



AUDITOR - GENERAL  
SOUTH AFRICA

*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.

*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)

## 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)**  
**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)

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

CREDITOR-PAYMENT  
PERIOD > 30 DAYS

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%	
Quality of published performance reports	63%	
Compliance with legislation	8%	
Irregular expenditure	R1,125 bn	
Financial health	42%	



### 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



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## ANNEXURES

The annexures containing information on the following are available on [www.agsa.co.za](http://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	Provincial Legislature Provincial Treasury Safety and Liaison
	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 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	Cooperative Governance and Traditional Affairs Provincial Treasury
	PE	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

