

# CITIZENS REPORT

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**PFMA 2017-18**



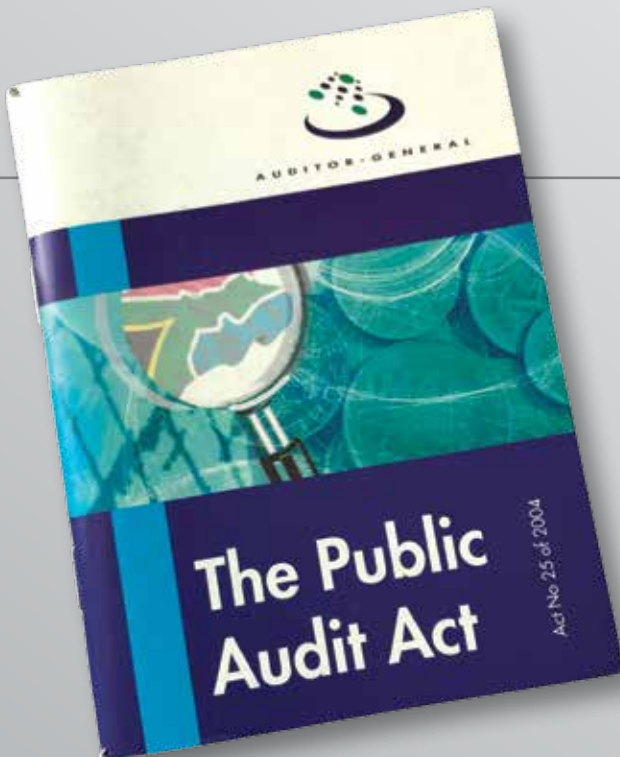
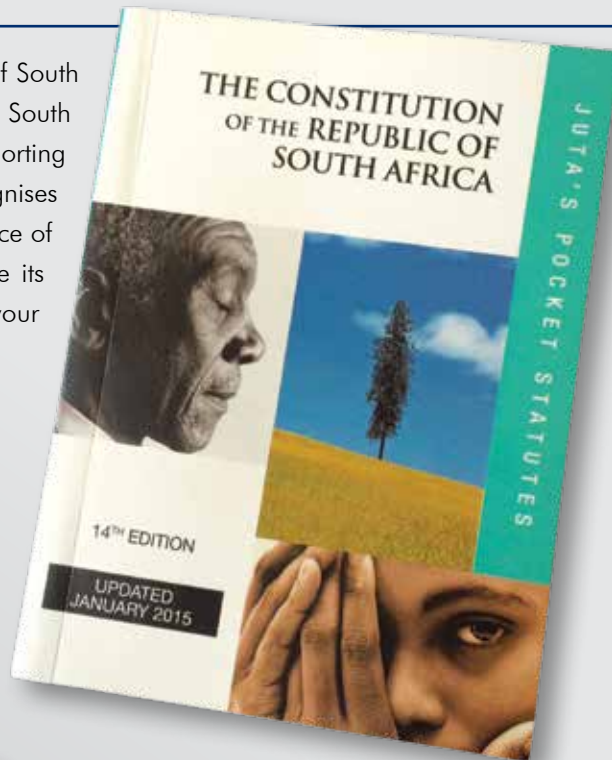
**AUDITOR - GENERAL  
SOUTH AFRICA**

*Auditing to build public confidence*

## CONSTITUTIONAL AND LEGISLATIVE MANDATE OF THE AGSA

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Chapter 9 of the Constitution of the Republic of South Africa, 1996 establishes the Auditor-General of South Africa as one of the state institutions supporting constitutional democracy. The constitution recognises the importance and guarantees the independence of the AGSA, stating that the AGSA must exercise its powers and perform its functions without fear, favour or prejudice.



The functions of the AGSA are described in section 188 of the constitution and further regulated in the Public Audit Act, 2004 (Act No.25 of 2004) (PAA), which mandates the AGSA to perform constitutional and other functions.



## WHAT THIS REPORT IS ABOUT

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Dear fellow Citizen

This is a report to you, as a citizen of South Africa, from the Auditor-General of South Africa (AGSA).

As the auditor of government's finances, the AGSA has a bird's eye view of public sector spending and considers it vital to share its insights with the citizens of South Africa so that they can see how government is spending taxpayers' money.

Government spending affects everyone in our country and it is in our best interest to know where the money comes from and how it is spent. In particular, citizens want to know how much is being spent, on what, by whom and, above all, whether the money is being spent responsibly or not.

In this document, you can read about the spending of provincial and national government departments, as well as state-owned entities (SOEs), for the 12 months from 1 April 2017 to 31 March 2018.

Apart from explaining how government spending works and looking at the big picture for this period, this report takes you through the finances of the three government departments with the biggest budgets and some of the SOEs that are critical to the economy.

This report also names the top 10 most responsible spenders in government and, on the other hand, the government spenders with the worst spending records in different categories.

Every effort has been made to keep this report reader-friendly but using some auditing and financial management terms and words is unavoidable. For your convenience, we have included a glossary of terms on page 21-23.

Some of the facts and figures in this report might make you wonder what you, as a citizen, can do to make sure government departments and public entities spend public money wisely. The answer is: there are a number of meaningful things you can do to hold government to account for its spending; turn to page 20 for details.

It should be mentioned that this citizens' report gives an overview – the highlights and lowlights – of government finances in 2017-18. If you would like a more detailed view of the audit outcomes for the year, you can find the full General Report on National and Provincial Audit Outcomes 2017-18 on the AGSA website at [www.agsa.co.za](http://www.agsa.co.za).

Knowledge is power, especially when we use it to take positive action.

Sincerely

**Communication Business Unit**

## WHERE DOES THE MONEY COME FROM AND HOW IS IT SPENT?

The money that government spends comes from the public purse – from the taxes that citizens pay and which the South African Revenue Service (SARS) collects.

This tax money is intended to be spent on programmes that improve the quality of life of citizens through access to quality health services, education, clean water, sanitation, electricity, safe and reliable transport, and so on.

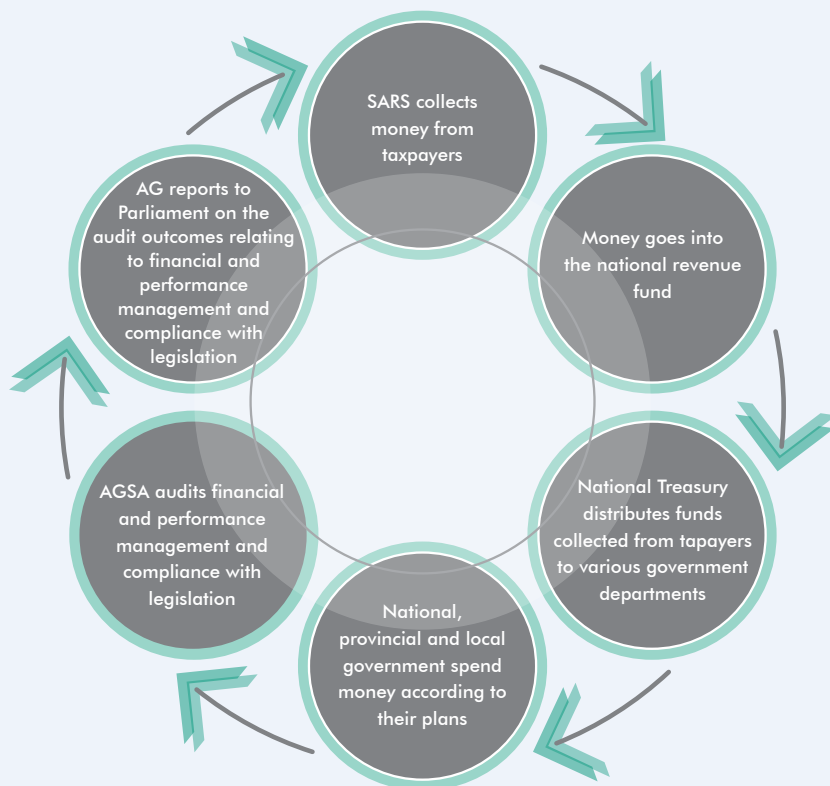
The amount of money available for government service delivery is limited, but the demand is huge, and ever-growing.

This means that the limited money available must be spent on the right things – on government's priority service delivery programmes and projects.



The following is a diagram that depicts where the money comes from and how it is spent, from the time SARS collects it from taxpayers to the time the AGSA audits and reports to Parliament on the performance information and compliance with legislation by government departments and public entities.

DIAGRAM 1





# SECTION 1



## THE ROLE OF THE AGSA

Once a year, we audit every national and provincial government department and some public entities, further referred to as auditees.

Our auditors go through the financial statements and performance reports to check the quality and to see if they have complied with key laws on financial and performance management (such as the Public Finance Management Act).

People sometimes ask why the AGSA itself does not take action against the wrongdoers if an audit shows that money was wasted, misused or not properly accounted for. The answer is that we have a mandate, which comes from the Constitution and the Public Audit Act (Act No. 25 of 2004).

We do not prescribe what government ministers or heads of department should do with the audit findings.

When auditing the financial statements, our aim is to give an opinion on whether users of the statements can rely on them to give a full, accurate picture of their spending.

Here is a quick summary of the five audit opinions that the AGSA can give, from best to worst:



**Financially unqualified opinion with no findings: The ideal – a clean audit:** Everything has been done the way it should be. There are no material misstatements in the financial statements and the department has complied with the law and reported properly on its performance objectives. A clean audit means the money has been used ideally and for the intended purpose. A clean audit also confirms that those charged with service delivery have created a solid foundation for the delivery of services and finance are unlikely to be the cause for delayed service where things are going wrong.



**Financially unqualified opinion with findings: Not bad, but not ideal –** Here, the information in the financial statements is correct and complete, meaning there are no material misstatements. But there are ‘material findings’ problems with the auditee’s performance reporting or non-compliance with the law, or both. This could compromise the auditee’s accountability.





**A financially qualified opinion with findings:**

**The situation is worrying** – The auditee did not manage and account for its finances to achieve the best results. The financial statements contain material misstatements about specific amounts, or there is insufficient evidence for the AGSA to conclude that the amounts are not materially misstated.



**An adverse opinion with findings:**

**Lots of problems everywhere** – The auditee has not followed the correct rules and procedures and has not provided complete, correct information to account for its spending. There are a lot of material misstatements.



**A disclaimed opinion with findings:**

**The worst outcome** – The finances are so badly managed that the auditee cannot even produce evidence (documentation) to support its financial statements.

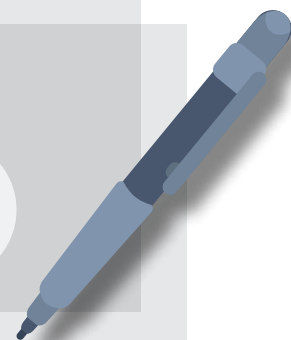
Then there is a sixth category, “**outstanding audits**”, where financial statements were either submitted too late for the AGSA to audit or were not submitted at all. This category is considered as bad as a disclaimer.





### THE THINGS WE LOOK AT ARE:

- ✓ Whether the financial statements fairly represent the key financial information for the financial year, using the correct reporting framework and in accordance with the law.
- ✓ Material misstatements (errors or omissions) that make it difficult to rely on the facts and figures in the financial statements
- ✓ Whether the material errors or omissions could have been prevented or detected if a proper internal control system had been in place.



Sometimes, as you will read later in this report, an audit might show that public money has not been spent the way it should have been or the spender has not provided proper proof of how the money was spent. When this happens, the AGSA points out the problems in an audit report. After reporting on the findings someone has to take responsibility for acting on our findings and recommendations.

#### These are the responsible people:



**Senior management**, including the chief financial officer, chief information officer and head of supply chain management, who are responsible for implementing internal controls.



**Accounting officers or accounting authorities:** in a department, this would be the director-general; in a public entity, this would be the chief executive officer. Their responsibilities include ensuring that steps are taken against officials who misspend public money. This is called 'consequence management'.



**Executive authorities** (ministers and members of the executive councils (MECs)): they have oversight and monitoring responsibilities, which include managing the performance of accounting officers (head of the department or chief executive officer).





## UNTIL THE PUBLIC AUDIT ACT, WHICH GIVES THE AG ADDITIONAL POWERS, COMES INTO FORCE WE MAY ONLY DO THE FOLLOWING AS FAR AS GOVERNMENT SPENDING IS CONCERNED:



- Check all public spending yearly by conducting audits of government departments' financial statements.
- Based on our audit findings, we give an opinion on how well or poorly the department concerned fared in the three areas listed below.



### When we audit the financial statements, we check three areas:

- Have all the facts and figures been included and are these correct and accurate? This is about making sure that the financial statements give a fair presentation of the department's finances and that there are no material misstatements. (A material misstatement means that important information is wrong or missing, which could mislead the user of the statements.)
- Did the department provide reliable and credible information on the things it was supposed to do during the year (known as performance objectives or pre-determined objectives)?
- Did the department comply with all the laws and regulations governing public finances? One of the most important of these laws is the Public Finance Management Act (PFMA), which sets out how departments must manage and report on their finances.

There are three kind of problems that the auditors might flag about government spending. These are:



**Unauthorised expenditure:** spending that goes over budget or was not used for the purpose intended. This can be as a result of administration errors or accidents.



**Irregular expenditure:** spending that was incurred without complying with applicable legislation. This may be caused by procedures not being followed.



**Fruitless and wasteful expenditure:** pointless spending that could have been avoided. This can be simple things such as not paying suppliers in time and incurring interest.





## SECTION 2

## THE BIG PICTURE OF GOVERNMENT SPENDING IN 2017-18

Now that we know how government departments are rated on their spending and financial reporting, let us take a look at the big picture of government spending in 2017-18.

**R1,22 trillion** – that was the total amount the National Treasury allocated to provincial and national government departments in the 2017-18 financial year.

This was the biggest amount in the history of South Africa's public sector and was divided among **434** different government organisations. Of these, **169** were national or provincial departments and **265** were public entities.

After completing our audits for this cycle, we found a few bright spots. One of the brightest was that **18** organisations had improved their financial management so much that they received clean audits.

On the whole, though, the audit results for 2017-18 were the worst in four years.



**Irregular expenditure** increased by 1%, going up to R45,5 billion. Most of this money was spent without following the correct rules or procedures on procurement and contract management.



**Fruitless and wasteful expenditure** went up by more than 200%, shooting up from R757 million to R2,4 billion. Basically, this was money down the drain – it was spent for nothing and could have been avoided if reasonable care had been taken.



There was an increase of 38% in **unauthorised expenditure**, which totalled R2,12 billion. Most of this was due to overspending and the rest to money spent on things other than the intended purpose.

### Other worrying trends also surfaced or gained momentum.

A significant number of auditees (8 departments and 33 public entities) submitted their financial statements late and three not at all. What makes this trend even more of a concern is that it appears to be on the increase. In the two previous years, only two and three departments, respectively, were late with their financial statements or did not even submit them.

More and more departments and public entities are failing to comply with key laws. In fact, non-compliance rose from 64% in the previous year to 72%. The main problem areas are the poor quality of financial statements, poor management of procurement and contracts, and failure to prevent unauthorised, irregular and fruitless spending.

Yet another negative trend is that more auditees are going backwards when it comes to their audit outcomes than are improving.

For example, there were 18 new clean audits in 2017-18 but more than double that number (42) lost their clean audits. Overall, only 99 (25%) of all audits were clean audits, compared to 31% in the previous year.



Here are the audit results of the 335 auditees (including SOEs) that did not get clean audits:

A total of <b>196</b> of audits were unqualified with findings (not bad but not ideal)	A total of <b>81</b> were qualified with findings (worrying)
<b>Two</b> were adverse (lots of problems everywhere)	<b>Fifteen</b> were disclaimed (the worst outcome).




Then of course there were the 41 cases where financial statements simply did not arrive on time or at all.

Having seen the big picture of government spending in 2017-18, let us turn the page and go into greater detail, starting with a look at the finances of the three government departments with the biggest budgets. These are the national and provincial departments of Health, Education and Public Works.

## GOVERNMENT'S THREE BIGGEST SPENDERS AGAIN PRODUCED POOR RESULTS

These departments have the biggest budgets in the whole of government.

There are 30 such departments altogether:

 <p>One national Department of Health and nine provincial health departments</p>	 <p>One national Department of Basic Education and nine provincial education departments</p>	 <p>One national Department of Public Works and nine provincial public works departments</p>
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Together, these 30 departments received 53% of the government's total R1,22 trillion budget in 2017-18.

These departments are responsible for implementing key programmes to improve the health and welfare of citizens. However, they continue to have the poorest audit outcomes of all departments.

Only two of the 30 departments in these three areas received clean audits in 2017-18. They were the Department of Education and the Department of Transport and Public Works in the Western Cape.

What is more, the departments of health, education and public works received an abnormally high percentage of qualified audits (showing they did not manage and account for their finances to achieve the best results). In fact, 33% of these departments received financially qualified opinions, compared to only 16% of other departments.

The position is most serious at provincial level, where the finances of some departments of health and education are in such a bad state that they could collapse if something is not done urgently.

It is not surprising that some of these departments have very high levels of irregular, unauthorised or fruitless and wasteful expenditure.



## THE FINANCIAL STATE OF STATE-OWNED ENTERPRISES

By law (the Public Audit Act), the AGSA audits the financial statements of all national and provincial government departments. This is not the case with all state-owned entities (SOEs), which are enterprises that are either wholly or partly owned by the government. In the case of SOEs, the law leaves it up to the AGSA to decide whether it will audit their financial statements or allow an SOE to appoint a private audit firm to do its audits.

In the past, most SOEs were audited by private firms. However, the AGSA has been auditing more and more of them in the past few years because of their importance to the economy or the high risk that some present if their finances are in a poor state. We have been focusing especially on auditing more of the 41 major state-owned companies (SOCs) in South Africa. These SOCs are the biggest public enterprises and are often vital to the health of the South African economy.

In 2017-18, we audited the books of 265 public entities, including those of 34 major SOEs. Overall, we found that audit outcomes had again gone backwards – a trend that has continued across the past four years.

Only 3% of SOEs received clean audits, which was much lower than the previous year's 26%.

SOEs were among the worst offenders in government for being late with their financial statements: 18 missed the 31 August 2018 deadline. They eventually submitted their statements but eight were so late that audit opinions for them have still not been finalised when this citizens' report was ready. These are:



SAA and its subsidiaries, Air Chefs, Mango Airlines and SAA Technical



SA Express



Denel and its subsidiaries Densecure, Denel Saab Aerostructures, Denel Vehicles Systems and LMT Engineering, LMT Holdings, LMT Products, LMT Properties and Turbomecca Africa



South African Nuclear Energy Corporation (NECSA) and its subsidiaries, Gammatec NDT Supplies, NTP Radioisotopes and Pelchem



Some of these organisations are making huge losses and their financial health is dire. They are SAA, Denel, SA Express and NECSA.

Other loss-making SOEs were the SABC (R621 million deficit), PetroSA group (R1,2 billion) and SA Post Office (R908 million).

One of the worst cases was the Independent Development Trust (IDT), which was late with its financial statements. When these were eventually submitted, it received a disclaimer (worst audit opinion). The IDT plays an extremely important role in the economy because it manages and implements government's social infrastructure projects for the Department of Public Works.

While the SOE sector was generally bleak in 2017-18, there were some success stories too. A total of 69% of the SOEs are considered to be in good financial health. Armscor managed to improve its financial health to 'good' and so did the SA Agency for Promotion of Petroleum Exploration and Exploitation.

The AGSA is aware that accountability for government spending at SOEs is receiving close attention at executive (ministerial) level, as well as from oversight bodies and the public. We are contributing by increasing the number of SOEs that we audit (as opposed to audits by private firms). We are also deepening our understanding of their operations and challenges.

## IRREGULAR SPENDING: THE 10 POOREST PERFORMERS OF THE YEAR

Irregular expenditure went up by 1%, rising to R45,5 billion. Most of this was as a result of money spent without following the correct rules when buying goods and services or awarding and managing contracts. The table shows the biggest culprits and what they did.

Who?	How much?	On what?
Transport (KwaZulu-Natal)	R5,4 billion	95% was due to non-compliance with legislation on contracts. Most of this expenditure related to expired or month-to-month contracts.
Water Trading Entity	R4,5 billion	93% related to non-compliance with procurement process requirements, including bids not awarded in accordance with approved specifications; services to support and maintain the SAP system not procured through the State Information Technology Agency; and changes to scope of work after the award had been made.
Roads and Transport (Gauteng)	R2 billion	100% related to procurement without following the competitive bidding or quotation process.  R2 053 million (98%) related to non-compliance in the bus subsidies contracting process. Due to the old legacy bus contracts, the department was not able to go out on tender and the contracts were extended for three years until 31 March 2018.
Water and Sanitation	R1,9 billion	56% related to non-compliance with procurement process requirements. Some of this expenditure was also due to irregularly awarded contracts on water and sanitation infrastructure projects, e.g. bucket eradication projects in the Free State and the Northern Cape.



Who?	How much?	On what?
Correctional Services	R1,8 billion	94% related to procurement without following the competitive bidding or quotation process.  Included in this expenditure is an amount of R1 724 million, which was due to implementing agents not following the competitive bidding process.
Health (KwaZulu-Natal)	R1,8 billion	87% related to non-compliance with procurement process requirements. Approximately R661 million of this expenditure related to expired contracts, e.g. month-to-month contracts and expired rental contracts.
Health (Gauteng)	R1,7 billion	83% related to procurement without following the competitive bidding or quotation process, of which R679 million related to security contracts.
Police, Roads and Transport (Free State)	R1,6 billion	86% related to non-compliance with procurement process requirements, of which R1 383 million was due to the incorrect application of preference points in line with the Preferential Procurement Policy Framework Act.
Human Settlements (Gauteng)	R1,3 billion	6% related to non-compliance with legislation on supply chain management. 94% related to non-compliance with other legislation – R1 155 million was incurred on transfers to implementing agents in contravention of the Division of Revenue Act, as the transfers were not included in the conditional grant business plan.
Public Works and Roads (North West)	R1,1 billion	100% related to non-compliance with procurement process requirements. Approximately R466 million of this expenditure related to road infrastructure.

## UNAUTHORISED SPENDING: THE 10 POOREST PERFORMERS OF THE YEAR

There was an increase of 38% in unauthorised expenditure, which totalled R2,12 billion. Most of this was due to overspending and the rest to money spent on things other than the intended purpose.

The next table lists the 10 biggest contributors to unauthorised spending in 2017-18.

Who?	How much?	Where was the overspending?
Water and Sanitation	R526 million	Overspending of the budget occurred at programme level. An amount of R392 million (75%) resulted from exceeding the budget for goods and services and payments to the war on leaks programme.
Education (KwaZulu-Natal)	R486 million	The overspending occurred mainly in programme 2 – public ordinary schooling and programme 4 – public special schools education.





Who?	How much?	Where was the overspending?
Police, Roads and Transport (Free State)	R241 million	An amount of R169 million (70%) was money not spent in accordance with the purpose of the budget and the remainder related to overspending on programme 4 – transport regulations.
Education (Limpopo)	R193 million	Overspending of the budget occurred mainly on programme 6 – infrastructure development due to a prepayment to the Development Bank of Southern Africa in the prior year for payments on behalf of the department.
Health (Free State)	R141 million	Overspending occurred across various programmes. An amount of R92 million (65%) related to programme 2 – district health services.
Education (Free State)	R130 million	Overspending occurred in programme 2 – public ordinary schooling. The overspending related to compensation of employees due to the insufficient budget allocation and budget cuts to fund other critical priorities.
Education (Northern Cape)	R123 million	An amount of R118 million (96%) of the overspending occurred in programme 2 – public ordinary schooling.
Health (Northern Cape)	R100 million	Overspending of the budget occurred at programme level. The transfers and subsidies in programme 5 – health science and training were overspent by R24,8 million, while programmes 2 and 3 were overspent on compensation of employees by R31,9 million and R4,8 million.
Education (Eastern Cape)	R58 million	The overspending related to a virement without obtaining the required treasury approval that increased transfers and subsidies in programme 2 – public ordinary schooling.
Statistics South Africa	R57 million	The overspending related mainly to programme 2 – economic statistics and programme 6 – statistical collection and outreach.

## FRUITLESS AND WASTEFUL SPENDING: THE 10 POOREST PERFORMERS OF THE YEAR

There was an increase of 224% in fruitless and wasteful expenditure, which rose from R757 million in the previous year to R2,4 billion.

The next table shows the 10 worst culprits. Together, they wasted R2 billion. This accounted for 85% of all fruitless and wasted spending.

Who?	How much?	How was the money wasted?
Water Trading Entity	R1 billion	Due to financial viability concerns, many water infrastructure projects were not progressing. However, internal resources and contractors were employed on these projects and still had to be paid due to contractual arrangements.
Defence	R399 million	R324 million related to the restatement of previous year figures, while the remainder related to leased properties and medical equipment not utilised.
Education (Limpopo)	R194 million	Most related to learner-teacher support material purchased in excess of the requests received from schools, resulting in outdated textbooks on hand that had to be disposed of.
Roads and Transport (Gauteng)	R148 million	Included court order payments on routine road maintenance (contracts cancelled but suppliers took department to court) and lease of photocopy machines.
South African Broadcasting Corporation	R84 million	Included interest and penalties incurred due to the late payment of suppliers as a result of financial viability concerns, South African Revenue Service penalties, and unauthorised overtime payments.
National Treasury	R67 million	Payment of technical support for the integrated financial management system software licence that were not yet in use.
Justice and Constitutional Development	R48 million	R44 million related to asset forfeiture curator fees as a result of ceased assets not being returned to the defendant without the possibility of prosecution.
Correctional Services	R41 million	R34 million related to a deferment fee paid on a capital works project; also included travel cancellations and interest paid on court orders.
Health (Gauteng)	R38 million	Included interest on litigation costs, overdue accounts, and payments to the sheriff.
Local Government Sector Education and Training Authority	R36 million	Included fraudulent grant claims submitted by a service provider for training that did not take place.



## CLEAN AUDITS: GOOD NEWS AMONG THE BAD

While it is disappointing that fewer departments and public entities earned clean audits in 2017-18, there were still 99 that did manage their finances correctly and accountably. Of the 99 clean audits, 12 were for national departments, 44 for national public entities\*, 28 for provincial departments and 15 for provincial public entities.

The table below has the details.

CLEAN AUDITS – NATIONAL	
DEPARTMENTS	PUBLIC ENTITIES
Civilian Secretariat for Police	Agricultural Land Holding Account
Communications	Banking Sector Education and Training Authority
Economic Development	Chemical Industries Education and Training Authority
Planning, Monitoring and Evaluation	Companies and Intellectual Property Commission
Public Enterprises	Construction Education and Training Authority
Science and Technology	Council for Scientific and Industrial Research
Sport and Recreation South Africa	Council for the Built Environment
Trade and Industry	Cross-Border Road Transport Agency
Traditional Affairs	Development Bank of Southern Africa
Government Communication and Information System	Education, Training and Development Practices SETA
Office of the Chief Justice	Ekurhuleni East TVET College
Parliament of the Republic of South Africa	False Bay TVET College
	Financial Services Board
	Food and Beverages Manufacturing Industry SETA
	Guardians Fund
	Human Sciences Research Council
	Independent Regulatory Board for Auditors
	Insurance SETA
	International Trade Administration Commission
	Legal Aid South Africa
	MINTEK
	National Agricultural Marketing Council
	National Consumer Commission
	National Consumer Tribunal
	National Credit Regulator
	National Energy Regulator of SA
	National Gambling Board
	National Lottery Distribution Trust Fund
	National Youth Development Agency
	Office of the Valuer-General
	Office of the Ombud for Financial Service Providers
	Office of the Pension Funds Adjudicator
	Public Investment Corporation
	Quality Council for Trades and Occupations
	Deeds Registration Trading Account
	South African Civil Aviation Authority

## CLEAN AUDITS – NATIONAL

DEPARTMENTS	PUBLIC ENTITIES
	Services SETA Small Enterprise Development Agency SA Heritage Resources Agency SA Local Government Association SA National Energy Development Institute South Cape TVET College Special Investigating Unit Third Party Funds (Monies in Trust)

## CLEAN AUDITS – PROVINCES

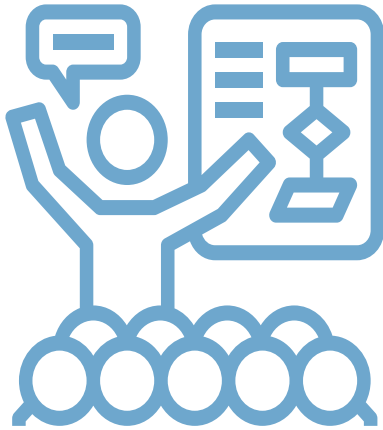
DEPARTMENTS	PUBLIC ENTITIES
<b>EASTERN CAPE</b> Safety and Liaison Provincial Treasury	East London Industrial Development Zone Eastern Cape Parks and Tourism Agency
<b>GAUTENG</b> Cooperative Governance and Traditional Affairs Economic Development e-Government Office of the Premier Provincial Legislature Provincial Treasury Social Development	Gauteng Gauteng Enterprise Propeller Gauteng Growth and Development Agency Gauteng Partnership Fund Gautrain Management Agency Supplier Park Development Agency
<b>KWAZULU-NATAL</b> Provincial Treasury	Dube Tradeport Company KZN Housing Fund
<b>LIMPOPO PROVINCE</b> Provincial Treasury	
<b>MPUMALANGA</b> Cooperative Governance and Traditional Affairs Provincial Treasury	Mpumalanga Economic Regulator Mpumalanga Regional Training Trust
<b>NORTHERN CAPE</b> Economic Development and Tourism Office of the Premier Provincial Treasury	
<b>NORTH WEST</b> Provincial Treasury	



## CLEAN AUDITS – PROVINCES

DEPARTMENTS	PUBLIC ENTITIES
<b>WESTERN CAPE</b> Community Safety Cultural Affairs and Sport Office of the Premier Economic Development and Tourism Education Human Settlements Local Government Provincial Treasury Social Development Transport and Public Works Provincial Parliament	Western Cape Gambling and Racing Board Government Motor Transport Saldanha Bay IDZ Licensing Company Western Cape Nature Conservation Board

\*These exclude public entities that private firms audited and not the AGSA.



## WAYS FOR CITIZENS TO PARTICIPATE ACTIVELY

When government spending is irregular, unauthorised or fruitless and wasteful, it is citizens' tax money that is being misused.

If you as a taxpaying citizen of South Africa are unhappy with the way any government department or public entity is spending public funds, you have the right and the power to speak up and demand accountability to ensure that public funds are utilised responsibly.

Here are a few suggestions about what you can do:



Attend and ask questions during Parliament's public meetings such as Taking Parliament to the People (TPTTP). TPTTP is run by the National Council on Provinces and is held in a different province every year. It includes public meetings where citizens can talk about their experiences of government service delivery and related matters.



Get involved in provincial legislature meetings where discussions on provincial strategic plans, annual performance plans, budgets and annual reports take place.



Write petition letters requesting the legislature in your province to ensure that the provincial departments spend public money properly and that action be taken against those who do not. Each provincial legislature has a petitions office that receives and processes petition letters from members of the public.



Participate at local government level by attending ward committee meetings.



Participate in civil society or community-based organisations' meetings.



Participate in the integrated development plan (IDP) consultation meetings in your region and engage with your municipality's leadership on service delivery issues and infrastructure developments and service delivery plans for your ward.



## GLOSSARY

<b>Accounting authority</b>	A board or person responsible for the performance and finances of a public entity.
<b>Accounting officer</b>	The person responsible for the performance and finances of a government department
<b>Annual performance plan</b>	This is a document that contains a department's plan, budgets and targets for each year. The department concerned may only use the money allocated to it for programmes and initiatives spelt out in its annual performance plan.
<b>Asset</b>	Any item belonging to the auditee, including property, infrastructure, equipment, cash and debt due to the auditee.
<b>Audit</b>	This is an inspection of the financial statements of a department or public entity. The aim of an audit is to find evidence (written facts and figures) that the public entity managed its finances properly and complied with the law.
<b>Audit opinion</b>	This is the auditors' view of the state of a department's finances, based on the quality of its financial statements and the evidence it provides to back up the statements. There are five possible audit opinions that the AGSA can give. The best is a 'clean' audit and the worst is a disclaimer. (All five audit opinions are defined in this glossary.)
<b>Auditee</b>	The government department or public entity whose financial statements are being examined.
<b>Audit committee</b>	A subcommittee of the board of directors that is established to deal with financial reporting and related matters on behalf of the board of directors.
<b>Audit report</b>	After completing an audit, the AGSA writes an audit report giving its opinion on the financial statements of the department or entity concerned.
<b>Auditor</b>	A person responsible for performing or assisting in performing an audit on the performance and finances of a government department or public entity.
<b>Compensation</b>	This is the salary and benefits paid to employees of government departments or public entities for the work they perform.
<b>Contract</b>	An agreement between a department and a supplier of goods or services.
<b>Deficit</b>	A financial loss, usually because an organisation has spent more money than it has.
<b>Deviation</b>	An organisation has not followed the rules, laws or accepted standards for managing public money, or has not kept to its annual performance plan.
<b>Evidence</b>	This is documentation that a department or public entity produces to support the facts and figures given in its financial statements.



<b>Executive authority</b>	The person with political responsibility for a department, either a cabinet minister in the case of a national government department or a member of an executive council in the case of a provincial department.
<b>Financial statements</b>	These are the written records of the finances of an auditee, including what money it has received, spent or is owed, what assets it has and what it owes.
<b>Fraudulent</b>	Misrepresenting the facts or deceiving someone for financial gain.
<b>Fruitless and wasteful expenditure</b>	This is money spent in vain, without achieving any result and without taking reasonable care. An example is buying trains that do not fit the tracks and therefore cannot be used.
<b>Infrastructure</b>	The facilities and systems that keep auditees and economies running, such as buildings, roads, bridges, ports, power supply and water supply.
<b>Irregular expenditure</b>	Spending money in a way that does not comply with the laws of the land on public finances and procurement.
<b>Liabilities</b>	Money that is owed to someone else, such as suppliers waiting to be paid for goods and services.
<b>Litigation</b>	Taking legal action to resolve a dispute.
<b>Management report</b>	This is a report the AGSA writes for the management of an auditee after its financial statements have been audited. A management report usually points out problems with the financial statements and financial management, and makes recommendations to improve these.
<b>Material misstatement</b>	Information that is missing from or incorrect in an auditee's financial statements, so much so that the statements are misleading to the user.
<b>Non-compliance</b>	When an organisation fails to obey the laws, rules or procedures that bind it.
<b>Predetermined objectives</b>	These are goals or targets that a department or entity sets for itself in its annual performance plan.
<b>Procurement</b>	The process of buying goods or services that an auditee needs to operate.
<b>Public Audit Act (Act No. 25 of 2004)</b>	This is the AGSA's enabling legislation whose objective is to give effect to the provisions of our country's constitution by establishing and assigning functions to an auditor-general and by providing for the auditing of auditees in the public sector.
<b>Public entities</b>	Organisations controlled and sometimes owned by the state for the benefit of the country and its citizens.
<b>State-owned enterprise (SOE)</b>	These are independent bodies partially or wholly owned by government and partake in commercial activities on the government's behalf.





<b>Subsidiary</b>	A company owned or controlled by another company. An example is Air Chefs, which is a subsidiary of South African Airways (SAA). Another example is Denel Vehicle Systems, a subsidiary of Denel.
<b>Supply chain management (SCM)</b>	While procurement is about sourcing the goods and services that an organisation needs for itself, the supply chain is about getting the goods and services out to its customers. An example is the Department of Basic Education producing and delivering textbooks to schools. To achieve this, the department would need to manage the whole supply chain, including raw materials (paper and ink), textbook writers and publishers, printers, warehouses and trucks to deliver the books to schools.
<b>Unauthorised expenditure</b>	Money that was spent on something other than the purpose it was meant for, or that was overspent.



## PRODUCTS OF THE AGSA

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The AGSA annually produces audit reports on all government departments, public entities, municipalities and municipal entities.

Over and above these entity specific reports, the audit outcomes are analysed in the general reports that cover both the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA) cycles.

The AGSA tables reports to the legislature with a direct interest in the audit, namely Parliament, provincial legislature or municipal councils. The reports are then used in accordance with their own rules and procedures for oversight.





AUDITOR - GENERAL  
SOUTH AFRICA

*Auditing to build public confidence*

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