



AUDITOR - GENERAL  
SOUTH AFRICA



PFMA 2011-12

## Oversight responsibilities of national and provincial legislature and accountability of the executive

CONSOLIDATED GENERAL REPORT  
on NATIONAL and PROVINCIAL audit outcomes



# Our reputation promise/mission

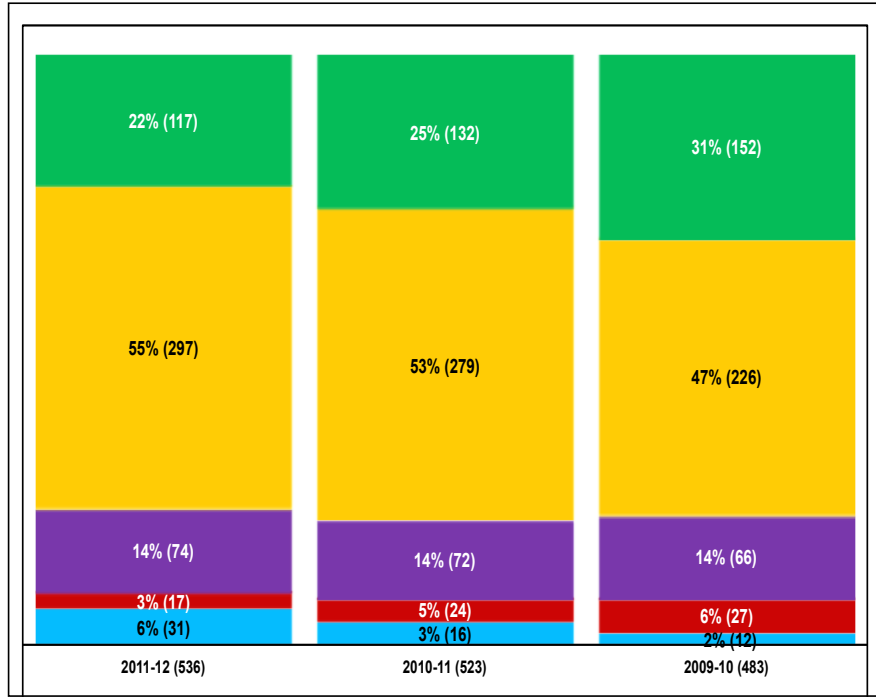
The Auditor-General of South Africa (AGSA) has a constitutional mandate and, as the Supreme Audit Institution (SAI) of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.





FOREWORD

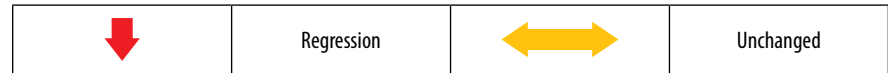
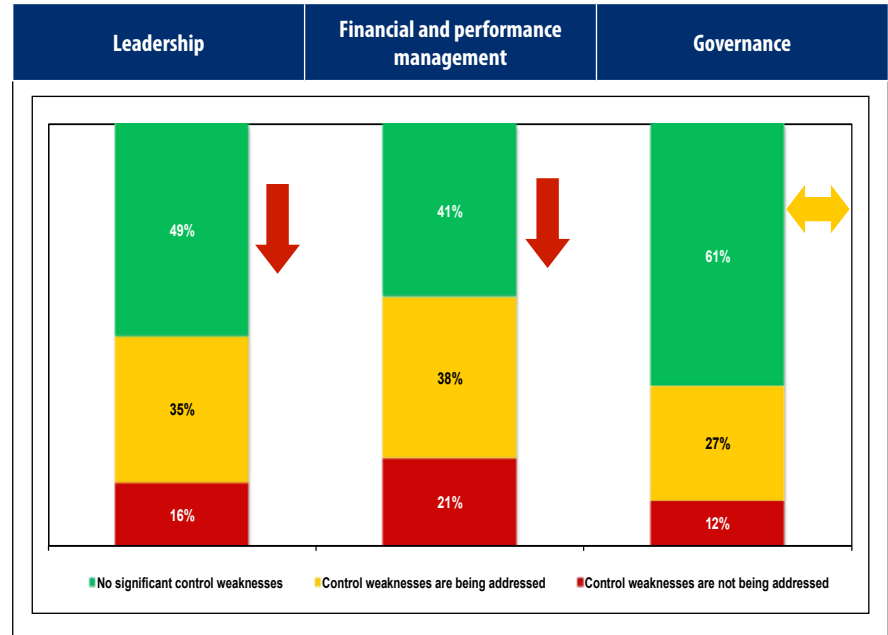
Slow progress towards clean audits with slightly more regressions than improvements



5 risk areas



Key controls



Pervasive root causes

- Vacancies in key positions, leadership instability and ineffective performance management
- Internal controls not effective – checks and balances not performed
- Not all role players are providing the level of assurance required

# FOREWORD

---

It is a pleasure to present to Parliament my 2011-12 general report on audit outcomes of departments, legislatures, public entities and other entities in the national and provincial spheres of government.

In response to the 2010-11 audit outcomes, commitments were made by the executive and oversight bodies to intensify their efforts in bringing positive change within the administration.

Despite my expectation that these commitments would drive improvements towards clean audits, the audit outcomes for the year show a general stagnant trend, with less than a quarter of auditees obtaining clean audit opinions and 52 not able to sustain their prior year clean audit opinion. My report shows that many leaders did not own and drive these commitments, so the commitments are left to flounder until the next audit starts. In this regard, I single out two significant commitments made a year ago:

- The executive committed to meet with my office quarterly for at least an hour. About 78% of them have made time at least three times in the past year to meet and share the results of our assessment of the risks and controls and to consider the status of commitments made and make new commitments. Although the engagements were well received, only small movements in audit outcomes can be seen. This was due to frequent leadership changes resulting in disruption in the implementation of commitments, our message being ignored, or our conversation not being compelling and persuasive enough. We therefore undertake to continue with the quarterly engagements, but with greater emphasis on quality conversations leading to increased impact.



- Parliament and legislatures committed to improve the collaboration between their respective public accounts committees and portfolio committees. We have yet to see more concentrated efforts in this regard as an uncoordinated approach will continue to weaken the effectiveness of oversight.

Of special concern is the increase in auditees with material findings on non-compliance with legislation, bringing it to 74%. Even though I have stressed for the past three years the urgent need to address the quality of the financial statements submitted for audit and weaknesses in supply chain management, human resource management and information technology controls, there has been minimal improvement.

The usefulness and reliability of the annual performance reports continue to improve, which is gratifying. I am now able to make a clearer assessment of service delivery risks but not to the full extent necessary (as some key departments responsible for national outcomes, such as those in the health, education and human settlement sectors, continue to have material shortcomings). Based on the annual performance reports, about 42% of auditees achieved 80% or fewer of their planned service delivery targets, while some departments had significantly underspent their conditional grants and capital budgets. My report further highlights risks to the financial health of national and provincial government flowing from poor budget management, cash and debtors management of departments and the financial management of some public entities. These indicators reflect that the fiscus could be placed under further pressure if such risks are not addressed.

In this general report, I raise three areas that require corrective steps by those charged with governance to achieve improvements in the audit outcomes:

- **Vacancies in key positions** and **instability in leadership** positions affect the pace of sustainable improvements. **Ineffective performance management** is evident at some auditees, which means that officials who perform poorly are not dealt with decisively. A concerted effort is required to address the challenges in human resource capacity and productivity.

- **Effective internal controls** to prevent, detect and correct non-compliance with legislation and mistakes in the financial and performance reports are lacking. Overall the effectiveness of key controls has regressed, as they were not designed and implemented in a sustainable manner. Checks and balances for all key processes, monthly reporting and validation processes to ensure the credibility of all management information are basic controls which skilled professional should be able to implement.
- Governments should be monitored in a thorough, diligent and collaborative manner. My office only provides independent assurance on the credibility of financial and performance information and compliance with selected legislation. We are not the only **provider of assurance** to the citizens that government is delivering services in a responsible and accountable manner. The monitoring functions vested in **senior management, accounting officers, internal audit, audit committees and executive authorities** should be better exercised so that audit outcomes and service delivery issues are dealt with through self-monitoring, while audit provides an external validation. The **treasuries, offices of the premiers, public service administration and other coordinating/monitoring institutions** should fulfil their role envisaged in legislation to guide, support, coordinate and monitor government. The **legislatures and Parliament** should be scrupulous and courageous in performing their oversight function in order to make an impact on clean administration. My assessment (detailed in this report) is that not all of these role players are providing the level of assurance required to create the momentum towards improve audit outcomes.

A common reaction to the audit outcomes is the question posed by many about the need for officials to be accountable, and for there to be consequences for poor performance, misappropriation of state resources and fraud. In response, we have highlighted in a separate booklet, the range of legislation at the government's disposal that enables remedies to be applied where there has been transgression. These must be used where necessary to reverse the culture of "business-as-usual". It is my assessment that the full power of the law is yet to be activated, leading to commentators asking "What can be done?" or saying "There are no consequences".

Highlighting these remedies provides a starting point for our responsible leaders and the relevant legislatures and departments to take action. All parties have to play their part.

Although progress towards clean audits is slow, I am encouraged by examples of commitments by leaders and officials which translated into improved audit outcomes and I am confident similar results can be achieved by all auditees. In conjunction with various key role players, my office has provided input towards the development of solutions to the challenges highlighted in this report, and will in future share assessments of progress in joint sessions with the Head of Government Business and Parliament and through similar engagements in the provinces.

It is through all our efforts and the work of auditors that we will contribute towards strengthening our democracy through auditing.

*Auditor-General*

**Auditor-General  
Pretoria  
March 2013**



OVERSIGHT RESPONSIBILITIES

## OVERSIGHT RESPONSIBILITIES OF NATIONAL AND PROVINCIAL LEGISLATURE AND ACCOUNTABILITY OF THE EXECUTIVE

The powers and functions of the National Assembly in Parliament and the Provincial Legislatures to provide oversight and ensure accountability are defined in the Constitution as follows:

SECTION IN CONSTITUTION	
ASPECT	Detail
<b>Reference</b>	<b>Detail</b>
42(3)	The <b>National Assembly</b> is elected to represent the people and to ensure government by the people under the Constitution. It does so by choosing the President, by providing a national forum for public consideration of issues, by passing legislation and by <b>scrutinising and overseeing executive action</b> .
55(2)	The <b>National Assembly</b> must provide for mechanisms— a) to ensure that all executive organs of state in the national sphere of government are <b>accountable</b> to it; and b) to maintain <b>oversight</b> of: i) the exercise of national executive authority, including the implementation of legislation; and ii) any organ of state.
114(2)	The <b>provincial legislature</b> must provide for mechanisms— a) to ensure that all provincial executive organs in the province are <b>accountable</b> to it; and b) to maintain <b>oversight</b> of: i) the exercise of provincial executive authority in the province, including the implementation of legislation; and ii) any provincial organ of state.

SECTION IN CONSTITUTION	
ASPECT	Detail
<b>Reference</b>	<b>Detail</b>
57 (1)(a) 116 (1)(a)	The <b>National Assembly/ provincial legislature</b> may — a) determine and control its internal arrangements, proceedings and procedures; and b) make rules and issue orders concerning its business, with due regard for representative and participatory democracy, accountability, transparency and public involvement.
56 and 115	The <b>National Assembly/ provincial legislature</b> or any of its committees may— a) <b>summon</b> any person to appear before it to give evidence under oath or affirmation, or to produce documents; b) require any person or institution to <b>report to it</b> ; c) <b>compel</b> , in terms of national/ provincial legislation or the relevant rules and orders, any person or institution to <b>comply with a summons or requirement in terms of paragraph (a) or (b)</b> ; and d) receive <b>petitions, representations or submissions</b> from any interested persons or institutions.
92(2) & (3) (b) 113(2) & 3(b)	<b>Members of the Cabinet/ executive council of the province are accountable collectively and individually to Parliament/ legislature</b> for the exercise of their powers and performance of their functions. Members must provide <b>Parliament/ legislature with full and regular reports</b> concerning matters under their control.



# overview of full report



Message from  
the  
Auditor-  
General

12

Slow progress towards clean  
audits with more regressions than  
improvements  
(Part 1)

38



**117 auditees achieved clean audits**  
(Part 1)

39



Some progress  
made towards  
improving the  
reliability and  
usefulness of  
service  
delivery reporting  
(Part 1)

69



Continuing  
high level  
of non-  
compliance  
with laws  
and  
regulations  
(Part 1)

79



High levels of unauthorised,  
irregular as well as fruitless and  
wasteful expenditure  
(Part 1)

91

*Auditees' internal control systems are not improving (Part 1)*

106



HR and IT management needs further attention (Part 1)

115



*Executive leadership, coordinating institutions and legislative oversight should strengthen their contributions (Part 1)*

138



Indications of financial health issues at some departments and public entities (Part 1)

168

Audit outcomes of ministerial portfolios and commitments made for improvement (Part 2)

178



Audit outcomes and weaknesses in implementation of key national programmes in Health, Human Settlements, Education, Social Development and Public Works sectors (Part 3)

428



**The audit outcomes of 3 provinces regress (Part 4)**

470

Visit our website,  
**[www.agsa.co.za](http://www.agsa.co.za)**,  
to view the complete

*Consolidated general report on the 2011-12 national and provincial audit outcomes.*

**RP07/2013**

**ISBN: 978-0-621-41523-0**