

South African
Department of Home Affairs

**PRESENTATION TO THE
PORTFOLIO COMMITTEE ON
THE DELAY IN TABLING OF
THE ANNUAL REPORT FOR
2004/05**

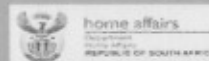
07 February 2006



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PURPOSE

To:-

- Brief the Portfolio Committee on the delay in finalizing the annual report due to the outstanding audit report for the regulatory audit of 2004/05
- Provide the Portfolio Committee with the chain of events that led to the delay in finalization of the annual report



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BACKGROUND :PFMA REQUIREMENTS

- In terms of Sec 40(1)(c)(d) of the PFMA the department must submit financial statements within two months after the end of the financial year to the relevant treasury and to the Auditor General. The statements must be submitted within five months of the end of the fin year to the executive authority.
- The Act further in terms of Sec 65 stipulates that the annual report, financial statements and the audit report must be tabled in the National Assembly by the executive authority for the department.



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UNFOLDING OF PROCESS: MAY 2005

- The Department complied with the requirement of the PFMA by submitting its financial statements to the AG and NT.
- The AG introduced its auditing team in February 2005 that comprised of officials from the AG and the contracted auditing firm, preliminary planning work and request for documentation had already commenced by 31 May 2005. The audit commenced without discussion and approval of the audit plan.



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UNFOLDING OF PROCESS: MAY 2005

- Under normal circumstances the audit plan is discussed with the client/ Auditee by the Auditor but in our case the audit plan was presented by AG to the Audit Committee prior to the discussion with the Department on 23 May when the preliminary audit had already commenced.



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UNFOLDING OF PROCESS: JUNE 2005 CONCERNS

- The audit team of the Auditor General worked for a number of days in May in the Department and were nowhere to be seen during the better part of June 2005 until I was notified by my team leader (Director: Financial Administration) that the team was withdrawn from site on 30 June 2005. The Department was not formerly briefed as to why the auditing team was no more continuing with the audit.



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UNFOLDING OF PROCESS: JUNE 2005 CONCERNS

- ❑ As the Chief Financial Officer, I raised my concern in writing with the Business Executive of the AG in charge of the Department of Home Affairs audit, Mr. Randall.
- ❑ The audit plan meeting was subsequently re-convened on 16 July 2005 and during this meeting the Audit senior Manager introduced Gobodo Incorporated which came with a team of 25 auditors who were due to commence the audit work on 20 July 2005 and finalize the audit within 11 days in order to comply within the deadline of 31 July 2005.
- ❑ The projected 11 days period to complete the audit was ambitious but the Department offered to co-operate in facilitating the process and therefore a team of 12 Home Affairs officials was dedicated to assist the Audit team with any information required for the audit.



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OAG BRIEFING JULY 2005

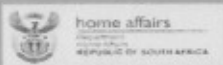
- ❑ On 19 July 2005 the Department briefed the OAG at NT about the progress of the audit and that it was clear from this meeting that the PFMA deadline of 31 July 2005 for issuing of the audit report would not be achieved.
- ❑ Even the two weeks period that was committed to the OAG by the AG was not met due to the fact that the audit team continued auditing. In my opinion the samples selected by the auditing team were too large given the time limitations and the fact that most of the auditors were not familiar with the department's environment.



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DEVELOPMENTS JULY TO SEPTEMBER
2005

- Noting the pace of the audit we realized that we might not comply with the deadline of tabling the annual report due to lack of an audit report.
- Immediate action was taken on 06 September 2005 to notify the Minister in her capacity as the Executive Authority about the possible delay in tabling the annual report to Parliament as required by the PFMA. The Minister took note of the submission.



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NOTIFICATION TO MINISTER SEPT 2005

- The annual report could indeed not be tabled by 30 September 2005 as required by the PFMA and the greatest impediment was the finalization of the audit and issuance of the audit report by the AG.
- On 03 October 2005 a submission was made to the Minister together with a letter to the Speaker of Parliament providing reasons for failure to table the annual report as required by the PFMA.



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DEVELOPMENTS DURING NOV 2005

- Due to the continuous claim by the AG that they did not receive supporting documents, the following was agreed upon during the Audit Steering Committee meeting held on 22 November 2005:
 - the Department would once more submit all documents that the Audit team claimed to have not received in front of the Business Executive.
 - Auditor-General would provide a list of documents required to audit certain areas that impacted on the audit opinion and the Department agreed that the Auditor-General staff should conclude the audit .

- Furthermore the Department raised a concern with the data used by the AG in selecting samples as most of the outstanding documents were not as per the BAS records.



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DEVELOPMENTS DURING JAN 2006

- The recent correspondence with the Auditor-General indicates the AG still need to audit the samples provided and our letter dated 13 January 2006 has raised concerns about the statement of the AG to Parliament that the department did not comply with the PFMA

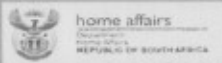
- In conclusion the situation of the audit of the 2004/05 is first of its kind and has frustrated a number of processes in the sense that:
 - the Department will not have sufficient opportunity and time to address weaknesses that are due to be pointed out by the audit when the audit is eventually finalized.
 - Our staff members were subjected to an audit that has lasted for almost a year.
 - The Department has already incurred audit expenditure that is more than the initially estimated amount. To date R3 956 113-44 has been spent as compared to the R2 170 678-00 that was initially estimated.



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- The latest information received from the AG on 25 January 2006 is that the audit will resume on 07 February 2006.



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CONCLUDING REMARKS

- The Portfolio Committee should take note of developments so far



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QUESTIONS/COMMENTS

