

MFMA 2016-17



**AUDITOR-GENERAL
SOUTH AFRICA**

**Audit approach and focus areas
20 July 2017**

Reputation promise/mission

The Auditor-General of South Africa 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**.





We have enhanced our **audit methodology**
to ensure you continue to receive a
valuable and relevant product

It was the result of a robust and methodical process:



In-depth
research



Numerous local and
international discussions




Thousands of
hours of testing

The audits will be more **focused** and **integrated** with a robust risk approach,
allowing you to continue driving **accountability** and **good governance**.





ROLES & RESPONSIBILITIES

The enhanced methodology  **will not** affect the roles of the persons involved in the audit process.  **You**, as the auditee, will continue to provide us with the required  **information**,  **cooperation** and  **support** necessary to perform the audit.  We, as the auditors, will continue to be the custodians of the audit and conduct the audits as per our mandate and within relevant standards, frameworks and guidelines.



We are satisfied and proud that the methodology complies with the applicable **international standards**, includes many best practice principles and is cognisant of unique audit circumstances.



SOME BENEFITS





SOME BENEFITS

①

A **more robust risk assessment process** that includes in-depth discussions. This will ensure that we have an even better and deeper understanding of the key activities relevant to your core business; one that goes beyond numbers and allows audits to **focus on the things that matter**.

②

A **seamless and integrated audit** that encompasses the three audit areas of annual financial statements, performance information and compliance.

③

One **holistic audit** performed by a **unified audit team** that may include fraud experts and information systems and performance audit specialists. This will increase the audit's relevance.

④

A **refining of our scoping and risk assessment and response processes** which could influence the focus areas in the audits and the audit procedures. We will share this with you in our audit strategy.

⑤

A **management report that simplifies the reporting on performance information** by including a single conclusion per programme, objective or development objective and not separate conclusions on usefulness and reliability.

⑥

An **audit report that shows the performance information findings per indicator**. This will assist the users of the audit report in understanding where the material misstatements occurred.

⑦

An **audit report that has been aligned to the auditing standards and thus has a different format and content**. You will receive an easy-to-understand explanation of the changes in due course.





ACCOUNTABILITY = PLAN + DO + CHECK + ACT

How is your municipality currently doing?



ACCOUNTABILITY = PLAN + Do + CHECK + ACT

"Plan-Do-Check-Act Cycle", also the Deming cycle , courtesy of the International Organization for Standardization





ACCOUNTABILITY = PLAN + DO + CHECK + ACT

The AGSA has a constitutional mandate and exists to strengthen our democracy by enabling **oversight, accountability and good governance** in the public sector through auditing, thereby building public confidence

YOUR SUPPORT



cooperative governance & traditional affairs

Department:
Cooperative Governance and Traditional Affairs
REPUBLIC OF SOUTH AFRICA



SOUTH AFRICAN LOCAL
GOVERNMENT ASSOCIATION

SALGA

Inspiring service delivery



national treasury

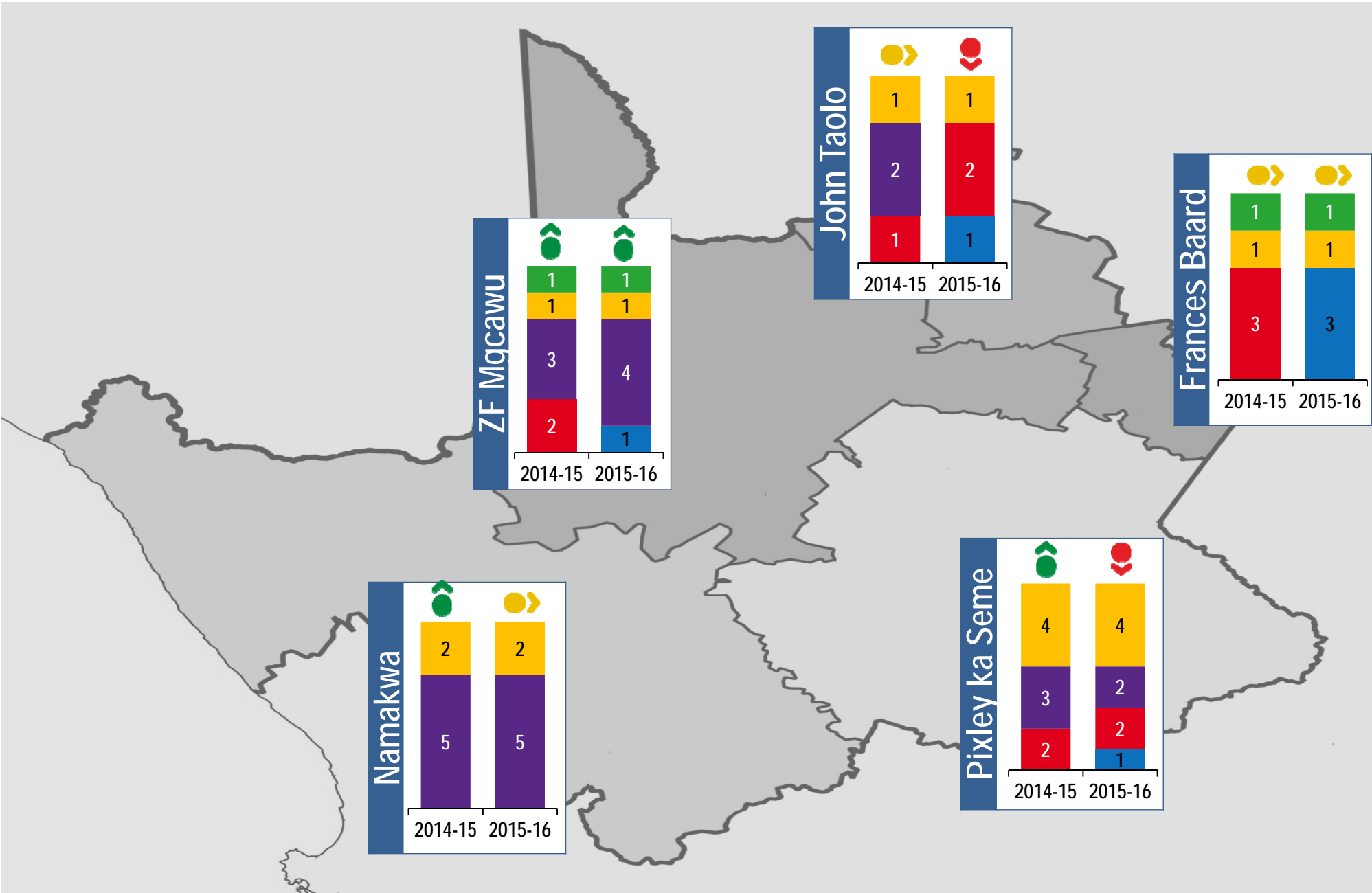
Department:
National Treasury
REPUBLIC OF SOUTH AFRICA

We have improved our audit methodology and audit report



Delivering a **valuable and relevant product** focusing on the things that matter

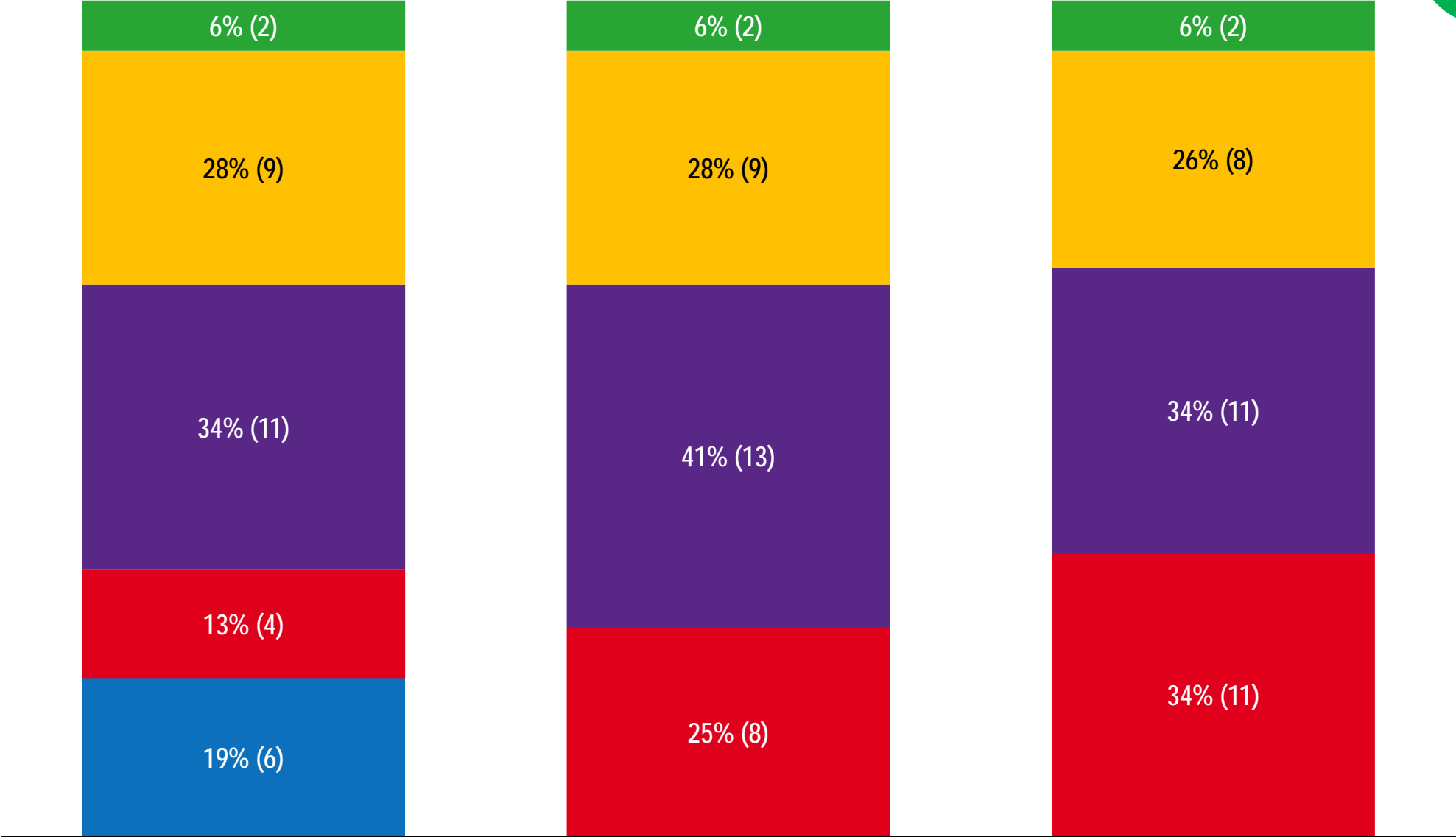
NC - Municipal audit outcomes per district



Audit outcomes over three years

Clean audits =

6%



2015-16

2014-15

2013-14

32 municipalities



ACCOUNTABILITY = PLAN + DO + CHECK + ACT

Movement table (2015-16 over 2014-15)

	1 Improved	23 Unchanged	2 Regressed	6 Outstanding audits
Unqualified with no findings = 2		<ul style="list-style-type: none"> Frances Baard District ZF Mgcawu District 		
Unqualified with findings = 9		<ul style="list-style-type: none"> //Khara Hais Kareeberg Umsobomvu Emthanjeni Sol Plaatje Khai-Ma Pixley Ka Seme District Namakwa District John Taolo Gaetsewe District 		<ul style="list-style-type: none"> Gamagara: AFS submitted on 31/08/2016 (Audit was finalised on 7/02/2017 and the audit opinion improved from qualified to unqualified with findings)
Qualified with findings = 11	<ul style="list-style-type: none"> Kgatelopele 	<ul style="list-style-type: none"> Kai !Garib Mier Nama Khoi Richtersveld Siyancuma Kamiesberg Karoo Hoogland Hantam !Kheis Tembelihle 		<ul style="list-style-type: none"> Dikgatlong: AFS submitted on 7/10/2016 (Audit was finalised on 7/02/2017 and the audit opinion improved from disclaimer to qualified)
Disclaimer with findings = 4		<ul style="list-style-type: none"> Ga-Segonyana Siyathemba 	<ul style="list-style-type: none"> Joe Morolong Ubuntu 	<ul style="list-style-type: none"> Renosterberg: AFS outstanding Magareng: AFS submitted on 31/01/2017 Phokwane: AFS submitted 0n01/02/2017 Tsantsabane: AFS submitted on 27/10/2016

Colour of the number indicates the audit opinion from which the auditee has moved.





CORRUPTION

C

=

M

+

D

-

A

MONOPOLY

DISCRETION

ACCOUNTABILITY



#AGSA

#AntiCorruption

Source: Robert Klitgaard (academic anti-corruption research)

ACCOUNTABILITY = PLAN + DO + CHECK + ACT

Basics of engagement letter and audit strategy (audit timelines)



Key information in engagement letter

- Audit team perform tests to obtain reasonable assurance that the underlying records are reliable and adequate as a basis for the preparation of the financial statements and report on predetermined objectives.
- It must be noted that not every transaction is examined and the completeness and accuracy of the financial statements are not guaranteed.

Submission of information:

- All information requested should be submitted within three working days from request.
- All management comments should be submitted within five working days from receipt of the finding.



Key information in engagement letter

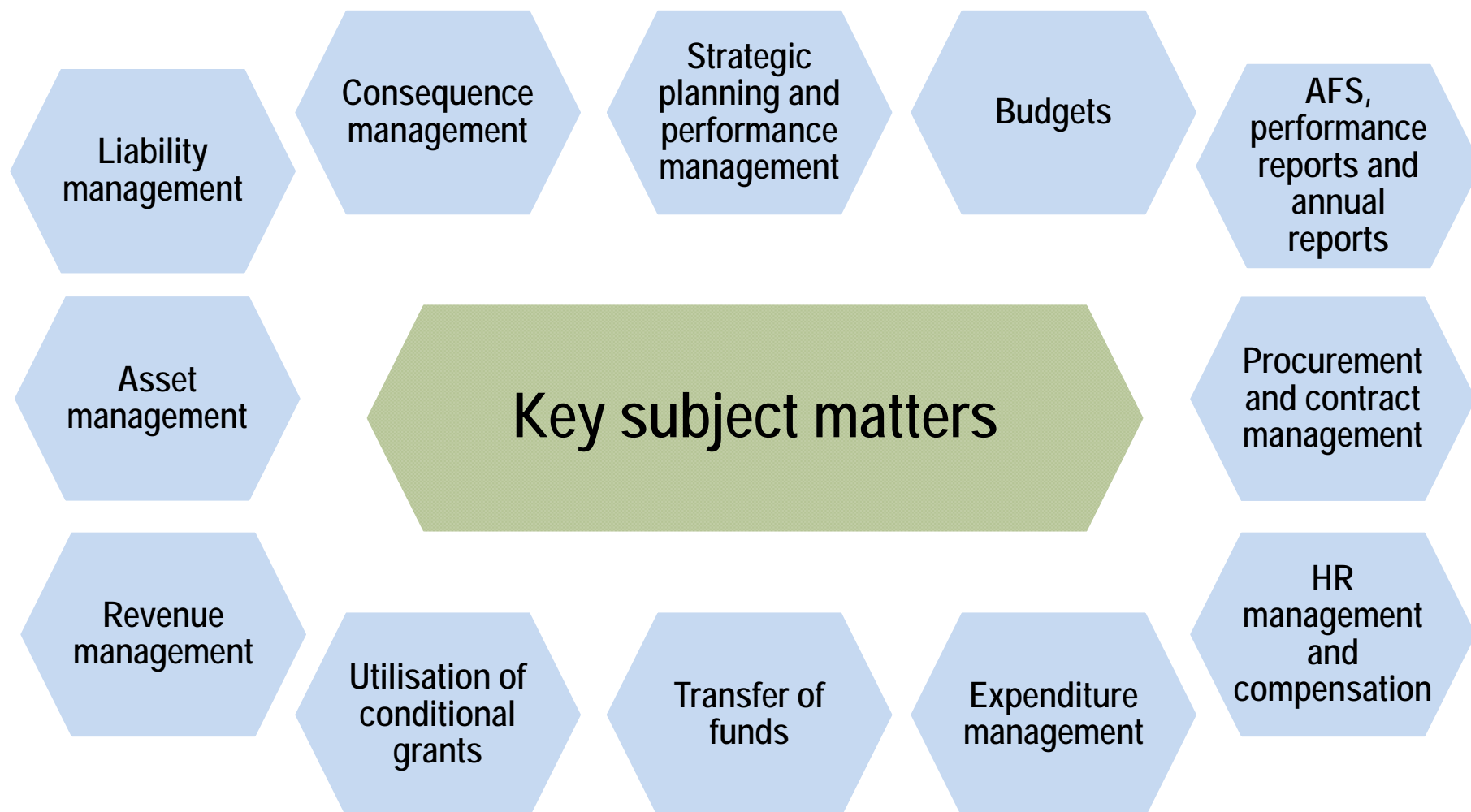
Predetermined objectives

- Performance information to be submitted when financial statements are submitted
- Opinion on the audit of predetermined objectives to be reported in the management report (same as in the prior year)
- There will only be one opinion in the management report (combined for usefulness and reliability)
- Material findings per indicator will be reported in the audit report



Compliance areas for MFMA 2016-17

The auditor's report reflects material findings on compliance with relevant legislation in respect of the following subject matters:



Key dates

No.	Event	Responsibility	Planned date
1	Receive financial statements from auditee for audit	Accounting officer	31 August 2017
2	Receive performance information for audit	Accounting officer	31 August 2017
3	Receive other information to be included in annual report	Accounting officer	31 August 2017
4	Acknowledge receipt of AFS	AGSA	7 September 2017
5	Issue draft management letter	Accounting officer	31 October 2017
6	Receive final adjusted financial statements (cut off for adjustments to AFS)	Audit Senior Manager	7 November 2017
7	Receive final management comments approved by AO	Accounting officer	7 November 2017
8	Issue draft audit report	Audit Senior Manager	15 November 2017
9	Issue final management letter	Audit Senior Manager	30 November 2017
10	Issue final audit report	Audit Senior Manager	30 November 2017
11	Audit steering committee: Communication meetings	Audit team and municipal management	Weekly meetings

