



MEDIA RELEASE

Auditing to build public confidence

13 November 2013

Auditor-General is optimistic as national, provincial departments and public entities improve their audit outcomes

CAPE TOWN – Releasing his general report, Auditor-General (AG) Terence Nombembe today said there has been a slight but welcome improvement in the 2012-13 audit outcomes of national and provincial departments as well as public entities.

According to Nombembe, these improvements speak to the opinions on financial statements, the quality of the annual performance reports and the degree of compliance with legislation. Even though there are some areas of concern, Nombembe ascribes this slight improvement to the commitment by those government leaders who have sought to ensure that their portfolios have tangible plans and systems in place to eliminate administrative deficiencies. “While some areas, such as non-compliance with legislation, remain a greater concern than others, we are starting to see the blossom and, in some cases, the fruit of leaders giving time and careful attention to the messages in previous audit reports,” he points out.

Nombembe also noted that South Africans could be celebrating a picture of even brighter audit outcomes, had all the departments and entities that achieved clean audit opinions in 2011-12 maintained these outcomes.

In the same vein, he said national and provincial departments and public entities have to strengthen basic internal controls and disciplines to improve the quality of their financial and performance reports – this is the key ingredient for clean audit outcomes.

The Auditor-General of South Africa (AGSA) annually produces audit reports on all government departments, public entities, municipalities and public institutions as part of its mandate to support the country’s constitutional democracy. These reports are tabled to Parliament, provincial legislatures or municipal councils to enable these structures to play their oversight role effectively.

The 2012-13 AG’s report indicates that of the 450 auditees whose audits were finalised (26 not finalised) by 31 August, 96 have improved while 61 regressed. The number of clean audit opinions for 2012-13 is 105 (22%). This total is made up of 24 departments and 81 public entities and constitutes a slight improvement from the 17% in the 2011-12 financial year (including audits finalised after the last general report).

Clean audit opinions are received when the financial statements are unqualified and no audit findings are reported in respect of either the annual performance report or non-compliance with legislation.

The need for sustainability

Nombembe is quick to caution that those departments and entities that had fared well needed to put equal or more effort into achieving the next feat – that of sustaining the clean audit status in the future.

He says this has been a challenge that government has faced over the years: auditees letting go of the audit gains they have worked diligently to achieve, only to regress to undesirable audit opinions the following year. The same applies to those who have, for years, received financially unqualified audit opinions but have not yet addressed the other matters raised by auditors.

For example, if all the auditees that achieved clean audit opinions in 2011-12 had maintained these outcomes and if the remainder with unqualified audit opinions with other matters had attended to the other audit issues highlighted by our office, South Africa would be celebrating a picture of even brighter audit outcomes today, he reflects.

In total, 190 auditees with unqualified audit opinions with other matters have been in this category for the past two years. The AG welcomed the additional 57 auditees that were able to improve to clean audit opinions since the previous year.

Strengthening basic internal controls and disciplines

The AGSA firmly believes that strengthening basic internal controls and disciplines will certainly go a long way in improving the audit outcomes of those entities that are struggling to improve the quality of their financial and performance reports. This will also prevent non-compliance with the relevant legislation.

Nombembe says internal controls and disciplines require the greatest amount of urgency. Even though his office is beginning to see small but welcome improvements in the audit opinions on financial statements and the quality of the annual service delivery reports, the degree of compliance with legislation still requires a much more concerted effort. This picture could be much more impressive, had all leaders been giving careful attention to and systematically addressing undesirable shortcomings in the internal control environment.

He says all executive and oversight leaders should continue to encourage the accounting officers to attend earnestly to the key daily and monthly duties of processing, monitoring and reporting. “The auditees that are perfecting these basic and standard disciplines are today counted among those that are leading the drive towards sustainable clean administration. We commend them, as their noble efforts in strengthening our country’s governance outlook will have positive results that will impact future generations,” he emphasised.

Government’s good governance interventions will increase momentum towards clean administration

During the media briefing to announce the audit results with high-ranking government and parliamentary leaders, Nombembe welcomed government’s continued commitments and endeavours to migrate towards good governance in the public sector. These include initiatives and pronouncements such as the decision to amend the Public Service Act and the recent launch of a national school of government by the Ministry of Public Service and Administration; the most welcomed cost-control and efficiency measures announced by the Finance Minister; as well as the Management Performance Assessment Tool championed by the Ministry of Performance, Monitoring and Evaluation, aimed at improving performance and service delivery.

When fully implemented, these and other initiatives “will definitely accelerate the momentum which is already gathering noticeable speed” towards clean administration in the public service, said the AG.

Institutionalise operating systems to arrest regressions and sustain uniformity

The AG says the inconsistent pattern in internal controls and audit outcomes can only be fully addressed when government standardises and institutionalises its standard operating procedures. In that way, he says, there will be uniformity throughout the public sector, and when new recruits join the public sector, for example, there will be standard guiding manuals on how to tackle critical administrative tasks in government.

“I am convinced that the roles played by the Governance cluster, National Treasury, the provincial treasuries and the Department of Public Service and Administration are crucial in this regard. My office’s assessment, which we have continuously shared with those charged with governance and oversight, is that those auditees that have developed and used standard operating manuals or procedures in tackling their administrative tasks have consistently produced positive audit outcomes and demonstrated good governance patterns. But where no standard manuals have been institutionalised, there tend to be administrative lapses and non-compliance with legislation, as there are no written guiding principles – everyone could interpret what needs to be done in different ways. If we do things the right way all the time, we will see more positive outcomes become the norm of government business,” the AG advised.

“Although the AGSA is privileged to assist towards clean administration, we are just part of a dedicated collective that ought to be sustained and even strengthened by the improvement of the relevant legislation and/or regulations that could amplify the importance of internal controls. The dawn of the oversight model that was researched and piloted by the fourth Parliament (through the Speakers’ Forum) equally presents opportunities for improved oversight and coordination of leadership efforts during the fifth and future parliaments,” signed off the AG.

End.

Issued by: Auditor-General of South Africa

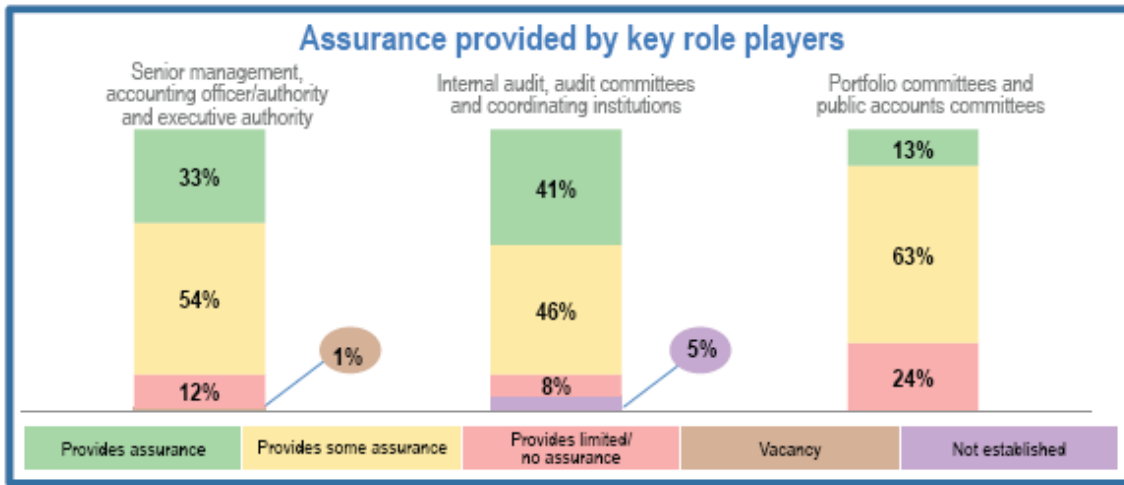
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Media note: The complete *General report on the PFMA audit outcomes of national and provincial government* is available on www.agsa.co.za.

About the AGSA: The AGSA is the country’s supreme audit institution. It is the only institution that, by law, has to audit and report on how government is spending taxpayers’ money. This has been the focus of the AGSA since its inception in 1911 – the organisation celebrated 100 years of public sector auditing in 2011.

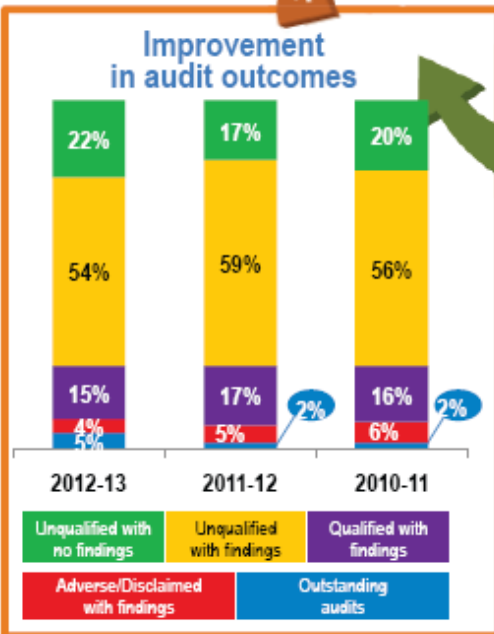
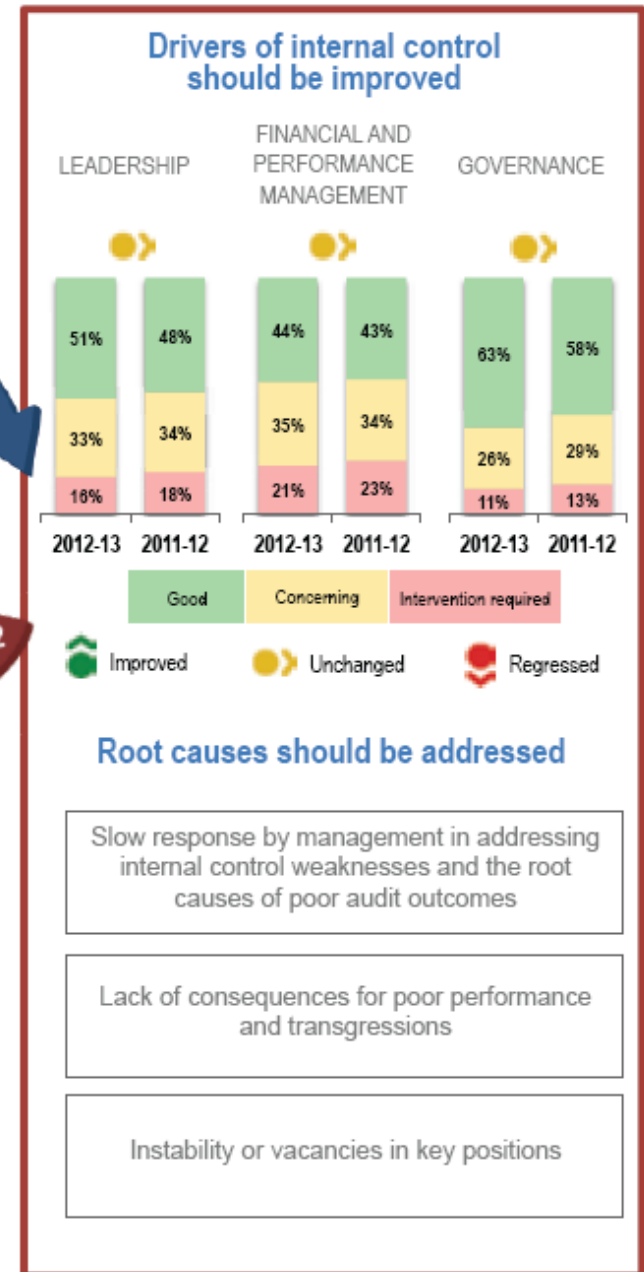


THE KEY ROLE PLAYERS NEED TO ...

... TO ENSURE IMPROVED RESULTS.

... TAKE SOME VITAL ACTIONS

... IN KEY AREAS ...



Movements of the 450 auditees reported on

		Unqualified with no findings	Unqualified with findings	Qualified with findings	Adverse or disclaimer with findings
96	Improved	57	31	8	n/a
283	Unchanged	45	190	38	10
61	Regressed	n/a	30	23	8
10	New auditees	3	6	1	-
450	Total auditees reported on	105	257	70	18
26	Outstanding audits – prior year opinion	2	5	3	6

Of the 26 outstanding audits, 10 audits were also outstanding in the 2011-12 financial year.

2012-13 PFMA

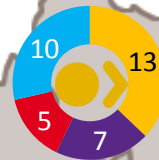
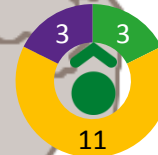
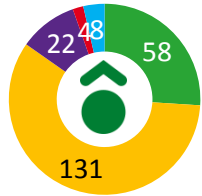
-  Unqualified with no findings
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-  Qualified with findings
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AUDITOR - GENERAL
SOUTH AFRICA

Overall audit outcomes

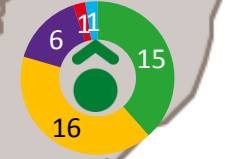
National



North West

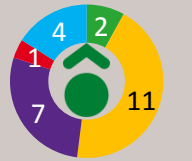


Free State



KwaZulu-Natal

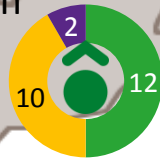
Northern Cape



Eastern Cape



Western Cape



- Unqualified with no findings
- Unqualified with findings
- Qualified with findings
- Adverse or disclaimer with findings
- Audits outstanding
- ↑ Improved
- ➔ Stagnant or little progress
- ↓ Regressed

