

The Role of AGSA in implementing the PFMA in RSA

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Outline

- Institutional Arrangements
- What ensures that the AGSA is autonomous?
- Role of Auditor General in the implementation of the PFMA
- Challenges and opportunities

Institutional Arrangements

- The National Treasury is established by Chapter 13 on Finance, of the constitution to prescribe measures to ensure both transparency and expenditure control in each sphere of government, by introducing—
 - generally recognized accounting practice;
 - uniform expenditure classifications; and
 - uniform treasury norms and standards.
- The treasury is also mandated to enforce these measures. The treasury is enabled by the PFMA which articulates among other things budgetary matters.

Institutional Arrangements

- In the RSA Constitution, Chapter 9 institutions are established to support and safeguard our constitutional democracy and enjoy a high level of protection to maintain their independence
- The South African Supreme Audit Institution- which is called the Auditor General South Africa is such a Chapter 9 institution.
- Mainly, the AG is mandated to audit and report on the accounts, financial statements and financial management of all government institutions

What ensures that the AGSA is autonomous?

- Firstly, and most importantly is the legal framework establishing the AG.
 - Chapter 9 of the Constitution Institution, which guarantees their independence/ autonomy
 - The Public Audit Act 25 of 2004, which enables them to function independently of any organ of state- including the treasury
- Secondly, they have power to raise their own funding by charging an audit fee to the public institutions they audit
- Institutional strength and integrity- The AGSA has established themselves as a very respected (if not feared) institution and there has been no indication that the executive interferes with their work. So that integrity gives them the clout.
- Institutions themselves in South Africa, take the AG very seriously and are keen to get clean audits each year.

The Role of AGSA in the implementation of the PFMA

- There are some processes that are explicitly identified in the PFMA for external audit by the AG- examples:
 - 8 (2) The Auditor General must audit the consolidated financial statements and submit an audit report on the statements to the National Treasury within three months of receipt of the statements.
 - 16 Any use of funds in emergency situations should be reported to the Auditor General (in-year budget processes)
 - 38 The financial statements of the government institutions must be audited by the Auditor General etc...etc.
 - There are many other instances in the PFMA where institutions are obliged to report or to get concurrence with the AG on certain activities with regard PFM
 - The MFMA is also affected the same way as the PFMA

The Role of AGSA in the implementation of the PFMA

- **The Budget Process**
- In the budget process design, we are obliged to consider the role of the AG in ensuring that our reforms and processes are implemented by the government units.
- A fine balance has to be achieved when designing our processes and systems as they are also subject to audit. We consult the AG on new initiatives that attract audits throughout the PFM cycle, e.g. when we introduced the Performance Indicators and the Quarterly Reporting System for public entities
- Definitions and classifications, rules and regulations and their interpretation can be questioned by the AG, whenever they create inconsistencies and ambiguities that can cause non-coherent interpretation, e.g. SCOA
- The budget process itself could be audited

Challenges and opportunities

- From a NT perspective at least at a technical level- we have had our disagreements with the AG in some of their interpretation of our systems, rules and procedures. The discourse also provides opportunities for improvement.
- Recently, during COVID 19 emergency- challenges on responsiveness to emergencies where processes have to be put in place as quickly as possible.
 - Misuse of COVID funds- the AG used its various units to do a multipronged audit on the COVID-19 funds and found that fraudulent activities had occurred. They also found that partly it was the because of loopholes in the emergency measures implemented by the Treasury that made it easy for corruption to occur. The Treasury responded swiftly to the findings
 - This points us to an opportunity to improve. How well will we fair should there be a next time?

THANK YOU