



arts & culture

Department:
Arts and Culture
REPUBLIC OF SOUTH AFRICA

Briefing by the Department of Arts and Culture's Audit Committee:

Audit Findings And Challenges In The Department

Presented by:

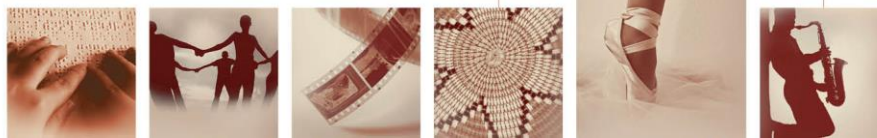
Ms. K. Rapoo

Acting Audit Committee Chairperson

Date:

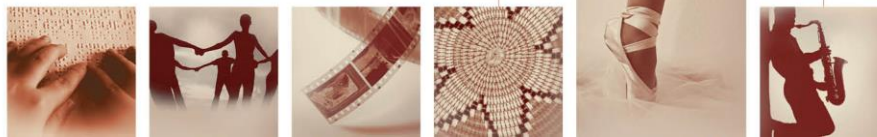
05 April 2016

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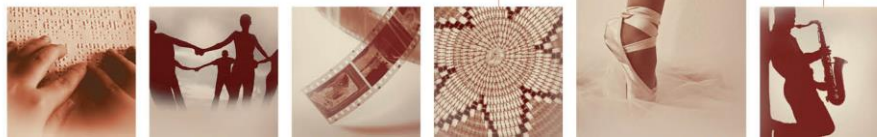
INTRODUCTION & PURPOSE

- This presentation is an Executive Summary of the oversight work conducted by the Audit Committee as mandated by Public Finance Management Act and its supporting Treasury Regulations, the King III report requirements; and the approved Audit Committee Charter for the 2015/16 financial year;
- The purpose of this presentation is to bring to the attention of the Portfolio Committee on Arts and Culture, the findings as observed and noted by the Audit Committee during the 2015/16 financial year.
- The presentation is divided into the following:
 - Part 1 - DAC Management Action Plan to address the 2014/15 AGSA findings; &
 - Part 2 – Internal Audit Findings.
- The information covered in this presentation has been tabled in the audit committee meetings of the Department by management throughout the 2015/16 financial year.
- The Management of the Department was tasked with the development of action plans for corrective action and improvements in internal controls environment by the Audit Committee. The said action plans were noted by the Audit Committee in its meetings where in further recommendations/counsel was provided for management's further attention.
- Whilst improvements have been noted in some areas, i.e. quarterly financial statements, management of irregular expenditure and deviations, and pre-determined objectives, there is still a need for further improvements which can be achieved through the implementation of the action plans by management.
- The Internal Audit Activity of the Department is in the process of finalising its review of the management action plans (internal audit and external audit) which will be tabled in the scheduled future audit committee meetings as resolved in past meetings.



PART 1: MANAGEMENT ACTION PLAN TO 2014/15 AGSA FINDINGS

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MANAGEMENT ACTION PLAN TO 2014/15 AGSA FINDINGS

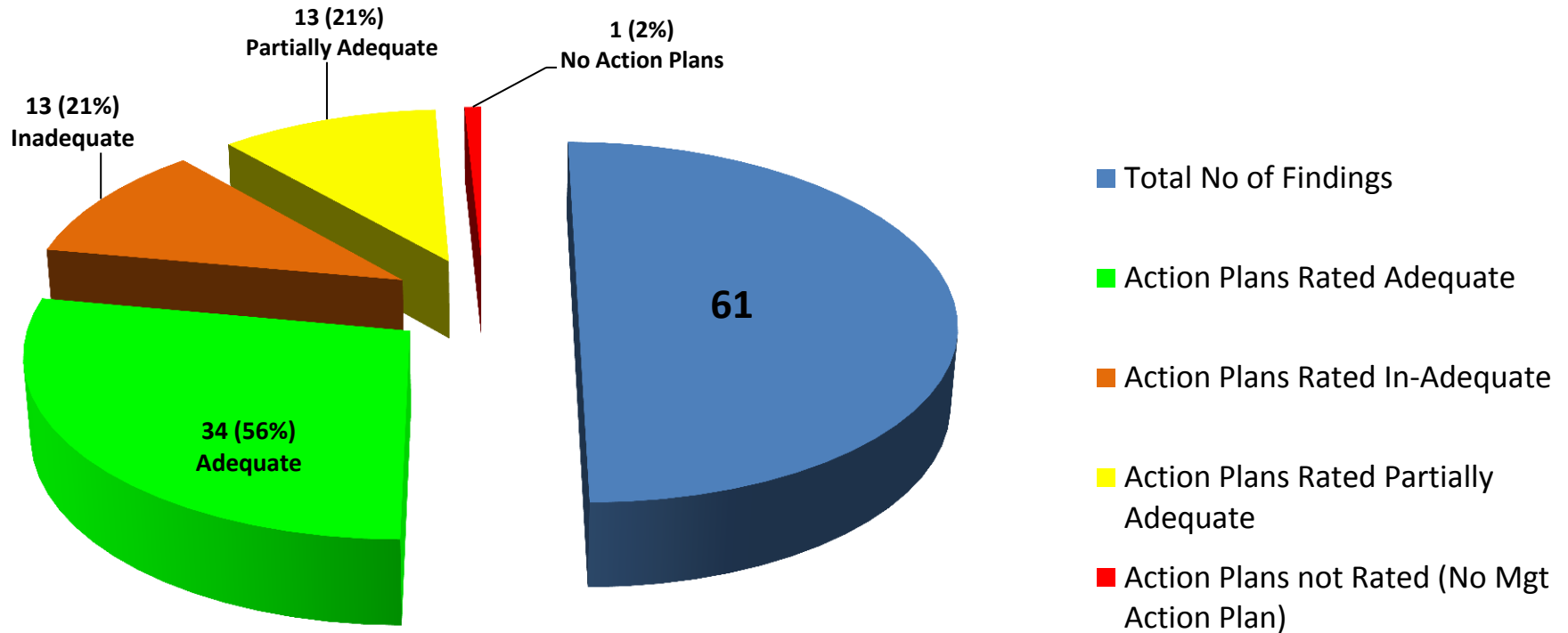
- A total of 61 Findings were raised by the AGSA for the 2014/15 Financial Year (63 findings in 2013/14).
- Management developed Action Plans for 60 (98%) of the 61 Findings.
- Internal Audit reviewed the 60 Action Plans developed to assess their adequacy and our observations are detailed in the following slides.
- The extent of the review was firstly an **Adequacy** review; and the **Effectiveness** review is in progress and will be reported on as soon as completed.
- The Audit Committee has noted with concern the slow progress of implementation of the action plans by management and has raised this concern with management, noting that not much was done in time for the financial year end.



MANAGEMENT ACTION PLAN TO 2014/15 AGSA FINDINGS

Below is an illustration of the results of the review of the Management Action Plan to address the 2014/15 AGSA Findings which focused on the completeness; accuracy and adequacy of the Management Actions:

Results of the IA Review



Summary of AGSA Findings

NO.	BUSINESS UNIT	FINDING CATEGORY	NUMBER OF FINDINGS	ASSESSMENT OF MANagements ACTION PLAN AS AT 22ND FEBRUARY 2016		
			2014/15	ADEQUATE	PARTIALLY ADEQUATE	INADEQUATE
1.	SUPPLY CHAIN MANAGEMENT	PROCUREMENT AND CONTRACT MANAGEMENT	7	4	1	2
2.	HUMAN RESOURCES	HUMAN RESOURCE MANAGEMENT AND COMPENSATION OF EMPLOYEES	10	9	1	0
3	<ul style="list-style-type: none"> • INFORMATION TECHNOLOGY; • AUXILARY SERVICES; • BRANCH: ARTS, CULTURE PROMOTION & DEVELOPMENT; • CD: HERITAGE; • MONITORING & EVALUATION; • CD: STRATEGIC PLANNING & COORDINATION 	PREDETERMINED OBJECTIVES	11	3	1	7
4.	OFFICE OF THE CFO; HUMAN RESOURCES MANAGEMENT	CONSULTANTS	2	0	0	2
5.	OFFICE OF THE CFO; FINANCIAL ADMINISTRATION	DISCLOSURE NOTES	4	3	1	0
6.	OFFICE OF THE CFO; FINANCIAL ADMINISTRATION; FINANCIAL MANAGEMENT	TRANSFERS AND SUBSIDIES	4	2	0	2



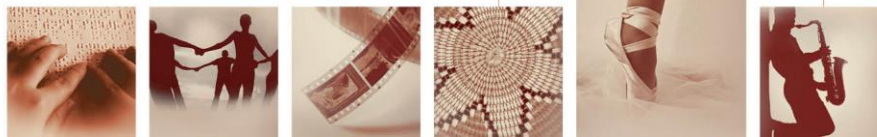
Summary of AGSA Findings

NO.	BUSINESS UNIT	FINDING CATEGORY	NUMBER OF FINDINGS	ASSESSMENT OF MANagements ACTION PLAN AS AT 22ND FEBRUARY 2016		
			2014/15	ADEQUATE	PARTIALLY ADEQUATE	IN-ADEQUATE
7.	OFFICE OF THE CFO; FINANCIAL ADMINISTRATION	FRUITLESS AND WASTEFUL EXPENDITURE	1	1	0	0
8.	LEGAL SERVICES	CONTINGENT LIABILITIES	1	0	1	0
9.	OFFICE OF THE CFO; FINANCIAL ADMINISTRATION; SUPPLY CHAIN MANAGEMENT	KEY MANAGEMENT PERSONNEL	2	1	1	0
10.	OFFICE OF THE CFO; SUPPLY CHAIN MANAGEMENT	COMMITMENTS	2	1	1	0
11.	AUXILARY SERVICES; FINANCIAL ADMINISTRATION; SUPPLY CHAIN MANAGEMENT	GOOD AND SERVICES	4	3	1	0
12.	FINANCIAL ADMINISTRATION	BANK AND CASH	1	1	0	0
13.	SUPPLY CHAIN MANAGEMENT; INFORMATION TECHNOLOGY	ASSETS	4	1	2	1
14.	INFORMATION TECHNOLOGY	INFORMATION TECHNOLOGY	3		2	1
15.	SUPPLY CHAIN MANAGEMENT; INFORMATION TECHNOLOGY	OTHER IMPORTANT MATTERS	6	5	1	0



PART 2: SUMMARY OF INTERNAL AUDIT FINDINGS – 2015/16

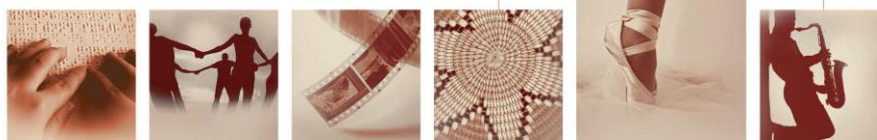
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Internal Audit Findings

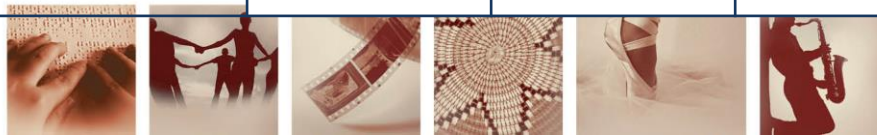
NO.	AUDITS AND CONSULTING ASSIGNMENTS	OVERALL AUDIT CONCLUSION	Total Number of Findings	Number of Critical/ High Findings	Number of Significant/ Medium Findings	Number of Housekeeping/ Low Findings
1	Enterprise Risk Management (2015/16 Assessments)	Satisfactory	4	0	4	0
2	Predetermined Objectives (Q4 of 2014/15)	Less Than Satisfactory	8	0	8	0
3	Annual Performance Report Review (2014/15)	Less Than Satisfactory	2	0	2	0
4	Predetermined Objectives (Q1 of 2015/16)	Less Than Satisfactory	5	0	5	0
6	Predetermined Objectives Review – Q2 of 2015/16	Less than Satisfactory	4	0	4	0
7	Predetermined Objectives Review – Q3 of 2015/16	Less than Satisfactory	3	0	3	0
8	Annual Financial Statements Review 2014/15	Unsatisfactory	5	5	0	0

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Internal Audit Findings

NO.	AUDITS AND CONSULTING ASSIGNMENTS	OVERALL AUDIT CONCLUSION	Total Number of Findings	Number of Critical/ High Findings	Number of Significant/ Medium Findings	Number of Housekeeping/ Low Findings
9	MPAT 1.4 Verification	N/A	N/A	N/A	N/A	N/a
10	Quarterly Financial Statements Review (Q1 of 2015/16)	Less Than Satisfactory	4	0	4	0
11	Information Technology General Controls	Unsatisfactory	8	5	3	0
12	Review of SMS Moderation Process	Unsatisfactory	4	3	1	0
13	Review of the Draft 2016/17 Annual Performance Plan	Less than Satisfactory	4	0	4	0
14	Internal Financial Controls Audit	N/A	N/A	N/A	N/A	N/A
15	Quarterly Financial Statement Review Q2 (2015/2016)	Satisfactory	2	0	1	1
16	Quarterly Financial Statement Review – Q3 of 2015/16	Satisfactory	1	0	0	1
17	Infrastructure Development – Capital Work Grants	N/A	N/A	N/A	N/A	N/A
18	Relocation audit – SCM	Less than Satisfactory	4	0	2	2
19	Relocation Audit – OHS	N/A	N/A	N/A	N/A	N/A



Internal Audit Findings

NO.	AUDITS AND CONSULTING ASSIGNMENTS	OVERALL AUDIT CONCLUSION	Total Number of Findings	Number of Findings Resolved	Number of Findings Partially Resolved	Number of Findings Un-Resolved
20	Relocation audit – Governance (Follow Up)	Less than Satisfactory	8	6	1	1
21	Review of the Management Action Plan	Less than Satisfactory	N/A	N/A	N/A	N/A
22	Follow up on the Status of Previous Findings	N/A	N/A	N/A	N/A	N/A

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Noted Areas of Improvement & Recommendations:

The Committee has played an active oversight role in the Department's most challenging areas, and has noted some improvement in the following areas:

- the review and approval of the SCM Policy;
- Asset Management Policy;
- a positive attempt towards Integrated Reporting;
- collation and reporting of quarterly performance information and financial statements;
- improvement on reporting of deviations and irregular expenditure recommended.

Furthermore, the following **recommendations** were made by the Audit Committee, and they are receiving attention in the Department:

- Quarterly independent assurance reviews by Internal Audit on the Performance Information of the Department and reporting to Management and the Audit Committee; and monthly monitoring of performance information internally by management;
- Internal reporting within the Department's programmes/branches on Performance Information and maintenance of portfolios of evidence (POEs) to improve Performance Information;
- Integrated Reporting (Performance Information; Risk Management; Financial Information and Audit Assurance).
- Development of quarterly financial statements and independent assurance reviews by Internal Audit and reporting to Management and the Audit Committee for Oversight;



Noted Areas of Improvement & Recommendations:

- ICT plans and HR Vacancy Management to be reviewed quarterly;
- Ethics and Integrity Management (framework) and quarterly reporting to the Audit Committee;
- Enforcement of accountability and reporting to the Audit Committee;
- Consequence management to be applied to improve the SCM internal control and compliance environment;
- Legal Opinion on the planned relocation of the DAC Premises through the lease agreed to with DPW noting the unreasonable costs involved and extra space not required in line with the lease period.
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- Enhancing the permanent capacity of the Risk Management and Internal Audit Activity using a phased-in approach;
- Monitoring of the Audit Steering Committee responsibilities and its effectiveness;
- Management and reporting of the previous year and current years' unauthorized, irregular, fruitless and irregular expenditure including an analysis and treatment thereof to be reported in Committee meetings.
- Continuous follow up of previous Internal Audit and AGSA findings and reporting to Management and the Committee to monitor progress and enforce accountability.

Management has agreed to the recommendations and has made an undertaking to effectively and efficiently implement them so as to realise improvements and compliance. Action plans on all the above areas have been tabled to the Audit Committee;

The implementation of the management action plans will continue to be monitored by the Audit Committee in future scheduled meetings throughout the new financial year 2016/17.





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Thank You

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