

 AUDITOR-GENERAL
SOUTH AFRICA

GETTING TO KNOW AGSA

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2025

FOR A BETTER WORLD OF WORK



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SOUTH AFRICA



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01

WHAT IS THE AGSA?

The Auditor-General of South Africa (AGSA) is the country's supreme audit institution. The AGSA is established in terms of the Constitution. This means that, by law, the AGSA has to audit and report on how the government is spending the South African taxpayers' money.

WHAT IS THE ROLE OF THE AGSA?

The AGSA is not part of government but is a chapter 9 institution, which means its mandate and functions are outlined in chapter 9 (sections 181 & 188) of the Constitution of the Republic of South Africa. The AGSA is independent from government. The Public Audit Act (PAA) further defines the organisation's functions, while the amendments to the PAA expand this mandate to cover material irregularities.

As the supreme audit institution of South Africa, our role is to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence.



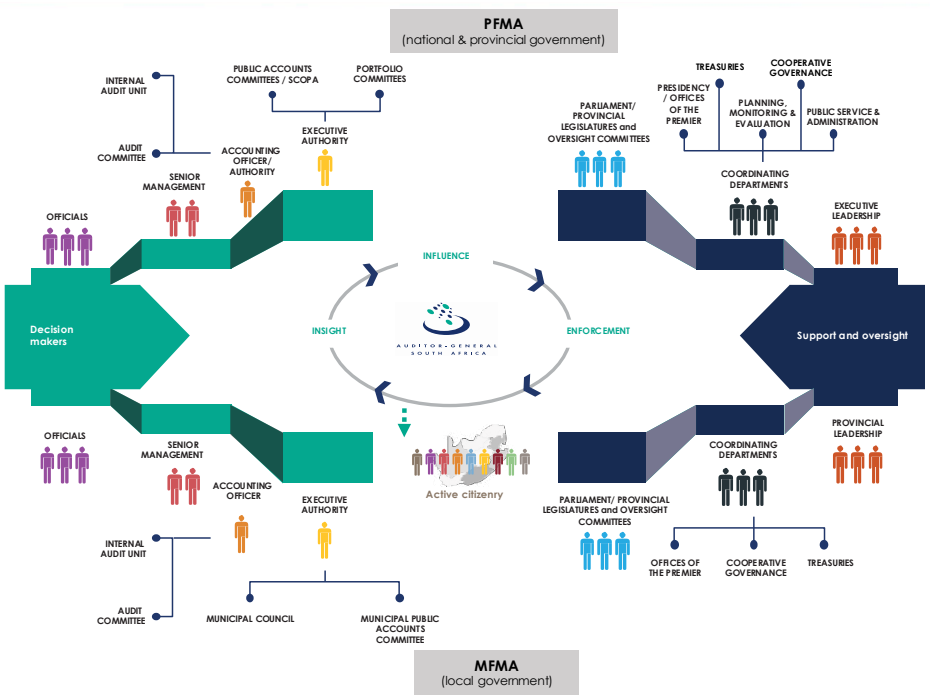
WHY ARE AUDITS OF GOVERNMENT SPENDING IMPORTANT?

The 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 and in the right way – on government's priority service delivery programmes and projects.

WHERE DO WE FIT INTO THE ACCOUNTABILITY ECOSYSTEM?

The mission of sustainably and efficiently shifting public sector culture through insight, influence and enforcement is broad and cannot be achieved by the AGSA alone. By the time that we report on adverse findings, multiple failures have already occurred along the accountability value chain. Once we conclude the work, it is up to other roleplayers in the accountability to do their part.

To successfully deliver on this mission within the scope of our mandate and resources, we continue to engage with the relevant roleplayers in the broader accountability ecosystem to encourage them to consistently and effectively fulfil their respective responsibilities and mandates.



WHO DO WE AUDIT?

Each year, we produce audit reports on all government departments, public entities, municipalities and public institutions, referred to as auditees, as well as general reports analysing the audit outcomes for both the Municipal Finance Management Act (MFMA) cycle, which covers local government, and the Public Finance Management Act (PFMA) cycle, which covers national and provincial

government and state owned entities. These Acts set out how those we audit (auditees) must manage and report on their finances and are two of the most important laws that auditees must comply with. We also produce reports on discretionary audits, performance audits and other special audits.

WHAT DO OUR AUDITS COVER?

When performing the statutory audits, our auditors go through the financial statements and performance reports of our auditees to check the quality and to see if they have complied with key laws on financial and performance management (such as the MFMA and the PFMA). They focus on three main areas:

01

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, which could mislead the user of the statements.

02

Did the auditee provide reliable and credible information on the things (against set targets) it was supposed to do during the year?

These goals are known as performance objectives or predetermined objectives

03

Did the auditee comply with all the laws and regulations governing public finances (such as the MFMA and PFMA)?

WHAT DOES AN AUDIT NOT DO?

The test nature and inherent limitations of both an audit and internal controls mean that there is always a risk that we may not detect some misstatements – even material ones – in reported information, and so we cannot guarantee the accuracy and completeness of the information reported. Although we may identify possible fraud during the audit, this is not the main purpose of the audit.

Because our audits focus on specific areas in key legislation, they do not provide assurance that all legislation that applies has been complied with. The audit also does not provide assurance that services have been delivered to citizens, only that the annual performance report is useful and reliable.

WHAT IS OUR EXPANDED MANDATE?

The Public Audit Act was amended to expand the AGSA's mandate beyond auditing and reporting in an effort to strengthen accountability mechanisms.

In a nutshell, our expanded powers centres around the concept of material irregularity. For example, accounting officers and authorities have the responsibility to prevent irregularities and act when they do happen. We only use our expanded mandate when we detected and reported on a material irregularity and no action has been taken.

INTRODUCING THE CONCEPT OF MATERIAL IRREGULARITIES

Following the amendments to the Public Audit Act, the Auditor-General has been given the following additional powers:



Refer material irregularities
to relevant public bodies
for further investigations
in accordance with their
mandate



Refer material irregularities
to relevant public bodies
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WHAT IS A MATERIAL IRREGULARITY?

Any **non-compliance** with, or **contravention** of, legislation, **fraud**, **theft** or a **breach of a fiduciary duty** identified during an audit performed under this 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**.

WHAT HAPPENS AFTER WE AUDIT?

After we have completed our audit, the audit report is published in the auditee’s annual report, which is tabled in Parliament, the provincial legislatures and municipal councils. It informs those responsible for oversight, the public and others of material misstatements in the financial statements, material findings on the usefulness and reliability of the performance report, material non-compliance with key legislation in specific focus areas, and the deficiencies in internal control that we identified during the audit.





02

WHAT DO THE DIFFERENT AUDIT OPINIONS MEAN?

THE AGSA PROVIDES FIVE TYPES OF AUDIT OPINION



UNQUALIFIED OPINION WITH NO FINDINGS: This is the ideal to strive for – a clean audit. A clean audit means that the institution we audited (also called the auditee) has done everything the way it should. The auditee has no material misstatements in the financial statements and it 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 delivering services and that finances are unlikely to be the cause for delayed service where things are going wrong.



UNQUALIFIED OPINION WITH FINDINGS: Not bad, but not ideal. While the auditee's information in the financial statements is correct and complete, we did find problems with its performance reporting, its compliance with the law, or both. This could compromise the auditee's accountability.



QUALIFIED OPINION WITH FINDINGS: The situation is worrying. The auditee did not account for and manage its finances. The financial statements contain material misstatements about specific amounts, or there is insufficient evidence for us to conclude that the amounts are completely correct.



ADVERSE OPINION WITH FINDINGS: The auditee has lots of problems everywhere. It did not follow the correct rules and procedures and has not provided complete, correct information to account for its spending. There are a lot of material misstatements.



DISCLAIMED OPINION WITH FINDINGS: The worst outcome. The auditee's finances are so badly managed that the auditee cannot even produce evidence (documentation) to support its financial statements.

THERE IS ALSO A SIXTH CATEGORY OF AUDIT



OUTSTANDING AUDITS: Financial statements were either submitted too late for the AGSA to audit or not submitted at all. This category is as bad as a disclaimed opinion.

“
The AGSA
provides five
types of audit
opinion”

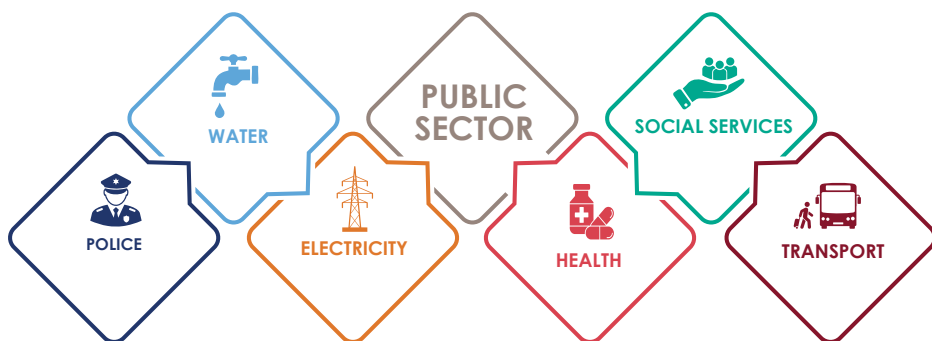
03

HOW DO AUDIT OUTCOMES RELATE TO SERVICE DELIVERY?

HOW DO AUDIT OUTCOMES RELATE TO SERVICE DELIVERY?

When an auditee receives a clean audit opinion, it means that its financial statements and performance report give a transparent and credible account of its finances and its performance against the set targets. It also means that the auditee complied with the important legislation that applies to it and, where slip-ups did occur, they were rare or not material. In other words, these accountability reports present a reliable picture of that auditee, whether good or bad. This enables everyone with an interest in the auditee – particularly communities, community organisations, and those who need to oversee the auditee's performance and provide the support it needs to succeed – to judge how the auditee is doing and to take action where necessary.

While a clean audit is not always an indicator of good service delivery, we have seen that auditees that have the controls and systems in place to plan, measure, monitor and account for their finances and performance, and stay within the rules, often also have a solid foundation for service delivery that benefit the communities they serve.





NOTES





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Auditing to build public confidence



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