

// SECTION 6

> >

Summary of audit outcomes



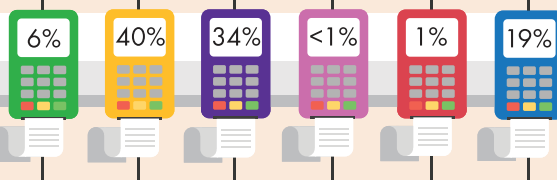
OVERALL AUDIT OUTCOMES

2014-15 106 195 60 3 15 3 382

2017-18 97 202 95 5 27 5 431

2018-19 100 182 86 4 11 49 432

82

EXPENDITURE
BUDGET2018-19
R1 747 billion

MOVEMENT from 2017-18

54 ▲ Improved

52 ▼ Regressed

MOVEMENT from 2014-15

80 ▲ Improved

91 ▼ Regressed

36 of the 41 outstanding audits reported in 2017-18 were completed by the date of this report

CLEAN AUDIT MOVEMENTS - from previous year



71 > Remained clean

29 ▲ New clean audits

25 ▼ Regressed

Unqualified
with no findingsUnqualified
with findingsQualified
with findingsAdverse
with findingsDisclaimed
with findingsOutstanding
audits

OUTSTANDING AUDITS



Cut-off date for inclusion of the audit outcomes in this report is **2 September 2019**

REASONS FOR 49 OUTSTANDING AUDITS

Auditee delays - **15 (32%)**

Financial statements submitted late - **10 (20%)**

Financial statements not submitted - **9 (18%)**

Material irregularity phased-in audit - **8 (16%)**

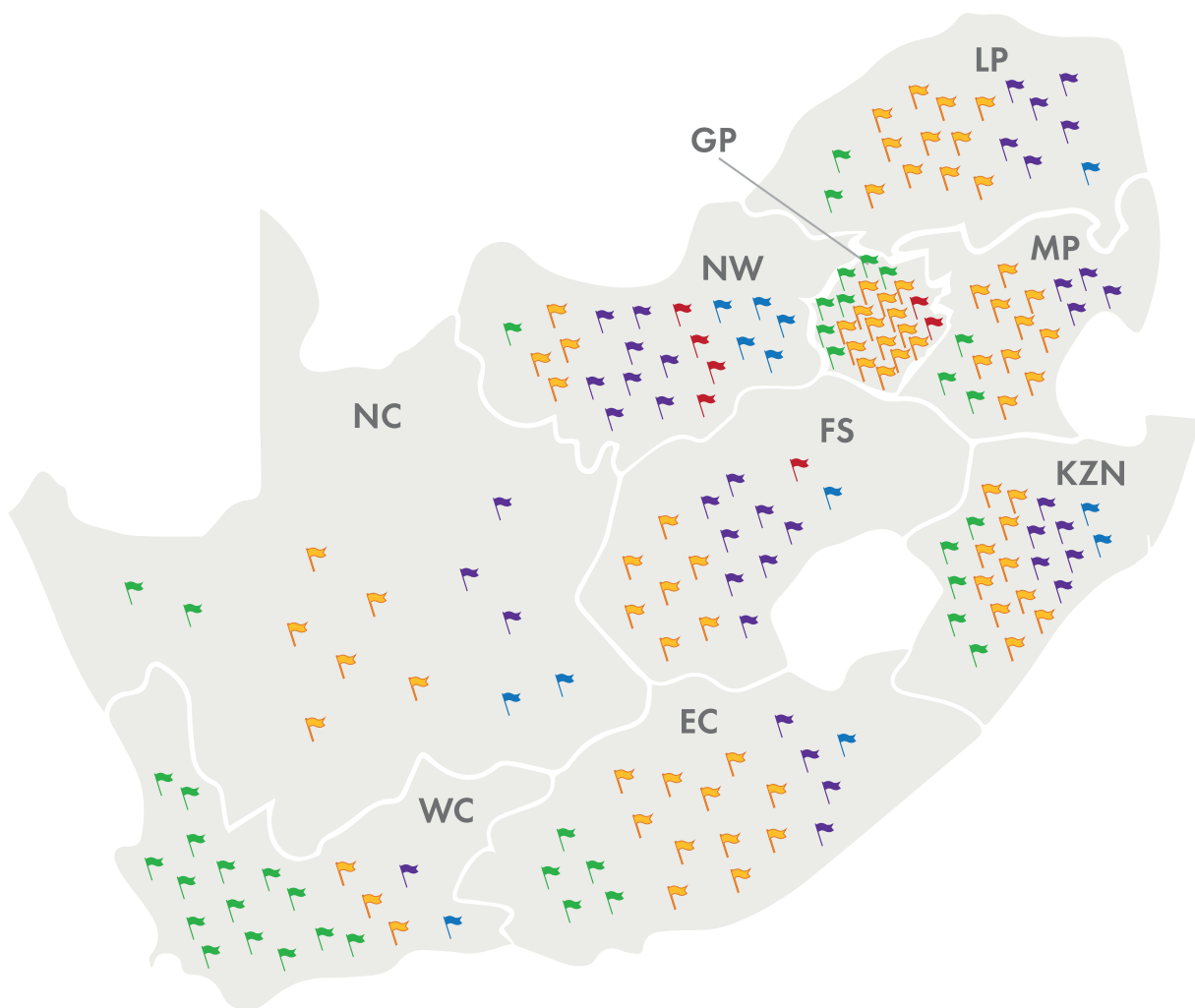
Delay in the audit - **7 (14%)**

RESULTS OF 28 AUDITS SUBSEQUENTLY FINALISED AS AT 16 OCTOBER 2019		MOVEMENT FROM PREVIOUS YEAR'S AUDIT OUTCOME	2018-19 AUDIT OUTCOMES		
2018-19	1 5 13 9		Audit opinion	Performance reports	Compliance with legislation
Education (EC)		▶			
Education (LP)		▶			
Health (NC)		▶			
Social Development (WC)		▶			
National Treasury		▶			
Department of Tourism		▼			
Department of Defence		▶			
Department of Environmental Affairs		▲			
Office of the Premier (NW)		▶			
Human Settlements (FS)		▶			
Pelchem		▶			
Sedibeng TVET College		▶			
Independent Development Trust		▲			
Estate Agency Affairs Board		▶			
Estate Agents Fidelity Fund		▲			
Passenger Rail Agency of South Africa		▼			
Autopax		▶			
Airports Company South Africa		▶			
Denel		▶			
South African Express Airways		▶			
Denel Aerostructures		▶			
Densecure		▶			
LMT Holdings		▶			
Denel Vehicles Systems		▶			
LMT Products		▶			
South African Broadcasting Corporation		▲			
South African Health Products Regulatory Authority		New auditee			
Ithala		▶			

■ Unqualified with no findings
 ■ Unqualified with findings
 ■ Qualified with findings
 ■ Adverse with findings
 ■ Disclaimed with findings
 ■ Outstanding audits
 ■ Findings



NATIONAL AND PROVINCIAL AUDIT OUTCOMES AS WELL AS MOVEMENTS



2018-19	NATIONAL	37	28	60	106	46	4	4	36
		▲	▼						

PROVINCIAL

EASTERN CAPE (EC)

2018-19

5

11

4

1

2

3

▲

▼

FREE STATE (FS)

2018-19

7

8

1

1

5

3

▲

▼

GAUTENG (GP)

2018-19

7

14

2

0

7

▲

▼

KWAZULU-NATAL (KZN)

2018-19

5

10

6

2

3

3

▲

▼

LIMPOPO (LP)

2018-19

2

11

6

1

3

1

▲

▼

MPUMALANGA (MP)

2018-19

3

10

4

1

2

▲

▼

NORTHERN CAPE (NC)

2018-19

2

6

3

2

0

2

▲

▼

NORTH WEST (NW)

2018-19

1

4

8

4

5

1

1

▲

▼

WESTERN CAPE (WC)

2018-19

15

3

1

1

2

2

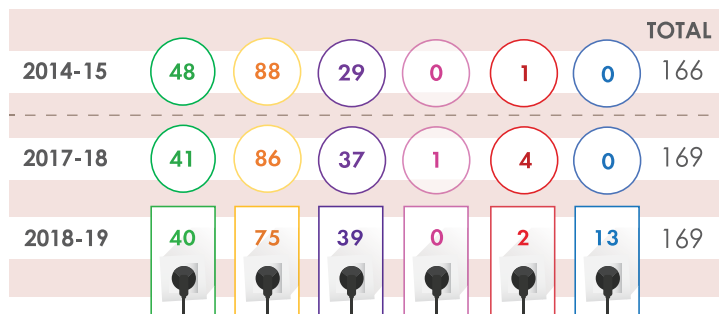
▲

▼

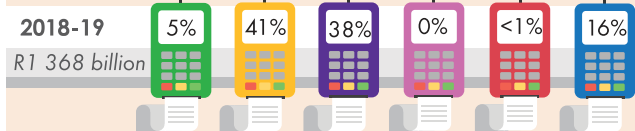
■ Unqualified with no findings
 ■ Unqualified with findings
 ■ Qualified with findings
 ■ Adverse with findings
 ■ Disclaimed with findings
 ■ Outstanding audits

DEPARTMENTS

AUDIT OUTCOMES



EXPENDITURE BUDGET



MOVEMENT from 2017-18

16 Δ Improved 21 ∇ Regressed

MOVEMENT from 2014-15

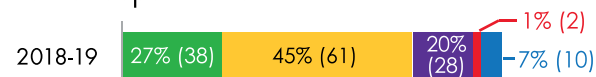
23 Δ Improved 43 ∇ Regressed

The audits of the outstanding eight departments reported in 2017-18 were completed by the date of this report.

The expenditure of the national and provincial departments of education, health and public works contributed to around 39% of the total spending by all departments.

Education, health and public works departments versus other departments

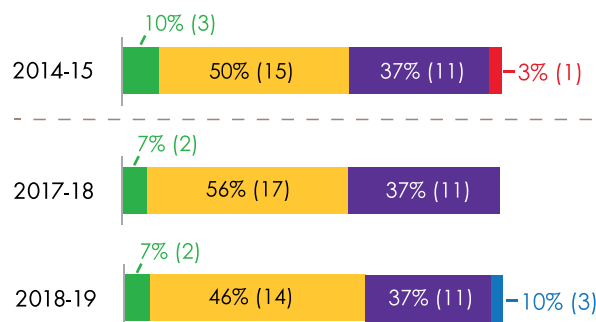
Other departments



MOVEMENT from 2017-18

14 Δ Improved 16 ∇ Regressed

Education, health and public works departments

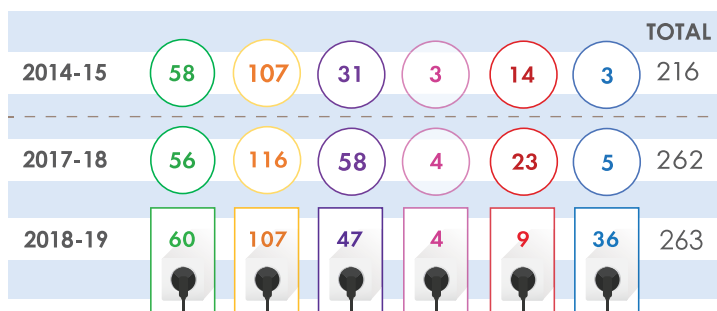


MOVEMENT from 2017-18

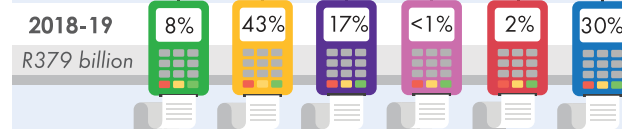
2 Δ Improved 5 ∇ Regressed

PUBLIC ENTITIES

AUDIT OUTCOMES



EXPENDITURE BUDGET



MOVEMENT from 2017-18

38 Δ Improved 31 ∇ Regressed

MOVEMENT from 2014-15

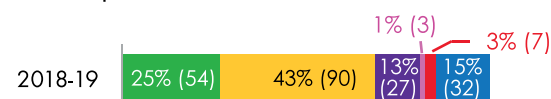
57 Δ Improved 48 ∇ Regressed

The audits of 28 of the 33 outstanding public entities reported in 2017-18 were completed by the date of this report.

TVETs improved over the past three years but struggle compared to other public entities.

Technical and vocational education and training colleges (TVETs) versus other public entities

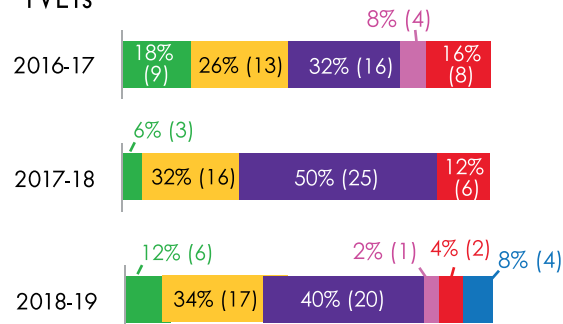
Other public entities



MOVEMENT from 2017-18

27 Δ Improved 28 ∇ Regressed

TVETs



MOVEMENT from 2017-18

11 Δ Improved 3 ∇ Regressed





FINANCIAL STATEMENTS



SLIGHT REGRESSION IN QUALITY OF PUBLISHED FINANCIAL STATEMENTS



TARGET

MOVEMENT
from prior year

2018-19

2017-18

2014-15
& MOVEMENT
over 5 years

2018-19

(Including movement from prior year)
DEPARTMENTS PUBLIC ENTITIES

Timely submission of financial statements (all auditees)	92% (399)	92% (396)	93% (356)	99% (167)	88% (232)
Quality of financial statements submitted for auditing	43% (164)	47% (180)	49% (168)	48% (75)	39% (89)
Quality of published financial statements	74% (282)	75% (286)	80% (274)	74% (115)	74% (167)

118 auditees (31%) achieved unqualified audit opinions only because they corrected all misstatements identified during the audit

QUALIFICATION AREAS

(on audited financial statements)

MOVEMENT
from prior year

2018-19

2017-18

2014-15
& MOVEMENT
over 5 years

Property, infrastructure, plant and equipment	14% (55)	13% (51)	12% (40)
Expenditure	11% (43)	8% (30)	6% (22)
Receivables	9% (35)	8% (31)	7% (23)
Payables, accruals and borrowing	9% (34)	7% (28)	6% (22)

DEPARTMENTS

(Including movement from prior year)

2018-19

PUBLIC ENTITIES

(Including movement from prior year)

2018-19

Property, infrastructure, plant and equipment	13% (20)	Property, infrastructure, plant and equipment	15% (35)
Expenditure	10% (15)	Receivables	13% (30)
Contingent liabilities and commitments	10% (15)	Payables, accruals and borrowings	13% (30)
Irregular expenditure	9% (14)	Expenditure	12% (28)

NATIONAL AND PROVINCIAL VIEW

	TIMELY SUBMISSION OF FINANCIAL STATEMENTS		QUALITY OF FINANCIAL STATEMENTS SUBMITTED FOR AUDITING		QUALITY OF PUBLISHED FINANCIAL STATEMENTS	
	Number	Movement from 2017-18	Number	Movement from 2017-18	Number	Movement from 2017-18
National	229 (89%)	92%	94 (43%)	49%	166 (75%)	74%
Eastern Cape	21 (100%)	100%	13 (65%)	65%	16 (80%)	80%
Free State	17 (100%)	100%	3 (19%)	19%	7 (44%)	44%
Gauteng	23 (100%)	100%	11 (48%)	48%	21 (91%)	91%
KwaZulu-Natal	23 (100%)	100%	12 (57%)	57%	15 (71%)	71%
Limpopo	20 (100%)	100%	3 (16%)	16%	13 (68%)	68%
Mpumalanga	17 (100%)	100%	5 (29%)	29%	13 (76%)	76%
Northern Cape	12 (92%)	92%	3 (27%)	27%	8 (73%)	73%
North West	17 (77%)	77%	4 (24%)	24%	5 (29%)	29%
Western Cape	20 (100%)	100%	17 (89%)	89%	18 (95%)	95%
Total	399 (92%)	92%	165 (43%)	43%	282 (74%)	74%





PERFORMANCE REPORTS



SLIGHT REGRESSION IN QUALITY OF PUBLISHED PERFORMANCE REPORTS

	TARGET	MOVEMENT from prior year	2018-19	2017-18	2014-15 & MOVEMENT over 5 years	2018-19 (Including movement from prior year) DEPARTMENTS	2018-19 (Including movement from prior year) PUBLIC ENTITIES
Performance reports prepared			100% (323)	100% (323)	99% (314)	100% (156)	100% (167)
Quality of performance reports submitted for auditing			33% (105)	31% (100)	47% (147)	29% (46)	35% (59)
Quality of published performance reports			62% (200)	63% (205)	66% (210)	55% (86)	68% (114)

95 auditees (29%) had no material findings only because they corrected all misstatements identified during the audit

FINDINGS ON PERFORMANCE REPORTS

	MOVEMENT from prior year	2018-19	2017-18	2014-15 & MOVEMENT over 5 years	2018-19 (Including movement from prior year) DEPARTMENTS	2018-19 (Including movement from prior year) PUBLIC ENTITIES
Performance reporting not useful		21% (65)	19% (62)	21% (66)	24% (36)	18% (29)
Achievement reported not reliable		32% (102)	31% (101)	29% (92)	41% (63)	24% (39)
No underlying records or planning documents		3% (9)	1% (2)	—	2% (3)	4% (6)

MOST COMMON USEFULNESS FINDINGS

9% Indicators not well defined

7% Reasons reported for variances not reliable

6% Targets not measurable

6% Indicators not verifiable

NATIONAL AND PROVINCIAL VIEW

	PERFORMANCE REPORTS PREPARED		QUALITY OF PERFORMANCE REPORTS SUBMITTED FOR AUDITING		QUALITY OF PUBLISHED PERFORMANCE REPORTS	
	Number	Movement from 2017-18	Number	Movement from 2017-18	Number	Movement from 2017-18
National	167 (100%)		58 (35%)		110 (66%)	
Eastern Cape	20 (100%)		8 (40%)		12 (60%)	
Free State	13 (100%)		3 (23%)		6 (46%)	
Gauteng	22 (100%)		5 (23%)		13 (59%)	
KwaZulu-Natal	19 (100%)		2 (11%)		11 (58%)	
Limpopo	19 (100%)		7 (37%)		11 (58%)	
Mpumalanga	17 (100%)		5 (29%)		8 (47%)	
Northern Cape	11 (100%)		4 (36%)		7 (64%)	
North West	16 (100%)		3 (19%)		5 (31%)	
Western Cape	19 (100%)		10 (53%)		17 (89%)	
Total	323 (100%)		105 (33%)		200 (62%)	





COMPLIANCE WITH KEY LEGISLATION



SLIGHT INCREASE IN
NON-COMPLIANCE

Auditees with non-compliance slightly increased from 71,5% (274) to **72,1% (276)** since 2017-18

		MOVEMENT from prior year	2018-19	2017-18	MOVEMENT over 5 years
DEPARTMENTS		▼	72% (113)	70% (109)	▼ 69% (105)
	PUBLIC ENTITIES	▲	72% (163)	73% (165)	▼ 71% (134)

MOST COMMON NON-COMPLIANCE AREAS

		MOVEMENT from prior year	2018-19	2017-18	MOVEMENT over 5 years	2014-15
	Quality of financial statements	▼	57% (217)	53% (203)	▼	50% (170)
	Management of procurement and contract management	▲	42% (159)	43% (163)	▼	37% (125)
	Prevention of unauthorised, irregular, and fruitless and wasteful expenditure	▶	41% (156)	41% (157)	▼	40% (136)

OTHER NOTABLE NON-COMPLIANCE AREAS

MOVEMENT

2018-19

MOST COMMON FINDINGS PER AREA

	Effecting consequences	▼	25% (94)	Disciplinary steps not taken against officials who made or permitted irregular expenditure – 13% (49)
	Expenditure management	▲	16% (63)	Payments to creditors not settled within 30 days from receipt of an invoice – 12% (46)
	Strategic planning and performance management	▼	13% (50)	No specific information systems to enable monitoring of targets and core objectives – 9% (35)
	Revenue management	▲	9% (35)	Effective and appropriate steps not taken to collect all money due – 8% (30)

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Non-compliance by **178 (64%)** of auditees can potentially lead to financial loss

NATIONAL AND PROVINCIAL VIEW

AUDITEES WITH NO FINDINGS ON COMPLIANCE

	National	Eastern Cape	Free State	Gauteng	KwaZulu-Natal	Limpopo	Mpumalanga	Northern Cape	North West	Western Cape
Number	65 (30%)	6 (30%)	0 (0%)	7 (30%)	5 (24%)	2 (11%)	3 (18%)	2 (18%)	1 (6%)	16 (84%)
Movement from 2017-18	▲	▲	▶	▼	▲	▶	▼	▼	▶	▼
Total									107 (28%)	▼



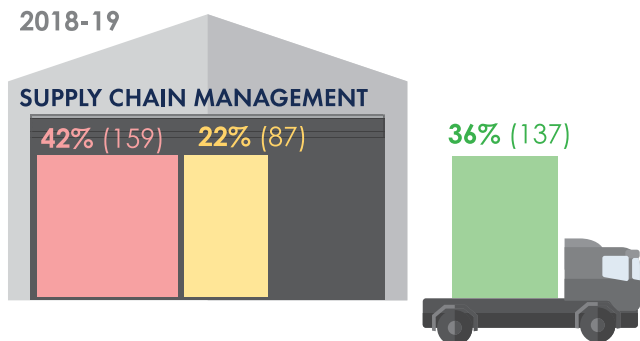


SUPPLY CHAIN MANAGEMENT (SCM)

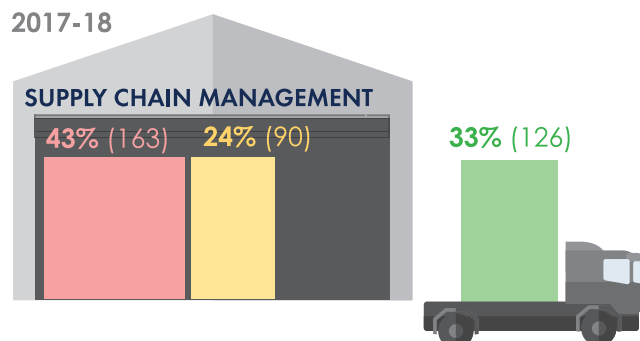


MATERIAL NON-COMPLIANCE
WITH LEGISLATION STILL HIGH

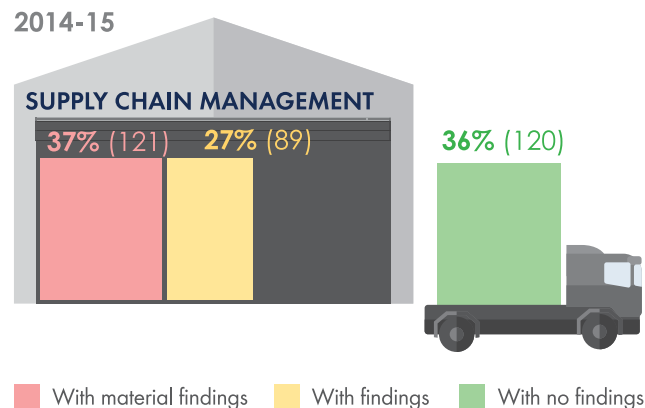
2018-19



2017-18



2014-15



With material findings With findings With no findings

Not able to audit procurement of **R2 334 million** due to **missing or incomplete information** at 32 auditees (8%)

Highest contributors (84% of rand value) were:

- Human Settlements (GP) – **R877 million**: Due to a fire at the department's premises, information (including procurement documentation) was moved to a new storage area – procurement documentation was not properly packed in storage and could not be found in time for audit purposes
- Human Settlements (KZN) – **R593 million**: Contracts and bid documentation for municipal construction of housing units awarded by municipalities in prior years were not made available for auditing
- Health (NW) – **R243 million**: R99 million relates to the purchase of pharmaceutical supplies and the remainder to infrastructure contracts – the required tender documents could not be submitted for auditing due to poor record management and inadequate controls by the department
- Department of Basic Education – **R149 million**: Relates to school infrastructure development projects funded as part of the accelerated school infrastructure delivery initiative – supporting documents for the procurement process were not provided by the implementing agents
- Human Settlements (MP) – **R100 million**: Relates to poor record management on low-cost housing contracts

MATERIAL FINDINGS

	DEPARTMENTS	PUBLIC ENTITIES
% of findings	54%	33%
MOVEMENT FROM 2017-18	▲	▲
MOVEMENT FROM 2014-15	▼	▼

AWARDS TO EMPLOYEES AND CLOSE FAMILY MEMBERS

AWARDS/FINDINGS	MOVEMENT FROM 2017-18	MOVEMENT FROM 2014-15	2018-19 NUMBER OF AUDITEES WITH FINDINGS	2017-18 AWARDS R. MILLION (NUMBER OF AWARDS)
Awards to employees and political office-bearers	▼	▶	8% (31)	R100 (260 awards)
SCM legislation was not materially complied with in the procurement process of 87 of the awards amounting to R49 million				
Awards to close family members of employees	▼	▼	14% (52)	R798 (785 awards)
SCM legislation was not materially complied with in the procurement process of 167 of the awards amounting to R109 million				



DEPARTMENTS' EMPLOYEES DOING BUSINESS WITH THE STATE

The amended Public Service Regulations prohibit employees of departments from doing business with the state with effect from 1 August 2016. The regulations allowed employees until February 2017 to stop doing the business or resign as an employee. We identified 520 employees that were still doing business with the state (a decrease from 551 in the previous year). The onus of complying with these regulations is on the employees, but departments have a responsibility to monitor such compliance.



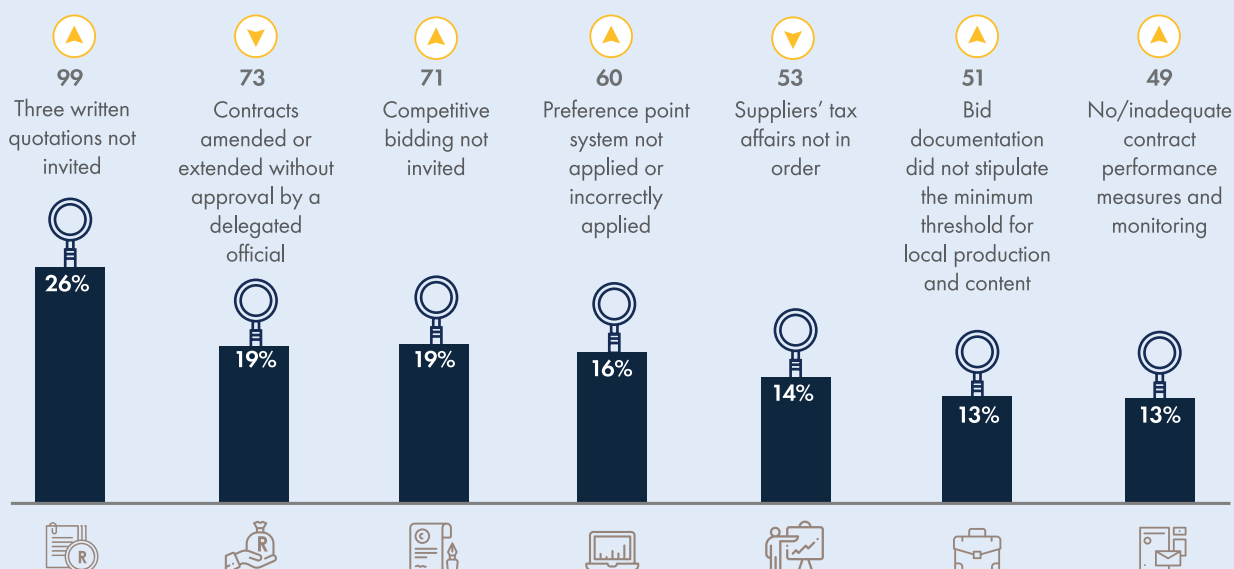
FINDINGS	MOVEMENT FROM 2017-18	NUMBER OF DEPARTMENTS	NUMBER OF EMPLOYEES	AMOUNT (R MILLION)
Employees doing business with own department - contracts awarded after 1 August 2016	▼	8% (12)	79	R7
Employees doing business with own department - contracts awarded before 1 August 2016 – did not resign or stop doing business	▲	1% (1)	6	R55
Employees doing business with other state institutions - contracts awarded after 1 August 2016	▼	19% (30)	430	R153
Employees doing business with other state institutions - contracts awarded before 1 August 2016	▶	2% (3)	5	R24

UNCOMPETITIVE OR UNFAIR PROCUREMENT PROCESSES AND CONTRACT MANAGEMENT

Findings on **uncompetitive and unfair procurement processes** at **52%** of auditees, 36% of which was material non-compliance. This is a slight improvement from 55% for both previous year and since 2014-15.

Findings on **contract management** at **30%** of auditees, 11% of which was material non-compliance. This is a slight regression from 27% in the previous year and a regression from 20% in 2014-15.

Most common findings were the following:



LOCAL PROCUREMENT

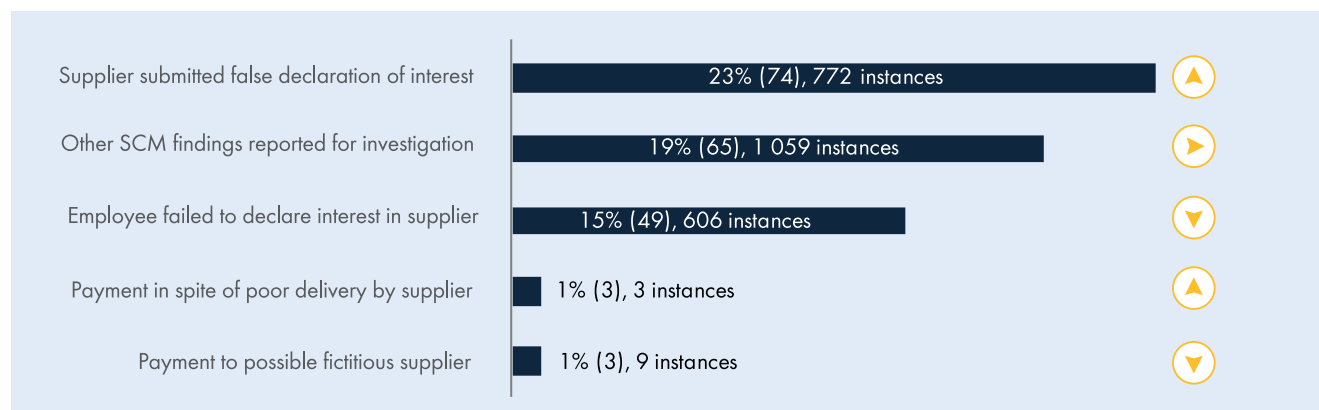


Auditees are required to procure certain commodities from local producers; **61** out of 158 auditees where local content was audited failed to comply with the regulation on promotion of local producers on awards amounting to **R5 036 million**.

FALSE DECLARATIONS BY SUPPLIERS AND NON-DISCLOSURE BY EMPLOYEES

FINDINGS	MOVEMENT	NUMBER OF AUDITEES	NUMBER OF SUPPLIERS/EMPLOYEES	AMOUNT (R MILLION)
Suppliers owned or managed by employees of another state institution made false declarations	▲	5% (21)	111	R111
Suppliers owned or managed by employees of the auditee made false declarations	▼	3% (11)	61	R19
Suppliers owned or managed by close family members of employees of the auditee made false declarations	▶	8% (30)	243	R621
Employees of the auditee failed to declare their own interest either as part of the procurement processes or through annual declarations	▲	7% (26)	137	R69
Employees of the auditee failed to declare their family members' interest	▲	9% (34)	331	R578

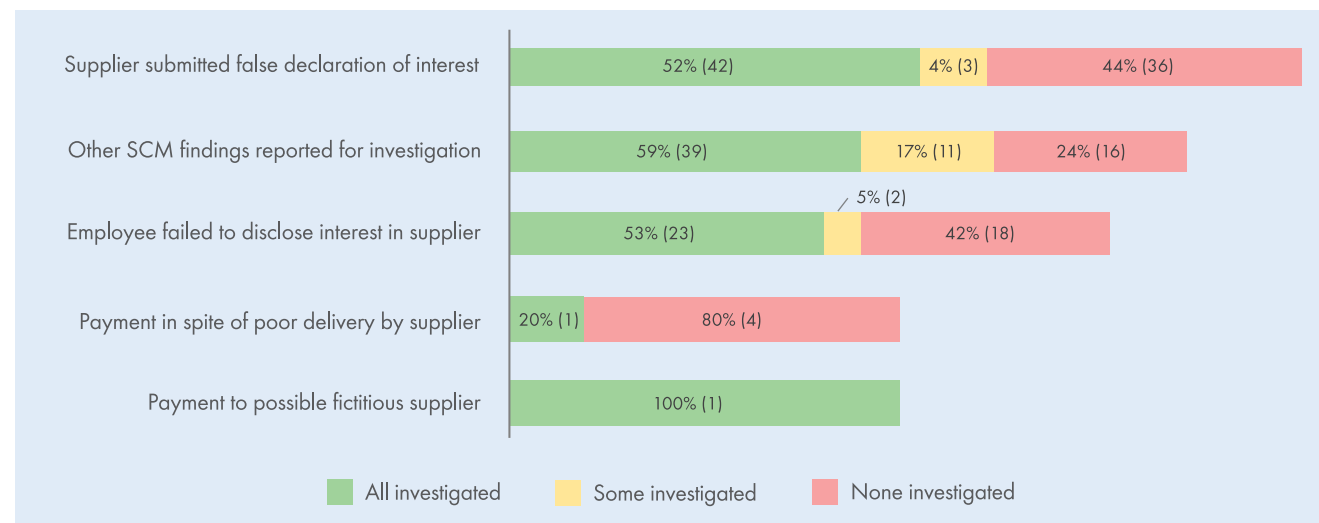
FINDINGS REPORTED FOR INVESTIGATION AT 131 AUDITEES (40%) - UNCHANGED FROM 2017-18



In 2018-19, we reported these SCM findings for investigation at 131 auditees (40%), which remains unchanged from the 40% in 2017-18. In total, 83 (64%) of the 129 auditees that had such findings in 2017-18 had similar findings in 2018-19. Of the 131 auditees where we reported SCM findings for investigation, 86 were departments and 45 were public entities.

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FOLLOW-UP OF PREVIOUS YEAR'S SUPPLY CHAIN MANAGEMENT FINDINGS REPORTED FOR INVESTIGATION IN PRIOR YEAR AT 129 AUDITEES






71 (55%) of these auditees investigated all the findings we reported, while **19 (15%)** investigated some findings and **39 (30%)** investigated none of the findings.

57 (63%) out of the **90** auditees that investigated all or some findings, satisfactorily resolved all the investigations conducted.



UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE (UIFW)

Note: The entire analysis excludes the outstanding audits unless otherwise indicated (*)	Irregular Non-compliance with legislation in the process leading to expenditure	Unauthorised Expenditure more than budget or not in accordance with grant conditions	Fruitless and wasteful Expenditure made in vain - could have been avoided if reasonable care was taken
How much was disclosed in 2018-19?	R42,835 billion at 274 auditees (72%) 16% increase from R36,833 billion in 2017-18 * Irregular expenditure of outstanding audits based on unaudited financial statements - R19,755 billion (2017-18: R15,847 billion) 	R1,365 billion at 18 departments (12%) 23% decrease from R1,774 billion in 2017-18 * Unauthorised expenditure of outstanding audits based on unaudited financial statements - R0,281 billion (2017-18: R0,351 billion) 	R0,849 billion at 223 auditees (58%) 7% increase from R0,792 billion in 2017-18 * Fruitless and wasteful expenditure of outstanding audits based on unaudited financial statements - R0,758 billion (2017-18: R1,901 billion) 
Is all of it 2018-19 expenditure?	No R11,552 billion (27%) was expenditure in prior years only uncovered and disclosed in 2018-19 R31,282 billion (73%) was expenses in 2018-19, which includes payments made on ongoing contracts irregularly awarded in prior years - R9,056 billion (29%) ; and R22,227 billion (71%) representing non-compliance in 2018-19	Yes	No R0,156 billion (18%) was expenditure in prior years only uncovered and disclosed in 2018-19 R0,693 billion (82%) was expenses in 2018-19
How much of the 2018-19 budget does it represent?	2%	< 1%	< 1%
Is this the total amount?	No 131 auditees (34%) were either qualified on the completeness of their disclosure and/or did not know the total amount and were still investigating to determine the total amount We could also not audit procurement processes for contracts valued at R2,334 billion due to missing or incomplete documentation - it is not known whether any part of this amount might represent irregular expenditure	No 1 department was qualified on the completeness of their disclosure	No 6 auditees (2%) were qualified on the completeness of their disclosure

	Irregular	Unauthorised	Fruitless and wasteful
What was main cause?	Non-compliance with supply chain management legislation (93%), related to: <ul style="list-style-type: none"> Procurement without following a competitive bidding or quotation process – R13,454 billion (34%) Non-compliance with other procurement process requirements – R15,705 billion (39%) Inadequate contract management – R10,748 billion (27%) 	Overspending of budget (99,9%) – R1,363 billion	Penalties and interest on overdue accounts and late payments (28%) – R0,238 billion Litigation and claims (19%) – R0,161 billion Other (53%) – R0,450 billion The main causes are included in the top 10 contributor table
Did the auditees detect this expenditure?	77% was identified by auditees and the remainder in the audit process Many auditees put processes in place to fully uncover irregularities of prior years – partly to address prior year qualifications on irregular expenditure (R2,827 billion) but also to correct and address past irregularities	92% was identified by auditees and the remainder in the audit process	71% was identified by auditees and the remainder in the audit process
Does it mean this money was wasted?	Possibly – it can only be determined through an investigation by the accounting officer or accounting authority Goods and services were received for R27,238 billion (68%) of the expenditure related to supply chain management, but were not received for R0,244 billion (1%), while we did not audit the remaining 31% We cannot confirm if value for money was received for all of these goods and services	No	Yes
How much of the current and prior year expenditure has not yet been dealt with (i.e. what is the closing balance)?	R174,876 billion	R7,829 billion	R3,282 billion



NATIONAL AND PROVINCIAL OVERVIEW

Province	Irregular (IE) (R billion)	Unauthorised (UE) (R billion)	Fruitless and wasteful (FWE) (R billion)
National	R11,254 26% of total IE incurred 1% of national budget Closing balance – R47,241	R0,058 4% of total UE incurred < 1% of national budget for departments Closing balance – R2,893	R0,433 50% of total FWE incurred < 1% of national budget Closing balance – R1,746
Eastern Cape	R0,869 2% of total IE incurred 2% of provincial budget Closing balance – R2,428	R0,569 42% of total UE incurred 1% of provincial budget for departments Closing balance – R0,649	R0,023 3% of total FWE incurred < 1% of provincial budget Closing balance – R0,047
Free State	R2,562 6% of total IE incurred 5% of provincial budget Closing balance – R10,984	R0,617 45% of total UE incurred 2% of provincial budget for departments Closing balance – R1,829	R0,141 17% of total FWE incurred < 1% of provincial budget Closing balance – R0,151
Gauteng	R7,134 17% of total IE incurred 5% of provincial budget Closing balance – R29,204	R0,006 < 1% of total UE incurred < 1% of provincial budget for departments Closing balance – R0,006	R0,113 13% of total FWE incurred < 1% of provincial budget Closing balance – R0,620
KwaZulu-Natal	R12,424 30% of total IE incurred 7% of provincial budget Closing balance – R41,909	R0,030 2% of total UE incurred < 1% of provincial budget for departments Closing balance – R0,641	R0,030 4% of total FWE incurred < 1% of provincial budget Closing balance – R0,214

Province	Irregular (IE) (R billion)	Unauthorised (UE) (R billion)	Fruitless and wasteful (FWE) (R billion)
Limpopo	R2,095 5% of total IE incurred 5% of provincial budget Closing balance - R6,713	< R0,001 < 1% of total UE incurred < 1% of provincial budget for departments Closing balance - R0,001	R0,030 4% of total FWE incurred < 1% of provincial budget Closing balance - R0,172
Mpumalanga	R2,734 6% of total IE incurred 5% of provincial budget Closing balance - R12,403	None Closing balance - R0,910	R0,011 1% of total FWE incurred < 1% of provincial budget Closing balance - R0,040
Northern Cape	R0,585 1% of total IE incurred 4% of provincial budget Closing balance - R5,070	R0,050 4% of total UE incurred < 1% of provincial budget for departments Closing balance - R0,479	R0,001 < 1% of total FWE incurred < 1% of provincial budget Closing balance - R0,074
North West	R3,157 7% of total IE incurred 6% of provincial budget Closing balance - R18,849	R0,035 3% of total UE incurred < 1% of provincial budget for departments Closing balance - R0,421	R0,067 8% of total FWE incurred < 1% of provincial budget Closing balance - R0,218
Western Cape	R0,021 < 1% of total IE incurred < 1% of provincial budget Closing balance - R0,075	None Closing balance - none	< R0,001 < 1% of total FWE incurred < 1% of provincial budget Closing balance - < R0,001

Expenditure of 5% or higher of the national or provincial budget is highlighted in red



TOP 10 CONTRIBUTORS – IRREGULAR EXPENDITURE

All of these auditees had incurred irregular expenditure for the **past 3 years**

Auditee	Disclosed (R billion)	Incurred in 2018-19 (R billion)	Nature	Key projects/ contracts affected	Grants* affected (R billion)
Health (KZN)	R4,519	R2,977 (66%)	57% related to non-compliance with legislation on contracts		
Transport (KZN)	R4,146	R3,404 (82%)	48% related to non-compliance with legislation on contracts, while 28% related to procurement without following competitive bidding or quotation processes	Subsidised public transport: subsidised bus contracts were extended without appropriate approval One major project valued at R2,68 billion was awarded based on criteria that differed from the original specifications and was procured without a proper needs assessment	R1,58 (PTOG)
Water and Sanitation	R3,130	R1,850 (59%), of which R1,404 represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	48% related to non-compliance with legislation on contracts, while 33% related to non-compliance with other procurement process requirements	Giyani bulk and water services Bucket eradication project War on leaks Sedibeng wastewater treatment	R0,341 (RBIG) R0,434 (RBIG and WSIG)
Health (GP)	R2,862	R2,292 (80%)	63% related to procurement without following competitive bidding or quotation processes	Security and other contracts were extended without following proper supply chain management processes and did not comply with the Division of Revenue Act	R0,226 (comprehensive HIV/Aids grant) R0,011 (NTS grant)
Roads and Transport (GP)	R2,259	R2,259 (100%)	100% related to non-compliance with other procurement process requirements	Bus subsidy contracts were extended without following proper supply chain management processes	
Education (KZN)	R1,879	R1,879 (100%)	86% related to procurement without following competitive bidding or quotation processes	School feeding scheme	R1,60 (NSNP grant)

Auditee	Disclosed (R billion)	Incurred in 2017-18 (R billion)	Nature	Key projects/ contracts affected	Grants* affected (R billion)
Health (NW)	R1,240	R1,240 (100%), of which R1,120 represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	81% related to non-compliance with other procurement process requirements	Various infrastructure projects relating to building of hospitals, new community health centre, etc.	R0,992 (HFR grant)
Human Settlements (MP)	R1,193	R1,193 (100%), of which R1,034 represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	100% related to non-compliance with other procurement process requirements	Housing finance and human settlements projects with regard to low-cost housing	R1,190 (HSDG)
Education (GP)	R1,168	R1,128 (97%), of which R0,899 represents irregular expenditure incurred on ongoing multi-year contracts awarded in prior years	97% related to non-compliance with other procurement process requirements	School nutrition tender (R0,826)	
Police	R1,164	R0,004 (0,3%)	100% related to procurement without following competitive bidding or quotation processes		
Total for top 10	R23,560	<p>This constitutes 55% of the total irregular expenditure disclosed in 2018-19</p> <p>R8,759 billion (37%) of the top 10 irregular expenditure resulted from non-compliance with procurement process requirements, while R7,980 billion (34%) related to procurement without following competitive bidding or quotation processes</p> <p><i>Excluded from these top contributors is irregular expenditure of National Student Financial Aid Scheme, Defence and Passenger Rail Agency of South Africa amounting to R9,110 billion, R3,587 billion and R3,037 billion, respectively – the amounts are based on either unaudited financial statements or audited financial statements of audits completed after the cut-off date of this report</i></p>			

- * PTOG – public transport operations grant
- * NSNP grant – national school nutrition programme grant
- * NTS grant – national tertiary services grant
- * HFR grant – health facility revitalisation grant
- * HSDG – human settlement development grant
- * RBIG – regional bulk infrastructure grant
- * WSIG – water services infrastructure grant



TOP 10 CONTRIBUTORS – UNAUTHORISED EXPENDITURE

Three of these departments had incurred unauthorised expenditure for the **past 3 years**, namely Education (FS), Police, Roads and Transport (FS), and Education (NC)

Auditee	Disclosed (R billion)	Nature
Health (EC)	R0,569	Overspending of budget: the overspending was mainly on three programmes, namely district health services (R0,447 billion), provincial health services (R0,070 billion), and central health services (R0,046 billion) Most of the overspending related to medical claims not budgeted for
Education (FS)	R0,280	Overspending of budget: the overspending was on the public ordinary school education programme, mainly due to overspending of employee cost
Police, Roads and Transport (FS)	R0,203	Overspending of budget: the overspending was on three programmes, namely administration (R0,055 billion), transport services (R0,019 billion), and transport regulations (R0,129 billion) Most of the overspending related to employee costs
Office of the Premier (FS)	R0,135	Overspending of the budget: the overspending was mainly on the programmes for institutional development (R0,028 billion) and policy governance (R0,104 billion)
Statistics South Africa	R0,057	Overspending of budget: the overspending was mainly on compensation of employees (R0,049 billion)
Transport, Safety and Liaison (NC)	R0,027	Overspending of budget: the overspending was mainly on two programmes, namely administration programme (R0,025 billion) and civilian oversight (R0,002 billion)
Health (NW)	R0,022	Overspending of budget: the overspending was on the district health services programme, with most of the overspending relating to property payments
Education (NC)	R0,019	Overspending of budget: the overspending was mainly on the public ordinary schools education programme (R0,011 billion) – additional educator posts were filled due to an increase in learner numbers
Health (KZN)	R0,014	Overspending of budget: the overspending was on the provincial hospital services and central hospital services programmes, mostly due to Medico legal claims
Provincial legislature (NW)	R0,013	Overspending of budget: the overspending was mainly on the programme for legislature operations
Total for top 10	R1,339	This constitutes 98% of the total unauthorised expenditure <i>Excluded from these top contributors is unauthorised expenditure of Education (EC), amounting to R0,280 billion – the amount is based on unaudited financial statements as the audit had not yet been completed at the date of this report</i>

TOP 10 CONTRIBUTORS – FRUITLESS AND WASTEFUL EXPENDITURE

All of these auditees had incurred fruitless and wasteful expenditure for the **past 3 years**, except Free State Development Corporation (FS), Health (GP), and Higher Education and Training

Auditee	Disclosed (R billion)	Nature
Energy	R0,110	Relates to additional storage costs for solar water heater geysers that were manufactured and stored by suppliers beyond the agreed storage period
Health (FS)	R0,101	Mostly relates to fruitless and wasteful expenditure incurred on capital projects amounting to R0,091 billion, including for remedial work, idle time, settlement fees and overpayments on these projects
South African Social Security Agency	R0,078	Mostly relates to payment to service provider for work not performed (R0,075 billion) – agency made direct payments to beneficiaries but was charged by Cash Paymaster Services for the same service
Water and Sanitation	R0,060	Relates to interest charged on late payment of invoices from suppliers (R0,013 billion) and excessive management fees to Giyani water project (R0,047 billion)
Roads and Transport (GP)	R0,059	Mostly relates to litigation and claims such as court orders due to cancellation of contracts
South African Post Office	R0,056	Mostly relates to interest and penalties – R0,052 billion (93%)
Local Government and Human Settlements (NW)	R0,050	Relates to costs to demolish houses and rebuild/rectify defects due to poor quality of work identified on housing projects
Free State Development Corporation (FS)	R0,032	All interest and penalties relating to late payments to municipalities, South African Revenue Service interest, etc.
Health (GP)	R0,027	All interest and penalties relating to late payments due to cash flow constraints / challenges affecting the department
Higher Education and Training	R0,025	Fraudulent payments to community education and training employees (overpayments to employees not entitled to such payments)
Total for top 10	R0,598	<p>This constitutes 71% of the total fruitless and wasteful expenditure</p> <p><i>Excluded from these top contributors is fruitless and wasteful expenditure of South African Broadcasting Corporation, Education (LP), National Treasury, Airports Company South Africa, Passenger Rail Agency of South Africa, Defence and Denel amounting to R0,224 billion, R0,088 billion, R0,068 billion, R0,063 billion, R0,051 billion, R0,037 billion and R0,132 billion, respectively – the amounts are based on either unaudited financial statements or audited financial statements of audits completed after the cut-off date of this report</i></p>



INVESTIGATION AND FOLLOW-UP OF PRIOR YEAR UNAUTHORISED, IRREGULAR AND FRUITLESS AND WASTEFUL EXPENDITURE

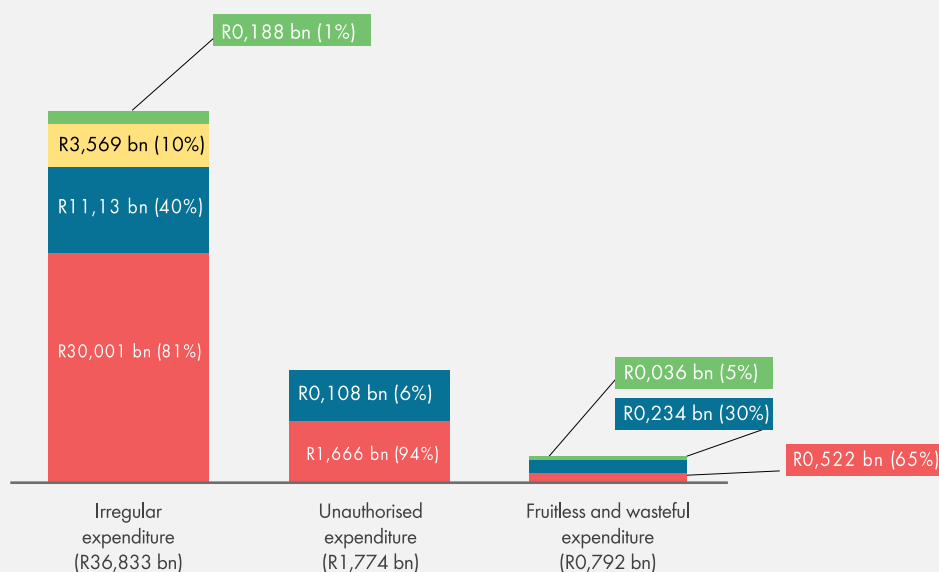


Investigations by auditees of all prior year instances regressed from **86% to 78%**

UIFW disclosed must be investigated to determine its impact and who is responsible. Based on the outcome of the investigation, the next steps can include condonement/authorisation, recovery, or write-off. It may also include the cancellation of contracts irregularly awarded.

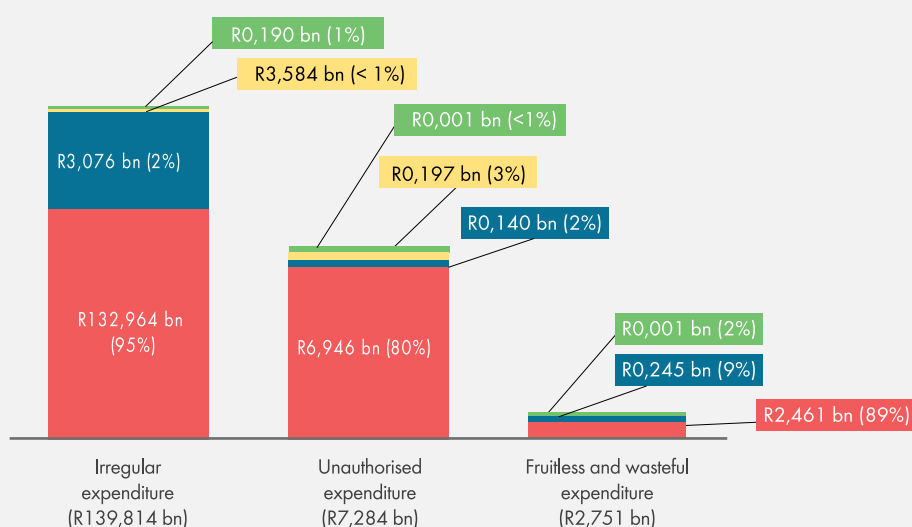
Sufficient steps were not taken to recover, write off, approve or condone UIFW. As a result, the year-end balance of irregular expenditure that had accumulated over many years and had not been dealt with totalled R174,876 billion, while that of unauthorised expenditure was R7,829 billion and that of fruitless and wasteful expenditure was R3,282 billion.

HOW HAVE AUDITEES DEALT WITH UIFW INCURRED IN 2017-18?



HOW HAVE AUDITEES DEALT WITH ALL PRIOR UIFW TO DATE?

(Note: Figures below are expressed as percentage of previous year closing balance)



■ Money recovered or in the process of recovery
 ■ Condoned or authorised
 ■ Written off
 ■ Not dealt with

GROWING BALANCE OF IRREGULAR EXPENDITURE NOT DEALT WITH



Top 5 contributors to accumulated irregular expenditure (constitutes 30% of R174,876 billion), which also **did not investigate all instances** of prior year irregular expenditure:

- Transport (KZN) – R14,108 billion
- Health (KZN) – R13,444 billion
- Water and Sanitation – R9,286 billion
- Health (NW) – R8,859 billion
- Education (KZN) – R6,572 billion

Reasons for not investigating all instances of prior year irregular expenditure included:

- Process of identifying all irregular expenditure for investigation was still in progress
- Current organisational structure did not support adequate effecting of consequences
- Capacity constraints

The investigation of irregular expenditure that accounting officers and authorities are required to perform includes determining whether the non-compliance with legislation caused a financial loss. Any financial loss should be recovered and further financial losses prevented. Delays in performing investigations increase the risk of the state continuing to lose money and not recovering what has been lost.

It is strongly recommended that investigations should be prioritised and fast-tracked. Some of these irregularities with a resultant financial loss are likely to be reported as material irregularities in future if they are not resolved timeously.

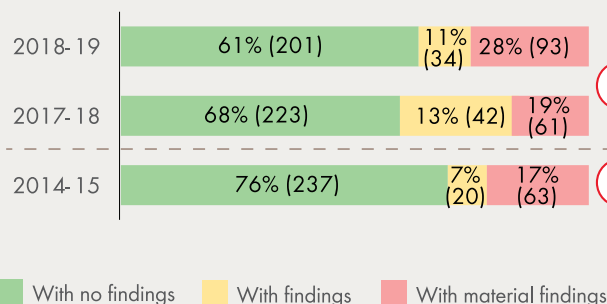


FRAUD AND LACK OF CONSEQUENCES



INCREASE IN MATERIAL NON-COMPLIANCE WITH LEGISLATION ON IMPLEMENTING CONSEQUENCES SINCE PREVIOUS YEAR

NON-COMPLIANCE WITH LEGISLATION ON IMPLEMENTING CONSEQUENCES



Most common findings were the following:

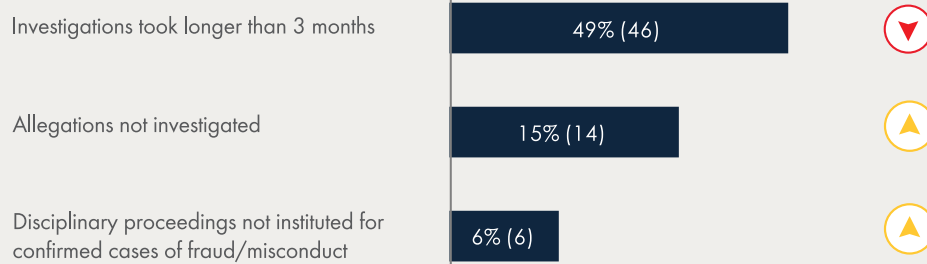
- Irregular expenditure identified in previous year not investigated – 57 auditees (17%)
- Effective and appropriate disciplinary steps not taken against officials who made and/or permitted irregular expenditure – 46 auditees (14%)
- Fruitless and wasteful expenditure identified in previous year not investigated – 38 auditees (12%)

MECHANISMS TO DEAL WITH LACK OF CONSEQUENCES

Inadequate mechanisms for reporting and investigating transgressions and possible fraud at 36 auditees (11%)

Although 89% had the required mechanisms, these had not necessarily been implemented successfully as evidenced by the increase in material non-compliance with legislation on implementing consequences

INADEQUATE FOLLOW-UP OF ALLEGATIONS OF FINANCIAL AND SUPPLY CHAIN MANAGEMENT MISCONDUCT AND FRAUD - TESTED AT 94 AUDITEES



CONTRIBUTE TO

AND



Unauthorised, irregular, and fruitless and wasteful expenditure (UIFW) not followed up and dealt with – refer to section on UIFW



Supply chain management (SCM) findings we reported to management for investigation not followed up – refer to section on SCM

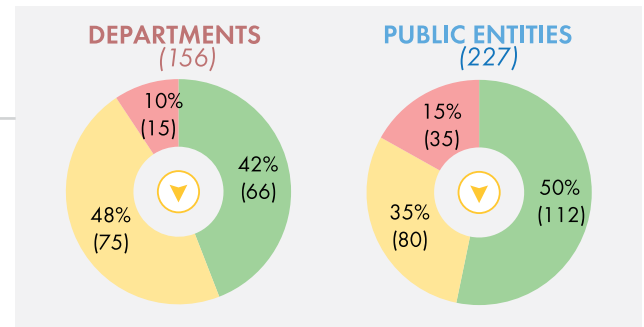
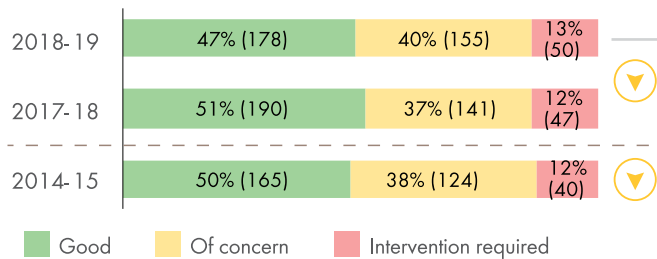


INTERNAL CONTROL



SLIGHT REGRESSION IN OVERALL STATUS OF INTERNAL CONTROL

OVERALL STATUS OF INTERNAL CONTROL



DRIVERS OF INTERNAL CONTROL

MOVEMENT FROM
2017-18 2014-15

Leadership	47% (179)	38% (146)	15% (58)	↓	↓	Good internal control is the key to ensuring that auditees deliver on their priorities in an effective, efficient and economical manner. It will also ensure that auditees produce quality financial statements and performance reports, and comply with applicable legislation.
Financial and performance management	38% (144)	43% (165)	19% (74)	↓	↓	
Governance	62% (238)	27% (104)	11% (41)	↓	↓	

BASIC CONTROLS

MOVEMENT FROM
2017-18 2014-15

Effective leadership	63% (243)	30% (114)	7% (26)	↓	↓	Analysis shows five of the seven basic controls that should receive specific attention to improve and sustain audit outcomes. Refer to the human resource (HR) management section for the HR controls and information technology (IT) controls section for IT governance controls.
Action plans	38% (146)	45% (171)	17% (66)	↓	↓	
Proper record keeping	40% (152)	40% (156)	20% (75)	↓	↓	
Daily and monthly controls	38% (146)	42% (160)	20% (77)	↓	↓	
Review and monitor compliance	21% (82)	52% (198)	27% (102)	↓	↓	

PROGRESS MADE IN IMPROVING DRIVERS OF INTERNAL CONTROL

IN NATIONAL AND PROVINCIAL GOVERNMENT OVER FIVE YEARS

Auditees must invest in preventative controls to strengthen their control environment

	Leadership	Financial and performance management	Governance
National	↓	↓	↓
Eastern Cape	↑	↑	↑
Free State	↓	↓	↓
Gauteng	↓	↓	↓
KwaZulu-Natal	↑	↓	↑
Limpopo	↑	↓	↑
Mpumalanga	↑	↑	↑
Northern Cape	↑	↓	↓
North West	↓	↓	↓
Western Cape	↓	↓	↓
Total	↓	↓	↓



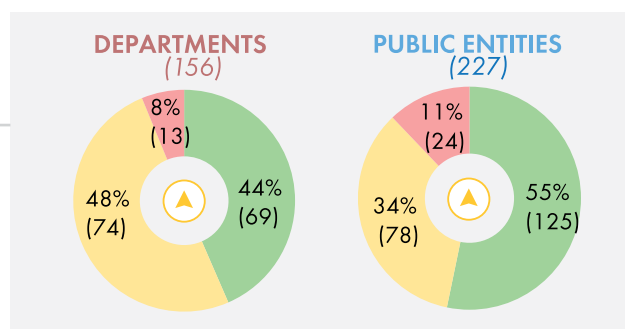
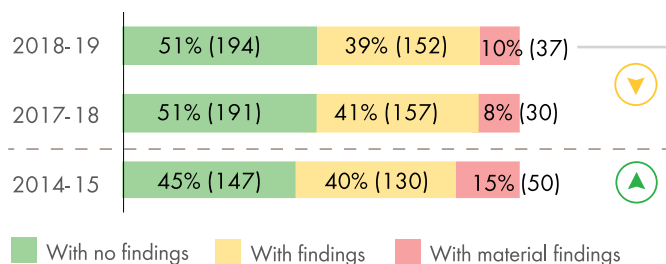


HUMAN RESOURCE (HR) MANAGEMENT



SLIGHT REGRESSION IN
HR MANAGEMENT CONTROLS

OVERALL STATUS OF HUMAN RESOURCE CONTROLS



KEY POSITIONS - VACANCIES AND STABILITY

Medium-term Strategic Framework target for 2019 is to retain heads of departments for at least four years – at 2018-19 year-end, 54 departments (35%) achieved this target.

HEAD OF DEPARTMENT

VACANCIES 23% (36) ▼ 2017-18 ▼ 2014-15

VACANT for less than 6 months - 4% (6)

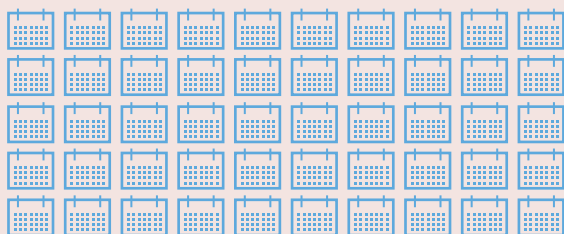


VACANT for 6 months or more - 19% (30)



MOVEMENT FROM

STABILITY 50 months ▲ 2017-18 ▲ 2014-15
(Average number of months in position)



CHIEF EXECUTIVE OFFICER

VACANCIES 19% (38) ▲ 2017-18 ▼ 2014-15

VACANT for less than 6 months - 5% (11)

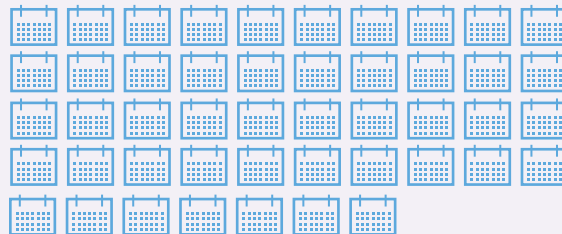


VACANT for 6 months or more - 14% (27)



MOVEMENT FROM

STABILITY 47 months ▼ 2017-18 ▼ 2014-15
(Average number of months in position)



STABILITY* IN KEY POSITIONS PRODUCED BETTER AUDIT OUTCOMES

HEAD OF DEPARTMENT

*Average number of months in position



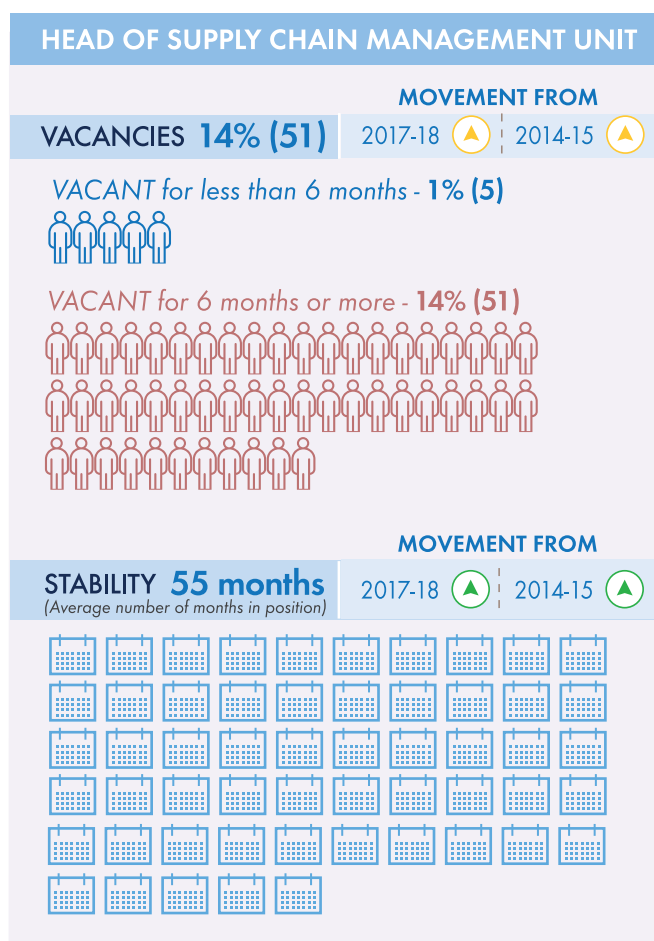
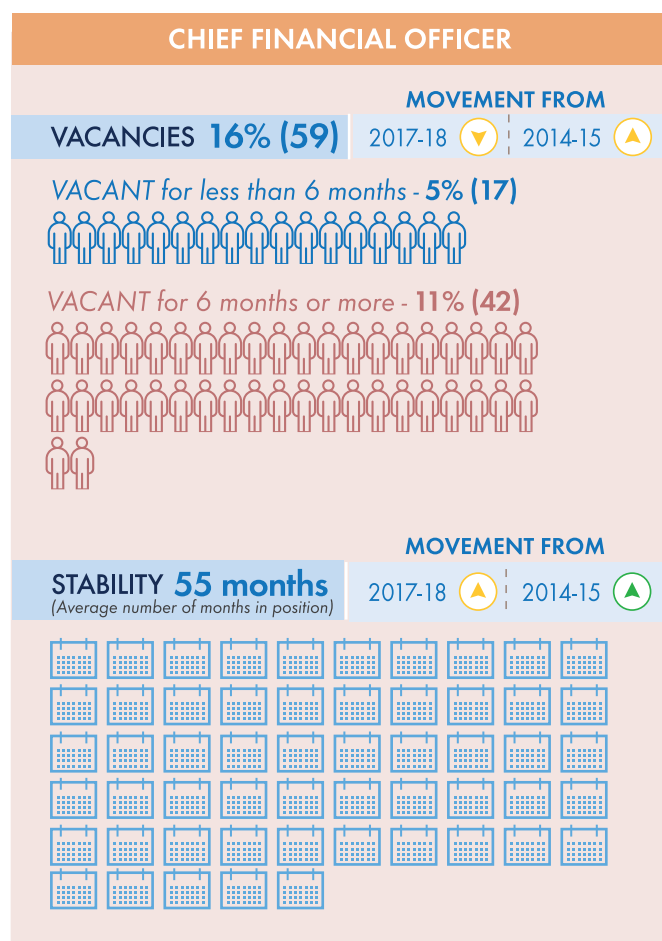
CHIEF EXECUTIVE OFFICER

*Average number of months in position



■ Unqualified with no findings
 ■ Unqualified with findings
 ■ Qualified with findings
 ■ Adverse and disclaimed with findings

KEY POSITIONS - VACANCIES AND STABILITY



STABILITY* IN KEY POSITIONS PRODUCED BETTER AUDIT OUTCOMES



AVERAGE VACANCY RATES

One of the biggest challenges for national and provincial government is to attract and retain qualified and competent persons in all areas of administration. It is thus important that vacant positions are filled with suitably skilled individuals.

OVERALL ▼ 14% SENIOR MANAGEMENT ▼ 18% FINANCE UNITS ▼ 13%

Medium-term Strategic Framework target for 2019 is a vacancy rate of less than 10% in national and provincial departments - it was 12% as at 2018-19 year-end.

Resourcing of 111 finance units (29%) assessed as either concerning or requiring intervention, of which 71 were as a result of staff vacancies and 17 were as a result of inadequate skills; 18 were as a result of a combination of both staff vacancies and inadequate skills.





INFORMATION TECHNOLOGY (IT) CONTROLS



SLIGHT IMPROVEMENT
IN IT CONTROLS

The IT systems, including related application systems that support key business processes relevant to financial reporting, are a significant part of the auditees' system of internal control. IT general controls relate to the control environment within which computer-based application systems are developed, maintained and operated. These controls include policies, procedures and practices established by management to provide comfort that specific business objectives are achieved; that is, these controls can be relied upon to ensure the integrity of financial information and data processed by these systems.

We identified 201 of the 383 national and provincial auditees as those with more complex IT environments that support key financial reporting and service delivery processes. Overall, their general control environment slightly improved, including the following areas of focus: (1) security management; (2) user access management; and (3) IT service continuity management.

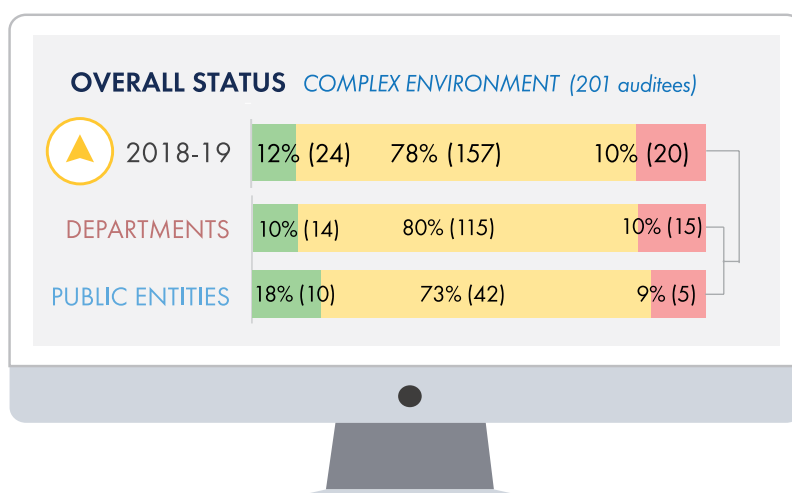
However, a staggering 88% of auditees still had weak IT general controls, which could potentially increase the risk of unauthorised and/or fraudulent transactions being processed on the systems.

ROOT CAUSES OF WEAK INFORMATION TECHNOLOGY GENERAL CONTROLS

- Ineffectiveness of those charged with governance – not proactive in addressing audit findings and preventing recurrences
- Chief information officers, IT managers and IT staff did not fulfil their responsibilities
- Accounting officers and accounting authorities did not prioritise the approval of IT policies and procedures to establish and enforce/monitor internal controls
- Performance monitoring processes of IT service providers were not adequately enforced
- Most auditees were fixing symptoms rather than implementing improved IT controls
- Insufficient funding to replace outdated infrastructure and software to improve IT controls

Most of the root causes remained the same as in the past four years, demonstrating a lack of accountability by those who had to ensure that decisions and actions were implemented and consequences were enforced.

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COMPLEX ENVIRONMENT

KEY IT GENERAL CONTROL AREAS



SECURITY
MANAGEMENT

27% (55) 59% (117) 14% (29)



USER ACCESS
MANAGEMENT

19% (38) 70% (140) 11% (23)



IT CONTINUITY

47% (94) 43% (87) 10% (20)

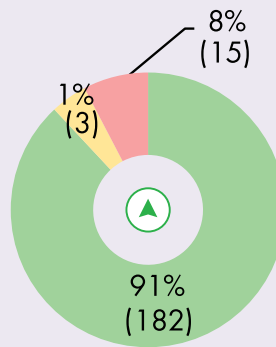


Good Of concern Intervention required





QUALIFICATIONS AND EXPERIENCE – chief information officers or IT managers

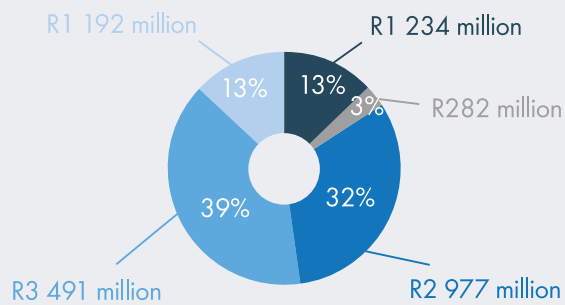


Good Of concern Intervention required

EXPENDITURE ON INFORMATION TECHNOLOGY

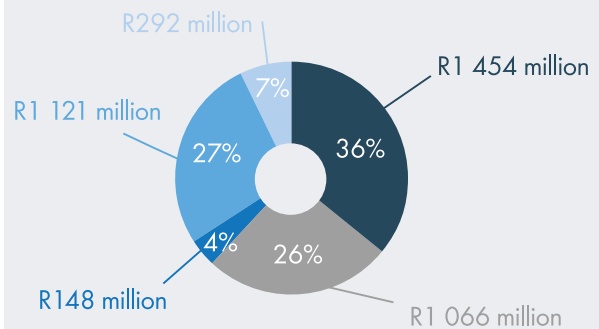
Departments

APPROXIMATE IT-RELATED EXPENDITURE –
R9 177 million



Public entities

APPROXIMATE IT-RELATED EXPENDITURE –
R4 082 million



Infrastructure

Software licences

State Information
Technology Agency services

External service providers

System developments

90% of the auditees acquired their IT services through the State Information Technology Agency at the expected levels; while 10% was not satisfied with the performance, resulting in 87% of the performance issues being escalated for corrective action/resolution.

28% of the auditees were operating on old and redundant IT infrastructure, despite departments and public entities spending R2 688 million on new IT infrastructure.

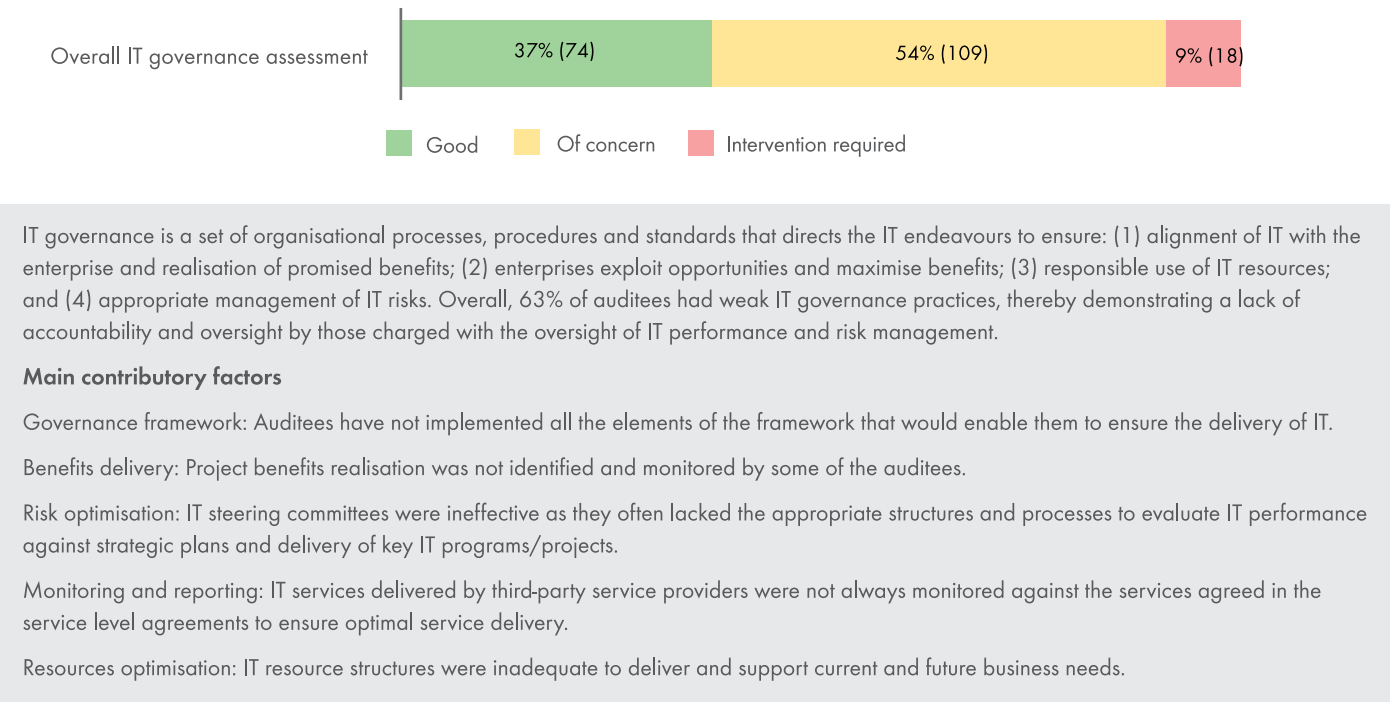
Nine (4%) of the auditees procured and paid for more licences than what they used, which suggests that savings could have been realised by optimising the licence usage.

System developments amounting to R1 485 million related to approximately 54 projects at departments and public entities. Approximately 13 of these projects were implemented, but the system functionality developed was not used. Nine of these projects were discontinued with the intention to continue them later.



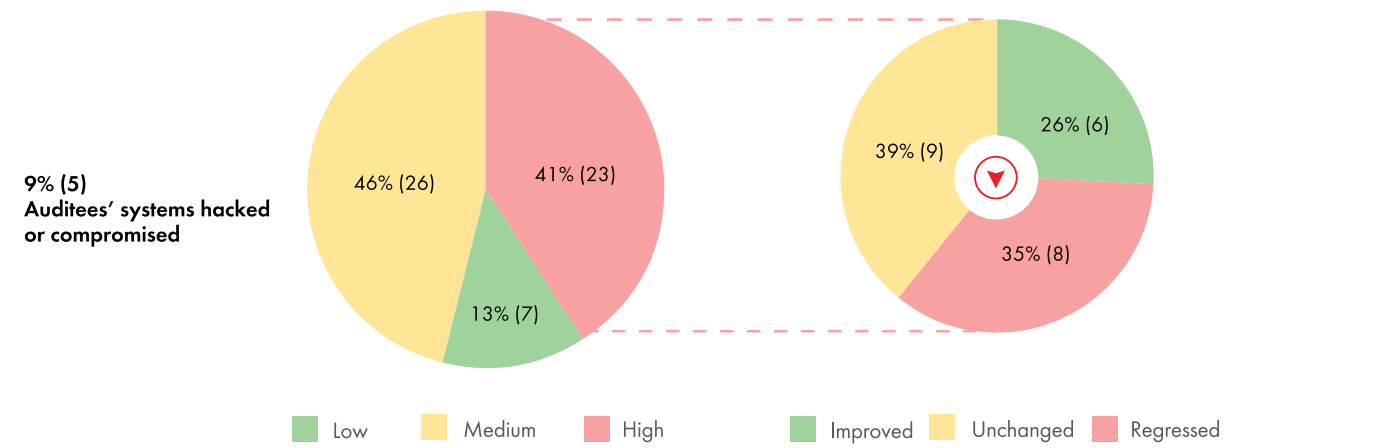
IT GOVERNANCE FRAMEWORK

EFFECTIVENESS OF IT GOVERNANCE AT PROVINCIAL AND NATIONAL DEPARTMENTS AS WELL AS PUBLIC ENTITIES



CYBERSECURITY

CYBERSECURITY POSTURE (STRENGTH) AT PROVINCIAL AND NATIONAL DEPARTMENTS AS WELL AS PUBLIC ENTITIES WITH COMPLEX IT ENVIRONMENTS



Cybersecurity has become a widespread issue facing most public sector organisations and is recognised as an organisational issue. Investments in controls are necessary to protect auditees from increasingly sophisticated and widely available attack methods. Intentional attacks, breaches and incidents can have damaging consequences. **Five (9%) of the 56 auditees** identified as having complex IT environments were either **compromised or hacked**.

Twenty-three auditees (41%) categorised as high-risk and vulnerable, did not demonstrate any urgency in improving their information security controls; of which 74% regressed or did not improve their information security controls by investing in these controls to protect their business environments against hackers or intruders.

Main contributory factors

Long-standing shortage of IT security skills and appropriate budget allocation.

Aging/redundant IT infrastructure and lack of adequate investment in defence mechanisms.

INTEGRATED FINANCIAL MANAGEMENT SYSTEM (IFMS) PROJECT



RESPONSIBLE DEPARTMENT: National Treasury



ESTIMATED AMOUNT SPENT on project to date: **R2,4 billion**
(IFMS 1: R1 billion; IFMS 2: R1,4 billion)



AIM

Enhance the efficiency of government back-office processes by integrating all human resource and financial management systems across government



TIMELINE



2016

Contract awarded to Oracle



2022

Original implementation date



2030

Revised implementation date

Limited improvement in the oversight and management of IFMS programme; and accountability and consequences would have been difficult to enforce (ACT)



CONCERNS

- No formal business case addressing revised IFMS solution as well as inadequate project planning and monitoring
- Project governance on IFMS programme was lacking – various accounting officers did not adequately support IFMS programme implementation to ensure appropriate oversight
- IFMS steering committee's inconsistent attendance by members negatively affected successful implementation of project

NATIONAL e-STRATEGIES



e-GOVERNMENT

Department of Public Service and Administration



AIM

Provide a more coordinated and citizen-driven focus to the country's e-Government initiatives, thus ensuring that government brings services closer to citizens through an organised and holistic adoption of information and communication technology.



STATUS

Little progress has been made with the development initiatives undertaken in the previous year.

The following concerns still existed:

- Public service digital transformation strategy delayed due to cabinet request to involve Department of Telecommunications and Postal Services, Department of Home Affairs, and State Security Agency.
- Cloud computing policy not finalised.
- Data governance framework to be consulted with government technology officers council.
- Value governance framework still to be incorporated as part of revised corporate governance of information and communication technology policy framework.



CONCLUSION

The environment had improved slightly with the appointment of the government chief information officer although IT governance matters remained a concern.

e-HEALTH

Department of Health

Reduce waiting times, improve data quality and integrity, increase timely access to data, streamline registers, and strengthen information management in the public health sector.

All provinces except KZN and EC incorporated e-Health in their IT strategies (KZN and EC still had draft strategies).

Little progress had been made with the implementation of this strategy in the provinces, due to budget constraints, IT-critical vacancies as well as a lack of prioritising the implementation of the initiatives.

Although some provinces had started addressing connectivity issues by rolling out broadband, this was still in its infancy. Therefore, provinces were still facing challenges relating to connectivity, old infrastructure and interfacing key systems (such as billing, patient registration and pharmaceutical systems), which contributed to the objectives of the strategy not being realised. The national department was considering a new e-Health strategy.

e-EDUCATION

Department of Basic Education

Incorporate the use of information and communication technology in the delivery of basic education, including the provision of teacher training, information and communication technology devices, software, connectivity, IT support to schools, and online learner and teacher support material.

- MP, GP, FS, KZN, WC and NC: developed their strategies to align with the White Paper on e-Education.
- Some provinces had no or draft e-Education strategies, misalignment with the White Paper on e-Education, insufficient budget allocations, no implementation plan, and management not understanding their role in the implementation of Operation Phakisa.
- Lack of an allocated budget, properly defined implementation plans as well as monitoring and prioritisation by senior management in the provinces could result in the implementation of the strategy not being achieved, thus ultimately hampering the achievement of quality education in the country.

The overall status of implementation indicated a slight improvement compared to the previous year.





ASSURANCE PROVIDERS

Low levels of assurance show a breakdown in a crucial element of the improvement cycle, being the monitoring to ensure that internal controls are adhered to, risks are managed, and outcomes are achieved

ASSURANCE PROVIDED BY MANAGEMENT / LEADERSHIP

MOVEMENT FROM
2017-18 2014-15

Senior management	14%	66%	20%		▼	▼
Accounting officers/authorities	33%	54%	13%		▼	▼
Executive authorities	51%	39%	10%		▲	▲

INTERNAL INDEPENDENT ASSURANCE AND OVERSIGHT

Internal audit units	59%	32%	8% - 1%	▼	▼
Audit committees	68%	22%	7% - 3%	▼	▼
COORDINATING/MONITORING DEPARTMENTS	30%	45%	25%	▼	▼

Offices of the premier / Department of Planning, Monitoring and Evaluation	30%	40%	30%	▼	▼
Treasuries	30%	50%	20%	▶	▼

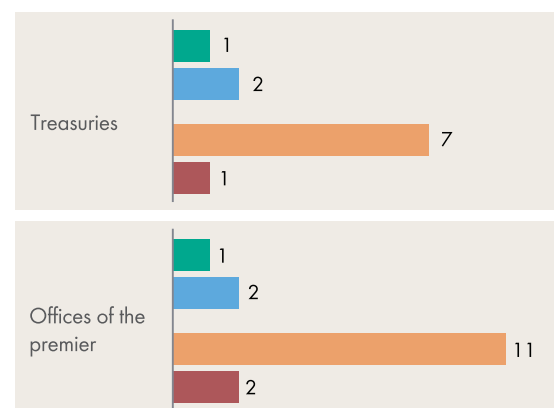
EXTERNAL INDEPENDENT ASSURANCE AND OVERSIGHT

Public accounts committees / Standing Committee on Public Accounts	30%	40%	30%	▼	▼
Portfolio committees	56%	31%	13%	▼	▲

■ Provides assurance
 ■ Provides some assurance
 ■ Provides limited/no assurance
 ■ Not established

Status of commitments made in prior years by coordinating and monitoring departments

FINDINGS	INTERNAL AUDIT UNITS	AUDIT COMMITTEES
Fully compliant with legislation	91% (344) ▲	93% (347) ▲
Positive impact on audit outcomes	60% (227) ▼	73% (271) ▼
Evaluates reliability of financial information	90% (343) ▼	95% (356) ▼
Evaluates reliability of performance information	85% (324) ▼	88% (329) ▼
Evaluates compliance with key legislation	93% (353) ▼	97% (362) ▶
Interacts with executive authority	N/A	88% (329) ▶



■ Completed - significant impact
 ■ Completed - limited impact
 ■ In progress
 ■ Not implemented

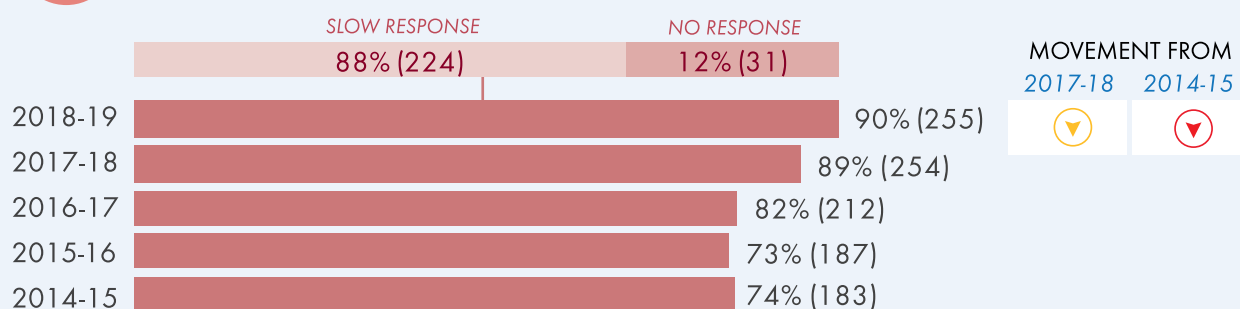


ROOT CAUSES OF LIMITED IMPROVEMENT

SLOW OR NO RESPONSE IN IMPROVING INTERNAL CONTROLS AND ADDRESSING RISK AREAS



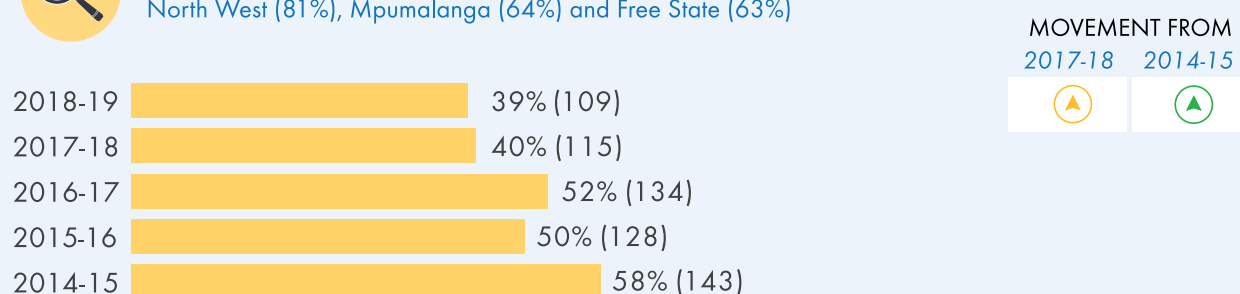
No response most evident in national government (10 auditees), North West (9 auditees), Limpopo (6 auditees) and Free State (5 auditees)



INSTABILITY OR VACANCIES IN KEY POSITIONS OR KEY OFFICIALS LACKING APPROPRIATE COMPETENCIES



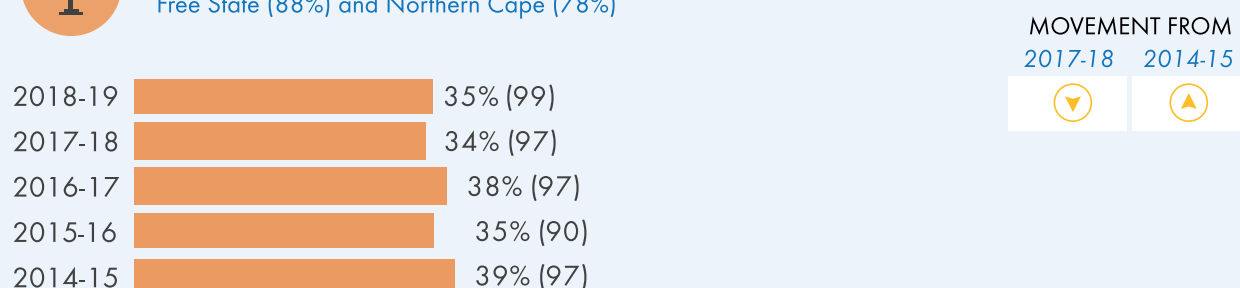
Vacancies, instability or lack of competencies most prominent in North West (81%), Mpumalanga (64%) and Free State (63%)



INADEQUATE CONSEQUENCES FOR POOR PERFORMANCE AND TRANSGRESSIONS



Lack of consequences most evident in North West (94%), Free State (88%) and Northern Cape (78%)



ACCOUNTABILITY ↓

=

SLOW/NO RESPONSE ↑
BY MANAGEMENT

