



AUDITOR-GENERAL
SOUTH AFRICA

CLEAN AUDIT GUIDANCE AND SUPPORT

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4 August 2022



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.”



VISION

“To be recognised by all our stakeholders as a relevant Supreme Audit Institution (SAI) that enhances public sector accountability.”

What the audit covers



1. Fair presentation of annual financial statements
2. Usefulness and reliability of reported performance as measured against predetermined objectives in the annual performance plan (APP)
3. Compliance with laws and regulations.

Effective from 1 April 2019, we are also required to report any Material Irregularities (MIs) identified during the audit.



Audit opinions

Unqualified opinion with no findings (Clean audit)

Auditee:

- produced credible and reliable financial statements that are free of material misstatements; and
- reported in a useful and reliable manner on performance as measured against predetermined objectives in the annual performance plan (APP); and
- observed/complied with key legislation in conducting their day-to-day to achieve on their mandate.

Financially unqualified opinion with findings

Auditee produced financial statements without material misstatements but struggled to:

- align their performance reports to the predetermined objectives they committed to in their APPs; and/or
- set clear performance indicators and targets to measure their performance against their predetermined objectives; and/or
- report reliably on whether they achieved their performance targets.
- Or did not comply with key legislation in certain instances

Qualified opinion

Auditee:

- had some challenges as those that were unqualified with findings but, in addition, they could not produce credible and reliable financial statements.
- had material misstatements on specific areas in their financial statements, which could not be corrected before the financial statements were published.

Adverse opinion

Auditee:

- has so many material misstatements in their financial statements that we disagree with almost all the amounts and disclosures in the financial statements.
- Has some challenges as those that were unqualified with findings in as far as its report on predetermined objectives and compliance with laws and regulations.

Disclaimed opinion

Auditee:

- could not provide us with evidence for most of the amounts and disclosures reported in the financial statements, and we were unable to conclude or express an opinion on the credibility of their financial statements.
- Has some challenges as those that were unqualified with findings in as far as its report on predetermined objectives and compliance with laws and regulations..

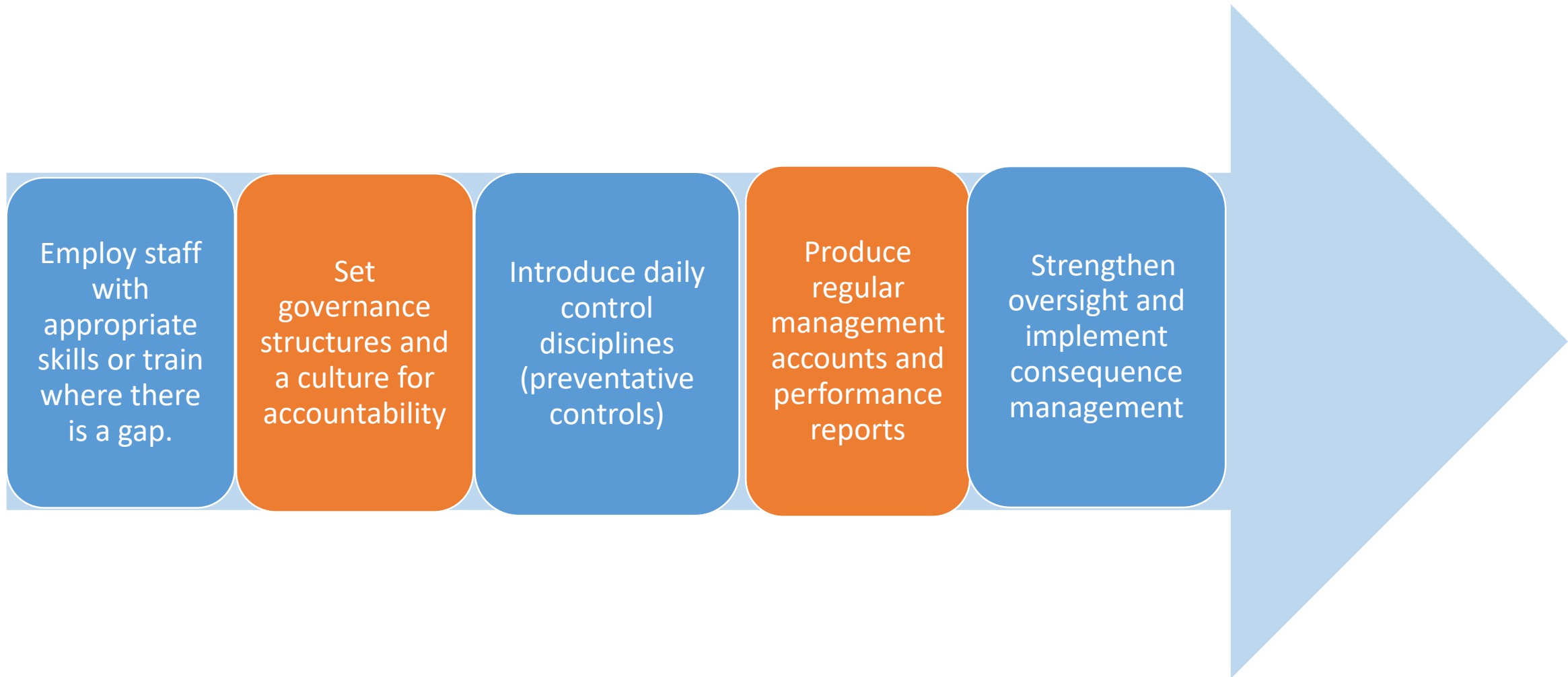


How to improve audit outcomes and achieve clean audit

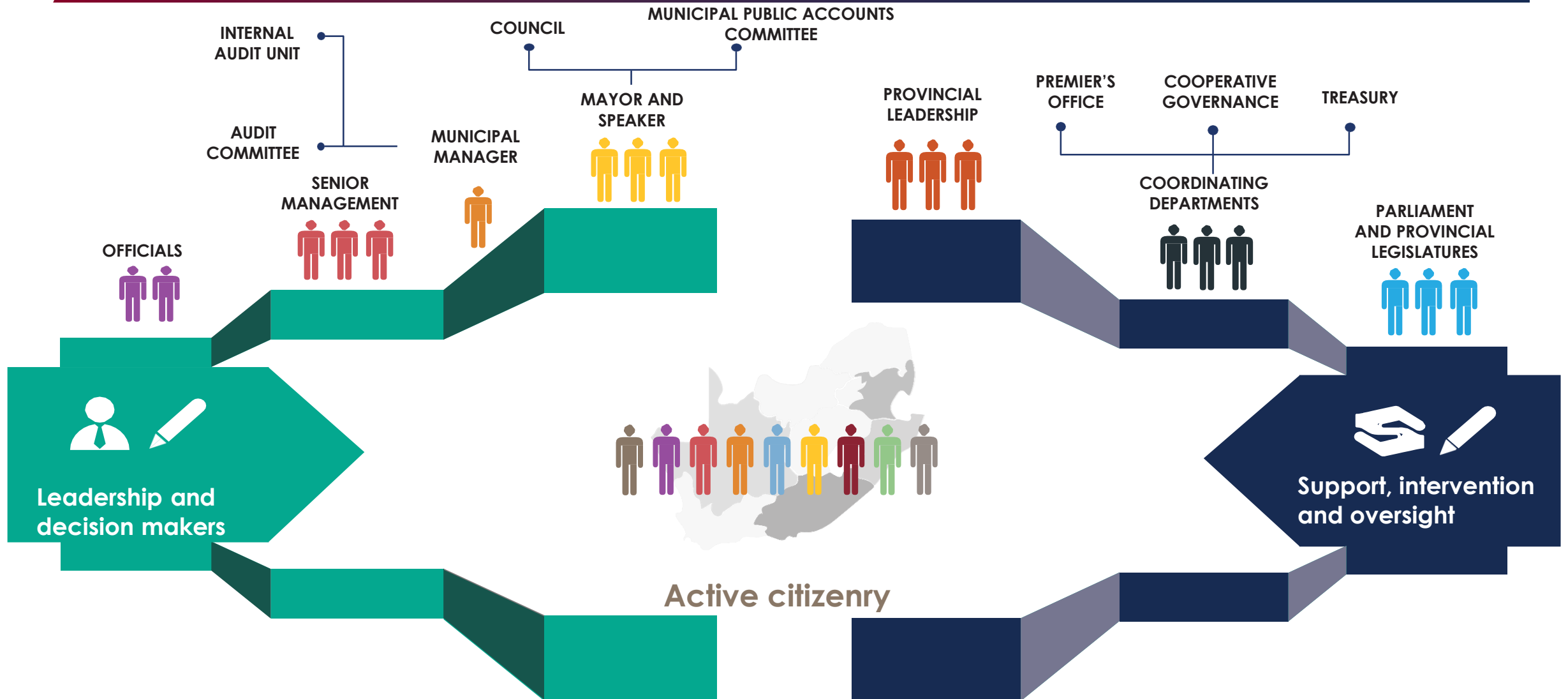
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Set the right control environment for clean audit



ACCOUNTABILITY ECOSYSTEM LOCAL GOVERNMENT



Preventative controls – the ultimate deterrent



Typical auditee business processes



Supply chain management



Contract management



Payments



Employee processes and payroll



Assets and liabilities management



Revenue management



Preventative controls



Built on **strong control** environment with assurance provided by:

Senior management

Accounting officer/ authority

Internal audit unit and audit committee

Preventative controls not designed or implemented or not working effectively

Material irregularity and poor audit outcomes

Consequences

Financial loss

Costly investigation

Disciplinary processes

Litigation



Clean audit and service delivery

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Clean audit

- ❑ Does not always mean services were delivered
- ❑ It means what has been reported against predetermined objectives is accurate.
- ❑ Users need to pay attention to the achievement or non-achievement of set targets.
- ❑ Users also need to pay attention to the reported issues around quality of services.





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What is available on our website

1. A fast-facts page on audit outcomes per municipality
2. Key information on audit outcomes per district
3. Overview of audit outcomes and recommendations per province
4. Information tables that list all municipalities and include details on:
 - audit opinions on the financial statements, areas qualified in the financial statements, findings on performance reports, compliance with legislation and specific risk areas, unauthorised expenditure and irregular, fruitless and wasteful expenditure, financial health indicators, supply chain management findings; and root causes
 - audit opinions over the past five years
 - assessment of auditees' key controls at the time of the audit
 - consultant costs.
5. Report on the material irregularities identified at municipalities and their status

Preventative control guidelines available on our website

1. Importance of preventative controls
2. Tone and control culture
3. Institutionalised internal controls
4. Procurement of goods and services
5. Preparation of financial statements
6. Asset management
7. Infrastructure delivery process

