###### National Assembly

###### Question Number: 2200

**2200. Mrs K Jooste (DA) to ask the Minister of Transport:**

Whether any mechanisms have been put in place in (a) his department and (b) each entity reporting to him to ensure that audit outcomes are improved; if not, in each case, why not; if so, (i) what (aa) are the time frames and (bb) early warning mechanisms exist and (ii) how is this being monitored periodically in each case? NW2432E

**Reply:**

**Department**

In December 2008, Cabinet passed a resolution that Accounting Officers and Accounting Authorities should implement recommendations included in the AGSA Final Management Letters. The National Treasury then issued a circular requesting institutions to provide corrective steps to be taken to address concerns raised in their audit reports on an annual basis. The Department develops action plans which are implemented by Management to address audit outcomes. These are monitored and tracked by Internal Control and reported to Executive Committee and Audit Committee on a quarterly basis. National Treasury also tracks and reviews progress on an annual basis. The public entities also send their quarterly progress reports to the Department on implementation of action plans. The Department also implements a compliance checklist to detect any early warning signs of noncompliance. This is reviewed on a quarterly basis.

**REPLY (b)**

The Minister has meetings with the AGSA to assess progress on action plans for the whole transport portfolio. Interventions and commitments are made by the Minister to the AGSA and those commitments monitored to ensure that progress is made.

The audit committees at the public entities perform assessments and the audit reviews are done quarterly. The entities audit outcomes have improved. Public entities have implemented audit strategies to monitor audit outcomes, entities report on quarterly basis about progress of audit findings

**Airports Company South Africa SOC Limited (ACSA)**

(b)Airports Company South Africa received an unqualified audit opinion with findings in the 2015/16 financial year. Airports Company South Africa is also in the process of driving a number of initiatives to address the findings within the Auditor General Management report which are monitored through its various governance structures.

**Air Traffic and Navigation Services SOC Limited (ATNS)**

(b) ATNS has mechanisms put in place to ensure that audit outcomes are improved.

1. A tracking register of all audit findings is kept and monitored on a monthly basis by Internal Audit as well as Executive Committee to ensure that mitigation plans are implemented. Furthermore, consequence management linked to unresolved audit findings is being driven at Board level to ensure that Management responds adequately to repeat findings by both internal and external auditors.

(aa) Progress is monitored on a monthly basis by Internal Audit as well as Executive Committee. Quarterly by the Audit and Risk Committee of the Board.

(bb) Monthly reviews of the tracking register as well as the resolution rate of the outstanding audit findings (expressed in percentages) is used as an indication of early warning signs.

1. A follow-up on outstanding findings is performed on a monthly basis by Internal Audit. The tracking register is tabled and discussed at the Executive Committee meetings monthly as well as quarterly by the Audit and Risk Committee of the Board.

**South African Civil Aviation Authority (SACAA)**

1. Not applicable, (b) (i), (aa), (bb), (i) the South African Civil Aviation Authority (SACAA) has well-developed mechanisms and processes to ensure that audit outcomes are tracked and closed accordingly. All findings are listed on the SACAA’s tracking register, and a timeframe is allocated for the closure of each finding. The tracking register is monitored by the SACAA’s Internal Audit division to ensure that the findings are adequately closed.

**Road Accident Fund (RAF)**

(b) The Road Accident Fund (RAF) put in place a mechanism to ensure that audit outcomes are improved through follow-up audits by the RAF’s Internal Audit Department;

the (i) (aa) nature, timing and extent of follow-ups take into account the following factors: significance of the reported observations or recommendation; degree of effort and cost needed to correct the reported condition; complexity of the corrective action; and, the timeframe within which management’s action plans are required - all action plans are implemented by management as follows, unless another implementation date has been agreed with the Chief Audit Executive: critical- within 1 month of finalization of the draft report; high- within 3 months of finalization of the draft report; medium- within 4 months of finalization of the draft report; and low- within 6 months of finalization of the draft report; and (bb) early warning mechanisms exist in the form of a monthly Audit Tracking Report and dashboards, and

(ii) periodic monitoring takes place through the following process: on or about the 20th of every month an email is sent to line management for them to provide a status update on Team Central (an audit and issues tracking database) to comment whether an issue has been resolved or not. If not, reasons for not completing must be provided. Line management has 2 days to respond to this. Fieldwork starts on resolved issues once comments are received from line management and takes approximately 7 days. Once fieldwork is finalised, the Audit Tracking Report is sent to line management and executives for comment within 3 days. After receipt of comments from line management and executives, the Audit Tracking Report and respective dashboards are reviewed by Internal Audit management and then submitted to the Chief Executive Officer for comment and further discussion at EXCO. The Board committees i.e. REMCO and Audit Committee also monitor the resolution of the audit findings.

**Road Traffic Management Corporation (RTMC)**

(b) The RTMC has established an Enterprise Risk & Audit Committee comprising of senior managers to consider existing and/or emerging operational & strategic risks affecting the Corporation, implementation of Internal Audit findings and Auditor General’s findings.

1. (aa) The Enterprise Risk & Audit committee sits on a weekly basisto review progress with the implementation of audit findings, identify emerging risks and required remedial actions.
2. The Committee is accountable to the Executive Committee.
3. This is monitored through reports submitted to the Board through the Audit & Risk Committee.

**Cross Border Transport Agency (CBRTA)**

 (b) Yes, the C-BRTA has put in place mechanism to ensure that audit outcomes are improved.

1. (aa)

The C-BRTA has put in place an audit findings tracking register with action plans to ensure that controls are put in place to mitigate against the risk of audit findings recurring.

The action plans are tracked monthly by the Internal Control Unit and reported quarterly to the Executive Committee, and Audit and Risk Committee.

1. (bb)

The internal audit function performs regular follow up audits on the implemented action plans, including assessing whether the plans mitigate the identified risks. The audit reports serve at the Executive Committee meetings and Audit and Risk Committee meetings and provide assurance on whether the internal controls are implemented to mitigate the identified risk.

1. The Internal Control Unit monitors the implementation of action plans on a monthly basis through engagement with various line functions and progress on implementation of improvement controls is report to the Executive Committee and Audit and Risk Committee of the Board on a quarterly basis.

**South African National Roads Agency (SANRAL)**

(b)(i) SANRAL uses an electronic database (CURA) to capture all findings raised by internal and external auditors. Each finding is allocated to the applicable responsible person (owner) and a realistic timeframe in which to address the finding. The status of the finding is updated by the owner on a regular basis. Once the finding is addressed, the status is updated to “Ready for Audit”, after which internal audit reviews the action to ensure that it addresses the deficiency adequately and effectively. If an action is not concluded within the timeframe, the finding is flagged and reported.

(ii) The Internal Auditors provide a report from CURA to the Audit and Risk Committee, indicating the status and progress of all findings. Management reports to the Board and the Auditor-General on a quarterly basis regarding progress on addressing key audit matters.

**Roads Infringement Agency (RTIA)**

The Road Traffic Infringement Agency has put mechanisms in place to ensure improved audit outcomes.

(b) (i) (aa) The timeframes are for annual implementation;

(b) (i) (bb) The early warning mechanism implemented from the 2016/17 period involves the allocation of “champions” for every risk area, weaknesses and underperformance identified in the previous audit, as well as determining and implementing the related and applicable intervention measures;

(b) (ii) All the interventions are monitored through the Agency’s governance structures, being discussed at the Management Committee, Executive Committee, Audit & Risk Committee and ultimately to the Board of Directors on a regular basis and included in the quarterly reports on a regular basis.

**South African Maritime Safety Authority (SAMSA)**

1. In 2016 SAMSA implemented the following measures to address audit outcomes and improvements thereon:

1.1 An audit tracking sheet used to track progress on resolution of audit outcomes. The tracking sheet is reviewed by the Audit and Risk Committee of the Board at least four times a year;

1.2 An Audit Steering Committee comprising of senior staff from the Audit-General and SAMSA was set up with a view to review audit risks and ensure that these are identified and addressed prior to financial year end.

1.3 A Risk Register that reviews major risks in the organisation and measure implemented to mitigate these risks. The Risk Register is reviewed quarterly by the Audit and Risk Committee of the Board.

2. Any items considered to have an impact in the organisation and the audit are discussed on an ongoing basis by EXCO, The Audit and Risk Committee and The Board. These include changes in legislation that may have a bearing on the Authority, eg recent changes in the Preferential Procurement Policy Framework (PPPFA) etc. This is monitored on a quarterly basis by various governance structures.

**Passenger Rail Agency of South Africa (PRASA)**

Yes PRASA has put mechanisms in place to improve audit outcomes.

(aa) The majority of the findings are in the Supply Chain Management (SCM)area. The SCM policy is being updated and will be finalised by end of September. SCM policy and procedures are being supplemented and the process will be finalised by end of September. SCM Practitioners will be trained post the implementation of the updated policy.

(bb) The internal audit performs a probity role throughout the procurement process and provides an early warning mechanism.

(cc) The probity function provides a live monitoring of the procurement process, and flags problems as they arise. The Audit and Risk Committee of the Board monitors the improvement of the audit outcomes. .

**Ports Regulator (RSA)**

1. The Ports Regulator prepares the audit outcomes action plan which is monitored by the Ports Regulator audit committee and the internal audit on a quarterly basis to ensure that all the identified audit findings are addressed. The Ports Regulator has received “clean audits” for 2014/15, 2015/16, and again for 2016/17

**Railway Safety Regulator (RSR)**

(b) In the RSR measures have been put in place to ensure improvement in the outcomes of the audit. The following are some of the measures in place:

1. (aa) Risk-based internal audit plans developed by Chief Audit Executive in consultation with Management for approval by the Audit and Risk Committee (ARC) of the Board. The audit reviews conducted by Internal Audit focus on those areas considered medium-high risk as per RSR’s risk profile, which in essence addresses the control environment as well as governance processes.

Annual audit plans include the review of AGSA’s Management letter and conducting follow-up on the implementation of corrective actions by Management. These follow-ups are conducted on an on-going basis immediately upon issuance of the AGSA Report.

Internal Audit reports quarterly to the ARC on the progress of the corrective actions as guided by the implementation dates as committed by Management.

ARC on a quarterly basis reviews the progress made by the Internal Audit against its plan.

bb) Early warning mechanisms exist viz:

1. Monthly EXCO reporting by various departments
2. Monthly risk sessions with Management
3. Monthly Risk Reports including emerging risks discussed at EXCO (standing agenda Item)
4. Management reports on organisational performance, Risk Management as well as financial position of the entity are also presented to the ARC on a quarterly basis for evaluation and approval.