

# Improving Audit Outcomes through a Combined Assurance Framework

**Chief Financial Officers Lekgotla**

***Mossel Bay***

***10 December 2012***

*Auditing to build public confidence*



**AUDITOR-GENERAL  
SOUTH AFRICA**

## Reputation promise/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.



# Drivers of internal control



## LEADERSHIP

- Culture of honesty, ethical business practices and good governance
- Exercise oversight responsibility
- Effective HR management
- Policies and procedures
- Action plans to address internal control deficiencies
- IT governance framework



## FINANCIAL AND PERFORMANCE MANAGEMENT

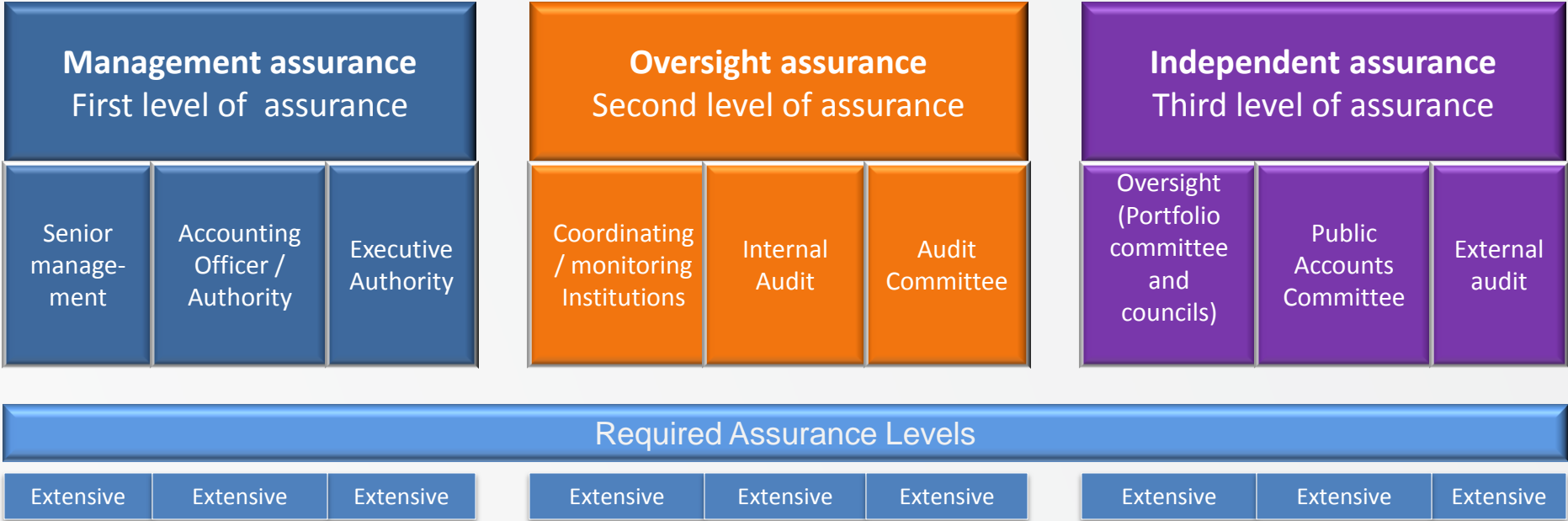
- Proper record keeping
- Controls over daily and monthly processing and reconciling of transactions
- Regular, accurate and complete financial and performance reports
- Review and monitor compliance with applicable laws and regulations
- Design and implement formal controls over IT systems



## GOVERNANCE

- Appropriate risk management activities
- Adequately resourced and functioning internal audit unit
- Audit committee promotes accountability and service

# Combined Assurance Providers in the South African Public Sector



# Root causes – Municipalities and municipal entities in terms of the combined assurance model

## First level of assurance: Management assurance

Human resources capacity and productivity

Timeous filling of vacancies with right skills

Effective performance management

Maintaining leadership stability

Attention to credibility of management information

Effective operation of daily controls (checks and balances)

Monthly reporting (Financial, service delivery, compliance and IT controls)

## Second and third level of assurance: Oversight and audit (independent assurance)

Effectiveness of assurance providers

Management implement action plans and report thereon

Effective monitoring of commitments by oversight

Validating credibility of management information



# MFMA Audit Outcomes 2011-2012

Municipalities: Movement in audit outcomes from 2010-11					
Audit opinion	Improvement	Unchanged	Regressed	Total auditees reported on	Outstanding audits - prior year opinion
Financially unqualified with no findings	↑ 3	↔ 2		5	
Financially unqualified with findings	↑ 3	↔ 15		18	4
Qualified, with findings			↓ 1	1	
Adverse/ Disclaimer, with findings					2
Total	6	17	1	24	6

Movement in number of municipalities with findings on predetermined objectives and compliance with laws and regulations over 2010-11 financial year					
Type of findings	Improvement	Unchanged	Regressed	Total auditees reported on	Outstanding audits prior year opinion
Reporting on predetermined objectives	↑ 6	↔ 10	↔ 8	24	Six "with findings"
Compliance with laws and regulations	↑ 3	↔ 19	↔ 2	24	

