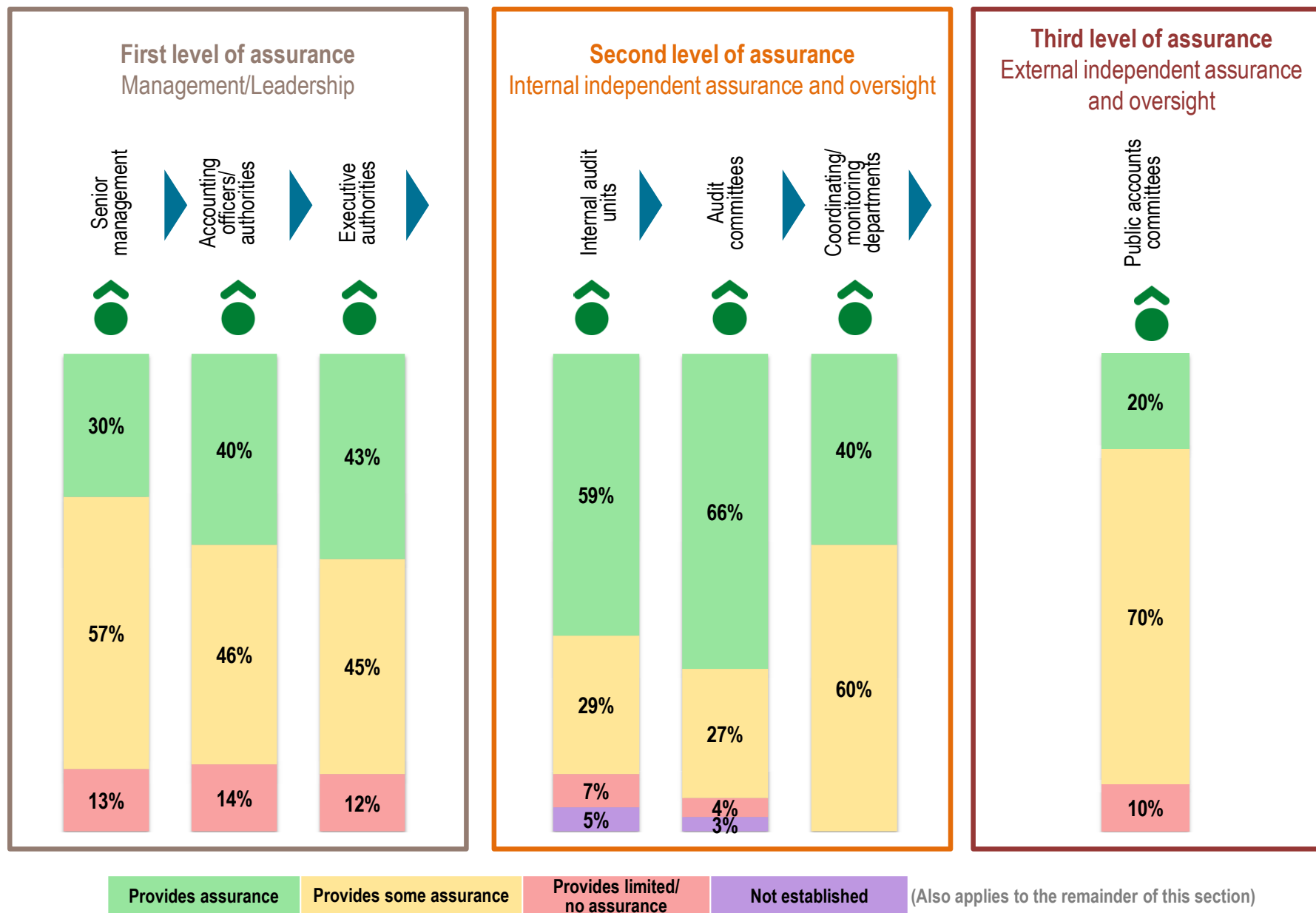


SECTION 7: INITIATIVES AND IMPACT OF KEY ROLE PLAYERS ON AUDIT OUTCOMES

Figure 1: Assurance provided by role players



7. Initiatives and impact of key role players on audit outcomes

Ministers, members of executive councils (MECs) and accounting officers use the annual report to report on the financial position of auditees, their performance against predetermined objectives and overall governance, while one of the important oversight functions of legislatures is to consider auditees' annual reports. To perform their oversight function, they need assurance that the information in the annual report is credible. To this end, the annual report also includes our audit report, which provides assurance on the credibility of the financial statements, the APR as well as the auditees' compliance with legislation.

Our reporting and the oversight processes reflect on history as these take place after the financial year. Many other role players contribute throughout the year to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented.

The mandates of these role players differ from ours, and we have categorised them as follows:

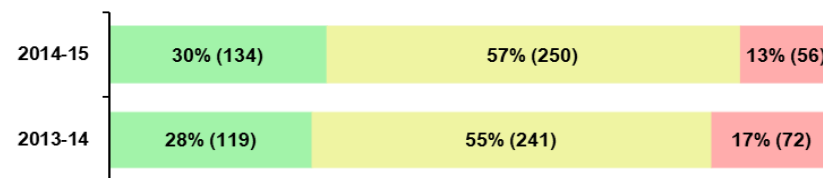
- Those directly involved in the management of the auditee (management/leadership assurance).
- Those that perform an oversight or governance function, either as an internal governance function or as an external monitoring function (internal independent assurance and oversight).
- The independent assurance providers that give an objective assessment of the auditees reporting (external independent assurance and oversight).

We assessed the level of assurance provided by the role players based on the status of internal controls of auditees and the impact of the different role players on these controls. In the current environment, which is characterised by inadequate internal controls, corrected and uncorrected material misstatements in financial and performance information, and widespread non-compliance with legislation, all role players need to provide an extensive level of assurance.

Figure 1 shows that the assessed level of assurance provided by all the key role players has increased since the previous year. The rest of this section gives an overview of the assurance provided by each of the three levels of assurance providers. The section also outlines the initiatives of national role players, together with recommendations on how they can further enhance their oversight of national and provincial government. Our provincial general reports provide information on the initiatives and commitments of provincial role players.

First level of assurance: Management/leadership

7.1 Senior management



The level of assurance provided by senior management improved slightly since the previous year, but continues to be well below what is required. Accounting officers and executive authorities are relying on senior management, which includes the chief financial officer, chief information officer, head of the SCM unit and those responsible for strategic planning and monitoring, to implement basic financial and performance management controls. These include the following:

- Ensure proper record keeping so that complete, relevant and accurate information is accessible and available to support financial and performance reporting
- Implement controls over daily and monthly processing and reconciling of transactions
- Prepare regular, accurate and complete financial and performance reports that are supported by reliable information.
- Review and monitor compliance with applicable legislation
- Design and implement formal controls over IT systems.

As we reported last year, senior management continues, on request, to make representations to us regarding the quality of the financial statements and performance reports they submit for auditing. Again, our audits continue to show that these representations are unreliable at many auditees. These written representations also include stating in writing that no material breaches of legislation have occurred other than those disclosed to the auditors at the commencement of the audit. This, too, has proven to be unreliable as evidenced by the material compliance findings arising from our audits.

The assessment of controls (as reported in section 6.1) shows that the financial and performance management controls at 54% of auditees were a cause for concern or required intervention, with little progress having been made since the previous year. This is the prime basis for our assessment that senior

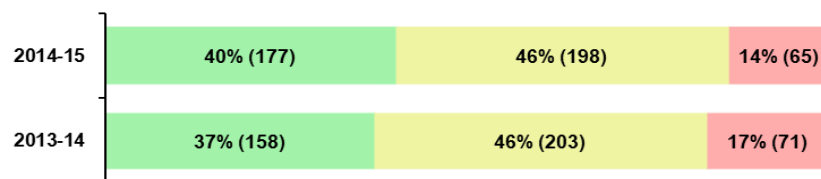
management at 70% of the auditees provided only some, limited or no assurance.

Recommendations

We recommend that these officials follow the example set by senior management at the 27% of departments that provided the required level of assurance and those at 32% public entities that performed likewise.

As we highlight in section 5.1, the absence or ineffective use of performance agreements which, together with prolonged vacancies and instability in key senior management positions, will continue to keep senior management assurance at a level that negatively impacts on other assurance providers. We therefore recommend that these matters continue to receive attention.

7.2 Accounting officers or accounting authorities



The assurance provided by accounting officers (heads of departments or directors-general) or the accounting authorities of public entities has improved slightly since the previous year, with 40% providing the required level of assurance. The accounting officers at only 35% of departments provided the required level of assurance, compared to accounting authorities at 44% of public entities.

As reported in section 6.1, there has been little improvement in the status of those internal controls for which accounting officers and authorities are responsible, as their leadership, planning, risk management, oversight and monitoring did not always result in sustainable practices that translated into improved audit outcomes. Although accounting officers and authorities depend on senior management for designing and implementing the required financial and performance management controls, they should create an environment that helps to improve such controls.

The responsibilities of accounting officers and authorities are clearly described in sections 38 (for departments) and 51 (for public entities) of the PFMA. It includes their responsibility to ensure:

- that there are consequences for transgressions through disciplinary steps against officials who contravene the PFMA and make or permit unauthorised, irregular and fruitless and wasteful expenditure
- the implementation and maintenance of appropriate, efficient and effective systems/ policies for internal control, internal audit, SCM, among others

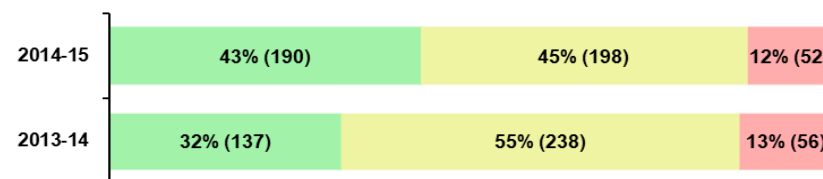
- effective, efficient, economical and transparent use of the resources
- effective and appropriate steps are taken to collect all money due to the institution
- management of assets and liabilities, including safeguarding
- appropriate disciplinary steps are taken against any official who contravenes the PFMA, or makes or permits unauthorised, irregular and fruitless and wasteful expenditure
- that expenditure is in accordance with the budget (including steps to prevent overspending).

Recommendations

We recommend that accounting officers and authorities respond to our message on key controls and focus on the following actions that will create a strong control environment and enable them to comply with the requirements of the PFMA:

- Provide effective and ethical leadership and exercise oversight of financial and performance reporting and compliance with legislation
- Implement effective human resource management to ensure that adequate and sufficiently skilled staff are employed and that performance is monitored
- Establish policies and procedures to enable sustainable internal control practices and monitor the implementation of action plans to address internal control deficiencies
- Establish an IT governance framework that supports and enables the achievement of objectives, delivers value and improves performance
- Implement appropriate risk management activities to ensure that regular risk assessments, including the consideration of IT risks and fraud prevention, are conducted and that a risk strategy to address the risks is developed and monitored
- Ensure that an adequately resourced and functioning internal audit unit is in place and that internal audit reports are responded to
- Support the audit committee and ensure that its reports are responded to.

7.3 Executive authorities



The executive authorities (ministers and MECs) have a monitoring and oversight role in their portfolios and play a direct role in departments, as they have specific oversight responsibilities towards their departments in terms of the PFMA and the Public Service Act. They are well placed to bring about improvements in the audit outcomes by becoming more actively involved in key governance matters and by managing the performance of the accounting officers and authorities. Our assessment that executive authorities, while improving, are not yet providing the required level of assurance is based on the inadequate leadership controls observed at half of the auditees (as detailed in section 6.1). It is further supported by our assessment of the impact they have on audit outcomes as observed through our regular interactions with them and the commitments they had made and honoured to improve audit outcomes.

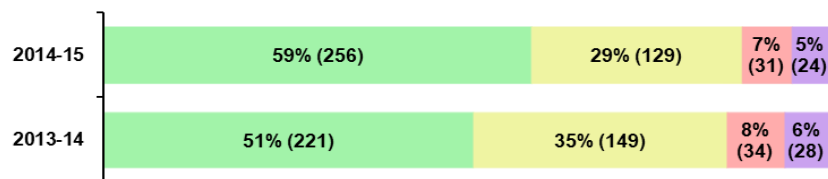
In the past five years, we have increasingly engaged with ministers and MECs on how they can bring about improvements in the audit outcomes of their portfolios. At these interactions we discussed the status of key controls and their commitments to improve audit outcomes, and we also shared the identified risks.

We are convinced that the oversight and monitoring role of the executive strengthens the assurance processes significantly and in the past year has impacted and will continue to impact positively on the audit outcomes. We therefore undertake to continue with the engagements, but with greater emphasis on quality conversations that will yield a stronger impact.

Section 9 of this report provides details on our assessment of the assurance provided by individual ministers and the status of the valuable commitments made by them in the previous year. We also outline new commitments received. Our provincial general reports include the assessments of assurance provided by the MECs.

Second level of assurance: Internal independent assurance and oversight

7.4 Internal audit



Internal audit assists accounting officers and authorities in the execution of their duties by providing independent assurance on internal controls, financial information, risk management, performance management and compliance with key legislation. The establishment of internal audit units is a requirement of legislation, but these units were in place at 95% (2013-14: 94%) of auditees.

Encouragingly, the number of auditees where the established units provided assurance has increased since the previous year to 59% of departments (from 44%) and 57% of public entities (from 56%).

Our overall assessment of the assurance provided by internal audit units is based on matters that include the following:

- Where assessed, the operations of only 10% (2013-14: 11%) of the internal audit units did not fully comply with all the requirements of legislation. The material non-compliance we reported in the audit reports of these auditees included internal audit not evaluating or making recommendations on the reliability and integrity of financial and operational information or on compliance with legislation.
- Although the work of most of the units covered all the required aspects, further improvements are required from the internal audit units of 16% (2013-14: 26%) of departments and 18% (2013-14: 24%) of public entities that did not evaluate information systems (IT controls). Such evaluations, together with recommendations made by internal audit, will contribute towards addressing the IT control issues and reduce the associated risks we highlight under section 6.2.
- The 12% (2013-14: 14%) of internal audit units that did not evaluate the reliability of performance information should be requested by management and audit committees to do so. We observed that 96% (2013-14: 91%) of internal audit units evaluate internal controls and 92% (2013-14: 88%) evaluate compliance with key legislation.

Internal audit can only be effective if units are adequately resourced and collectively possess the required competencies; if audit committees oversee and support their operations, and if accounting officers or authorities and senior management cooperate and timeously respond to their advice and recommendations. At some auditees, well-resourced and effective internal audit units have helped to improve internal controls and impact positively on audit outcomes.

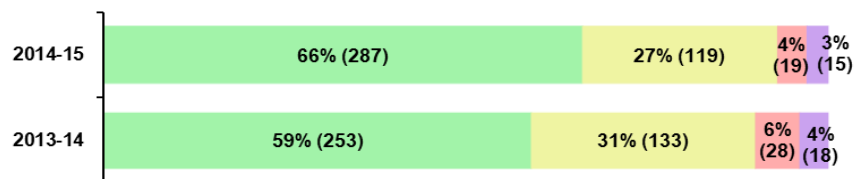
Recommendations

We encourage auditee management to ensure that the internal audit units have the capacity and skills to perform their functions, to view audit as adding value to the organisation (and not just be seen as a legislative requirement) and to be supportive of internal audit work.

Vacancy rates in internal audit units also require attention, more so in departments. The average period that positions in departments were vacant was 11,6 months (2013-14: 10,5) and 6,2 months (2013-14: 6,8) at public entities.

We outline, under our assessment of audit committees, the specific areas where internal audit units can make significant contributions to the audit outcomes.

7.5 Audit committees



An audit committee is an independent body, created in legislation that advises the accounting officer or authority, senior management and the executive authorities on matters such as internal controls, risk management, performance management as well as the evaluation of, and compliance with legislation. The committee is further required to provide assurance on the adequacy, reliability and accuracy of financial and performance information.

Audit committees were in place at 97% (2013-14: 96%) of auditees. At 66% (2013-14: 59%) of auditees audit committees were already providing full assurance. However, 11% (2013-14: 14%) of the committees did not evaluate information systems and 9% (2013-14: 11%) did not evaluate performance information. We noted that 96% (2013-14: 93%) of audit committees evaluate the internal controls of their auditees and 93% (2013-14: 91%) evaluate compliance with key legislation.

We recognise that for audit committees to provide the required level of assurance as second-level assurance providers, they depend heavily on the reliability of the assurance provided by senior management and internal audit units. The lower the assurance provided by these two role players, the more difficult it is for audit committees to accurately assess the control environment of the auditee, including being assured that all significant risks are effectively managed. Audit committees are therefore advised to consider our observations made earlier in this section in connection with senior management, accounting officers, chief executive officers and internal audit units and to support and contribute to any initiatives or action plans to address the assurance gaps.

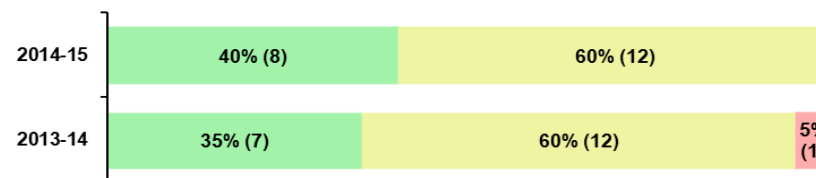
Recommendations

Specific areas where internal audit units and audit committees can jointly make significant contributions to the audit outcomes include the following:

- Encourage their auditees to submit regular financial and performance reports for audit committee review
- Monitor the implementation of auditees' audit action plans in respect of the previous year's audit findings
- With a view to detecting material misstatements, thoroughly review financial statements before their submission for auditing

- Monitor the appropriateness and timeliness of action taken by management in instances of known transgressions by officials
- Ensure that internal audit coverage plans assign appropriate resources to the six key risk areas identified by the AGSA
- Thoroughly review auditees' quarterly key control reports to satisfy themselves that the information contained in them is credible and that appropriate action is taken where deficiencies are identified.

7.6 Coordinating/monitoring departments



At national and provincial level there are departments that play a coordinating and monitoring role as defined in legislation and in their mandates, which should contribute to the overall assurance process. These departments are the provincial treasuries, the National Treasury, offices of the premier and the Department of Planning, Monitoring and Evaluation (DPME). The impact of these departments on the controls of the auditees was assessed based on interactions with the departments, commitments given and honoured and the impact of their actions and initiatives.

In our assessment, the majority of the departments were providing some assurance through their coordinating and monitoring functions and the levels of assurance improved since the previous year. A summary of the assessments follows, but a more detailed view on the provincial role players is provided in the provincial general reports. We also include a view on the role of the Department of Cooperative Governance and Traditional Affairs (CoGTA) and the Department of Public Service and Administration although we did not assess the assurance level.

7.6.1 Offices of the premier

Role performed by offices of the premiers

The legislative mandate for the nine provincial offices of premiers is derived from the Constitution (Section 125 and 127), Public Service Act (Section 3(7), 3(8) and 7(3)) and *Intergovernmental Relations Framework* (Section 16, 17, 18, 19 and 20). In terms of this mandate, the provincial offices of premiers are responsible for specific coordinating functions and the provision of strategic direction within their respective provinces.

The offices of premiers play a critical role in ensuring provinces operate as intended and ultimately deliver the required services to their citizens. They are, however, limited by the legislation that governs them as it is not explicit in defining their oversight roles and responsibilities. This lack of legislation also limits their ability to perform effective oversight in a consistent manner.

The MTSF aims to ensure policy coherence, alignment and coordination across government plans as well as alignment with budgeting processes. Offices of the premier have a critical role to play in the various provinces if this objective is to be achieved.

Assurance levels provided by the offices of the premier

Gauteng and the Western Cape were the only offices considered to be providing the required level of assurance. The remaining seven offices of the premier were assessed as providing some assurance on the control environments of the departments and public entities in their provinces. The Free State improved from providing no assurance in the previous year to providing some assurance during the year under review. This was due to an improvement in the monitoring and support initiatives implemented during the year. The provincial general reports provide further details on these assessments.

Those offices of premiers that provide limited or some assurance should adopt the best practices that support the desired level of assurance. These best practices include the following:

- Holding the MECs accountable for effective leadership and consequences for poor performance on the part of accounting officers.
- Assisting ailing departments and entities by setting up provincial intervention task teams to drive improved audit outcomes.
- Ensuring accountable, transparent and responsive administration by insisting on investigations into all instances of unauthorised, irregular and fruitless and wasteful expenditure and monitoring relevant feedback reports.
- Driving regular and impactful Heads of Department Forums used to share best practices to ensure effective management of financial resources and institutionalising processes to address service delivery concerns of citizens.
- Ensuring that the policy environment in their provinces is improved by developing, adopting and implementing the required administrative policies to address internal control, operational and governance weaknesses.
- Taking our messages seriously and being available for regular interactions between the executive authorities, audit committee chairpersons and our office to address matters of financial and performance management and good governance.

Findings on the oversight performed by the offices of the premier

Focus areas identified

The selection of focus areas for audit was based on the coordinating and monitoring role that offices of the premier need to play in terms of their legislative mandate and the impact that these areas have on the achievement of the MTSF objectives.

During the year under review we assessed whether the offices of the premier had the necessary structures in place, in each focus area audited, to enable coordination and monitoring. The operational effectiveness of the structures in each focus area will be assessed next year.

The two focus areas selected for review were:

- **Human resource planning:** The offices have responsibilities to evaluate and monitor human resource planning and performance management within their provinces. The objective of the audit of this focus area was to determine whether human resource policies and plans were in existence. An evaluation of a developed consequence management framework was also performed.
- **Intergovernmental forums:** The intergovernmental forums were assessed to determine whether they were operational and effective.

Human resource planning

With the exception of North West human resource, there were no findings relating to the sector procedures performed. The human resource unit in the North West province has a number of vacancies which have an impact on human resource and its ability to provide human resource support to the departments and public entities in that province. It is unlikely that these human resource vacancies will be addressed in the near future as there is a moratorium on the appointment of human resource personnel in this province.

Except for the finding above, all offices of premiers have the necessary structures in place to enable co-ordination and monitoring in line with the role they need to play.

Intergovernmental forums

Intergovernmental forums and structures have been established in all provinces. These forums are critical to promote and enable intergovernmental relations and a cooperative government which are essential if the objectives contained in the MTSF are to be achieved.

Recommendations

Offices of premiers remain an important focus to ensure implementation of MTSF outputs and targets by provincial and local government. It is imperative

that offices of the premier execute their responsibilities diligently, as any lapse in oversight could result in non-achievement of the developmental priorities of government.

It is imperative that offices of the premier evaluate their effectiveness in respect of intergovernmental relations to ensure that all public institutions that have a role to play in providing services to the citizens are adequately coordinated. Offices of the premier should also consider standardising those practices that have worked in improving services delivery and ultimately the lives of the citizens.

To further strengthen the offices' ability to perform effective oversight, it is recommended that national legislation be developed and implemented. This legislation should define the roles and responsibilities of the relevant stakeholders to ensure that information is available, credible and supports progress reported against priorities.

7.6.2 Provincial treasuries and National Treasury

The Western Cape, Northern Cape, KwaZulu-Natal, Gauteng and Free State treasury offices provide the level of assurance required to impact positively on the credibility of the provinces' financial statements, their performance reports as well as their compliance with legislation. The remaining four provincial treasuries were assessed as providing some assurance in this regard. The provincial general reports provide detail of these assessments, as well as the commitments and initiatives made by MECs of Finance and the treasuries to improve audit outcomes.

Regarding audit outcomes, the areas within the National Treasury's sphere of influence are primarily to ensure stability and soundness of the financial system and financial services, manage the budget preparation process and enforce transparency and effective management in respect of revenue, expenditure, assets and liabilities. Although the National Treasury continues to be instrumental in strengthening the credibility of financial and performance information, including compliance with the PFMA and improved governance, its impact on the overall audit outcome has been limited.

Measures implemented by the department

National Treasury implemented the following initiatives to support and/or exercise oversight in all three spheres of government:

- Developed an eProcurement research and business case that resulted in specifications to support SCM reforms. These address the automation, simplification and standardisation of SCM processes. The specifications will be incorporated into the IFMS as soon as a successful procurement award has been made.
- Designed an implementation plan for purposes of establishing a central supplier database system.

- For purposes of establishing a national procurement system, identified strategic transversal term contracts for centralisation of various sectors such as health and education.
- Developed a strategic procurement framework for government, tailored to the needs of different forms of procurement
- Developed sourcing strategies for identified commodities/procurement categories, including mobile communications, fixed line communications, travel and accommodation and medical equipment.
- Commenced with the development of a draft SCM human capital development framework and job specification framework.
- Developed a price referencing system for commodities that are common across government. The system contains on average 650 items per province.
- Developed an SCM curriculum to be offered by higher education institutions, which will improve the skills level of procurement officials coming into the public service.
- Established a programme management office in order to improve the governance and overall performance of the IFMS project.
- Completed a sub-national assessment of public finance management using the public expenditure and financial accountability methodology in all nine provincial governments. The results will help to improve provinces' financial management practices.
- Continued development and refinement to standard operating procedures on financial management. These outline departmental policies and processes to improve accountability, efficiency and effective administration within an institution. The standard operating procedures will be rolled out in conjunction with the new treasury regulations.
- Advanced the implementation of the Public Finance Management Capacity Development Strategy.
- Rolled out to national and provincial departments a number of new education, training and development learning solutions developed and aligned with the National Treasury *Competency framework for financial management*.
- Coordinated the development of new questions to assess the financial health of departments, constitutional institutions and public entities listed in Schedule 3A and 3C of the PFMA, using the financial management capability maturity model.
- Coordinated a major review of the treasury regulations to ensure their alignment with the *King III report on corporate governance in South Africa, 2009* and with financial management best practice.
- Rolled out the financial management capability maturity model, as well as the 32 financial management indicators, to all municipalities and entities. This will

provide a basis for measuring 10 years of implementation of the MFMA and the results will be used to direct specific support and other intervention measures.

- Enhanced the risk management component of the treasury regulations and updated the *Public sector risk management framework* to align with the requirements of the treasury regulations.
- Provided continuous internal audit support services to national and provincial departments, municipalities and public entities.

In our assessment, the treasury offices provide some assurance. Support, monitoring and enforcement are provided to auditees through frameworks, guidance and assistance, some of which are linked to the audit outcomes and service delivery of government. However, the effectiveness of these interventions varies among the respective treasury offices and requires refinement at some offices.

The National Treasury is committed to continue with the following initiatives to improve public financial management, accounting and reporting:

- Financial management: developing the IFMS and strengthening the governance and execution of the IFMS project through the programme management office.
- Financial management: developing financial management regulatory frameworks, aligning reporting frameworks with local and international best practice, reviewing treasury regulations and treasury instructions, developing and implementing accounting policies, and enforcing compliance with public finance legislation.
- Financial management: developing support plans in conjunction with targeted departments and entities to address financial management weaknesses identified by the audit outcomes and through the financial management capability maturity model assessments. Also providing the necessary financial management, internal audit and risk management training interventions to enhance capability and capacity.
- Procurement reform: transforming government procurement to make it more cost-effective, transparent and equitable.
- Overhauling SCM systems: review of SCM policies to ensure a simplified and modernised SCM environment in government.
- Building the capacity of the Office of the Chief Procurement Officer to deliver on its mandate to oversee and support procurement matters across the public sector.

Key sector audit messages

The NDP and the MTSF informed the focus of the audit in respect of the treasury sector, particularly regarding the oversight and support functions of the provincial treasuries and National Treasury to government.

These functions are intended to create an enabling environment for government to flourish by operating as intended, delivering the required services, reporting correctly on their financial performance, as well as complying with applicable legislation. It also serves to enable improved governance between all spheres of government, as well as improved financial and administrative management of government.

The objective of the sector audit procedures was to establish whether the treasury offices had planned and performed their core functions in the following key areas:

- Managing and coordinating the intergovernmental system to ensure sustainable and reliable access to basic services
- Strengthening intergovernmental and democratic governance arrangements for a functional system of cooperative governance
- Sound financial and administration management.

In our assessment, all the treasury offices had planned and performed these core functions in discharging their respective mandates. Although the impact of these functions had not been assessed, it is foreseen that the following key deliverables could be achieved with varying degrees of success:

- Ensuring that governance structures are effective
- Prioritising and coordinating capacity building for senior officials
- Supporting the implementation of sound financial management
- Building capable institutions and administrations.

7.6.3 Department of Planning, Monitoring and Evaluation

The mandate of the DPME is derived from section 85(2)(b and c) of the Constitution of the Republic of South Africa which states that the president exercises executive authority, together with the other members of the cabinet, by developing and implementing national policy and coordinating the functions of state departments and administrations.

Subsequent to the 2014 national elections, on 25 May 2014 the president announced the amalgamation of the National Planning Commission and the Performance Monitoring and Evaluation ministries at The Presidency into one ministry to harmonise the planning and monitoring functions. The creation of the new department called the DPME, located the responsibility for the entire value

chain of planning, monitoring and evaluation for implementing the NDP within one institution supported by one accounting officer as well as staff and other resources.

The aim of the reconfiguration is to:

- strengthen the linkages between the planning, monitoring and evaluation functions.
- enhance the implementation of the NDP.
- provide focused attention to the aspects of planning that had previously been neglected by government, such as medium-term planning and planning of implementation programmes.
- ensure synergy and improve the use of resources for effectiveness and efficiency.
- create more effective and efficient approaches to interacting with departments.
- improve responsiveness to the needs of the public and enhance the ability of government to deliver its electoral mandate.

Measures implemented by the Department of Planning, Monitoring and Evaluation

The DPME implemented the following initiatives for planning, monitoring and evaluation:

- Facilitate the development of plans or delivery agreements for the cross-cutting priorities and evaluate critical government programmes.
- Assess departmental strategic plans and annual performance plans to ensure alignment with the NDP by reviewing the MTSF. The MTSF identifies the important actions required to implement the aspects of the NDP for which government is responsible over the next five years.
- Monitor the implementation and progress of the NDP.
- Monitor the quality of management practices in departments through the management performance assessment tool. Four key performance areas are assessed:
 - strategic management
 - governance and accountability
 - human resource and systems management
 - financial management.

The output of the assessment process is a scorecard on the state of management practices in the department. All departments are required to develop and implement an improvement plan. The DPME provides support to

departments via case studies and workshops. The DPME and the offices of the premier report on the results annually to cabinet and provincial executive councils respectively.

- Monitor the quality of frontline service delivery, in collaboration with offices of the premier. These include unannounced monitoring visits to sites where government provides a direct service to the public, including schools, health facilities, vehicle licensing offices, Home Affairs offices and social grant distribution points. The DPME and offices of the premier use the data collected at site level for improvements in the operations management of frontline service delivery sites.
- Manage the presidential hotline (a tool for citizens to engage with the Presidency about their service delivery complaints and compliments), monitor responsiveness and resolution rates, and provide technical support to other departments to improve responsiveness. The DPME has the role of analysing the data arising from the hotline and presenting reports on the service delivery trends emanating from the hotline to cabinet.
- Implement citizen-based monitoring with the aim of strengthening government-wide citizen involvement in service delivery monitoring. The DPME supports departments to create impactful citizen-government monitoring partnerships at facility and community levels by providing strategic support, making tools available, supporting action learning and through knowledge sharing events.
- Promote good monitoring and evaluation practices in government.

We noted the following:

The outcomes system matured and monitoring and evaluation of key priority outcomes increased the strategic focus of government in implementing the constitutional imperative for cooperative governance. Many departments adopted the new approach of focusing on measurable results and impacts and government as a whole has started to achieve a number of the targets on the set outcomes. There was improved coordination between government departments and the different spheres of government, particularly in the area of concurrent functions.

Despite the gains made after the introduction of the National Planning Commission and the DPME, there were still challenges in improving the quality of services to citizens, ranging from education, health care, the creation of sustainable jobs, housing, safety and security to sanitation and social and economic infrastructure. Planning and performance monitoring and evaluation also had challenges.

The silo approach to planning, budgeting, monitoring and reporting, a lack of accountability for poor performance, weak monitoring and reporting on performance information, unrealistic targets and the poor quality of performance information are some examples of remaining challenges.

In our assessment, the DPME provides assurance as it monitors and evaluates various aspects that are linked to the audit outcomes and service delivery of government. This enables the cabinet to identify the weaknesses in government that should be addressed to ensure improved performance or service delivery by government institutions.

7.6.4 Department of Public Service and Administration

The DPSA derives its mandate from section 195 of the Constitution and the Public Service Act, Act 103 of 1994. The DPSA is responsible for establishing norms and standards for national and provincial government relating to:

- the functions of the public service
- organisational structures and establishments of departments and other organisational and governance arrangements in the public service
- labour relations, conditions of service and other employment practices for employees
- the health and wellness of employees
- information management
- electronic government in the public service
- integrity, ethics, conduct and anti-corruption
- transformation, reform, innovation and any other matter to improve the effectiveness and efficiency of the public service and its service delivery to the public.

In relation to audit outcomes, the areas within the DPSA's sphere of influence are primarily the following:

- Human resources: Establishing norms and standards relating to skills, capacity, vacancies and performance management.
- Management of IT: Managing and overseeing IT policy and planning in the public sector
- Compliance with legislation by departments: Establishing regulations and codes of conduct regarding integrity, ethics, conduct and anti-corruption in the public service

With the introduction of the NDP the DPSA was tasked with ensuring that the public service is capable, efficient, effective, responsive and accountable.

Measures implemented by the Department of Public Service and Administration

The DPSA implemented the following initiatives to support and/or exercise oversight of provincial government:

- Minister Chabane visited the majority of provinces to speak to public servants about the heightened need for them to improve the quality of services delivered to the citizens of our country and to seek ways of supporting public servants to meet this objective.
- The Public Administration Management Act was signed by the president on 19 December 2014. The main objective of this act is to promote the basic values and principles governing the public administration referred to in section 195(1) of the Constitution.
- The DPSA improved the capacity for discipline management within the public service with the introduction of a national task team to deal with backlogs and to improve the turnaround time allocated for dealing with disciplinary cases.
- The DPSA developed a public service productivity framework to enable government to measure efficiency (quantity) and effectiveness (quality) of outputs by employees, and the productivity measurement instrument was piloted in the North West Department of Health.
- The DPSA developed a draft e-government strategy for the public service, in consultation with the State Information Technology Agency and the Department of Telecommunications and Postal Services. This could be used to assist departments to enable service delivery in their departments.
- During the financial year, the DPSA developed guides to assist departments to implement the public service integrity management framework that was approved on 9 October 2013.
- In September 2014, the DPME assisted the DPSA to assess compliance with the ICT governance framework.
- The e-Disclosure system for financial disclosure by public service senior managers was used by 69% of senior managers in government departments to disclose their interests to the Public Service Commission.
- The DPSA hosted the second national Batho Pele Excellence Awards in November 2014 to recognise hard-working public servants.

Assessment of assurance provided

Although the DPSA introduced a significant number of measures to assist government departments to professionalise the public service, it was assessed as providing some assurance. The DPSA lacked adequate capacity and systems to consolidate, monitor and analyse the status of human resource management and IT in government, as explained below:

- The DPSA does not currently have the capacity to effectively execute the responsibilities imposed by the NDP and, therefore, relied heavily on other government entities to gather information to inform policy and framework changes. Entities used by the DPSA to gather information were National Treasury, the DPME and the AGSA.
- The overall status of human resource management and overall controls remained unchanged in the 2014-15 financial year, as presented in section 4.2. One of the main root causes preventing auditees from achieving clean audits was the slow response by accounting officers and senior management in addressing audit findings, instability in key positions including vacancies and a lack of consequences for individuals who were accused of misconduct. While the actual implementation of policies and procedures created in terms of the Public Service Act is the responsibility of the individual accounting officers of national and provincial departments, the DPSA is the custodian of these policies.
- The ICT controls in government had improved from the 2013-14 to 2014-15 financial year, as analysed in section 6.1. However, there were still a significant number of departments and public entities with findings that were of concern and required intervention, as indicated in section 6.2.
- The current minimum information security standards had not been updated in more than 10 years and were, therefore, not aligned with best information security practice.
- The office of the government chief information officer did not have the capacity to assist government with implementing the *Corporate governance of information and communication technology policy framework*.
- The position of the government chief information officer had been filled by an officer appointed on a short-term contract that had been renewed on a continuous basis over the past three years. As a result, 72% of departments were still struggling with the implementation of the *Corporate governance of information and communication technology policy framework*.
- The chief directorate: ICT e-enablement, as the custodian responsible for driving the e-government strategy, had four approved positions, with only three being funded. The unfunded position was for the director: ICT innovation support. Based on the current structure, the department might not be able to fulfil its responsibilities in delivering e-government services.

Recommendations

In order for the DPSA to enhance its level of oversight, the following areas need further attention:

- The DPSA should develop regulations to facilitate the effective implementation of the Public Administration Management Act. The regulations should also make the use of the e-Disclosure system compulsory for all senior managers in government.

Consolidated general report on national and provincial audit outcomes for 2014-15

- The DPSA should assess their capacity and system requirements to consolidate, monitor and analyse the status of human resources and ICT in government. This will enable it to identify and address weaknesses in current legislation, regulations and guidance so as to proactively respond to the needs of government departments. This assessment should also focus on the ability of the DPSA to provide oversight of local government as implied by the PAM Act.
- The impact of the pool of experts to assist departments with discipline management should be monitored to ensure that turnaround times and discipline management are consistently enforced and ensure that government becomes proactive rather than reactive.

Information technology systems

- The office of the government chief information officer should be fully capacitated in order to provide training and support implementation of the *Corporate governance of information and communication technology policy framework*. The department should fast-track the development of the guidelines to support the implementation of the *Corporate governance of information and communication technology policy framework*.
- The DPSA and other departments and public entities charged with the responsibility of managing ICT within the public sector should work closely together to leverage technologies and capabilities from one another to achieve the e-government objective in support of the implementation of the NDP.
- There is a need for collaboration and coordination between ministries charged with IT security within the public sector. IT security risks in government have significantly increased, and the majority of the departments have not implemented fundamental IT security controls to secure their systems and information. The minimum information security standards should be finalised, issued and supported by a communication and training plan.
- The DPSA, in collaboration with the Department of Telecommunications and Postal Services and SITA, should prioritise the delivery of e-government to improve the efficiency and effectiveness of the public service.
- The DPSA should continue its strategic partnership role with all parties involved in the development of the human resource module for the IFMS.

Third level of assurance: External independent assurance and oversight

7.7 National portfolio committees

Parliament has a constitutional mandate to oversee executive action and ensure compliance to legislation. The institution conducts oversight through committees established in line with rules of Parliament. Portfolio committees are required to assess the strategic and annual performance plans of departments and public entities to effectively fulfil their oversight role.

Informed by its constitutional mandate, the AGSA enables oversight, accountability and governance in the public sector through its regular engagement with Parliament through the oversight leadership and portfolio committees where key control and compliance findings emanating from the audit process and the related root causes are presented and discussed. The discussions include recommendations from the AGSA on focus areas that require oversight intervention. Through these interactions, it is envisaged that specific oversight efforts will lead to improvements in governance and accountability in the public sector.

For the year under review, the mutually reinforcing role of oversight structures and the AGSA were visible in the oversight bodies' following specific actions:

- The house chairpersons, as designated officers of the speaker of the National Assembly and the chairperson of the National Council of Provinces, provided a platform for the auditor-general (AG) to share the audit outcomes with the committee of chairpersons, a structure where all committee leadership engages.
- Furthermore, the house chairpersons individually had regular engagements with the AG on matters relating to oversight and on updates on the AGSA reports and other developments that will strengthen oversight.
- The outcomes of these engagements translated to the mainstream programming of committee activities in both Houses. The National Assembly and the National Council of Provinces house chairpersons ensure the AGSA tabled reports are referred to the relevant portfolio committees for processing.

The AGSA leadership has experienced support from most portfolio committee chairpersons as evidenced by the following:

- The portfolio committee chairpersons welcoming the call to engage on quarterly intervals and creating the time for engagement.
- The portfolio committee chairpersons creating space for the AGSA to share the quarterly key control insights through one-on-one meetings and scheduled committee meetings, to highlight areas of concern that ideally should be raised with the department as part of in-year monitoring.

- Portfolio committee chairpersons' ability to translate the shared insights to probe the correlation of action plans and audit recommendations relating to predetermined objectives of the departments.
- The invitation to the AGSA leadership to present audit outcomes during the BRRR process, which provided a structured engagement on the overall audit outcomes. These insights were incorporated by members during the various hearings with the departments
- Some portfolio committees' chairpersons invited the AGSA for capacity building workshops to better understand the mandate of the AGSA and the portfolio committees' role in supporting the AGSA mandate.

As the 2014-15 financial year was the first year of the 5th Parliament, we focused on embedding the actions highlighted above that had been performed by the portfolio committees of the 4th Parliament. This would form a strong foundation for an enabling relationship between the AGSA and the portfolio committees. We have thus not formally assessed the level of assurance provided by the portfolio committees in 2014-15, although discussions on the level of assurance were held with those committees that had gone further and made specific portfolio commitments.

To enable an assessment of the level of assurance provided by the portfolio committees as it relates to their mandate, and in relation to audit focus areas of the AGSA, we have agreed on the following commitments where the progress of the commitment will form the basis of our evaluation of their level of assurance:

- Engaging quarterly with the AGSA on the key controls related to predetermined objectives and budget spending.
- Obtaining regular feedback from the accounting officer and the executive authority on the progress of the predetermined objectives budget spending as well as action plans to address key predetermined objectives control and reporting findings raised by the AGSA.
- Committing to develop and track specific portfolio actions arising from engagements with the AGSA.

7.8 National Standing Committee on Public Accounts

The Standing Committee on Public Accounts (SCoPA) is a key oversight committee that is mandated to ensure financial oversight. SCoPA discharges its oversight function using the insight provided by the AGSA during closed briefings before the public hearings with departments. For the year under review, SCoPA resolved to ensure improved oversight in the following areas:

- Promptly processing resolutions immediately after the hearings.

- Intensifying oversight on areas of compliance with SCM prescripts and internal controls.
- Monitoring the action taken by management against officials who do not comply with legislation.
- Developing internal committee capacity and a system to track compliance with recommendations.
- Intensifying oversight of entities that incurred unauthorised, fruitless and wasteful expenditure.

SCoPA has ventured into various oversight initiatives including hearings with departments and oversight visits to departments who have appeared for hearings. It has also followed up its hearings with written requests for additional information from departments.

During its oversight drive for the year under review, SCoPA has significantly highlighted the following areas:

- Repeat audit findings of the entity to assess the department's progress in addressing the previous audit findings.
- The role of the accounting officer by probing the extent to which the accounting officer has been able to perform duties as required by the PFMA.
- The lack of stability in key roles in various departments and entities
- The slow action by management to take corrective action where there were transgressions.
- While reiterating the importance of having vibrant audit units within departments, the committee further called upon departments to support and act on the recommendations made by their respective internal audit units.
- The committee has consistently condemned departments for failing to proactively put controls in place to ensure adherence to proper financial management instead of reacting to the issues raised by the AGSA.

The initiatives noted above are an indication of the effort made by SCoPA in fostering oversight and holding the executive accountable. When measured against the initiatives it has outlined in its annual plan for the year under review, there are notable areas that require SCoPA's improvement to achieve high impact oversight. The following areas are noted:

- The collaboration with other committees has not taken shape in the manner envisaged due to a lack of a process and agreement on compiling reports and finalising processes, as well the developing and tabling related resolutions.
- Despite and increased effort, the committee has not been able to maximise the number of resolutions passed by the house. As a result, it has not been able to get departmental responses to the hearings held.

7.9 Provincial portfolio committees and provincial public accounts committees

Provincial legislatures have a constitutional mandate to oversee executive action in their respective provinces. Oversight is generally conducted through committee's mechanisms such as hearings, oversight visits and sending written questions to the provincial executives. For the year under review, there were positive strides made by the provincial portfolio and public accounts committees to ensure oversight. The following positive key areas were noted:

- Regular interactions have taken place directly with committees or through the chairpersons during the financial year that contributed valuable insights to the oversight work of committees
- Hearings with the executive were held on time, including in-year monitoring reviews to assess progress made on implementing recommendations

Although there was some level of improvement on the assurance provided by portfolio and public accounts committees, the majority of these committees still provide some level of assurance as a result of the following key challenges:

- There has once again been a lack of adequate engagement between the AGSA and portfolio committees on audit information relating to non-financial matters
- The AGSA was not consistently invited to quarterly meetings of some portfolio committees and meetings were arranged, postponed and rescheduled on short notice.
- The submission of adopted SCoPA resolutions to departments and the follow-up on the approved resolutions was still a challenge for most of Provincial Public Accounts Committees. The lack of establishment of resolutions tracking committees in most legislatures adds to this challenge.