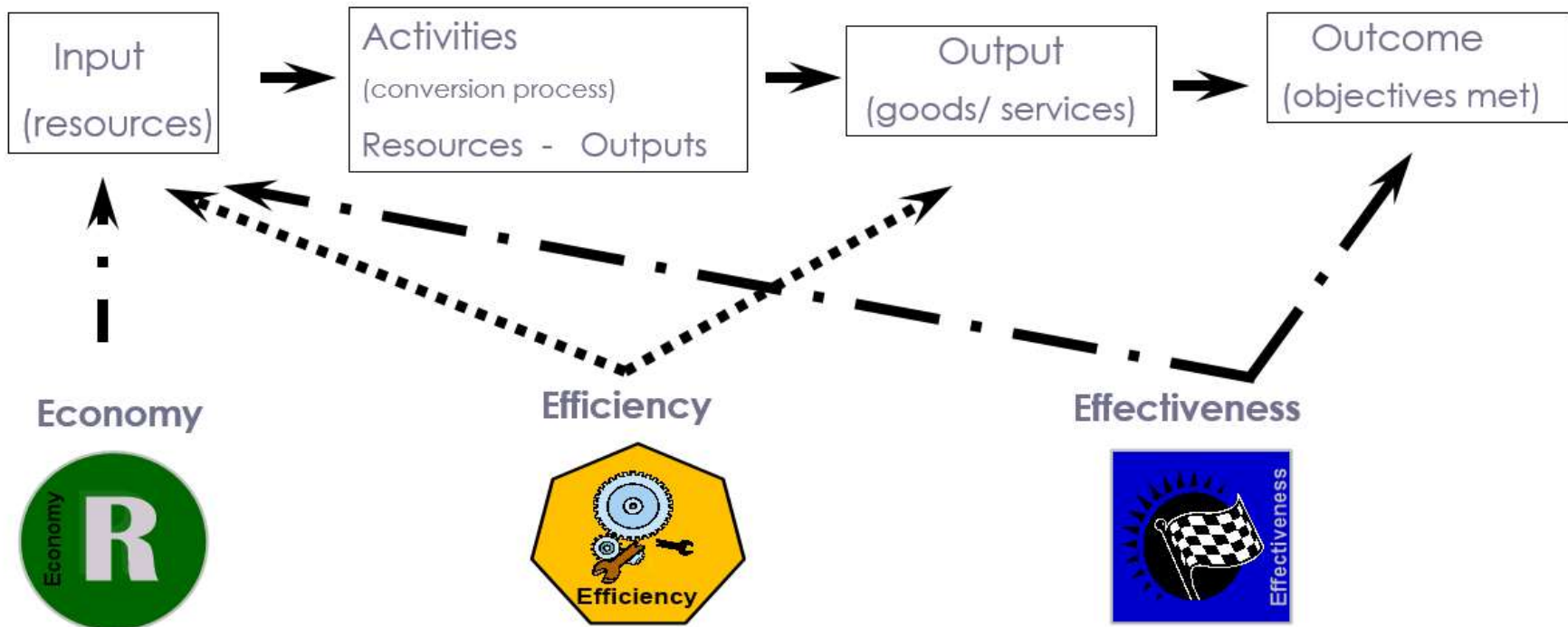
- Testing the relevance of indicators
- Testing the mix and quality of indicators at: Health, TPW, Education, Human Settlements and coordinating institutions
- Testing the completeness of indicators in relation to mandate

Compliance Audit

- Annual financial statements, performance report and annual reports
- Procurement and contract management
- Expenditure management
- Transfer of funds
- Revenue management
- Asset management
- Liability management (applicable public entities)
- Consequence management
- Strategic planning and performance management
- Governance and oversight (schedule 2 public entities)



An independent auditing process to evaluate the measures instituted by management to ensure that allocated resources are procured **economically** and utilised **efficiently** and **effectively**



Departments

Departments are currently not required to componentise capital assets in terms of the Modified Cash Standard (MCS).

We have componentisation as an emerging risk in our management reports to departments as the Office of the Accountant General (OAG) has in the past indicated that it will be a requirement in future.

A date for implementation has not yet been set by the OAG.

Depending on the timing, we could audit this aspect in the year preceding its full implementation or alternatively if a phased in approach is followed, we will audit accordingly.

Entities

Entities are required to prepare financial statements in terms of the GRAP reporting framework.

In terms of GRAP 17 componentisation would be applicable at entities within the Western Cape, but due to the nature of the assets used by most entities it is not a common occurrence and we have not identified any findings to date.

What is componentisation?

This process of componentisation is aimed at identifying asset components to a level where significant components have differing useful life expectations to that of the parent asset.

This is to enable more nuanced and realistic depreciation charges to be set, and thus more accurately model their consumption.

It is more common for production assets where infrastructure such as pipes, pumps, gauges, etc have differing useful lives.



THANK YOU



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