



AUDITOR - GENERAL  
SOUTH AFRICA



PFMA 2011-12

Impact of key role players on audit outcomes and commitments made

CONSOLIDATED GENERAL REPORT  
on NATIONAL and PROVINCIAL audit outcomes



# Our reputation promise/mission

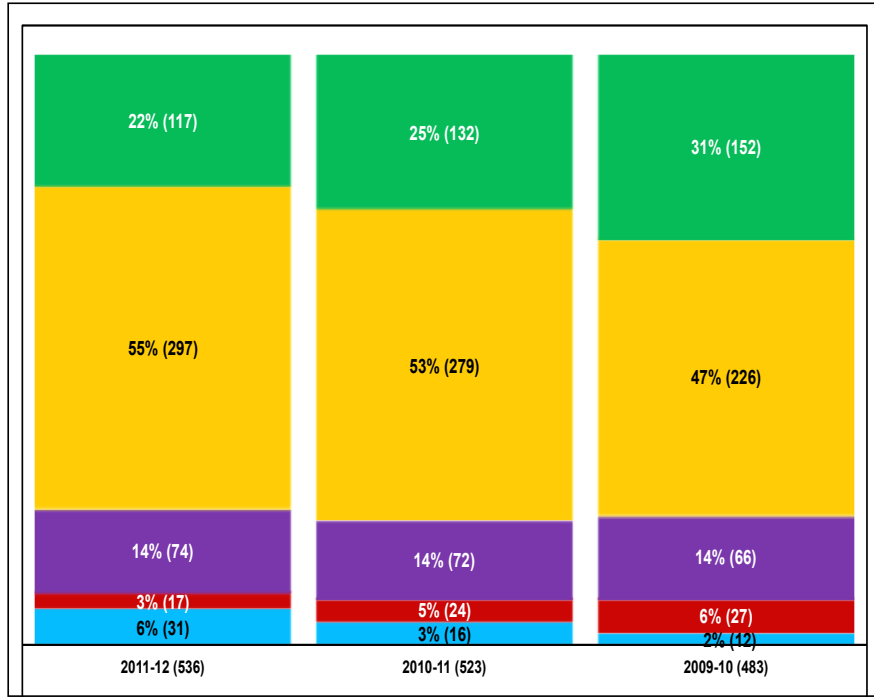
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



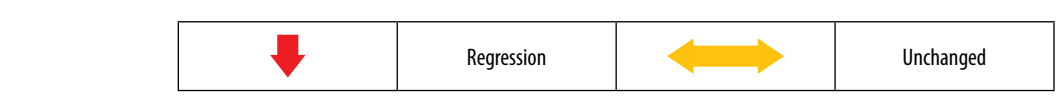
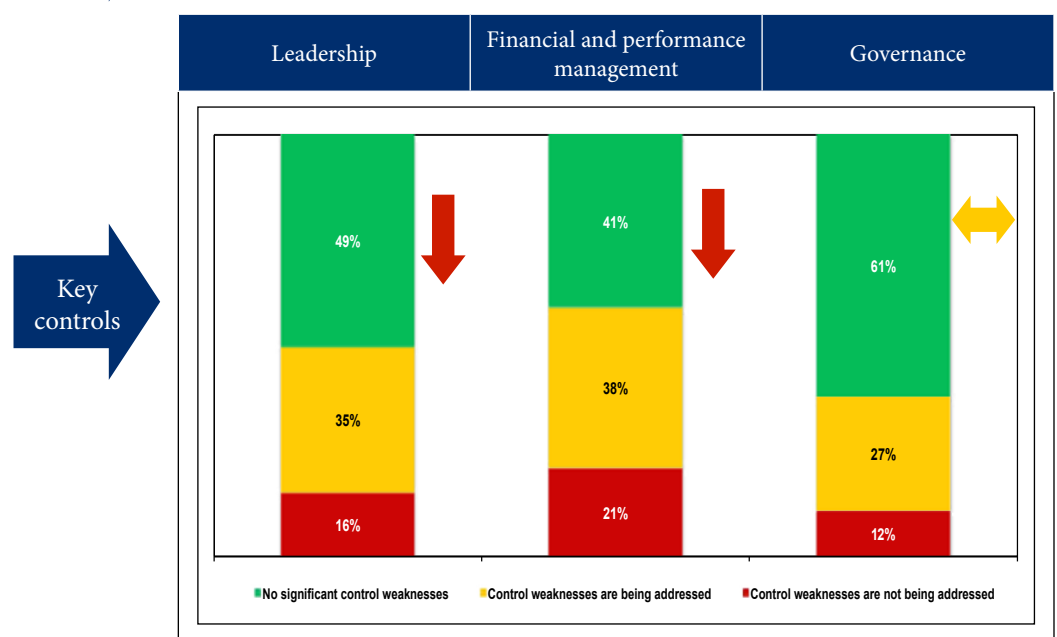
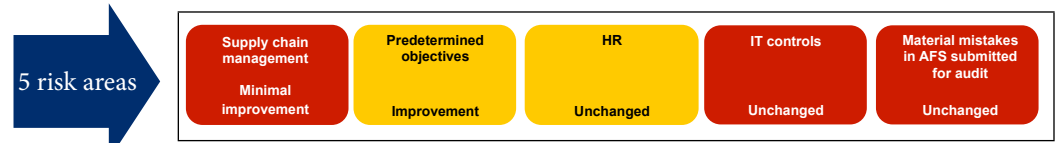


FOREWORD

Slow progress towards clean audits with slightly more regressions than improvements



Limited progress made in addressing five key risk areas and regression in overall status of key controls



**Pervasive root causes**

- Vacancies in key positions, leadership instability and ineffective performance management
- Internal controls not effective – checks and balances not performed
- Not all role players are providing the level of assurance required

# FOREWORD

It is a pleasure to present to Parliament my 2011-12 general report on audit outcomes of departments, legislatures, public entities and other entities in the national and provincial spheres of government.

In response to the 2010-11 audit outcomes, commitments were made by the executive and oversight bodies to intensify their efforts in bringing positive change within the administration.

Despite my expectation that these commitments would drive improvements towards clean audits, the audit outcomes for the year show a general stagnant trend, with less than a quarter of auditees obtaining clean audit opinions and 52 not able to sustain their prior year clean audit opinion. My report shows that many leaders did not own and drive these commitments, so the commitments are left to flounder until the next audit starts. In this regard, I single out two significant commitments made a year ago:

- The executive committed to meet with my office quarterly for at least an hour. About 78% of them have made time at least three times in the past year to meet and share the results of our assessment of the risks and controls and to consider the status of commitments made and make new commitments. Although the engagements were well received, only small movements in audit outcomes can be seen. This was due to frequent leadership changes resulting in disruption in the implementation of commitments, our message being ignored, or our conversation not being compelling and persuasive enough. We therefore undertake to continue with the quarterly engagements, but with greater emphasis on quality conversations leading to increased impact.



- Parliament and legislatures committed to improve the collaboration between their respective public accounts committees and portfolio committees. We have yet to see more concentrated efforts in this regard as an uncoordinated approach will continue to weaken the effectiveness of oversight.

Of special concern is the increase in auditees with material findings on non-compliance with legislation, bringing it to 74%. Even though I have stressed for the past three years the urgent need to address the quality of the financial statements submitted for audit and weaknesses in supply chain management, human resource management and information technology controls, there has been minimal improvement.

The usefulness and reliability of the annual performance reports continue to improve, which is gratifying. I am now able to make a clearer assessment of service delivery risks but not to the full extent necessary (as some key departments responsible for national outcomes, such as those in the health, education and human settlement sectors, continue to have material shortcomings). Based on the annual performance reports, about 42% of auditees achieved 80% or fewer of their planned service delivery targets, while some departments had significantly underspent their conditional grants and capital budgets. My report further highlights risks to the financial health of national and provincial government flowing from poor budget management, cash and debtors management of departments and the financial management of some public entities. These indicators reflect that the fiscus could be placed under further pressure if such risks are not addressed.

In this general report, I raise three areas that require corrective steps by those charged with governance to achieve improvements in the audit outcomes:

- **Vacancies in key positions** and **instability in leadership** positions affect the pace of sustainable improvements. **Ineffective performance management** is evident at some auditees, which means that officials who perform poorly are not dealt with decisively. A concerted effort is required to address the challenges in human resource capacity and productivity.

- **Effective internal controls** to prevent, detect and correct non-compliance with legislation and mistakes in the financial and performance reports are lacking. Overall the effectiveness of key controls has regressed, as they were not designed and implemented in a sustainable manner. Checks and balances for all key processes, monthly reporting and validation processes to ensure the credibility of all management information are basic controls which skilled professional should be able to implement.
- Government should be monitored in a thorough, diligent and collaborative manner. My office only provides independent assurance on the credibility of financial and performance information and compliance with selected legislation. We are not the only **provider of assurance** to the citizens that government is delivering services in a responsible and accountable manner. The monitoring functions vested in **senior management, accounting officers, internal audit, audit committees and executive authorities** should be better exercised so that audit outcomes and service delivery issues are dealt with through self-monitoring, while audit provides an external validation. The **treasuries, offices of the premiers, public service administration and other coordinating/monitoring institutions** should fulfil their role envisaged in legislation to guide, support, coordinate and monitor government. The **legislatures and Parliament** should be scrupulous and courageous in performing their oversight function in order to make an impact on clean administration. My assessment (detailed in this report) is that not all of these role players are providing the level of assurance required to create the momentum towards improve audit outcomes.

A common reaction to the audit outcomes is the question posed by many about the need for officials to be accountable, and for there to be consequences for poor performance, misappropriation of state resources and fraud. In response, we have highlighted in a separate booklet, the range of legislation at the government's disposal that enables remedies to be applied where there has been transgression. These must be used where necessary to reverse the culture of "business-as-usual". It is my assessment that the full power of the law is yet to be activated, leading to commentators asking "What can be done?" or saying "There are no consequences". Highlighting these remedies provides a starting point for our responsible leaders

and the relevant legislatures and departments to take action. All parties have to play their part.

Although progress towards clean audits is slow, I am encouraged by examples of commitments by leaders and officials which translated into improved audit outcomes and I am confident similar results can be achieved by all auditees. In conjunction with various key role players, my office has provided input towards the development of solutions to the challenges highlighted in this report, and will in future share assessments of progress in joint sessions with the Head of Government Business and Parliament and through similar engagements in the provinces.

It is through all our efforts and the work of auditors that we will contribute towards strengthening our democracy through auditing.

*Auditor-General*

**Auditor-General**  
**Pretoria**  
**March 2013**



IMPACT OF KEY ROLE PLAYERS ON AUDIT OUTCOMES AND COMMITMENTS MADE

# IMPACT OF KEY ROLE PLAYERS ON AUDIT OUTCOMES AND COMMITMENTS MADE

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This section of the general report provides an overview of the assurance providers in the national and provincial spheres of government, with an assessment of assurance provided by the different role players in section 4.1 to 4.3. The commitments made by oversight and the executive authorities, the status thereof and the impact on audit outcomes are also reported in section 4.2 and 4.3. Section 4.4 addresses the responsibilities of the key role players to enforce consequences for poor performance and transgressions and the remedies available in legislation. Section 4.5 outlines the AGSA's ongoing initiatives to encourage clean administration.

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## 4.1 ASSURANCE PROVIDERS IN NATIONAL AND PROVINCIAL GOVERNMENT

The accountability of the executive and national or provincial departments and public entities (auditees) for their actions, performance, financial management and compliance with legislation serves as a cornerstone of democratic governance in South Africa. One of the most important oversight functions of Parliament and the provincial legislatures is the consideration of auditees' annual reports. These annual reports serve as a mechanism whereby the executive and their accounting officers report on the financial position of the auditee, its performance against

predetermined objectives and overall governance. For Parliament and the provincial legislatures to perform their oversight function, assurance is needed that the information in the annual report is credible. To this end, the annual report also includes the audit report of the AGSA which provides the required assurance on the credibility of the financial statements and annual performance report and the auditees' compliance with laws and regulations.

There are other role players in the public sector that contribute to the credibility of financial and performance information and compliance with legislation by ensuring that adequate internal controls are implemented at auditees.

The role players recorded hereunder are (1) those directly involved with the management of the auditee (management assurance); (2) the role players that perform an oversight/governance function, either as an internal governance function or as an external monitoring function (oversight assurance); and (3) the independent assurance providers that provide an objective assessment of the auditee's reporting.

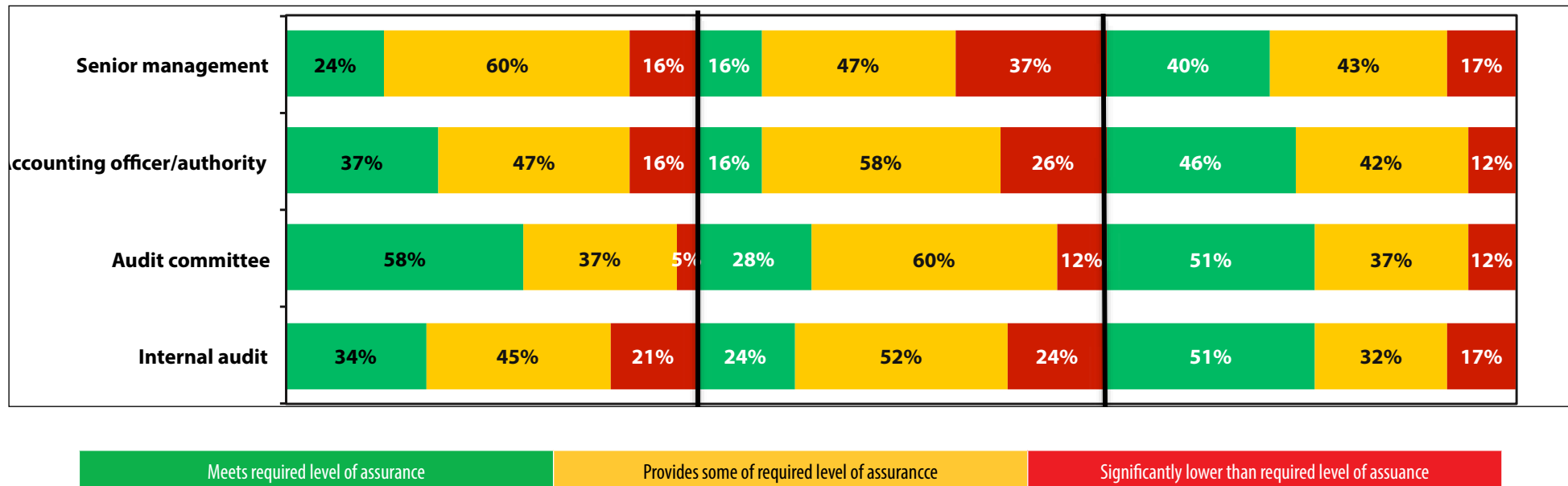


**Figure 34: Combined assurance providers in the South African public sector**

Management assurance First level of assurance			Oversight assurance Second level of assurance			Independent assurance Third level of assurance		
Senior management	Accounting officer/ authority	Executive authority	Coordinating/ monitoring institutions	Internal audit	Audit committee	Oversight (portfolio committee and councils)	Public accounts committee	External audit

The level of assurance provided by the role players was assessed based on the status of internal controls of auditees and the impact of the different role players on the controls. In the current environment characterised by inadequate internal controls, material misstatements in financial and performance information and pervasive non-compliance with legislation, all role players are expected to provide an extensive level of assurance. The outcome of the assessment of senior management, the accounting officers/authorities, internal audit and the audit committees is depicted below. The assessment of the portfolio and public accounts committees is included in section 4.2 and that of executive authorities and coordinating institutions in section 4.3 of this general report.

**Figure 35: Level of assurance provided by role players that form part of the auditee**



The poor and regressing status of the drivers of internal control, as reported in section 3.1, is a reflection of the inadequate assurance provided by those role players that have a direct impact on auditees. Senior management, which includes the chief financial officer, chief information officer, head of SCM, etc., is responsible for implementing the detailed financial and performance management controls. The assessment demonstrates that they have failed to do so adequately, especially at provincial departments. This unsatisfactory level of assurance may also be a symptom of the vacancies and inadequate performance management at this level, as reported in section 3.2 of this report.

Accounting officers and authorities are assessed only marginally higher than senior managers but their impact on creating an effective control environment is not evident at a significant number of auditees. In general there has been a regression in the status of the drivers of internal control for which accounting officers and authorities are responsible, as their leadership, planning, risk management, oversight and monitoring do not result in sustainable practices which translate into improved audit outcomes.

Although internal audit units are in place they are not providing sufficient assurance in the areas they are required by legislation to audit and report on. These areas correspond with the AGSA's assurance mandate, which effectively means that their inability to function at the required level, together with the inadequate assurance provided by senior management and the accounting officers and authorities, is placing undue pressure on the AGSA teams and consequently on the audit fees. Audit committees, although assessed at a higher level, are not playing their role to ensure that internal audit is functioning at the required level. This must improve significantly at most auditees to fully meet the extensive level of assurance expected from them. Neither of these role players, as reported in section 3.5, have any discernable impact on the audit outcomes of more than a third of the auditees.

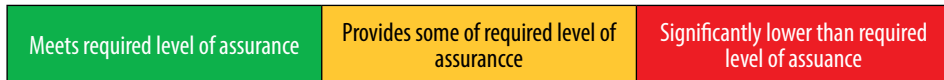
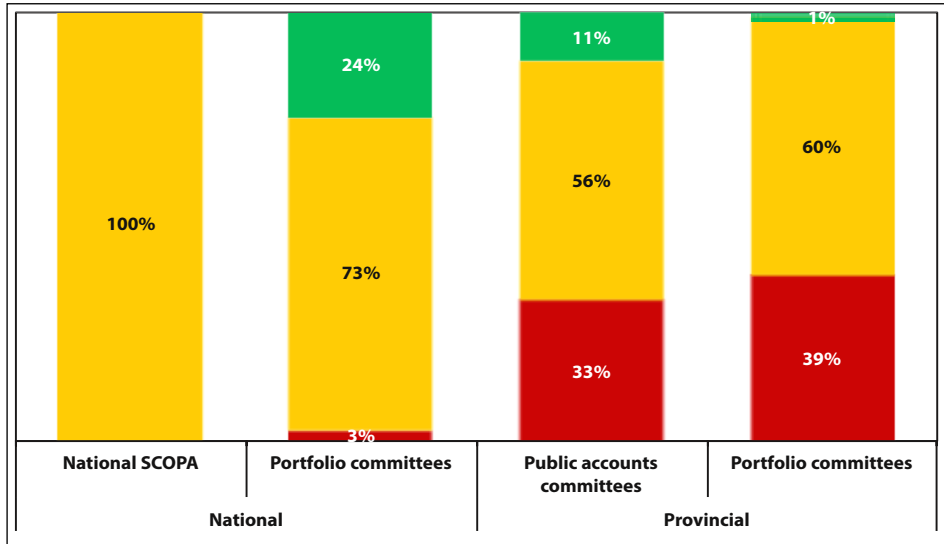
## 4.2 LEGISLATIVE OVERSIGHT

### ***Role of legislative oversight and assurance provided***

In terms of the Constitution, Parliament and the provincial legislatures must maintain oversight of all executive organs of state. Oversight entails proactive interactions with the executive authorities and the departments and public entities within their portfolios to encourage compliance with their constitutional obligations with a view to delivery on agreed-to objectives for the achievement of government priorities. The mechanism used to conduct oversight is generally through committees. The public accounts committees (PACs) and portfolio committees deal with financial and performance management and the implementation of legislation by auditees and are key assurance providers in this regard.

The impact of the PACs and portfolio committees, as independent assurance providers on the internal controls of the auditees was assessed on the basis of the AGSA's interactions with the committees, commitments made and honoured and the impact of their resolutions, actions and initiatives. The assessment of the level of assurance is depicted below.

**Figure 36: Assessment of assurances provided by oversight bodies**



As detailed in the following sections, committees have varying degrees of success in influencing improvements at auditees and ensuring that their resolutions are implemented, partly because they have limited enforcement powers but also as a result of ineffective working methods.

Public accounts committees and portfolio committees - provincial

A summary on the status of provincial PAC resolutions as at March 2012 is reflected in the next table.

**Table 20: Status of implementation of provincial PAC resolutions**

Province	Number of resolutions			
	Passed	Implemented	In progress	Not actioned
Eastern Cape	38	3	3	32
Free State	No resolutions were tabled by the provincial PAC in respect of the 2010-11 financial year for implementation in 2011-12.			
Gauteng	56	35	20	1
KwaZulu-Natal	63	43	13	7
Limpopo	Resolutions were tabled on 2 October 2012.			
Mpumalanga	103	34	52	17
North West	No resolutions tabled by the public accounts committee relating to specific auditees in the province, mainly due to various changes in political leadership, non-attendance by political leadership of departments of the hearings scheduled and cancellation of scheduled hearings.			
Northern Cape	100	21	61	18
Western Cape	161	89	71	1

The PACs of the provinces where a significant proportion of resolutions have not been implemented or have remained "in progress" for prolonged periods of time need to recognise that the effectiveness of their oversight is diluted and that the audit outcomes for the provinces concerned are unlikely to improve with this scenario. Of greater concern are the provinces where the PACs have not passed any resolutions in the past year. The provincial general reports include more detail on the status of resolutions and the level of impact PACs are having, or not having, in the provinces.

A summary of the initiatives and commitments of provincial PACs and PCs is included in the table below – the detail is available in the provincial general reports. The commitments include those made in response to the previous year's audit outcomes and new commitments obtained through in-year interactions and engagements with them between October 2012 and the date of this report. An assessment of the impact of the initiatives and commitments is also provided.

**Table 21: Outline of commitments by provincial portfolio and public accounts committees - October 2012**

Impact of commitments of Provincial portfolio and public accounts committees							
Summarised commitments		Free State	Gauteng	KwaZulu-Natal	Mpumalanga	Northern Cape	Western Cape
1	The oversight functions and processes within legislature will be reviewed with a view of improving the effectiveness thereof.					Prior year: No impact	
2	The working relationship between portfolio committees and the executive will be strengthened.						Prior year: Limited impact
3	Training/workshops will be conducted to improve understanding of oversight responsibilities and IT, SCM reports.	Prior year: No impact		Prior year: Significant impact			
4	Unauthorised, irregular and fruitless and wasteful expenditure will be investigated.	Prior year: No impact		Prior year: Limited impact			
5	There will be increased focus on reporting of performance against predetermined objectives.	Prior year: No impact					
6	There will be increased focus on auditees' supply chain management.	Prior year: No impact					
7	Portfolio committees and provincial public accounts committees will interact with AGSA on a regular basis.		Prior year: Limited impact			Prior year: No impact	
8	Public accounts committees will engage with the chair of the audit committee.			Prior year: Limited impact			
9	SCOPA resolutions will be followed up to ensure that these are implemented.			Prior year: Limited impact	Prior year: Limited impact		
10	Auditees and the executive will be visited to monitor administration.					Prior year: No impact	

Public accounts committees and portfolio committees - national

The status of the implementation of resolutions of the national standing committee on public accounts (SCOPA) is reflected in the next table.

**Table 22: Status of implementation of resolutions of the national standing committee on public accounts**

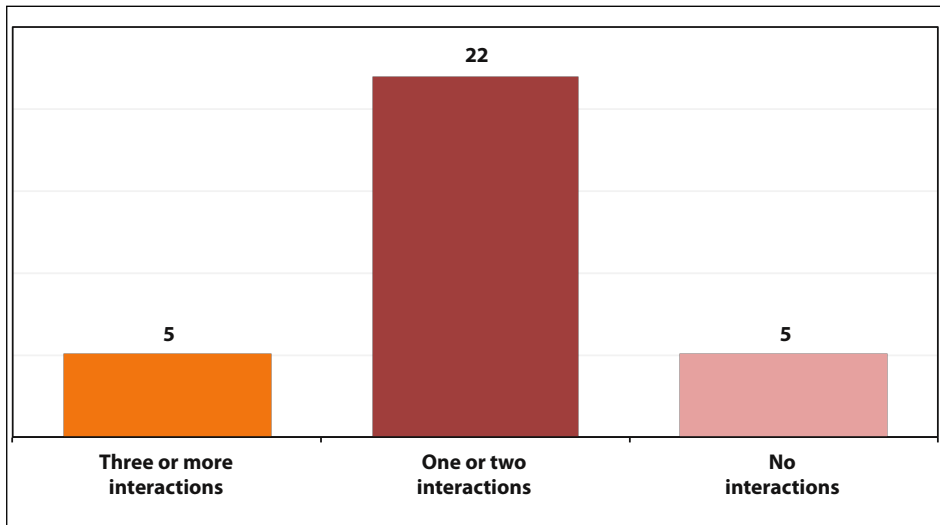
Portfolio	Auditees to which resolutions relate	Number of resolutions			
		Passed	Implemented	In progress	Not actioned
Communications	ICASA	5	1	2	2
	SABC	22		22	
Health	Department of Health	5	2	2	1
	Council for Medical Schemes	4	4		
	Health Laboratory Services	6	5	1	
Higher Education and Training	Health and Welfare Sector Education Training Authority (H&W SETA)	1	1		
Human Settlements	Department of Human Settlements	16	16		
Justice and Constitutional Development	Department of Justice and Constitutional Development	26	12	14	
	National Prosecuting Authority	10	3	7	
	Criminal Assets Recovery Account	2		2	
	Department of Police	6		6	

Portfolio	Auditees to which resolutions relate	Number of resolutions			
		Passed	Implemented	In progress	Not actioned
Labour	Department of Labour	6	5	1	
	Compensation Fund	8	3	5	
	Sheltered Employment Factories	4	2	2	
Public Works	Department of Public Works	5	1	4	
	Property Management Trading Entity	9		9	
	Council for the Built Environment	11	7	4	
Trade and Industry	Companies and Intellectual Property Commission	3	2	1	
Water Affairs and Forestry	Department of Water Affairs	12	8	4	
	Water Trading Account	7		3	4

For oversight committees to be effective, it is important that they are clear on the root causes of the obstacles to clean administration and good governance. The AGSA leadership has lived up to its commitment of providing such insight to portfolio committees by means of quarterly briefings to the portfolio committee chairpersons at the National Assembly who availed themselves for such interactions. In a number of instances portfolio committees were also provided with insight into root causes by means of briefings to the full committee. In support of clear and consistent messages, the AGSA will in future make frontline liaison staff available on an ongoing basis to confirm and clarify key messages to portfolio committees that request such clarity in between the structured quarterly interactions.

The graph below indicates that three or more interactions took place with chairpersons of only five portfolio committees during the year under review.

**Figure 37: National portfolio committee interactions**



It was evident that the portfolio committees that interacted regularly with the AGSA leadership were able to focus effectively on the key obstacles to clean administration prevalent in the departments and public entities which they oversee.

**Table 23: Summary of portfolio committee interactions**

ASPECT	OUTLINE OF ISSUES
<b>Findings, root causes and corrective action</b>	The oversight hearings and other oversight engagements, as well as the oversight reports of these committees, illustrated a direct correlation with key audit findings as well as the corrective actions required to remedy the root causes of the findings. Similarly, a lack of focus on the root causes of key audit findings was evident in the oversight activities and outputs of portfolio committees where quarterly briefings by the AGSA leadership did not take place.
<b>Portfolio committee oversight processes are improving</b>	Portfolio committee oversight processes appear to be marginally improving as a result of the AGSA leadership's visibility drive and most notably during the annual October assessment of departments by the National Assembly committees, as required in terms of the Money Bills Amendment Procedure and Related Matters Act, when the AGSA leadership provides pre-assessment briefings to some portfolio committees.
<b>SCOPA support for audit committees and internal audit</b>	The AGSA continued to provide briefings to SCOPA before public hearings. This has enabled SCOPA to structure their hearings based on the root causes of the key audit findings highlighted during the briefings. Given its role of financial oversight, SCOPA has confirmed the importance of assurance mechanisms such as internal audit units and audit committees of departments by making them a permanent feature during hearings, although their full participation is still lacking.

ASPECT	OUTLINE OF ISSUES
<p><b>Alignment between portfolio committees and PACs</b></p>	<p>The legislative sector oversight model emphasises the importance of collaboration between committees. In response to the 2010-11 audit outcomes, the National Assembly leadership committed to advance collaborations between PACs and portfolio committees, but has since not been able to foster such collaboration in a structured manner.</p> <p>SCOPA has made ongoing attempts to collaborate with portfolio committees, but in only two cases did this result in portfolio committees joining forces with SCOPA. One such joint meeting was successful thanks to effective alignment of purpose between the two committees. In provincial legislatures integration of oversight between PACs and portfolio committees has taken the form of portfolio committees following up on areas of concern identified during their more regular interactions with the departments. In the case of many provincial portfolio committees, members also have PAC membership, thus facilitating information sharing and alignment of purpose between the portfolio committee and the PAC.</p>
<p><b>Timing of passing and follow-up of SCOPA resolutions</b></p>	<p>Despite notable improvements in SCOPA's oversight scrutiny, serious challenges remain with regard to the late processing of resolutions by the House (several months after the hearings). The general follow-up on resolutions is also weak because of SCOPA's limited assessment of the responses that the relevant ministers/accounting officers tabled in response to SCOPA's recommendations. However, a commendable step was the National Assembly debate on a series of SCOPA reports – more regular debates of this nature will ensure appropriate high-level attention to the importance of effective accountability and governance practices.</p>

ASPECT	OUTLINE OF ISSUES
<p><b>Effective use by SCOPA of the AGSA's report on infrastructure</b></p>	<p>The performance audit report on infrastructure of the departments of Education and Health provided impetus to SCOPA's oversight activities. Using this report, SCOPA effectively joined other stakeholders in holding a hearing involving provincial and national heads of departments to seek corrective actions on issues raised in the report which affect both spheres of government.</p> <p>SCOPA has ventured into other forms of oversight by conducting visits to six different provinces based on the findings contained in the infrastructure report and was also briefed by the AGSA leadership prior to and during such visits. In this way SCOPA is extending its activities beyond the traditional oversight channels.</p>
<p><b>Use of sector-specific audit outcomes in general reports</b></p>	<p>The National Assembly committees have not used the insight contained in the general reports on sectoral service delivery aspects. This sectoral perspective can be used by a number of committees in the National Assembly and the National Council of Provinces to oversee key service delivery such as education, health, human settlements, social development and public works.</p>

The table that follows outlines the key commitments of national portfolio committees to improve audit outcomes. The commitments include those made in response to the previous year's audit outcomes and new commitments obtained through in-year interactions and engagements with the committees between October 2012 and the date of this report. An assessment of the impact of prior year commitments, where implemented, is also included.

**Table 24: Key commitments by national portfolio committees**

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Agriculture, Fisheries and Forestry</b>		
<b>New</b>	Monitor the process of capacitating internal audit and the monitoring and evaluation units of the department.	Not yet able to assess
	Confirm with management, audit committee and internal audit whether credibility checks were performed on all quarterly information (financial and performance quarterly reports) submitted to the portfolio committee.	Not yet able to assess
	Hold management accountable for presenting quarterly financial and performance reports that are meaningful and enable the portfolio committee to perform their in-year monitoring. For example, link the financial spending to performance information and give reasons for non-achievement of targets where the quarterly budgets are being spent yet targets are not achieved.	Not yet able to assess
	Monitor progress on alignment of performance contracts of senior management and staff to the strategic plans and the implementation of an effective performance management process that holds each person accountable for their own actions.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Arts and Culture</b>		
<b>New</b>	The committee resolved to call entities that showed regression to account to the committee.	Not yet able to assess
	The committee resolved to request training from the AGSA before the 2012 process to obtain a better understanding of how to use the annual report during their annual review.	Not yet able to assess
<b>Portfolio committee: Basic Education</b>		
<b>New</b>	The portfolio committee undertook to coordinate with the provincial legislatures and other oversight structures in the provinces to address matters hampering delivery on the department's mandate of providing quality basic education and developing processes to remedy unsatisfactory audit outcomes in the sector.	Not yet able to assess
	Follow-up on the effectiveness of internal audit within the department and acceleration of the appointment of the internal audit service provider for the Education Labour Relations Council.	Not yet able to assess
	Confirm with management, the audit committee and internal audit whether credibility checks were performed on all quarterly information (financial and performance quarterly reports) submitted to the portfolio committee.	Not yet able to assess



Commitments and initiatives by national portfolio committees		Impact on audit outcomes
New	Hold management accountable for presenting quarterly financial and performance reports that are meaningful and enable the portfolio committee to perform their in-year monitoring, including stock of workbooks and text books on hand. For example, link the financial spending to performance information and give reasons for non-achievement of targets where the quarterly budgets are being spent yet targets are not achieved.	Not yet able to assess
	Monitor progress on alignment of performance contracts of senior management and staff to the strategic plans and the implementation of an effective performance management process that holds each person accountable for their own actions.	Not yet able to assess
<b>Portfolio committee: Communications</b>		
New	Review strategic plans for the department and entities for 2012-13 before March 2012 for adherence to the SMART criteria.	Not yet able to assess
	Review strategic plans for the department and entities for 2013-14 before March 2013 for adherence to the SMART criteria.	Not yet able to assess
	Obtain quarterly confirmation from the department and entities that action plans are in place and are being monitored by the accounting officers/accounting authorities to ensure resolution of audit findings.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Cooperative Governance and Traditional Affairs</b>		
New	Obtain confirmation from the department that financial statements have been reviewed by the chief financial officer, accounting officer and audit committee prior to submission for auditing.	Not yet able to assess
	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to ensure resolution of audit findings.	Not yet able to assess
	Obtain confirmation from the chairperson of the audit committee that regular interactions are taking place between the chairperson and executive authority.	Not yet able to assess
	Monitor quarterly key control dashboard report of the department with particular focus on compliance with laws and regulations, SCM and HR management.	Not yet able to assess
<b>Portfolio committee: Correctional Services</b>		
Prior year	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to ensure resolution of the audit qualification on assets.	Limited impact
	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to ensure resolution of the audit findings on predetermined objectives.	Limited impact
	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to ensure resolution of non-compliance findings.	Limited impact

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Defence and Military Veterans</b>		
<b>Prior year</b>	A commitment was made to follow up with the department regarding the progress made in finalising and determining the most appropriate accounting framework for the Special Defence Account.	Limited impact
<b>New</b>	Ensure that the department can account for all capital assets.	Not yet able to assess
	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to sustain the improved audit outcomes.	Not yet able to assess
<b>Portfolio committee: Economic Development</b>		
<b>New</b>	Improve the quality of the financial statements by requesting all entities and the department in the portfolio to compile financial statements monthly and also request confirmation from the entities that the financial statements have been reviewed by chief financial officers, accounting officers/ accounting authorities and audit committees prior to submission for auditing.	Not yet able to assess
	Confirm that action plans are being monitored and that quarterly key control assessments are being performed.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Energy</b>		
<b>New</b>	Improve on the role of review by internal audit and have the audit committee chairperson account to the portfolio committee.	Not yet able to assess
	Engage with PetroSA, focusing on finding a solution to reduce irregular, fruitless and wasteful expenditure.	Not yet able to assess
	Assist the department to obtain additional funding to ensure that key positions can be filled to effect oversight of the roll-out of the national infrastructure programmes relating to energy.	Not yet able to assess
<b>Portfolio committee: Environmental Affairs</b>		
<b>New</b>	Obtain confirmation from the department and the South African National Bioinformatics Institute (SANBI) that an action plan is in place and is being monitored by the accounting officers/accounting authorities to ensure resolution of audit findings before May 2013.	Not yet able to assess
	Review strategic plans for the department and entities for 2013-14 before March 2013 for adherence to the SMART criteria.	Not yet able to assess
<b>Portfolio committee: Government Communication and Information System</b>		
<b>New</b>	Reduce material corrections to the financial statements and performance reports by monitoring quarterly and monthly financial and performance reports.	Not yet able to assess
	Ensure that the internal control dashboard reports and action plans are closely monitored.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Health</b>		
New	Chairperson committed to meet with all provincial departments of Health to identify the root causes of the current sector outcomes.	Not yet able to assess
	Obtain quarterly confirmation from the departments that action plans are in place and are being monitored by the accounting officers to ensure resolution of audit findings.	Not yet able to assess
<b>Portfolio committee: Higher Education and Training</b>		
New	Monitor the process of capacitating the internal audit, SETA performance and evaluation and Further Education and Training (FET) coordination units at the department.	Not yet able to assess
	Monitor the department's progress in legislating reporting on predetermined objectives and procurement and contract management at higher education institutions.	Not yet able to assess
	Confirm with management, audit committee and internal audit whether credibility checks were performed on all quarterly information (financial and performance quarterly reports) submitted to the portfolio committee.	Not yet able to assess
	Hold management accountable for presenting quarterly financial and performance reports that are meaningful and enable the portfolio committee to perform their in-year monitoring. For example, link the financial spending to performance information and give reasons for non-achievement of targets where the quarterly budgets are being spent yet targets are not achieved.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
	Monitor progress on alignment of performance contracts of senior management and staff to the strategic plans and the implementation of an effective performance management process that holds each person accountable for their own actions.	Not yet able to assess
<b>Portfolio committee: Home Affairs</b>		
New	Improve on the role of review by internal audit and have the audit committee chairperson account to the portfolio committee.	Not yet able to assess
	Focus on improvement of the relationship between the Department of International Relations and Cooperation and the Department of Home Affairs.	Not yet able to assess
	Focused oversight on the improvement of the record keeping, especially revenue and asset management.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Human Settlements</b>		
<b>New</b>	Request the department to compile monthly financial statements.	Not yet able to assess
	Obtain confirmation from entities that financial statements have been adequately reviewed by the chief financial officer, accounting officer/authority and audit committees prior to submission for auditing.	Not yet able to assess
	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to ensure resolution of audit findings.	Not yet able to assess
	Monitor quarterly key control dashboard report of the department, with particular focus on compliance with laws and regulations, SCM and HR management.	Not yet able to assess
	Ensure that the department provides feedback on a quarterly basis regarding implementation and accounting for sanitation assets.	Not yet able to assess
<b>Portfolio committee: International Relations and Cooperation</b>		
No new commitments have been made.		

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Justice and Constitutional Development</b>		
<b>New</b>	Require entities to compile monthly financial statements.	Not yet able to assess
	Obtain confirmation from entities that financial statements have been reviewed by the chief financial officers, accounting officers/accounting authorities and audit committees prior to submission for auditing.	Not yet able to assess
	Obtain confirmation from entities that action plans are in place and are being monitored by the accounting officers/ accounting authorities to ensure resolution of audit findings.	Not yet able to assess
	Obtain confirmation from chairpersons of audit committees that regular interactions are taking place between the chairpersons and executive authorities.	Not yet able to assess
	Monitor quarterly key control dashboard reports of all entities, with particular focus on compliance with laws and regulations and supply chain management.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Labour</b>		
<b>New</b>	Undertake a site visit to the Compensation Fund and interview staff and the executive management to obtain a better understanding of the environment at the Compensation Fund and develop a method to hold the department accountable.	Not yet able to assess
	Hold the department accountable for performing oversight responsibilities at entities within the Labour portfolio.	Not yet able to assess
	Confirm with management, audit committee and internal audit whether credibility checks were performed on all quarterly information (financial and performance quarterly reports) submitted to the portfolio committee.	Not yet able to assess
	Hold management accountable for presenting quarterly financial and performance reports that are meaningful and enable the portfolio committee to perform their in-year monitoring. For example, link the financial spending to performance information and give reasons for non-achievement of targets where the quarterly budgets are being spent yet targets are not achieved.	Not yet able to assess
	Monitor progress on alignment of performance contracts of senior management and staff to the strategic plans and the implementation of an effective performance management process that holds each person accountable for their own actions.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Mineral Resources</b>		
<b>New</b>	Improve on the role of review by internal audit and have the audit committee chairperson account to the portfolio committee.	Not yet able to assess
	Entities to commit to plans to reduce irregular and fruitless and wasteful expenditure.	Not yet able to assess
<b>Portfolio committee: National Treasury</b>		
	No new commitments have been made.	
<b>Portfolio committee: Performance Monitoring and Evaluation and National Youth Development Agency</b>		
<b>New</b>	Monitor monthly and quarterly financial reporting.	Not yet able to assess
	Monitor implementation of action plans and key controls.	Not yet able to assess
<b>Portfolio committee: Police</b>		
<b>New</b>	The committee requested a performance audit to establish whether the PSIRA building had been procured in the most economical, effective and efficient manner.	Not yet able to assess
<b>Portfolio committee: Public Enterprises</b>		
<b>New</b>	Improve on the role of review by internal audit and have the audit committee chairperson account to the portfolio committee.	Not yet able to assess
	Entities to commit to plans to reduce irregular and fruitless and wasteful expenditure.	Not yet able to assess
	Assist the department in increasing its oversight capacity on SOCs.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Public Service and Administration</b>		
New	Improve on the role of review by internal audit and have the audit committee chairperson account to the portfolio committee.	Not yet able to assess
	Assist in the delivery of the IT governance framework.	Not yet able to assess
<b>Portfolio committee: Public Works</b>		
New	Monitor progress on the action plan/turnaround strategy against short- and long-term milestones, specifically the reconstruction of the immovable asset and lease register. DPW and PMTE will be required to submit feedback at least on a monthly basis to enable effective monitoring.	Not yet able to assess
	Monitor progress against the department's proposed deadlines for finalising the PMTE business case.	Not yet able to assess
	Monitor progress on implementation of iE-Works and an accrual-based accounting system for PMTE to replace the current Basic Accounting System which is not an accrual system.	Not yet able to assess
	Request feedback from the department on a monthly basis as to progress made with disciplinary action taken against officials who permit unauthorised, irregular, fruitless and wasteful expenditure.	Not yet able to assess
	Monitor to determine whether a comprehensive set of financial statements is being prepared on a monthly basis and whether it is reviewed by appropriate officials in senior management (primarily CFO).	Not yet able to assess
	Monitor progress made in capacitating governance functions, namely internal audit and the risk management unit.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Rural Development and Land Reform</b>		
New	Monitor progress made with investigations conducted at the department on a quarterly basis and make sure that investigations are completed and reported on timeously and that appropriate action is taken against those found guilty after conclusion of such investigations.	Not yet able to assess
	Monitor progress made on procedures implemented by the department to ensure completeness and accuracy of the immovable assets register (the procedures must include milestones and planned completion dates).	Not yet able to assess
	Confirm with management, audit committee and internal audit whether credibility checks were performed on all quarterly information (financial and performance quarterly reports) submitted to the portfolio committee.	Not yet able to assess
	Hold management accountable for presenting quarterly financial and performance reports that are meaningful and enable the portfolio committee to perform their in-year monitoring. For example, link the financial spending to performance information and give reasons for non-achievement of targets where the quarterly budgets are being spent yet targets are not achieved.	Not yet able to assess
	Monitor progress on alignment of performance contracts of senior management and staff to the strategic plans and the implementation of an effective performance management process that holds each person accountable for their own actions.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Science and Technology</b>		
New	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to address findings on predetermined objectives.	Not yet able to assess
	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer for the non-compliance findings at the African Institute for South Africa.	Not yet able to assess
	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to determine progress in sustaining good outcomes.	Not yet able to assess
<b>Portfolio committee: Social Development</b>		
Prior year	Obtain confirmation from the department that the department is providing oversight of the grant payments made by SASSA.	Limited impact
	Obtain confirmation that SASSA's action plans to implement effective control over grants payments are in place and are being monitored.	Limited impact
	The committee undertook to follow up with the department regarding progress made in addressing the non-compliance and other findings for National Development Agency.	Limited impact
	Commitments were made to follow up on the department's progress in closing down or consolidating the dormant funds.	Limited impact

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
New	The prior year commitments are still in progress and no new commitments have been made.	Not yet able to assess
<b>Portfolio committee: Sport and Recreation</b>		
Prior year	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer to monitor progress in addressing non-compliance findings at the department.	Limited impact
	Obtain confirmation from the department that an action plan is in place and is being monitored by the accounting officer with regard to the transfer of funds to other entities.	Limited impact
	The committee undertook to follow up on the findings made regarding the financial sustainability of Boxing SA.	Limited impact
<b>Portfolio committee: Statistics South Africa</b>		
	No new commitments have been made.	

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Trade and Industry</b>		
New	Improve the quality of the financial statements by requesting all entities to compile monthly financial statements and also request confirmation from the entities that the financial statements have been reviewed by chief financial officers, accounting officers/accounting authorities and audit committees prior to submission for auditing.	Not yet able to assess
	Monitor quarterly progress on the implementation of action plans and progress on implementing key controls.	Not yet able to assess
<b>Portfolio committee: Tourism</b>		
New	Monitor progress on EPWP investigations that were sanctioned by management.	Not yet able to assess
	Policies and procedures on the PDO process at both departments and entities will be monitored to ensure that objectives set meet the SMART principle and that no adjustments are made on the reporting.	Not yet able to assess
	Arrest potential risks associated with non-compliance with SCM prescripts and procurement through deviations that do not meet the requirements of the PFMA.	Not yet able to assess
	Monitor how SAT addresses the weaknesses in the general control environment affecting IT and capacitating of the entity with the right IT skills.	Not yet able to assess
	Follow up on how SAT resolves the annual financial statement review process to avoid material misstatements and the deficit position of SAT.	Not yet able to assess

Commitments and initiatives by national portfolio committees		Impact on audit outcomes
<b>Portfolio committee: Transport</b>		
New	No new commitments have been made.	
<b>Portfolio committee: Water Affairs</b>		
New	Review strategic plans for the department and entities for 2013-14 before March 2013 for adherence to the SMART criteria.	Not yet able to assess
	Review allocation of bulk infrastructure to take into account the needs of developmental areas.	Not yet able to assess
	Obtain confirmation from the department and entities that action plans are in place and are being monitored by the accounting officers/accounting authorities to ensure resolution of audit findings.	Not yet able to assess
<b>Portfolio committee: Women, Children and People with Disabilities</b>		
New	Monitor progress on the turnaround strategy and request and review the preparation of monthly financial statements. Also review quarterly reports and the implementation and assessment of key controls.	Not yet able to assess
	Request confirmation from the chairpersons of audit committees that regular interactions are taking place between the audit committee chair and the minister.	Not yet able to assess



### 4.3 EXECUTIVE LEADERSHIP AND COORDINATING INSTITUTIONS

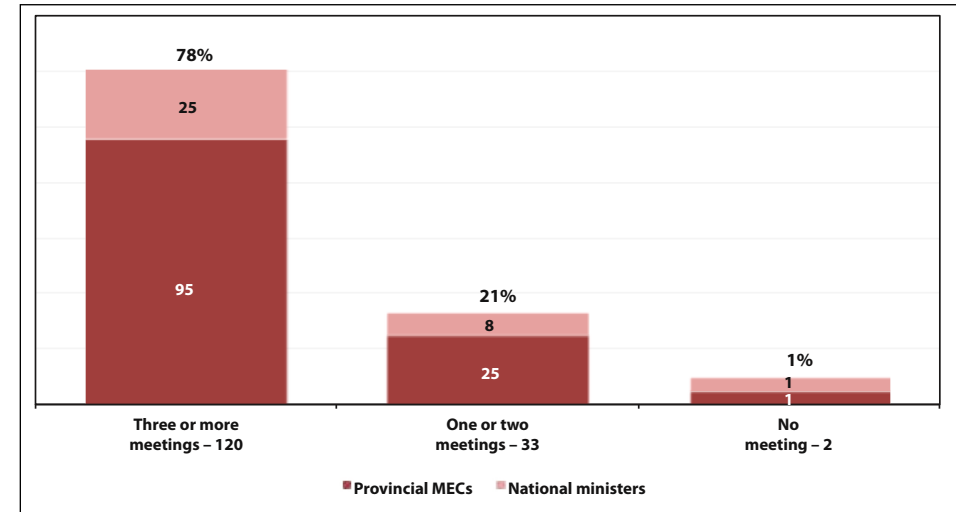
#### Role of executive authorities and impact of quarterly engagements

The executive authorities in the national government are the President and the national ministers and in the provinces the Premier and members of the executive council (MECs). In terms of the Constitution they have executive powers to implement legislation and policies through the departments and public entities (portfolios) they are responsible for. Executive leadership plays a direct role in the departments as they need to ensure that the strategies and budgets are aligned to the mandate, that objectives are achieved and that they have further specific oversight responsibilities in terms of the PFMA and Public Service Act. In the past two years the AGSA has increasingly engaged with the ministers and MECs on how they can bring about improvements in the audit outcomes of the auditees within their portfolio.

In response to the 2010-11 audit outcomes, ministers and MECs committed an hour of their time every 90 days to meet with senior members of the AGSA. At these interactions the status of the key controls of auditees and commitments are discussed and identified risks shared.

As shown below, the majority of the executive had met with the AGSA teams at least three times during the financial year ended March 2012.

**Figure 38: Quarterly interaction with national ministers and provincial MECs**



Although the engagements were well received, these engagements had limited impact on the audit outcomes of most of the auditees. An assessment of the impact of interactions with ministers is included in the ministerial portfolios (part 2 of this general report) while those with MECs are covered in the provincial general reports.

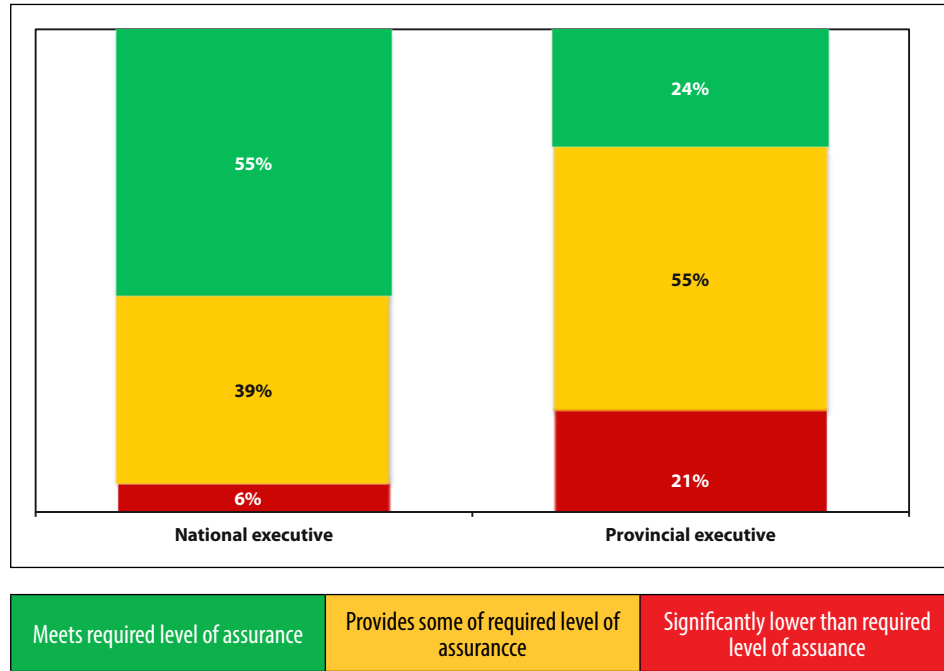
In our assessment the limited impact was due to frequent leadership changes resulting in disruption in the implementation of commitments, the stumbling blocks towards a clean audit at these auditees requiring a multi-year approach or our message being ignored. It could, however, also mean that our conversation has not been compelling and persuasive enough. We therefore undertake to continue with the quarterly engagements, but with greater emphasis on quality conversations leading to increased impact.

#### Assurance provided by Ministers and MECs and commitments made to improve audit outcomes

The impact of the executive on ensuring that the controls of the auditees were assessed is based on the interactions with them (or lack thereof), commitments given and honoured and the impact of their actions and initiatives on the auditees. The assessment of the ministers is included in the national ministerial

portfolios (part 2) and those with MECs in the provincial general reports. The overall assessment of the impact is shown below.

**Figure 39: Level of assurance provided by executives**



The assessment shows that the national ministers are considered to have a direct and positive impact on the credibility of financial and performance information and the compliance with laws and regulations. In general the audit outcomes of national departments and public entities are also better than those of their provincial counterparts. The assessments of the impact of MECs in the provinces vary significantly as do their audit outcomes but in general the impact of political pressures leading to instability and poor leadership decisions is more pronounced in the provinces.

**Commitments made by executive leadership**

The commitments made by national ministers to improve audit outcomes and the status and impact thereof are included in the national ministerial portfolios (part 2) and those with MECs in the provincial general reports.

The table that follows summarises the key commitments made by executive leadership in the provinces to improve audit outcomes – the detail is available in the provincial general reports. The commitments include those made in response to the previous year’s audit outcomes and new commitments obtained through in-year interactions and engagements with them between October 2012 and the date of this report. An assessment of the status and impact of the commitments is also provided.

**Table 25: Key initiatives and commitments by executive leadership**

Initiatives and summarised commitments by executive leadership		Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
1	Action plans will be developed and implemented to address audit findings and implementation will be monitored by leadership.						Prioryear: Limited impact	New: Not yet able to assess		
2	Monthly/quarterly reporting on financial statements (including disclosure notes)/ predetermined objectives/compliance with laws and regulations will be implemented.									Prioryear: Limited impact
3	The credibility of management information will be validated by internal audit and audit committees.	Prioryear: Limited impact					New: Not yet able to assess			Prioryear: Limited impact
4	Quarterly key control engagements will include other key role players such as the audit committee chairperson and internal audit.			Prioryear: No impact						Prioryear: Limited impact
5	Policies, procedures and plans (e.g. fraud prevention) will be revised and strengthened to ensure that these comply with legislative and other requirements and establish effective controls.						Prioryear: No impact			
6	Key vacant positions will be filled with competent, professional and qualified personnel.		Prioryear: Limited impact				Prioryear: Limited impact	New: Not yet able to assess	New: Not yet able to assess	
7	MECs and/or HoDs will make themselves available for regular liaison with the AGSA.	New: Not yet able to assess	Prioryear: Limited impact							

Initiatives and summarised commitments by executive leadership		Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
8	IT weaknesses will be addressed by improving controls and clearly defining responsibilities of officials and service providers.				Prioryear: Limited impact		Prior year: No impact	New: Not yet able to assess	New: Not yet able to assess	
9	Action will be taken against officials in response to non-compliance with legislation.						Prioryear: Limited impact			
10	Improved record and document management processes will be implemented to support filing and retrieval of documents required for audit.						Prioryear: Limited impact			
11	Guidance/instructions will be issued by the Premier's office and findings and training presented on key matters that affect audit outcomes.		Prioryear: Limited impact							
12	Closer cooperation between departments in province through agreements and forums.				New: Not yet able to assess					
13	Capacity will be increased and processes and management improved with a view of improving audit outcomes.	Prioryear: Limited impact	New: Not yet able to assess							
14	Monitoring/oversight by Premier's office will be improved.							Prioryear: Limited impact		
15	Monitoring through Exco meetings will be improved.	Prioryear: Limited impact								

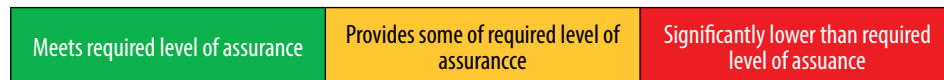
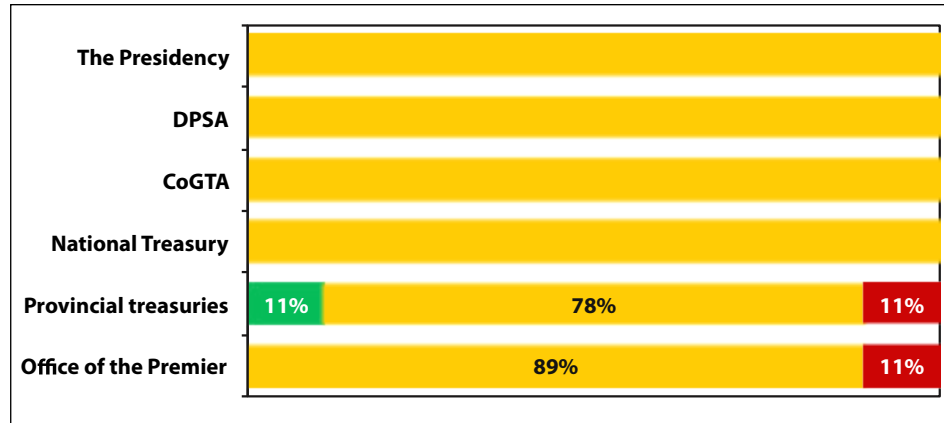
Initiatives and summarised commitments by executive leadership		Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
16	Drafting of provincial legislation to address business interests of employees.	Prior year: No impact								Prior year: Limited impact
17	Executive leadership will act in a responsible manner and instil a culture of high performance and commitment.								Prior year: Limited impact	
18	Executive leadership will assist portfolio committees in fulfilling their oversight responsibilities.		Prior year: Limited impact							

## Role of coordinating institutions, assurance provided and commitments made

At national and provincial level there are departments that play a coordinating and monitoring role. In the provinces this role is played by provincial treasuries, the offices of the Premier and the cooperative governance departments (CoGTAs). The main role players nationally are the Presidency, the National Treasury, the Department of Public Service Administration (DPSA) and the national CoGTA. 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.

The outcome of the assessment at national level and a summary at provincial level are shown below. The detailed provincial assessments are included in the provincial general reports.

**Figure 40: Level of assurance provided by coordinating/monitoring departments**



In analysing the root causes for poor audit outcomes it becomes apparent that auditees need more support and guidance from these coordinating departments to hasten their progression to clean audits. It is most pronounced in terms of the treasuries which have/can have a direct impact on the credibility of financial

and performance information, compliance with the PFMA and improvement in governance. The treasuries also have a monitoring responsibility as does DPSA and the Presidency, which if exercised to its full extent will add to the assurance required.

The table that follows summarises the key commitments/initiatives to be undertaken by provincial treasuries to improve audit outcomes – the detail is available in the provincial general reports.

The commitments include those made in response to the previous year's audit outcomes and new commitments obtained through in-year interactions and engagements with them between October 2012 and the date of this report. An assessment of the status and impact of the commitments is also provided.

**Table 26: Commitments made by provincial treasuries**

Summarised commitments		Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
1	An action plan will be developed to address transversal audit findings in the province.						Prioryear: Limited impact			Prioryear: Limited impact
2	The action plans of auditees to address audit findings will be assessed and implementation monitored.				Prioryear: Limited impact					Prioryear: Limited impact
3	Increased/improved support will be provided to auditees in the form of technical support, capacity and funding.	Prioryear: Limited impact	Prioryear: Limited impact	Prioryear: No impact	Prioryear: Limited impact					
4	Training, workshops and/or roadshows will be conducted to improve skills, raise awareness and provide support.			Prioryear: No impact	Prioryear: Limited impact	New: Not yet able to assess	Prioryear: Limited impact			
5	Chief financial officer (CFO) forums will be established, their roles strengthened and regular meetings facilitated.	Prioryear: Limited impact							Prioryear: Limited impact	
6	Key vacant positions in provincial treasury will be filled.		New: Not yet able to assess					Prioryear: Limited impact		

Summarised commitments		Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
7	Monitoring and review of financial statements/asset management/irregular, fruitless and wasteful expenditure of departments and entities in the province.		Prioryear: Limited impact	Prioryear: Limited impact						
8	Development of a proper record and document management system for the province to ensure that supporting documentation is easily retrievable.		Prioryear: Limited impact							
9	Action will be taken against auditees and/or officials in response to non-compliance with legislation and/or irregular and fruitless and wasteful expenditure.				Prioryear: Limited impact	Prioryear: Limited impact			Prioryear: Limited impact	
10	Monitoring of the existence and effectiveness of key controls at auditees.					Prioryear: Limited impact				



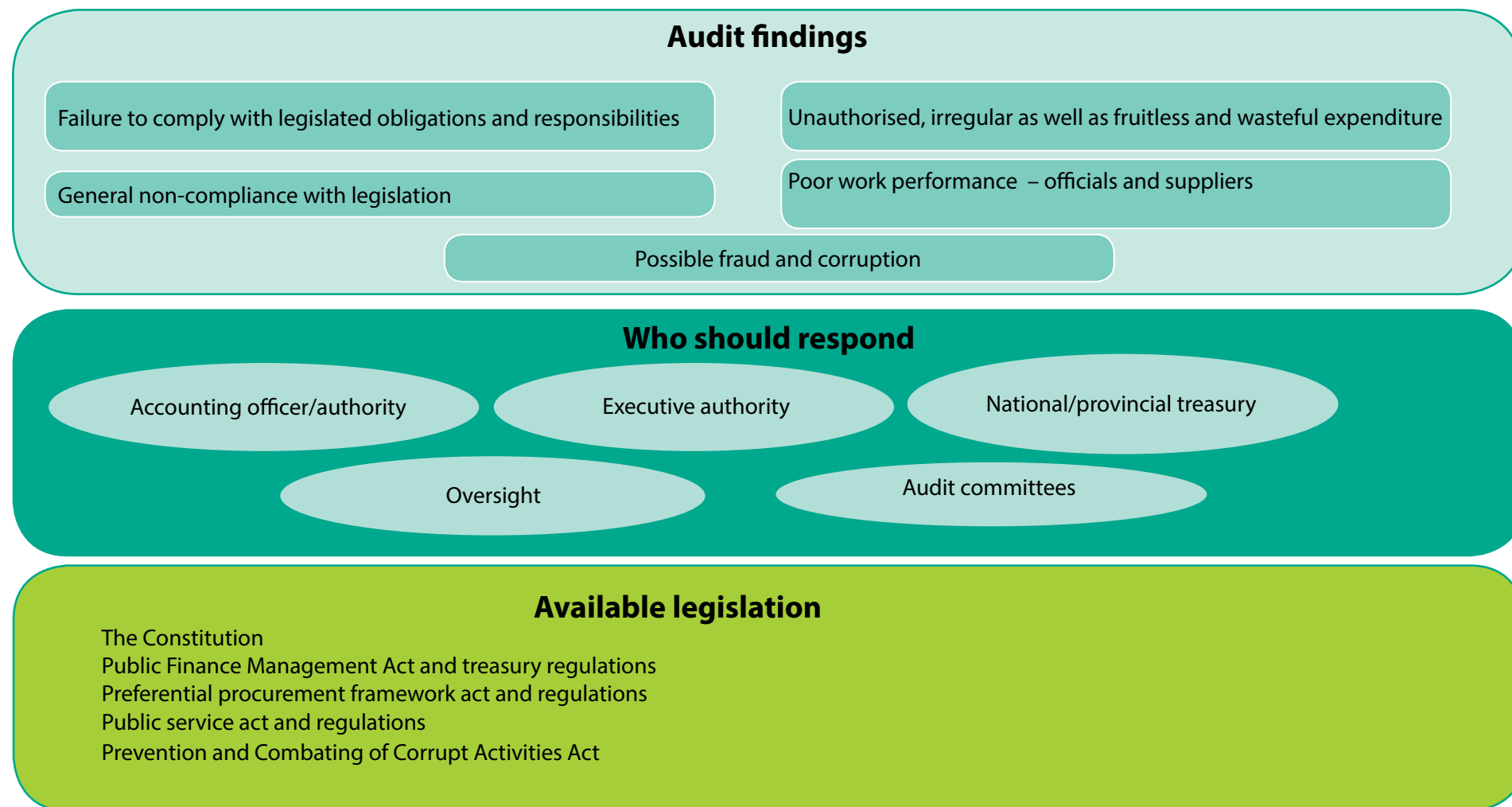
#### 4.4 RESPONSIBILITY OF KEY ROLE PLAYERS TO ADDRESS POOR PERFORMANCE AND TRANSGRESSIONS

This consolidated general report and the provincial general reports summarise the findings in the audit reports, additional findings reported to the accounting officer/authorities and management and the critical matters reported in the annual financial statements of these auditees. Some of the matters reported on clearly point to transgressions of legislation and/or poor performance by officials, accounting officers/authorities, executive authorities, oversight authorities and even suppliers that do business with the state.

A common reaction to the general reports is the question posed by many, including key role players in government, about the need for accountability and consequences and how these can be enforced. Legislation provides the answer to this question as it clearly defines accountability and the remedies. The full power of the law is yet to be activated in this regard and doing so will result in improved audit outcomes but also improved governance and accountability.

A separate booklet distributed with this general report highlights the range of legislation at the government's disposal which enables remedies to be applied where there has been transgressions and poor performance. It addresses the matters as shown below:

**Figure 41: Remedies available to political and administrative leaders**



Highlighting these remedies is a starting point for responsible political and administrative leaders, oversight and the institutions responsible for monitoring and enforcement. All parties have to play their part.

## 4.5 AGSA INITIATIVES TO ENCOURAGE CLEAN AUDITS

Over the past two years, the AGSA has embarked on many initiatives to enhance accountability and to influence the process towards improving audit outcomes and clean administration. The main initiative was to further strengthen its relationship with the political and administrative leadership to deepen their understanding of the accountability, audit and governance mechanisms thereby paving the way towards improving public confidence. This initiative included the increased visibility of the AGSA's senior leadership and continuous interactions to highlight possible challenges, audit findings and transversal risks.

Summarised below are some of the key initiatives the AGSA has undertaken to promote public sector accountability and to encourage the process of improving audit outcomes and attaining clean audits.

**Table 27: Summarised AGSA's key initiatives**

Nature	Outline of AGSA initiatives
<b><i>Root cause reporting</i></b>	<p>In reporting audit findings the AGSA teams always report on the root cause of the finding as it relates to the drivers of internal control. Recommendations are made as part of the audit finding to correct the misstatement, non-compliance etc. but also to address the root cause in order to assist auditees in finding sustainable solutions to prevent recurrent findings.</p> <p>Root causes are also reported in the audit reports in order to provide the insight gained on what the significant deficiencies in internal control are which caused the qualifications and material findings on PDO reporting and compliance with laws and regulations.</p>
<b><i>Quarterly assessment of key drivers and interactions with accounting officers/authorities, audit committees and executive authorities</i></b>	<p>A basic assessment of the status of the key drivers of internal control is conducted on a quarterly basis although not audited until the interim audit and/or final audit takes place. The results of the assessment are shared with the accounting officer/ authority, executive authorities and audit committee.</p> <p>The assessment and risks identified pertaining to the auditee are share via a defined engagement programme with these role players with the aim of meeting with them at least once per quarter. This engagement also serves as an opportunity to obtain commitments from the role players on actions that will be taken to improve audit outcomes and to discuss the status of prior commitments made.</p>
<b><i>Engagement with legislative oversight</i></b>	<p>Senior members of the AGSA teams engage with the portfolio and public accounts committees (directly or through the chairpersons) at least twice a year. They are also available to the committees if they need briefings or insight on matters coming before the committee. It has become standard practice to brief the public accounts committees for hearings in order to assist them in focusing on the most important matters to be addressed. Portfolio committees have started to request briefings before consideration of the strategic plans and budgets of departments.</p>
<b><i>Roadshows and other interactions</i></b>	<p>The general report is not published until the audit outcomes have been shared with all political leaders, including the President and his cabinet. The Auditor-General, by way of roadshows, also personally meets with ministers, premiers, legislatures, the National Assembly and the National Council of Provinces to share the audit outcomes and our insights on the root causes of outcomes and to agree on possible solutions.</p>

<b>Nature</b>	<b>Outline of AGSA initiatives</b>
<b><i>Promoting understanding of PDO requirements</i></b>	Presentations on the requirements for reporting on PDOs were made to auditees, executive authorities, portfolio committees and audit committees where a need was identified. In instances where further engagement and clarity are required, sessions with National Treasury are arranged to ensure that an understanding is obtained regarding the requirements of the Framework for managing programme performance information.
<b><i>Collaboration with National Treasury and the Accounting Standards Board</i></b>	A formal trilateral relationship exists between the AGSA, the National Treasury and the Accounting Standards Board in order to highlight and address transversal matters that impact the audit outcomes. These parties meet formally at least on a quarterly basis and more often on an informal basis. Bilateral relationships are also in place in the provinces between the AGSA and the provincial treasuries in order to address any province-specific matters that could arise.
<b><i>Collaboration with the Institute of internal auditors (IIA) and the Public sector audit committee forum (PSACF)</i></b>	The AGSA collaborates with the IIA through its public sector working group with the aim of equipping and supporting internal auditors in the public sector to function effectively. The AGSA is also a founding member of the PSACF which has various objectives to improve the effectiveness of audit committees in the public sector.
<b><i>Promoting an understanding of IT risks and controls</i></b>	There is regular engagement on IT issues during steering committee meetings, quarterly engagements and other stakeholder interactions to ensure an understanding of IT-related risks and controls.



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