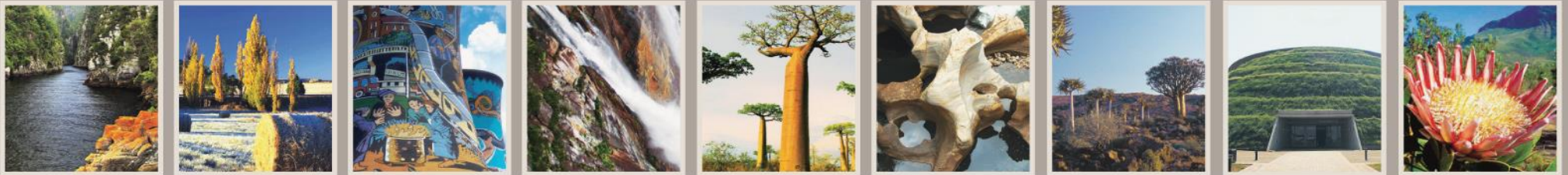


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2015-16



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Auditing to build public confidence



Briefing to the Portfolio Committee: Environmental Affairs

Audit outcomes of the portfolio for the 2015-16 financial year

11 October 2016

1

The AGSA's promise and focus



Reputation promise

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The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.

Role of AGSA in the BRRR process

- Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role in assessing the performance of the entities taking into consideration the objective of the committee to produce a BRRR.
- To provide the portfolio committee with applicable information and guidance on the Environmental Affairs portfolio's 2015-16 audit outcomes so that they, the committee, can ensure effective oversight.
- To enable oversight to focus on areas that will lead to good governance.



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Our annual audits examine three areas

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1

FAIR PRESENTATION AND
RELIABILITY OF FINANCIAL
STATEMENTS

2

RELIABLE AND CREDIBLE
PERFORMANCE INFORMATION
FOR PREDETERMINED
OBJECTIVES

3

COMPLIANCE WITH KEY
LEGISLATION ON FINANCIAL
AND PERFORMANCE
MANAGEMENT



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Unqualified opinion with no findings (clean audit)



Auditee:

- produced credible and reliable financial statements that are free of material misstatements; and
- reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP); and
- observed/complied with key legislation in conducting their day-to-day operations to achieve on their mandate.

Financially unqualified opinion with findings



Auditee produced financial statements without material misstatements or could correct the material misstatements but struggled to:

- align their performance reports to the predetermined objectives they committed to in their APPs; and/or
- set clear performance indicators and targets to measure their performance against their predetermined objectives; and/or
- report reliably on whether they achieved their performance targets; and/or
- ensure compliance with applicable legislation regarding financial matters, financial management and other related matters..

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Qualified opinion



Auditee:

- had same challenges as those that were unqualified with findings but, in addition, they could not produce credible and reliable financial statements and
- had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published.

Adverse opinion



Auditee:

- had same challenges as those that were qualified 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.

Disclaimed opinion



Auditee:

- had same challenges as those that were qualified 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.



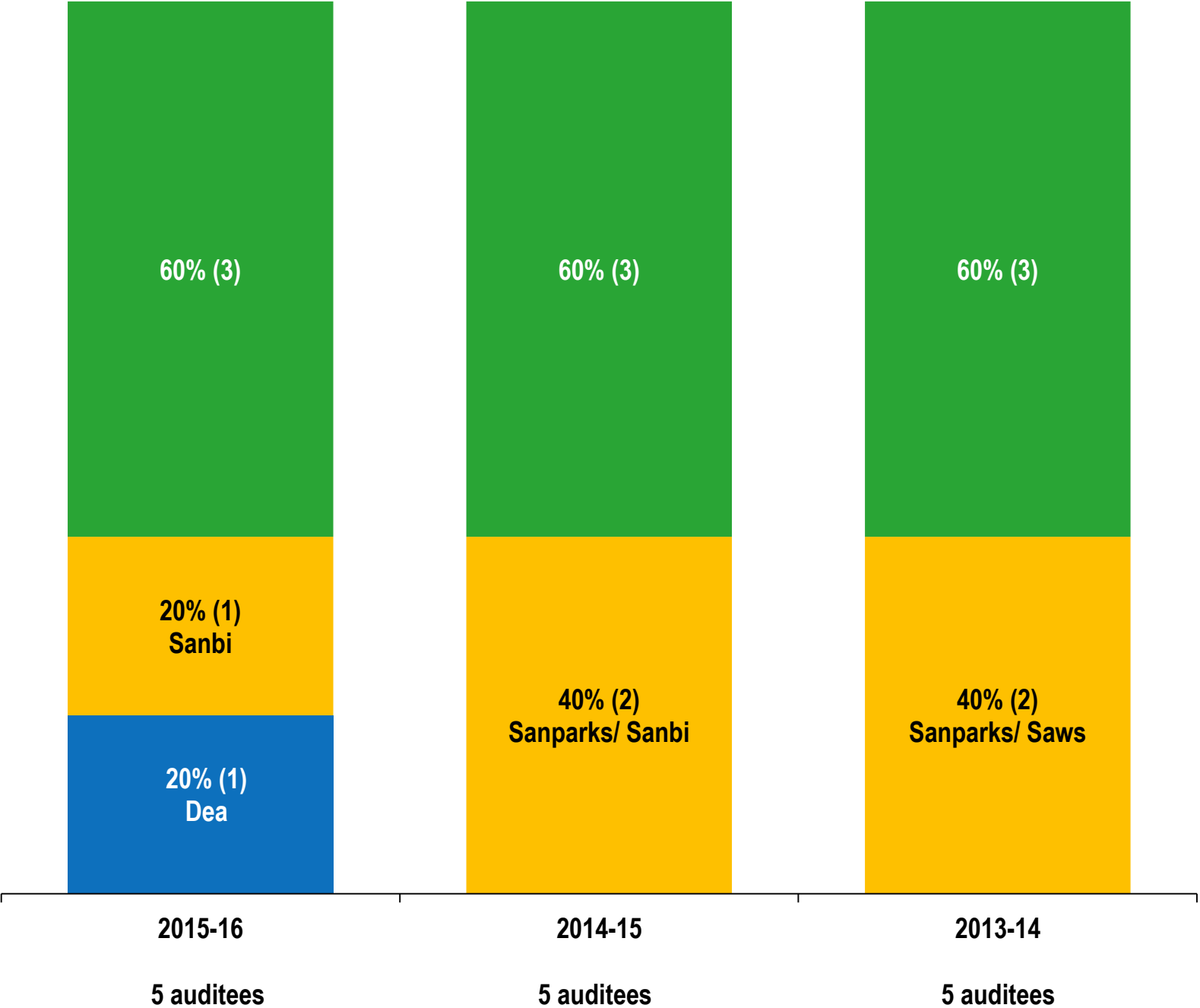
2

The 2015-16 audit outcomes and key messages



Audit outcomes over 3 years – Environmental Affairs Portfolio

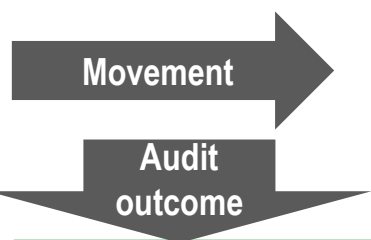
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- Unqualified with no findings
- Unqualified with findings
- Qualified with findings
- Adverse with findings
- Disclaimed with findings
- Audits outstanding



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	1 Improved	3 Unchanged	0 Regressed	1 Outstanding
Unqualified with no findings = 3	South African National Parks (Sanparks)	iSimangaliso Wetland Park Authority South African Weather Service (Saws)		
Unqualified with findings = 1		South African National Biodiversity Institute (Sanbi)		
Qualified with findings = 0				
Outstanding = 1				Department of Environmental Affairs (Dea)

3

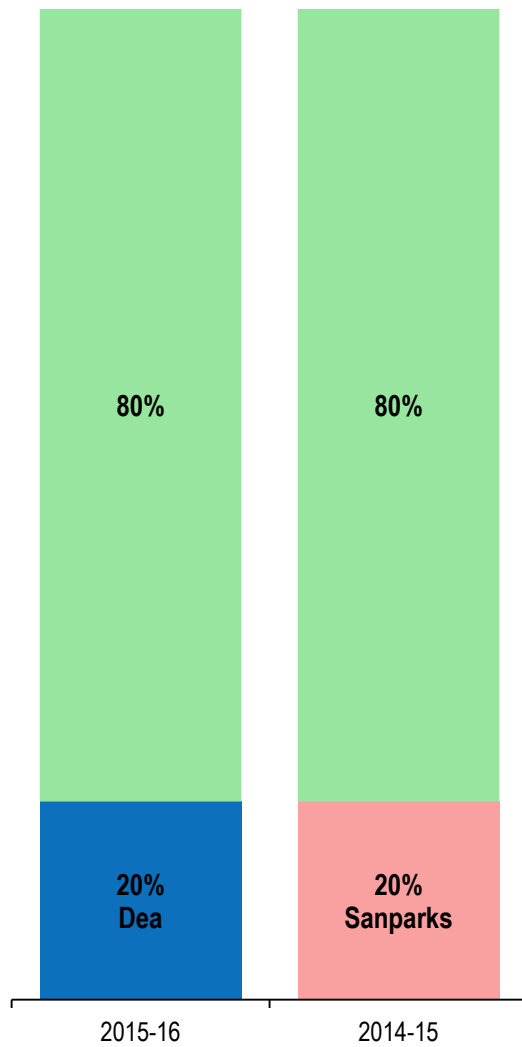
**Performance management linked
to programmes/ objectives tested**



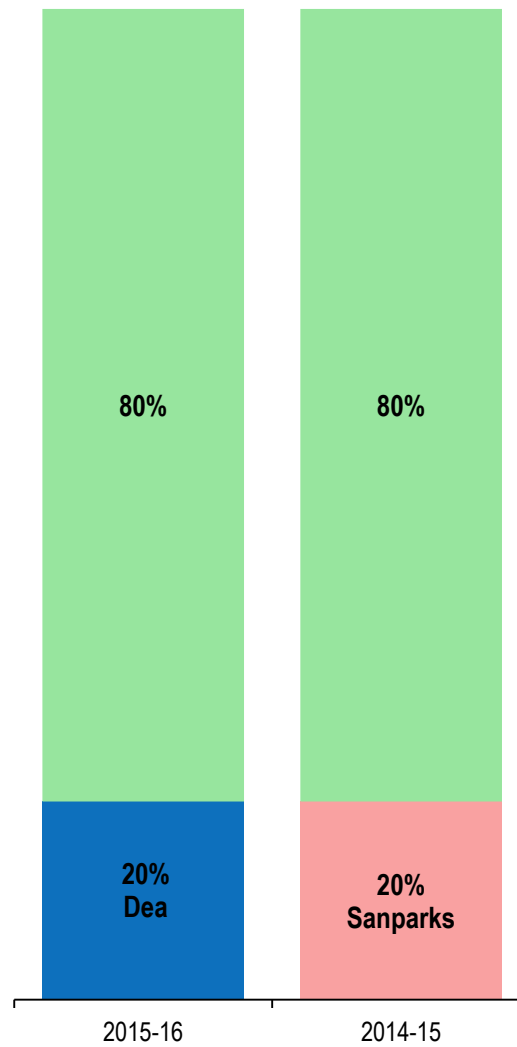
Quality of performance information




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Usefulness of annual performance information



Reliability of performance information

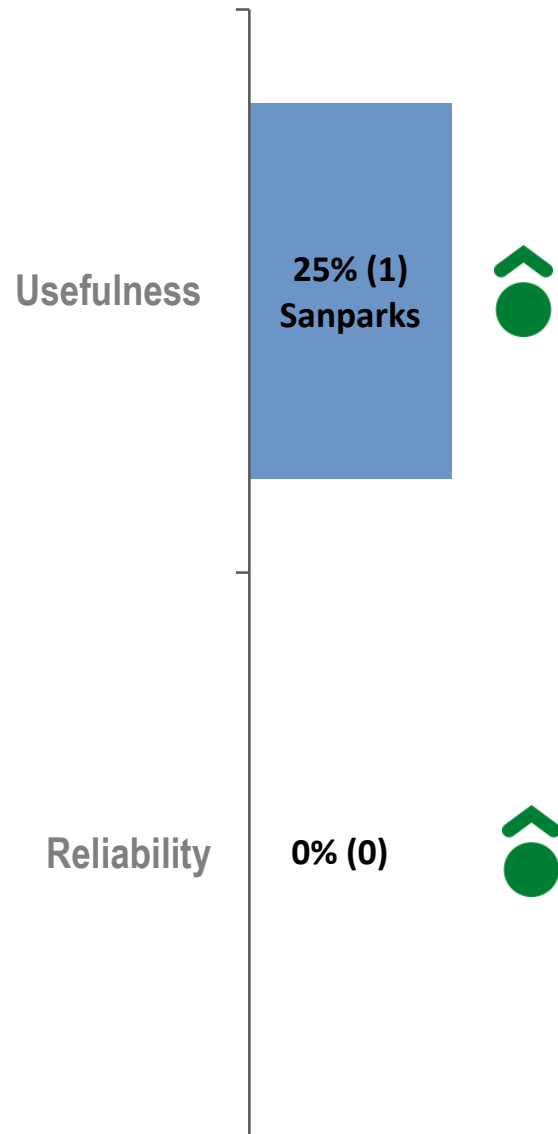


-  With no material findings
-  With material findings
-  Outstanding audits



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Material amendments to annual performance report









Usefulness

Material amendments at Sanparks resulted from the following finding:

- No/inadequate explanation of variances

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-   Improved
-   Regressed
-   Unchanged



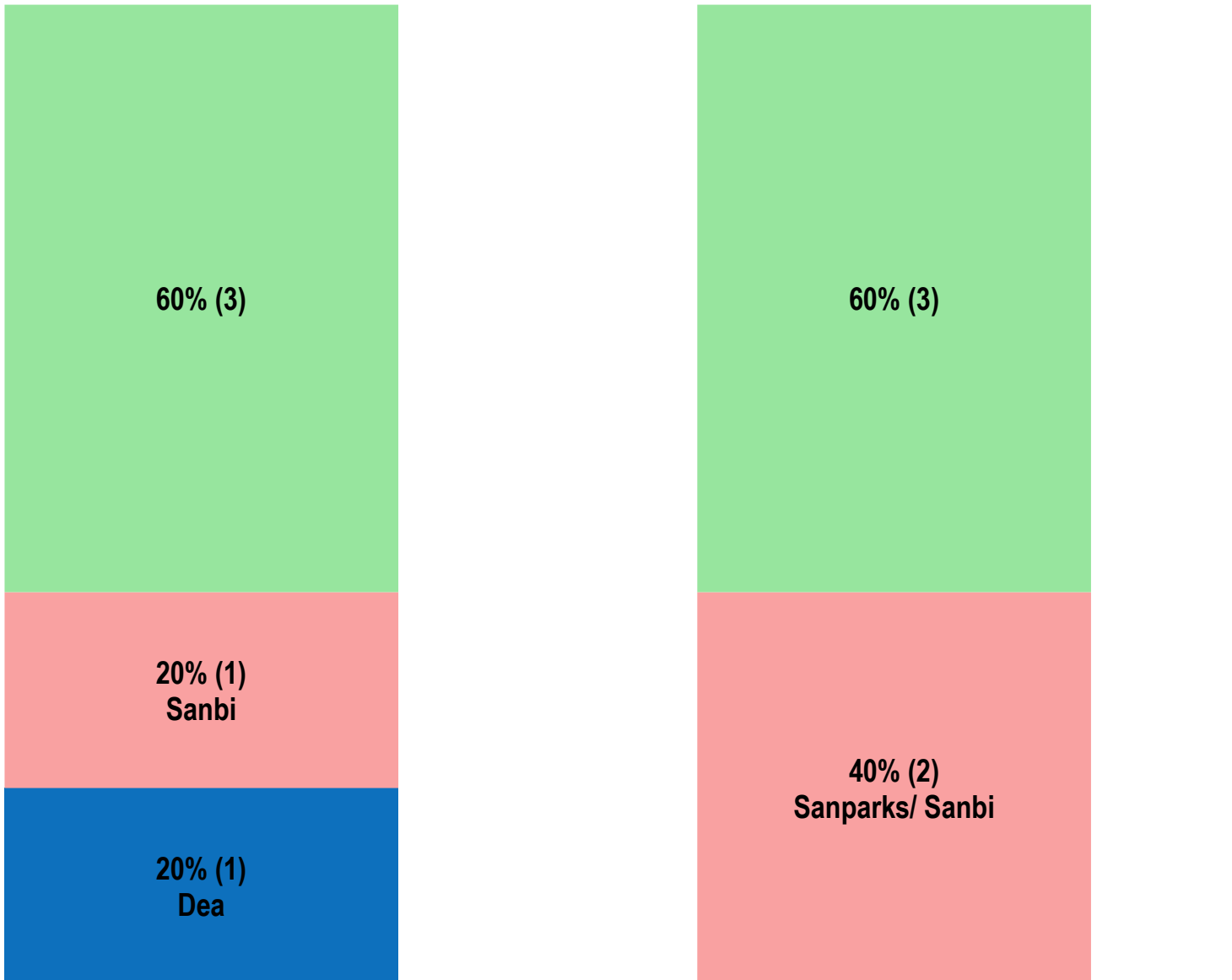
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4 Compliance



Compliance with legislation

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-  With no material compliance findings
-  With material compliance findings
-  Outstanding audits

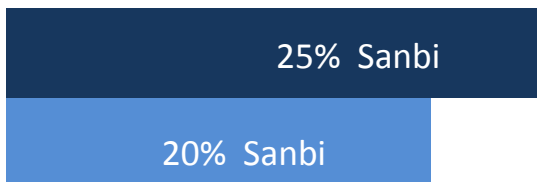


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Stagnation in compliance with legislation relating to quality of financial statements

Figure 1: Findings on compliance with key legislation – all auditees

Material misstatements in submitted annual financial statements

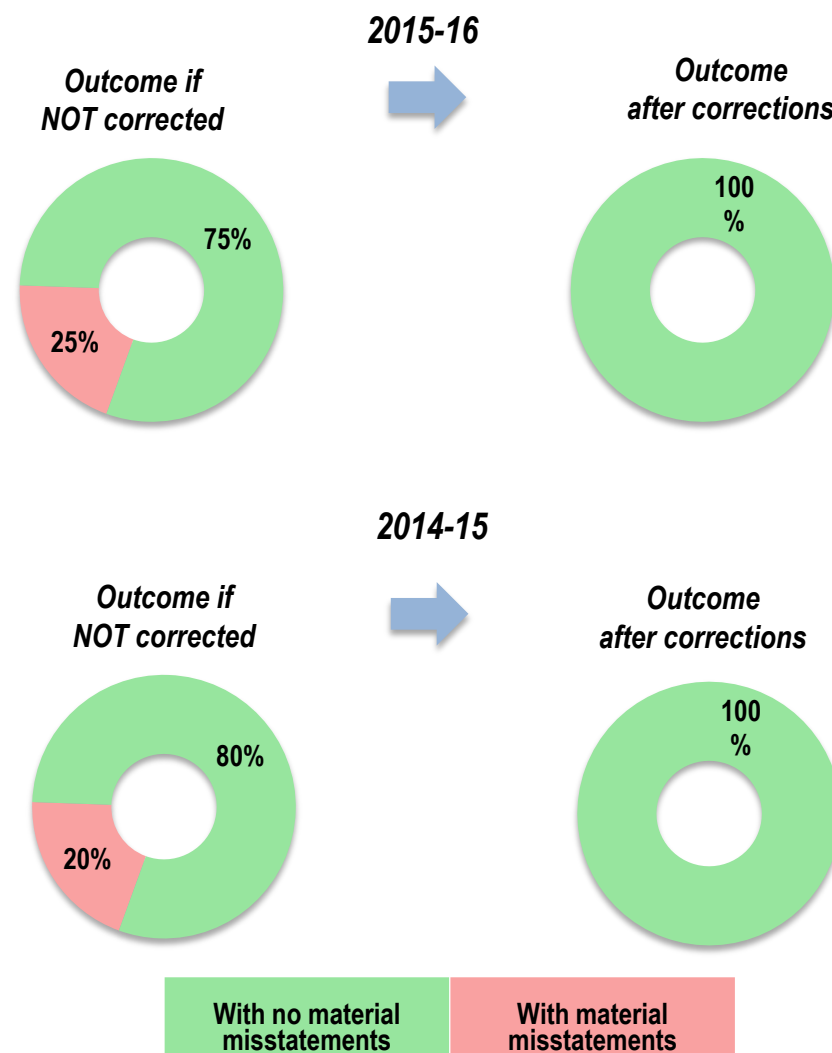


2015-16

2014-15

Figure 2: Quality of submitted financial statements

1 auditee (25%) [2014-15: 1 auditee (20%)] avoided qualifications due to the correction of material misstatements during the audit process



5

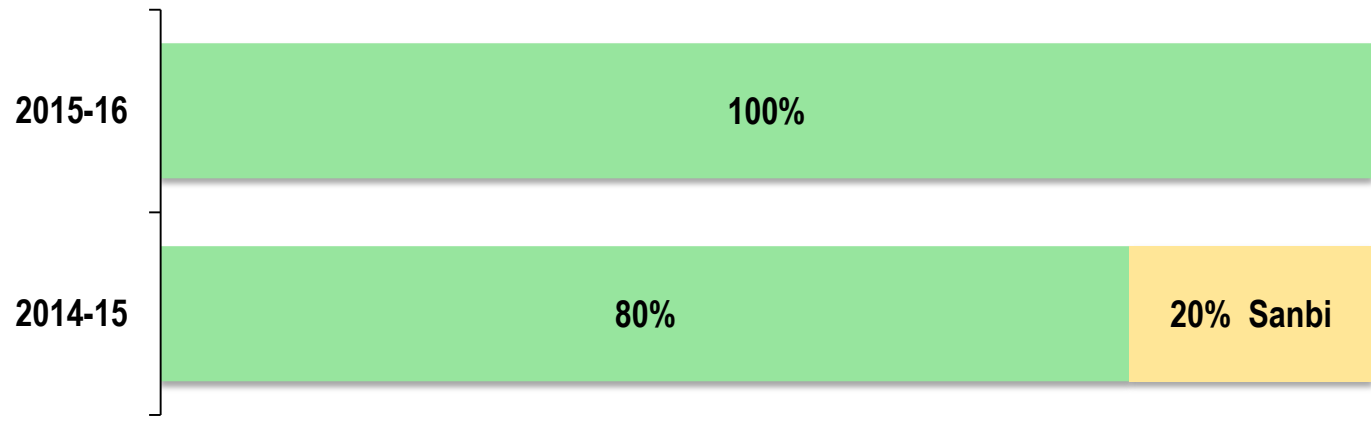
**Key controls, assurance providers,
top two root causes and proposed
recommendations**



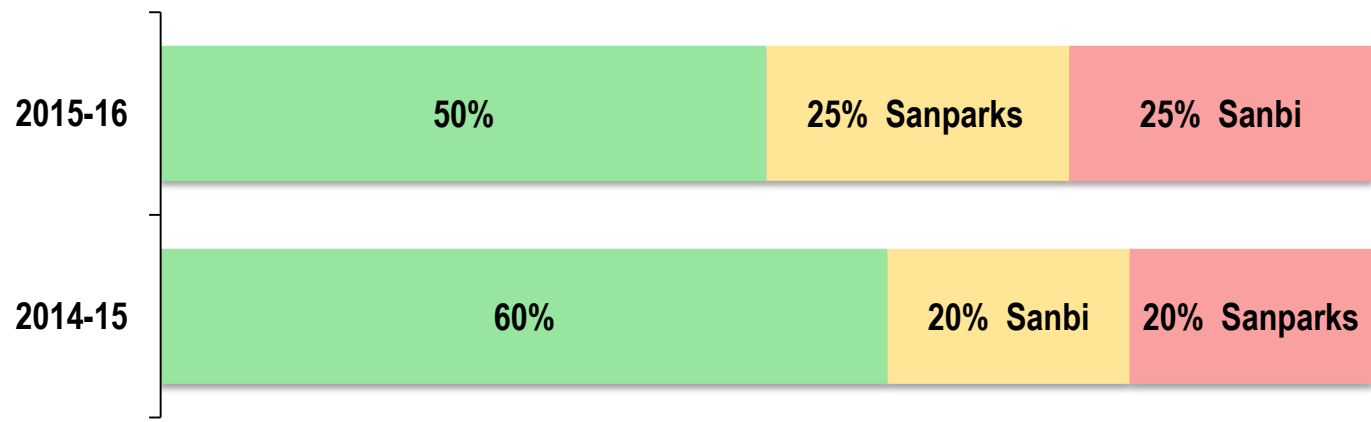
Improvement in controls



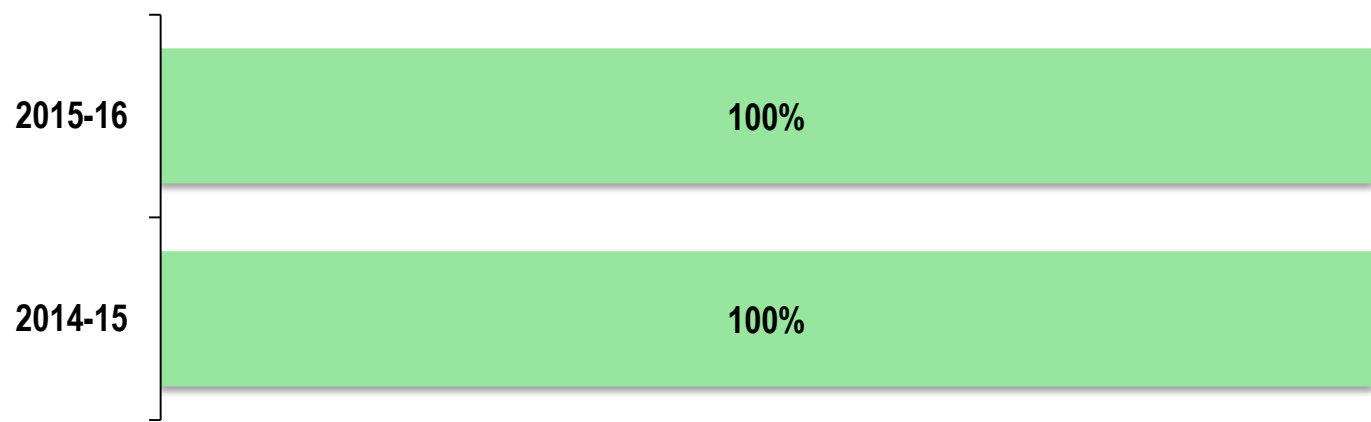
Leadership







Financial and performance management




Governance



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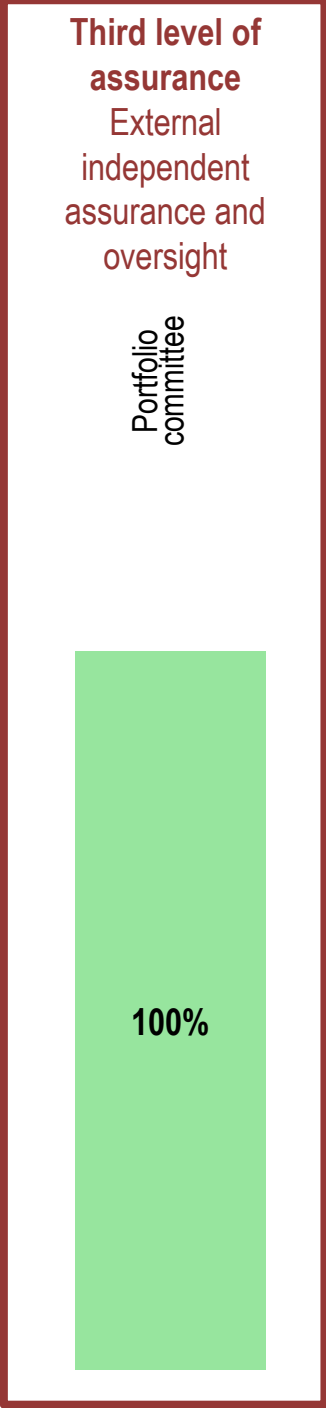
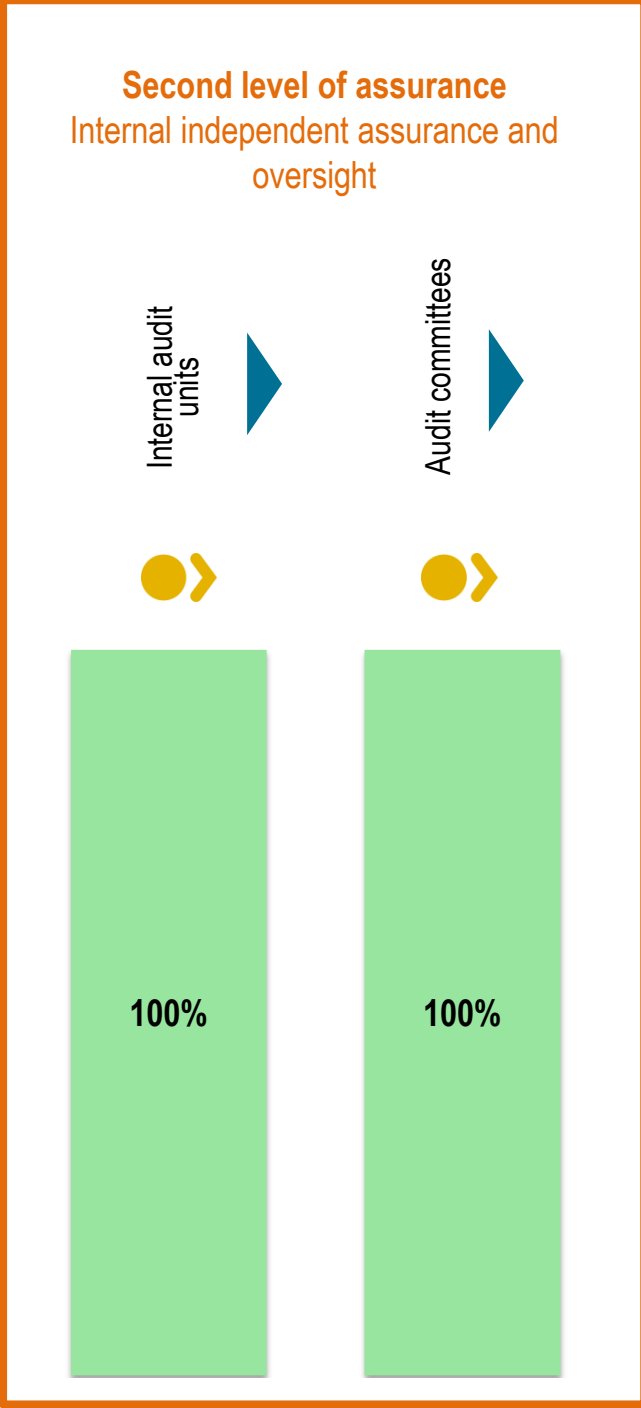
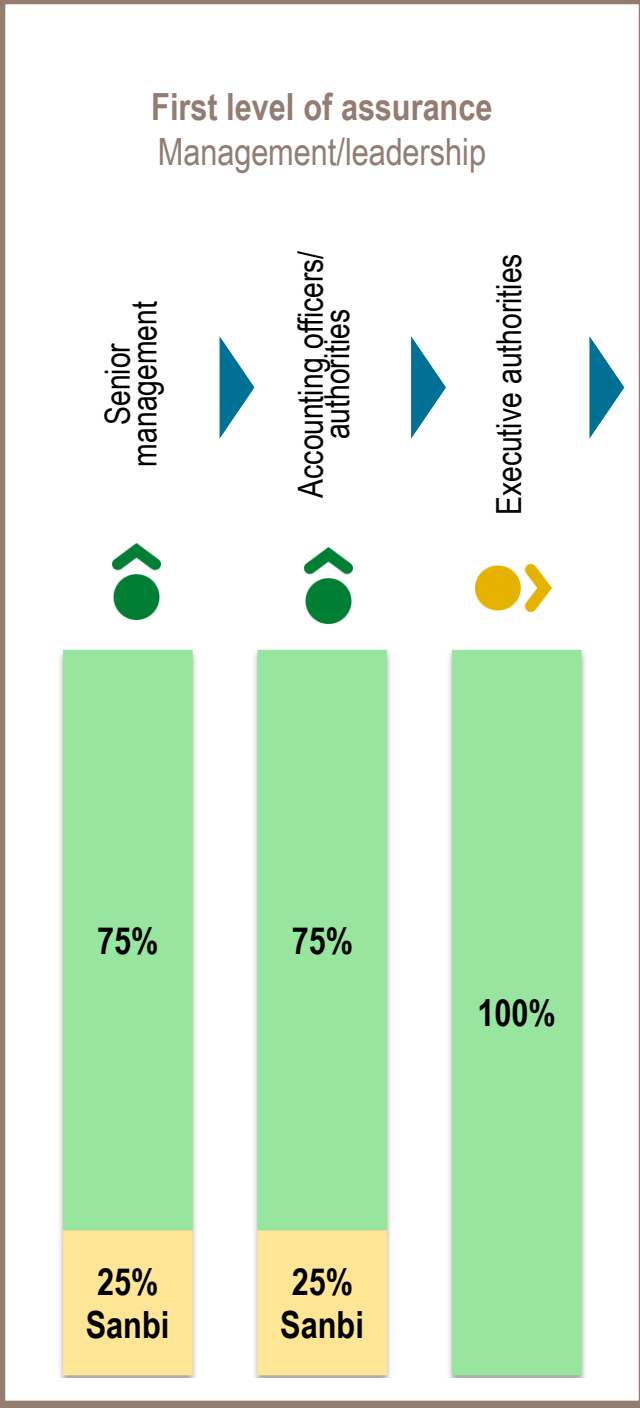
-  Good
-  Concerning
-  Intervention required

-  Improved
-  Stagnant or little progress
-  Regressed



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Assurance provided by key role players



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- Provides assurance
- Provides some assurance
- Provides limited / no assurance
- Not established

- ⬆ Improved
- ⬆ Stagnant or little progress
- ⬆ Regressed



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Top root causes

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Slow response in improving key controls and addressing risk areas

25%(1) Sanbi

20%(1) Sanparks

2015-16

2014-15

Key officials lacking competencies

25%(1) Sanbi

40%(2) Sanbi/
Sanparks



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Actions required to improve audit outcomes

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- Management should act on recommendations made by the AGSA in a timely manner and implement action plans for internal controls that are sustainable.
- Accounting authorities must successfully implement basic internal controls and accounting disciplines by preparing regular and accurate financial statements and performance reports.



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Actions required by the Oversight structures

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- Sanbi submitted financial statements of poor quality for auditing. The portfolio committee should ensure that processes and controls are implemented at Sanbi to sustain a control environment that supports reliable reporting.



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Questions



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