

purcon
PURCO SA 2024 Annual Conference

2024 PURCO SA CONFERENCE & EXHIBITION
18 - 20 SEPTEMBER 2024 | CT ICC, CAPE TOWN

SPEAKER

TOPIC

Driving Operational Efficiency through Audit Turnaround:
A Case Study of a TVET College in KwaZulu-Natal

CONFERENCE | DAY 2
FINANCE BREAKAWAY SESSION

Vela Mtshali CA(SA), RA
CEO AT BONAKUDE

1

Contents

- ❖ SECTION ONE : HIGHER EDUCATION OVERVIEW
- ❖ SECTION TWO : KEY CHALLENGES
- ❖ SECTION THREE : TURNAROUND STRATEGIES
- ❖ SECTION FOUR : CASE STUDY

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BONAKUDE

2

Section One

Higher Education Overview**Aim of Higher Education:**

"Higher education equips individuals to make the best use of their talents and of the opportunities offered by society for self- fulfilment. It is thus a key allocator of life chances, an important vehicle for achieving equity in the distribution of opportunity and achievement among South African citizens."

Kagisano Number 9, 2013, The Aims of Higher Education Available at:

<https://www.che.ac.za/file/6431/download?token=IHXDcpUT#:~:text=Higher%20education%20equips%20individuals%20to,achievement%20among%20South%20African%20citizens>

"Education is the most powerful weapon which you can use to change the World." Nelson Mandela



3

Section One

Higher Education Overview**Auditor General 2023 Financial Year conclusion on TVET Colleges:**

"Overall, the outcomes of the colleges are not improving at the desired pace, the findings identified are recurring, indicating that action plans are not adequate in addressing the root causes. Some TVET's do not have adequate system that enable them to record, analyse and report financial and student information."

Auditor General 2023 Financial Year conclusion on Universities:

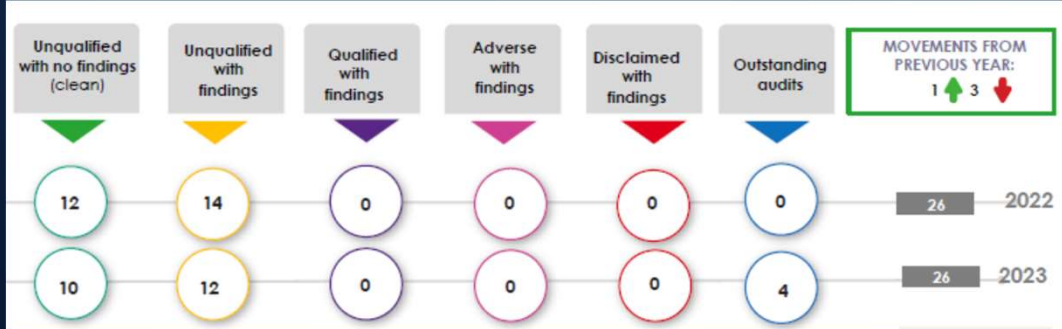
"Overall ,there is a regression in the universities' outcomes, we identified that most of the non-compliances raised for the Universities relate to the fact that the members of staff do not declare their conflicts of interests upfront, did not declare their possible conflict of interest when the University was procuring from the related suppliers, or some Universities do not have adequate processes in place for the staff to declare their conflicts, as required by the legislation. Furthermore, material amendments were made to the submitted financial statements , indicative of inadequate controls around the preparation of the financial statements."



4

Section One
Higher Education Overview

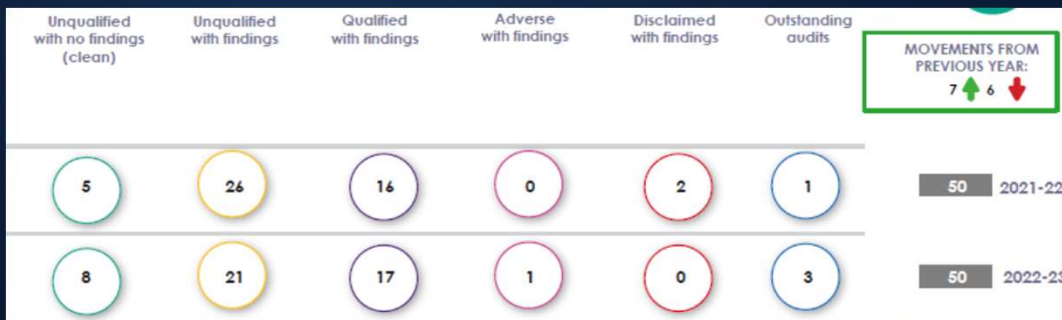
Universities Outcomes



5

Section One
Higher Education Overview

TVET Colleges outcomes



6

Section Two

Key Challenges

The Auditor General conclusion spells areas of concern within the sector that are contributing to slow improvement of audit outcomes:

- ❖ Lack of skills within finance units.
- ❖ Poor record management.
- ❖ Lack of planning for annual financial statements (AFS) preparation activities.
- ❖ Poor internal controls, policies and procedures.
- ❖ Vacant positions not filled timeously.
- ❖ Delayed implementation or non-implementation of audit action plans.
- ❖ Poor management of the audit process.



7

Section Two

Key Challenges**Common audit qualification areas:**

- ❖ Property, plant and equipment.
- ❖ Payables from non exchange transactions.
- ❖ Expenditure.
- ❖ Discretionary Grants commitments.
- ❖ Revenue (NSFAS reconciliations).
- ❖ Payables from exchange transactions.
- ❖ Receivables.



8

Section Three

Turnaround Strategies

A good Internal Control Environment is foundational to Driving Operational Efficiency through Audit Turnaround.

The following key characteristics define a strong internal control environment:

- ❖ Ethical Leadership and Integrity.
- ❖ Clear Organizational Structure.
- ❖ Competent Personnel.
- ❖ Segregation of Duties.
- ❖ Formal Policies and Procedures.
- ❖ Effective Communication.
- ❖ Risk Management.
- ❖ Monitoring and Auditing.
- ❖ Enforcement of Accountability.
- ❖ Adaptability.



9

Section Three

Turnaround Strategies**1. Annual Financial Statements Preparation Planning**

The following activities should be considered:

- ❖ A Detailed Annual Financial Statements (AFS) Compilation Plan that discloses:
 - All AFS and general ledger balances and transactions reporting plans
 - Responsible officials
 - Deadlines for preparers and oversight bodies
- ❖ Develop audit action plans and align with the Annual Financial Statements Plan.
- ❖ Timely communication of the Annual Statements and Audit Plan to all relevant parties and stakeholders.
- ❖ Implement credible financial record systems for areas such as Assets Management and Revenue.



10

Section Three

Turnaround Strategies**2. Improve Records Management**

The following activities should be considered:

- ❖ Develop a registry of Policies and Processes for the maintenance of records within all departments (this includes movement and recovery of records)
- ❖ Communication and enforcement of records management policies to all staff.
- ❖ Implement a records management system to improve records storage and accessibility (e.g., electronic or systematic manual process.)
- ❖ Assigning responsibilities to personnel who will be accountable for the records.



11

Section Three

Turnaround Strategies**3. Improve Internal Control Environment**

The following must be in place:

- ❖ Develop policies and procedures for implementation through all business process
- ❖ Consistent review and update of policies to align with the latest regulations
- ❖ Train staff to ensure awareness of policies and controls
- ❖ Implement probity audits



12

Section Three

Turnaround Strategies**4. Ensure skills availability**

The following activities should be considered:

- ❖ Develop policies and procedures for the recruitment of key personnel in strategic positions.
- ❖ Outsource critical skills where they are not available inhouse.
- ❖ Foster a culture of skills transfer through inhouse training.
- ❖ Develop and implement succession plans.
- ❖ Timely filling of vacancies.



13

Section Three

Turnaround Strategies**5. Effective Management of the Audit Process**

The following must be in place:

- ❖ Ensure Audit Steering Committees are established for the audit progress monitoring.
- ❖ All communication of information requests with auditors is centralized and controlled.
- ❖ Timely submission of requested information.
- ❖ Regular engagements with (internal and external) auditors to maintain a good working relationship.
- ❖ Request technical guidance from auditors on high-risk areas.



14

Section Three

Turnaround Strategies**6. Oversight Bodies**

Institutions must establish oversight bodies:

- ❖ *Audit Committees*
- ❖ *Internal Audit Units*
- ❖ *Project Steering Committees*

Benefits of oversight bodies:

- ❖ Improved focus on organisation objectives
- ❖ Improved accountability at each level of operation
- ❖ Increased stakeholder management on all operations
- ❖ Increased evaluation and monitoring

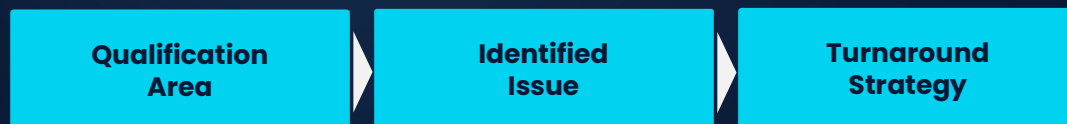


15

Section Four

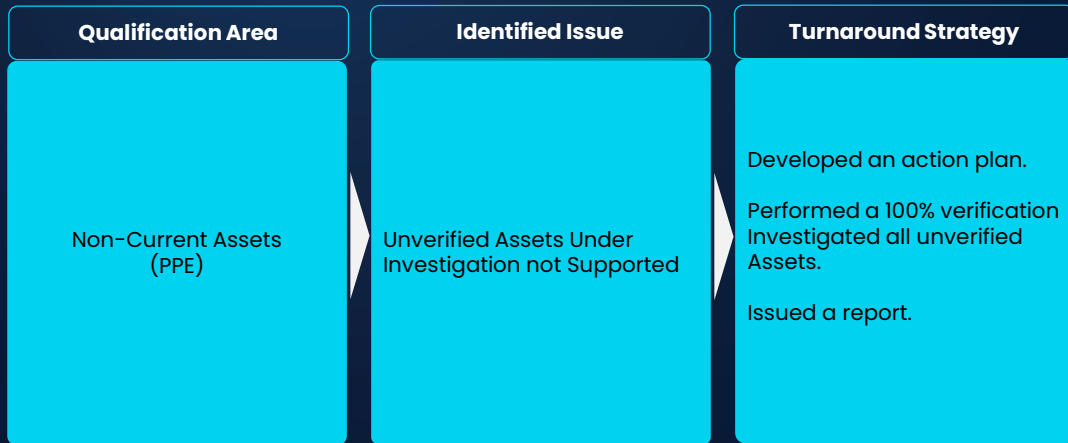
Case Study**Problem Statement:**

Audit turnaround of a TVET College from the qualified audit opinion for 13 years to “unqualified audit opinion”.



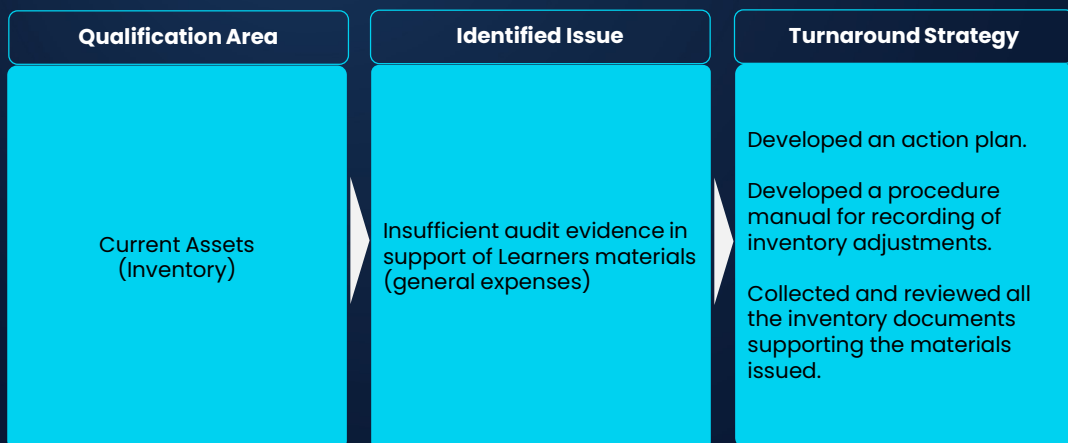
16

Section Four Case Study



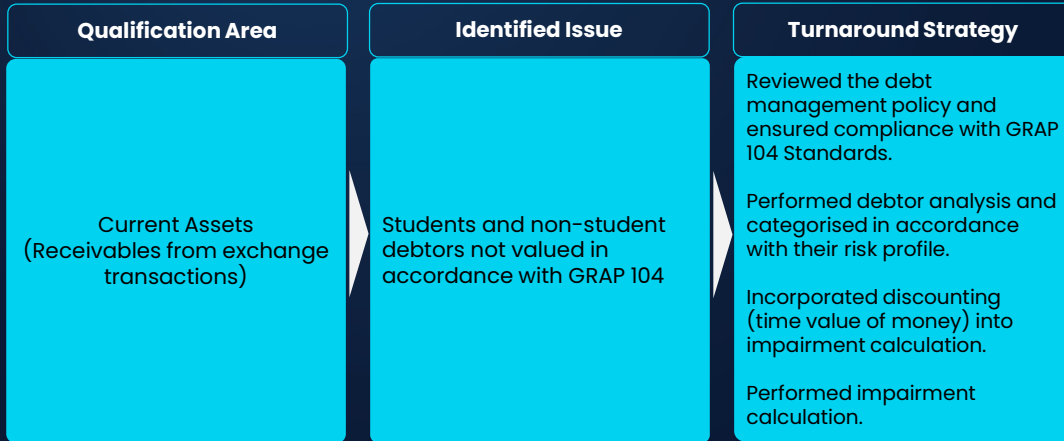
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Section Four Case Study

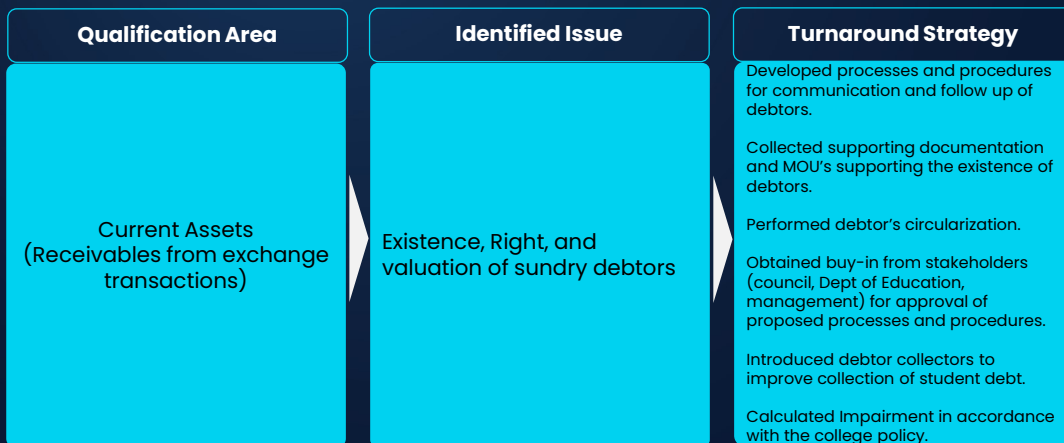


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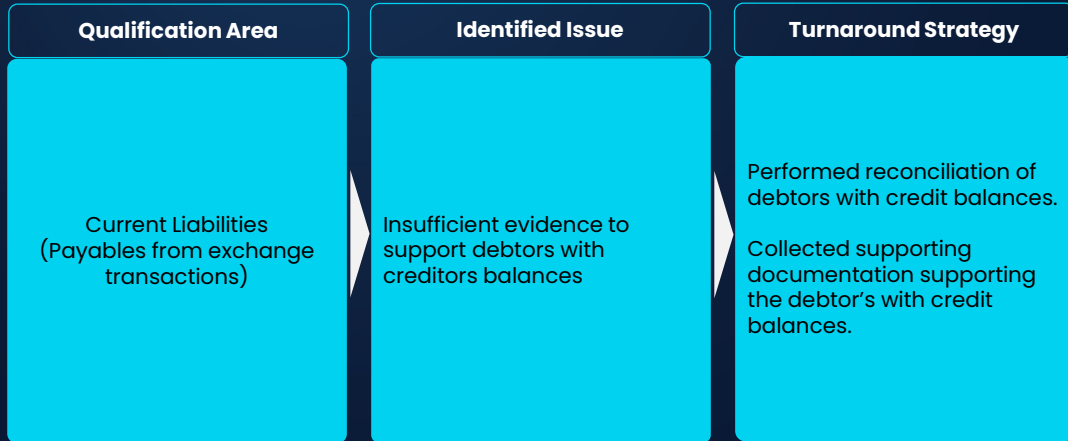
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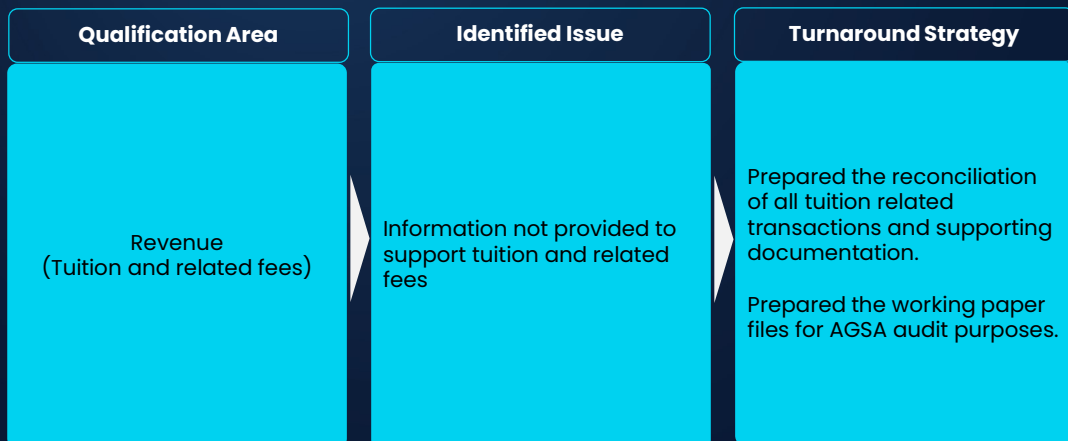


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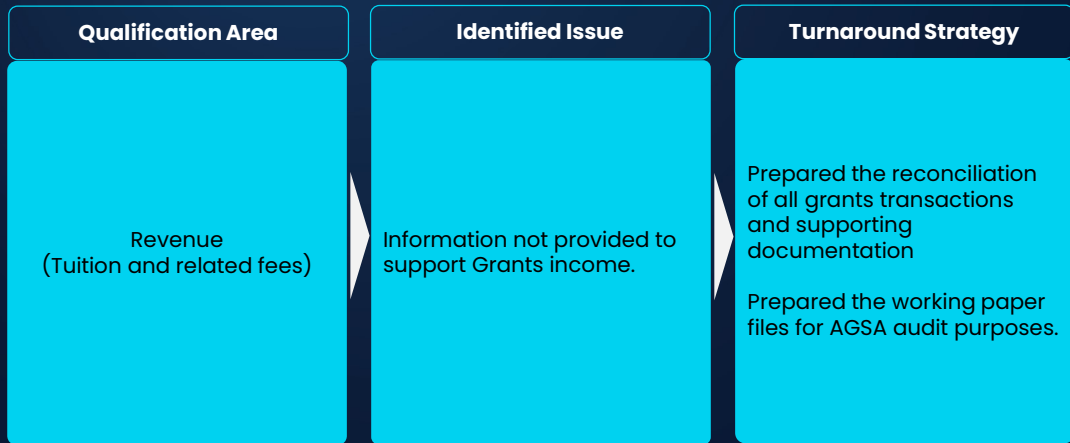
21

Section Four Case Study

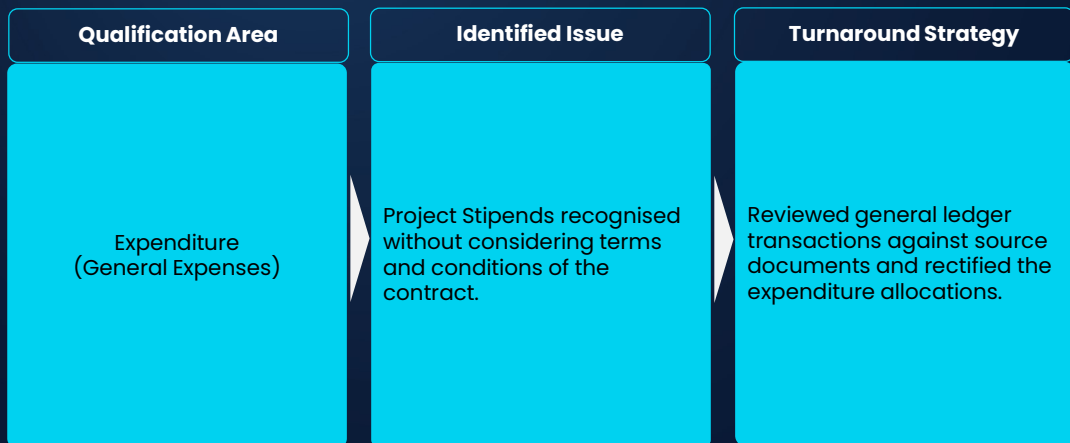


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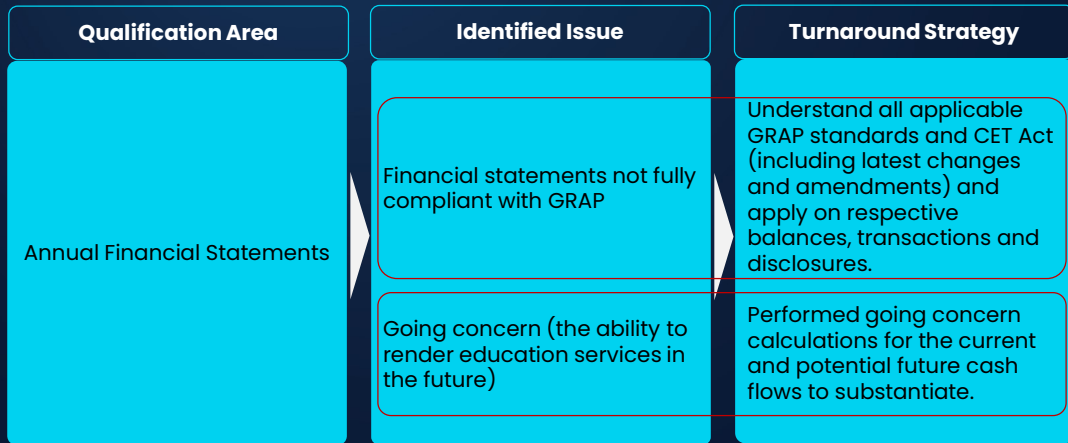
Section Four
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Section Four
Case Study



Section Four Case Study



25

Section Four Case Study

Achievements:

- ❖ Reduced number of material findings, hence improved to an unqualified opinion.
- ❖ Employees fully capacitated in addressing reporting areas such as revenue, assets, expenditure.
- ❖ Filing system now aligned and easily traceable.
- ❖ Management and employees now motivated to work towards clean audit.
- ❖ Improving Internal Control environment was key to the audit turnaround for the college.



26

Conclusion

❖ Improving Internal Control environment was key to driving operational efficiencies and the audit turnaround for the college!!



27



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28