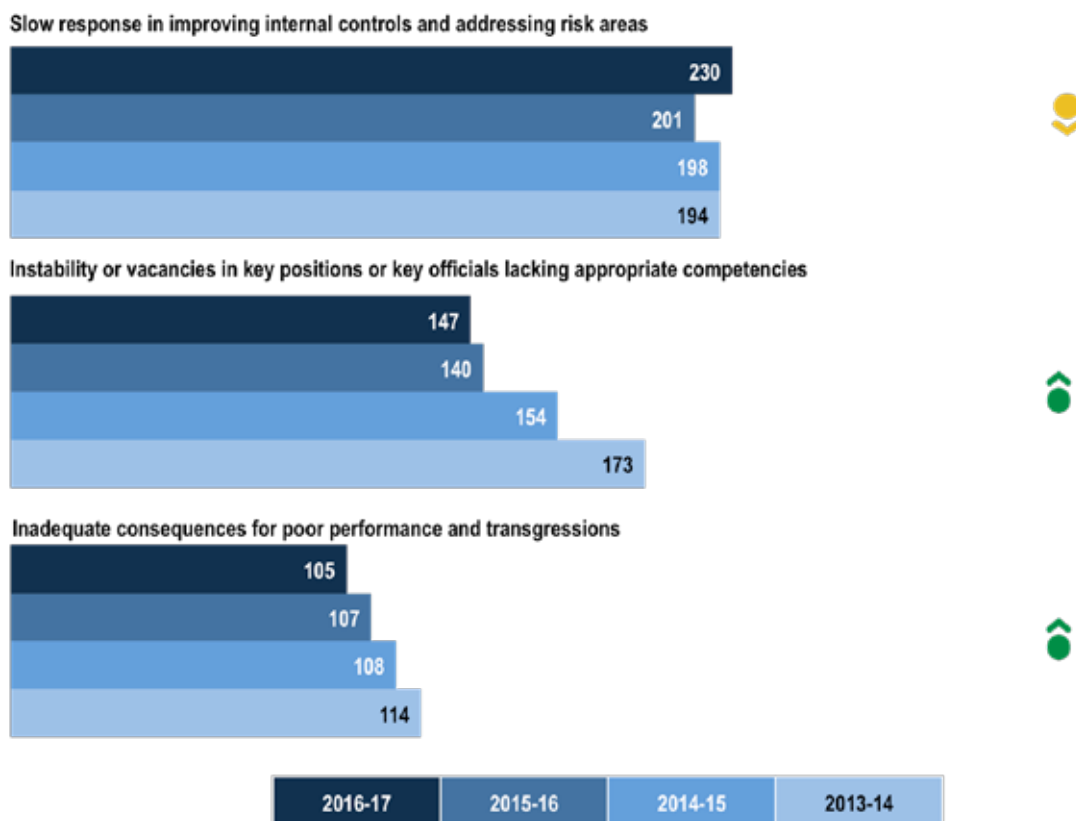


14. Root causes

Our message on the main root causes of auditees' continuing inability to improve internal controls and obtain better audit results has remained constant over the years.

Figure 1 shows the progress made by auditees in addressing these root causes over the past four years.

Figure 1: Status of overall root causes



There has been little improvement in the response by the leadership to the recommendations we have made, but there has been an improvement in the other two root causes.

Slow response in improving internal controls and addressing risk areas

The most common root cause was that management (accounting officers and senior management), executive authorities and oversight structures (Scopa, provincial public accounts committees and portfolio committees) **did not respond with the required urgency** to our messages about addressing risks and improving internal controls. In our assessment, the slow response was prevalent at both departments (88%) and public entities (83%), having become more widespread at the latter, resulting in the overall increase of this particular root cause.

As mentioned above, our message and its delivery have been consistent for a number of years, but the slow response to this message and to the initiatives taken by national and provincial government is standing in the way of improvements in audit outcomes.

The **main reasons for the slow response** in 2016-17 were the following:

- Audits are often seen as an annual hurdle that should be overcome and our recommendations are not attended to until we return to audit.

- The implementation of commitments made by executive authorities and accounting officers remains a concern. We believe an improvement in the audit outcomes is possible if oversight structures track these commitments and frequently require the leadership to account for the progress made.
- Regarding auditees with audit action plans, some focused on the short term – to only fix the problems that resulted in audit report findings. Sustainable processes are not put in place to ensure that the underlying records do not contain errors, while some auditees are still not getting the full benefit from the financial statement and performance report reviews by internal audit units and audit committees.
- Auditees continued to rely on auditors to assist them at year-end to fix the financial statements and the performance reports. At some auditees, there was little motivation to improve their capacity in this regard.

Instability or vacancies in key positions or key officials lacking appropriate competencies

In our assessment, instability and vacancies in key positions as well as key officials lacking appropriate competencies was a root cause at 54% of the 270 auditees that did not obtain clean audit opinions.

As discussed in section 11, the area of instability and vacancies in key positions has improved, but its impact as well as key officials lacking appropriate competencies was still affecting audit outcomes at 55% of the departments and to a lesser degree at 54% of the public entities.

Inadequate consequences for poor performance and transgressions

As reported in section 9.3, there were weaknesses in the consequence management of just over a third of the auditees. These weaknesses contributed to poor audit outcomes at 39% of the auditees that did not obtain clean audit opinions.

It is important that officials who deliberately or negligently ignore their duties and contravene legislation should be dealt with decisively through performance management and by enforcing the legislated consequences for transgressions. If they are not held accountable for their actions, the perception is created that such behaviour and its results are acceptable and tolerated.

Conclusion



The objectives of auditees and improved audit outcomes will not be achieved if poor internal controls and instability are not addressed (**DO**) and the leadership and officials are not held accountable through implementing consequences for transgressions, a lack of action and poor performance (**ACT**)