SCoAG Induction Workshop

August 2009

Auditing to build public confidence

AUDITOR-GENERAL
SOUTH AFRICA

Workshop Outline

Day 1

- Internal reflection on the AGSA's operations, linked to touch points with SCoAG focusing on:
  - Annual Strategic Plan and related Budget
  - Annual Report

Day 2

- External reflection on the AGSA's deliverables, linked to the process of consultation with SCoAG on issues around the auditing process

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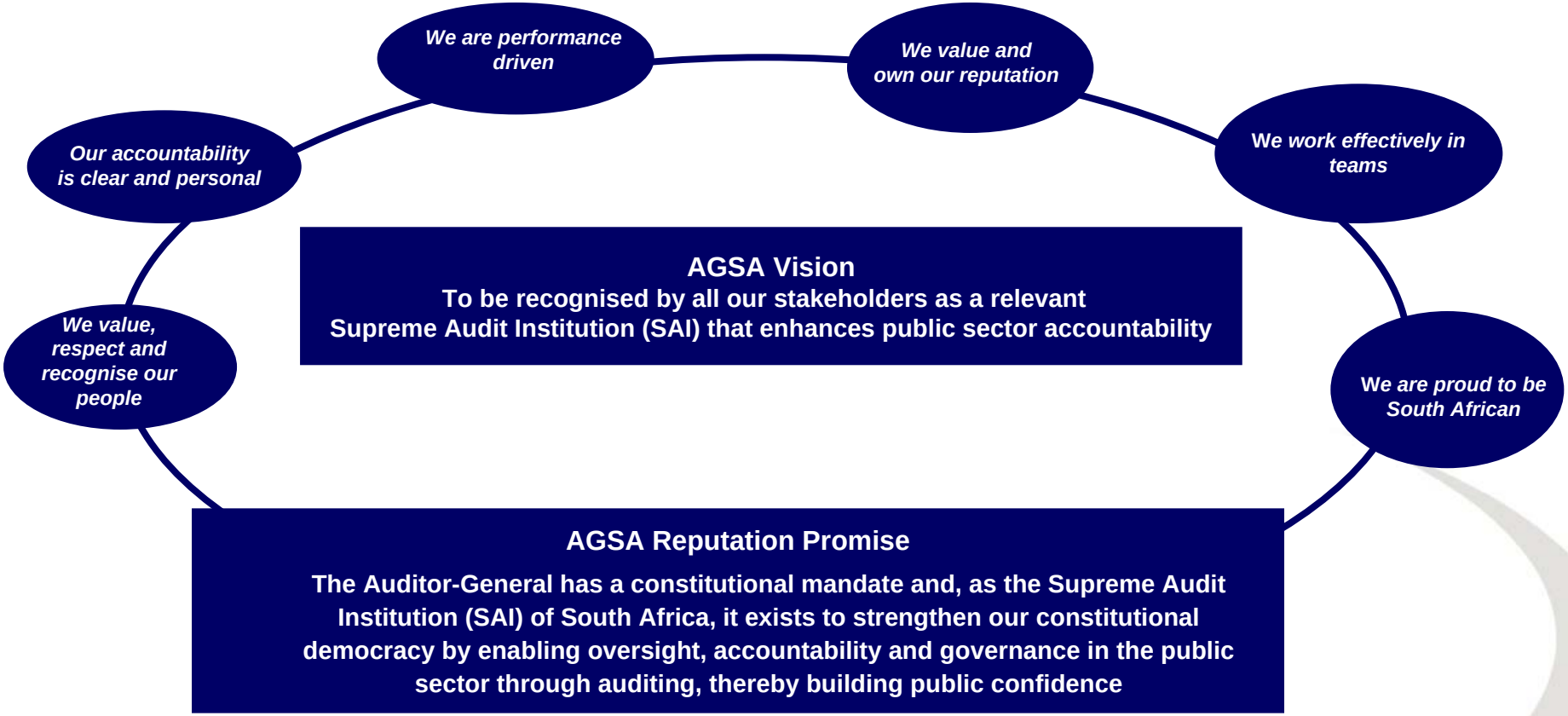
2. The Mandate Unpacked…

- Legislative mandate found in the Public Audit Act (PAA) and the AGSA reputation promise:

"*The Auditor-General of South Africa 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.*"


We are performance driven
We value and own our reputation
We work effectively in teams
We are proud to be South African
We value, respect and recognise our people
Our accountability is clear and personal
AGSA Vision
To be recognised by all our stakeholders as a relevant Supreme Audit Institution (SAI) that enhances public sector accountability
AGSA Reputation Promise
The Auditor-General has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our constitutional democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

The AGSA's commitments

- Ensure simplicity, clarity and relevance of messages contained in all reports, including performance audits that are in a continuous growth phase

- Improve visibility of leadership through clear communication in championing the implementation of audit recommendations

- Strengthen the human resource strategy with particular emphasis on the comprehensive Trainee Auditor Scheme that forms the cornerstone of our skills pipeline and leadership succession

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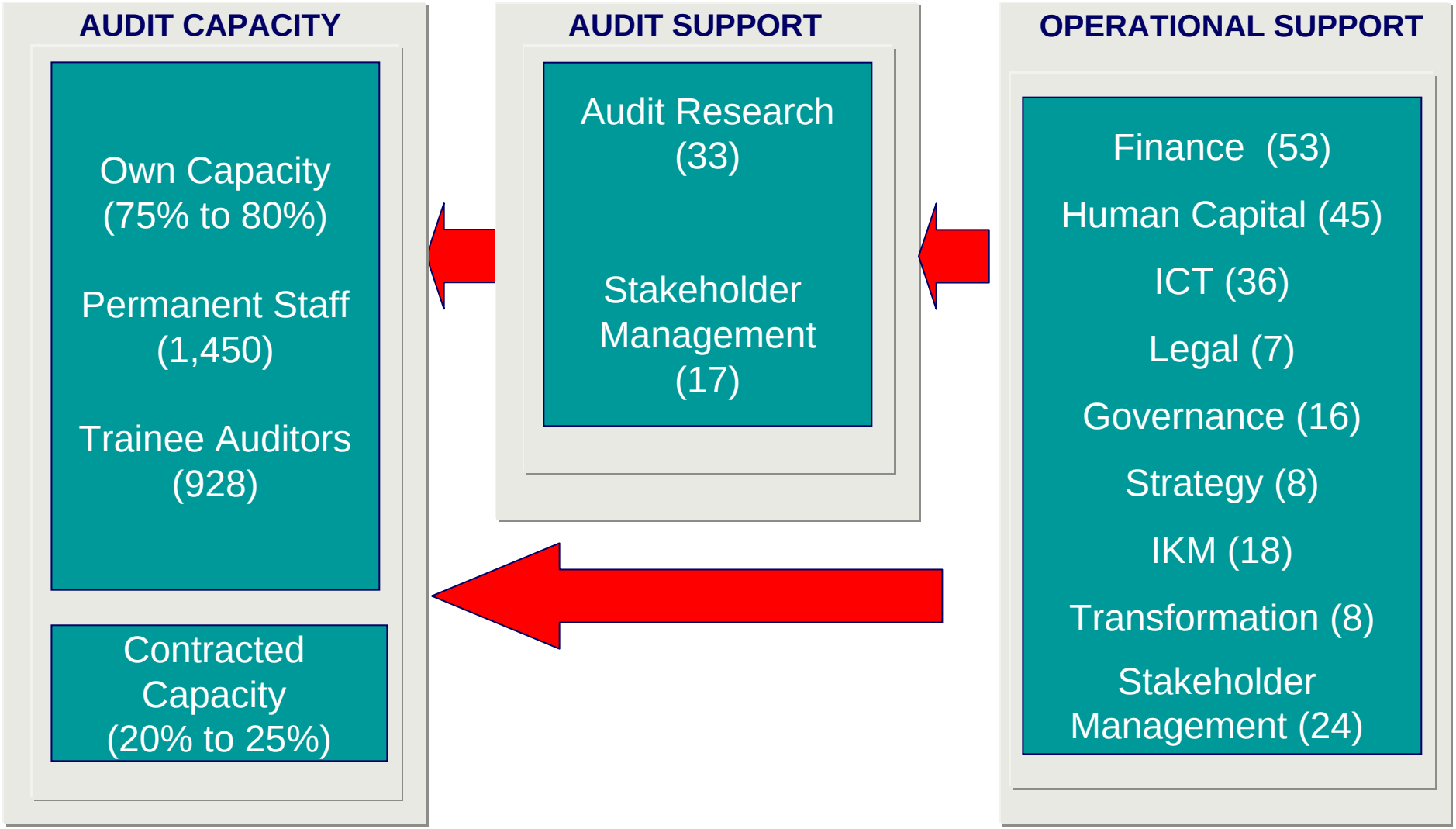
The AGSA's commitments

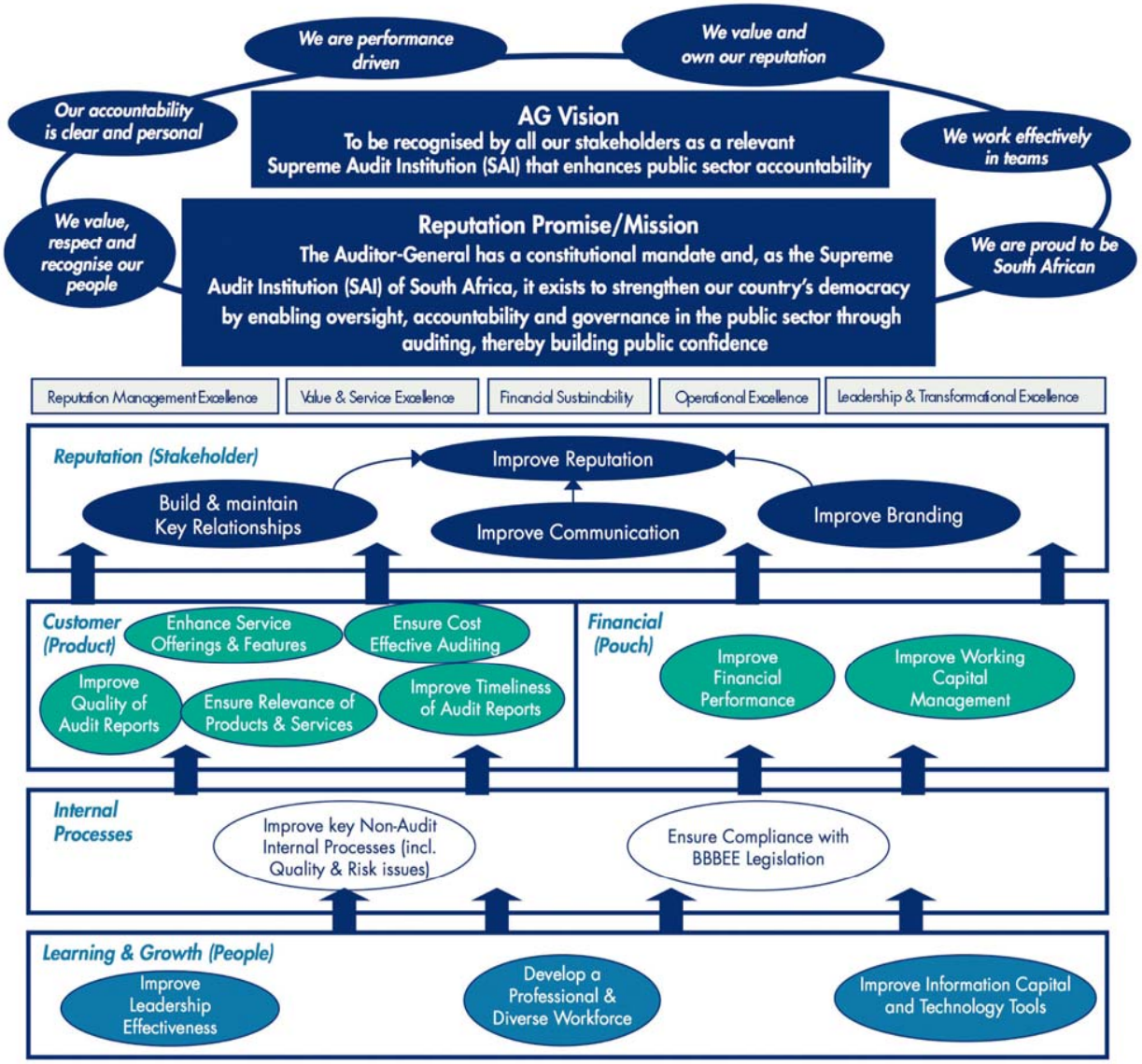
- Focus on the implementation of the redefined funding model with a view to stabilising our margins and cash-flow situation

- Lead by example on matters of risk management, internal controls and transformation

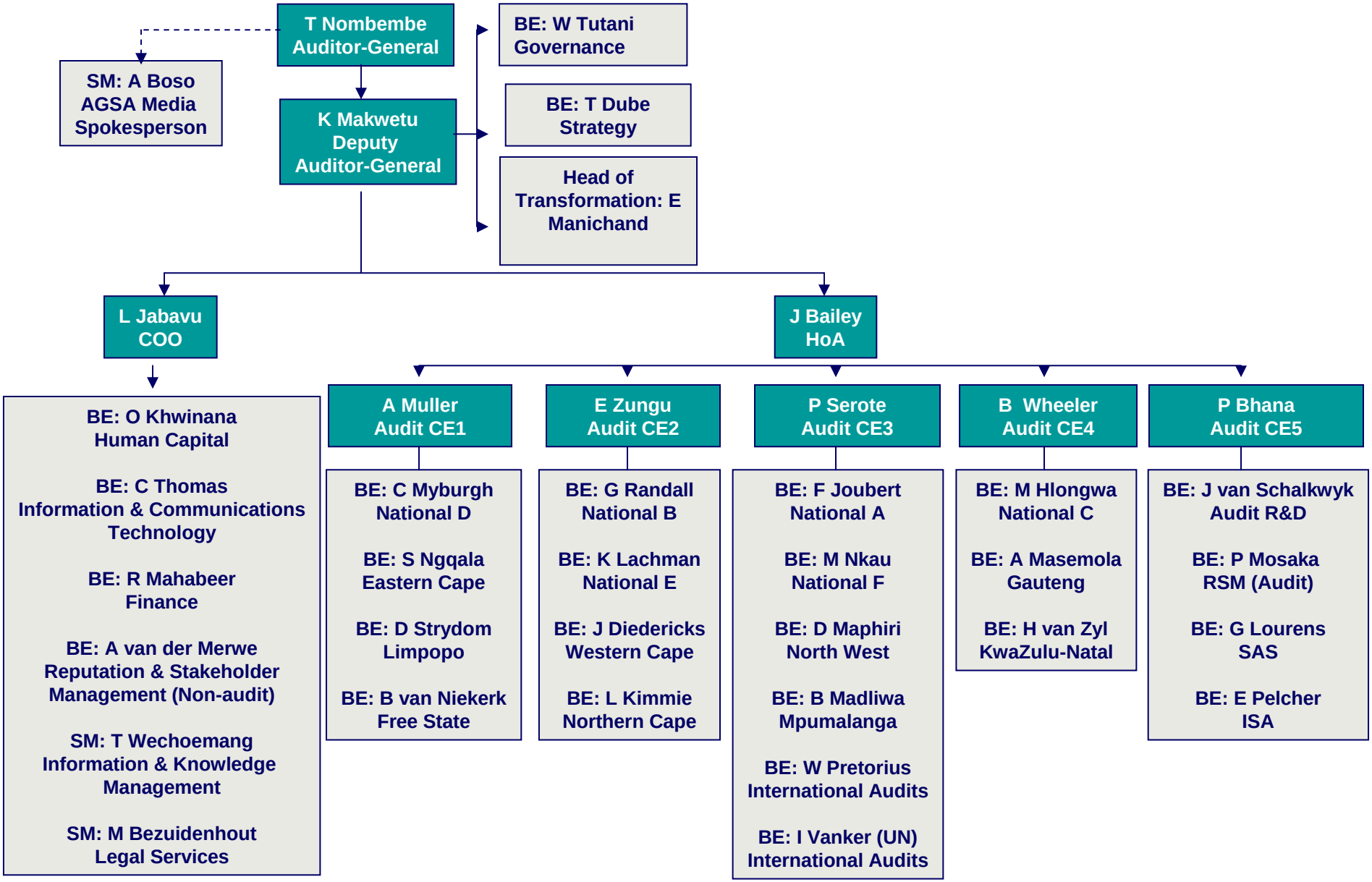
3.1 The basic AGSA structure required to deliver on the reputation promise



Strategy Map



Organizational Structure



Basic Demographics (Region)

REGION	NUMBER OF STAFF
National	**647**
Gauteng	**167**
Limpopo	**99**
Mpumalanga	**82**
North West	**100**
Free State	**124**
Northern Cape	**85**
Western Cape	**166**
Eastern Cape	**254**
KwaZulu-Natal	**196**
Support	**199**
TOTAL	**2,376**

Basic Demographics (Job Level / Gender)

Job Level	No. of Staff	African	Indian	Coloured	White	Other
Auditor-General	1	1				
Deputy Auditor-General	1	1				
Head of Audit	1				1	
Corporate Executives	6	3	1		2	
Business Executives	27	10	3	2	12	
Operational Leaders	8	2	3	1	2	
Senior Managers	157	40	25	10	79	3
Managers	505	130	103	31	230	11
Assistant Managers	482	278	47	30	121	6
Trainee Auditors	926	811	46	37	28	4
Administrative Personnel	184	108	10	26	40	
Other	78	40	1	8	29	
TOTAL	2,376	1,424	239	145		24

Basic Demographics (Job Level / Gender)

Job Level	Male	Female
Auditor-General	1	
Deputy Auditor-General	1	
Head of Audit		1
Corporate Executives	4	2
Business Executives	21	6
Operational Leaders	5	3
Senior Managers	107	50
Managers	276	229
Assistant Managers	248	234
Trainee Auditors	442	484
Administrative Personnel	36	148
Other	21	57
	1,162	1,214

3.1.1 Audit Capacity

Typical ABU Structure

- BE
- Senior Managers (incl. Product Champion)
- Managers (incl. BU Admin Manager)
- Assistant Managers
- Trainee Auditors
- Support Admin Staff

Audit Capacity

Focus on:

- Regularity Auditing
- Performance Auditing
- Investigations
- Other

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Audit Capacity

Specialised Skills Base

- Post-graduate skills in Auditing, with professional affiliation
- Scarce skills in general market, especially when public sector context is required
  - Trainee Auditors – grow your own!
  - Contract work
    - Additional capacity in peak period
    - Build capacity in emerging markets in profession
- Require constant up-skilling (through professional assistance) to:
  - Keep up to date
  - Adjust to changing environment

Trainee Auditors

- Scheme to grow own professionals introduced in 1999
- Trainee Auditors (x 928)
- Cooperation with SAICA, SAIGA, ICASA and ACCA
- Requires academic progress to post-graduate level, with related qualification examination from professional body AND 3 to 5 years of practical training

Trainee Auditors

Study investment

– around R25,000 per student per year

Training investment

– direct cost of R11, 860 per student per year

Trainee Auditors

Successes

- Growth in scheme from 30 Trainee Auditors in 1999 to 928 in 2009
- Full-blown scheme has been producing a minimum of around 30 professionals per annum
- Did engage in other professionalisation efforts, such as grandfathering and recognition for prior learning that yielded around 300 new professionals over the past 5 years
- Extensive investment in external bursaries to grow pipeline

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Trainee Auditors

Challenges

- Size of scheme too big for maturity of organisation and learning potential of group
- Availability of appropriately skilled Trainee Auditors in the market is limited and declining
- Scheme administration and monitoring was inadequate for the size of the scheme and has only been stabilised in the past year

Audit Support:

Audit Research & Development

Training

- Trainee Auditors
  (full cost R19,501 per annum per person vs benchmark of R30,000)
- Permanent Staff
  (full cost of R15,418 per annum vs benchmark of R24,000)

Trainees

- Regular reporting on experience requirements and study success within newly reworked structure

Contract Work

Purpose

To drive AGSA's Transformation objective and to optimise staff efficiencies while simultaneously offering meaningful work to private audit firms

Reasons

- Auditor-General may authorise one or more persons to perform or to assist in the performance of an audit.
- The Auditor General uses a tender- and scoring system to compile a comprehensive database of preferred suppliers. This is used as a basis for the allocation of contract work to private audit firms.

Percentage

- In the current tender cycle private audit firms supplying
  - Regularity audit services comprised 53% of the total firms accepted for contract work,
  - Investigations services 16%,
  - Performance audit services 19% and
  - Information Systems audit services 12%.

Contract Work

Checks and balances

- Allocation
- The size of firms and measures to avoid potential conflicts of interest is the are the primary factors in determining allocation

  - **Process**

    Private audit firms tendering to provide audit services receive a score based on a BEE component that encompasses firm ownership and control, employment equity and capacity building - as well as a quality control component. Firms are ranked according to the weighted average score comprising the two components. With regard to Regularity audits, available funds are allocated according to individual weighted scores relative to regional- and firm size total scores. For all other audits ranked rosters are drawn up from which work allocations are made as required.

  - **Quality of work**

    Where work has not been done previously for the AG, the AG will allocate 50% of the total allocation to review and determine the ability of the firm to continue on the tender. Where work has been done previously, quality control scores received from the Auditor-General business units relating to the quality of work performed by the firm, are collated to an average and used in the final monetary value allocations stemming from the tender process.

Contract Work

Checks and balances

- Allocation (cont.)
  - **Ethics**

    A tender requirement for all firms is that detailed existing conflicts of interest-, as well as reasonably foreseeable conflicts of interest arising from the regional supply of work, must be supplied. These include all consulting- and non-audit assignments awarded to a firm, as well as proposals submitted, but not yet awarded. Conflicts of interest are taken into account when final contract work placings are made since before we allocate an audit a second confirmation needs to be provided by the audit firm that no conflict of interest exists

  - **Audit controller**

    The role of an audit controller from the AGSA is stipulated for a contracted-out engagement. They have to perform prescribed reviews on the quality of contracted out work.

  - **Audit quality processes**

    Apart from prescribed independent pre-issuance reviews to be performed on contracted-out engagements before the audit report is signed, the annual monitoring process for engagements include a substantial number of contracted-out engagements in order to access the quality of the audit work performed, both that of the contracted-out firm as well as the audit controller form the AGSA.

3.2 Audit Support:

Audit Research & Development

Key role

- To ensure that staff are appropriately equipped to handle their day-to-day audit work

Key functions

- Development of AGSA audit methodology in line with international and local standards and best practice
- Key new developments
  - Relevance of reporting
  - AOPI
  - Cost-effective auditing
- Technical guidance
- Technical training
- Management of Trainee Auditor Scheme

Audit Support:

Audit Research & Development

Key governance structures

- Technical Committee *(sub-committee of Exco charged with oversight of all technical processes)*
- Various forums to ensure appropriate consultation *(profession, audit business units, other support structures, key public sector standard-setters, National Treasury)*

Key interactions with other bodies / structures

- IFAC *(international standard-setter)*
- INTOSAI *(international public sector standard-setter)*
- IRBA and various local professional bodies
- National Treasury
- Accounting Standards Board (ASB)

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Audit Support:
Audit Research & Development

Key points of SCoAG interest:

- Auditing standards:
  - Annual consultation on adoption of standards – Audit Directive
  - International benchmark (ISAs) with INTOSAI (public sector) context (ISSAIs)
  - Best practice processes

- Work on relevance of audit product:
  - Reporting formats
  - Newly introduced focus areas

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Audit Support RSM:

Audit

Key role and functions

To support audit business units and other AGSA stakeholders with regard to interaction and management of relationships with constitutional stakeholders (CS) in all three spheres of government, and to support strategically focused, transversal (general) audit reports by –

- Developing relevant strategies, policies and procedures
- Providing CS management support to ABUs
- Producing consolidated PFMA and MFMA general reports
- Managing or supporting special CS projects

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Audit Support RSM:
Audit

Structure

- RSM (Audit) is a business unit within the ADI portfolio
- Headed by a business executive, supported by three senior managers

Key interactions

- Internal:
  - Audit business units regarding transversal reports and CS management
  - Regular interaction with provincial CS liaison managers
- External:
  - NA/NCOP liaison & monitoring
  - Association of Public Accounts Committees
  - CS forums such as FOSAD, MinMECs, etc.
  - National/provincial treasuries and CFO forums regarding transversal reporting

Audit Support RSM:
Audit

Transversal reports – present the consolidated results of regulatory audits

A. General Report on PFMA audits:

- Audit outcomes of national/provincial departments, constitutional entities and public entities
- Commitments from executive authorities
- Initiatives and interventions of key role players in relation to audit outcomes
- Internal control and risk management
- Compliance with legislation (PFMA/DORA, etc.)
- Governance (audit committees and internal audit)
- Presents the results of the audit of performance information

Audit Support RSM:
Audit

Other matters reported in PFMA General Report:

- Significant result of audit of information systems
- Significant findings from special audit focus areas
- Results of special focus audits (e.g. human resources, immovable assets, grants)
- Status of the consolidated AFS submission by Metros who have entities for auditing, the status of the consolidated AFS of provincial and national departments for agreed upon procedures; and Annual Reports tablings at the date of reporting in the GR
- Performance audits, investigations and special audits

Audit Support RSM:
Audit

B. General Report on MFMA audits:

- Audit opinions on metros, district & local municipalities & municipal entities
- Commitments from executive authorities & initiatives/interventions of key role players
- Internal control & risk management
- Compliance with legislation (MFMA/DORA, etc.)
- Governance (audit committees and internal audit)
- Results of special focus audits (if any for the cycle)
- Presents the results of the audit of performance information

***Note*:** Results of transversal reports are presented during annual AGSA roadshows in provinces

Operational Support:
Finance

Key role

- Ensure that the business units adhere to financial and operational internal controls of the AGSA
- Compile annual financial statements and treasury reports
- Compile monthly management reports and reconciliations
- Facilitate the improvement of financial performance through financial advice and guidance
- Improve working capital management
- Maintain the general ledger accounts
- Compile monthly reconciliations
- Record financial transactions using GAAP/IFRS

Key Functions

The finance department has 4 distinct areas of operations namely

1. Financial Accounting
   - Financial reporting to provide stakeholders with current financial performance management information
   - Compilation of annual audited financial statements
2. Management Accounting
   - Compilation of Exco Pack which includes income statement, balance sheet, cash flow projection, graphs and financial commentary
   - Compilation of annual budget for submission to SCoAG and quarterly rolling forecast
3. Procurement and Facilities Management
   - Procurement of goods and services for AGSA requirements
   - Facilities management for the AGSA including, amongst others, the provision of cost-effective accommodation
4. Process Projects and Training
   - Drafting of policies and standard operating procedures. This is done in consultation with stakeholders

Key Governance Structure

- The AGSA is governed by the Constitution and the PAA
- The PAA provides for the establishment of a parliamentary oversight mechanism to assist and protect the AGSA
- An Executive Committee (Exco) has been established to assist the DAG in managing the affairs of the AGSA
- Exco consists of the DAG as the chairperson and corporate executives
- The CFO reports to the COO who is a member of Exco
- The monthly management accounts and other financial reports are tabled at Exco

Key Interactions with Other Bodies / Structures

- National Treasury
- Internal and external auditors
- South African Revenue Authority
- SCoAG
- Banks
- Creditors
- Debtors

Funding Model

The AGSA's funding position has been deteriorating over a number of years for the following reasons:

- In an effort to minimise the national cost of auditing, limitations were placed on tariff increases in respect of senior staffing bands. This has resulted in capping of salary increases at 4% while the CPIX was higher
- No reserves were created for funding of new capital acquisitions
- Vacancies: Any work outsourced to external audit firms is done without any mark-up
- The current funding model places a ceiling of 3% operating surplus on the AGSA. This surplus has not been achieved due to tariff capping and vacancies. Average vacancy for the year ending 31 March 2009 is 268 heads

Funding Model

The problem of inadequate funding was brought to the attention of SCoAG on 1 October 2007 and the following was recommended:

- A one-off non-refundable grant of R154 million to address working capital and Capex requirement (actual amount received R90 million)
- Tariff increase of between 25.9% and 30.9%
- Application of mark-up factor per band (increase in average total mark-up factor of 2.28 from average of 1.99). Budget average mark-up factor is 2.22 and application of mark-up is different per band
- The impact of the above changes is a 4% budgeted surplus
- The 4% surplus will contribute about 90% to the Capex requirement for the 2009-10 financial year (surplus R52 million; Capex R57 million)
- The new funding model was effected on 1 April 2009

Working Capital Management

Negative working capital is driven by:

- Operating deficits and adverse cash collections

Cash collections

- Challenges have been experienced in cash collections especially with local government and statutory auditees
- We have introduced the following interventions to overcome these challenges:
  - Billing will be done twice a month to improve frequency of collections in the foreseeable future
  - Two debt collectors have been employed and a third debt collector will be employed to pursue collections on a full-time basis
  - Interest is now charged on all overdue accounts (accounts older than 31 days)
  - Executive management are in discussions with National Treasury on a workable arrangement to ensure fees are paid on time
  - Project 2014 which has been launched by the Department of Cooperative Governance and Traditional Affairs to ensure that all municipalities achieve unqualified audit opinions on their annual financial statements. Will also ensure that payment of AGSA accounts will be taken seriously

Key Elements of Income Statement

	3 months Actual to June 2009	3 months Budget to June 2009	Forecast to 31 March 2010
Audit Income	R381 030 928	R454 930 254	R1 618 173 945
Gross Profit	R161 213 247	R152 317 772	R506 063 884
Gross profit %	42%	33%	31%
Own hours efficiency	58%	54%	51%
Surplus	R84 767 014	R20 283 129	R47 377 719

Retention of Surplus

Section 38 (4) of PAA states that:

• The Auditor- General may, after consultation with the National Treasury and by agreement with the oversight mechanism, at the end of a financial year retain for working capital and general reserve requirements, any surplus as reflected in the financial statements or a portion thereof. The portion of a surplus not retained must be paid into the National Revenue Fund

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Operational Support:
Human Capital

Key role

- Provision of human resources strategic and administrative services to the AGSA

Key functions

- Talent sourcing and attraction
- Talent development and motivation
- Talent retention
- Exit management
- Legal compliance

Key governance structures

- Exco
- Remco
- Audit Committee
- Opsco

Operational Support:
Human Capital

Key interactions with other bodies / structures

- Professional bodies
  - SAICA, etc.
- Tertiary institutions
- Public service
- Recruitment agencies
- Other institutions
  - Audit firms
  - Financial institutions

Operational Support:
Human Capital

Points of interest

- Reduction in vacancy rate (NB: still a challenge – critical scarce skills)
- Best practices in human resource management
  - Recruitment
  - Performance management
  - Staff development
  - Remuneration and compensation
- All professional qualifications welcome
  - CA (SA)
  - RGA
  - CISA
  - ACCA

Operational Support: ICT

Key role:

To improve audit efficiency through the provision and support of enabling technology

Key functions

- Identification of appropriate technology (hardware and software) to support AGSA objectives as agreed with business
- Provide support for technology (both internal and outsourced support)
- Application development; guidance; and support for identified applications (ERP; audit software; Web and digital communications media)
- Training (Microsoft, PeopleSoft, TeamMate)
- Helpdesk to record and track calls, provide first line support

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Operational Support: ICT

Key governance structures

– ICT Strategic and Tactical committee charged with oversight of ICT strategic and tactical planning and activities

– ICT Management Forum charged oversight of operational planning and activities

– ICT Management structures

Key interactions with other bodies / structures

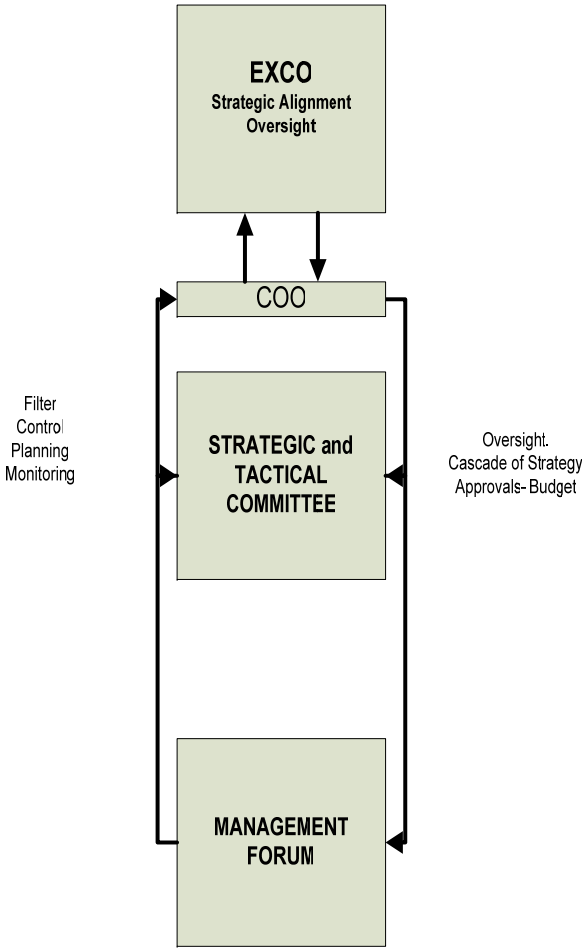
Key points of SCoAG interest

– Audit Software

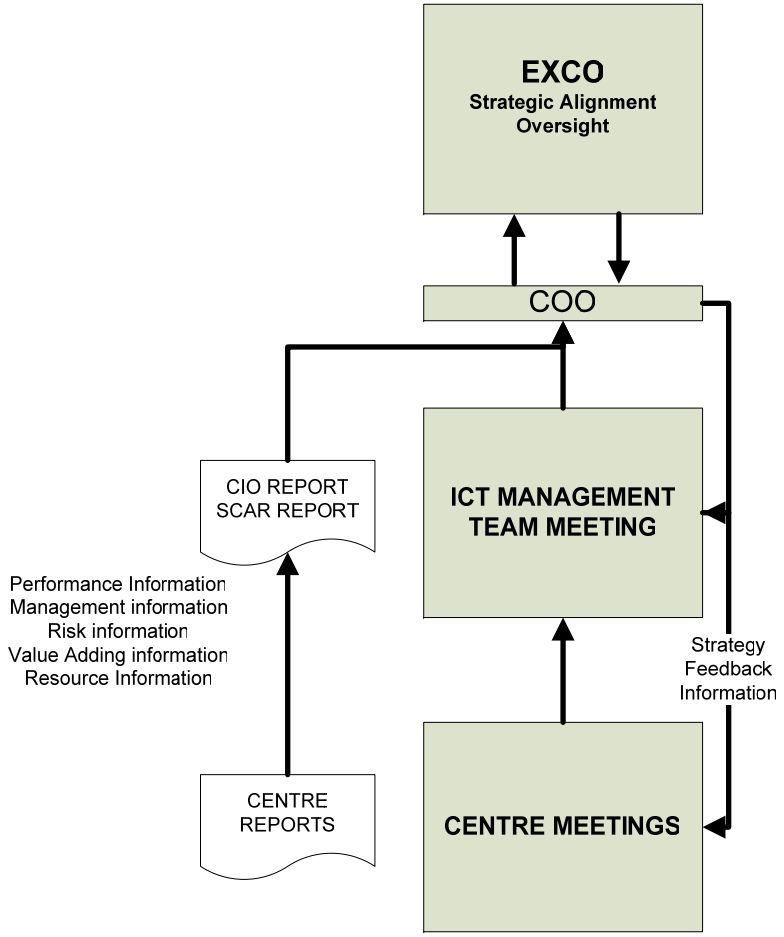
– Key business infrastructure and software

- PeopleSoft
- Notebook scheme

ICT Governance Structures



ICT Organisational Governance



ICT Internal Governance

ICT Objectives and Projects of Interest to SCoAG

Objectives

- Enabling audit efficiency by decreasing complexity for end-user
- Focus on the provision of performance management and monitoring information to the AGSA
- Dissemination of approved audit information to all AGSA stakeholders through secure digital media

Current projects

- Various upgrades to applications in the environment (PeopleSoft, TeamMate, Microsoft and others)
- Investigation and development of digital media technologies
- Safeguarding of audit information through encryption of all equipment
- Ongoing process enhancement to maintain defined Cobit (control objectives for IT) maturity level
- Enterprise architecture enhancement to further ensure alignment

ICT Objectives and Projects of Interest to SCoAG

ICT Key Interactions with Other Bodies / Structures

- Gartner - international benchmarking and industry information
- IT Governance Institute - international standard-setter
- Microsoft Technical Education Group
- South Africa Oracle User Group (PeopleSoft)
- Enterprise Architecture Forum (international standard-setter)

ICT Key Points of SCoAG Interest

- A Cobit process maturity of level 3.0. Where appropriate, best practice processes are applied
- A project governance methodology is applied to projects to ensure delivery
- An ICT internship begun in 2007 to develop key PeopleSoft and web skills.
- A disaster recovery site established for primary systems - where data is replicated from HO to disaster recovery site

Operational Support:
Legal

Key role
- Assist the organisation in ensuring that the AGSA conducts its key audits and business processes according to law

Key functions
- Audit-related legal support
- Corporate law and litigation
- Employment law

Key governance structures
- Exco

Interaction with other bodies / structures
- SCoAG
- Office of the Chief State Law Advisor
- Office of the State Attorney
- Judicial forums, i.e. CCMA, High Court, Labour Court

Operational Support:
Legal

Key points of SCoAG interest

- Consultation during drafting process of own legislation (PAA, regulations)
- Commentary on legislation that affects the AGSA
- Ad hoc advice and support to SCoAG

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Operational Support:
Governance

Our key role is to contribute to strengthening SA's constitutional democracy by:

- Acting as the strategic link with Parliament
- Servicing governance structures (statutory and non-statutory)
- Performing risk management and internal control
- Monitoring quality of audit products

Key functions

- Monitoring of quality control systems
- Risk management
- Management of internal and external audit
- Ethical and policy compliance
- Management of governance structures

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Operational Support:
Governance

Key governance structures

- SCoAG
  - Ensure all legally required interactions occur
- Audit Committee
  - Ensure risk and audit reviews occur
- Exco
  - Manage meetings to ensure committee assists the DAG in managing the business and affairs of the organisation
- Quality Control Assessment Committee
  - Ensure assessment of quality control systems and audit products
- Remuneration Committee
  - Ensure AG advised at appropriate time regarding remuneration and related matters

Key interactions with other bodies / structures

- Other constitutional institutions

Operational Support:
Governance

Key points of SCoAG interest

- Internal audit function forms part of risk management
- Monitoring of audit products is performed annually and has indicated acceptable compliance over the past 6 years
- A new corporate QC Manual was recently developed
- A new risk management framework was recently developed
- External audit is also facilitated by the BU
- Governance BU reports directly to the DAG
- Governance BU works closely with the Strategy Unit
- Governance BU manages governance framework

Operational Support:
Strategy

Key role

The objective of the Strategy Unit is to:

- Provide the AGSA with strategic direction and focus that is aligned with internal and external developments
- Align the organisational strategy with the BU strategy using the balanced scorecard
- Ensure that the strategy is executed using the BSC and dashboard reports
- Ensure that all the strategic initiatives are tracked and are delivered as per the promises in the blue book (the Strategic Plan and Budget)

Key Functions

	STRATEGY MANAGEMENT PROCESS
Core Roles	❶**Strategy Development** – Help the executive team formulate and adapt the strategy
	❷**Strategy Communication** – Communicate and educate employees about the strategy and organisational alignment
	❸ **Initiatives Management** – Identify and oversee management of strategic initiatives
	❹**Scorecard Management** – Design and report on the BSC measures
	❺**Organisational Alignment** – Ensure all business and support units are aligned with the AGSA strategy
	❻**Strategy Reviews** – Shape the agenda for strategy and performance reviews
Integrative Roles	❼ **Planning / Budgeting** – Link financial, human resources and information technology to AGSA strategy
	❽ **Human Capital Alignment** – Ensure all employees' goals, incentives and development plans link to AGSA strategy – is our culture supporting strategy, organisational capital
	❾ **Best Practice Sharing** – Facilitate a process to identify and share best practices – information capital

Key Governance Structures

Key interactions with other bodies / structures

- SCoAG (Strategic plan & budget)
- National Assembly (Strategic plan & budget)
- Internal auditors (AOPI final report)
- External auditors (POE administration)
- Service providers (product & services)

Key points of SCoAG interest

- **Annual strategic plan**
- **Annual report**

- Five-year strategic plan
- Three-year strategic plan according to the MTEF
- Organisational BSC
- Quarterly performance reports
- Strategic initiatives progress reports
- Cascading workshops for balanced scorecards and individual performance contracts (IPCs)

Operational Support:
Information and Knowledge Management

Key role

- The Information and Knowledge Management Business Unit is responsible for developing and managing the implementation of all information and knowledge management strategies and action plans that will assist to capture, leverage and preserve the AGSA's intellectual capital, and for nurturing a knowledge-sharing culture within the AGSA

- To develop and manage a web-based best practice knowledge management platform that will integrate all current systems

Key Functions

- Records and document management
- Registry management
- Stakeholder information management
- Media monitoring
- AGSA websites (Intranet, Internet and AG Net)
- Library management
- Knowledge management

Key Governance Structures

- Exco
- Management Approval Framework
- Policies and procedures of the AGSA
- ICT Tactical Committee
- International Standards on Quality Control, ISQC1 (2006) Working Group

Key Interactions with Other Bodies / Structures

- National Archives of South Africa
- South African Human Rights Commission
- National Library of South Africa
- Department of Arts and Culture
- Library and Information Association of South Africa
- Government Communication and Information Systems

Key points of SCoAG interest at strategic level

- **Records and document management**

  - Development and implementation of a records management tool that provides evidence of, and accountability for, the business of the AGSA and also meets relevant statutory requirements

- **Stakeholder information management**

  - Improve communication with stakeholders and provide AGSA access to stakeholder information

- **Media monitoring**

  - Monitor media coverage to manage AGSA's reputation

- **AG websites (Intranet, Internet and AG Net)**

  - Manage website content to improve communication with internal and external stakeholders

- **Library management**

  - Manage library information services to share key business information and learning

- **Knowledge management**

  - Facilitate the sharing of knowledge and best practices with all stakeholders

Operational support:

Transformation

Key role

The key role of the Transformation Unit is to assist and guide the AGSA to transform into a fair and equitable workplace in all respects thereby promoting an achievement culture. The Transformation Unit supports and guides the organisation towards the achievement of the transformation agenda

Key functions

The primary function of the Transformation Unit is to play a corporate advisory services role in terms of transformational interventions

The secondary function of the Transformation Unit is assisting, guiding, developing and monitoring key policies and processes that impact transformation and continuous change management interventions with all relevant stakeholders

Key governance structures

Employment Equity Forum – consultative forum which allows for constructive consultation between management and the employees of the AGSA in compliance with the Employment Equity Act

Operational support:

Transformation

Key interactions with other bodies/structures

- **DoE** – Department of Education
- **DoL** – Department of Labour
- **Dti** – Department of Trade and Industry
- **BMF** – Black Management Forum
- **SAICA –** South African Institute of Chartered Accountants

Key points of SCoAG interest

Change management – guiding the organisation in terms of driving the transformation agenda – this is in the form of change management tools and understanding the change agent role. The Transformation agenda is aligned to Government's agenda.

BBBEE – implementation and development of processes for all the codes of Good Practice – effective monitoring

CSI: iintegration of corporate social investment with the TA pipeline programme

Employment Equity – equalizing opportunities

Organisational culture – shaping a high performance culture by implementing and guiding the organisation in terms of the revised values implementation and guiding the organisation in terms of aligning systems, processes and people towards a high performance culture utilizing the culture index as a form of assessing progress.

Deloitte managerial secondment – bridging the skills shortage gap within SA for the CA profession – pilot

Operational Support:
Reputation and Stakeholder Management (Non-audit)

Key role

The core purpose of RSM (NA) is to facilitate the management of the AGSA's reputation, which is determined by the collective opinion of stakeholders (internally and externally), in terms of the AGSA's constitutional mandate and reputation promise

• Key functions

The key functions and focus areas of RSM (NA) are:

1.Corporate communication

To effectively manage and utilise clear, consistent and continuous communication via all relevant internal, external and electronic communication channels

2. Professional language services

To effectively provide professional language services (editing, translation, design and publishing services)

Operational Support:

Reputation and Stakeholder Management (Non-audit)

3. **Media management**

To effectively manage and utilise all forms of media (print, broadcast and online) as key and influential mass media channels

4. **Corporate events and international liaison**

To effectively manage and utilise all corporate internal, external and international events as key networking and profiling opportunities

5. **Corporate identity and branding**

To effectively manage the AGSA's total corporate identity and branding programme in terms of all aspects where the AGSA physically presents itself to all its stakeholders

6. **Stakeholder management and communication support**

To effectively advise and support the organisation to manage its relationships with all its stakeholders (internal and external)

7. **Reputation and perception management**

To effectively facilitate the management of stakeholder perceptions of the AGSA in order to improve the AGSA's overall reputation index

Operational Support:

Reputation and Stakeholder Management (Non-audit)

- **Key governance structures**

- AG, Deputy Auditor-General (DAG), Chief Operations Officer (COO) and Head of Audit (HoA)
- AGSA Exco members

- **Key interactions with other bodies / structures**

- INTOSAI Advisory Committee
- INTOSAI Secretariat

Operational Support:

Reputation and Stakeholder Management (Non-audit)

- **Key points of SCoAG interest**

a) Reputation index management

The reputation index are used as tools to improve on the AGSA's reputation by:

-Determining stakeholders' collective opinion with regard to the AGSA's performance and delivery in terms of its constitutional mandate and reputation promise

-Identifying areas requiring improvement in terms of reputation and perception management

-Developing action plans to implement around the identified corrective actions needed to improve stakeholders' perceptions

b) INCOSAI

AGSA to host the two major events relating to INTOSAI, namely the 59th Governing Board Meeting (November 2009) and XX INCOSAI (November 2010). Endorsed by the former President, Mr Thabo Mbeki, these two events will have a huge impact on the reputation of the AGSA and our country.

Operational Support:
Reputation and Stakeholder Management (Non-audit)

c) Project management relating to the key / critical deliverables

- Annual Report
- Strategic Plan and Budget
- General reports and roadshows relating to PFMA
- General reports and roadshows relating to MFMA

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Governance Structures

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4. AGSA Governance Structures

- Corporate governance within the AGSA is defined by the Constitution of South Africa and the Public Audit Act, 2004 (PAA)

- The Constitution which establishes the AGSA as a state institution, defines the governing principles of the AGSA and its key functions

AGSA Governance Structures

- The PAA in turn provides for the establishment of a parliamentary oversight mechanism (SCoAG) to assist and protect the AG to ensure independence, impartiality, dignity and effectiveness of the AG and to advise Parliament

- The PAA further facilitates the formation of and defines the functions of other key structures of the AGSA which include the advisory structure, the Remuneration Committee and the Audit Committee

AGSA Governance Structures

- **Public Audit Act – creates:**
  - Auditor-General of South Africa (AGSA)
  - Oversight Mechanism (SCoAG)
  - Advisory and other structures
  - Auditor-General (as the individual)
  - Deputy Auditor-General
  - Audit Committee

- **Public Audit Act – refers to:**
  - The National Assembly
  - The National Treasury

AGSA Governance Structures

❑Oversight Mechanism/SCoAG

- It is a Committee of the National Assembly required to be established by the PAA to perform oversight over the AGSA
- In terms of its constitutional mandate, the AGSA is responsible to the National Assembly
- The PAA stipulates that the AG will report to the National Assembly via the Oversight Mechanism/SCoAG

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AGSA Governance Structures

❑ Oversight Mechanism/SCoAG

• The PAA further stipulates that the Oversight Mechanism/SCoAG will consider the budget and business plan of the AGSA and then make recommendations to the NA and National Treasury.

• Interactions with SCoAG have been rigorous and resulted in the incorporation of SCoAG's inputs into the budget and strategic plan

AGSA Governance Structures

Some of the issues which remain unresolved

- Although an attempt was made by the previous SCoAG to define independence of the AGSA and under what conditions they may protect it, this effort was overtaken by other work pressures and was not carried through
- Another reason why the constitutional requirement to protect the independence, impartiality, dignity and effectiveness of the AG subsided into the background was that no entity or member of the executive attempted to undermine the AG

AGSA Governance Structures

❑ Oversight Mechanism/SCoAG

• Interactions with the previous SCoAG concentrated, in the main, on discussing the Annual Report, the budget and the strategic plan, auditing standards, complaints policy, etc.

• The meaning of “oversight” over the AGSA was never clarified so as to have a common understanding of what it entails

AGSA Governance Structures

❑ Audit Committee

- The Audit Committee was established in terms of the PAA to help the Deputy AG to maintain a sound financial and risk internal audit system
- The Committee consists of 3 independent external members as per best practice to ensure the independence of the Audit Committee
- The Chairperson is independent, aware of the status of the position, possesses the necessary business, financial and leadership skills and is not a political office bearer

AGSA Governance Structures

❑ Additional Governance Structures

- In addition to the entities mentioned above, the following entities currently play a key role in the governance of the AGSA:
  - Remuneration Committee
  - Executive Management Committee and its subcommittees

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AGSA Governance Structures

❑ Remuneration Committee

- This committee is valuable as it provides the AG with specialised advice on remuneration and related issues
- Committee plays a professional advisory role and the final decision-making power rests with the AG
- Committee consists of 3 independent members and three executive members and is chaired by an independent non-executive member

AGSA Governance Structures

❑ Executive Committee and its subcommittees

- Assists the DAG in managing the business and affairs of the organisation and this practice works well
- Consists of the DAG, Head of Audit, Chief Operations Officer and all Corporate Executives
- Exco meetings focus on the implementation of the AGSA's business and strategic plans throughout the year
- Exco has established a number of subcommittees which function very well

SCoAG's role in respect of AGSA operations

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5.1 Role on terms of legislation

- SCoAG to discuss role in terms of legislation (PAA and Constitution)

5.1 Role on terms of legislation (cont.)

- **List of (Suite) Fiscal Laws in addition to the PFMA and MFMA:**
  - Local Government Laws Amendment Act, (Act No. 19 of 2008) (hereafter referred to as “the Act”) as required by section 229(5) of the Constitution;
  - Local Government: Municipal Demarcation Act, (Act No. 27 of 1998);
  - Local Government: Municipal Structures Act, (Act No. 117 of 1998);
  - Local Government: Municipal Systems Act, (Act No. 32 of 2000);
  - Financial and Fiscal Commission Act, (Act No. 99 of1997);
  - Intergovernmental Fiscal Relations Act, (Act No. 97 of 1997);
  - Organised Local Government Act, (Act No.52 of 1997) ;

5.1 Role on terms of legislation (cont.)

- **List of (Suite) Fiscal Laws in addition to the PFMA and MFMA (cont.):**
  - Borrowing Powers of Provincial Governments Act, (Act No. 48 of 1996);
  - Local Authorities Loans Fund Acts Repeal Act, (Act No.98 of 1997);
  - Provincial Acts and Bills, e.g. Northwest Finance Bill 6 of 2003;
  - Public Audit Act, (Act No. 25 of 2004);
  - National Treasury Practice Notes and Regulations on SCM / Procurement;
  - Preferential Procurement Policy Framework Act, (Act No.5 of 2000);
  - Promotion of Access to Information Act, (Act No. 2 of 2000);
  - Division of Revenue Act, (Act No. 12 of 2009) (changes annually);SCoAG to discuss role in terms of legislation

5.1 Role on terms of legislation (cont.)

- **How should SCoAG seek to engage with these laws?**
  - SCoAG will have to familiarise themselves with the provisions of these laws.
  - Thereafter SCoAG will have to identify provisions which are unclear to them.
  - The next step will be to invite legal experts in the fields concerned to provide in-house seminars or training sessions to clarify the interpretation, application and implementation of these provisions. There will be no infringement if the AGSA's legal advisors assisted in this regard.
  - The SCoAG may also issue guidelines, frameworks, regulations, practice and explanatory notes, and circulate these to the AGSA in order to enable the AGSA to perform its duties within the scope of the SCoAG requirements.
  - The SCoAG, after following the process above will be in a position to hold and keep the AGSA accountable more effectively.

5.1 SCoAG's role ito Government driven projects that may impact on AGSA

- SCoAG can continue to exercise its oversight responsibilities over Government projects (such as OPCAR) that impact on AGSA in the following manner:
- ensuring that that undue influence is not brought to bear on AGSA to report in a manner that is inconsistent with the audit standards and PAA
- providing input on the simplicity and clarity of the audit message, so that audit reporting is relevant and understandable
- to influence that there is a focus on all aspects of sound financial management, good governance and full compliance to legislation that when combined successfully by accounting officers will ultimately result in unqualified audit opinions
- to allow for in year monitoring and reporting of progress towards achievement of multi year projects

Ad hoc Committee on the Review of Chapter 9 and Associated Institutions

- **The mandate of this committee was:**
  - to assess whether the current and intended constitutional and legal mandate of chapter 9 institutions, of which the Auditor-General forms part, was suitable for the South African environment.
  - To consider whether the utilisation of resources by these institutions was justified in relation to their outputs and contribution to democracy, and whether a rationalisation of function, role or organisation was desirable.
  - further tasked to conduct its review with reference to collaboration and duplication of functions of the said institutions.

Ad hoc Committee on the Review of Chapter 9 and Associated Institutions (cont.)

- **Recommendation**
  - The legal mandate for the international work performed by the Auditor-General should be clarified by legislation.

- **AG's strategy to address recommendation**
  - When the Auditor-General in future embarks on changes to the PAA, the need for conducting international work will also be given clear and sufficient legal support.

Ad hoc Committee on the Review of Chapter 9 and Associated Institutions (cont.)

- **Recommendation**
  - The Auditor-General should continue to develop its capacity to conduct performance audits of all national and provincial government departments and municipalities.

- **AG's strategy to address recommendation**
  - In the strategic plan, the Auditor-General continues to place more emphasis on performance auditing by ensuring that resources allocated for performance auditing are increased year-on-year. One initiative already taken is that the management of the performance audit function has been centralised to improve streamlined, focused attention and commitment to this discipline. The Auditor-General expects to spend resources on performance audits, and this includes value-for-money themes currently undertaken in the normal course of regularity auditing. Furthermore, consultations have taken place with SCoAG to define the longer-term practical parameters relating to the Auditor-General's readiness for increased performance audit coverage.

Ad hoc Committee on the Review of Chapter 9 and Associated Institutions (cont.)

- **Recommendation**
  - The Auditor-General and the Standing Committee on Public Accounts should bring persistent disregard for the Auditor-General's recommendations by government departments and other public institutions to the special attention of the National Assembly.

- **AG's strategy to address recommendation**
  - The AG will continue its interaction with the Association of Public Accounts Committees (APAC) to ensure that the Auditor-General's recommendations are actioned by the auditees. In addition to the APAC engagement, the general report roadshows on the audits conducted in all three spheres of government will continue to be used as a basis for raising awareness among the executive, oversight bodies and general public (through the media) about pertinent matters that need attention in order to achieve clean audit reports. This process is further formalised through the tabling of the general reports in the National Assembly and in each of the provincial legislatures.

Ad hoc Committee on the Review of Chapter 9 and Associated Institutions (cont.)

- **Recommendation**
  - The Auditor-General should continue its efforts to increase public awareness of its activities.

- **AG's strategy to address recommendation**
  - The Auditor-General has embarked on a number of broad stakeholder initiatives that will increase public awareness.

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Ad hoc Committee on the Review of Chapter 9 and Associated Institutions (cont.)

- **Recommendation**
  - There should be a formal agreement with the other chapter 9 institutions to deal with any possibility of duplication or overlap of function. This is particularly necessary where cases or complaints are referred to another body. Specifically, the committee recommends that the Auditor-General should formalise its relationship with the Public Protector and establish mechanisms to track and monitor referred matters. In addition, the Auditor-General should include details of the number of complaints investigated and their outcomes.

- **AG's strategy to address recommendation**
  - The Auditor-General has embarked on a process of establishing a referral mechanism between itself and the other chapter 9 institutions whose responsibilities are complementary to that of the Auditor-General. This mechanism is being formalised by way of a memorandum of understanding or service level agreement (SLA) to avoid any possible duplication or overlap and ensure that all referred complaints are coordinated.

Ad hoc Committee on the Review of Chapter 9 and Associated Institutions (cont.)

- How can SCoAG help AGSA?

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Sub-national structures and AGSA governance

- RSA is a unitary, not a federal state, and therefore:
  - The NA constitutionally obliged to create oversight mechanisms for organs of state in the national sphere that are accountable to it [section 55(2)(a)]
  - AGSA and other Chapter Nine's are national organs therefore accountable to the NA [section 181]
  - Provincial executives and legislatures receive a "service" from the AGSA, but are not obliged or empowered to appoint or oversee
- However, based on the principle of cooperative governance (which require cooperation between spheres of government) SCoAG may establish communication mechanisms with –
  - NCOP and its committees
  - Provincial legislatures and provincial committees
  - APAC (provincial network)
  - SALGA (municipal network)

5.2 Key interactions

- The AGSA recommends three interactions annually
  - Annual Report
  - Budget and Strategic Plan
  - PAA required interactions

6. SCoAG Handover

- SCoAG to provide feedback on legacy report

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SCoAG Induction August 2009

Day Two

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Workshop outline – recap

- Day 1
  - Internal reflection on the AGSA's operations, linked to touch points with SCoAG focusing on:
    - Annual Strategic Plan and related Budget
    - Annual Report

- Day 2
  - External reflection on the AGSA's deliverables, linked to the process of consultation with SCoAG on issues around the auditing process

1. The mandate unpacked… (recap)

- Legislative mandate found in the Public Audit Act (PAA) and the AGSA reputation promise:

"The Auditor-General of South Africa 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."

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The AGSA's commitments

- Ensure simplicity, clarity and relevance of messages contained in all reports, including performance audits that are in a continuous growth phase

- Improve visibility of leadership through clear communication in championing the implementation of audit recommendations

- Strengthen the human resource strategy with particular emphasis on the comprehensive Trainee Auditor Scheme that forms the cornerstone of our skills pipeline and leadership succession

The AGSA's commitments

- Focus on the implementation of the redefined funding model with a view to stabilising our margins and cash-flow situation

- Lead by example on matters of risk management, internal controls and transformation

3. Benefits of external auditing by the AGSA

- Adds credibility to the information provided
- Assists in the strengthening of oversight, accountability and governance in the public sector
- Assists in giving momentum to the process of transformation of financial management in the public sector
- Provides insights to facilitate foresight of decision-makers.

… thus making a difference in the lives of citizens.

Different types of audits: mandatory audits of the AGSA

- Regulatory audit
  - Financial audit *(to provide comfort that financial information is fairly reflected and to enable proper oversight of financial management)*
    - Required in terms of sections 4 and 20 of the Public Audit Act
    - Opinion on the fair presentation of information in the financial statements
    - Reflections on internal control

Different types of audits: mandatory audits of the AGSA

- Regulatory audit
  - Good governance practices (internal audit, audit committees, legislative compliance, etc.)
  - Value for money through specific focus areas (transversal audits and sector auditing)
  - Includes a component of compliance auditing
  - Done in terms of international auditing standards, with fairly matured processes and good feedback on quality
  - Expanded strategic views to ensure relevance of work (especially in reporting phase)

Different types of audits: mandatory audits of the AGSA

- Audit of performance information
  (To provide comfort that performance information is fairly reflected and to enable good oversight of service delivery)
  - Required in terms of sections 4 and 20 of the Public Audit Act
  - Conclusion on the report of an entity that deals with how well they have done against their predetermined performance objectives
  - Part of a five-year phase-in process which will culminate in a full opinion in the next two years

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Different types of audits: discretionary audits of the AGSA

- Performance auditing *(including environmental auditing)*
  - Permitted in terms of sections 4 and 20 of the Public Audit Act
  - Economic, efficient and effective utilisation of scarce resources
  - Considers the effects of policy implementation, but does not evaluate policy

Different types of audits: discretionary audits of the AGSA

- Investigations
  - Permitted in terms of section 5 of the Public Audit Act
  - Factual findings relating to financial misconduct, maladministration and impropriety
  - Based on allegations or matters of public interest

Different types of audits: discretionary audits of the AGSA

- Special audits
  - Permitted in terms of section 5 of the Public Audit Act
  - Agreed-upon procedures (required reviews relating to, for example, donor funding, certificates to ensure legislative compliance, etc.)

Independence equals credibility

- External audits must be independent and objective in order to provide credible assurance and comfort

- All types of audits are post facto (after the fact/decisions made); this does not mean that discretionary audits cannot take place in phases, once management decisions have been taken

- As such, section 5 of the Public Audit Act prevents the AGSA from performing any work that may subsequently need to be audited

Difference between AoPI and performance auditing

	SPECIALISTS (NATIONAL TREASURY, STATS SA, PSC)	
	Reporting framework	National indicators/norms/practices/standards
	CABINET AND LEGISLATURE	
	Policy development, strategic planning, budget and oversight	
	EXECUTIVE AUTHORITY	
	Implementation, monitoring, corrective action and reporting on performance information	
AoPI - mandatory	EXTERNAL AUDIT	Performance audit - discretionary
	Review and confirm validity, accuracy and completeness of performance information	Evaluate efficiency, effectiveness and economy at a project/programme level
	Compliance (has this happened), as part of regularity audit process	Expert analysis (qualitative), often done by subject matter experts
	Report at entity level and to SCOPA as part of regularity audit report	Report at entity level/transversally (by segment/cluster and across tiers of government and related public entities)

3.1 Benchmarking

- IFAC – International Standards of Auditing
- INTOSAI – International Standards for Supreme Audit Institutions
- INTOSAI interaction
  - Commitees
  - SAI best practices
  - Knowledge sharing

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Benchmarking

- Local regulators (IRBA) and professional bodies (SAICA, SAIGA, etc.)

- Variety of forums to interact with key role players
  - Standard-setters
  - Users
  - Other support units
  - Professional bodies / firms

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Structure of the auditing standards

International Standards on Auditing (ISAs)

(determined through due process by IFAC involving the whole international auditing profession)

Regularity Auditing	Performance Auditing	Investigations	Special Audits
Full application of ISAs Supplemented by public sector perspectives Based on ISSAIs	Full application of ISAs and ISSAIs	Based on ISA principles Own documented standards and methodology	Full application of ISAs, after consideration of decisions to accept in own guidance

ISSAIs – International Standards for Supreme Audit Institutions (public sector perspective to ISAs)

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Audit findings model

Becomes a public document after tabling in Parliament / Provincial Legislature

3. 2 Audit process (engagement activities and planning)

A: Engagement activities

Before any audit work is performed, we:

- Determine skills and competence requirements of the audit team (right people for the job)
- Establish terms of engagement (responsibilities of management and auditor)

B: Planning

We assess risk at two levels:

- Overall at financial statement level (looking at the entity in total)
- Detailed at account/transaction level (looking at individual amounts)

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Audit process (engagement activities and planning)

Things that we look at are:

- Understanding the entity and its environment
- Understanding accounting information and internal control systems
- Assessing risk (focus areas)
- Determining materiality amounts (which would impact on users' decisions)
- Developing the audit strategy
  - How, when and how many items to audit in order to reduce the risk of an inappropriate audit opinion

Audit process (execution)

C: Execution (fieldwork)

- We design audit procedures to address the risk identified in planning
- We perform test checks (do not test all transactions/accounts 100%)
  - Sufficient (“enough evidence”)
  - Appropriate (“right type of evidence”)
- How do we get evidence?
  - People
  - Paper
  - Place

Audit process (execution)

- Audit documentation
  - Must be able to stand alone
  - Timelines
  - Structured processes exist to request documentation required within appropriate turnaround times

Audit process (evaluate, conclude and report)

D: Evaluating, concluding and reporting

We review all evidence obtained during the audit process

- We report on identified potential exceptions:
  - Qualitative (rand value)
  - Quantitative (non-financial information)
- Management report
  - Our audit findings are communicated to management via a management report
  - Management gives responses to findings in writing
  - Report includes financial and governance issues
  - This is not a public document, but be assured that all material findings will flow through to the audit report

Audit process (evaluate, conclude and report)

- Audit report
  - Audit report is a “reflection” of significant findings in the management report
  - This is a public document; a report is only public after tabling in Parliament or a provincial legislature, as follows:
    - Mandatory audits – as part of the annual report of the auditee, tabled by the auditee
    - Discretionary audits – as separate reports, tabled by the AGSA

Audit communication

Objective: to clarify audit expectations, ensure a smooth process and prevent surprises in the audit report

This can take the form of:

- Leadership visibility
- Engagement letters
- Letters requesting evidence or clarifying audit findings
- Structured meeting agendas
- Audit steering committees
- Report discussion meetings

Therefore much effort is placed on ensuring that the audit reports are beyond reproach

Reports on financial statements

AUDITOR'S REPORT
Report on FINANCIAL STATEMENTS • Opinion on financial information • Emphasis of matter (highlights certain disclosures, NOT a qualification)
OTHER MATTERS • Root causes/reflection on internal control • Governance matters OTHER REPORTING RESPONSIBILITIES •Auditing of performance information
Reference to OTHER REPORTS • Performance audits, special audits, investigations
APPRECIATION

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Unqualified audit opinion with no other matters

This is when the auditor comes to the conclusion that the financial statements present fairly, in all material respects, the financial position of the auditee (also referred to as a “clean” opinion)

THIS IS THE IDEAL AUDIT OUTCOME

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Unqualified audit opinion with other matters

- The financial statements are unqualified but there are other matters, which signify “red flags”
- Although these have not yet led to a qualification, they may – if not fixed – lead to a qualification in future years.
- Other matters is a key driver in the relevance of reporting and include reflections on:
- Internal controls / root causes
  - Key governance enablers
  - Best practices

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Qualification (except for)

The auditor concludes that, except for specifically listed material errors, the financial statements remain a fair reflection

This is not a “clean” audit opinion, but with a little additional effort, this can become an unqualified audit opinion

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Adverse opinion

The auditor disagrees with the representation made by management in the financial statements to the extent of confirming that it is NOT a fair reflection of the financial position

This is not a “clean” audit opinion and indicates that the evidence obtained by the auditors does not agree to the figures disclosed in the financials

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Disclaimer

Where there is a lack of sufficient appropriate audit evidence to the extent that the auditor is not able to form an opinion

This is not a “clean” audit opinion and is the worst type of audit outcome

Due to the lack of evidence, the auditors cannot form an opinion on the financials

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3.3 Quality of audits (firm level)

Objective: *create an environment that is conducive for high quality auditing.*

- Leadership responsibilities for quality within the organisation
- Relevant ethical requirements
- Acceptance and continuance of client relationships and specific engagements
- Human resources
- Engagement performance (direction, supervision and performance of engagements and approved delegation for signing off on the audit reports)
- Monitoring

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3.3 Quality of audits (throughout the audit)

Objective: we have internal frameworks to ensure that timely, *high-quality* reports are issued

Quality throughout the audit

- Assigning the right people to the job
- Appropriate supervision and review of the audit
- Appropriate guidance and forums to address technical differences/uncertainties and ensure consistency of approach
- Quality control checklists are completed during all stages of the audit
- Consultation process
  - To resolve difficult or contentious matters
  - Designated staff within the AGSA with specialised expertise

Quality of audits (around finalisation)

The following take place around the finalisation of the audit:

A: Compliance review

- Independent review to ensure compliance with reporting framework criteria
- Promotes consistency

B: Pre-issuance review

- Objective review *before* the audit opinion is issued
- Looks at significant judgements made by the team and conclusions reached
- Assesses sufficiency and appropriateness of the audit evidence on file to support the opinion

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Quality of audits (around finalisation)

C: Difference of opinion

- Processes are in place to ensure that differences of opinion within the AGSA are resolved

D: Post-issuance review

- Objective review *after* the audit opinion has been issued
- Performed by an independent party

Responsibilities – management

- Prepare financial statements
- Design, implement and maintain internal controls
- Select accounting policies
- Disclose non-compliance with laws and regulations
- Monitor and report on performance information
- Provide access to auditors
- Identify, prevent, detect and disclose fraud
- Account for and disclose related party transactions
- Develop and implement action plans to address audit findings and improve financial management and accountability

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Responsibilities – auditor

- Independence
- Ensure leadership visibility throughout the audit
- Determine if financial statements are free from material misstatement
- Do test checks on amounts and disclosures in financial statements
- Consider internal control
- Evaluate accounting policies
- Evaluate presentation of financial statements
- Evaluate non-compliance
- Evaluate controls regarding performance information
- Provide reports that ensure simplicity and clarity of audit messages

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3.4 (see also 3) Timing of reports

Objective: we have internal frameworks to ensure that timely, high-quality reports are issued

Activity	Time requirement
Turnaround time for responding to audit issues raised	By mutual agreement, not exceeding a week
Draft management report	
PFMA	End June
MFMA	End October
Finalisation	
PFMA	31 July
MFMA	30 November

General report

- This type of report is issued twice a year per audit cycle (PFMA and MFMA) and is done at:
  - Consolidation level
  - Individual provincial level

- Summary/consolidation of audit results

- High-level summary of issues identified during audits

- Trends, root causes, enabling matters, items to be actioned, reflections on previous commitments

General report – best practices

- Leadership, supervision and monitoring
- Clear trail of supporting documentation that is easily available and provided in a timely manner
- Quality of financial statements and related management information
- Timeliness of financial statements and management information
- Availability of key officials during audit
- Development and compliance with risk management, effective internal control and governance practices

Auditing to build public confidence

AUDITOR-GENERAL SOUTH AFRICA

4. SCoAG's role in respect of AGSA deliverables

Auditing to build public confidence

AUDITOR-GENERAL SOUTH AFRICA