

## Report of the Standing Committee on the Auditor-General on its activities undertaken during the 6th Parliament (May 2019 – May 2024).

### Key highlights

#### 1. Reflection on committee programme per year and on whether the objectives of such programmes were achieved.

The functions of the Standing Committee on Auditor-General (SCoAG) and of the Auditor-General are legislated therefore, the Committee programme is set on annual basis responding to the requirements of the Public Audit Act no. 25 of 2004 (PAA) and the Constitution as they carefully outline the functions of the <sup>1</sup>Committee and the Auditor-General namely:

- Continually as part of the Committee programme assisting and protecting the Auditor-General in order to ensure its independence, impartiality, dignity and effectiveness (section 181 of the Constitution).
- Annually the Committee advise the National Assembly on any matter relating to the AGSA (section 2(c) of the PAA).
- Appointed the Auditor-General in 2020 - invited nominations, shortlisted, interviewed and recommended the appropriate incumbent to the NA in terms of section 193(3) of the Constitution; consulted the recommended person making a recommendation to the President for the determination of the conditions of employment, including salary package (section 7 of the PAA).
- Annually the Committee considers the budget and business plan of the Auditor-General and submit its recommendations to the Speaker for tabling in Parliament. [section 38(3) of the PAA];
- Annually, the Committee considers the appointment of an independent external auditor to audit the accounts, financial statements, and financial management and performance information of the Auditor-General [section 39(1) of the PAA].
- The Committee undertook the study tour in 2023 to Canada to learn about the best practice on performance audit and immunities of the Auditor-General and interacted with its counterpart (the parliamentary Committee), which oversees the Auditor-General in Canada.

#### 2. Committee's focus areas during the 6<sup>th</sup> Parliament

- To ensure that AG audits all 21 Schedule 2 SOEs (large and financial risk). Consequently, the SCOAG undertook to support.
- AG with the necessary requirements to build its internal capacity, which is required to audit the afore-said SOEs.
- To ensure that AGSA should be supported with necessary resources required for full scale implementation of performance audit. Thus, the SCOAG planned to pursue this through the Office of the Institution Supporting Democracy (OISD), so as to invoke section 36 (1) of the PAA.
- The Committee planned to prioritise the Study Tour to learn the best lessons for the better implementation of Performance Audits.
- To consistently monitor the implementation of amended Public Audit Act.
- To ensure that AGSA complies with the necessary requirements of the PAA.
- To reduce the number of contestations of AGSA audit findings by auditees, since those contestations had financial implications for the AG's Office, since it will have to defend them in court; and, had a potential to damage the AG's reputation in the public. The Committee ensures that the AGSA fully implements Status of Records Review project to all auditees, and reports to the Committee auditees who reject such intervention.

---

<sup>1</sup>For ease of reference, although the PAA refers to both the Auditor-General as a person and the institution, the document will use the term "Auditor-General" to refer to the individual and the term "Auditor-General of South Africa (AGSA)" to refer to the institution otherwise known as the Office of the Auditor-General.

### 3. Key areas for future work

- To fully implement the real time audits which was firstly used during the Covid 19
- To ensure that there the funding model of AGSA is supported it terms of section 36(1) of the PAA.
- To fully implement performance audits based on the lessons learnt.
- Fully implement the implementation of the amended PAA.

### 4. Key challenges emerging

On the basis of challenges (environmental analysis), the following key issues were put forward:

- Assist and protect AGSA set out in the PAA, as auditors are threatened during the auditing period.
- Limitation of Legislative Framework i.e the PAA to provide for the Auditor-General immunities and privileges.
- The capacity of Committee Members to perform their duties.
- Liaise with international counterparts to benchmark oversight practices of supreme audit institutions.
- The environmental factors which negatively impact on the AGSA capacity to fulfil its constitutional and legal mandate i.e the incompatibility of technological systems of the Auditor-General and the auditees result to prolong auditing period and unavailability of source documents required for auditing.
- The financial sustainability of Auditor-General of South Africa (AGSA). i.e (under collection of revenue due, and shortfall in budget revenue).
- To have a fully fledged permanent support staff.

### 5. Recommendations

- The Committee should engage with the political leadership of the auditees to find amicable solution to threat action against the auditors, and the Auditor-General work hand in hand with the security cluster to assist with intelligence and protection.
- The Committee recommend to Parliament to consider amending the PAA to provide for Auditor-General immunities and privileges.
- The Committee should enhance Members capacity to strengthen effective oversight and accountability.
- The Committee continually engage with its international counterparts and learn from them about the international best practices to enhance the Committee Members capacity.
- The Committee should ensure that AGSA has adequate resources to amongst others, to upgrade its technological systems to become compatible with the new technological development.
- Auditor-General should safeguard the revenue collection by using all the legislative provisions to compel auditees pay their audit fees and optimally increase the audit fees in order to avoid shortfall on budget revenue.

#### 1. Introduction

SCoAG is established to execute Parliament's constitutional mandate of exercising oversight and hold accountable the Auditor-General, who, in turn, exists to strengthen our country's democracy. SCoAG through a vigorous and quality oversight process protect, assist, and ensure that the Auditor-General is independent, impartial, dignified, effective and advise the NA accordingly. Thus, SCoAG is established by the legislation in terms of section 10(3) of the PAA, which must be read with section 55(2)(b)(ii) of the Constitution. Both the PAA and the Constitution require that

the NA must provide for mechanism to maintain oversight over the Auditor-General as an organ of state. Section 181 of the Constitution, moreover, prescribes for the establishment of the Chapter 9 Institutions, of which the Auditor-General is one of them, to strengthen democracy in the Republic of South Africa and provide for their governing principles.

### **1.1. Department/s and Entities falling within Standing Committee on Auditor-General:**

#### **a) Auditor-General of South Africa**

Core mandate/strategic objectives:

The Office of the Auditor-General is established in terms of the section 181(1)(e) of the Constitution to strengthen constitutional democracy in the Republic of South Africa. Further, sections 188 (1), 188(2) and 188 (3) of the Constitution provide the functions of the AG's Office. Importantly, it should be noted that section 188 (4) of the Constitution confirms additional powers and functions to the AG's Office as prescribed by the national legislation (Public Audit Act in this regard). Thus, the functions and powers of the AG's office are derived from both the Constitution and the Public Audit Act.

In spite of the above, **the Constitution provides the following functions to the AG's office:**

-Section 188 (1) requires that the Auditor-General must audit and report on the accounts, financial statements, and financial management of-

- (a) All national and provincial, state departments and administrations.
- (b) all municipalities; and
- (c) any other institution or accounting entity by national or provincial legislation to be audited by the Auditor-General.

-Section 188 (2) states that in addition to the duties prescribed in subsection (1), and subject to any legislation, the Auditor-General may audit and report on the accounts, financial statements, and financial management of-

- (a) any institution funded from the National Revenue or a Provincial Revenue Fund or by a municipality; or
- (b) any institution that is authorized in terms of any law to receive for a public money for a public purpose.

Section 188 (3) requires that the AG must submit audit reports to any legislature that has a direct interest in the audit, and to any other authority prescribed by national legislation. All reports must be made public.

As it is mentioned in the previous paragraphs that the powers and functions of the AG's office are derived from both the Constitution and the Act, thus, the following will briefly highlight on the **powers and functions afforded to AG as per the Act.**

In the main, the powers and functions of the AG's office are derived from section 4 and section 5 of the Act, and they are summarized as follows:

- The AG **must** audit and report on the consolidated financial statements of-
  - ❖ the national government as required by section 8 of the Public Finance Management Act No 1 of 1999 (PFMA)
  - ❖ all provincial governments as required by section 19 of the PFMA; and parent municipality and
  - ❖ all municipal entities under its sole or effective control as required by section 122(2) of the Municipal Finance Management Act No 56 of 2003 (MFMA).
- The AG **may** audit and report on the accounts, financial statements of-
  - ❖ any public entity listed in the PFMA; and
  - ❖ any other institution not mentioned in section 4(1) of the Act, and which is funded from the National Revenue Fund or a Provincial Revenue Fund or by a municipality; or authorised in terms of any legislation to receive money for a public purpose.

-The AG may, at a fee, and without compromising the role of the Auditor-General as an independent auditor provides-

- ❖ advice and support to a legislature or any of its committees outside the scope of the Auditor-General's normal audit and reporting functions;
- ❖ comments in a report on any responses by an auditee to reported audit findings, or responses by an auditee to a report of any legislature arising from its review of an audit report; or
- ❖ carry out an appropriate investigation or special audit of any institution referred to in section 4(1) or (3) of the Act, if the Auditor-General considers it to be in the public interest or upon the receipt of a complaint or request.

**b) Entities:**

None

Name of Entity	Role of Entity
Auditor-General of South Africa	<ul style="list-style-type: none"> <li>- AG may audit and report on the accounts, financial statements of-               <ul style="list-style-type: none"> <li>❖ any public entity listed in the PFMA;</li> <li>❖ and any other institution not mentioned in section 4(1) of the Act and which is funded from the National Revenue Fund or a Provincial Revenue Fund or by a municipality; or authorised in terms of any legislation to receive money for a public purpose</li> </ul> </li> </ul>

**2. Functions of committee:**

**Parliamentary committees are mandated to:**

- Provide a mechanism to maintain oversight over the Auditor-General in terms of section 55(2)(b)(ii) of the Constitution.
- **Section 10 of the Act** provides the following responsibilities for the SCOAG, which are:
  - The SCOAG must annually consider the AG's report on its activities and performance including:
    - the standards to be applied to audits as determined in terms of section 13(1);
    - the categories of services provided in terms of section 5(1)(a)
    - the institutions and accounting entities to which such services have been provided; and
    - any instances of co-operation in terms of section 5(2)(a)
  - annually consider a report on:
    - the overall control of the AGSA's administration in terms of section 30(2); and
    - the annual report, financial statements, and the audit report on those statements in terms of section 41(5).

**3. Method of work of the committee (if committee adopted a particular method of work e.g. SCOPA.)**

- Calls meeting with AGSA and get briefing.
- Get briefing from AGSA in all matters which AGSA is compelled to brief the Committee.

**4. Purpose of the report**

The purpose of this report is to provide an account of the Auditor-General's work during the 6<sup>th</sup> Parliament and to inform the members of the new Parliament of key outstanding issues pertaining to the oversight and legislative programme of the Standing Committee on the Auditor-General.

This report provides an overview of the activities the committee undertook during the 6<sup>th</sup> Parliament, the outcome of key activities, as well as any challenges that emerged during the period under review and issues that should be considered for follow up during the 7<sup>th</sup> Parliament. It summarises the key issues for follow-up and concludes with recommendations to strengthen operational and procedural processes to enhance the committee’s oversight and legislative roles in future.

**5. Key statistics**

The table below provides an overview of the number of meetings held, legislation and international agreements processed, and the number of oversight trips and study tours undertaken by the committee, as well as any statutory appointments the committee made, during the 6<sup>th</sup> Parliament:

<b>Activity</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>Total</b>
Meetings held	7	7	9	8	8	3	<b>42</b>
Legislation processed	0	0	0	0	0	0	<b>0</b>
Oversight trips undertaken	0	0	0	0	0	0	<b>0</b>
Study tours undertaken	0	0	0	0	1	0	<b>1</b>
International agreements processed	0	0	0	0	0	0	<b>0</b>
Statutory appointments made	0	1	1	0	0	0	<b>2</b>
Interventions considered	0	0	0	0	0	0	<b>0</b>
Petitions considered	0	0	0	0	0	0	<b>0</b>

**6. Stakeholders:**

None

**7. Briefings and/or public hearings**

None

**8. Legislation**

None

**a) Challenges emerging**

The following challenges emerged during the processing of legislation:

None

**b) Issues for follow-up**

The 7<sup>th</sup> Parliament should consider following up on the following concerns that arose:

- Improved oversight mechanism by SCoAG.

**9. Oversight trips undertaken.**

None

**10. Study tour undertaken.**

The following study tour was undertaken:

- Internation study tour to Canada

Date	Places Visited	Objective	Lessons Learned	Status of Report
16 – 21 September 2023	Canada	<ul style="list-style-type: none"> <li>• The SCoAG sought to enhance its efficiency by conducting international study tour to Canada to empower the Members of the Committee by observing and learning from the international best practice and understand audit systems and issues faced by the Auditor-General of Canada in implementing performance audit.</li> <li>• The Committee preferred Canada as a country that has the best practice, mainly in performance audit, and immunities and privileges of the Auditor-General and reporting to the relevant parliamentary Committee of Canada, to which the Auditor-General reports through to the House of Representatives.</li> </ul>	<ul style="list-style-type: none"> <li>• The Standing Committee on Auditor-General learned that an action must be taken on certain elements of the South African oversight and accountability, which can be improved based on the key findings and recommendations of this report.</li> <li>• The Committee learned that although performance audit standards are not prescriptive, the authoritative standards must be consistent with the performance auditing principles in all aspects.</li> <li>• The Committee observed that the performance audit principles can be achieved in different systems by different approaches therefore, performance standards need to be appropriate and detailed to guide the auditor when conducting performance audit. The set performance audit standards should not override the national laws, regulations or mandate or prevent the auditor from carrying out audit.</li> <li>• The Committee learned that</li> </ul>	To be adopted by the 6 <sup>th</sup> Parliament

Date	Places Visited	Objective	Lessons Learned	Status of Report
			<p>performance auditing may deal with a broad variety of subject matters and methods. The level of detail of requirements should allow for flexibility and a room to engage to different audit approaches. Therefore, the Auditor-General may develop own performance audit manual.</p> <ul style="list-style-type: none"> <li>• The Committee learned that the elements of performance auditing can be integrated to financial and compliance auditing aspects. The auditor needs to consider overlaps between performance audit and financial and compliance audit and observe all the relevant standards to identify different priorities and the primary objective of each audit, which guide the auditor as to which standards to apply.</li> <li>• The Committee learned that the objective of performance auditing is to contribute to improvement of economy, efficiency and effectiveness. It also seeks to contribute to good governance, accountability and transparency. Furthermore, performance auditing provides new information, analysis, insight where necessary provides recommendations for improvement.</li> <li>• The Committee learned that the auditor conducting performance audit should comply in addition with the specific procedures of the Auditor-General for independence and ethics. The independence would mean independence in gathering facts and</li> </ul>	

Date	Places Visited	Objective	Lessons Learned	Status of Report
			<p>appearance to allow the auditor to perform duties without fear or favour to compromise professional judgement and conduct with integrity and exercise objectivity.</p> <ul style="list-style-type: none"> <li>• The Committee learned that when the auditor takes care to remain independent, the audit findings and conclusions are impartial and seen as such by the intended users of the audit report. Therefore, the auditor must consider risks to independence that may occur in performance auditing. The auditor has a responsibility to identify audit criteria and measuring against them to formulate a balanced audit report. It is also important to consider the relevant stakeholders, and their interests, and to establish good communication with the stakeholders, however it is crucial to observe one's independence. Thus, the auditor should identify the key stakeholders who are the intended users of the audit report and responsible parties of the audit and consider the implication of these stakeholders in order to conduct audit accordingly. The intended users of the performance audit report are the legislature, executive branch of government agencies and the public.</li> </ul>	

**a) Challenges emerging**

The following challenges emerged during the study tours:  
None

**b) Issues for follow-up**



The 7<sup>th</sup> Parliament should consider following up on the following concerns that arose:

#### **10. Performance Audit**

The Standing Committee on Auditor-General recommends that Parliament should consider the performance auditing as to encourage the collection of ideas and tools for the Auditor-General to include policy coherence and the multi-stakeholder approaches into the work of the Auditor-General. This will advocate auditing sustainable development goals, of which its key principles are policy coherence and multi-stakeholder engagement.

#### **11. Continual Research Development**

Research development and training for auditors and the users of the audit reports should be enhanced and improve the visibility of the Auditor-General and communicate the performance environmental audit findings.

#### **12. Wastewater Auditing**

The Committee recommends that Parliament should take into account performance audit in auditing the wastewater, as it will identify issues on wastewater management and treatment, which are a hot topic in South Africa. Performance auditing may be conducted on specific wastewater programs and projects, to improve water resources management and safety drinking water as a component of the sanitation programs and environmental impact.

#### **13. Legal framework to Guide Criteria for Auditing Climate Change**

The Committee recommends that Parliament should support the development of legal framework to guide potential criteria for auditing climate change adaptation to strengthen resilience and adaptive capacity to climate-related hazards. These frameworks will enable the Auditor-General to develop effective measures to assess the government's preparedness to achieve sustainable development goals, by conducting program performance auditing. Measuring performance will allow the government to track the progress is making towards the sustainable development goals and give the government critical information on which to base decisions for improving its programs.

#### **14. Auditing Energy Servings**

Parliament should consider supporting the Auditor-General in conducting performance audit on sustainable energy, specifically devoted to energy consumption, energy saving and energy efficiency including energy policy tools. Performance audit will help to identify the cause of loss and waste and recommend accordingly.

#### **15. Impact Assessment**

The Committee recommends that Parliament should advocate performance audit in conducting the environmental impact assessment to promote sustainable development to achieve or maintain a healthy environment and healthy economy.

#### **16. Auditing Renewable Energy**

The Committee recommends that Parliament should ensure that Auditor-General is capacitated to assess policies on the renewable energy sources. The performance audit on renewable energy will examine and identify the state input and efficient use of resources as well as measures to test impact and value-for-money, especially through the quality of the credible energy objectives, implementation tasks and tools used to ensure achievement of all its components.

#### **17. Capacity to Conduct Performance Audit**

The Committee and Parliament should ensure that Auditor-General is resourceful, have flexible and systemic conducting performance audit, and be at liberty to a good and proper external relation to achieve efficient and effective performance audit. Thus, the performance audit reports should be objective, convincing, and concise as the audit topic permits.

### 18. Immunities and Privileges of the Auditor-General

The Committee recommends that Parliament should consider starting the process of amending the relevant legislations that can provide immunities and privileges to the Office of the Auditor-General in order to absolve the Auditor-General from witnessing in respect of any matter coming to the knowledge of the Auditor-General or person as a result of performing audit powers, duties or function under the Public Audit Act, no. 25 of 2004, and any other relevant legislation during the examination or enquiry in any proceeding other than prosecution for an offence under criminal law.

### 19. Alleged Defamation through Media

The Committee recommends that Parliament take into account the issue of defamation and amend the Public Audit Act and other relevant legislation to give immunities and privileges to the Office of the Auditor-General, in which the Auditor-General may be charged for defamation of character in the course of the exercise of audit powers, duties or functions, where a fair accurate account of the report made in good faith in newspapers or in any periodical publication or broadcast.

### 20. International Agreements:

The following international agreements were processed and reported on:

None

#### a) Challenges emerging.

The following challenges emerged during the processing of international agreements:

None

#### b) Issues for follow-up

The 7<sup>th</sup> Parliament should consider following up on the following concerns that arose:

None

### 21. Statutory appointments

The following appointment processes were referred to the committee and the resultant statutory appointments were made:

Date	Type of appointment	Period of appointment	Status of Report
1 December 2020	Recommendation on the appointment of the Auditor-General of South Africa	Seven (7) years	Adopted
21 May 2021	Recommendation on the appointment of the Deputy Auditor-General	Permanent	Adopted

**a) Challenges emerging**

The following challenges emerged during the statutory appointments:

None

**b) Issues for follow-up**

The 7<sup>th</sup> Parliament should consider following up on the following concerns that arose:

None

**22. Interventions**

The following interventions were referred to and processed by the committee:

None

**c) Challenges emerging**

The following challenges were experienced during the processing of interventions:

None

**d) Issues for follow-up**

The 7<sup>th</sup> Parliament should consider following up on the following concerns that arose:

None

**23. Petitions**

The following petitions were referred to and considered by the committee:

None

**e) Challenges emerging**

The following challenges were experienced during the processing of petitions:

None

**f) Issues for follow-up**

The 7<sup>th</sup> Parliament should consider following up on the following concerns that arose:

None

**24. Obligations conferred on committee by legislation:**

To maintain oversight of any organ of state.

**a) Challenges emerging**

The following challenges emerged during the statutory appointments:

None

**b) Issues for follow-up**

The 7<sup>th</sup> Parliament should consider following up on the following concerns that arose:

None

**25. Summary of outstanding issues relating to the Auditor-General the committee has been grappling with**

The following key issues are outstanding from the committee's activities during the 7<sup>th</sup> Parliament:

- The Committee resolved to invoke section 36 of the PAA to ensure that AGSA is adequately resourced.
- The Committee therefore has planned to engage the National Treasury to explore possible solutions to challenges of debts owed to the AG by state entities, and how the situation can be rescued.
- Further, the Committee must follow up on National Treasury's existing strategies and plans to address the challenges identified and the success rate.
- To ensure that AGSA audits, all the 21 Schedule 4B SOEs.

**26. Other matters referred by the Speaker/Chairperson (including recommendations of the High-Level Panel)**

The following other matters were referred to the committee and the resultant report was produced:

None

**g) Challenges emerging**

The following challenges emerged during the processing of the referral:

None

**h) Issues for follow-up**

The 7<sup>th</sup> Parliament should consider following up on the following concerns that arose:

None

**27. Recommendations:**

None

**28. Master attendance list**

*Report adopted*