

# THE ROLE OF THE AUDITOR-GENERAL



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# REPUTATION PROMISE

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



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# WHAT DOES THE AUDITOR-GENERAL DO?



THE AG CHECKS THE SPENDING OF PUBLIC MONEY BY LOOKING AT WHETHER IT HAS BEEN USED IDEALLY AND FOR THE PURPOSES INTENDED.



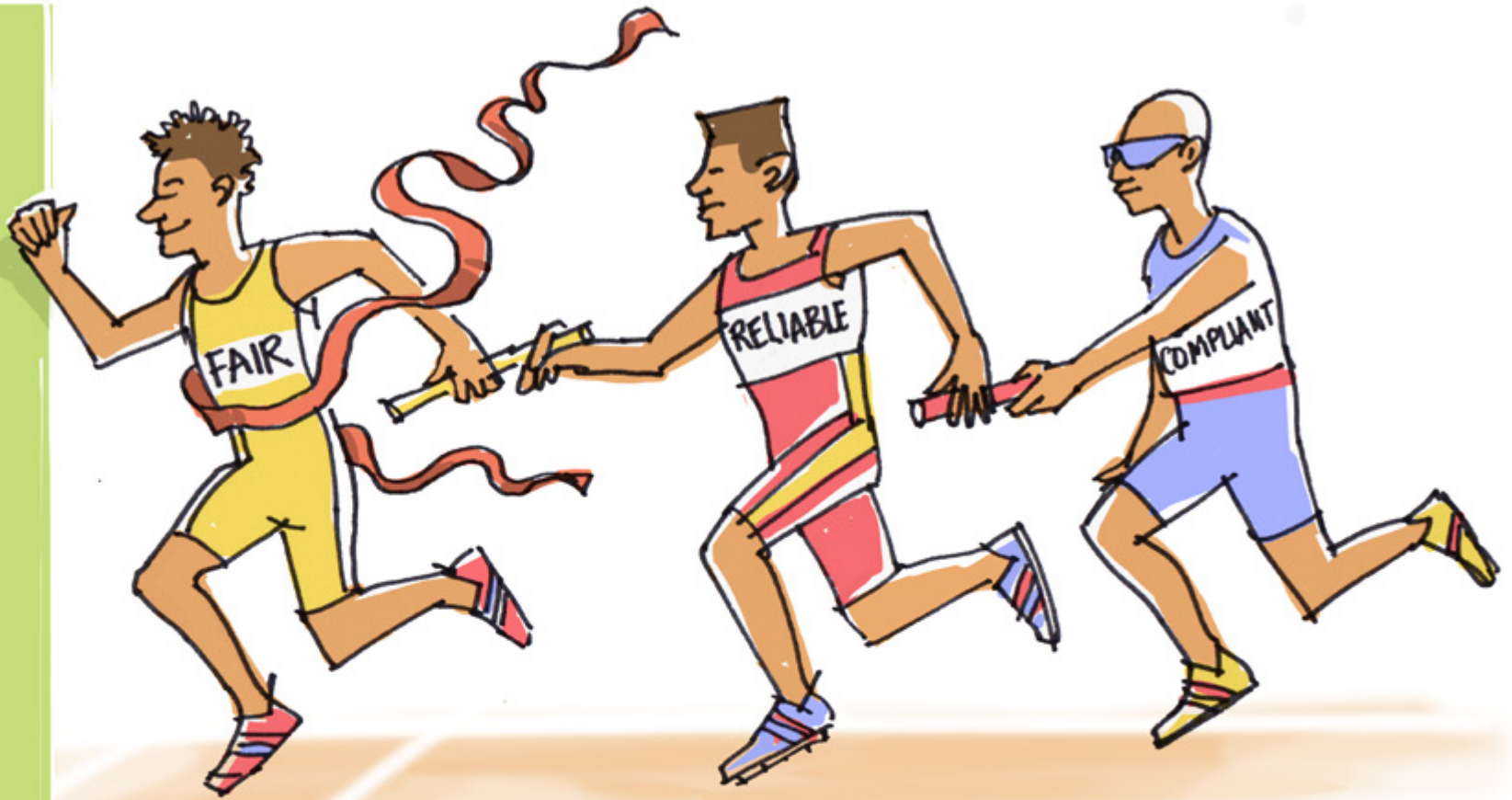
THIS IS DONE BY CHECKING ALL GOVERNMENT SPENDING YEARLY, AND THIS IS CALLED AN AUDIT.



THE AG'S  
ANNUAL  
AUDITS  
EXAMINE

3

AREAS:



1 FAIR PRESENTATION AND  
ABSENCE OF SIGNIFICANT  
MISSTATEMENTS IN  
FINANCIAL STATEMENTS

2 RELIABLE AND CREDIBLE  
PERFORMANCE  
INFORMATION FOR  
PREDETERMINED OBJECTIVES

3 COMPLIANCE WITH ALL  
LAWS AND REGULATIONS  
GOVERNING FINANCIAL  
MATTERS



## DIFFERENT OUTCOMES TO AN AUDIT

EACH ENTITY SUBMITS FINANCIAL STATEMENTS EVERY YEAR, WHICH THE AG AUDITS.



### A CLEAN AUDIT

*EVERYTHING DONE THE WAY IT SHOULD BE.*



### UNQUALIFIED AUDIT WITH FINDINGS

*NOT BAD, BUT COULD COMPROMISE ACCOUNTABILITY, IF NOT ALREADY DOING SO.*

### QUALIFIED AUDIT

*DID NOT MANAGE AND ACCOUNT FOR FINANCES TO ACHIEVE BEST RESULTS.*



### ADVERSE AUDIT

*LOTS OF PROBLEMS EVERYWHERE, AND NOTHING DONE ACCORDING TO CORRECT RULES AND PROCEDURES.*

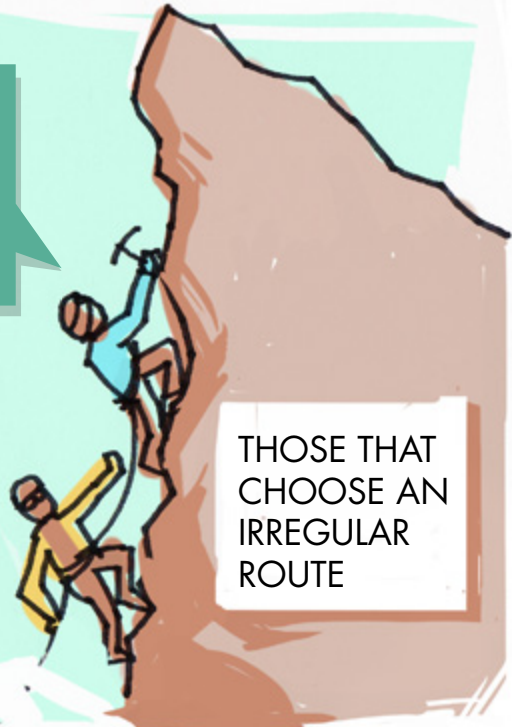


### DISCLAIMER

*THINGS WERE SO BAD, THEY COULDN'T EVEN PRODUCE RELIABLE EVIDENCE TO SUPPORT FINANCIAL STATEMENTS.*



MAYBE WE SHOULD HAVE GONE THE RIGHT WAY?



THOSE THAT CHOOSE AN IRREGULAR ROUTE

THOSE THAT DISREGARD ALL THE RULES AND PROCEDURES



HELP!

IDEAL AUDIT



THOSE THAT SPENT THE MONEY WITH CLEAN RECORDS TO PROVE IT.

THOSE THAT TOOK THE RIGHT ROUTE AND ACHIEVED A CLEAN AUDIT



WELL DONE GUYS! WE DID IT!

# IRREGULAR EXPENDITURE

AS A RESULT OF SIGNIFICANT BREAKDOWN IN CONTROLS, ENTITIES ENTERED INTO TRANSACTIONS THAT WERE NOT CARRIED OUT IN ACCORDANCE WITH REGULATIONS AND OTHER PRESCRIPTS.

THESE COULD BE GOODS AND SERVICES THAT WERE RECEIVED DESPITE THE NORMAL PROCESSES GOVERNING PROCUREMENT NOT BEING FOLLOWED;

DETOUR  
←

CONTROL  
→

?

IT'S NEVER ADVISABLE TO TAKE SHORT CUTS AS YOU MAY NOT REACH YOUR DESTINATION.

DEVIATING FROM A GIVEN ROUTE IS FULL OF RISKS.

AND IN OTHER INSTANCES WHERE NO PROOF WAS PRODUCED THAT THOSE GOODS AND SERVICES HAD BEEN RECEIVED.

# HOW DO WE IMPROVE GOVERNMENT SPENDING?





INTRODUCE  
DAILY CONTROL  
DISCIPLINES!



ENFORCE THE RULES  
OF ACCOUNTING



PRODUCE REGULAR  
PERFORMANCE REPORTS AND  
MANAGEMENT ACCOUNTS



EMPLOY STAFF WITH  
APPROPRIATE SKILLS



INTRODUCE  
ONE MANAGER  
FOR FINANCIAL  
CONTROL



THE MANAGEMENT TEAM KEEPING THE MONITORING OF THE FINANCIAL IMPROVEMENT PLAN ON ITS QUARTERLY MEETING AGENDA

THE ACCOUNTING OFFICER REVIEWING MANAGEMENT ACCOUNTS WITH THE CHIEF FINANCIAL OFFICER EVERY MONTH



- RESTORE PUBLIC CONFIDENCE
- KEEP PROPER RECORDS
- CONTROL DAILY PERFORMANCE
- REGULAR REVIEWS



# FREQUENTLY ASKED QUESTIONS

## Q. What is the role of the auditor-general?

A: The auditor-general (AG) is a person that is appointed by Parliament for a fixed term of between five and ten years to run the AGSA. The AG is the head of the organisation and accountable for the administration.

## Q. What is the role of the deputy auditor-general?

A: The deputy auditor-general (DAG) is the head of administration of the institution. He/she is responsible for the overall performance of the organisation and is directly accountable to the AG. The DAG is the accounting officer of the organisation.

## Q. What are the functions of the AGSA?

A: The AGSA audits and reports on the accounts, financial statements and financial management of:

- ♦ All national and provincial state departments and administrations
- ♦ Administration of Parliament and of each provincial legislation
- ♦ All municipalities and municipal entities
- ♦ All constitutional institutions
- ♦ Any other institution or accounting entity required by national or provincial legislation to be audited by the AGSA.

## Q. Is the AGSA governed by government?

A: The Constitution guarantees the independence of the AGSA from government and stipulates that the AGSA is subject only to the Constitution and the law.

## Q. Will the AGSA investigate a particular matter raised by a member of the public?

A: The AGSA may conduct investigations or special audits of institutions referred to in section 4(1) or (3) of the PAA, if the AG considers it to be in the public interest or upon the receipt of a complaint or request.

## Q. What types of audits does the AGSA conduct?

A: Mandatory audits and discretionary audits.

### MANDATORY AUDITS

#### *Regularity audit*

- ♦ Report on the financial statements
- ♦ Report on other legal and regulatory requirements
- ♦ Status of internal control pertaining to the above

### DISCRETIONARY AUDITS

#### *Investigations*

- ♦ Report on factual findings with regard to financial misconduct, maladministration and impropriety; based on allegations or matters of public interest

#### *Special audits*

- ♦ Report on factual findings, e.g. donor-funding certificates for legislative compliance

#### *Performance audits (including environmental audits)*

- ♦ Report on the economic, efficient and effective utilisation of scarce resources
- ♦ Report on the effect of policy implementation, excluding policy evaluation.



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