



AUDITOR - GENERAL
SOUTH AFRICA

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.

Auditor-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



23%

(2016-17: 30%)

73 Regressed

43 Improved

DEPARTMENTS **24%**

23 Regressed

13 Improved

PUBLIC ENTITIES **22%**

50 Regressed

30 Improved



OVERALL
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



72%

(2016-17: 64%)

Irregular expenditure



R45,6 bn

(2016-17: R45,3 bn)

AUDITS SUBSEQUENTLY FINALISED

R5,4 bn

(2016-17: R6,4 bn)

Quality performance reports



65%

(2016-17: 62%)

30% (98)

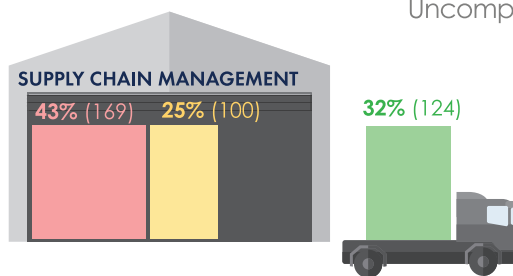
Achievement reported not reliable



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**



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**

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

50% Investigations into supply chain management findings we reported in previous 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)

2017-18 39% (139)

2016-17 38% (136)



CREDITOR-PAYMENT

PERIOD > 30 DAYS

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**

9%

Information technology controls **regressed**

KEY PROGRAMMES

	% 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%	
Quality of published performance reports	64%	
Compliance with legislation	88%	
Irregular expenditure	R1,9 bn	
Financial health	69%	



OUTSTANDING AUDITS

Denel group

South African Airways group

South African Express

South African Nuclear Energy Corporation group

Clean audits **3%**

4 Regressed

1 Improved

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



37%

Inadequate consequences for poor performance and transgressions

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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.

PROVINCIAL

EASTERN CAPE	DP	Safety and Liaison Provincial Treasury
	PE	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	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
	PE	Gauteng Partnership Fund Gautrain Management Agency Supplier Park Development Company
KWAZULU-NATAL	DP	Provincial Treasury
	PE	Dube TradePort Company KZN Housing Fund
LIMPOPO	DP	Provincial Treasury
MPUMALANGA	DP	Cooperative Governance and Traditional Affairs Provincial Treasury
	PE	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	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
	PE	Saldanha Bay IDZ Licencing Company Western Cape Gambling and Racing Board Western Cape Nature Conservation Board

DP = DEPARTMENT

PE = PUBLIC ENTITY



