

Auditing to build public confidence

**PFMA** 2017-18

## CONSOLIDATED

GENERAL REPORT ON NATIONAL AND PROVINCIAL AUDIT OUTCOMES

The information and insights presented in this flagship publication of my office are aimed at empowering oversight structures and executive leaders to focus on those issues that will result in reliable financial statements, credible reporting on service delivery and compliance with key legislation.

I wish to thank the audit teams from my office and the audit firms that assisted with the auditing of national and provincial government for their diligent efforts towards fulfilling our constitutional mandate and the manner in which they continue to strengthen cooperation with the leadership of government.

Audilier-General

Kimi Makwetu Auditor-General



#### Our reputation promise/mission

The Auditor-General of South Africa has a constitutional mandate and, as the Supreme Audit Institution (SAI) 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.



#### PERFORMANCE SNAPSHOT

(Refer to section 2 for explanations on how to interpret these figures and movements)

#### Clean audits



(2016-17: 30%)

73 V Regressed **43** ∧ Improved

DEPARTMENTS 24%

23 V Regressed

13 ∧ Improved

PUBLIC ENTITIES 22%

**50** ∨ Regressed

30 ∧ Improved



**OVFRAII** REGRESSION IN AUDIT **OUTCOMES** 

#### Quality financial statements



**75%** (2016-17:77%)

**45%** (176)

Auditees submitted financial statements without material misstatements

#### Findings on compliance with legislation



(2016-17: 64%)

### Irregular expenditure



(2016-17: R45,3 bn)

**AUDITS SUBSEQUENTLY FINALISED R5,4** bn

(2016-17: R6,4 bn)

#### Quality performance reports



**65**%



(98)

Achievement reported not

### **SUPPLY CHAIN MANAGEMENT COMPLIANCE**

**R265 million** in awards to employees and political office-bearers without complying with legislation

Uncompetitive and unfair procurement processes at 56% of auditees SUPPLY CHAIN MANAGEMENT **32**% (124) **43**% (169) **25**% (100)

Not able to audit procurement of **R6,5** bn due to missing or incomplete information

False declarations of interest made by 1 372 suppliers

**67** auditees failed to comply with regulation on promotion of local producers on awards amounting to **R450 million** 

With no findings With findings With material findings

#### **EFFECTING CONSEQUENCES**

82% Compliance with legislation on implementation of consequences regressed

Investigation of previous year's unauthorised, irregular, and fruitless and wasteful 86% expenditure **improved** (closing balance not dealt with is R174,5 billion)

Investigations into supply chain management findings we reported in previous 50% year slightly improved

#### **ASSURANCE PROVIDERS**

Senior management regressed

Accounting officers slightly regressed

Internal audit units and audit committees slightly improved

National and provincial role players slightly regressed

#### FINANCIAL HEALTH

**DEFICIT** (expenditure exceeded revenue)

CREDITOR-PAYMENT PERIOD > 30 DAYS

39% (139) 2017-18 38% (136) 2016-17

46% (166) 49% (176)



#### **VULNERABLE FINANCIAL POSITION**



2017-18

10% (39)

2016-17

9% (35)

#### STATUS OF CONTROLS

49%

Overall internal controls slightly improved **39**%

Basic financial and performance management controls slightly regressed

Information technology controls regressed

KEY PROGRAMMES (A)	% OF BUDGET USED	ALL TARGETS ACHIEVED	reliable performance reporting	FINDINGS ON PROJECTS
Water infrastructure development	95%	NO	PARTIALLY	YES
Expanded public works programme	99%	NO	NO	YES
Housing development finance	99,9%	NO	NO	YES

#### **STATE-OWNED ENTERPRISES** (AUDITED BY THE AGSA)

	2017-18	MOVEMENT from prior year
Quality of published financial statements	75%	<b>(A)</b>
Quality of published performance reports	64%	<b>(A)</b>
Compliance with legislation	88%	V
Irregular expenditure	R1,9 bn	<b>(A)</b>
Financial health	69%	<b>(A)</b>

Clean audits 3% (V) **4** V Regressed 1 ∧ Improved



Denel group

South African Airways group

South African Express

South African Nuclear Energy Corporation group

#### **ROOT CAUSES**



**90%** (▼)



Slow or no response in improving internal controls and addressing risk areas

SLOW RESPONSE - 69% NO RESPONSE - 31%



44% (🔺

Instability or vacancies in key positions or key officials lacking appropriate competencies





Inadequate consequences for poor performance and transgressions

NOTES	

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#### **ANNEXURES**

The annexures containing information on the following are available on **www.agsa.co.za** (our website):

- **Annexure 1**: 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
- Annexure 2: Auditees' financial health indicators, supply chain management findings and root causes
- Annexure 3: Auditees' audit opinions over the past five years
- Annexure 4: Assessment of auditees' key controls at the time of the audit (per audit outcome)



To access the content of this report on our website, simply use the **QR code scanner** on your mobile phone or tablet to scan the code.

# CLEAN AUDITS 2017-18

Unqualified financial statements with no material findings on the quality of the performance report or compliance with key legislation

#### NATIONAL

#### DEPARTMENTS

Civilian Secretariat for Police

Communications

**Economic Development** 

Planning, Monitoring and Evaluation

**Public Enterprises** 

Science and Technology

Sport and Recreation South Africa

Trade and Industry

Traditional Affairs

Government Communications and Information System

Office of the Chief Justice

Parliament of the Republic of South Africa

#### **PUBLIC ENTITIES**

Agricultural Land Holding Account

Banking Sector Education and Training Authority

Chemical Industries Education and Training Authority

Companies and Intellectual Property Commission

Construction Education and Training Authority

Council for Scientific and Industrial Research

Council for the Built Environment

Cross-Border Road Transport Agency

Development Bank of Southern Africa

Education, Training and Development Practices Sector

**Education and Training Authority** 

Ekurhuleni East TVET College

False Bay TVET College

Financial Services Board

Food and Beverages Manufacturing Industry Sector

Education and Training Authority

Guardians Fund

Human Sciences Research Council

Independent Regulatory Board for Auditors

Insurance Sector Education and Training Authority

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 South Africa

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

Services Sector Education and Training Authority

Small Enterprise Development Agency

South African Heritage Resources Agency

South African Local Government Association

South African National Energy Development Institute

South Cape TVET College

Special Investigating Unit

Third Party Funds (Monies in Trust)



# **PROVINCIAL**

EASTERN CAPE	DP PE	Safety and Liaison Provincial Treasury East London Industrial Development Zone Eastern Cape Parks and Tourism Agency
FREE STATE		No auditee in the Free State achieved a clean audit
GAUTENG	DP PE	Cooperative Governance and Traditional Affairs Economic Development e-Government Office of the Premier Provincial Legislature Provincial Treasury Social Development Gauteng Enterprise Propeller Gauteng Growth and Development Agency Gauteng Partnership Fund Gautrain Management Agency Supplier Park Development Company
kwazulu-natal	DP PE	Provincial Treasury Dube TradePort Company KZN Housing Fund
LIMPOPO	DP	Provincial Treasury
MPUMALANGA	DP PE	Cooperative Governance and Traditional Affairs Provincial Treasury Mpumalanga Economic Regulator Mpumalanga Regional Training Trust
NORTHERN CAPE	DP	Economic Development and Tourism Office of the Premier Provincial Treasury
NORTH WEST	DP	Provincial Treasury
WESTERN CAPE	DP PE	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 Government Motor Transport Saldanha Bay IDZ Licencing Company Western Cape Gambling and Racing Board Western Cape Nature Conservation Board
DP =	DEPARTM	PE = PUBLIC ENTITY

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