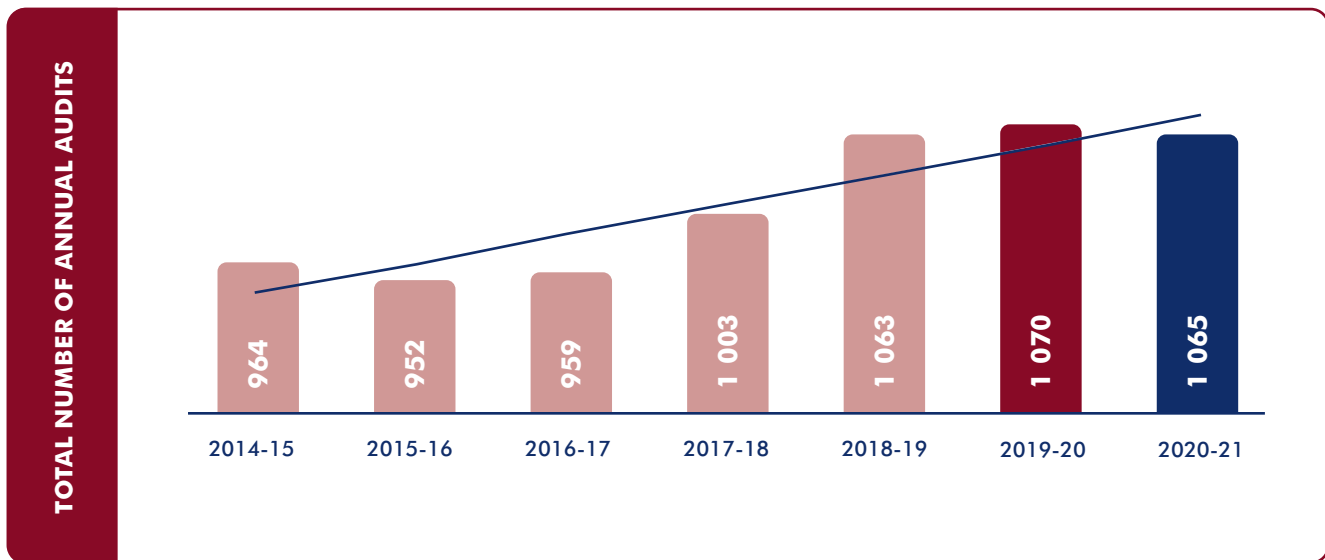


AUDIT OUTCOMES OF THE 2020-21 AUDIT



Despite the additional audit work related to the real-time audits, we maintained the same level of annual audits. We achieved this by optimising our audit portfolios, and with the incredible dedication of our staff.

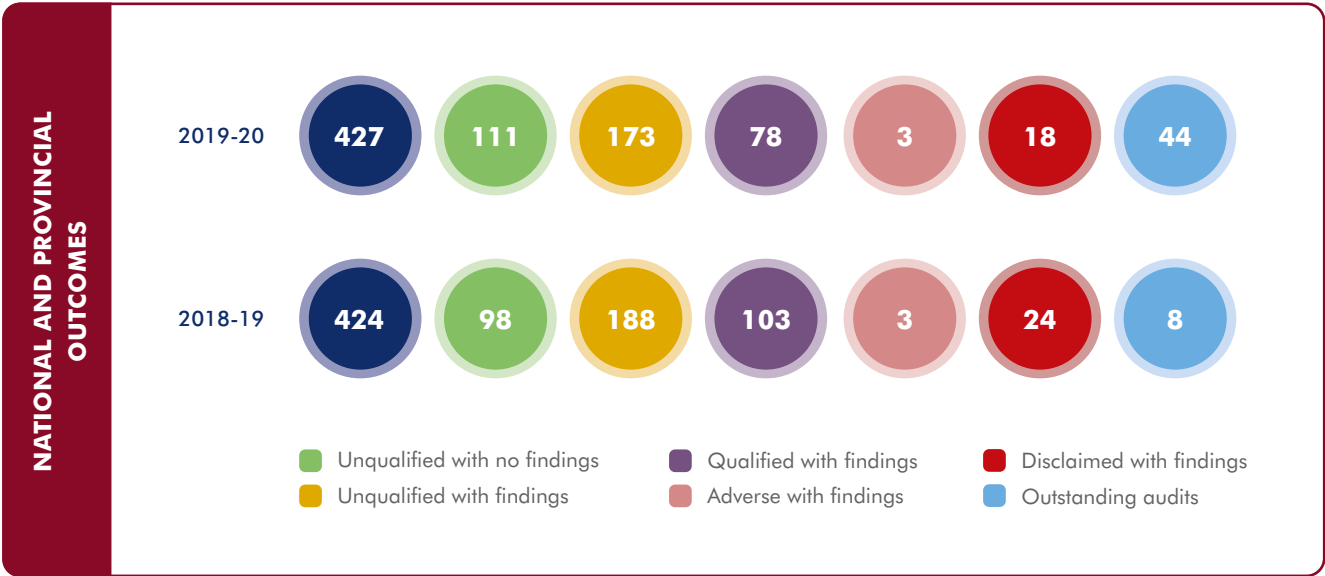
National and provincial audit outcomes

In the 2019-20 national and provincial general report, we highlighted that:

- sustainable solutions are required to prevent accountability failures
- in some areas a “quick fix” will not turn the situation around. Some problems will require deeper attention to prevent failures
- there must be consequences for accountability failures

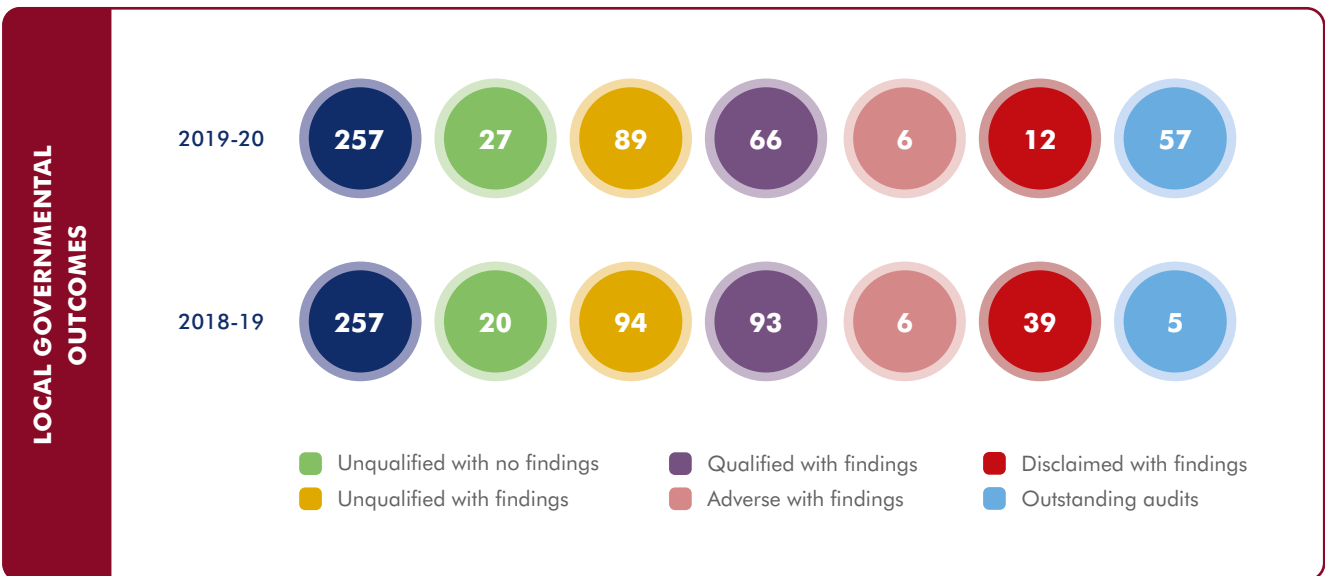
- improving auditees’ financial management should be a priority
- there are opportunities for progressive and sustainable change.

Overall, audit outcomes improved, with 66 (16%) auditees receiving better results and 35 (8%) regressing. Across national and provincial government, we cannot yet see the progressive and sustainable improvements required to prevent accountability failures and deal with them appropriately and consistently. We also do not see the fundamentals strengthened to enable strong financial management disciplines across all auditees. Our theme for this general report was, appropriately, a continued call to act on accountability.



Local government audit outcomes

The 2019-20 local government audit outcomes show a net decline among our auditees. Forty-one auditees (16%) improved their audit outcomes while 51 auditees (20%) regressed. The number of auditees that received clean audit outcomes increased slightly.

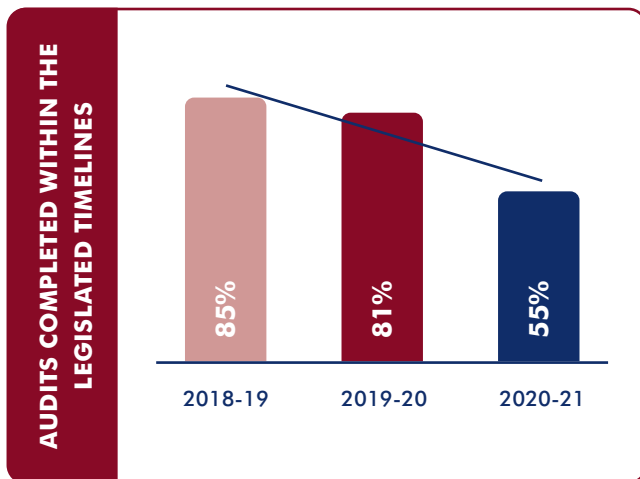


Audits completed within the legislated timelines

In response to the national lockdown and the impact on the auditees' financial management functions governed by the Public Finance Management Act 1 of 1999, the minister of finance issued an exemption from complying with deadlines contained in the Act. The deadline for submission of annual financial statements from national and provincial auditees was extended from 31 May 2020 to 31 July 2020.

The minister of finance also exempted municipalities and municipal entities from complying with the deadlines of the Municipal Finance Management Act 56 of 2003. The deadline was moved from 31 August 2020 to 31 October 2020.

These extended timelines had an impact on the date that auditees submitted their financial statements to the AGSA. Our initiatives to improve our audit report timelines, such as the audit milestones and project management training, had to be adjusted to respond to these extended timelines. We appreciate the support of our auditees and their leadership, and applaud them for keeping on course in these difficult times.



On average, we completed a combined 55% of audits within legislated timelines. At 68% completion, national and provincial audits performed better, with local government audits at 28% completion. The delays in national and provincial audits placed the local government audit cycle under further stress and compounded the problem of delayed audit sign-off.

The pandemic played a large role in audits not being completed on time, as the audit teams often had to respond to their own and auditee infections, isolation periods and

restraints. While we were able to audit remotely, the audit portfolio continued to suffer the effect of the pandemic long after lockdown restrictions eased.

The ripple effect of the legislated delays continued into the 2020-21 national and provincial audit cycle undertaken in 2021, as teams worked on local government audits at the same time as the national and provincial audits commenced.

The upcoming local government elections are subtly starting to cause more pushbacks on negative audit outcomes from auditees.

The continued pressure in the audit environment, especially in light of the third wave of the pandemic, is likely to have an impact on the next two audit cycles.

Delivering audits through multidisciplinary teams

Multidisciplinary teams harmonise a diversity of skills and expertise from regularity, information systems, investigations and performance auditors. This created well-rounded teams that showed an understanding of our auditees' businesses, enabling them to navigate the complexities of an environment associated with high expenditure and greater audit risk.

Multidisciplinary teams include professionals that specialise in:

- information technology governance
- risks and controls systems
- data analytics
- information security
- financial fraud and investigations
- key government sectors, and includes health professionals, economists, education specialists and engineers.

The Specialised Audit Services (SAS) portfolio consists of the Information Systems Auditing business unit (ISABU), the Investigation business unit (IBU) and the Performance Audit business unit (PABU). SAS's contribution to audit risk assessment, fraud data analytics and specialised auditee knowledge added deeper audit insight and improved efficiencies. Their support included areas such as:

- data analytics on general controls and evaluating large volumes of data on high-risk transactions (ISABU)
- supply chain management contract reviews, forensic data analytics and fraud risk engagements (IBU)

- focus areas for our real-time audits, specialised insight on the focus areas, and economy, effectiveness and efficiency during procurement (PABU).

Their knowledge on the subject matter resulted in effective and efficient audits.

Challenges during multidisciplinary audits

In isolated cases, we could not use SAS's full expertise because of their limited resources. We are actively recruiting to fill these vacant positions while running training and development programmes to enhance our capabilities. In the interim, we have implemented a pre-audit risk-rating model that rates auditees to prioritise assistance for medium to high-risk auditees, which will use our constrained resources more effectively.

We have also piloted our data analytics project at five sites to increase our capabilities and our audit coverage to drive real-time auditing.

Stand-alone audits

Stand-alone audits are focused audits that drill down to unearth the root causes of mismanagement, irregularities or deficiencies in government initiatives. These audits do not span a performance year, but could cover the lifetime of a project or the period of the alleged irregularity or mismanagement.



Investigations

The requests for investigation increased by 56% this year to 126 (2019-20: 81 requests). A substantial number of the requests received either do not fall within our mandate or can be addressed during the annual audit process. Going forward, we will raise awareness of the types of matters that our mandate covers and strengthen our relationships with public bodies that are better equipped to deal with these matters.



Performance Auditing

The PABU is conducting a follow-up performance audit on the rehabilitation of abandoned mines at the Department of Mineral Resources. The objective of the audit is to evaluate the effectiveness of management's corrective actions, implemented since the first performance audit on this topic in 2009. We will conclude this report during 2021.