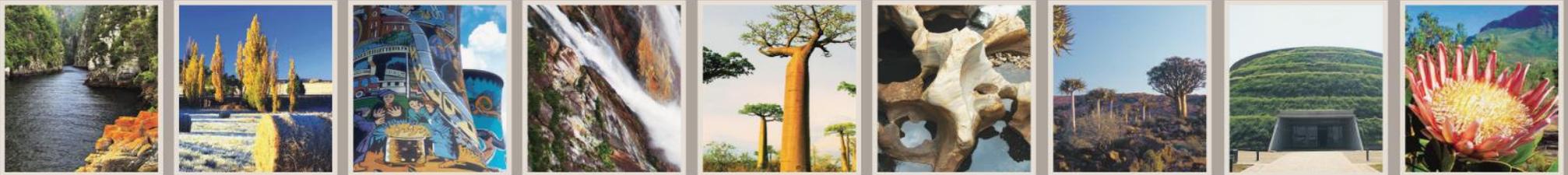


PFMA  
2015-16



AUDITOR-GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*



# Briefing of the Portfolio Committee: Tourism Portfolio

*October 2016*

1

## The AGSA's promise and focus



# Reputation promise

The Auditor-General of South Africa (AGSA) 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.

## Role of AGSA in the BRRR process

- Our role as the AGSA is to reflect on the audit work performed to assist the portfolio committee in its oversight role in assessing the performance of the entities taking into consideration the objective of the committee to produce a BRRR.
- To provide the portfolio committee with applicable information and guidance on the Tourism portfolio's 2015-16 audit outcomes so that they, the committee, can ensure effective oversight.
- To enable oversight to focus on areas that will lead to good governance.

2015-16  
PFMA



AUDITOR - GENERAL  
SOUTH AFRICA

# Our annual audits examine three areas

2015-16  
PFMA



1

FAIR PRESENTATION AND RELIABILITY OF FINANCIAL STATEMENTS

2

RELIABLE AND CREDIBLE PERFORMANCE INFORMATION FOR PREDETERMINED OBJECTIVES

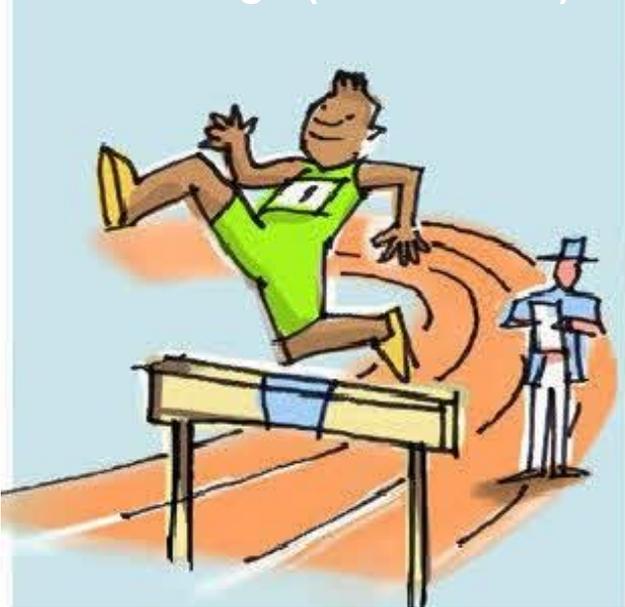
3

COMPLIANCE WITH KEY LEGISLATION ON FINANCIAL AND PERFORMANCE MANAGEMENT



AUDITOR-GENERAL  
SOUTH AFRICA

## 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; and/or
- determine which legislation they should comply with and implement the required policies, procedures and controls to ensure compliance.

2015-16  
PFMA



AUDITOR-GENERAL  
SOUTH AFRICA

## Qualified opinion



Auditee:

- had same 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.
- did not comply with key legislation in certain instances.

## 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.
- was unable to provide sufficient supporting documentation for amounts in the financial statements and achievements reported in the annual performance report.
- did not comply with key legislation.

## 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.
- was unable to provide sufficient supporting documentation for amounts in the financial statements and achievements reported in the annual performance report.
- did not comply with key legislation.

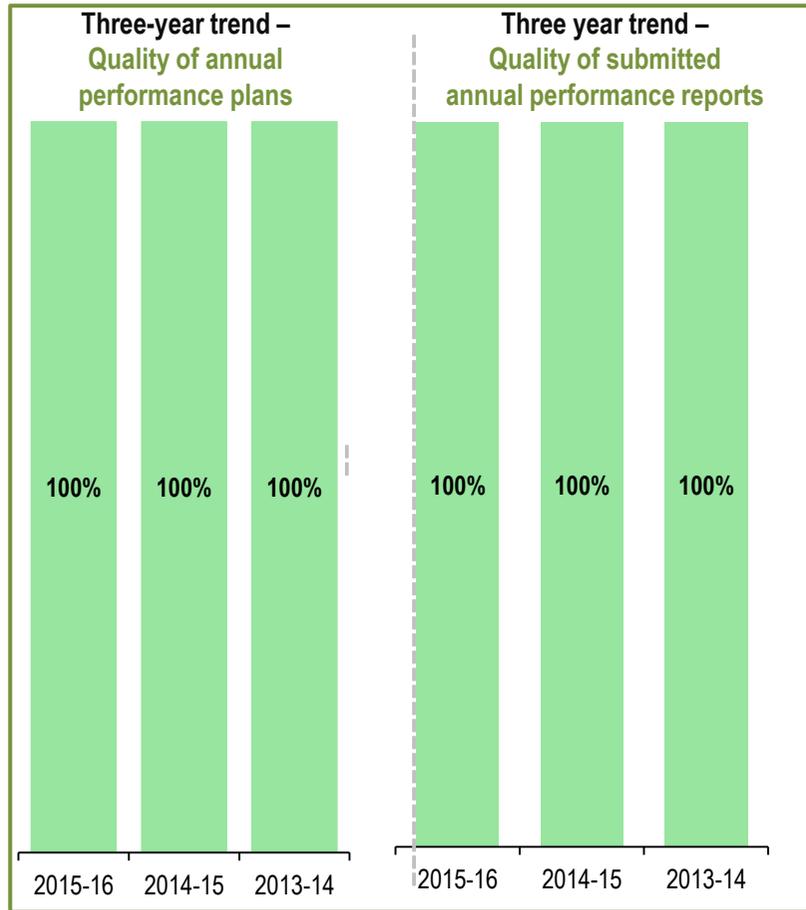
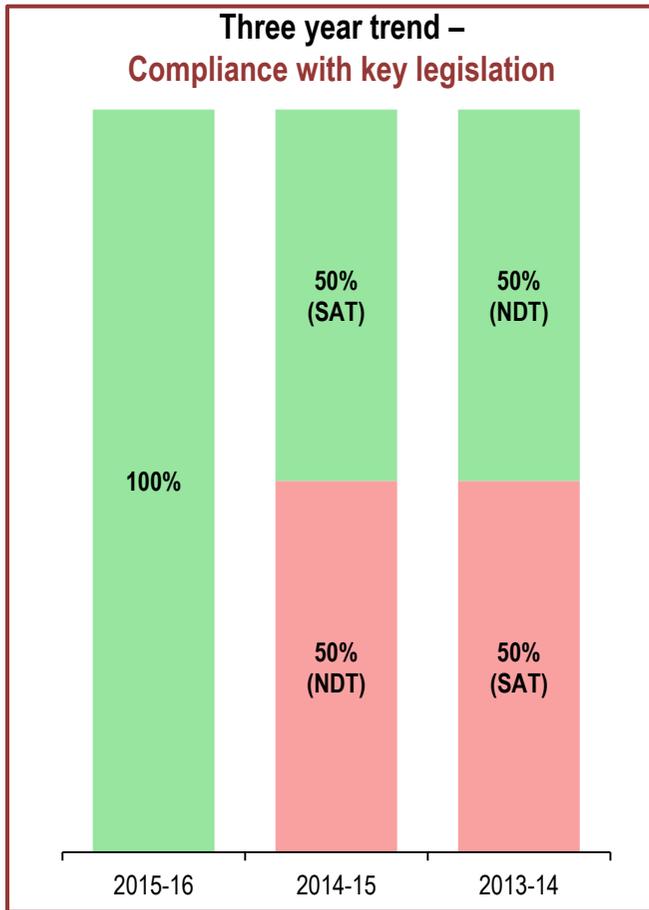
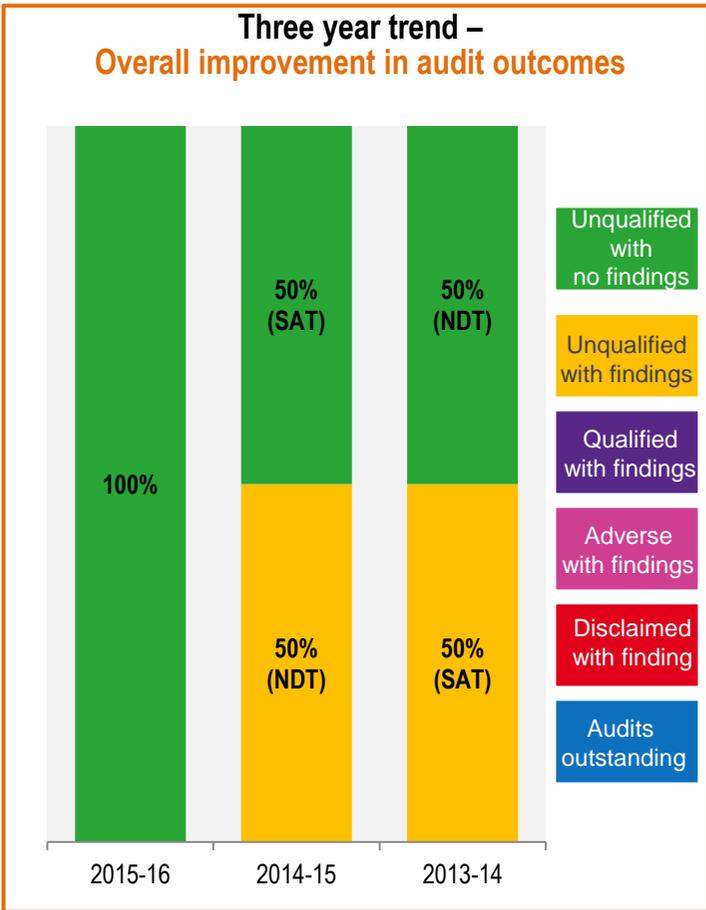


2

## The 2015-16 audit outcomes and key messages



# Improvement in audit outcomes over 3 years



**1** To maintain the **overall audit outcomes**, financial statements processes,

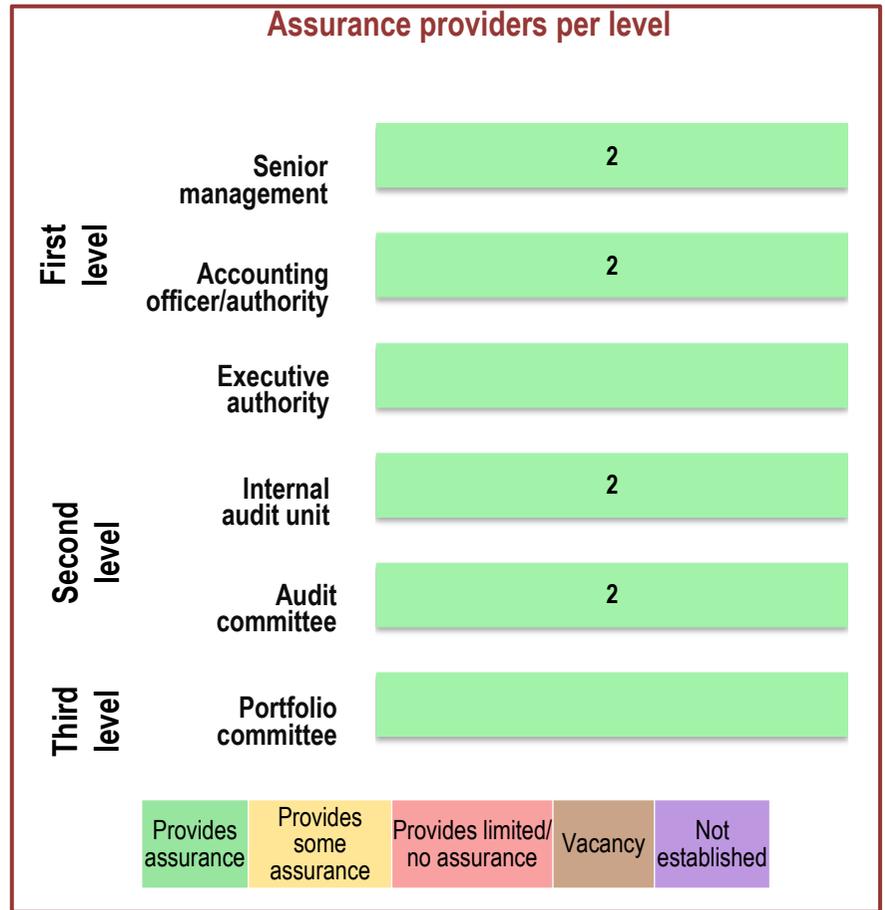
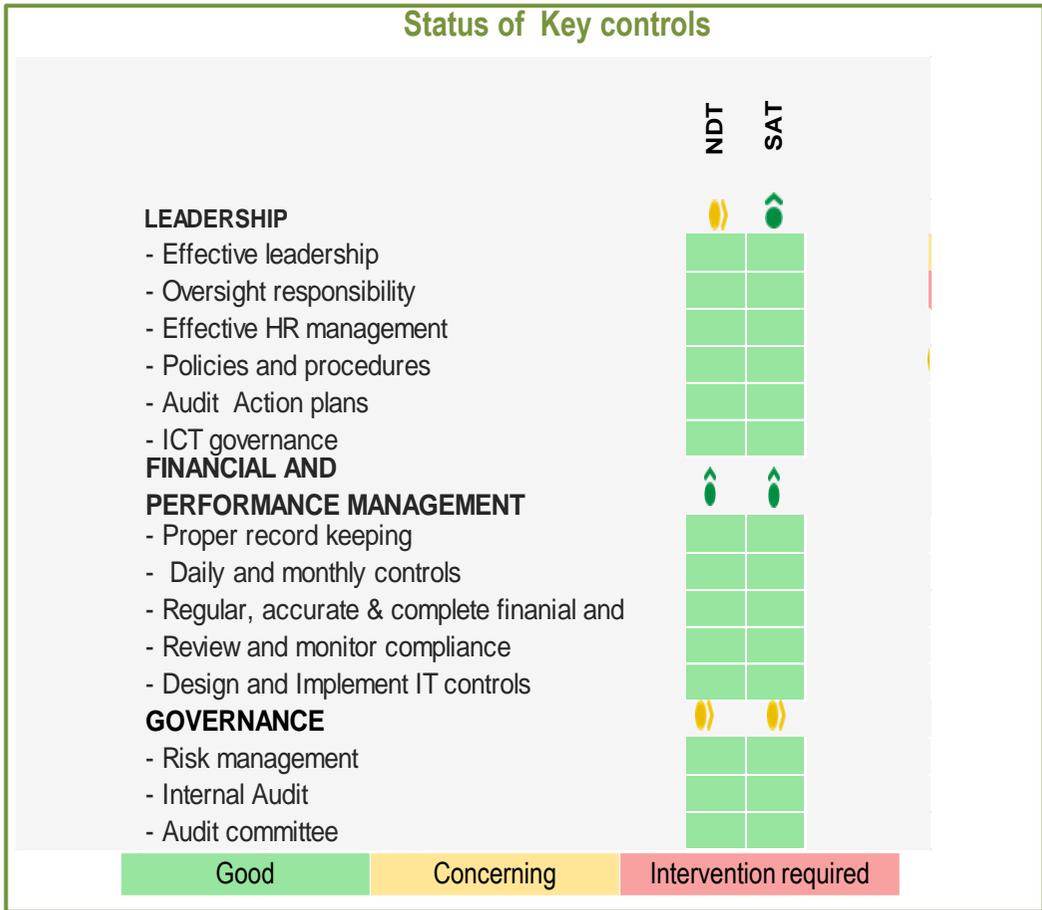
**2** .... **compliance** with key legislation and....

**3** .... **performance planning and reporting** must be maintained by....

The portfolio's overall outcomes have improved due to the department achieving a financially unqualified audit outcome with no material findings on both compliance with legislation and predetermined objectives (clean audit). This is due to the department implementing the commitments to address the material misstatements identified in the disclosure notes during the 2014/15 audit while SAT maintained its financially unqualified audit opinion with no material findings.

- Good practices - The portfolio should continue to closely monitor the implemented best practices of;
- a culture of ethical behaviour,
  - commitment and good governance,
  - good human resource practices to ensure that adequate and sufficiently skilled officials are in place and that their performance is managed, and
  - basic disciplines and controls are in place for daily and monthly processing and reconciling of transactions.

# Improvement in audit outcomes over 3 years - continued



**4** ... providing attention to the **key controls** by...

The portfolio improved the status of key controls by implementing audit recommendations from the previous financial year. The portfolio implemented the following commitments from the previous year that lead to a control environment that supported reliable financial reporting:

- Strengthened financial reporting and related controls to prevent misstatements.
- Enhanced oversight to detect misstatements prior to commencement of the audit process.
- Proper record keeping was implemented for the collection and consolidation of information supporting disclosure notes.

The following good practices should be maintained:

- Implementing action plans to sustain the clean audit outcomes.

**5** ... the key role players as part of their role in **combined assurance**

The level of assurance provided has improved. Senior management's efforts in developing and implementing post audit plans and audit recommendations are commended. The internal audit, the audit committee and the minister have provided assurance and contributed towards sustained key controls, particularly those relating to financial and performance management. The portfolio committee provided the required level of assurance through regular interactions with the portfolio and also the AGSA.

3

**Performance management linked  
to programmes/ objectives tested**



# Quality of annual performance reports remained stagnant

Outcomes of programmes/objectives selected for testing:

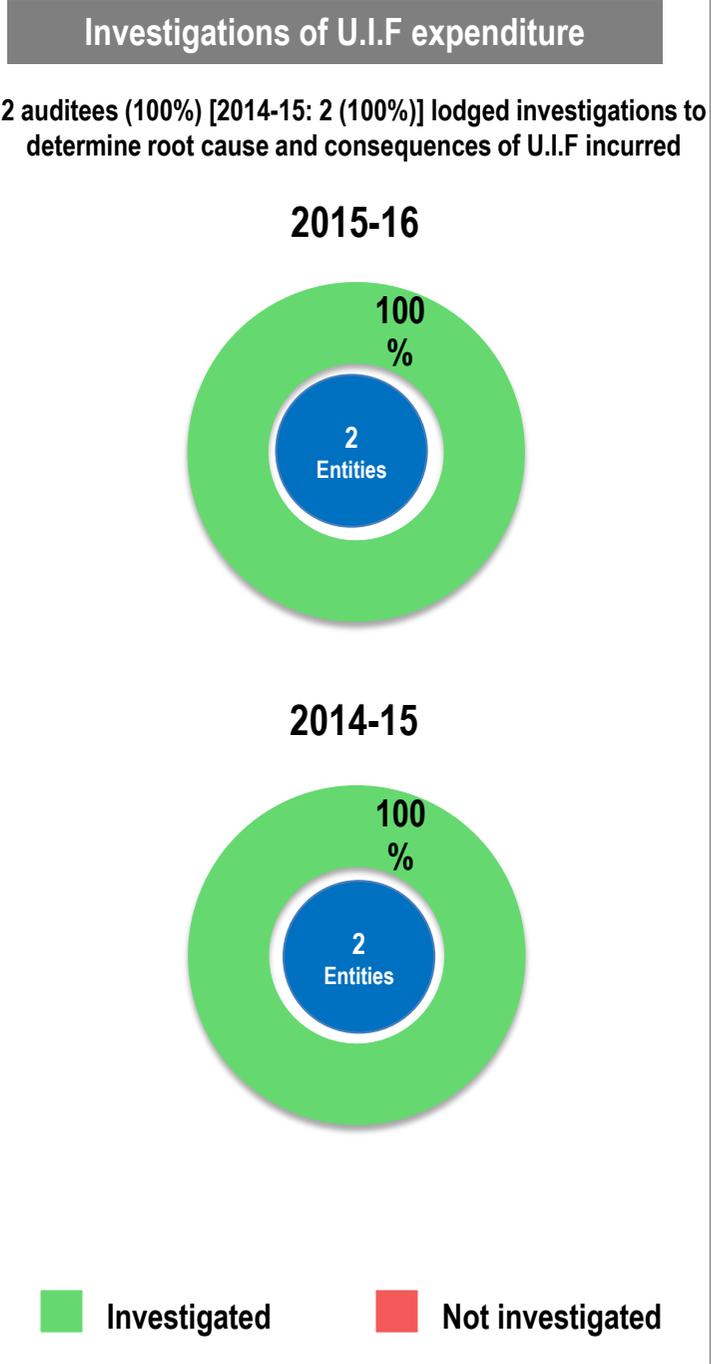
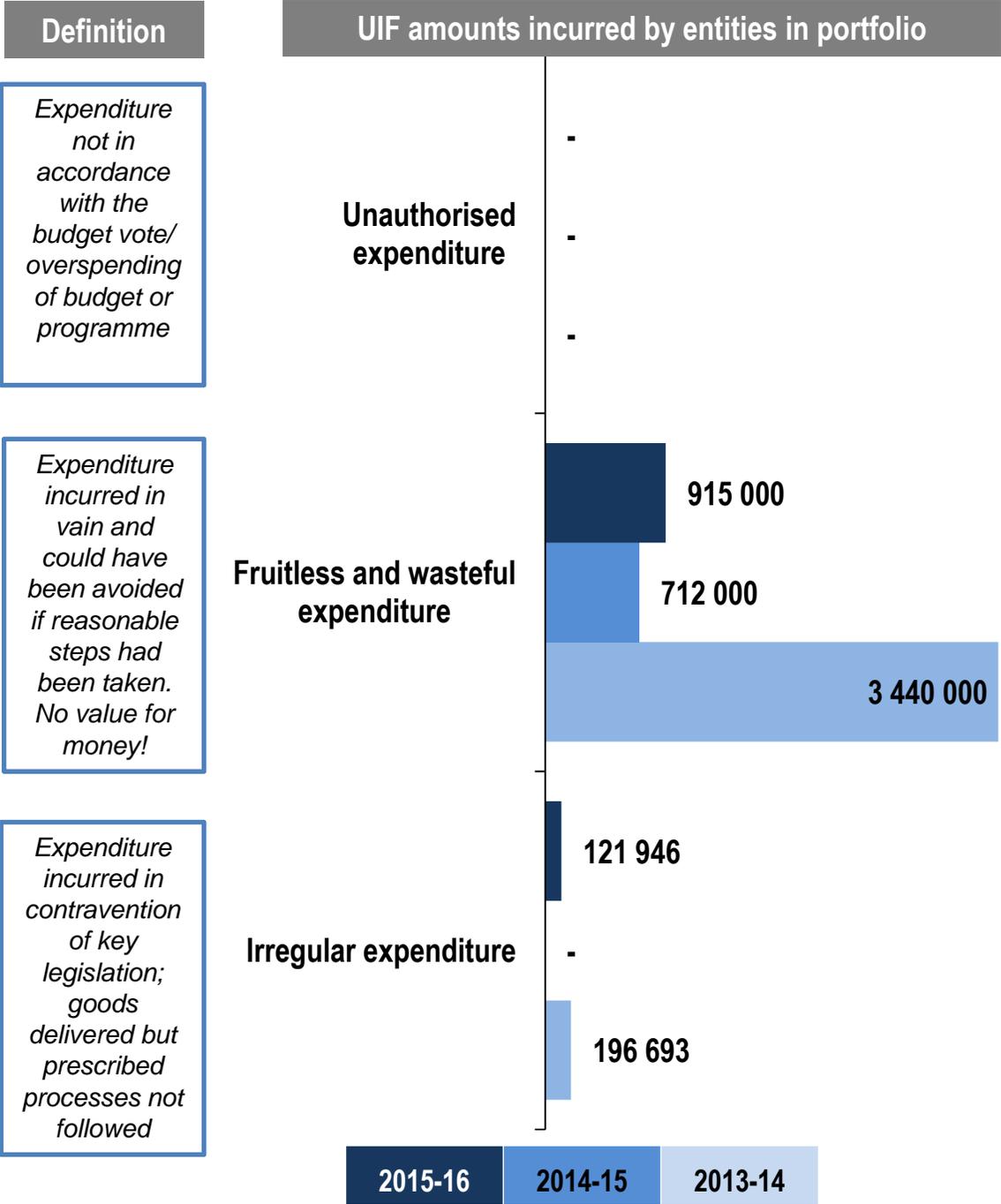
Auditee:	Move ment	Programmes/ Objectives	Usefulness	Reliability
Department of Tourism		<i>Programme 2: Policy and Knowledge Services</i>	No material findings reported.	No material findings reported.
		<i>Programme 3: International Tourism Management</i>	No material findings reported.	No material findings reported.
South African Tourism		<i>Strategic Objective 1: Contribute to growth of international tourist arrivals in South Africa</i>	No material findings reported.	No material findings reported.
		<i>Strategic Objective 2: Contribute to growth of domestic tourist in South Africa</i>	No material findings reported.	No material findings reported.
		<i>Strategic Objective 3: Grow Tourism Revenue</i>	No material findings reported.	No material findings reported.
		<i>Strategic Objective 4: Improve brand awareness of South Africa as a tourism destination</i>	No material findings reported.	No material findings reported.



4 **Financial management**



# Unauthorised, irregular as well as fruitless and wasteful expenditure decreased over 3 years and follow up action



6

**Top three best practices, follow  
up on commitments and  
proposed recommendations**



# Top three best practices and follow up on commitments and proposed recommendations

1

... the following **best practices** must be maintained ...

2

... through honouring the following **commitments** made by the executive authority.....

3

... and implementation of the following **proposed commitments** by the Portfolio committee and management..

## Best practices

The leadership established a culture of ethical behaviour, commitment and good governance

Good human resource practices ensured that adequate and sufficiently skilled officials were in place and that their performance was managed

Basic disciplines and controls were in place for daily and monthly processing and reconciling of transactions

## Status of key commitments by minister

Minister to monitor the marketing strategy adopted by SAT to confirm whether the current joint marketing arrangement is feasible.

Follow up progress on further discussions with National Treasury regarding the correct accounting treatment for EPWP infrastructure expenditure at the department. The Department for 2014-15 once again got exemption on the modified cash basis of accounting.

SAT undertook to provide feedback on the foreign currency impact on their operations.

Not implemented

In progress

Implemented

New

We met with the minister on 13 July 2016. The outcomes were discussed with the minister and the status of the implementation of the above commitments were followed up. New commitments were solicited from the minister and certain of the prior year's commitments were reinforced. The minister requested that he would appreciate it if the audit team could continue with the quarterly engagements regarding the status of key controls in the portfolio.

1. The committee through regular engagements with the portfolio should monitor implementation of action plans to sustain best practices.
2. During the budget debate, the following matters were raised, and the committee could consider following up on these matters through regular engagements with the committee:
  - The role of local government and municipalities in maintaining tourist attractions,
  - The minister was asked to implement an interdepartmental task force to address the challenges of tourism,
  - The budget not being sufficient to achieve the mandate of the portfolio.

# Questions



[www.agsa.co.za](http://www.agsa.co.za)



Auditor-General of South Africa



Follow the AGSA on Twitter: [https://twitter.com/AuditorGen\\_SA](https://twitter.com/AuditorGen_SA)



AUDITOR-GENERAL  
SOUTH AFRICA