



MFMA CFO Forum
13 June 2013
Stellenbosch



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.



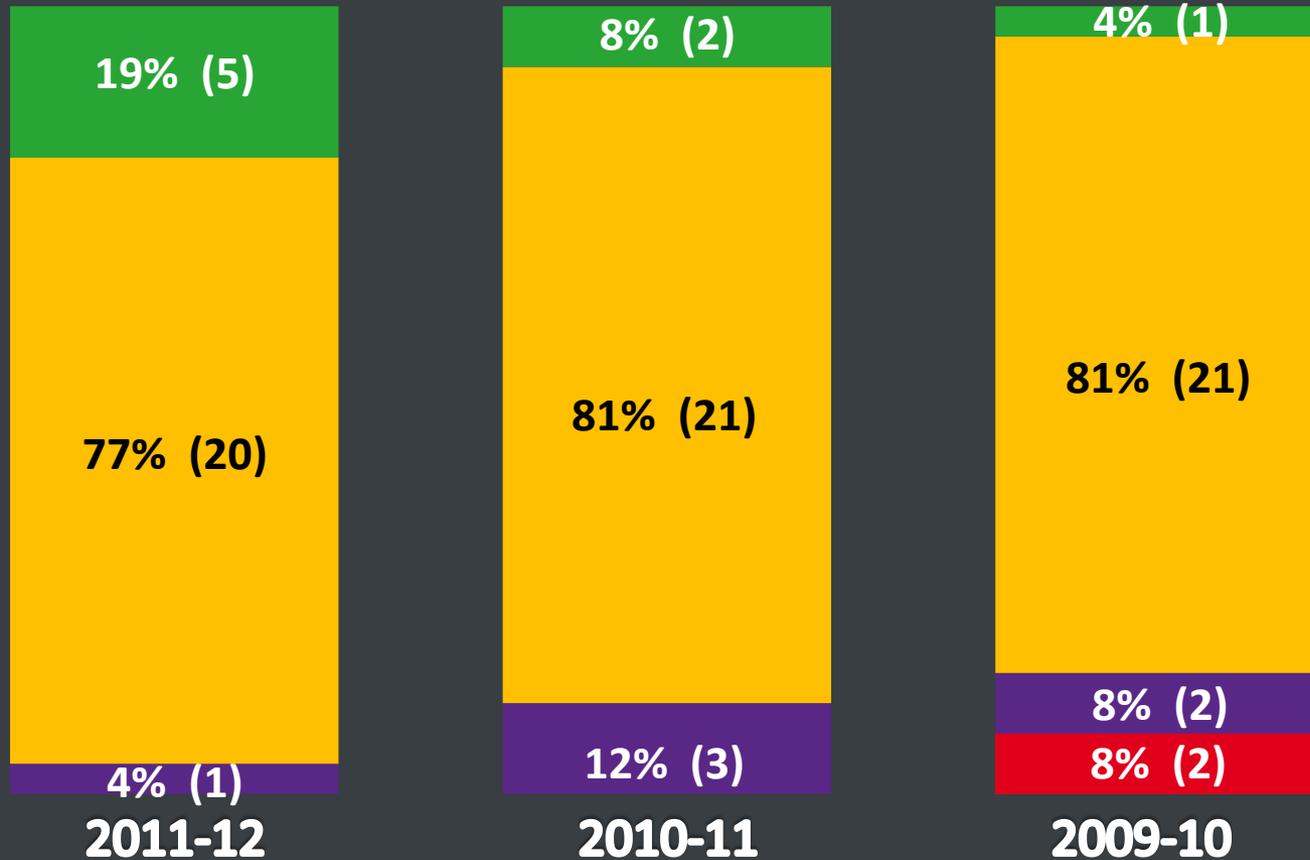
Agenda

- **Progress towards clean audit (3 year outcomes)**
- **MFMA Focus Area**
- **Emerging risks**
- **Audit files (as presented to the Management Accounting Forum on 31 May 2013)**



Audit outcomes over the past three years

- **4(13%) audits outstanding** • **Net improvement** over 2010-11



Unqualified with
NO findings

Unqualified
WITH findings

Qualified
WITH findings

Adverse/ Disclaimer
WITH findings



Focus Areas

- **AFS**
- **SCM**
- **IT Controls**
- **HR**
- **PDO**
- **Compliance with laws and regulations**
- **Financial Health**



Focus Areas – to be confirmed

- **Water and sanitation (Performance Audit)**
- **Transport infrastructure (Performance Audit)**



Emerging risks – Municipalities

- **New effective GRAP statements (6 effective from 1 April 2012)**
- **Municipal regulations on the minimum competency level**
- **Performance reporting matters**
 - **System descriptions per KPI**
 - **Definitions**
 - **New format**
- **Supply chain management**
 - **Three quotes**
 - **People in service of the state**
- **Asset management**



Audit files - Scope

- **Acceptable audit files**
- **Ideal hand-over process between AGSA officials during the audit**
- **Standard response times/right person to respond to CoMAFS**
- **Safeguarding of municipal documents by the auditors**



Acceptable audit files

- **MFMA Circular No. 50 provides guidance**
- **Purpose of the audit file:**
 - to facilitate and manage an efficient and organised audit process
 - to support the figures in the trial balance and ultimately in the financial statements (as well as disclosure notes)
 - this will streamline the audit process and address many of the queries which may arise during the course of the audit
- **Format**
 - Electronic vs. manual
 - Original documents vs. copies
- **Preparation**
 - Prepare continuously – regular financial statements?
 - Quality control: review the audit file



Acceptable audit files – items to look out for

Outstanding cheques on the bank recon – Cut-off:

- Make sure you made the payment before 30 June 2013. If it was loaded but only released after 30 June 2013, write it back to creditors. You still controlled the money.

Grants:

- Make sure debit grants are in fact recoverable and not rolled over (using next year's allocation to make good the debit)



Acceptable audit files – items to look out for

Revenue and receivables:

- Completeness of revenue (risk for all audits) – Are all points metered? Have all properties been levied?
- Integration of systems. Are you sure your pre-paid electricity was reconciled to your GL votes? Cut-off at year end?
- Was the write-off of debtors accounts done in accordance with the council resolution? Was it reviewed?
- Provision for doubtful debtors – Make sure you can justify your calculation in terms of GRAP



Acceptable audit files – items to look out for

Asset management (including infrastructure management):

- Monthly reconciliation of register with votes
- Assessment of useful lives and impairment

Purchases and payables:

- “Dormant” provisions

Events after balance sheet:

- Don't wait for auditors to identify. Put system in place, document it, do it!



Acceptable audit files – items to look out for

Taxes:

- Obtain VAT and PAYE SARS statements to ensure the liability is accurate and complete
- Is someone reviewing the VAT returns and the corresponding schedules, reconciliations and votes?

Contingent liabilities

- Obtain legal confirmations from attorneys to support contingent liability disclosures - completeness



Audit process

- **Ideal hand-over process between AGSA officials during the audit**
 - First prize auditors start and finish
 - Ideally proper hand over overseen by the next senior level
 - Discussion and documentation on what is done/still to be done, information requested, information and explanations obtained/still to be obtained or requested
 - Introduction to auditee staff
- **Standard response times/right person to respond to CoMAFS**
 - Three days (see your engagement letter). Auditors response?
 - Person as agreed during the first steering committee (review)
- **Safeguarding of municipal documents by the auditors**
 - All documents under signature
 - Lock-up facilities
 - Do not remove original documents from premises without consent

