



AUDITOR - GENERAL
SOUTH AFRICA

NATIONAL AND PROVINCIAL AUDIT OUTCOMES

2023-24

Audit outcomes for financial year ended 31 March 2024

Status of material irregularities at 31 August 2024

26 November 2024





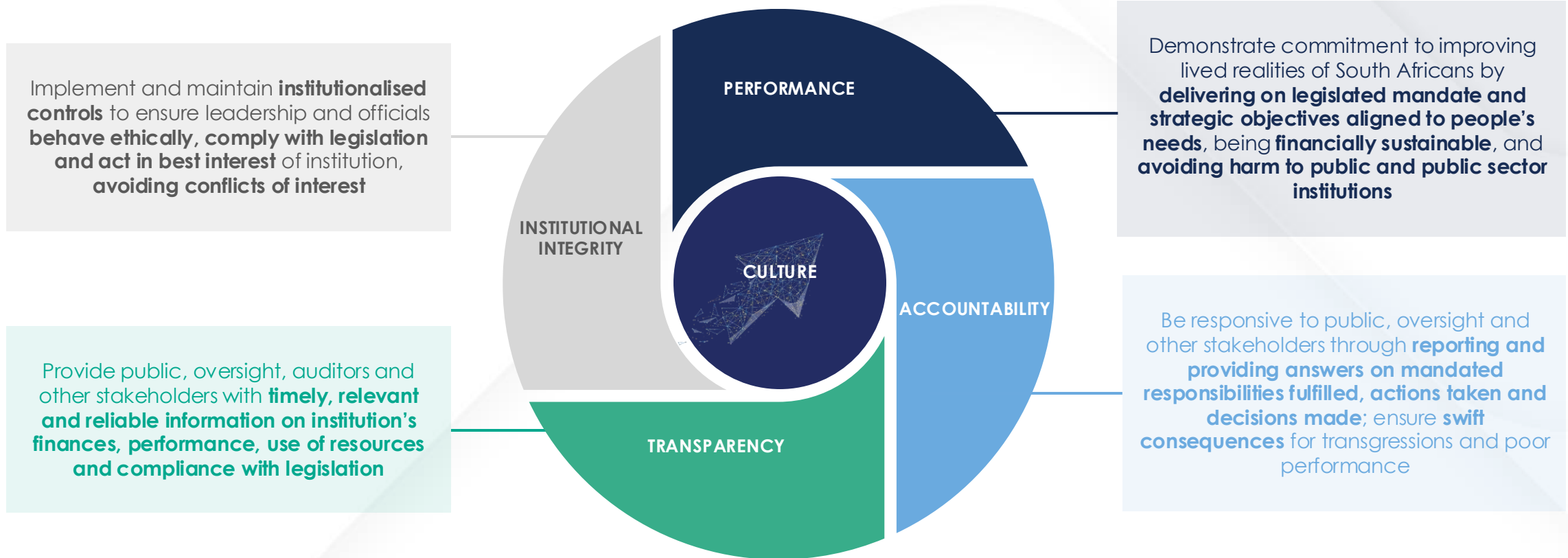
MISSION

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

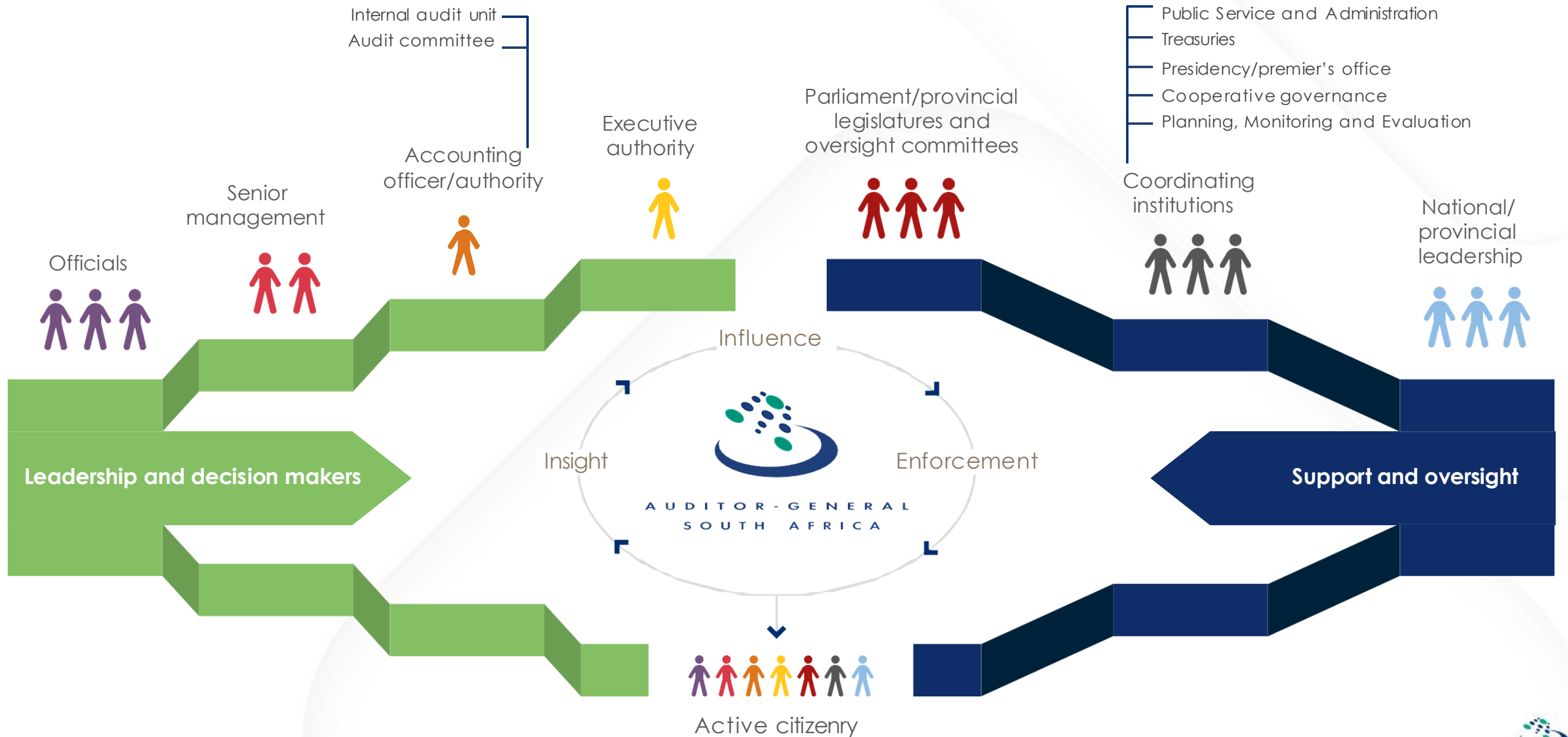


VISION

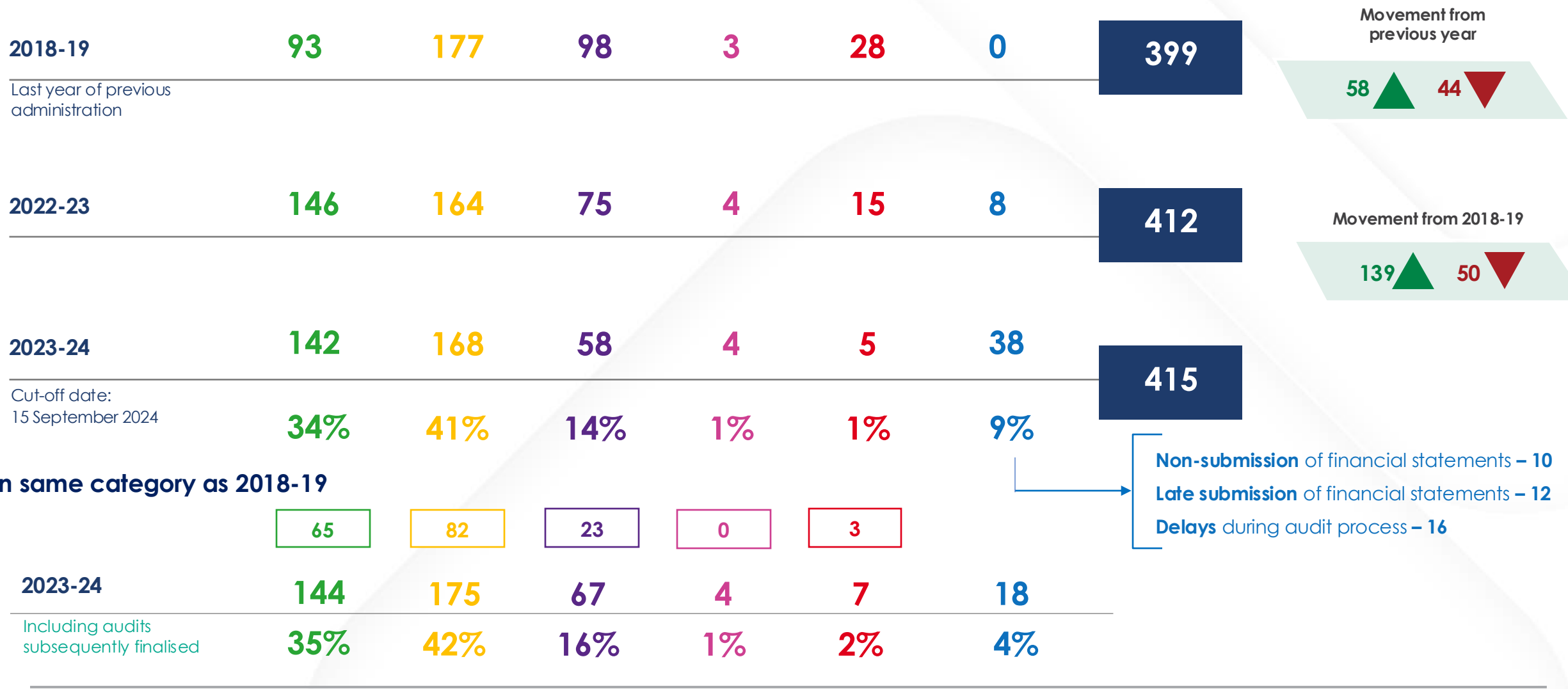
To be recognised by all our stakeholders as a relevant supreme audit institution that enhances public sector accountability



All have a role to play in accountability ecosystem



Overall audit outcomes improved over administration



Unqualified with no findings (clean)

Unqualified with findings

Qualified with findings

Adverse with findings

Disclaimed with findings

Outstanding audit

Improvement ▲

Regression ▼



38 outstanding audits by 15 September 2024

Delays during audit process – 16

- Department of Correctional Services
- Department of Home Affairs
- Competition Commission
- Construction Industry Development Board
- Construction Education and Training Authority
- Independent Development Trust
- Manufacturing Engineering and Related SETA
- National Housing Finance Corporation
- National Lotteries Commission
- National Lottery Distribution Trust Fund
- Passenger Rail Agency of South Africa
- Railway Safety Regulator
- South African Forestry Company
- The South African National Roads Agency
- State Information Technology Agency
- Vuselela TVET College

Financial statements submitted late – 12

- Border Management Authority (new auditee) 1
- Taletso TVET College 1 5
- Ingonyama Trust 1
- Land and Agricultural Bank of South Africa 1 2
- Land Bank Insurance 1 2
- Land Bank Life Insurance 1 2
- Property Management Trading Entity 1 1
- Unemployment Insurance Fund 2 5
- SAA Group (SAA Technical + Air Chefs) 2 5
- Alexkor 1 5
- Postbank 1 1

Financial statements not submitted – 10

- SAA 2 1 3
- Mango Airlines 2 2 3
- North West Transport Investments Group (3) 5 5
- Denel and Denel Vehicles Systems (2) 1 1 2
- Coastal TVET College 1 1 3
- National Student Financial Aid Scheme 2 1 1
- South African Post Office 1 1 1

Years audit outstanding and not included in general report (including 2023-24)

Years financial statements not submitted

Years financial statements submitted late over administration

Audits subsequently finalised by **22 November 2024**

Unqualified with no findings (clean)

Unqualified with findings

Qualified with findings

Disclaimed with findings



Audit outcomes of high-impact auditees are lagging behind

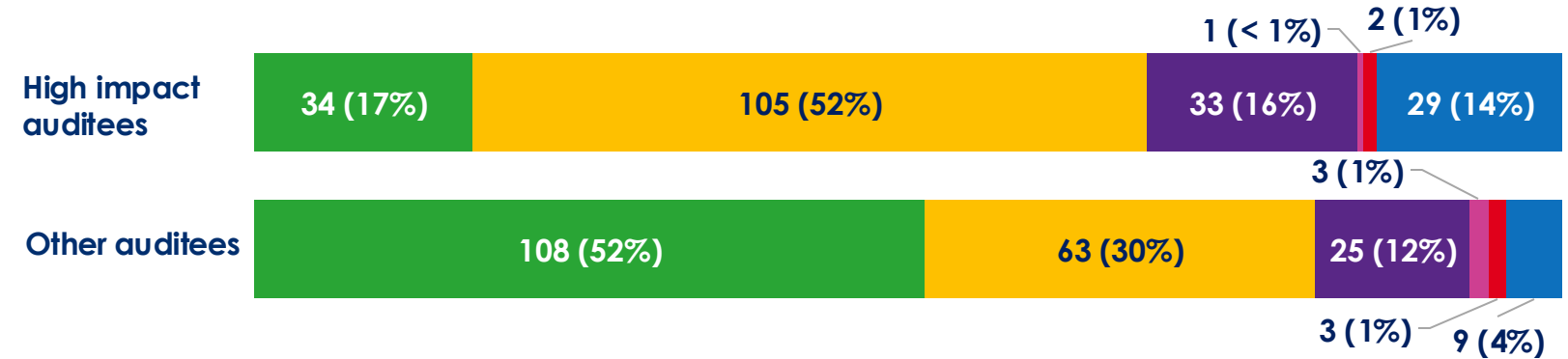
High-impact auditees are those with greatest impact on lives of South Africans and on government finances

Auditees contributing to delivery of:

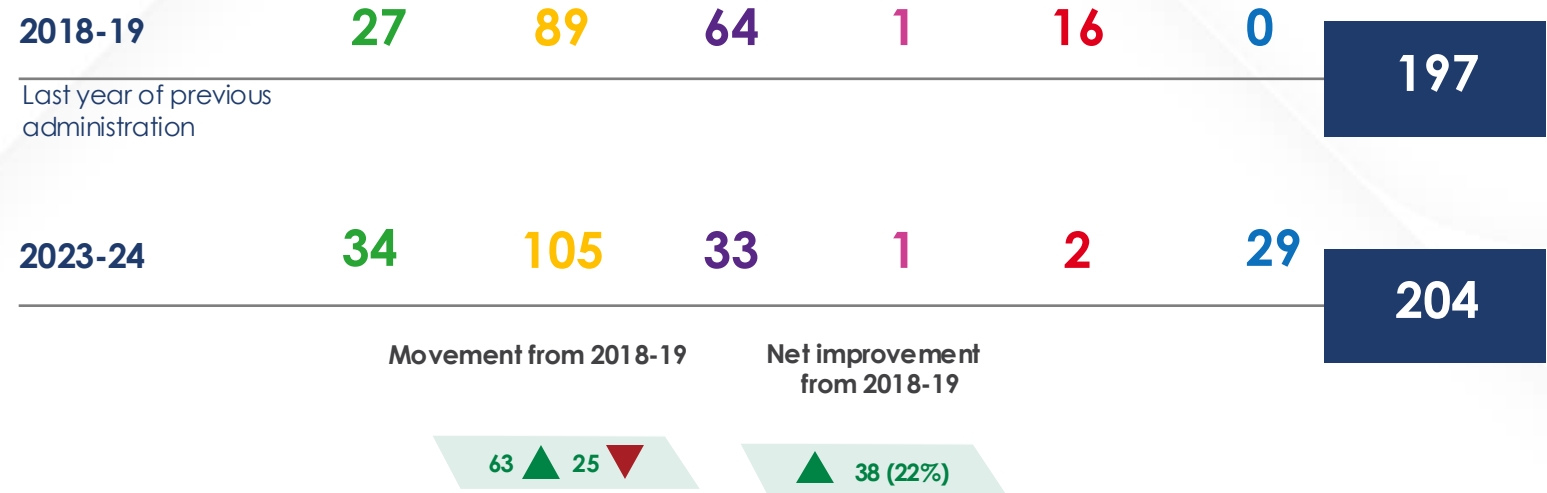
- Health services
- Education, skills development and employment
- Human Settlements
- Infrastructure
- Transport
- Safety and security
- Water and sanitation
- Energy
- Environmental sustainability
- Financial sustainability

Grouping also includes state-owned enterprises and other key public entities

Audit outcomes – high-impact auditees vs other auditees



High-impact auditees



Unqualified with no findings (clean)

Unqualified with findings

Qualified with findings

Adverse with findings

Disclaimed with findings

Outstanding audit

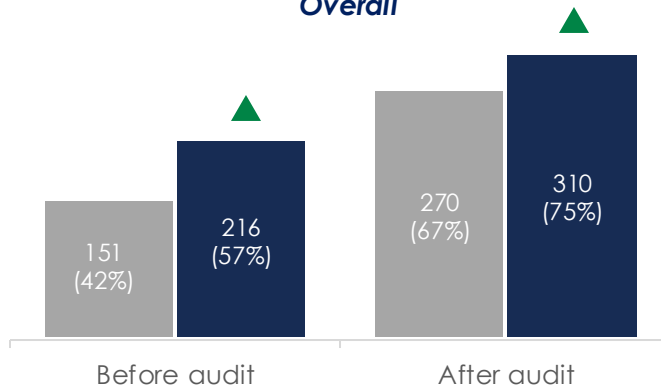
Improvement ▲

Regression ▼

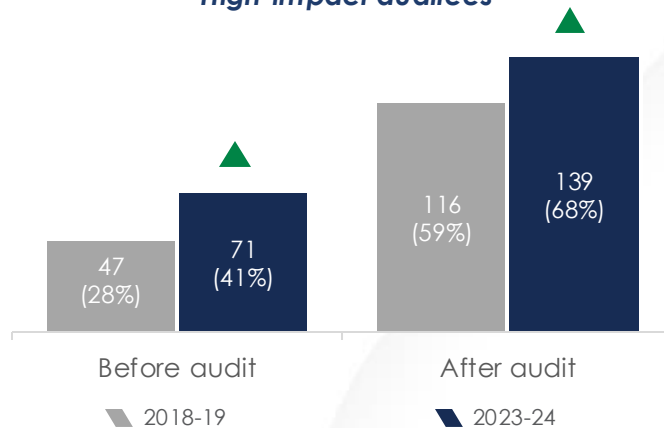


Quality of financial statements

Overall



High-impact auditees



Key observations – over administration

- Overall improvement in quality of financial statements
- Departments unqualified financial statements is 90% - public entities is 77%
- Continued reliance on audit process – most pronounced at high impact auditees

Main qualification areas

- Expenditure – 8% ▲
- Property, infrastructure, plant and equipment – 7% ▲
- Payables, accruals and borrowings – 6% ▲
- Cash flow from operating activities – 5% ▲

What caused improvement?

- Improved financial disciplines of record-keeping, processing and reconciling transactions, reliable reporting and proper review
- Increased stability in financial units
- Improved reviews by internal audit units, audit committees and provincial treasuries

Movement from 2018-19

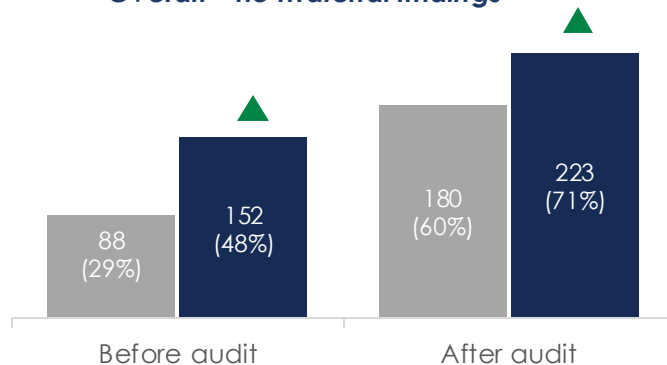
▲ Improvement ▶ Unchanged ▲ Slight improvement ▼ Slight regression ▼ Regression



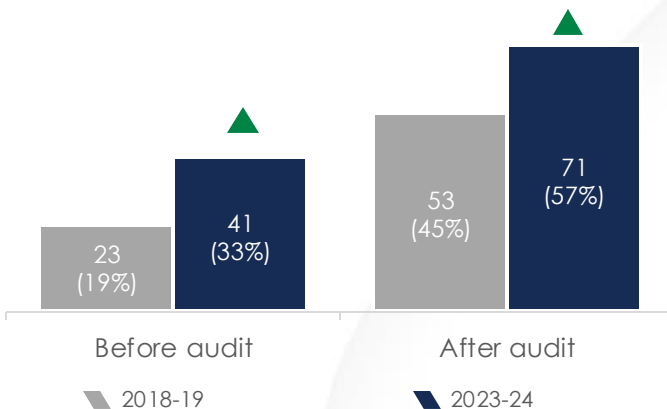
Useful and reliable performance reporting enables transparency on service delivery, accountability and effective decision-making

Quality of performance reports

Overall – no material findings



High-impact auditees – no material findings



Key observations – over administration

- Improvement in quality of performance reports and plans used for oversight (after audit)
- Mostly due to reviews by DPME and offices of premier, standardisation of indicators in some sectors and responses to audit findings and recommendations
- Lack of institutional capacity for performance planning and reporting

Material findings on performance reports – high-impact auditees

35% - Reported achievements **not reliable** ▲

27% - Indicators and targets **not well defined, verifiable or measurable** ▲

13% - **Excluded indicators** that measure performance on core mandated functions ▼

Findings caused by

- Inadequate performance management systems and ineffective review processes
- ‘Off the books’ planning and reporting to reduce scrutiny and accountability
- Lack of standardization of common indicators in sectors due to disagreements
- Executive authorities and portfolio committees not supported for effective oversight
- Lack of skills and understanding of requirements

Movement from 2018-19



Improvement



Unchanged



Slight improvement



Slight regression

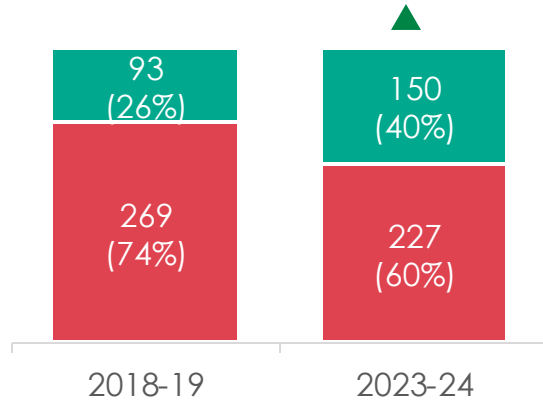


Regression

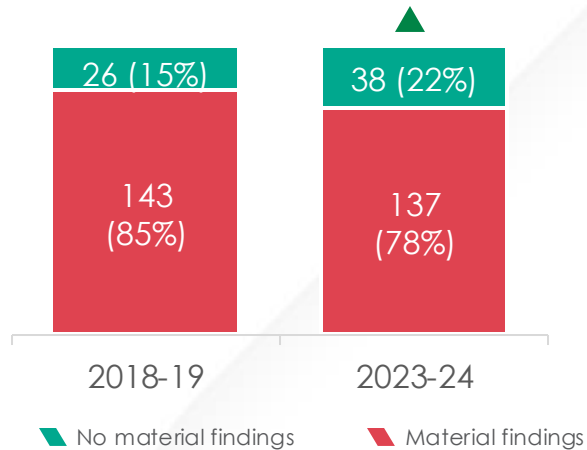


Material compliance findings

Overall

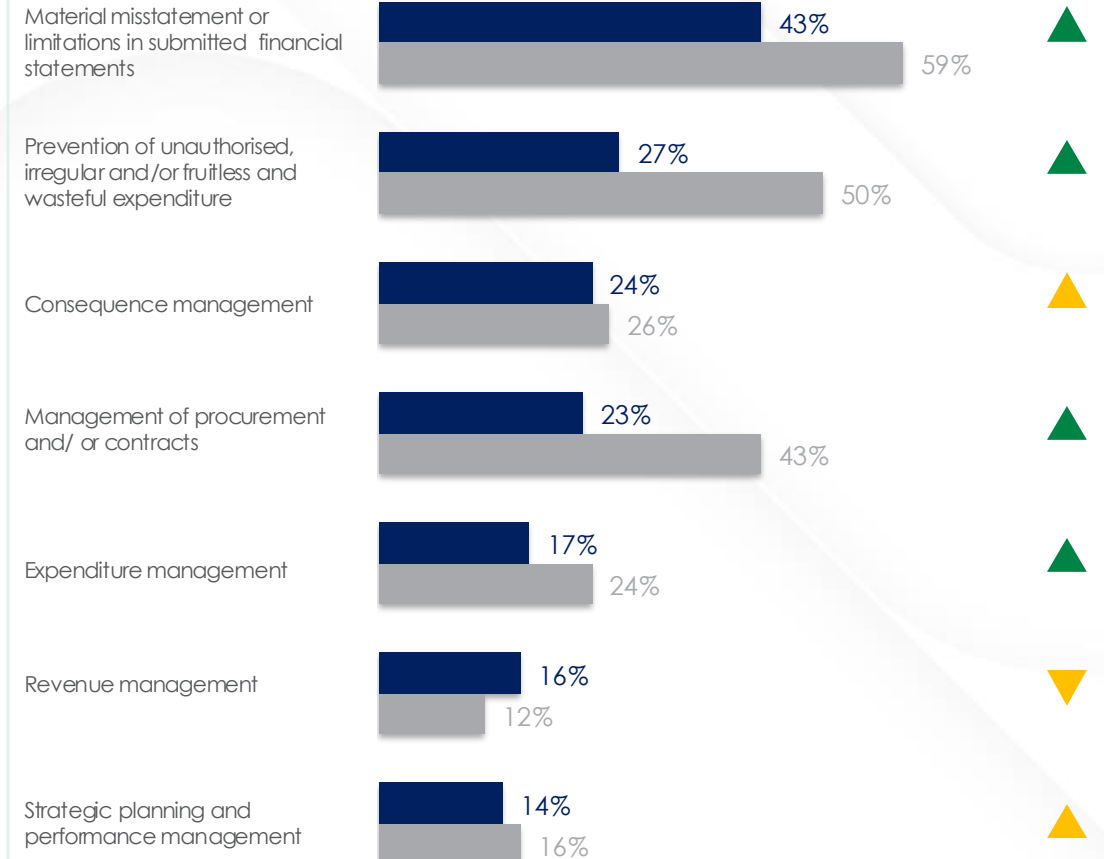


High-impact auditees



▲ No material findings
 ■ Material findings

Most common areas of material findings in 2023-24



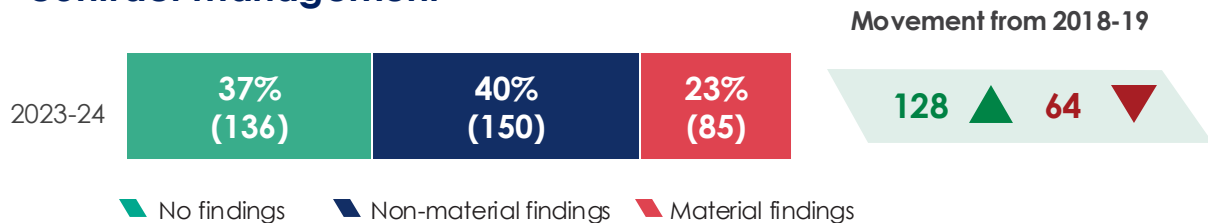
■ 2023-24
 ■ 2018-19

▲ Improvement
 ▲ Slight improvement
 ▼ Slight regression

Movement from 2018-19



Findings on compliance with legislation on procurement and contract management



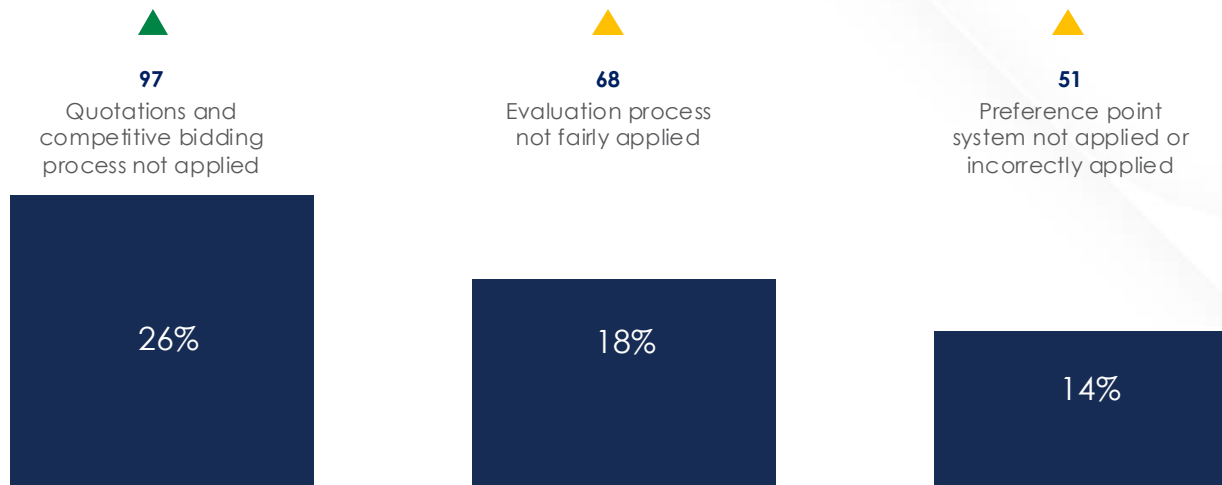
Impact

- Financial losses which reduces funds for service delivery
 - Market prices not tested adequately → higher prices paid
 - Contractors not monitored adequately → increased costs
- Contractors appointed that cannot deliver – delayed projects and quality issues
- Negative impact on suppliers and government socio-economic objectives
- Reduced transparency and accountability (limitations)

2023-24 areas of findings

Uncompetitive and unfair procurement processes	210 auditees (57%)	▼
Contract management non-compliance	77 auditees (21%)	▲
Awards to suppliers owned or managed by employees	84 awards R32 million	▲
Awards to suppliers owned or managed by close family members of employees	173 awards R121 million	▲
Irregular expenditure related to SCM	R43,49 billion	▲

Top findings – uncompetitive and unfair procurement process

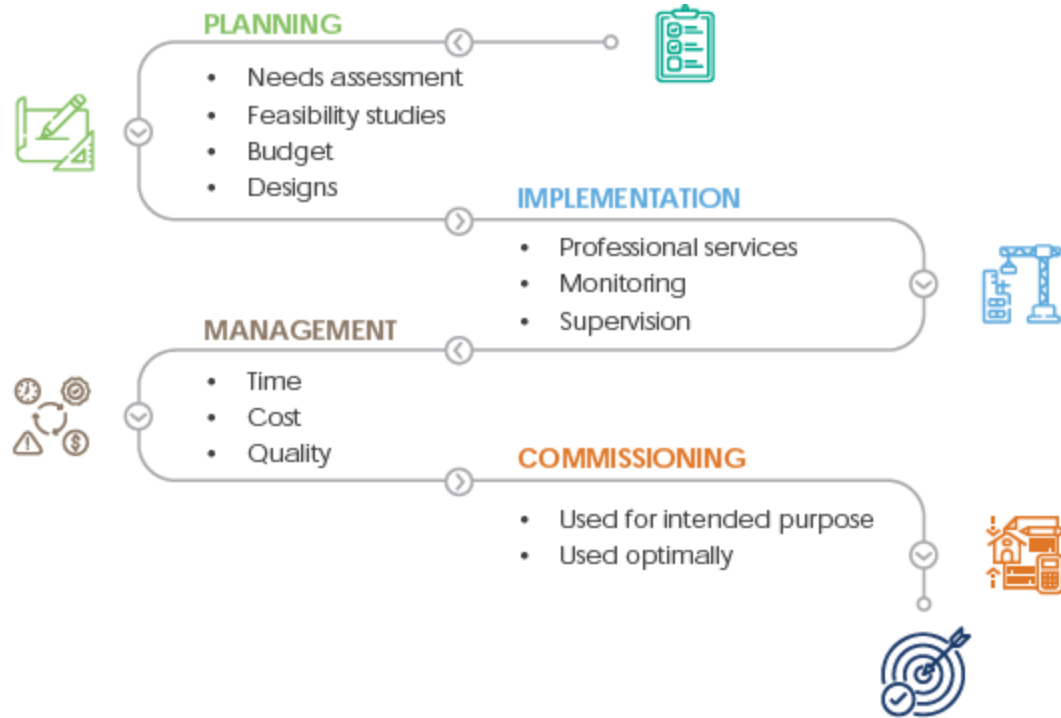


Movement from 2018-19

▲ Improvement
 ▲ Unchanged
 ▲ Slight improvement
 ▲ Slight regression
 ▲ Regression



Infrastructure project life cycle



What we found

- Findings on infrastructure projects – 86% of 143 audited
- Poor maintenance
- Nature of findings:
 - Project **delays** – 64%
 - **Poor-quality** construction work – 25%
 - **Not put into use** after completion – 8%

What caused this?

- **Inadequate monitoring** of infrastructure project by project managers
- Limited **accountability for non-performance** by contractors and professional service providers
- **Lack of integration** between government institutions when planning and executing projects
- Failure to conduct proper **needs assessment and feasibility study**
- **Ineffective procurement processes** and lack of due diligence to ensure appointment of contractors with proven track record
- **Inadequate monitoring and enforcement** by infrastructure-related regulatory bodies
- **Inadequate budgeting and prioritisation of** preventive maintenance

Impact

- Delayed delivery
- Increased costs and financial losses
- Harm to public





The National Development Plan underscores the urgent necessity of modernising and fortifying government systems to **enhance the capacity** of state institutions.

What we found

- Importance of IT systems as enabler for service delivery not elevated - role should be **strategic instead of just support**
- Assessment of IT control environment at 203 auditees – **weak IT controls** at 79%

Cybersecurity:

- Assessment of cybersecurity controls at 77 auditees – findings at 70% and **significant vulnerabilities at 34%**,
- Reliance on **outdated infrastructure** to support key applications
- Persistent **shortage of skilled** cybersecurity professionals
- Cybersecurity is not recognized as a critical business risk.

Impact

- **Exposure to cyber-attacks** and **unauthorised access** -> service disruptions /loss of resources
- **Delays** in executing key improvement plans and projects
- Lack of funding of modernisation projects -> risk of **incomplete or unfinished projects**
- Insufficient IT systems use -> continued **operational inefficiencies** hindering service delivery

Causes

- **SITA** not delivering on its mandate to provide critical IT services
- **Governance frameworks** not fully implemented to ensure IT delivery
- Project **benefits realisation** not identified and monitored
- IT steering committees **lack structures/processes** to effectively perform **risk optimization**.
- **Lack of ICT capacity and skills** to deliver business needs and **high dependency** on key personnel and service providers
- **IT service providers** not always monitored against the service level agreements.





R10,34 bn

Fruitless and wasteful expenditure over 5 years

Financial losses due to:

- 1** *Poor payment practices*
- 2** *Unfair and uneconomical procurement practices*
- 3** *Inadequate needs analyses and project management*
- 4** *No/limited benefit received from money spent*
- 5** *Fraud*

Overspending of budgets over 5 years

R35,26 bn

Departments (**unauthorised** expenditure)

R3,57 bn

Public entities (**irregular** expenditure)

R38,83 bn

Total overspending

Financial health – 2023-24

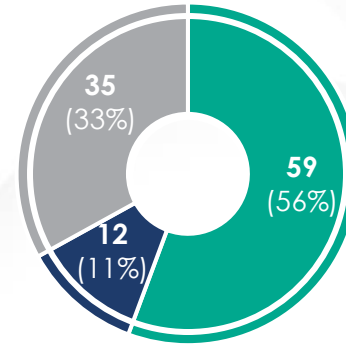
- 1** **150 (41%)** auditees with deficits – **R69,33 bn**
- 2** **21 (10%)** public entities with going concern uncertainty
- 3** **106 (71%)** departments with cash shortfalls – **R38,68 bn**
- 4** **R105,57 bn** owed for claims made against departments
R64,39 bn (61%) owed by provincial departments of health
- 5** **R470,3 bn** financial guarantees to state-owned enterprises
R433 bn government exposure



Status of compliance with legislation on consequence management

- 120 (32%) did not comply with legislation relating to steps AO/ AA should take in response to UIFW, allegations of financial misconduct, fraud and improper conduct – at 90 (24%) material non-compliance

Status of investigations into fraud and improper conduct in supply chain management processes we reported in previous year



59 Auditees investigated all findings reported

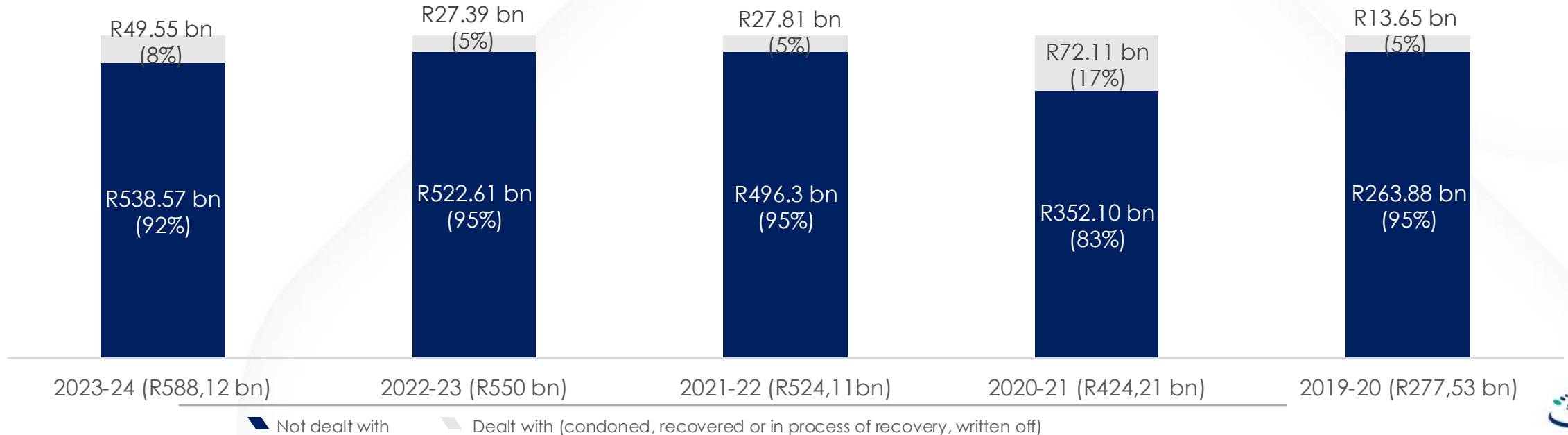
12 Auditees investigated some findings reported

35 Auditees investigated no findings reported

71

- 43 (61%) satisfactorily resolved findings
- 7 (10%) did not resolve the findings while 21 (29%) resolved some findings (e.g. auditee did not implement recommendation to cancel contracts in which employees failed to declare interest)

How did auditees deal with prior year(s) irregular expenditure over administration



292 MIs identified on **non-compliance and suspected fraud**, resulting in:

256 Material **financial loss** (estimated R14,3 bn)

- **Payments** for goods and services not received
- Unfair, uncompetitive or uneconomical **procurement**
- **Value for money** not received
- **Revenue** not billed or not recovered
- Interest and penalties **on late or non-payments**
- **Asset** not safeguarded
- **Ineffective** use of resources

10 **Misuse** of material public resource

Under-utilisation of medical facilities and equipment, office accommodation and other resources

19

Substantial **harm to public sector institutions**

- Lack of proper **performance information records**
- **Non-submission** of financial statements
- Poor **financial and performance management**
- Insufficient **health care professional** capacity
- **Information Communication Technology risks** not managed

7

Substantial **harm to general public**

- **Schools** – weaknesses in school nutrition program
- **Safety and security** – ineffective management
- **Water infrastructure** – project delays and lack of maintenance
- **Road infrastructure** – lack of maintenance



Status of MIs



140 Resolved MI **72** Appropriate action being taken to resolve MI

15 Appropriate action not taken – decision on invoking our powers in process



32 Recommendations included in audit report

14 Referral to other investigating bodies

4 Referral and recommendations

4 Referral and remedial action

6 Response received on notification – Assessment in process

5 Recently notified

Impact made

R1,45 bn Financial loss recovered

R1,08 bn Financial loss prevented

R0,86 bn Financial loss in process of being recovered

133 Internal controls improvements to prevent recurrence

103 Responsible officials identified and disciplinary process completed / in process

55 Fraud / criminal investigations instituted

17 Supplier contracts stopped where money was being lost



Activate accountability ecosystem to address root causes

Culture of no accountability and consequences

Ineffective resource management

Inadequate intergovernmental planning, coordination and support

We recommend prioritisation and focus by executive authorities and oversight son

1

Intergovernmental and institutional planning for delivery on medium term development plan

3

Institutional capacity and effective governance for transparent reporting and accountability

5

Areas of significant risk:

- Quality of spend and overspending
- Appointment and management of contractors and suppliers
- Cyber security vulnerabilities
- Lack of accountability and consequence

2

Key delivery enablers:

- Modernisation and integration of government systems
- Professionalisation of public sector
- Infrastructure

4

Optimising material irregularity process as an oversight tool

Continued strengthening of **committee processes and capacity** - fundamental for effective oversight



THANK YOU

Stay in touch with the AGSA



Auditor-General South Africa

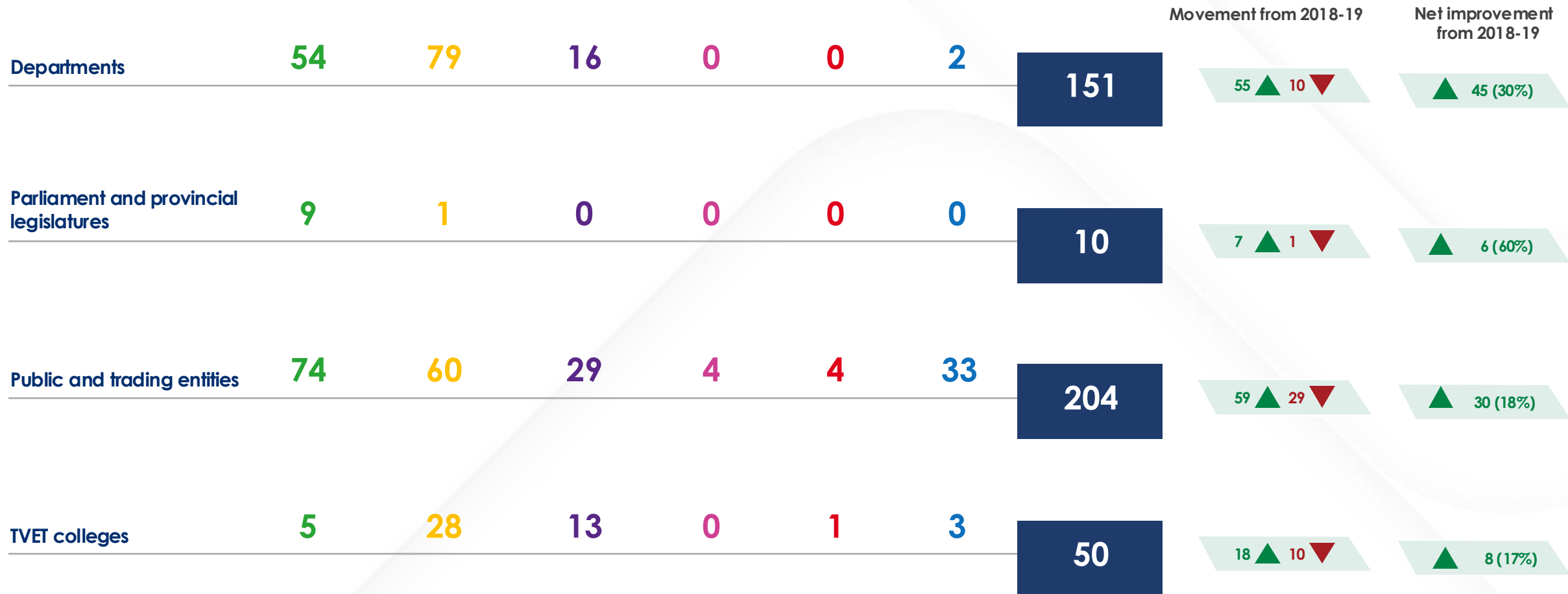
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AUDITOR - GENERAL
SOUTH AFRICA

Additional slides

Audit outcomes by type of auditee (improvement in all)



Unqualified with no findings (clean)

Unqualified with findings

Qualified with findings

Adverse with findings

Disclaimed with findings

Outstanding audit

Improvement ▲

Regression ▼



Provincial audit outcomes improved

EASTERN CAPE

2018-19	5	11	5	0	0	0
2023-24	9	9	3	0	0	0
FROM PREVIOUS ADMINISTRATION: 7 ▲ 2 ▼						

FREE STATE

2018-19	0	6	9	0	1	0
2023-24	2	8	6	0	0	0
FROM PREVIOUS ADMINISTRATION: 8 ▲ 1 ▼						

GAUTENG

2018-19	7	14	0	0	2	0
2023-24	12	10	0	1	0	0
FROM PREVIOUS ADMINISTRATION: 8 ▲ 1 ▼						

KWAZULU-NATAL

2018-19	5	9	6	0	0	0
2023-24	10	9	2	0	0	0
FROM PREVIOUS ADMINISTRATION: 10 ▲ 3 ▼						

LIMPOPO

2018-19	1	11	7	0	0	0
2023-24	6	8	5	0	0	0
FROM PREVIOUS ADMINISTRATION: 7 ▲ 1 ▼						

MPUMALANGA

2018-19	2	10	4	0	0	0
2023-24	4	10	2	0	0	0
FROM PREVIOUS ADMINISTRATION: 5 ▲ 1 ▼						

NORTHERN CAPE

2018-19	2	6	3	0	0	0
2023-24	6	3	3	0	0	0
FROM PREVIOUS ADMINISTRATION: 5 ▲ 1 ▼						

NORTH WEST

2018-19	1	3	7	0	7	0
2023-24	3	10	1	1	3	3
FROM PREVIOUS ADMINISTRATION: 11 ▲ 1 ▼						

WESTERN CAPE

2018-19	16	2	0	0	0	0
2023-24	18	2	0	0	0	0
FROM PREVIOUS ADMINISTRATION: 1 ▲ 0 ▼						

Non-submission of financial statements – 3

Unqualified with no findings (clean)

Unqualified with findings

Qualified with findings

Adverse with findings

Disclaimed with findings

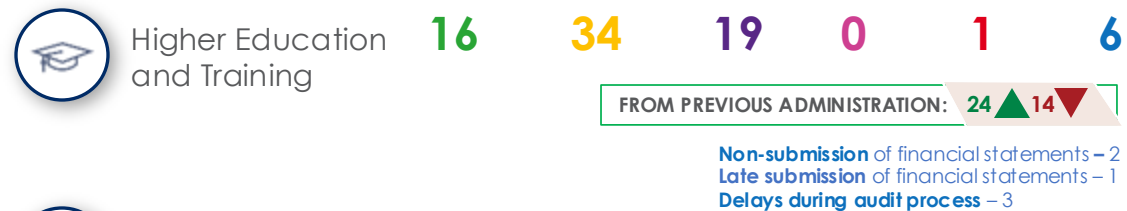
Outstanding audit

Improvement ▲

Regression ▼



Audit outcomes of 10 largest ministerial portfolios



Unqualified with no findings (clean)

Unqualified with findings

Qualified with findings

Adverse with findings

Disclaimed with findings

Outstanding audit

Improvement ▲

Regression ▼



Water boards results and outcomes based on 2022-23 audits (year-end 30 June 2023) – 2023-24 not due yet

Key results of 11 auditees in water portfolio

- Material **findings on performance reporting** – 3 water boards
- Material **compliance findings** (11) – DWS, TCTA, WTE and 8 water boards
- Material findings on **procurement and contract management** – 4 water boards
- **Going concern uncertainties** – Amatola Water Board

Department and public entities – audit outcomes 2023-24

0 3 0 0 0 0

- Department of Water and Sanitation (DWS) ▶
- Trans-Caledon Tunnel authority (TCTA) ▲
- Water Trading Entity (WTE) ▲

3

Movement from 2018-19

2 ▲ 0 ▼

Water boards – audit outcomes 2022-23

0 8 0 0 0 0

- Amatola Water Board ▶▶
- Bloem Water Board ▶▶
- uMngeni-uThukela Water ▶▶
- Lepelle Northern Water Board ▶▶
- Mhlathuze Water Board ▶▶
- Rand Water Board ▶▶
- Magalies Water Board ▶▶
- Overberg Water Board ▶▶

8

Movement from 2018-19

0 ▲ 0 ▼

Unqualified with no findings (clean)

Unqualified with findings

Qualified with findings

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Disclaimed with findings

Outstanding audit

Improvement ▲

Unchanged ▶

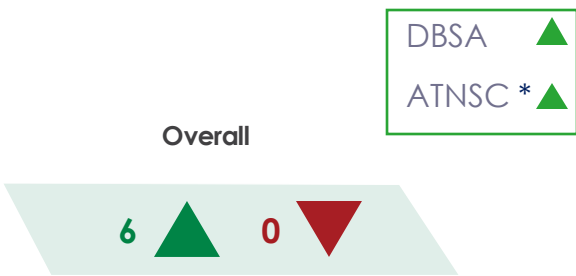
Regression ▼



Audit outcomes of state-owned enterprises at group level

2018-19	0	8	7	0	4	0	19
Last year of previous administration							
2022-23	1	9	4	0	4	1	19
2023-24	2	8	0	0	0	9	19
	11%	42%	0%	0%	0%	47%	

Movement from last year of previous administration



DBSA	▲
ATNSC *	▲

ACSA	▶
Arm Scor	▶
CEF	▶
SABC	▲
Necsa	▲
TCTA	▲
Transnet	▲
IDC *	▶

2022-23

- **Late submission** of financial statements (1) – SAA

2023-24

- **Non-submission** of financial statements (3) – Denel, SAA, SAPO
- **Late submission** of financial statements (2) – Landbank, Alexkor
- **Delays** during audit process (4) – IDT, Safcol, Eskom *, Broadband *

▲ Unqualified with no findings (clean)
 ▶ Unqualified with findings
 ▲ Qualified with findings
 ▶ Adverse with findings
 ▲ Disclaimed with findings
 ▶ Outstanding audit
 Improvement ▲
 Unchanged ▶
 Regression ▼



Overall aim of our expanded mandate:

Instil culture of accountability

Improve protection of resources

Enhance public sector performance and encourage ethical culture

Strengthen public sector institutions to better serve people of South Africa

Enable effective oversight

Material irregularity



means any **non-compliance** with, or **contravention** of, legislation, **fraud, theft** or a **breach of a fiduciary duty** identified during an audit performed under the Public Audit Act that **resulted in or is likely** to result in a **material financial loss**, the **misuse or loss of a material public resource**, or **substantial harm to a public sector institution or the general public.**

If AO/AA does not appropriately deal with MIs, our expanded mandate allows us to:

1

Refer material irregularities to relevant public bodies for further investigation

2

Recommend actions in audit report to resolve the material irregularities

3

Take binding remedial action for failure to implement recommendations

Issue certificate of debt for failure to implement remedial action if financial loss was involved



54

18%

No appropriate action being taken – invoked our powers

14 Referral to public bodies for further investigation

Department of Defence – 3
Department of Military Veterans
Free State Development Corporation
Health (NC)
Human Settlements (FS)
Human Settlements (NW)
National Treasury
Northern Cape Urban TVET College
South African Post Office
State Information Technology Agency
Umgeni Water Board (KZN) – 2

32 Recommendations in audit report as accounting officer or authority took little or no action to address MI

Agriculture, Land Reform and Rural Development (NC) – 3
Compensation Fund – 2
Co-Operative Governance, Human Settlements and Traditional Affairs (NC)
Department of Defence
Department of Home Affairs
Department of Labour
Department of Minerals Resources and Energy
Department of Police
Education (FS) – 3
Education (NW)
GL Resorts (NW)
Golden Leopard Resorts (NW)
Health (MP) - 2
Health (NC)
Madikwe River Lodge (NW)
Mpumalanga Economic Growth Agency (MP)
National Skills Fund
National Student Financial Aid Scheme – 3
Postbank
Property Management Trading Entity
Public Works (KZN)
Public Works and Roads (NW)
Roads and Public Works (NC)
State Information Technology Agency

4 Remedial action taken and referred to public bodies

Human Settlements (FS) – 3
Human Settlements (NW)

4 Recommendations in audit report and referral to public bodies

Department of Defence
Postbank – 2
Roads and Public Works (NC)

