



AUDITOR - GENERAL
SOUTH AFRICA



PFMA 2011-12

Audit outcomes of the Justice and Protection Services

Correctional Services • Defence and Military Veterans • Justice and Constitutional Development • Police

CONSOLIDATED GENERAL REPORT
on NATIONAL and PROVINCIAL audit outcomes



Our reputation promise/mission

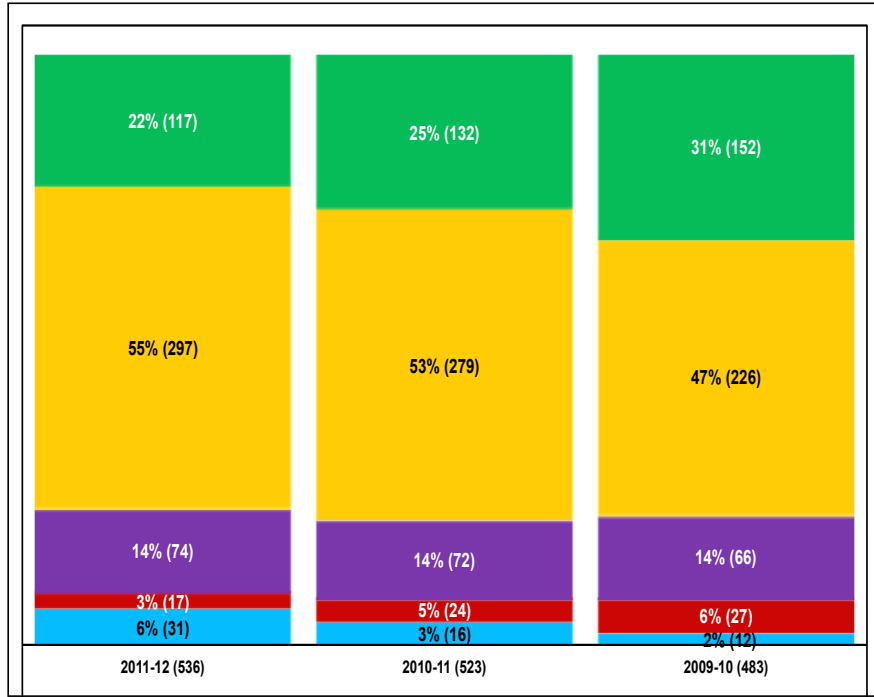
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



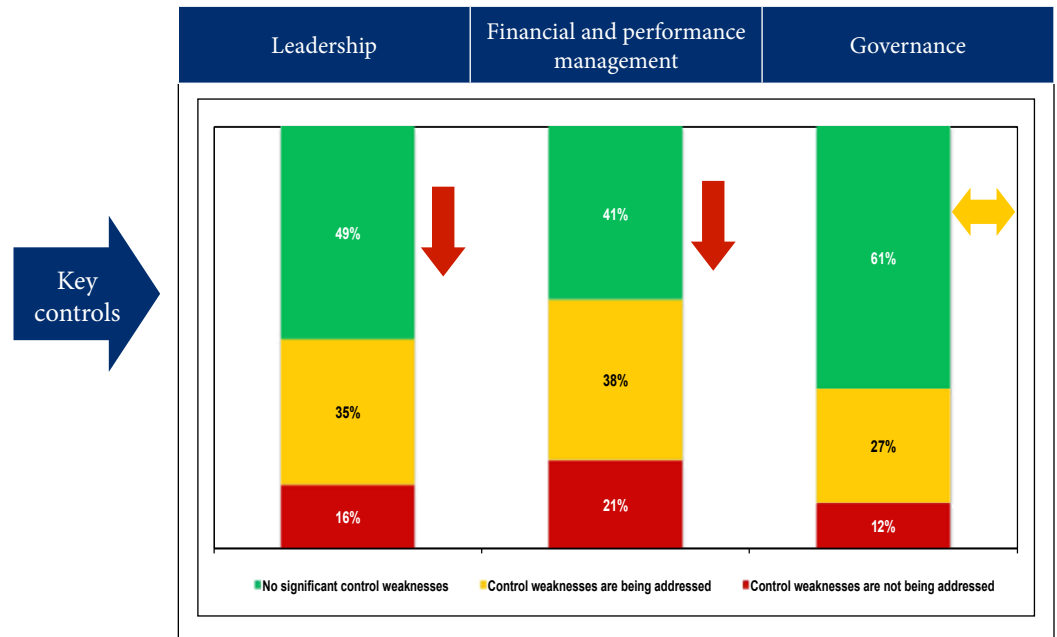
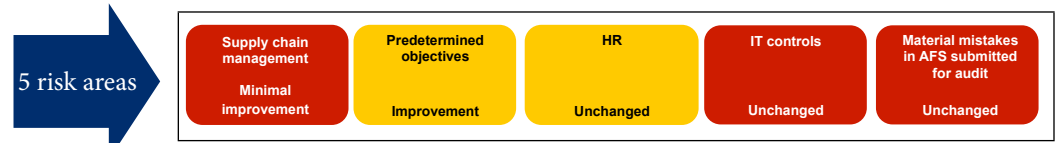


FOREWORD

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

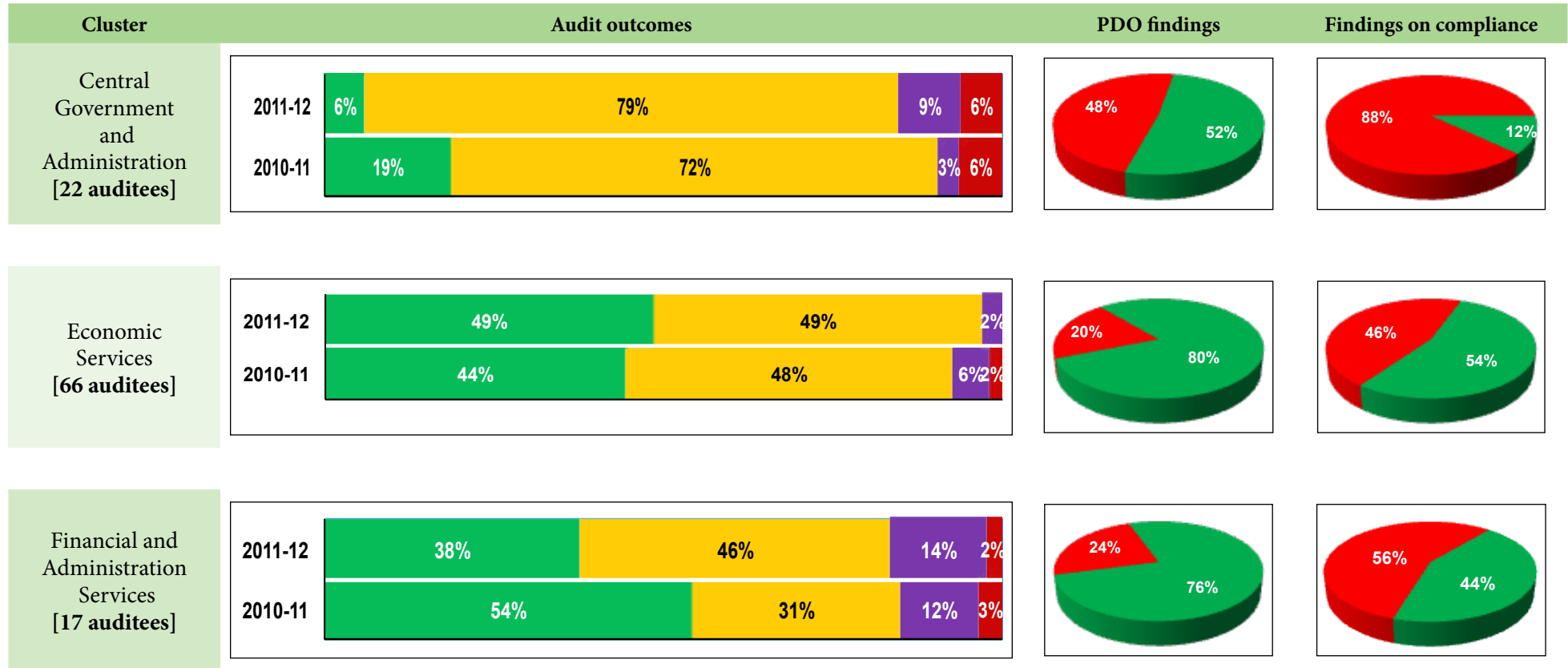


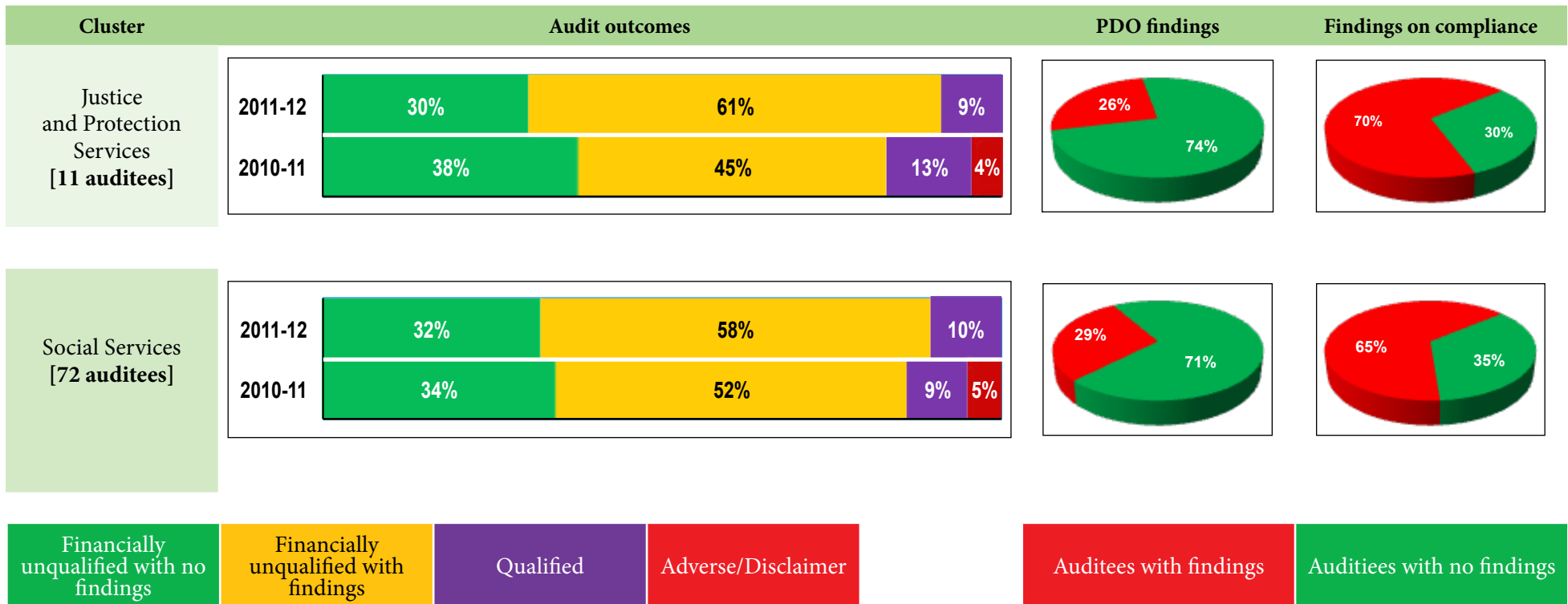
KEY ASPECTS OF AUDIT OUTCOMES OF GOVERNMENT CLUSTERS AND MINISTERIAL PORTFOLIOS

PART 2: AUDIT OUTCOMES OF MINISTERIAL PORTFOLIOS

SECTION 2.1: KEY ASPECTS OF AUDIT OUTCOMES OF GOVERNMENT CLUSTERS AND MINISTERIAL PORTFOLIOS

This section of the general report presents the 2011-12 audit outcomes of government clusters.





The audit outcomes of individual departments within these clusters as well as the status of the five risk areas at March 2012 are summarised below.

Cluster	Audit opinions on national departments' financial statements	Focus area findings				
		Material errors in AFS submitted for audit No		Supply chain management Some improvement	IT controls No improvement	HR Regressed
Central Government Administration [9 Departments]	The Presidency	•	•	•	•	•
	Parliament of the Republic of South Africa	•	•	•	•	•
	Cooperative Governance and Traditional Affairs	•	•	•	•	•
	Government Communications and Information System	•	•	•	•	•
	Home Affairs	•	•	•	•	•
	International Relations and Cooperation	•	•	•	•	•
	Performance Monitoring and Evaluation	•	•	•	•	•
	Public Works	•	•	•	•	•
	Women, Children and Persons with Disabilities	•	•	•	•	•
Financial and Administrative Services [4 Departments]	National Treasury (Finance)	•	•	•	•	•
	Public Enterprises	•	•	•	•	•
	Public Service and Administration	•	•	•	•	•
	Statistics South Africa	•	•	•	•	•

Cluster	Audit opinions on national departments' financial statements	Focus area findings				
		Material errors in AFS submitted for audit No		Supply chain management Some improvement	IT controls No improvement	HR Regressed
Social Services [7 Departments]	Arts and Culture	•	•	•	•	•
	Basic Education	•	•	•	•	•
	Health	•	•	•	•	•
	Higher Education and Training	•	•	•	•	•
	Labour	•	•	•	•	•
	Social Development	•	•	•	•	•
	Sport and Recreation South Africa	•	•	•	•	•
Justice and Protection Services [5 Departments]	Correctional Services	•	•	•	•	•
	Defence and Military Veterans	•	•	•	•	•
	Independent Complaints Directorate	•	•	•	•	•
	Justice and Constitutional Development	•	•	•	•	•
	Police	•	•	•	•	•



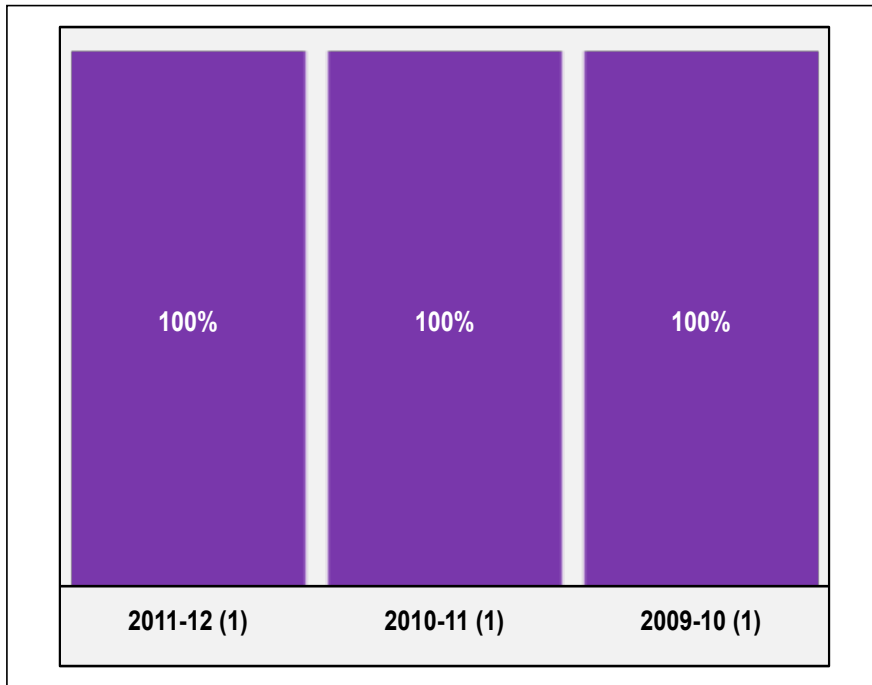
AUDIT OUTCOMES OF THE JUSTICE AND PROTECTION SERVICES

2.2.4 JUSTICE AND PROTECTION SERVICES



VOTE 21: CORRECTIONAL SERVICES

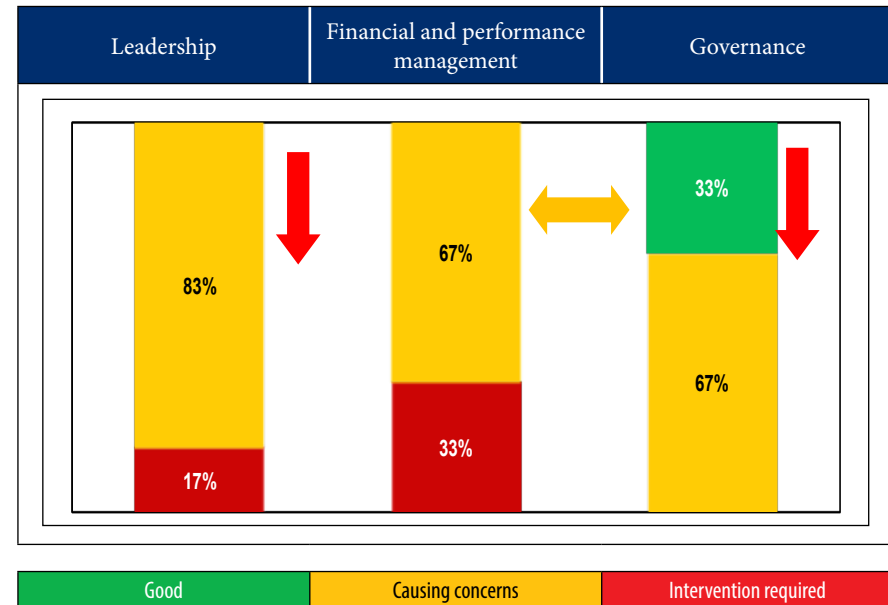
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

People: Vacancy and instability in key leadership positions
Inability of leaders to provide effective leadership and /or to successfully manage projects/teams/deliverables
Lack of financial and performance management skills

Accountability: Accountability not accepted for actions and outcomes
Responsibility for commitments not taken seriously
Lack of consequences for poor performance
Lack of consequences for transgressions

Sustainability: Implementing short term solutions to improve audit outcomes
Inadequate discipline of credible monthly reporting on financial, performance and compliance

Legend
(Audit outcomes)

Qualified

VOTE 21: CORRECTIONAL SERVICES

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

The audit outcomes of Department of Correctional Services (DCS) for the 2011-12 financial year remained unchanged with a financially qualified opinion on tangible major and minor assets and with findings on compliance and predetermined objectives. The department is still trying to address issues relating to the existence and completeness of assets recorded in its asset register, compliance and predetermined objectives.

Risk and focus areas

The department should focus on addressing the weaknesses identified in its asset register. These actions would include ensuring that the assets on hand agree to the assets recorded in the asset register and that the values of the assets as per the asset register are substantiated with supporting documents. Manual reconciliation of the Logis system should be monitored and reviewed regularly to avoid duplication of assets when there is an internal transfer of assets in the department. The departments should also ensure the implementation of proper control systems for safeguarding and maintenance of assets to prevent theft, losses, wastage and misuse.

In the area of compliance, measures should be implemented to ensure compliance with SCM regulations to prevent irregular and fruitless and wasteful expenditure. Management must ensure that creditors are settled within 30 days as required by the PFMA. Proper monitoring by management to ensure payments made in advance are not in contravention of stipulations in the contract. Management should institute controls to ensure that officials do not abuse sick leave and that overtime is claimed as per the Public Service Regulations. The department must implement measures to ensure that the financial statements submitted for audit are adequately reviewed and supported by relevant evidence before submission to the auditors. For revenue management the department must implement controls to ensure that long-outstanding debtors are written off or recovered from the relevant officials.

For PDO the department should implement controls to ensure that the information reported is supported by relevant documentation. The department must also ensure that the indicators as per the strategic plan are aligned to the indicators in the annual performance plan.

Weaknesses were identified in the IT environment which included a lack of a proper IT governance framework to enable the department to support and enable the business, deliver value and improve performance. The department should focus on implementing an IT governance framework.

VOTE 21: CORRECTIONAL SERVICES

Status of key controls and root causes of audit outcomes

In the area of people the key root causes that contributed to the audit outcomes of the department include vacancies and instability in key leadership positions and the inability of some leaders to provide effective leadership and/or to successfully manage projects/teams/deliverables and, in some instances, a lack of Financial and performance management skills.

Accountability was mostly not accepted for actions and outcomes and responsibility for commitments seemed not to be taken seriously. There was also, generally, a lack of consequences for poor performance and transgressions.

The department implemented short-term solutions to improve audit outcomes but there was also a lack of adequate discipline to ensure credible monthly reporting.

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
Impact of quarterly discussions with the executive authority			
<p>The AGSA leadership met with the executive authority four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The audit outcomes for the current year can be attributed to a lack of skills and staff in the Asset management unit. Even though commitments were made by the minister, the department was only able to fill its vacancies towards the end of the financial year, therefore the department will only be able to address the audit findings in the 2013-14 financial year.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DCS provides some level of assurance.</p>			■
Previous commitments			
Commitment to address qualification on assets during the financial year			■
Commitment to reduce the material losses in state vehicles	■		
Commitment to reduce the material underspending of budget			■
Commitment to ensure that all long-outstanding debts are prioritised and paid timeously			■
Commitment to strengthen internal controls		■	

VOTE 21: CORRECTIONAL SERVICES

New

Commitment to address internal control deficiencies in IT environment, performance reporting and HR management .

Commitment to enhance the impact on service delivery.

NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT IN PORTFOLIO

VOTE 21: CORRECTIONAL SERVICES

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas	Findings on predetermined objectives				Findings on areas of non-compliance							
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset and liability management	Expenditure management	Strategic planning and performance management	Revenue management	Unauthorised, irregular, as well as fruitless and wasteful expenditure
	Department of Correctional Services	Qualified	Findings	Findings	Qualified	Findings	Findings	R	R	R			N	R	N	N	R	R	N	N

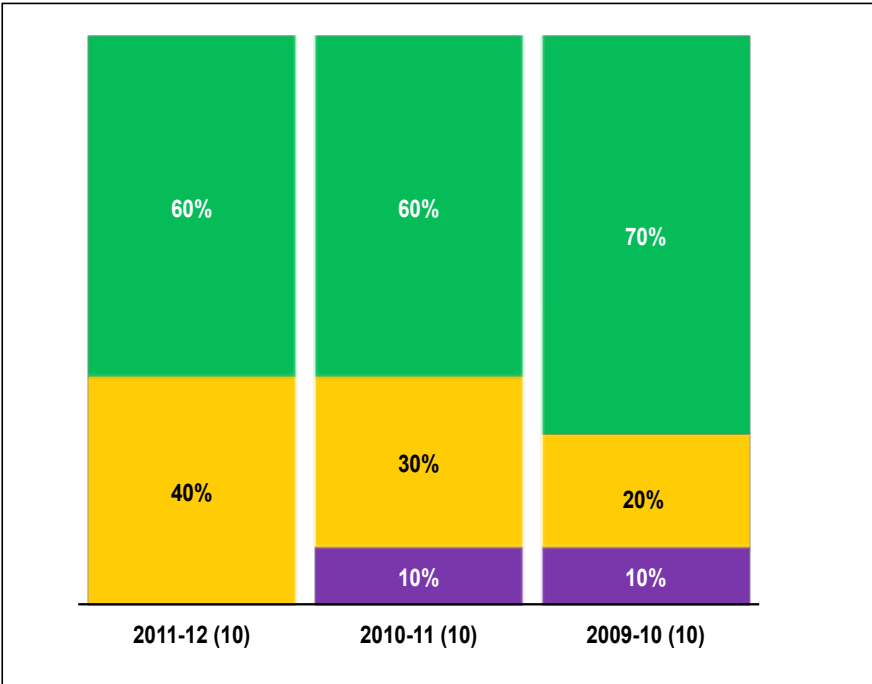
Legend (Audit outcomes)	Qualified	Findings
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Legend (Findings)	New	Repeat
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VOTE 22: DEFENCE AND MILITARY VETERANS

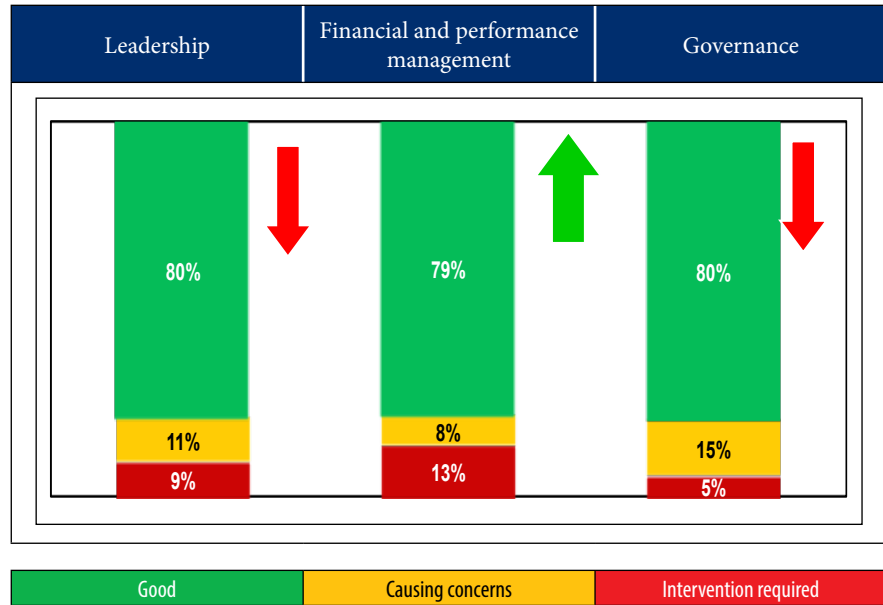
Three-year progress towards clean audits



5 risk areas

Supply chain management Minimal improvement	Predetermined objectives No improvement	Human resource management No improvement	IT controls No improvement	Material errors omissions in AFS No improvement
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Key controls



Root causes

Leadership: Inadequate oversight responsibility regarding financial reporting over capital assets, compliance and related internal controls

Financial and performance management : Inadequate record keeping to support accurate and complete financial reporting

Governance: The department is still in the process of capacitating the Internal audit component

Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified
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VOTE 22: DEFENCE AND MILITARY VETERANS

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

During the 2011-12 financial year, the portfolio showed an overall improvement in audit outcomes. After many years, more specifically during the past three years, the Department of Defence and Military Veterans (DOD) made considerable progress towards a clean audit and achieved a financially unqualified opinion with findings on non-compliance.

The South African National Defence Force Fund (SANDF Fund) outcome improved from financially unqualified with findings to financially unqualified with no findings. The Castle Control Board (CCB) remained unchanged at financially unqualified with findings. The Armaments Corporation of South Africa (Armscor) regressed from financially unqualified with no findings to financially unqualified with findings on compliance. The regression related to the shareholders' compact not being concluded. The Armscor Defence Institute (ADI), Erasmusrand, Oospark, Sportrand and IMT remained unchanged at financially unqualified with no findings. The Special Defence Account (SDA) remained unchanged at financially unqualified with findings.

The main reason for the overall improvement in the portfolio is the increased ministerial commitment and involvement, as well as the extensive commitment from the asset management team of the DOD. Frequent interactions and guidance by the AGSA audit team also contributed to the positive outcomes.

Risk/focus areas

In respect of tangible and intangible assets the department has to ensure that the positive audit outcomes achieved during 2011-12 are sustained.

In terms of the departure granted by the Accountant General, only immovable, transport and specialised military assets need to be disclosed in the financial statements for the 2011-12 financial year. The departure was also granted subject to the development of an action plan to enable the department to fully disclose all categories of assets for the 2012-13 financial year. As full disclosure of all capital assets will be required as from 2012-13, the above action plans will have to be implemented and monitored to ensure compliance with the departmental reporting framework.

With regard to supply chain management the DOD must ensure compliance with SCM policies and monitoring thereof. The DOD commenced with the roll-out of the revised SCM policies during November 2012. This process as well as compliance with the policy should be closely monitored.

In respect of predetermined objectives, the corporate policy approved during April 2012 must be rolled out to the lowest levels in the department and monitored at all levels to ensure that material changes to the performance report are not required during audit. Targets must be well defined and rolled down to the lowest level to ensure that there is a consistent understanding of the targets and the information to be reported. Quarterly reports must be evaluated by management and Internal audit before submission to the Audit committee and the Minister.

Inadequate monitoring and controls over the compilation of the annual financial statements resulted in material adjustments to capital assets in the annual financial statements submitted for audit.

In respect of compliance, Internal audit was not fully operational and appropriately staffed. There were also compliance findings in respect of human resources.

In the IT environment there were inadequate policies, security management, control over data integrity, change management, as well as contingency plans. The DOD as well as Armscor had outdated legacy systems which need to be replaced.

VOTE 22: DEFENCE AND MILITARY VETERANS

Status of key controls and root causes of audit outcomes

In the area of accountability, the department had inadequate controls and a lack of accountability for record keeping. As a result there were material changes to the financial statements and performance report submitted on 31 May. There was inadequate monitoring of controls to ensure full adherence to the treasury regulation requirements for Armscor, SDA and the Castle Control Board.

With regard to sustainability, the department's monthly and quarterly reconciliation of financial and performance information, monitoring controls and standard operating procedures were not adequate to ensure sustainability. For the public entities the root causes mainly relate the non-compliance with policies and procedures, inadequate review and monitoring of financial and performance information, and a lack of credible monthly reporting on financial, performance and compliance.

Oversight and Governance of PFMA Schedule 2 public entities

Oversight procedures were conducted at the department for Armscor. The department has established a unit which facilitates the oversight and governance function at its public entities. The department did not provide policies and procedures to monitor, detect and mitigate risks affecting the business of the public entity; however, a service level agreement was in place to regulate interactions, procurement and sale of strategic armaments. No other material findings were noted.

Commitments and initiatives by minister

Impact on 2011-12 audit outcomes

Significant impact

No impact

Limited impact

Impact of quarterly discussions with the executive authority

The AGSA leadership met with the executive authority eight times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards and the prior year audit outcomes, especially the capital assets. The former minister had honoured all the commitments to monitor action plans developed by the department. Furthermore, the former minister made herself available as and when deemed necessary to meet with the AGSA team during the period July 2011 to June 2012, where possible areas of internal key control concerns, risks and progress were discussed. The former minister also made herself available to engage with senior officials and regularly received feedback from department staff on progress made with action plans.

The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DOD provides the required level of assurance.

Previous year commitments

The former minister undertook to actively monitor the action plan for capital assets. She was actively involved in the monitoring of action plans, resulting in an unqualified audit opinion.

VOTE 22: DEFENCE AND MILITARY VETERANS

New commitments

The current minister undertook to follow up quarterly on the key control assessment and related matters as well as the action plans pertaining to capital assets and predetermined objectives. She also committed to sustain the achievements made on accounting for capital assets (immovable, transport and specialised military assets) and to improve governance within the DOD.

NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO

VOTE 22: DEFENCE AND MILITARY VETERANS

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas	Findings on predetermined objectives				Findings on areas of non-compliance													
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Unauthorised, irregular, as well as fruitless and wasteful expenditure	AFS (Not submitted for auditing within 2 months)	Procurement and contract management	Human resource management	Internal audit	Audit committee	Expenditure management	Budget	Financial misconduct	Asset management	Strategic planning and performance management	Annual financial statements and annual report	
Department of Defence and Military Veterans							A					R	A		R	R	R		A		A	A	N			
Reporting auditees																										
1	Armaments Corporation of SA (SOC) Ltd																							N		
2	Armscor Defence Institutes (SOC) Ltd																									
3	Erasmusrand Eiendomme (SOC) Ltd																									
4	Institute for Maritime Technology (SOC) Ltd																									
5	Oospark (SOC) Ltd																									
6	South African National Defence Force Fund																							A		
7	Special Defence Account													A	A							N				
8	Sportsrand (SOC) Ltd																									
9	Castle Control Board										N	N			A				N		N		A	R		

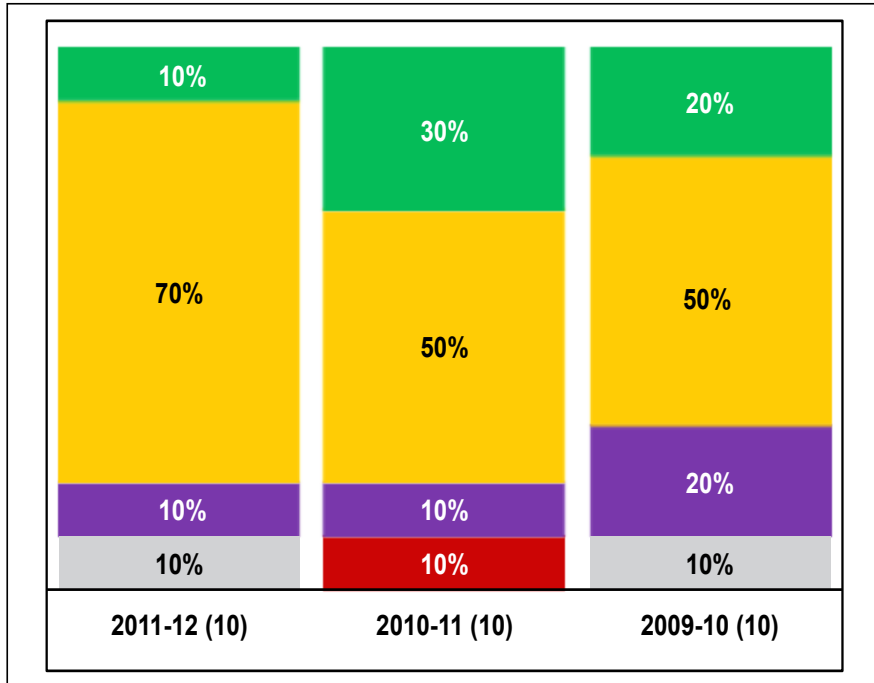
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Findings
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Legend (Findings)	Addressed	New	Repeat
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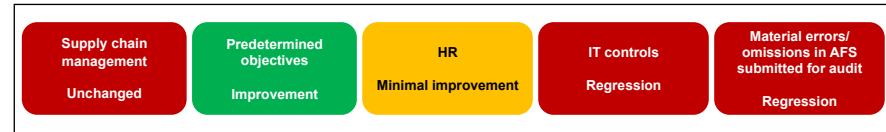


VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

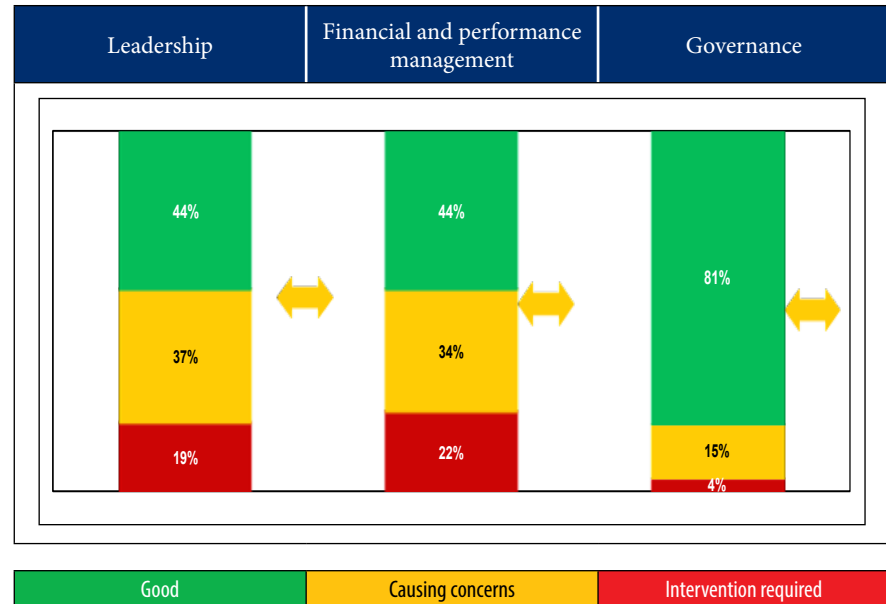
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

In year monitoring of financial and performance reporting as well as compliance with laws and regulations are inadequate and recurring transgressions are not timeously investigated to hold people accountable.

Key messages communicated throughout the audit process are not taken seriously and/or are not actioned immediately or decisively by management .

Inadequate review of financial statements by senior leadership and those charged with governance prior to submission for auditing.



VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

The audit outcomes for this portfolio have regressed. The majority of reports are in the category of financially unqualified with other findings. Regressions were recorded for Legal Aid South Africa (LASA) and the Guardian's Fund. The only qualified report relates to the Department of Justice and Constitutional Development (DoJ&CD), which recorded only one qualification matter affecting various line items on the financial statements, namely departmental revenue, receivables for departmental revenue, provisions and contingent liabilities. This was mainly due to the inadequacy of internal controls and information technology systems to ensure proper controls and financial reporting with respect to its relationship with the Third Party Funds (TPF). The TPF audit for 2011-12 was not performed as financial statements had not yet been submitted for auditing. Financial statements were received during March 2012 for the 2010-11 financial year and a disclaimed audit opinion was issued.

With respect to the regressions, findings were raised at LASA on non-compliance with SCM prescripts, which led to the identification and disclosure of irregular expenditure. The Guardian's Fund financial statements contained material misstatements which were corrected as a result of the audit process after submission of financial statements for auditing. Previous findings on reporting of performance against predetermined objectives by the DoJ&CD have been addressed.

Risk/focus areas

The key challenge for the movement of audit outcomes towards clean administration remains primarily in the areas of submission of financial statements which are free from material misstatements, compliance with sSCM prescripts and regulations and guidance on managing and reporting on performance against predetermined objectives. Minimal improvements in addressing previous Human resource management findings have been noted and the IT controls review revealed a regression in IT controls.

The DoJ&CD and its related entities should continue to focus on implementing monthly controls to avoid material corrections to the financial statements. These controls should include proper record keeping and full monthly financial statements.

The leadership should focus on preventative controls to ensure that non-compliance findings on supply chain management are eliminated, thereby preventing irregular expenditure.

Status of key controls and root causes of audit outcomes

The key focus areas in internal controls that should be addressed relate mainly to oversight by leadership of financial and performance management and compliance with laws and regulations, in-year monitoring of action plans, budgets and financial statements, as well as proper records management to ensure documentation requested for auditing is easily retrievable.

The root causes of the lack of improvement in audit outcomes are inadequate review of financial statements by senior leadership and those charged with governance prior to submission for auditing; key messages communicated throughout the audit process which were not taken seriously and/or are not actioned immediately or decisively by management; inadequate in-year monitoring of financial and performance reporting and compliance with laws and regulations; recurring transgressions which are not timeously investigated to hold people accountable; and inadequacies in IT systems to ensure proper financial reporting, specifically with regards to the TPF.

VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
Impact of quarterly discussions with the executive authority			
<p>The AGSA leadership met with the executive authority once during the 2011-12 financial year. The discussions focused on the weaknesses reported as per the key control dashboards as well as the prior year qualification areas.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of the DoJ&CD does not fully meet the required level of assurance.</p>			■
Previous year			
The Minister of the DoJ&CD undertook to support the department in appointing skilled staff in key positions so that the department could function effectively to address areas on concern, including supply chain management .			■
The Minister of the DoJ&CD undertook to ensure that financial statements are submitted for TPF.			■
The Minister of the DoJ&CD undertook to ensure that the accounting system matters of TPF were resolved within the next two years.		■	
New			
The Minister of the DoJ&CD committed to ensure that vacancies at the department are filled within a short space of time after the vacancy arises, especially at senior management level.			
The Minister of the DoJ&CD undertook to ensure that the CFO of the department takes control of SCM and Asset management reporting functions and reports to the accounting officer on a monthly basis with a view to corrective action. Recurring non-compliance will be investigated and action taken against the relevant officials.			
The Minister of the DoJ&CD undertook to strengthen reporting on quarterly performance against predetermined objectives, with the involvement of Internal audit, and to ensure credibility of reported information. The Performance management system will be utilised effectively to facilitate collation and consolidation of information from the various line functions and regions.			
The Minister of the DoJ&CD undertook to prioritise upgrading and/or replacement of ageing and redundant IT systems, e.g. JDAS (Third Party Funds), GFS (Guardian's Fund), etc. in order to ensure proper financial reporting and preparation of credible financial statements.			

VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

Constitutional institutions

The audit outcomes with respect to the two constitutional institutions, namely the South African Human Rights Commission and the Public Protector of South Africa, remained financially unqualified with other findings on compliance with laws and regulations. There was improvement in reporting of performance against predetermined objectives by the South African Human Rights Commission. The key challenge for the movement of audit outcomes towards clean administration remains primarily in the areas of submission of financial statements which are free from material misstatements and compliance with SCM prescripts. The executive authorities of these institutions should focus on improving the key controls which impact on these areas, including the requirement to prepare full monthly financial statements that are properly reviewed by management and those charged with governance.

NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENT AND PUBLIC ENTITIES IN PORTFOLIO

VOTE 24: JUSTICE AND CONSTITUTIONAL DEVELOPMENT

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas					Findings on predetermined objectives				Findings on areas of non-compliance							
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Revenue	Other disclosure items	Irregular expenditure	Current assets	Liabilities	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Material misstatement/limitations in submitted annual financial statements	Procurement and contract management	Human resource management	Asset management	Expenditure management	Revenue management	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Strategic planning and performance management
1	Department of Justice and Constitutional Development						R	R	A	R	R	A	A			R	R	R	R	R	R	N	R	
Reporting auditees																								
2	Criminal Assets Recovery Account															R								
3	Guardian's Fund															N								
4	Special Investigating Unit											R	N			R	R		N			R	N	
5	Third Party Funds																							
6	Legal Aid South Africa																N					N		
7	The Public Protector of South Africa												A			R				R				
8	President's Fund																							
9	South African Human Rights Commission													A		R	R						R	
10	National Prosecuting Authority															R	R	A		R		R		

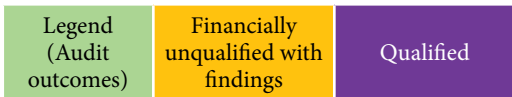
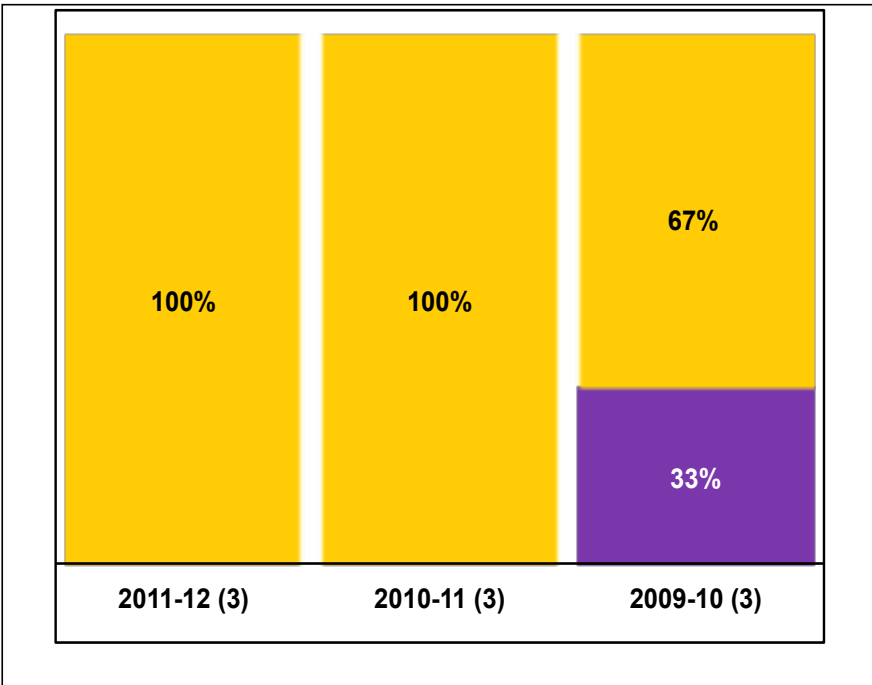
Legend (Audit outcomes)	Financially unqualified with no findings	Financially unqualified with findings	Qualified	Disclaimer	Audit outstanding	Findings
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Legend (Findings)	Addressed	New	Repeat
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VOTE 25: POLICE

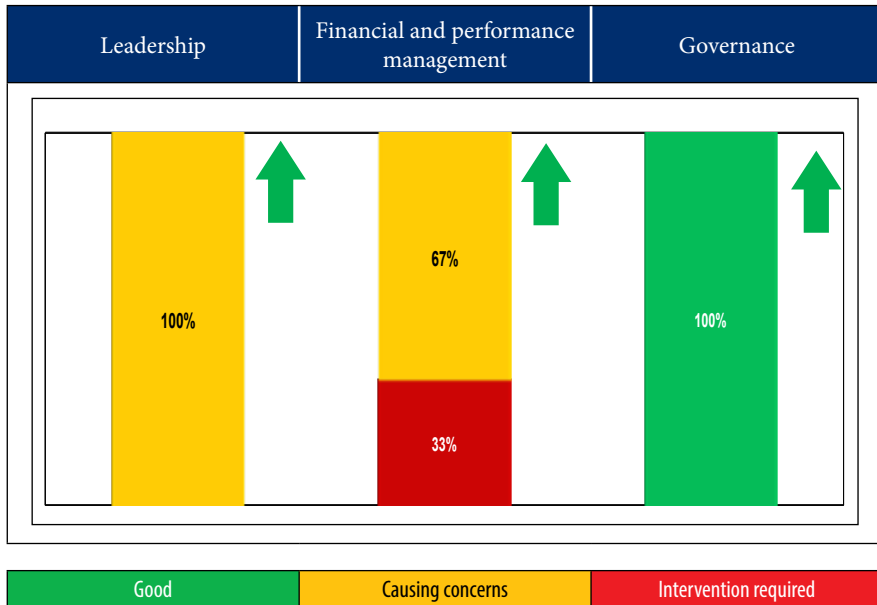
Three-year progress towards clean audits



5 risk areas



Key controls



Root causes

- Inability of leaders at provincial/station level to effectively monitor performance information
- Accountability not accepted for actions and outcomes not known to lower levels
- Inadequate discipline to ensure credible monthly performance information

VOTE 25: POLICE

SIGNIFICANT ASPECTS OF THE AUDIT OUTCOMES

Audit outcomes and key reasons for movements

The audit outcomes of the police portfolio remained the same as the previous year for all three auditees, i.e. the Department of Police (SAPS), Independent Complaints Directorate (ICD) and the Public Security Industry Regulatory Authority (PSIRA), all of which were financially unqualified with other findings on both compliance and performance information. The stagnation at SAPS was mainly as a result of inadequate discipline to monitor and review performance information, especially at station and provincial level.

Risk/focus areas

At all three auditees the leadership inadequately implemented the systems that support accurate and reliable performance information. ICD implemented a new system to track their performance information and the focus should now be on ensuring that all staff are adequately trained on the system, that it is used consistently and that the information is adequately monitored to ensure that information presented in the annual report is reliable.

The PSIRA resolved its HR findings of the previous year but should still pay attention to the effectiveness of its monitoring and review processes to prevent non-compliance and to avoid material corrections to its financial statements. We also found the strategic objectives not to be useful and management must ensure that targets are specific, time bound and measurable.

As in the previous year, we identified inadequate IT governance frameworks at all three auditees. The leadership should implement and enhance the IT control environment.

Notwithstanding an overall decrease in irregular, fruitless and wasteful expenditure, the portfolio should focus on the overall compliance with procurement processes. Three contracts were identified at SAPS which are currently under investigation to determine whether the expenditure should be regarded as irregular.

Status of key controls and root causes

Quarterly engagements between the AGSA and the executive had some impact as improvements were noted in respect of the effectiveness of internal controls. However, leadership and Performance management still require attention. During the year under review there was instability in the leadership with senior positions being vacant at SAPS and ICD, resulting in oversight being less effective.

VOTE 25: POLICE

Commitments and initiatives by minister	Impact on 2011-12 audit outcomes		
	Significant impact	No impact	Limited impact
Impact of quarterly discussions with the executive authority			
<p>The AGSA leadership met with the executive authority at least four times during the 2011-12 financial year. These discussions focused on the weaknesses reported as per the key control dashboards.</p> <p>The executive authority has a role in providing assurance in the public sector in terms of the combined assurance model. Based on our interactions, we assessed that the executive authority of SAPS provides some of the required level of assurance.</p>			■
Previous year			
<p>A commitment was made to a joint effort between SAPS and the AGSA to visit all the provinces. However, only three provinces were visited.</p>			■
New			
<p>The minister undertook to prioritise the joint AGSA and SAPS provincial visits to clarify roles and responsibilities at provincial level before the end of December 2012. These visits aim to enhance the reliability of performance information. It is recommended that performance agreements be aligned in terms of the clarified roles and that staff be held accountable for reporting inaccurate performance information.</p>			

VOTE 25: POLICE

NEXT PAGE: AUDIT OUTCOMES OF DEPARTMENTS AND PUBLIC ENTITY IN PORTFOLIO

VOTE 25: POLICE

Number	Auditee	2011-12 Audit outcomes			2010-11 Audit outcomes			Financial statement qualification areas			Findings on predetermined objectives				Findings on areas of non-compliance											
		Audit opinion	Predetermined objectives	Compliance with laws and regulations	Audit opinion	Predetermined objectives	Compliance with laws and regulations	Non-current assets	Current assets	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Other	Reported information not useful	Reported information not reliable	Information not submitted in time for audit	No annual performance report	Unauthorised, irregular, as well as fruitless and wasteful expenditure	Procurement and contract management	Strategic planning and performance management	Expenditure management	Revenue management	Budgets	Internal audit	Audit committee	HR management	Material misstatement/limitations in submitted annual financial statements	
1	Department of Police										R				A	A	R									A
2	Independent Complaints Directorate (ICD)										R							R						R		A
Reporting auditees																										
1	PSIRA									R					R	R	R		R	A	A	A				R

Legend (Audit outcomes)	Financially unqualified with findings	Findings
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Legend (Findings)	Addressed	Repeat
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overview of full report



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Consolidated general report on the 2011-12 national and provincial audit outcomes.

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