1. Appreciation for being asked to participate in the survey and reflections in terms of AGSA strategy

1.1 We would like to thank the IBP and UNDESA for allowing us the opportunity to participate in the budget credibility survey and attend this event as well as being part of this webinar to share our thoughts and reflections.

1.2 Auditing budget credibility has not been a direct focus at our SAI, however, while working through the survey questions, we found it very insightful and started reflecting on these in light of our own mandate and organisational strategy.

1.3 The AGSA’s mandate is broad enough and there is an opportunity for us to explore this subject further and start gaining the necessary insights on auditing budget credibility.

1.4 Budget credibility is at the core of the public financial management process and so any form of audit insights that we as the supreme audit institution can provide on this process will truly be most valuable and beneficial for our auditees and stakeholders and ultimately impact service delivery on the ground.

1.5 We also found the auditing of budget credibility concept to be in line with some of our own AGSA strategic goals relating to:

- **Insight (Generate audit insights that illuminate understanding, drive action and yield results)** – Being able to expand on our current audit approach of not just auditing annual financial results but going deeper than this into the budgeting process can enable us to generate better insights into the financial management process, identify other areas in the financial management process that require attention and provide more meaningful recommendations into this with the hope of ultimately improving public sector financial management and governance processes.

- **Influence (Move stakeholders from mere awareness of our messaging to action on and advocacy of our messaging)** – We can utilise the insights gained into the financial management budgeting process to have more meaningful discussions and engagements with our stakeholders and utilise this to positively influence them to take more appropriate action and steps to improving their financial management skills and thereby also positively contributing towards them fulfilling their service delivery mandates.
2. What work AGSA currently does on budget credibility

2.1 At the AGSA we have already started exploring the possibility of incorporating the auditing of budget credibility into our audit approach. In doing this we have cited some challenges and risks that this might pose to us and will be looking into how these risks can be mitigated. Some of these risks cited are as follows:
  • Lack of the necessary skills set to confirm an intricate process on computations and considerations to macro assumptions to prepare the state budget.
  • Lack of resources to carry out audit engagements on budget credibility.
  • Political decisions embedded in the budget preparation may not be verifiable.
  • Risk of self-review threats and reputational damage as the SAI may be seen to be involved in government budget policy making, threatening our independence and objectivity.
  • The feasibility of an audit of budget credibility will also depend on, amongst others, National Treasury developing and prescribing the framework and criteria to be used for budget credibility. Currently there is no such framework in place.

2.2 At a high level, we currently perform the following in our AFS and compliance audit processes that do impact and provide insights on budget credibility:

  2.2.1 Based on the practical work done by our audit teams, as part of the audit of annual financial statements and audit of compliance, we do not perform audits and express assurance on the credibility of the budget preparation process.

  2.2.2 However, when we perform audits of the individual government entity’s annual financial statements, we audit and report on the budget vs actual statements that are included in the financial statements for National departments, Provincial departments, public entities and municipalities, for compliance with the relevant accounting framework requirements.

  2.2.3 We also audit the disclosure of unauthorised expenditure in the AFS which relates to providing assurance on whether budgets are overspent and whether conditional grant funding have been utilised for intended purpose.

  2.2.4 We also test during the audit of compliance, scoped in legislative requirements that relate to unauthorised expenditure and budgeting.

  2.2.5 Hence, the audit work that we currently do does, however, provide a certain degree of insight into the credibility of budgets.

3. Approach and expectations going forward

3.1 Our SAI, therefore, fully recognises and appreciates the important role that SAIs play or can play in providing audit insights on the credibility of the budget process. We are excited about the release of the handbook.

3.2 In the meantime, based on the current audit work that we do which provides some insights into budget credibility, we are already looking into different ways of seeing how build on this.