



CONSEQUENCE MANAGEMENT

PRESENTATION TO CIGFARO

5 MAY 2018



AUDITOR-GENERAL
SOUTH AFRICA

OUR REPUTATION PROMISE

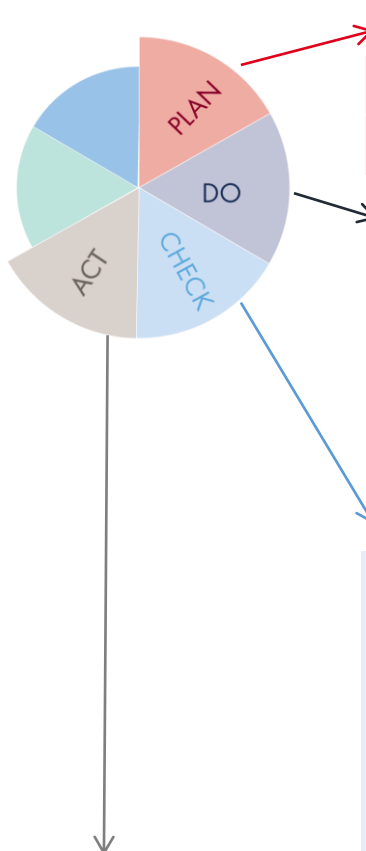
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the supreme audit institution (SAI) of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.





Little improvement in plan-do-check-act cycle

2016-17 2015-16



PLAN

Status of audit action plans regressed	54%	64%	▼
Usefulness of performance indicators and targets slightly regressed	96%	100%	▼

DO

Overall internal controls improved	82%	75%	▲
Basic financial and performance management controls slightly regressed	54%	57%	▼
ICT controls remained unchanged	25%	25%	◀
Vacancies in CFO positions improved	4%	14%	▲

CHECK

Assurance provided by:

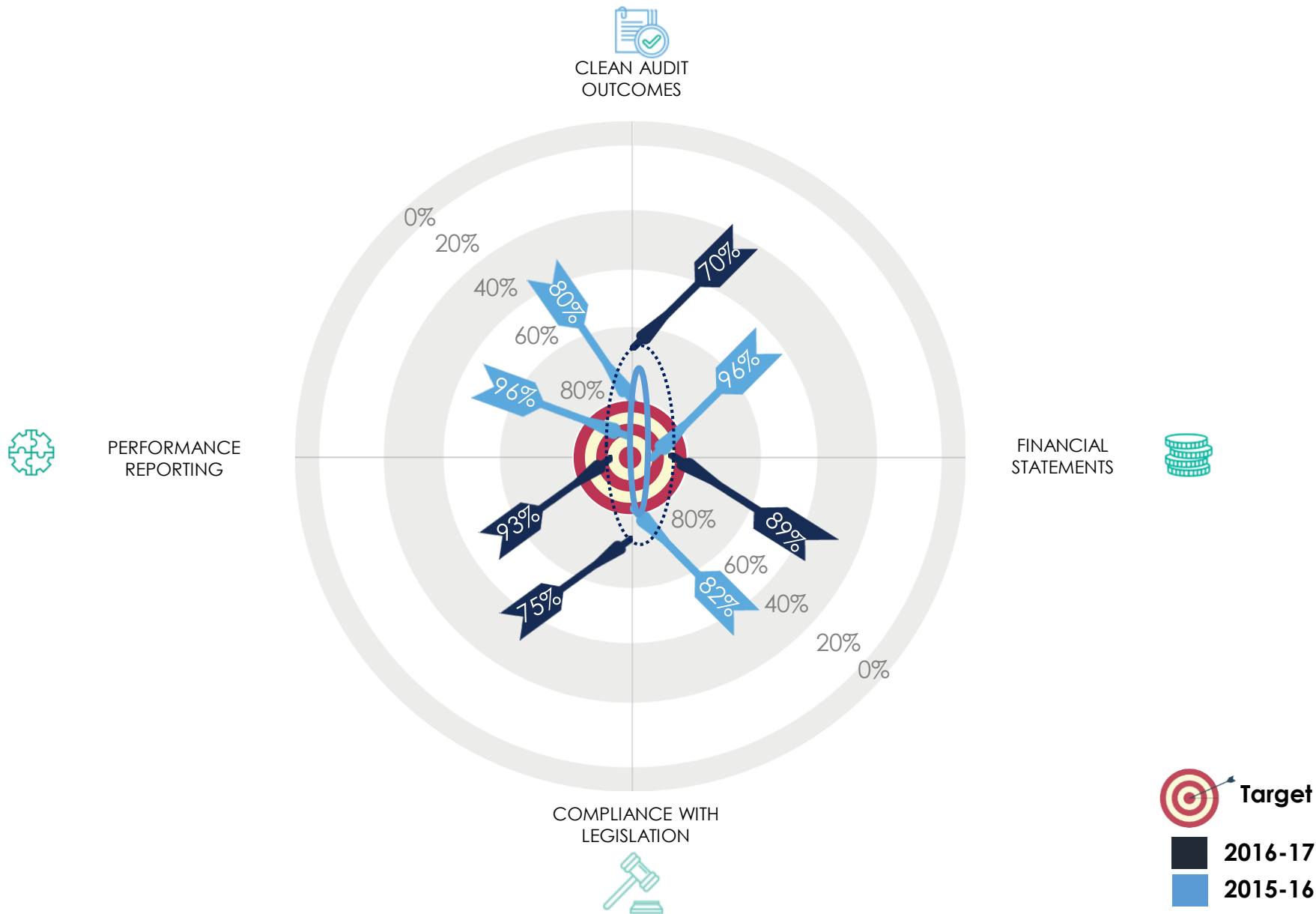
- Senior management **regressed**
- Mayors, municipal managers, councils and MPACs **slightly improved**
- Internal audit units and audit committees **remained unchanged**
- National and provincial role players **remained unchanged**

ACT

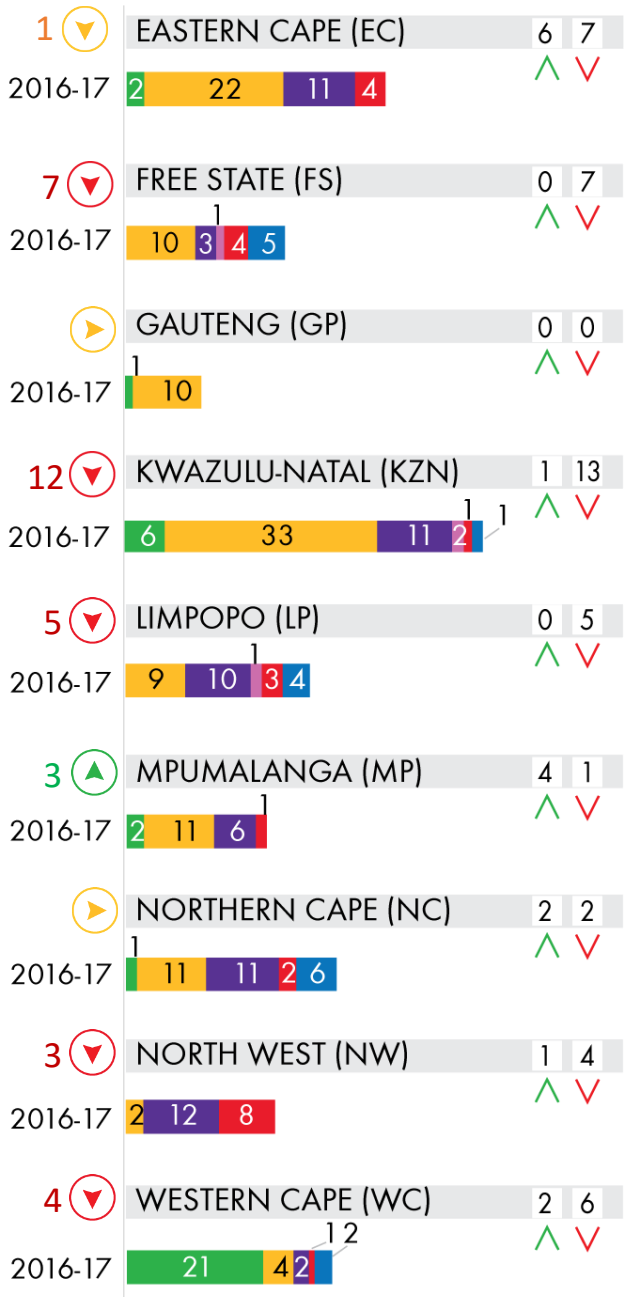
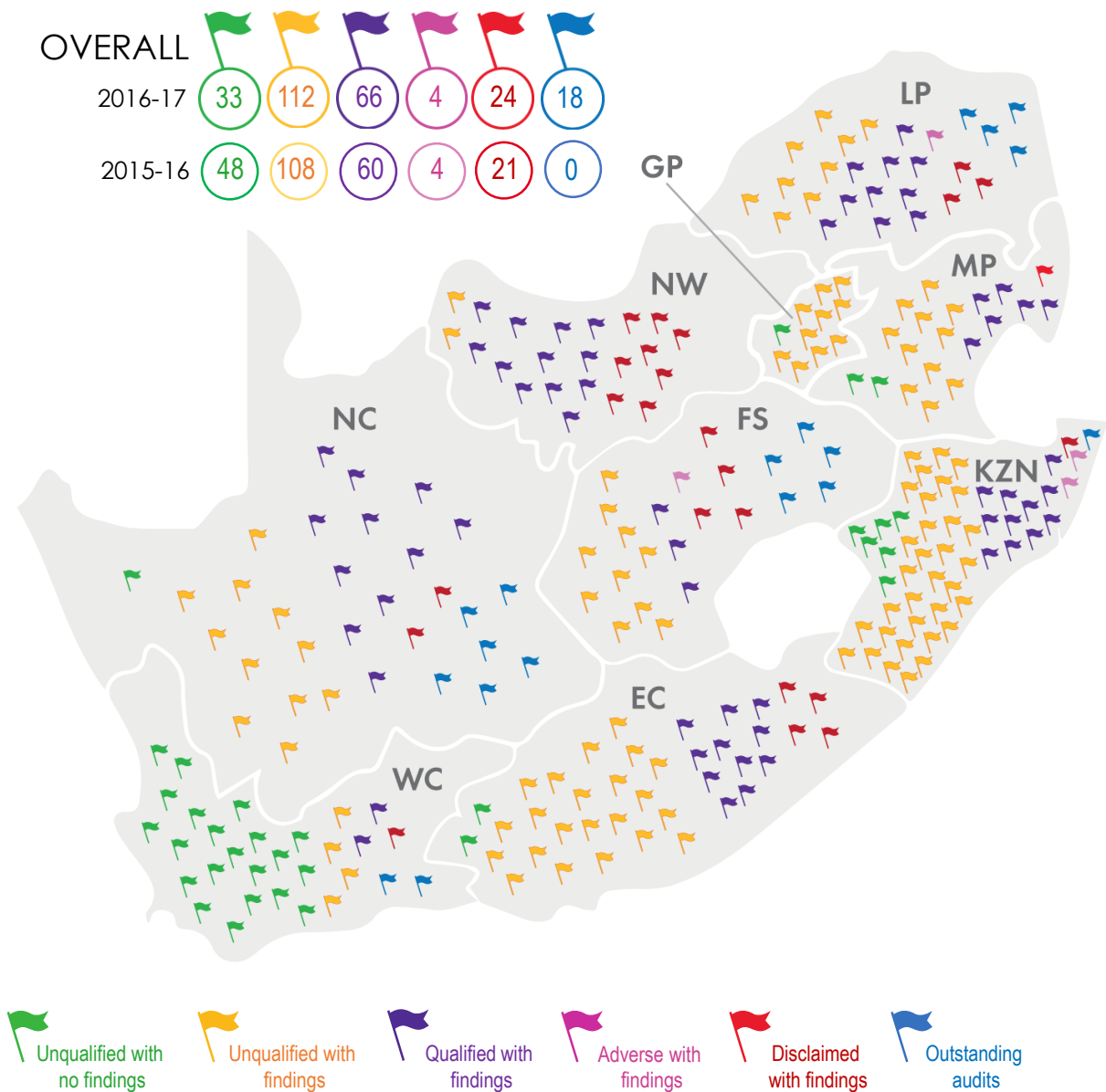
Compliance with consequence management legislation regressed	79%	86%	▼
Investigation of previous year UIFW remained unchanged	85%	84%	◀
Investigations into SCM findings we reported in previous year remained unchanged	79%	79%	◀



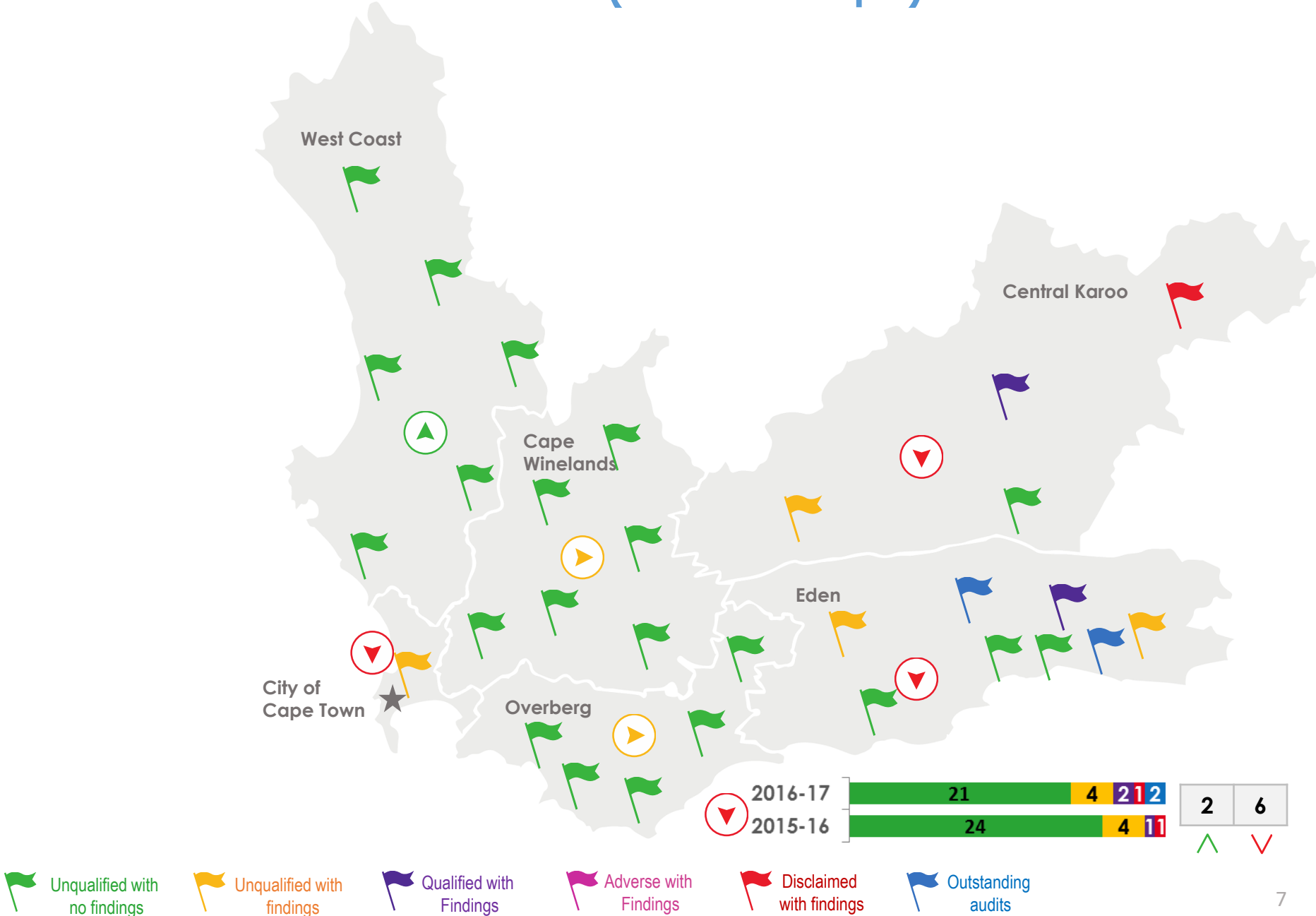
In first year of administration, audit outcomes regressed



Movement in audit outcomes (National)



Movement in audit outcomes (Western Cape)



Accountability and transparency not enabled through credible financial and performance reporting



Financial statements



Target

Movement

2016-17

2015-16

Quality submission for auditing



86%

89%

Quality of published financial statements



89%

96%



Performance report



Target

Movement

2016-17

2015-16

Quality submission for auditing



36%

37%

Quality of published performance report



93%

96%

Reliable reporting of achievements



96%

100%

Usefulness of performance indicators and targets



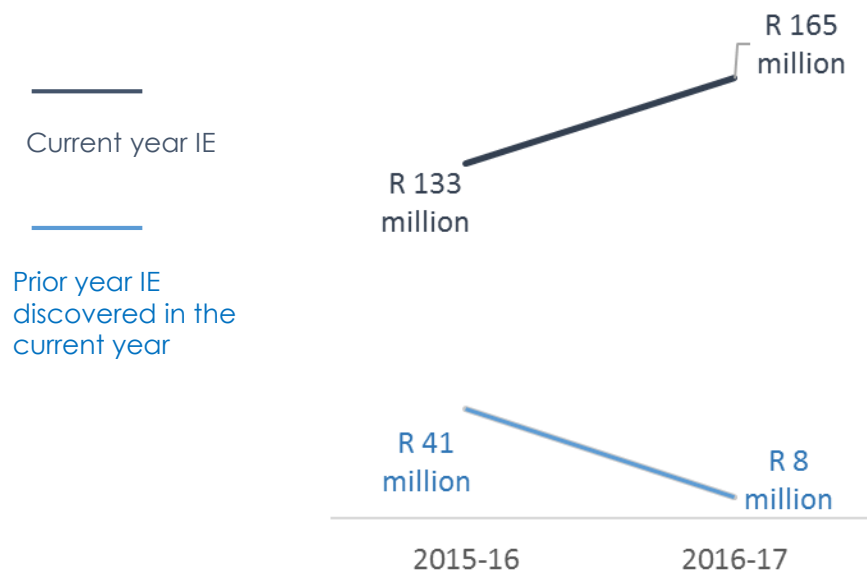
96%

100%



Irregular expenditure and supply chain management

⬆️ Irregular expenditure decreased slightly from R174 million to **R173 million**

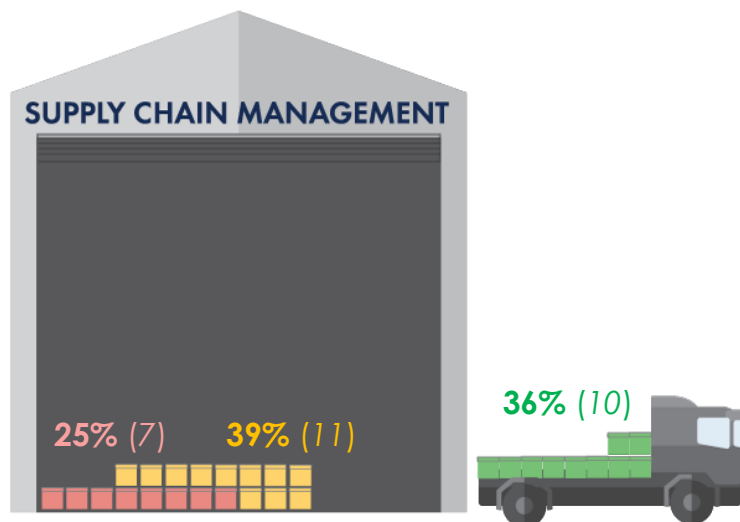


4% of the irregular expenditure was payments/ expenses in previous years only uncovered and disclosed for the first time in 2016-17

96% of the irregular expenditure was payments/ expenses in 2016-17.

It represents **0,3%** of the local government expenditure budget.

How much of the R165 million then represents **non- compliance in 2016-17?**
Based on analyses of the top 3 contributors it is estimated to be **100%**



⬇️ Regression in SCM compliance

Awards made without following local content prescripts at **14% of municipalities**

R2 million prohibited awards to state officials

False declarations of interest made by **16 suppliers**

Uncompetitive and unfair procurement processes at

57% of municipalities

With no findings

With findings

With material findings

Impact of accountability

- Accountability on both the political and administrative level is a core principle of accountability.
- Leadership is answerable to the public and responsible for the decisions, actions and policies.
- Continued improvements in the levels of accountability and governance contributed to the ability of 63% of auditees sustaining their clean audit outcomes.
- Cederberg and Prince Albert achieved a clean audit outcome for the first time.
- Regression in the audit outcomes of local government in the province when compared to 2015-16
- Attributed to municipalities not taking our messages and recommendations seriously.
- A lack of understanding of SCM prescripts, vacancies at SCM-practioner level, instability at leadership level and the absence of appropriate SCM processes and procedures contributed to non-compliance with procurement processes.
- We remain concerned that the municipalities relied on the audit process to identify errors in their performance reports, with 18 performance reports (64%) requiring material corrections in 2016-17 compared to 17 (63%) in 2015-16 in order to obtain an improved audit outcome.



The root causes of the accountability failure



◀ Slow response

- A lack of **understanding of SCM prescripts, vacancies, instability** and the absence of appropriate **SCM processes and procedures** contributed to non-compliance with procurement processes



◀ Instability/
vacancies /
competencies

- Audit findings and messages are not **acted upon with the necessary rigour** in all instances. These are inclusive of management report findings

- Failure to sufficiently monitor and implement **action plans** to address prior year findings

- **Political instability**, instability in municipal manager and chief financial officer positions as a result of the 2016 elections



▼ Inadequate
consequences



ACCOUNTABILITY



=

**Instability
Skills gaps**



The AGSA's contribution to improve accountability

INPUT



Management reports
Audit reports
General reports

REPORTS



WEAKNESSES IN
INTERNAL CONTROLS



RISKS
THAT NEED
ATTENTION



ROOT CAUSES



RECOMMENDATIONS



ENGAGEMENTS

OUTCOME

WHY
NOT DESIRED IMPACT?

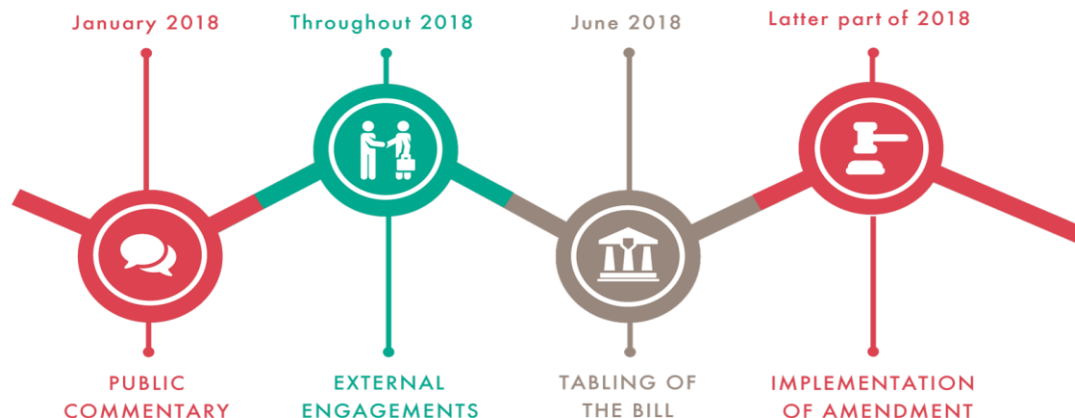


PAA amendments to impact accountability



Per PAA Bill

The PAA amendments would allow referral for investigation of:
Any **acts/omissions** identified through our audit,
which caused (or can cause) a **loss of public resources** OR
which resulted (or can result) in **public resources not being used for its lawful purpose**





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