



AUDITOR - GENERAL
SOUTH AFRICA

NATIONAL AND PROVINCIAL AUDIT OUTCOMES

2022-23

29 November 2023

Audit outcomes for financial year ended 31 March 2023

Status of material irregularities by 30 September 2023



*A culture of accountability will
improve service delivery*



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

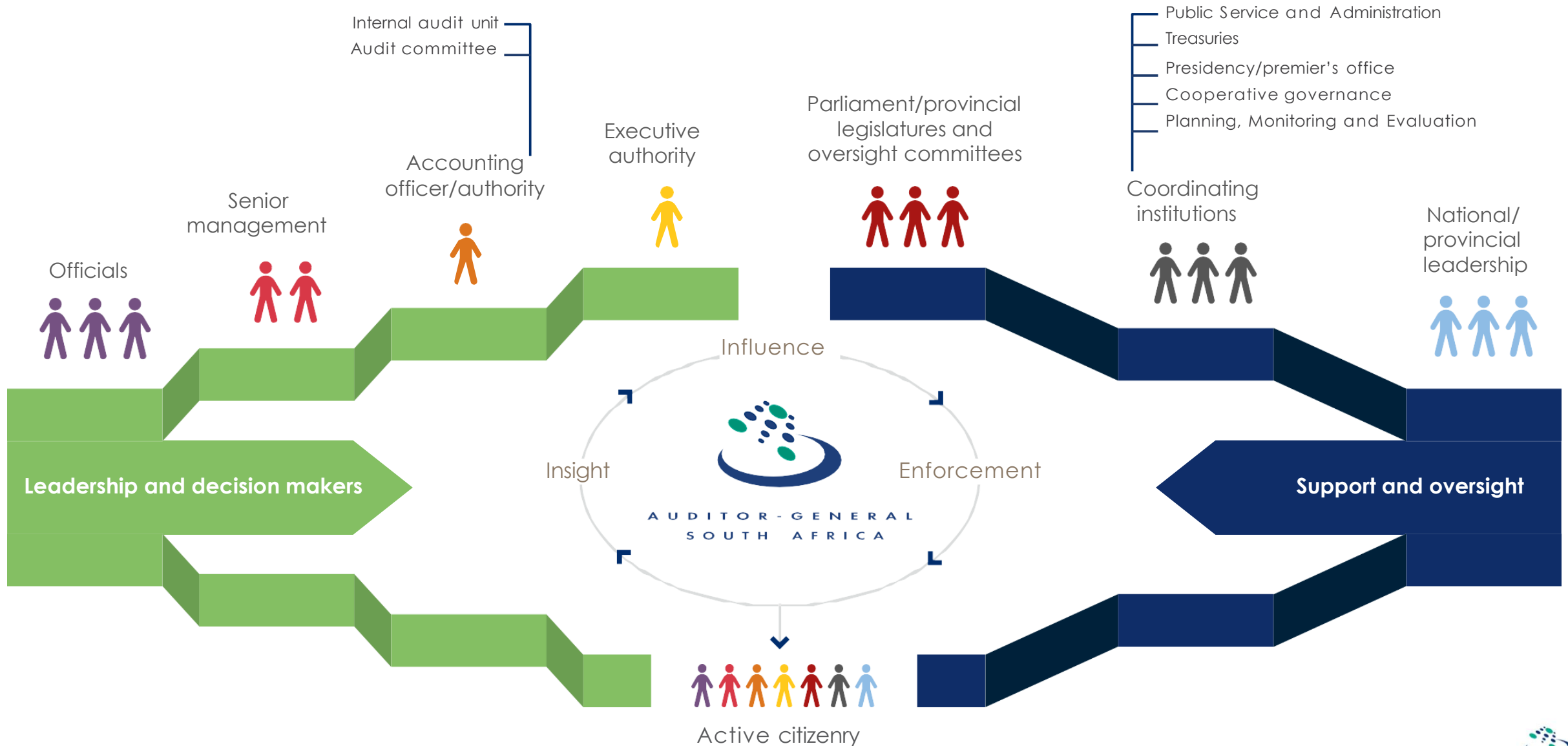


VISION

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

3



Overall audit outcomes – improvement continues

4

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2018-19	94	179	100	3	25	4	405
Last year of previous administration							
2021-22	126	183	80	2	14	12	417
2022-23	147	162	69	4	5	31	418

Cut-off date:
30 September 2023

35% 39% 17% 1% 1% 7%

Non-submission
of financial statements – 12

Late submission
of financial statements – 6

Delays during audit process – 13

Movement from
previous year

70 ▲ 33 ▼

Movement from last year of
previous administration

127 ▲ 49 ▼

Submission of financial statements by legislated date
slightly improved from 92% to **93%**



31 outstanding audits (9 audits subsequently finalised)

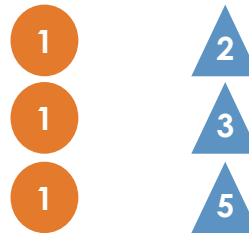
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Delays during audit process – 7#

- Denel and Denel Vehicle Systems (2)
- Limpopo Department of Health
- Agricultural Land Holding Account
- Government Printing Works
- Local Government Seta (LGSETA)
- Railway Safety Regulator

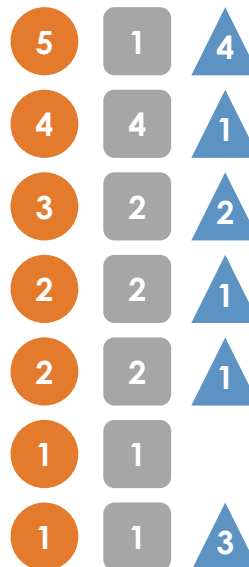
Financial statements submitted late – 3

- Alexkor
- Passenger Rail Agency of South Africa
- Taletso TVET College



Financial statements not submitted – 12

- SAA Group (4)
- North West Transport Investments Group (3)
- Denel Aerostructures
- Coastal TVET College
- Compensation Fund
- National Student Financial Aid Scheme
- Unemployment Insurance Fund



Years audit outstanding and not included in general report

Years financial statements not submitted

Years financial statements submitted late

Outcomes of audits subsequently finalised – 9

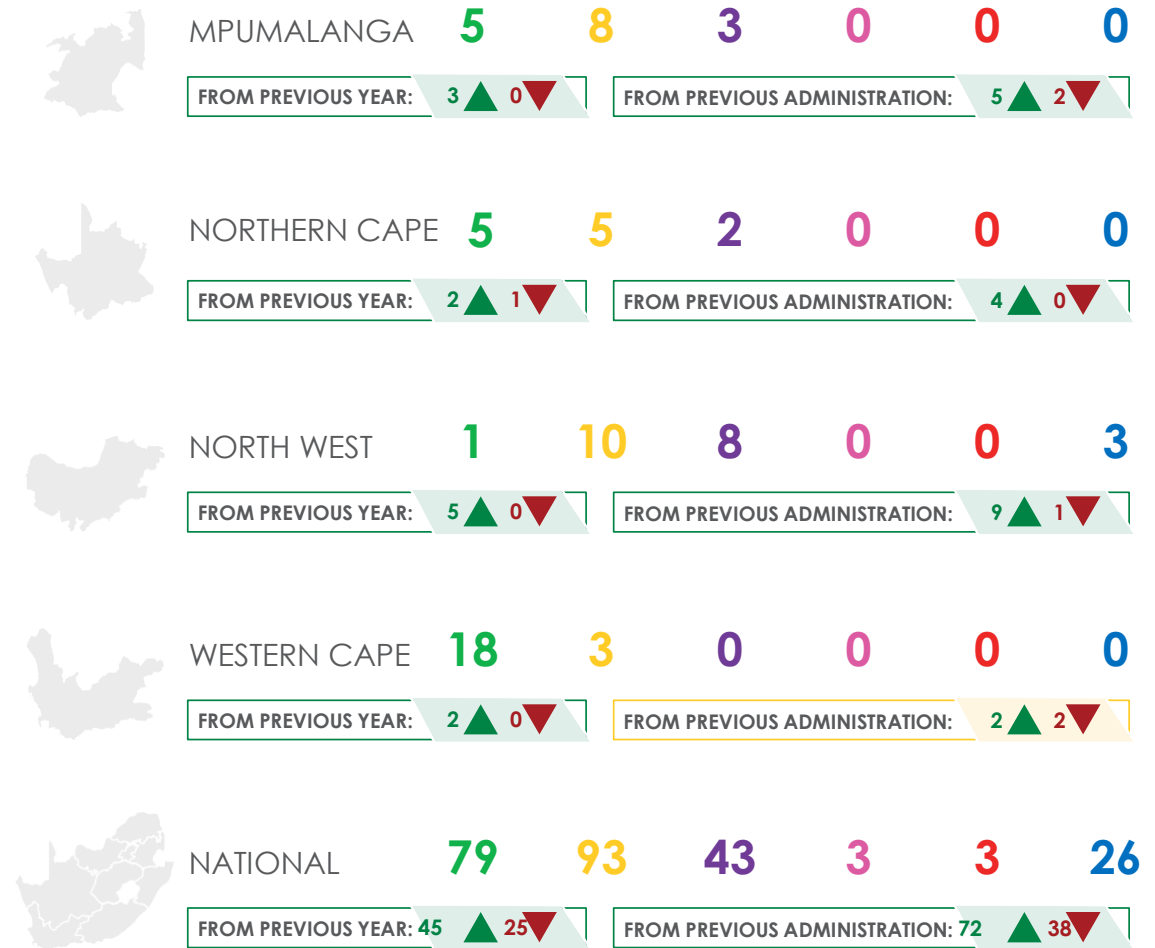
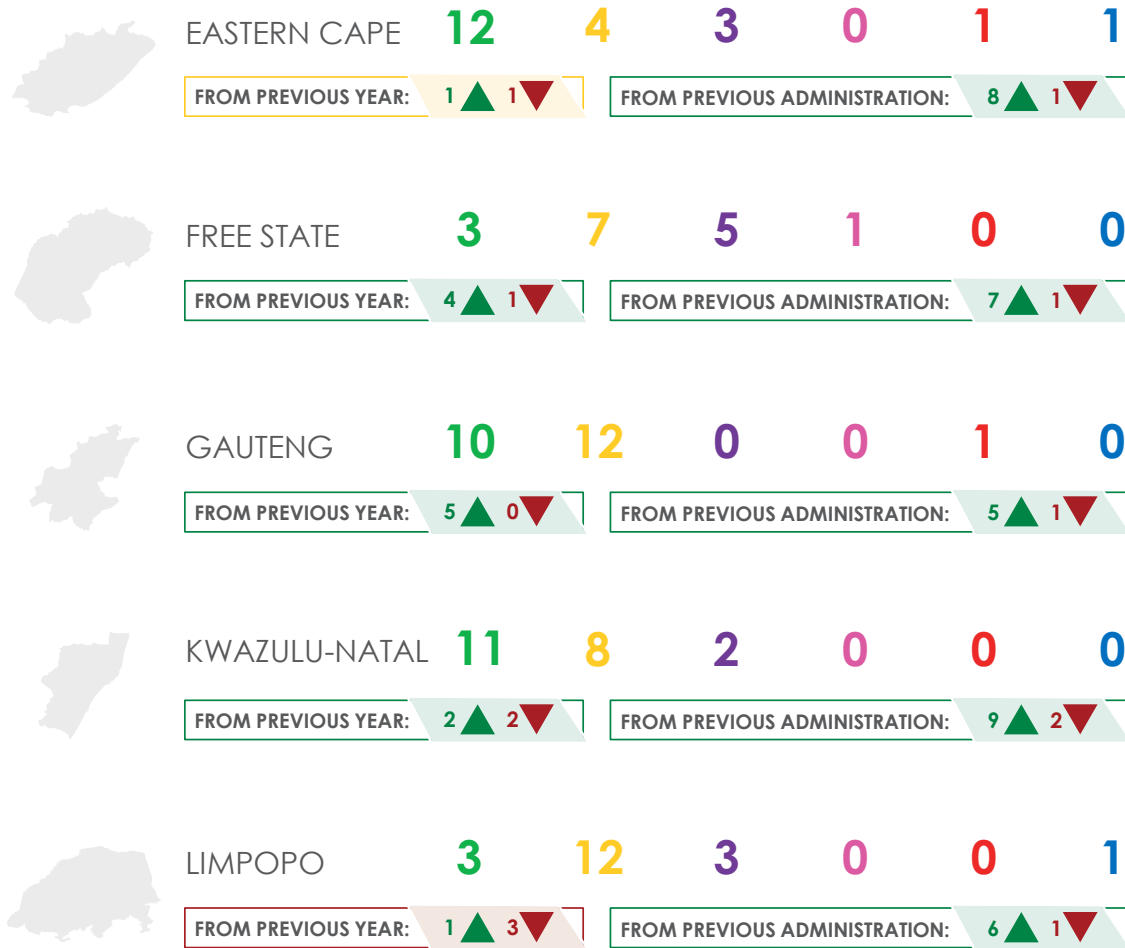
- Unqualified with findings (3)
 - SFF Association
 - Petroleum Oil and Gas Corporation
 - SA Maritime Safety Authority
- Qualified with findings (4)
 - Ingonyama Trust
 - Mayibuye Transport Corporation
 - Special Investigating Unit
 - Road Traffic Infringement Agency
- Disclaimed with findings (2)
 - African Exploration Mining and Finance Corporation
 - Central Johannesburg TVET College

*Colour of auditee name denotes reason for outstanding (financials submitted late or delays during audit process)

#The separate audit of Central Energy Fund was completed (Financially unqualified with findings), however the group audit is outstanding due to delays during audit process

National and provincial audit outcomes

6



Unqualified with no findings (clean)
 Unqualified with findings
 Qualified with findings
 Adverse with findings
 Disclaimed with findings
 Outstanding audit

Movement

Improvement
 Regression



Audit outcomes of high-impact auditees

7

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

Unqualified with no findings (clean) Unqualified with findings Qualified with findings Adverse with findings Disclaimed with findings Outstanding audits

High-impact auditees – responsible for R2 640,70bn (85%) of 2022-23 expenditure budget



Movement from previous year



Movement from last year of previous administration



Other auditees



Movement from previous year



Movement from last year of previous administration



Auditees contributing to delivery of:

- Health services
- Skills development and employment
- Infrastructure development
- Safety and security
- Water and sanitation
- Energy
- Environmental sustainability
- Financial sustainability

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



Audit outcomes of legislature sector

8

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2018-19	3	6	1	0	0	0	10
Last year of previous administration							
2021-22	6	4	0	0	0	0	10
2022-23	9	1	0	0	0	0	10
	90%	10%	0%	0%	0%	0%	
2022-23							
Percentage budget R7,42 billion	93%	7%	0%	0%	0%	0%	

Movement from previous year

3 ▲ 0 ▼

Movement from last year of previous administration

6 ▲ 0 ▼



Audit outcomes of state-owned enterprises

9

	Unqualified with no findings (clean)	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audits	
2018-19	0	8	7	0	3	1	19
Last year of previous administration							
2021-22	2	9	3	0	3	2	19
2022-23	1	10	2	0	2	4	19
Cut-off date:							
30 September 2023	5%	52%	11%	0%	11%	21%	

Movement from previous year

1 ▲ 2 ▼

Movement from last year of previous administration

5 ▲ 2 ▼

DBSA ►

ACSA

Armcor

CEF#

Landbank

Safcol

TCTA

Transnet

ATNSC *

Broadband *

IDC *

IDT ►

Necsa ▲

SABC ▼

SAPO ►

Alexkor

Denel

SAA




ESKOM *




* Audited by private sector auditors

#Outcome of separate holding company.
Group audit is outstanding.





Key projects	Education 	Health 	Human settlements 
	<ul style="list-style-type: none"> 35 projects (National and across provinces) 	<ul style="list-style-type: none"> 35 projects (National and across provinces) 	<ul style="list-style-type: none"> 27 projects (across provinces)

Key projects	Government buildings 	Water 	Transport 
	<ul style="list-style-type: none"> 18 projects (across provinces and Property Management Trading Entity) 	<ul style="list-style-type: none"> 4 projects (2 projects each at Water Trading Entity and Trans-Caledon Tunnel Authority) 	<ul style="list-style-type: none"> 18 Projects (across provinces, SANRAL and Transnet)



Although **each sector has a unique set of circumstances**, **infrastructure investment** in these sectors is **exposed** to the **same challenges and inefficiencies**.

What we found

We audited 137 projects and 82% had one or more findings

- 93 (68%) – **delayed**
- 66 (51%) – **cost overruns**
- 44 (32%) – construction work **not at required level of quality**
- 13 (9%) – complete infrastructure **not put to use** within reasonable time

Root causes

- **Inadequate coordination**, collaboration and deliverables not synchronised in ecosystem
- Failure to conduct **proper needs assessment and feasibility study**
- **Lack of accountability to implement action** on non-performance of contractors / service providers
- **Inadequate monitoring and enforcement by regulatory bodies** in infrastructure



Loretlweng Primary School (NW Department of Education): Abandoned building works and collapsed building walls and roofing



Vlakkeland (Paarl) housing project (WC Department of Human Settlements): Houses founded at incorrect level – vulnerable to stormwater flooding

Impact



Project delays on completing healthcare facilities resulted in communities travelling to other health facilities for medical treatment



delays in refurbishment of schools resulted in learners attending overcrowded schools, which negatively affects quality of learning



Slow delivery of housing projects resulted in communities intended to benefit continuing to reside in poor and unsafe environments



Insufficient road and rail infrastructure for public and freight transport, affecting all other sectors including tourism and police



Residents resorting to drinking unsafe water, water shortages and poor water quality, as well as negative impact on other sectors such as agriculture, health and education



Delays in delivery of infrastructure by public works compromise service delivery by user departments



Increased cost and financial losses

Average delay in completion of projects

Water	Health	Education	Human settlements	Transport	Government buildings
17 months	36 months	30 months	45 months	13 months	46 months

Student housing programme

- Aim to provide additional 300 000 student beds at 26 universities and 50 TVET colleges over 10 years.
- Managed by Development Bank of Southern Africa and Department of Higher Education and Training through MoA agreed in July 2019
- 5 936 of 6 248 planned student beds were added in 2022-23 (cost of R1,52bn by March 2023); three projects were completed within budget – two were completed before planned completion date and one 13 days later

Institution name	Budgeted value	Actual expenditure	Completion date
University of Western Cape (UWC)	R670 m	R516 m	February 2023
North West University (NWU)	R462 m	R455 m	August 2022
Nelson Mandela University (NMU)	R573 m	R551 m	January 2023

Key elements that contributed to project success:

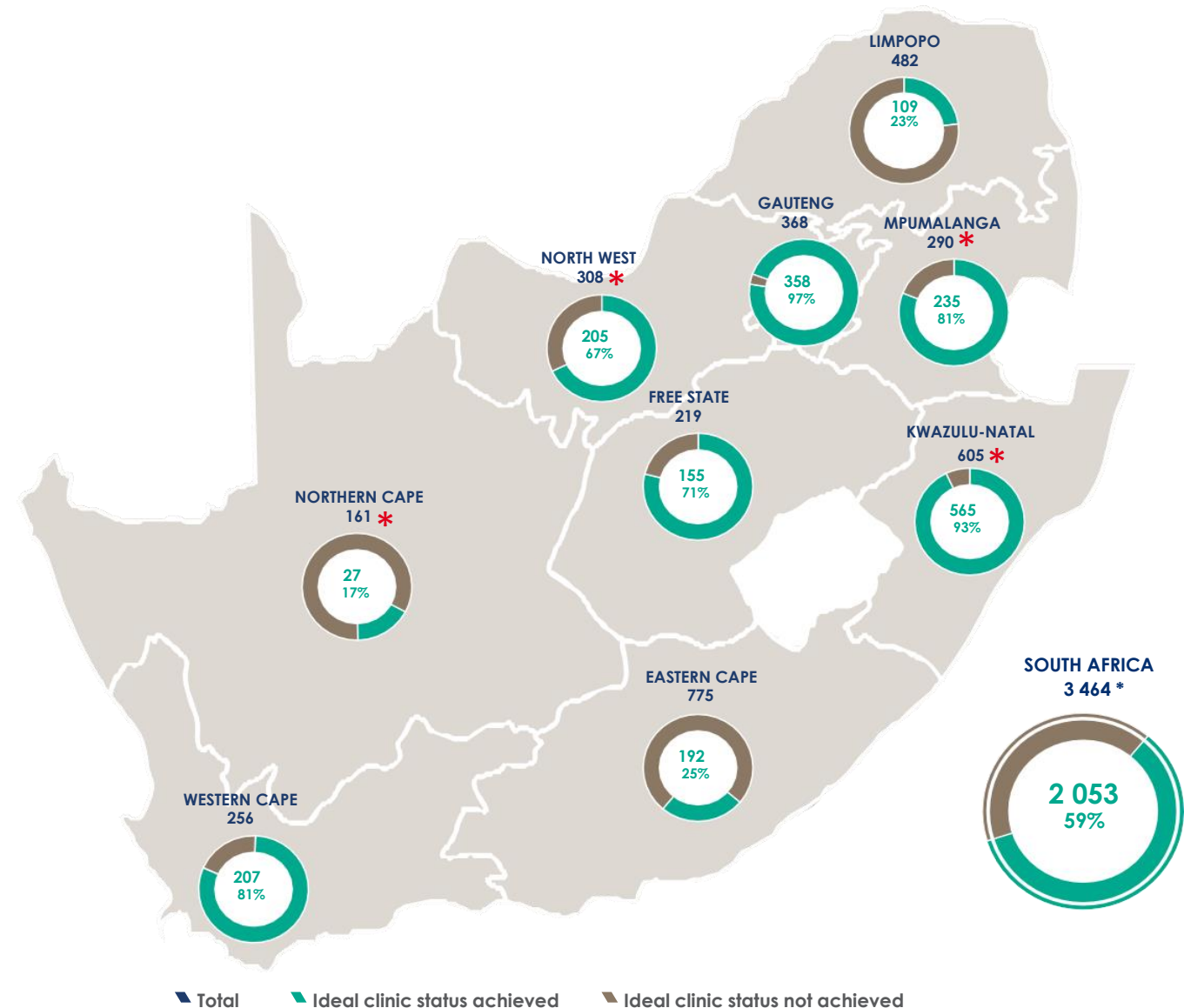
- Appointment of competent and experienced contractors and agents through proper procurement processes
- Collaboration between contracting department, implementing agent and SIP team in reviewing actual work done against invoices before payment
- Monthly project steering committee meetings to allow proactive oversight and monitoring of challenges and to enable such challenges to be addressed speedily



North West University: Completed complexes



Nelson Mandela University: Bird's eye view of site looking at university – yellow number blocks (1 to 6) completed for occupation on 17 February



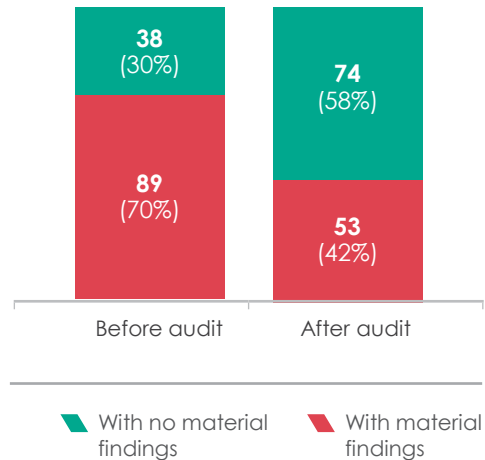
* We found that the achievements for the indicator reported by KwaZulu-Natal, Mpumalanga, the Northern Cape and North West were not reliable.

* We also have not completed the audit of the Limpopo health department.



Reporting on delivery not credible

- Achievements reported by 24% of auditees (39% of high-impact auditees) **not reliable** (incorrect or no evidence)
- **Poor quality performance reports** submitted for auditing by high-impact auditees



Impact

- Unreliable reporting disempowers accountability ecosystem to assess performance and take action
- Significant changes after audit means in-year reporting was also not reliable.

Root causes

- **Inadequate systems** to collate and report on performance information.
- Insufficient understanding/ appreciation of **performance planning, management and reporting requirements**
- Planning and reporting done **'off the books'** - not subjected to executive and oversight scrutiny as well as auditing. Instead of addressing inadequate systems and processes resulting in unreliable reporting or poor delivery, indicators are removed.
- Inconsistencies in standardising indicators across some **sectors** due to disagreements
- **Audit committees and internal audit units** not sufficiently involved in process or misstatements in annual performance reports are not identified for correction.
- Recommendations of coordinating institutions that review annual performance plans not always accepted by accounting officers
- **Executive authorities and portfolio committees** aren't supported to effectively scrutinise annual performance plans and reports at the level required. Plans are approved without sufficient interrogation whether they will achieve the desired results. Little consequence for being provided with unreliable information in the annual performance report and for underachievement of targets.

Department of Planning, Monitoring and Evaluation (DPME) and AGSA continue to collaborate on performance planning and reporting. DPME reviews first drafts of annual performance plans of departments.

1 Examples of reported achievements not reliable (e.g. not supported by sufficient evidence)



Savings realised on identified private leases (Department of Public Works)

- ▶ Target: R100 million
- ▶ Reported achievement: R165 million



Number of jobs created (Department of Transport)

- ▶ Target: 10 000
- ▶ Reported achievement: 11 009

Square meters of blacktop (pothole) patching (Limpopo Department of Public Works)

- ▶ Target: 180 000 m²
- ▶ Reported achievement: 318 371 m²



Square meters of blacktop (pothole) patching (North West Department of Transport)

- ▶ Target: 52 470 m²
- ▶ Reported achievement: 151 353 m²

2 Exclusion of performance indicators

- 13 high-impact auditees (10%) excluded indicators to measure contribution to MTSF



Four provincial education departments excluded indicator: Grade 6 and 9 learners with maths and English first additional language textbooks

Impact

- Delivery (not measured → not done)
- Reduced transparency and accountability
- Avoidance of audit findings on unreliable reported achievements and oversight scrutiny

3 Examples of underachievement in 2022-23 on key programmes



Infrastructure development (Provincial education departments)

- ▶ Target achievement: Average 49%
- ▶ Budget spent: Average 94%



District health services (Provincial health departments)

- ▶ Target achievement: 51%
- ▶ Budget spent: Average: 100%

4 MTSF targets at risk of not being achieved



Number of clinics attaining ideal clinic status (Provincial health departments)

- ▶ Target: 3 467 (100%)
- ▶ Achievement after 4 years: 2 053 (59%)



Register title deeds (Provincial human settlements departments)

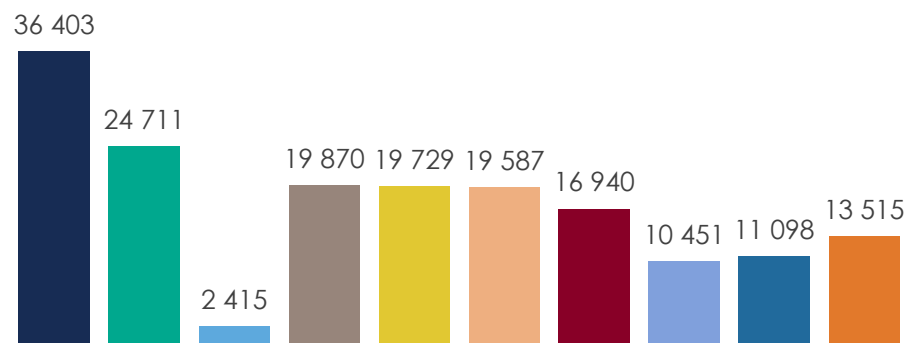
- ▶ Target: 1 193 222
- ▶ Achievement after 4 years: 143 707 (12%)

Optimal use of resources – academic focus

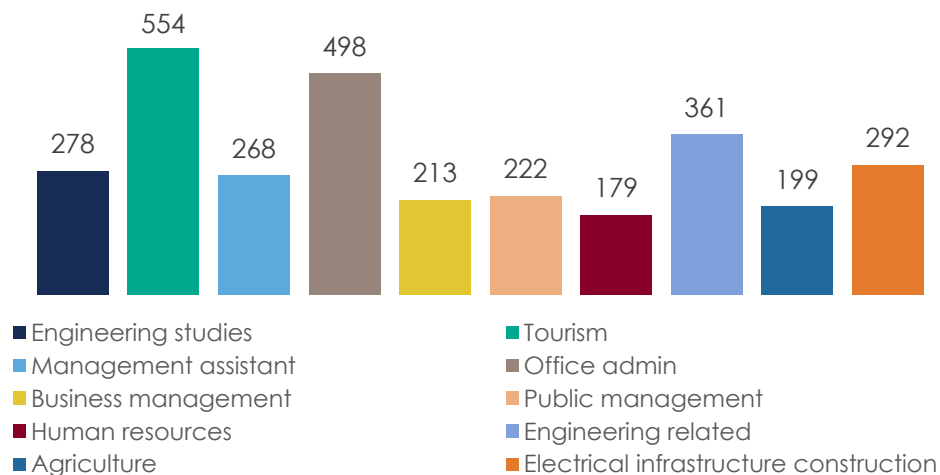
Where did the money go ?

Lack of correlation between top-enrolled courses (and top-funded courses), and critical skills list together with list of occupations in high demand

TVET overall top 10 courses enrolled by students

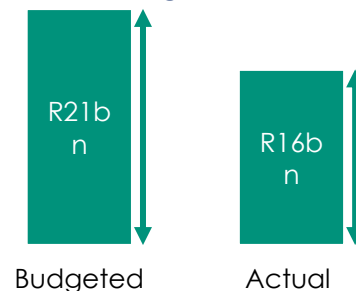


TVET overall top 10 courses funded by NSFAS (R million)



*Universities are section 4(3) entities and are audited by private sector auditors. They are therefore not part of this presentation.

SETAs budget for 2022-23



Optimal use of resources – leakages

- 172 deceased learners
- 23 554 learners in multiple SETAs
- 8 569 learners reported in multiple years
- 907 learners > 65 years
- 1 904 learners funded twice (NSFAS)
- 115 learners funded twice (Funza Lushaka)
- 2 935 learners with ID numbers not on Home Affairs

Duplication of effort

- Learners receiving skills development funding from more than one source (SETAs, NSFAS and Funza Lushaka)
- Learners in multiple SETAs (double dipping)
- Learners reported in multiple years

Inefficiencies

- Deceased learners
- Learners with ID numbers not on the home affairs system (invalid ID)
- Payments to companies deregistered on CIPC

Insights

- Opportunity to explore what NSF should focus on as it is meant to bridge gap between what is covered by SETAs and market needs
- Need for SETAs to align budget to annual performance plan targets to ensure optimal use of budgets

Impact on economic participation (employment/entrepreneurship)

- Opportunity to align enrollment at TVET colleges with focus of funding by NSFAS to skills in high demand
- Important to ensure that academic focus of TVETs and skills interventions of SETAs respond to unemployment rate



R7,62 billion fruitless and wasteful expenditure over term of administration

R14,34 billion estimated financial loss from 240 non-compliance and suspected fraud material irregularities identified since 2019

Financial losses due to:

1

Poor payment practices

- Late payment of suppliers resulting in interest
- Payments for goods and services not received or overpayments
- Quality of spend remains a challenge – funds spent but service delivery improvements not visible

2

Unfair/uncompetitive procurement processes

- Higher prices paid as markets were not tested
- Most cost-effective options not selected

3

Inadequate needs analyses and project management

- Standing-time payments to contractors
- Delays in project completion with escalating costs
- Appointed supplier/contractor not delivering
- Projects were abandoned due to poor planning and coordination

4

No/limited benefit received from money spent – examples

- Lease payments on government properties not occupied
- Higher-than-average market rates paid due to leases on month-to-month basis
- Software licences and IT systems not used

5

Ineffective maintenance on infrastructure

- Reactive approach to maintenance
- Limited conditional assessments performed
- Poor infrastructure = services not delivered
- Increased cost and financial losses
- Theft and vandalism

Eroding of funds and future obligations

1

Over **R386,47 billion** government guarantee exposure for SOE borrowing programmes
SOEs have reported poor growth, unsustainable operational challenges and high debt-servicing costs, and several appear to be at risk of defaulting on their debts

2

R113,63 billion owed for claims made against departments – high-impact auditees **R109,85 billion**
R68,01 billion claims against health sector

- *Government is self-insured and does not budget in full for claims*
- *Payments are made from funds budgeted for service delivery*



Material irregularities (MIs) identified, status and impact

18

266 MIs on non-compliance and suspected fraud resulting in:

240

material **financial loss** (estimated R14,34bn)

9

misuse of material **public resource**

3

substantial **harm to general public**

14

substantial **harm to public sector institutions**

Impact made

R1,29 bn

Financial loss **recovered**

R0,56 bn

Financial loss prevented

R0,70 bn

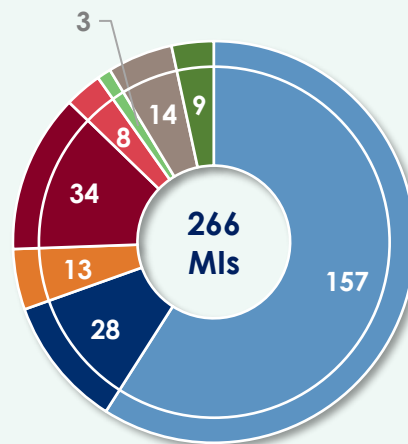
Financial loss **in process of being recovered**

58 Internal controls improved to prevent reoccurrence

50 Responsible officials identified and disciplinary process completed or in process

15 Fraud / criminal investigations instituted

4 Supplier contracts stopped where money was being lost



- Procurement and payment
- Resource management
- Revenue management
- Interest and penalties
- Fraud and compliance
- Harm to general public
- Harm to public sector institution
- Misuse of material public resources

Status of MIs



79

Resolved MI



75

Appropriate action taken to resolve MI

32

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

23

Recommendations included in audit report

8

Referral to other investigating bodies

6

Referral and recommendation

1

Referral and remedial action

26

Response received on notification – in process of assessing action

16

Recently notified



Improved service delivery enabled by capable, cooperative, accountable and responsive institutions delivering on their mandates

Activate the accountability ecosystem to address the current realities

1 Culture of no accountability and consequences

2 Ineffective resource management

3 Inadequate intergovernmental planning, coordination and support

Our recommendations

Professionalisation of public sector – qualified and competent officials equipped to perform public function conscientiously and with strong sense of public service and ethical disposition

Requires support for implementation of professionalisation framework built on meritocracy (merit-based management)

Executive authorities and committees in parliament and legislatures should insist on timely and credible reporting and accountability, and should play oversight role effectively and with greater impact

Institutions with mandate for **monitoring and enforcement** should play their part to ensure accountability and consequences

Coordinating institutions should intensify interventions to improve intergovernmental planning and coordination to ensure service delivery is planned for in integrated and effective manner, and accounted for transparently in performance reports

Effective use of **audit committees and internal audit units** to improve governance

Improved **quality of spending** through a focus on economy, efficiency and effectiveness



RESOURCES



What will be available on our website

A report on the material irregularities identified at departments and public entities and their status (once this report has been tabled)

Annexures to the general report, including:

- Auditees' audit outcomes; areas qualified; and findings on predetermined objectives, non-compliance, specific risk areas and unauthorised, irregular as well as fruitless and wasteful expenditure
- Auditees' financial health indicators, supply chain management findings and root causes
- Auditees' audit opinions over five years
- Assessment of auditees' key controls at the time of the audit



Preventative control guidelines available on our website

1. Importance of preventative controls
2. Tone and control culture
3. Institutionalised internal controls
4. Procurement of goods and services
5. Preparation of financial statements
6. Asset management
7. Infrastructure delivery process

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