



AUDITOR - GENERAL
SOUTH AFRICA

BUDGETARY REVIEW AND RECOMMENDATIONS REPORT (BRRR):

Portfolio Committee on
Women, Youth and
Persons with Disabilities

October 2023

*Briefing document on the
audit outcomes for the
Women, Youth and Persons
with Disabilities portfolio:*

2022-23

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1. Introduction

1.1 Reputation promise of the Auditor-General of South Africa

The Auditor-General of South Africa (AGSA) 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.

1.2 Role of the AGSA

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 entities, taking into consideration the committee's objective to produce a budgetary review and recommendations report (BRRR).

1.3 Role of the portfolio committee

Section 5(2) of the Money Bills Procedures and Related Matters Amendment Act 9 of 2009 allows for each committee to compile a BRRR, which must be tabled in the National Assembly. Section 5(3) provides for a BRRR to contain the following:

- An assessment of entities' service delivery performance, given available resources.
- An assessment of the effectiveness and efficiency of entities' use and forward allocation of available resources.
- Recommendations on the forward use of resources.

1.4 Mandate of the AGSA and the portfolio committee

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AGSA mandate	Portfolio committee mandate
<p>Section 188 of the Constitution</p> <p>The AGSA must audit and report on the accounts, financial statements, and financial management of government institutions.</p> <p>Section 20(2) of the Public Audit Act (PAA)</p> <ul style="list-style-type: none"> • The AGSA must prepare an audit report containing an opinion/conclusion on the: 	<p>National Assembly Rule 227</p> <p>Portfolio committees may, among other things, perform the following functions:</p> <ul style="list-style-type: none"> • 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 National Assembly.

AGSA mandate	Portfolio committee mandate
<ul style="list-style-type: none"> ○ Fair presentation of the financial statements. ○ Compliance with applicable legislation. ○ Reported performance against predetermined objectives. <ul style="list-style-type: none"> ● Discretionary audits (including special audits, investigations, and performance audits) <p>Section 5(1B) of the PAA</p> <p>The auditor-general has the power to:</p> <ul style="list-style-type: none"> ○ Issue a material irregularity. ○ Include recommendations in the audit report. ○ Take appropriate remedial action. ○ Issue a certificate of debt, as prescribed, where an accounting officer/authority has failed to comply with remedial action. 	<ul style="list-style-type: none"> ● Maintain oversight of their portfolios of national executive authority, including implementation of legislation, any executive organ of state falling within its portfolio, any constitutional institution falling within its portfolio and any other body or institution in respect of which oversight was assigned to it. ● 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 an organ of state, institution or other body or institution. ● Consult and liaise with any executive organ of state or constitutional institution. ● Perform any other functions, tasks or duties assigned to it in terms of the Constitution, legislation, these rules, the joint rules, or resolutions of the National Assembly, including functions, tasks and duties concerning parliamentary oversight or supervision of such executive organs of state, constitutional institutions or other bodies or institutions

1.5 Purpose of this document

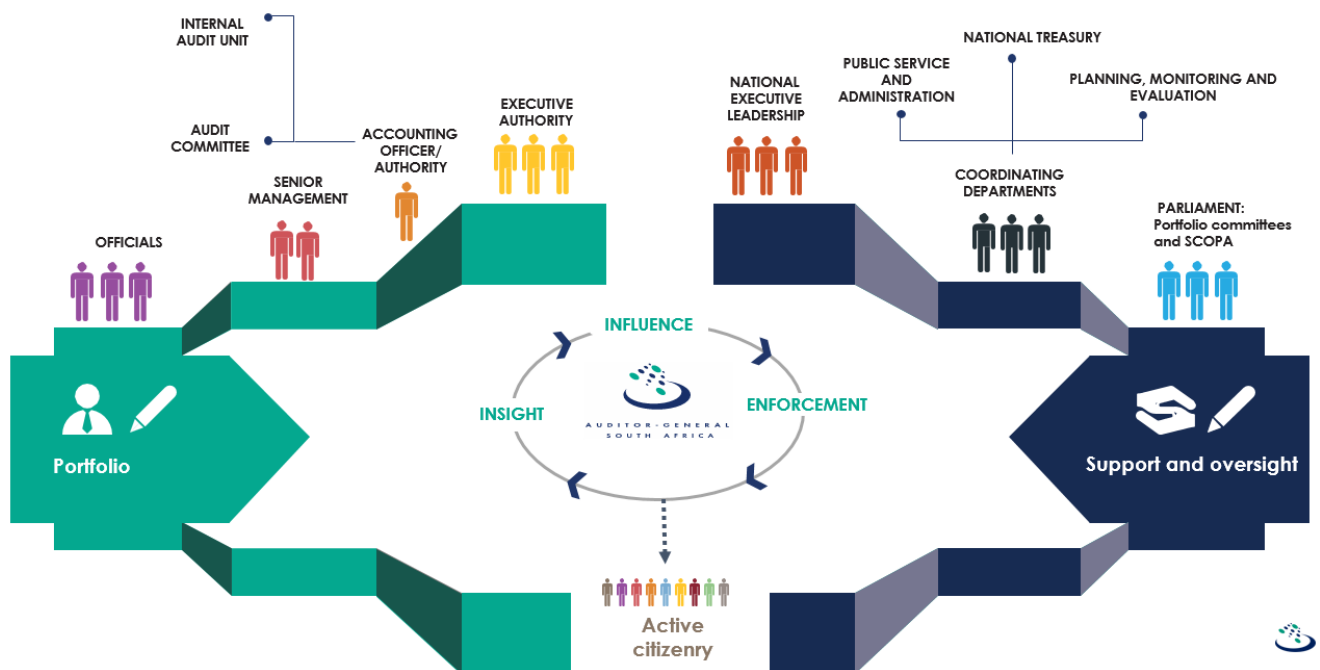
The purpose of this briefing document is for the AGSA to reflect on the audit outcomes to assist the portfolio committee in its oversight role of assessing the performance of entities, taking into consideration the objective of the committee to produce a BRRR.

1.6 Shifting the public sector culture through the accountability ecosystem

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All have role to play in national government accountability eco-system






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- The accountability ecosystem is the network of stakeholders that have a mandate and/or responsibility, whether legislative or moral, to drive, deepen and/or insist on public sector accountability.
- A more active and engaged accountability ecosystem would add to the much-needed effort of shifting public sector culture and would alleviate the overreliance on the AGSA to assume responsibility for improving audit outcomes and enforcing consequences.
- Shifting the public sector culture towards one that is characterised by performance, accountability, transparency, and integrity can only be accomplished if all role players in the broader accountability ecosystem fulfil their respective responsibilities and mandates.
- Given the nature of the AGSA's mandate, by the time we audit the financial statements of auditees and report on adverse findings, multiple failures have already occurred along the accountability value chain. After our audits, other steps are required to complete the accountability cycle.

- *Improvement in sound financial management to enhance the lives of citizens does not only reside within the domain and responsibility of the accounting officer or authority and the auditors. It depends on the entire accountability ecosystem to enable a culture of accountability in a sustainable and meaningful way.*

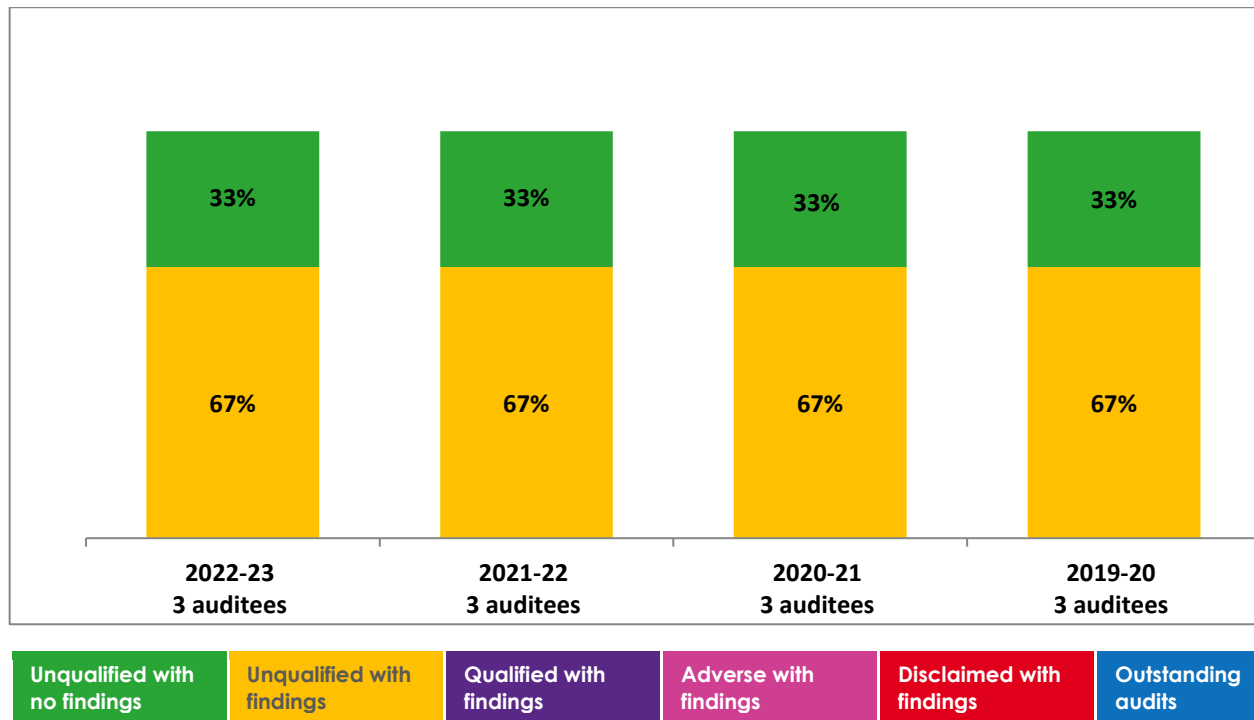
1.7 Audit outcomes explained.

Unqualified opinion with no findings (clean audit)	Financially unqualified opinion with findings	Qualified opinion	Adverse opinion	Disclaimed opinion
 <p>Auditee:</p> <ul style="list-style-type: none"> • 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 	 <p>Auditee produced financial statements without material misstatements or could correct the material misstatements, but struggled in one or more area to:</p> <ul style="list-style-type: none"> • 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 	 <p>Auditee:</p> <ul style="list-style-type: none"> • 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. 	 <p>Auditee:</p> <ul style="list-style-type: none"> • 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 	 <p>Auditee:</p> <ul style="list-style-type: none"> • 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

2. No change in audit outcomes over the administration term

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Four-year audit outcomes



2.1 Overview

There has been a stagnation in terms of audit outcomes of three auditees within this portfolio, over the administration term. NYDA has maintained clean audits over the years. The department has not been able to improve its audit outcomes due to a repeat finding on consequence management on irregular expenditure coming through in the current audit again. However, the department made considerable effort in dealing with Irregular Expenditure (IE) balance in terms of consequence management but there was a remaining IE balance that was not dealt with. The commission has not been able to improve its audit outcomes due to several audit findings on compliance with laws and regulations, including consequence management on irregular expenditure and fruitless and wasteful expenditure. We did not identify material findings on the audit of performance information from all the auditees within the portfolio.

2.2 Detail on outcomes

Overview

Out of the three auditees within the portfolio, none of the auditees had unresolved material findings on the annual performance plans. All the identified material findings were subsequently corrected through the audit process.

2.2.1 Findings on the audit of the annual performance report and achievement of targets

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Auditee	Material findings	Number of targets achieved against number of targets planned for 2021-22 (%)	Impact of targets not achieved
Department of Women, Youth and Persons with Disabilities (DWYPD)	None identified	35 out of 43 (81%)	<p>At 81% the department has performed well in achieving targets. However, the few targets not achieved might have some negative impact to the portfolio as are part of the core mandate.</p> <ul style="list-style-type: none"> • Number of progress reports on implementation of Sanitary Dignity Implementation Framework by provinces produced. • Number of GBVF Rapid Response Teams (RRTs) established.

Auditee	Material findings	Number of targets achieved against number of targets planned for 2021-22 (%)	Impact of targets not achieved
			Other indicators that were not achieved were due to portfolio of audit evidence not being approved or signed off within M&E timeframes, however these the non-achievement of these may not necessarily impact on service delivery.
National Youth Development Agency (NYDA)	None identified	29 out of 29 (100%)	The Agency achieved all its indicators and targets planned for the year under review.
Commission for Gender Equality (CGE)	None identified	12 out of 25 (48%)	<p>At 48% the commission has performed badly in achieving targets. The targets not achieved might have negative impact to the portfolio. As these following targets are part of the core mandate.</p> <ul style="list-style-type: none"> • 540 000 people reached through community radio education outreach and a report thereof. • Number of courts monitored. • Number of SAPS and TCCs monitored. <p>Non-achievement of these important indicators means that there will still be slow progress on improving lives of women in general.</p>

2.2.2 Quality of financial reporting

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The department and the agency produced credible set of annual financial statements, as there were no significant audit findings identified. However, the annual financial statements of the Commission contained numerous misstatements, and some were significant in nature. The material misstatements necessitate critical intervention to uphold the integrity of financial management in the Commission and the audit process. These misstatements compelled management to undertake substantial corrections to the financial statements submitted for audit. Without these rectifications, the financial statements would have been materially misstated, rendering them unreliable. The main root cause of the misstatements was due to non-compliance with some of the GRAP accounting requirements.

2.2.3 Financial health

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We did not identify any unfavourable financial indicators within the portfolio, which is an indication that the portfolio is manages its finances well. We also did not identify any going concern issues within the portfolio.



Revenue



Debt-collection period > 90 days at **0** auditees

Average debt-collection period = **13 days**

More than 10% of debt irrecoverable at **0** auditees

Average debt-collection period = **13 days**

More than 10% of debt irrecoverable at **0**



Expenditure



R1 450 468 of expenditure was **fruitless and wasteful** (1 auditee (CGE))

Creditor-payment period > 30 days at **1** auditee (CGE)

Creditors greater than available cash at year-end at **2** auditees (DWYPD & NYDA)

Average creditor-payment period = 35 days

Impact



33% auditees (NYDA) **ended year in deficit** (expenditure more than revenue)

Next year's budget will pay for expenditure of previous year(s) – at **0%** auditees it will be **more than half of their budgets**.

0 (0%) auditees incurred **unauthorised expenditure** totalling Rxx billion; **R0 million (0%)** was non-cash items (includes outstanding audits)

0 (0%) auditees disclosed or should have disclosed significant doubt in financial statements about ability to continue **operating as a going concern** in foreseeable future

2.2.4 Compliance with key legislation

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The following material non-compliance issues were identified and reported:



Auditee	Description	Root cause
Department of Women, Youth and Persons with Disabilities (DWYPD)	Consequence management on irregular expenditure	Slow to response by management in addressing consequence management audit finding that was raised in the previous period and adequate implementation of the audit action plan on this matter.
Commission for Gender Equality (CGE)	Quality of financial statements Procurement and contract management Expenditure management Consequence management on irregular expenditure	Inadequate process of preparation and review of financial statements Inadequate reviews of laws and regulations Slow responses by management in addressing audit findings and audit action plan

2.2.5 Procurement and payments

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The following breakdown pertains to audit findings on procurement findings:



Auditee	Description	Amount (R)	Root cause	Impact
Commission for Gender Equality (CGE)	Awards made to legal panel members in contravention with PPPFA regulation	327 000,00	Inadequate reviews of processes and procedures relating to compliance matters	This resulted in irregular expenditure, which should be investigated, and consequence management should be instituted.
	Persons in service of the auditee with interest in suppliers of other state institutions – no written approval was obtained from the executive authority to do business with the state institution	643 000,00		
Total		970 000,00		

2.2.6 PFMA Compliance and Reporting Framework

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National Treasury Instruction No. 4 compliance reporting framework matter.

1. National Treasury Instruction No. 4 of 2022/2023: PFMA Compliance and Reporting Framework (Instruction) which came into effect on 03 January 2023, was issued in terms of section 76(1)(b), (e) and (f), (2)(e) and (4)(a) and (c) of the PFMA.



2. The objective of the Instruction note is to prescribe the principles and compliance reporting requirements for departments, trading entities, constitutional institutions and public entities listed in Schedules 2 and 3 to the Public Finance Management Act, 1999 about unauthorised, irregular, and fruitless and wasteful expenditure (UIF&WE).

Background on the key changes to irregular and fruitless and wasteful expenditure disclosure requirements because of the National Treasury Instruction no.4: PFMA compliance and reporting framework.

3. The new framework brought significant changes in relation to the disclosure of irregular, and fruitless and wasteful expenditure (IFWE). These changes are as follows:
 - a) The movements in the disclosure note of IFWE such as condoned, recoverable, removed, written off, under assessment, under determination and under investigation have been moved from Annual Financial Statements and now will be disclosed in the Annual Report.
 - b) PFMA institutions will only disclose IFWE incurred in the current year, with a one-year comparative analysis in the Annual Financial Statements notes disclosure.
 - c) The historical balances (i.e., opening balances) have been completely removed from the annual financial statements (AFS).

Message to oversight on the AGSA's position on the audit of IFWE that should be disclosed in the annual report.

4. The purpose of disclosing irregular, fruitless and wasteful expenditure in the financial statements is to enable the oversight and monitoring structures of South Africa (e.g., Parliament) to perform their role to ensure that funds are spent in line with s217 of the Constitution and to hold officials and the executive accountable.
5. The fact that the disclosure of IFWE (historical balances and movements) is no longer required on the annual financial statements and no audit assurance is provided thereon, the oversight structures would need to engage directly with the information disclosed in the annual report or request the information on historical balances directly from the relevant institution where not disclosed in the annual report to exercise their oversight responsibility.



6. From an audit perspective, transparency and accountability is further limited by the fact that currently no audit assurance will be provided on the additional disclosures that have been moved from the AFS.
7. As a response to this, the AGSA refined their audit approach to uphold transparency and accountability through our audits notwithstanding the implementation of the framework. We therefore through our audits continued to audit the IFWE registers of historical balances as well as any IFWE disclosure included in the annual report.
8. Have clear messaging in the audit reports whereby we identified material misstatements to what was disclosed in the annual reports and the audit evidence gathered through the audit of these registers.
9. While we were not able to modify audit opinions due to inadequate systems to detect, record and appropriately disclose historical IFWE in the AFS, the objective was to ensure that we could still be in the position to report to the users of the AFS in cases where these registers of historical balances of IFWE are not completely and accurately maintained. This had no impact on the audit opinion of the financial statements.

2.2.7 Irregular expenditure

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During the year under review, auditees incurred irregular expenditure amounting to R2 million, which was disclosed in their financial statements. The expenditure is broken down below:

Auditee	Description	Amount (R)	Root cause	Impact
Department of Women, Youth and Persons with Disabilities (DWYPD)	Quotation not approved by the delegated official	719 000,00	Inadequate reviews of processes and procedures relating to compliance matters	This resulted in irregular expenditure, which should be investigated, and



				consequence management should be instituted.
Commission for Gender Equality (CGE)	Salaries for Commissioner's Pas incurred in contravention of the recruitment policies	508 000,00	Slow response management in non-compliance with key legislation.	No value for money received by the Commission
	Awards made to legal panel members in contravention with PPPFA regulation	327 000,00		Procurement without following competitive bidding process results in procurement is not fair (contracts not awarded to appropriate bidders) and lack of competitiveness
	Non-compliance with SCM prescripts related to Deloitte and Telkom services by CGE	55 000,00		
	Approval not by delegated official	65 000,00	Inadequate reviews of processes and procedures relating to compliance matters	This resulted in irregular expenditure, which should be investigated, and consequence
	Payment with no invoice	35 000,00		
	Three quotations not obtained	12 000,00		



				management should be instituted.
Total IE disclosed		1 721 000,00		

2.2.8 Consequence management

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The following material non-compliance issues relating to consequence management were identified and reported:

Auditee	Description	Root cause
Department of Women, Youth and Persons with Disabilities (DWYPD)	Unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA. This was because investigations into irregular expenditure were not performed.	<p>Slow response by management in addressing and effecting consequences.</p> <p>The exercise of retrieving missing documents was embarked on by the department and a significant amount of IE was addressed, however, there still was a remaining at year end that was not addressed as the department was unable to retrieve the supporting documents and the impracticability provision of the new</p>

		PFMA compliance and reporting framework, was not applied on time.
Commission for Gender Equality (CGE)	<p>Unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred irregular expenditure, as required by section 38(1)(h)(iii) of the PFMA.</p> <p>Unable to obtain sufficient appropriate audit evidence that disciplinary steps were taken against officials who had incurred fruitless and wasteful expenditure, as required by section 38(1)(h)(iii) of the PFMA.</p>	Slow response by management in addressing and effecting consequences.

2.2.9 Portfolio committee message

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Oversight intervention is required to ensure stability at the Commission and adequate control measures are implemented, including consequence management.

The portfolio achieved majority of its planned performance targets, except for the CGE. Although performance targets are achieved in the portfolio, there is still minimal impact on the lived experiences of the citizens.

Our call to action is for increase collaboration with all responsible role players within the eco-system to realise a positive impact on the lives of the citizens.

Proposed commitments

Commitment	Stakeholder	Date of commitment
Implement mechanisms that will result in realising an impact in the lives of the citizens, through the mandate of the portfolio.	Executive Authority	30 May 2023
Strengthened work performed by Internal Auditors to enable the department to improve on internal controls and avoid repeat audit findings.	Executive Authority	04 October 2023
To be solicited from the Portfolio Committee	Portfolio committee	10 October 2023

