

Joint standing committee for financial management of Parliament

20 OCTOBER 2023



AUDITOR-GENERAL
SOUTH AFRICA

Auditing to build public confidence



MISSION AND VISION



VISION

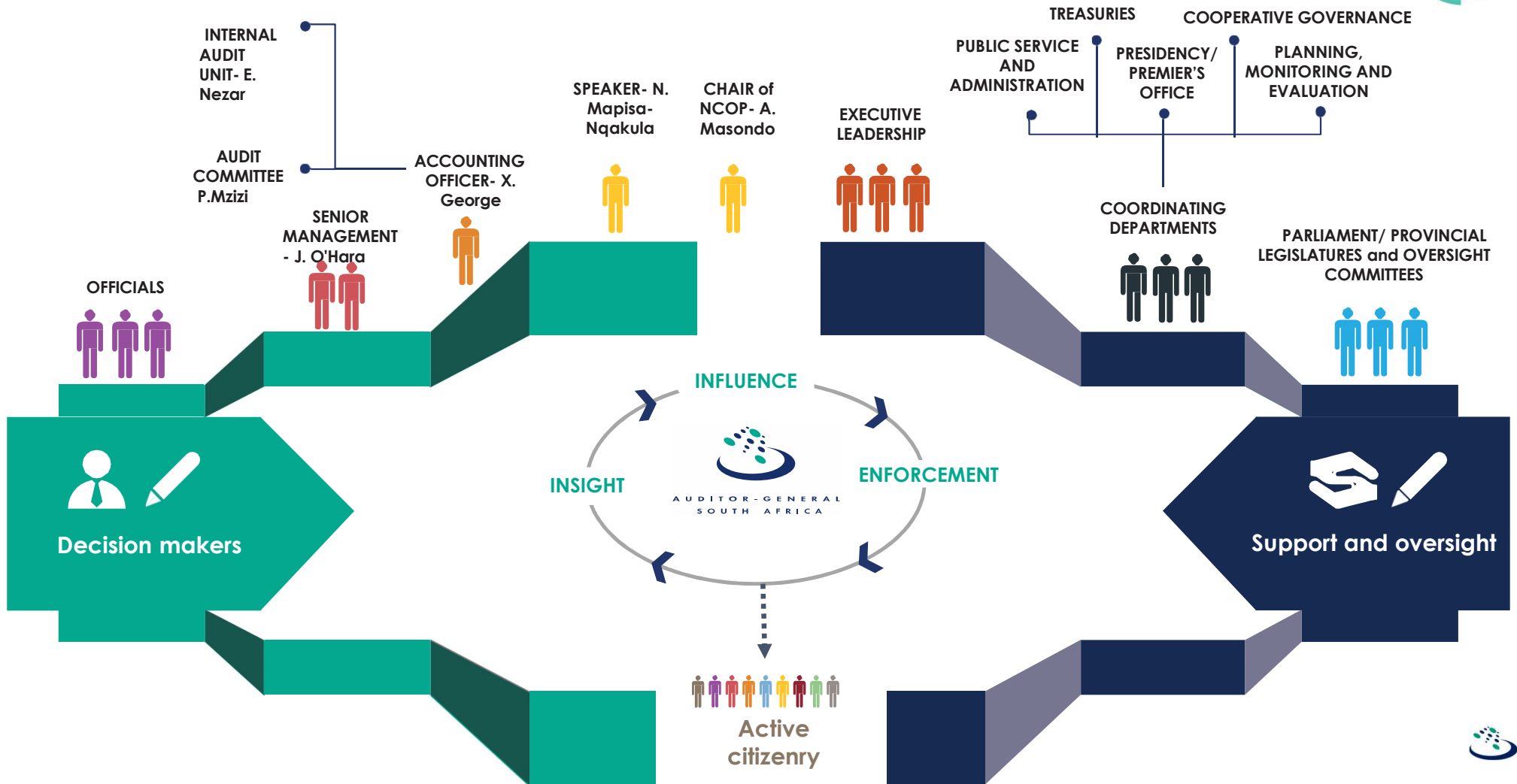
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability

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



All have role to play in accountability ecosystem



2021-22 recommendations

In 2021-22, we recommended the following:



Parliament to strengthen the control environment supporting the system used for reporting on indicators for predetermined objectives.



Parliament to perform a detailed review of its property, plant and equipment that was located in the Houses of Parliament impacted by the fires of 2 January 2022. Parliament committed to notify the AGSA when access to these buildings are granted for management to rectify the uncorrected misstatement relating to property, plant and equipment included in the management representation letter dated 29 July 2022.



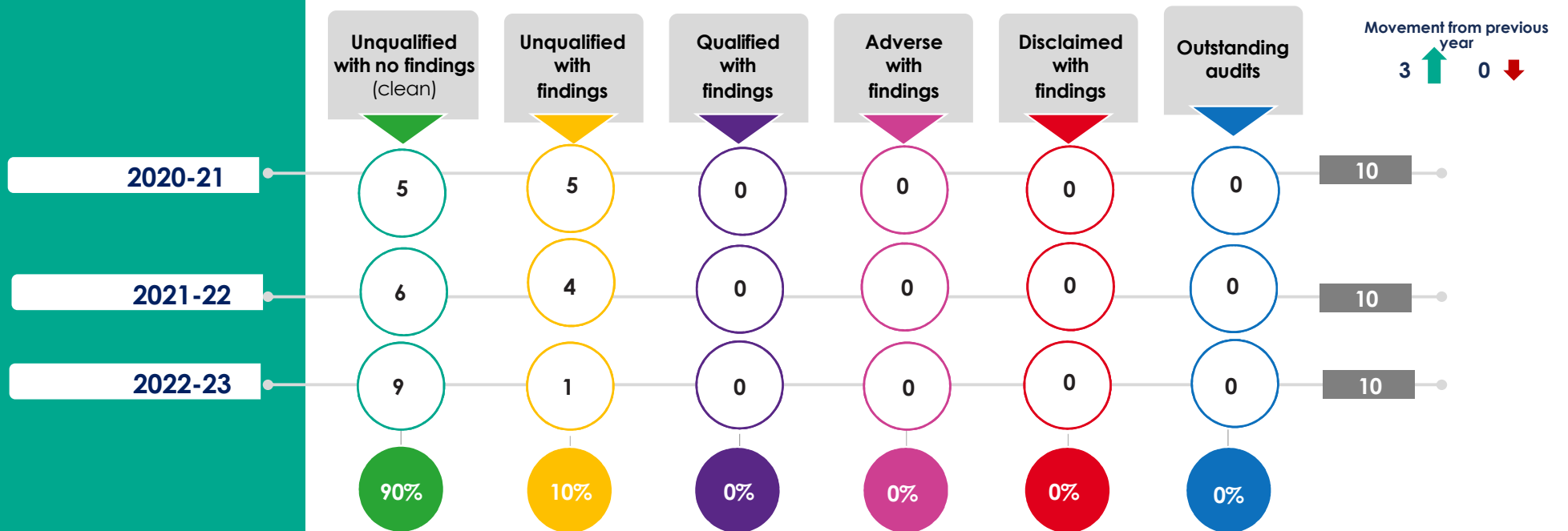
 Implemented

 In progress

Overall reflections on implementation of recommendations:

- Management have investigated a variety of statistical software and found a service provider which had all the functionality Parliament required as well as the 'mail collector functionality' recommended by the audit office. Parliament procured an online subscription service which allowed them to track responses and ultimately address the deficiency identified in the prior year.
- Parliament appointed the Development Bank of Southern Africa (DBSA) to spearhead the rebuilding of the buildings impacted by the January 2022 fires. The impacted buildings were in the custody of the HAWKS as it was an active crime scene. The buildings were handed over to Parliament in April 2023, which gave them less than 2 months to quantify the damage for the financial reporting period. Despite significant efforts by Parliament, a number of findings were still identified, thus some prior year matters relating to assets in the red zones of the burnt building remained unresolved, although not material and impacting the audit report. The matter is therefore still in progress.

Overall improvement in audit outcomes – Parliament and legislatures



Unqualified with findings: North-West

Improvements: Limpopo, Northern Cape and Free State



Parliament's quality of financial statements

Parliament of the Republic of South Africa	Movement from previous year	2022-23	2021-22	2022-21
Quality of financial statements submitted for audit				
Quality of Performance information				
Compliance monitoring				

Parliament submitted their annual financial statements on the legislated deadline of 31 May 2023. Although findings for the financial statements were identified and subsequently corrected by Parliament, these findings were not significant to the users of the financial statements. Majority of the findings identified during the current year related to property plant and equipment located in the buildings that were impacted by the fire. Management is encouraged to continuously monitor the rebuild process and implement adequate controls to ensure that these findings do not reoccur in the next financial period.

Parliament improved their controls for reporting on performance information and thus no findings were identified. It should be noted that the report on predetermined objectives was audited in line with the FMPPLA as there is currently no approved framework for Parliament and legislatures regarding the audit of performance information.

No material findings for the subject matters scoped in for compliance with laws and regulations were identified for the 2022-23 financial period.



Annual Irregular Expenditure



Prior year



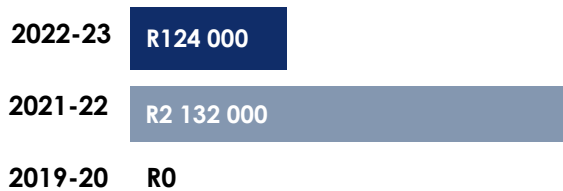
Parliament was able to recoup the prior year irregular expenditure incurred from the political parties.

Current year



The main reason for the current year irregular expenditure relates to approvals not granted by the accounting officer for not obtaining three quotation per the procurement requirements of the FMPPA.

ANNUAL IRREGULAR EXPENDITURE INCURRED



Expenditure management

Creditor payments

- Parliament was able to decrease the number of days they took to pay their creditors. The average number of days decreased from 62 to 55 days.

Revenue management

Debt-collection period

- Parliament's debt collection period decreased from 118 days to 39 days

Debtors' impairment provision

- Parliament impairment provision increased in the current year. The impairment increased from 25% to 45%

Asset and liability management

Surplus for the year

- Parliament continued to realise a surplus for the current year as it had in the preceding year.

Net current asset

- Parliament's current assets exceeds its current liabilities on the statement of financial position putting it in a net current asset position for the current and preceding year.

Net overall liability

- Parliament's overall liabilities exceeds total assets in both the current and preceding years. This is due to the substantial non-current employee benefit obligation for members and employees disclosed. The overall liability decreased more than R100 million in the current year.

Cash management

Cash balances

- Parliament has a favourable bank balance. The bank balance was not in overdraft for the current and preceding year.

Net cash flows

- Parliament's cash flows from its operations were favourable for the current and preceding year.

Creditors as a percentage of cash

- Parliament's creditors as a percentage of available cash in the bank slightly increased from 11% to 13%. There is however still sufficient cash to cover the current creditors 7-fold (100/13).



Tracking of resolutions and review of APP's

Developments and tracking of resolutions and review of Annual Performance Plans (APP)	Insights on tracking of resolutions and review of APP
Have procedures been put in place to ensure adequate monitoring and tracking of resolutions taken by the portfolio committees?	All portfolio committees tested have successfully implemented mechanisms that enables the committee to record, track and monitor the implementation of their resolutions taken.
Have timeous reviews of the APP for which the respective committees are overseeing, taken place?	The timing of the review of the APP by the respective portfolio committees is still a concern, and we recommend further evaluation to be done on how this process can be improved to derive maximum benefit from the review process.
Where recommendations was made by the respective portfolio committee, was a report prepared and tabled in the house to adopt these recommendations?	The portfolio committees tabled their reports for adoption or noting by the National Assembly and the respective provincial houses.

Operating mechanisms for effective functioning

Are their appropriate operating mechanisms for the effective functioning of Parliament.	Insights on effective functioning of Parliament
Has Parliament established standing house rules and has this been adopted by the respective houses of Parliament?	Parliament established standing house rules and this has been adopted by the National Assembly.
Did Parliament establish an oversight and accountability model to guide the operations of the committees when performing their oversight work?	The standing rules outline the procedures and operations of the committees of Parliament and established an oversight and accountability model which guided their operations. Adequate rules, processes and operating mechanisms are established to guide and ensure the effective functioning of Parliament.



Terms of reference, resolution tracking and monitoring of key projects

Portfolio committee's terms of reference, tracking of resolutions and monitoring of key infrastructure projects	Insights on Portfolio committee's terms of reference, tracking of resolutions and monitoring of key infrastructure projects
Does the various portfolio committees have a terms of reference/work plan or equivalent guideline to guide their activities?	All the portfolio committees evaluated have an established terms of reference that outline their roles and responsibilities and provide a framework for their operations, and similarly have suitable mechanisms in place to record and track resolutions taken.
Are their mechanisms in place to ensure that resolutions taken by the committees are tracked and monitored for implementation thereof?	Resolutions only become binding and actionable once the resolution has been tabled in the National Assembly after being adopted as a house resolution. The tracking for the implementation of resolutions taken are primarily done at house level and our recommendation is for this to be performed both at committee and at house level.
Does the work of the various committees include the monitoring of key infrastructure projects for entities under their oversight?	Key infrastructure projects were monitored at only 2 portfolio committees and this is an area for improvement that was noted. Our recommendation is for the oversight on infrastructure to be included in all committees' work plans.



CALL TO ACTION



Parliament should continue to maintain a strong control environment to sustain the clean audit outcome, additionally, they should ensure that clear processes are outlined that includes all role players in the project on rebuilding of the Parliamentary buildings.

1

- Management is encouraged to continue implementing and maintaining a sound control environment over financial and performance reporting, including monitoring of compliance with laws and regulations, which will allow them to retain the clean audit outcome.

2

- Parliament to ensure adequate controls and governance processes in the rebuilding of Parliament project is implemented, including sound monitoring of compliance with legislation. All aspects of the project must also be evaluated to understand the impact on financial and performance reporting.

3

- Parliament to strengthen their support to portfolio committees in exercising their oversight responsibilities by ensuring research units are adequately capacitated, facilitating timely and easy access to relevant reports by portfolio committees and supporting any other operational needs of the committees.



THANK YOU



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