



AUDITOR - GENERAL
SOUTH AFRICA



18 September 2013

Auditing to build public confidence

Wits 4th year B.Acc lecture – Auditing in the public sector

Imran Vanker: National Leader Internal operations and Audit Support at Auditor General of South Africa

Reputation promise/mission



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

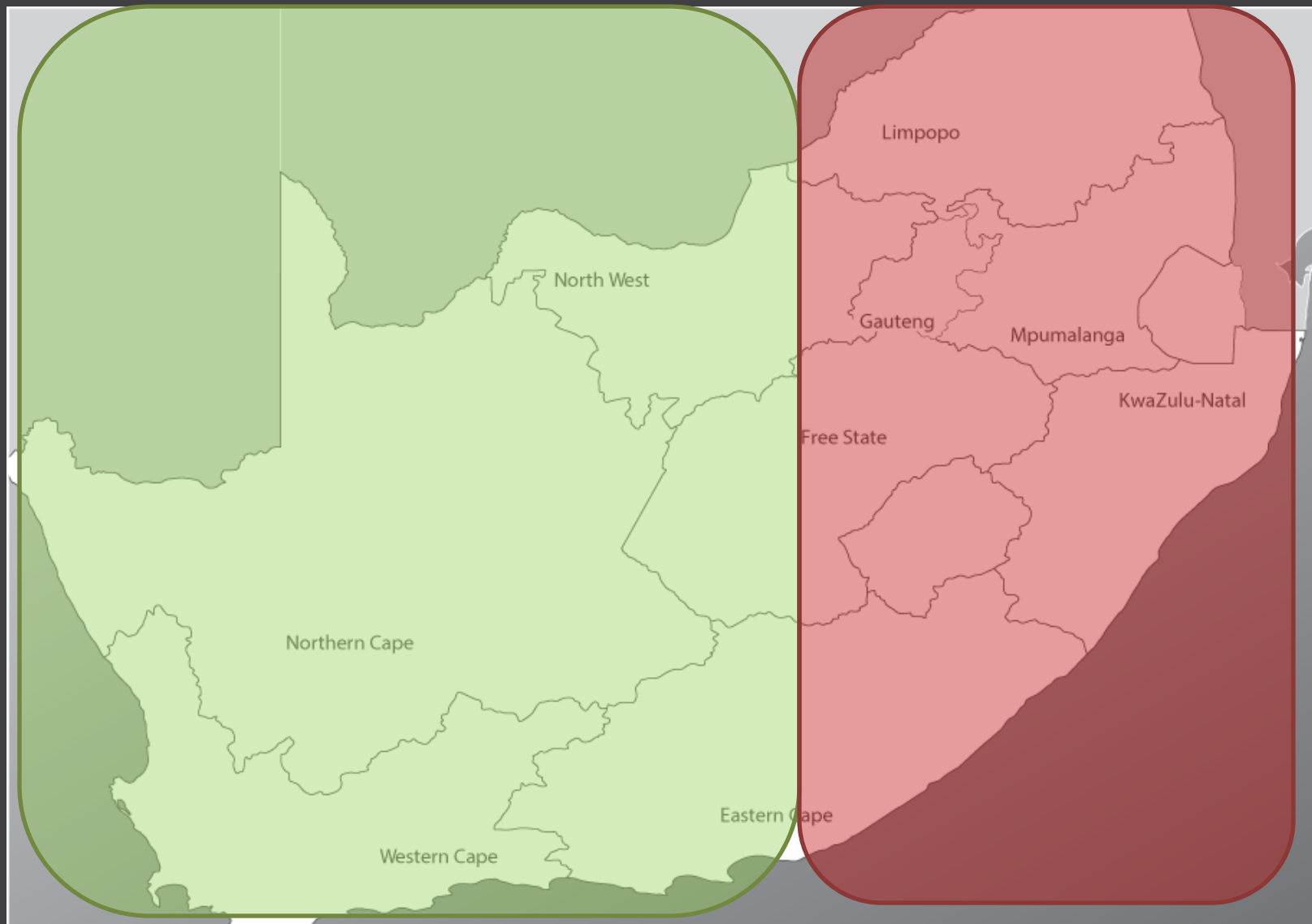




Why Public Sector?



South African Economy – Total GDP R3.5 trillion



Private Sector – R2.4 trillion

Public Sector – R1.1 trillion (32% of GDP)

Public Sector Spending – R1.1 trillion



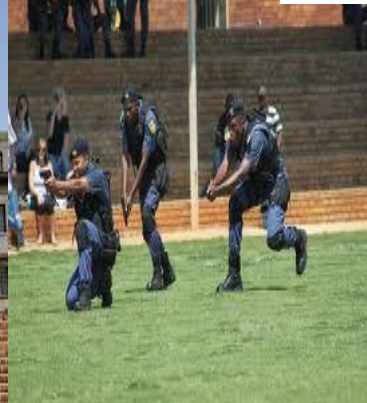
water affairs

Department:
Water and Environmental Affairs
REPUBLIC OF SOUTH AFRICA



the dti

Department:
Trade and Industry
REPUBLIC OF SOUTH AFRICA



national treasury

Department:
National Treasury
REPUBLIC OF SOUTH AFRICA



PARLIAMENT
OF THE REPUBLIC OF SOUTH AFRICA



SOUTH AFRICAN
AIRWAYS



LAND BANK

SARS

South African Revenue Service



Auditing to build public confidence



Auditing in the Public Sector



Making a
difference to the
lives of citizens

The auditing of government and public sector entities has a positive impact on trust in society, it focuses the minds of the custodians of public resources on how well they use those resources

Once SAIs' (Supreme Audit Institution) audit results have been made public, citizens are able to hold the custodians of public resources accountable .



Who is INTOSAI?



Chairman of INTOSAI
Governing Board

International Organisation of Supreme Audit Institutions (INTOSAI)
Established in 1953

Membership: 191 National SAIs (countries) and 4 associate members

ISSAIs - International Standards of Supreme Audit Institutions state the basic prerequisites for the proper functioning and professional conduct of Supreme Audit Institutions and the fundamental principles in auditing of government and public entities



INTOSAI – Heads/representatives of member SAIs (countries)



What is the purpose of public sector auditing?

- To enabling oversight, accountability and governance in the public sector
- Improve the lives of citizens/taxpayers

Private sector: To protect the financial interest of the Public and International Investors

ISSAI X: The International Standards of Supreme Audit Institutions, ISSAI, are issued by the International Organisation of Supreme

INTOSAI



ISSAI X: The value and benefits of Supreme Audit Institutions – Making a difference to the lives of citizens



Public Sector Auditing in SA - AGSA

- AGSA is empowered by the constitution (chapter 9 institution) and the Public Audit Act.
- Types of audits at AGSA:

Regularity Audits

Audit of:

- Financial statements
- Compliance with laws and regulations
- Pre-determined objectives

Non-regularity audits

- Performance Audits – (independent auditing process to evaluate the measures instituted by management to ensure that resources have been procured economically and are used efficiently and effectively)

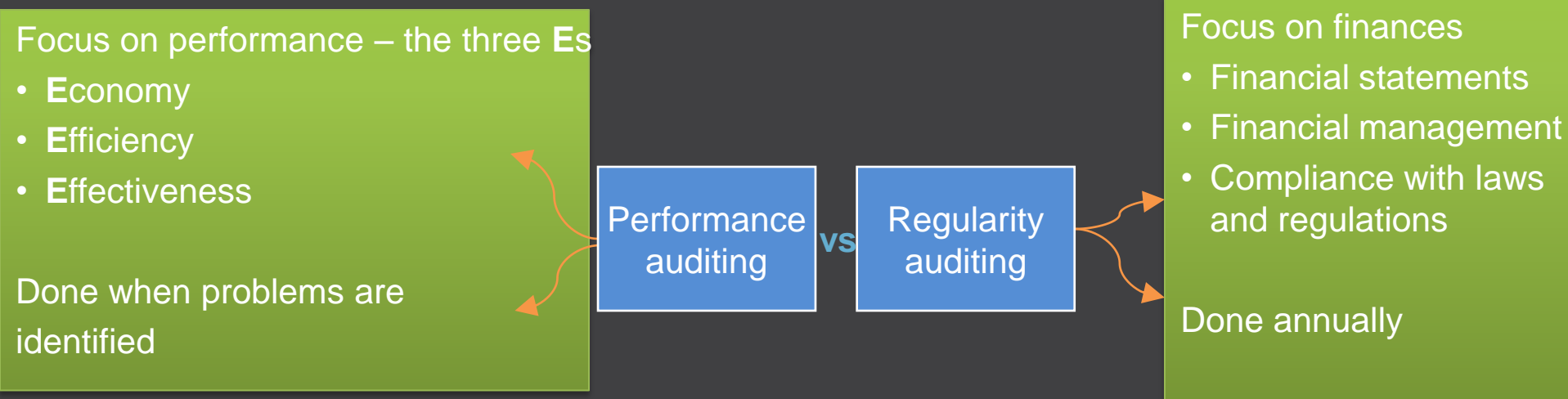


Performance Auditing



Section 195 (1)(b) of the Constitution of the Republic of South Africa states:
Public administration must be governed by the democratic values and principles enshrined in the Constitution, including the following principle(s):...
(b) Efficient, economic and effective use of resources must be promoted.

How do performance audits differ from other audits?



Audit procedures in the public sector

ISAs common
between private and
public sector

Regularity
audits

- ISAs (International Standards of Auditing) and ISSAIs

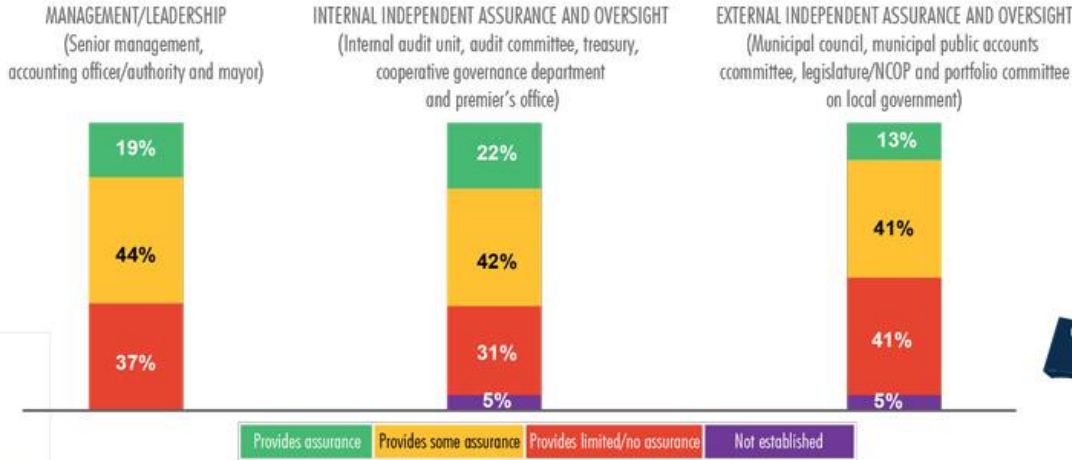
Performance
audits

- ISSAI 3000 and ISSAI 3001



Risk implications in the public sector auditing – Example MFMA audit outcomes

KEY ROLE PLAYERS NOT PROVIDING ASSURANCE



THE KEY ROLE PLAYERS NEED TO...

...TO ENSURE IMPROVED RESULTS...

...TAKE SOME VITAL ACTIONS...

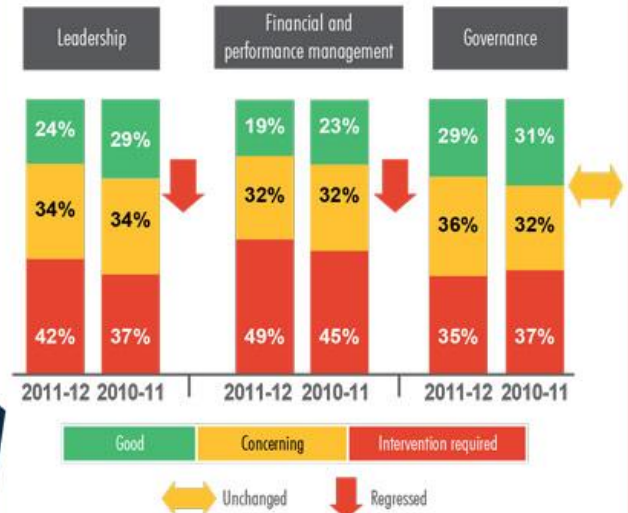
...IN SIX KEY AREAS...

KEY RISK AREAS NOT RECEIVING REQUIRED ATTENTION



Concerning Intervention required

DRIVERS OF KEY CONTROLS NOT IMPROVING



ROOT CAUSES NOT BEING ADDRESSED

Key positions vacant or key officials lacking appropriate competencies

A root cause at 73% of auditees (2010-11: 72%)

Lack of consequences for poor performance and transgressions

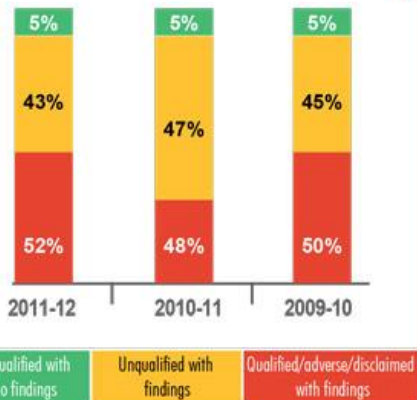
A root cause at 71% of auditees (2010-11: 73%)

Slow response by political leadership in addressing the root causes of poor audit outcomes

A root cause at 76% of auditees (2010-11: 57%)

Unchanged Regressed

REGRESSION IN AUDIT OUTCOMES



Unqualified with no findings Unqualified with findings Qualified/adverse/disclaimed with findings

Risk implications in the public sector auditing (Cont.)



- Audit outcomes may be misrepresented (inappropriate audit opinions/conclusions)

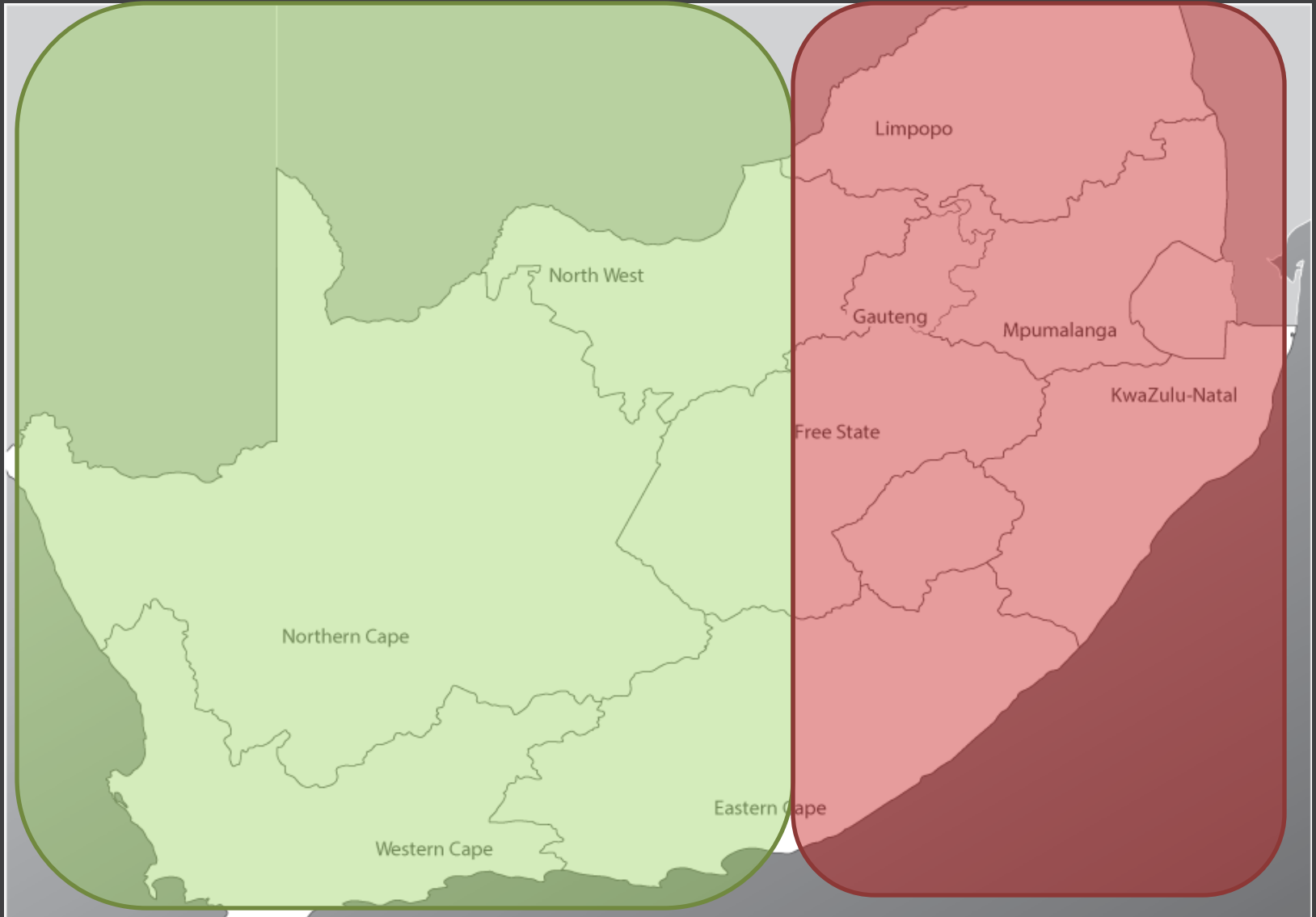
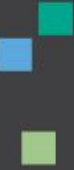
Similar to private sector

- Worsening or lack of improvement in audit outcomes, in which case auditing would be failing the citizens/taxpayers of this country. (Losing relevance to the citizens).

Can be mirrored to private sector risk of failing to add value



Why careers in the Public Sector?



Private Sector – R2.4 trillion

Public Sector – R1.1 trillion (32% of GDP)

Related reading material

1. The following ISSAI Exposure drafts available on <http://www.issai.org/> :
 - ISSAI 100 Fundamental Principles of Public Sector Auditing
 - ISSAI 200 Principles of Financial Auditing
 - ISSAI 300 Fundamental Principles of Performance Auditing
 - ISSAI 400 Fundamental Principles of Compliance Auditing
2. ISSAI X: The Value and benefits of Supreme Audit Institutions – making a difference to the lives of citizens (Available on www.agsa.co.za)
3. AG Audit Directive – Available on <http://www.agsa.co.za/Auditinformation/Auditguidelines/Auditdirective.aspx>
4. IRBA and AGSA Guidance for Auditing in the Public Sector Vol.1 – Available on www.irba.co.za/index.php/component/docman/doc_download/1246
5. Public Audit Act – available on <http://www.agsa.co.za/About/Legislation.aspx>





AUDITOR - GENERAL
SOUTH AFRICA



Auditing to build public confidence

Thank You

For further information on public sector auditing and the AGSA, please visit:

www.agsa.co.za