

Auditing to build public confidence

**PFMA** 2018-19

### 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.

Additor- 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)

#### Overall audit outcomes

LITTLE IMPROVEMENT
IN AUDIT OUTCOMES



**52** ∨ Regressed **54** ∧ Improved

DEPARTMENTS

**21** ∨ Regressed

16 ∧ Improved

PUBLIC ENTITIES

**31** ∨ Regressed

**38** ∧ Improved

#### Clean audits



26%

(2017-18: 25%)

# Quality financial statements



**74%** (2017-18: 75%)

43% (164)

Auditees submitted financial statements without material misstatements

# No findings on performance reports



**62**%



(2017-18: 63%)

32% (102)

Achievement reported not reliable

# Findings on compliance with legislation



**72,1%** (2017-18: 71,5%)



#### Irregular expenditure

**R42,8 bn** (2017-18: R36,8 bn)

Outstanding audits or audits subsequently finalised

**R19,76 bn** (2017-18: R15,8 bn)

#### **MATERIAL IRREGULARITIES (MIs)**

28 MIs identified from 12 completed audits

R2,81 bn likely financial loss (R2,51 bn known and R0,3 bn estimated)

#### Nature of material irregularities



Unfair or
uncompetitive
procurement
processes resulting in
overpricing of
goods and services
procured

39% (11) R438 million



Unfair
procurement
processes resulting
in supplier
appointed that
did not deliver

4% (1) R2 200 million



Payment for goods or services not received 39% (11)

39% (11) R55 million



Payment for poor-quality work 7% (2)
R7,6 million

Invoices or claims not paid on time 11% (3) R106 million

#### **ASSURANCE PROVIDERS**

Senior management slightly regressed Accounting officers slightly regressed

Internal audit units and audit committees regressed

National and provincial role players slightly regressed

#### **FINANCIAL HEALTH**

**DEFICIT** (expenditure exceeded revenue)

CREDITOR-PAYMENT PERIOD > 30 DAYS

2018-19 36% (127) 37% (131) 2017-18



53% (187) 45% (158)



#### **VULNERABLE FINANCIAL POSITION**



2018-19

9% (34)

2017-18

9% (34)

#### STATUS OF CONTROLS

**47%** Overall internal controls slightly regressed **38**%

Basic financial and performance management controls slightly regressed

31% Information technology controls slightly improved

KEY PROGRAMMES	% OF BUDGET USED	ALL TARGETS ACHIEVED	reliable performance reporting	FINDINGS ON PROJECTS
Education school infrastructure (accelerated school infrastructure delivery initiative and education infrastructure grant)	Asidi — 91,8% EIG — 96,1%	NO	PARTIALLY	YES
District health services (HIV and Aids, TB and maternal and child health)	98%	NO	NO	N/A
Expanded public works programme	93%	NO	NO	N/A
Housing development finance	99,5%	NO	NO	YES
Water infrastructure development	98%	NO	YES	YES

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

	2018-19	MOVEMENT from 2017-18
Quality of published financial statements	54%	V
Quality of published performance reports	63%	V
Compliance with legislation	8%	V
Irregular expenditure	R1,125 bn	V
Financial health	42%	<b>&gt;</b>



#### **Outstanding audits**

South African Airways group

South African Nuclear Energy Corporation (holding company) and Pelchem (subsidiary)

Trans-Caledon Tunnel Authority

#### **ROOT CAUSES**



**90%** (▼



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

SLOW RESPONSE - 88% NO RESPONSE – 12%



39% Instability or vacancies in key positions or key officials lacking appropriate competencies



35% 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 2018-19

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

## **NATIONAL**

#### **DEPARTMENTS**

Civilian Secretariat for the Police Service

Department of Mineral Resources

Department of Planning, Monitoring and Evaluation

Department of Public Enterprises

Department of Science and Technology

Department of Sport and Recreation South Africa

Department of Trade and Industry

Department of Traditional Affairs

**Economic Development Department** 

Government Communication and Information Systems

National School of Government

Office of the Chief Justice

Parliament of the Republic of South Africa

Statistics South Africa

#### **PUBLIC ENTITIES**

African Renaissance and International Cooperation Fund

Companies and Intellectual Property Commission

Competition Commission

Construction Education and Training Authority

Council for Geoscience

Council for Scientific and Industrial Research

Cross-Border Road Transport Agency

Deeds Registration Trading Account

Elangeni TVET College

False Bay TVET College

Fibre Processing Manufacturing Sector Education and

**Training Authority** 

Film and Publication Board

Financial Sector Conduct Authority

Food and Beverages Manufacturing Industry Sector

**Education and Training Authority** 

Guardians Fund

Independent Regulatory Board for Auditors

Insurance Sector Education and Training Authority

International Trade Administration Commission

Land Bank Insurance

Legal Aid South Africa

Maluti TVET College

Medical Research Council of South Africa

Municipal Demarcation Board

Municipal Infrastructure Support Agency

National Credit Regulator

National Energy Regulator of South Africa

National Gambling Board

National Lotteries Commission

National Lottery Distribution Trust Fund

National Youth Development Agency

Northlink TVET College

Office of the Pension Funds Adjudicator

Private Security Industry Regulatory Authority

Public Service Sector Education and Training Authority

Quality Council for Trades and Occupations

Road Traffic Infringement Agency

Road Traffic Management Corporation

Safety and Security Sector Education and Training Authority

Small Enterprise Development Agency

South African Heritage Resource Agency

South African Local Government Association

South African Qualifications Authority

South Cape TVET College

Special Investigating Unit

Third Party Funds

West Coast TVET College



# **PROVINCIAL**

EASTERN CAPE	DP PE	Provincial Legislature Provincial Treasury Safety and Liaison 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 Office of the Premier Provincial Treasury
	PE	Gauteng Growth and Development Agency Gauteng Partnership Fund Gautrain Management Agency Supplier Park Development Company
KWAZULU-NATAL	DP	Provincial Treasury Social Development
	PE	Dube TradePort Company KZN Housing Fund Traditional Levies and Trust Account
LIMPOPO	DP	Community Safety Provincial Treasury
MPUMALANGA	DP PE	Cooperative Governance and Traditional Affairs Provincial Treasury  Mpumalanga Economic Regulator
NORTHERN CAPE	DP	Office of the Premier Provincial Treasury
NORTH WEST	DP	Provincial Treasury
WESTERN CAPE	DP	Community Safety Cultural Affairs and Sport Economic Development and Tourism Environmental Affairs and Development Planning Health Human Settlements Local Government Office of the Premier Provincial Parliament Provincial Treasury Transport and Public Works
	PE	Government Motor Transport Saldanha Bay IDZ Licencing Company Western Cape Nature Conservation Board Western Cape Tourism, Trade and Investment Promotion Agency

DP = DEPARTMENT PE = PUBLIC ENTITY

