

AUDITOR GENERAL AUDIT OPINION AND FINDINGS RATING

The Auditor-General is responsible for enabling oversight, accountability and governance in the public sector and it also audits and assesses the existence, measurability and relevance of performance indicators relative to the target in strategic and annual performance reports and the consistency of performance information between all planning and reporting documents, to ensure validity, accuracy and completeness.

Taking into consideration that HOD's performance agreement is directly linked to the department's strategic plan and annual performance plan (APP), therefore for the year in question the Auditor-General report/findings is the most appropriate mechanism to validate the performance outcome of the HODs as well as the departmental performance outcome. Audit results, provided by an independent external auditor, provide information on management's controls over the efficiency and effectiveness of programmes, therefore audit results should not be seen in isolation, but should form an integral part in management's monitoring and evaluation of HoDs activities.

The AG report normally reflects views on the following four areas:

- (a) Financial information which is presented on the financial statements of the department.
- (b) Performance objective achievement which is based on the findings on the reporting on performance against predetermined objectives.
- (c) Compliance with applicable laws and regulation relating to financial matters, financial management and other related matters.
- (d) Internal control as indicated by the status of internal controls that result in qualifications of the opinion on the financial statement and findings on the report on predetermined objectives and compliance with laws and regulations.

The findings of the AG will be scored on a 5-point rating scale and will comprise **20%** of the total score of the HOD evaluation.

The table below gives an indication of the rating and description of the category of findings of the AG.

Annexure D

AG Report Category	Description	Rating Assigned to Performance	Final Score
Disclaimer	There is a lack of sufficient appropriate audit evidence to the extent that the auditor is <u>not able</u> to form an opinion <i>This is not a “clean” audit opinion and is the <u>worst type of audit outcome</u>. Due to the lack of evidence, the auditors cannot form an opinion on the financials.</i>	0	0%
Adverse opinion	The auditor disagrees with the representation made by management in the financial statements to the extent of confirming that it is NOT a fair reflection of the financial position. <i>This is not a “clean” audit opinion and indicates that the <u>evidence obtained by the auditors does not agree to the figures disclosed in the financials</u>.</i>	1	8%
Qualification (except for)	The auditor concludes that, except for specifically listed material errors, the financial statements remain a fair reflection <i>This is not a “clean” audit opinion, but with a little additional effort, this can become an unqualified audit opinion.</i>	2	17%
Unqualified audit opinion with other matters	The financial statements are unqualified but there are other matters, which signify “red flags” <i>Although these have not yet led to a qualification, they may – if not fixed – lead to a qualification in future years.</i>	3	25%
Unqualified audit opinion with no matters	This is when the auditor comes to the conclusion that the financial statements present fairly, in all material respects, the financial position of the auditee (also referred to as a “clean” opinion) <i>THIS IS THE IDEAL AUDIT OUTCOME</i>	4	33%