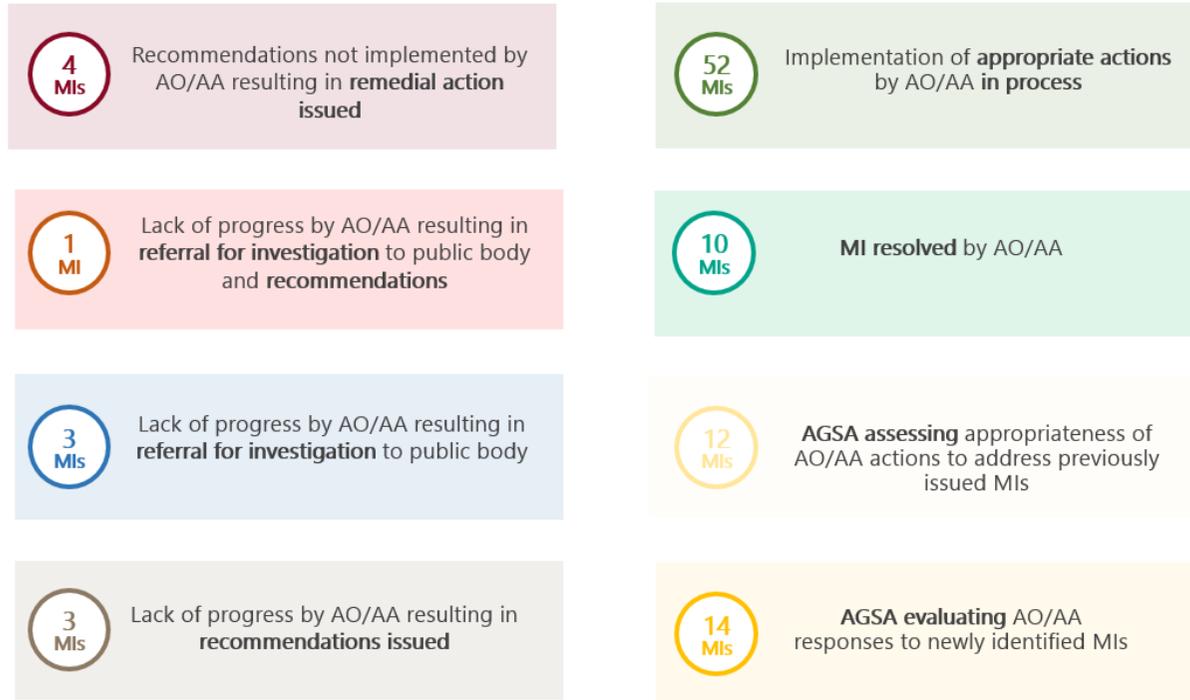


ANNEXURE 5: MATERIAL IRREGULARITIES IDENTIFIED IN NATIONAL AND PROVINCIAL GOVERNMENT

This annexure lists the details of the 73 material irregularities (MIs) of which we had notified the accounting officers or authorities (AOs/AAs) and received their responses by 15 October 2021 as well as the 26 where we are evaluating the responses to newly identified MIs and actions taken to address previously issued MIs. In the tables that follow, we look in detail at these MIs – firstly at national level per portfolio and then at provincial level per province.

The status of these 99 MIs can be summarised as follows:



The following general abbreviations and acronyms are used in this annexure:

AA: accounting authority

PFMA: Public Finance Management Act

Sars: South African Revenue Service

AO: accounting officer

PPPFA: Preferential Procurement Policy Framework Act

SIU: Special Investigating Unit

MI: material irregularity

PPR: Preferential Procurement Regulations

TR: Treasury Regulations

NPA: National Prosecuting Authority

SAPS: South African Police Service

MIs in national government

No.	Notified	Type	MI description	Status	Status description
BASIC EDUCATION PORTFOLIO					
Department of Basic Education					
1.	1 July 2021	Payment for goods or services not received	<p>Learner material was distributed to volunteer educators for learners who did not qualify to be on the Kha Ri Gude programme due to deficiencies in learner registration processes.</p> <p>Irregularity: Non-compliance with PFMA, section 38(1)(a)(i) Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The departmental investigation committee concluded an investigation into the matter during 2016-17.</p> <p>Disciplinary action was instituted against the officials responsible in October 2016 and part of the financial loss had already been recovered during 2017-18.</p> <p>The matter was subsequently referred to the Hawks in 2017-18 to investigate and recover the remaining financial loss.</p> <p>An investigation by the SAPS is also still in progress.</p>
2.	1 July 2021	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>Payment was not made within 30 days to a service provider pertaining to a construction project in the Eastern Cape, resulting in interest charges being raised in March 2019 and June 2019.</p> <p>Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R7 million</p>	Appropriate action by AO/AA in process	<p>The department is conducting an investigation into the matter. The investigation is currently in progress and scheduled for completion in March 2022.</p>
3.	1 September 2021	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>Payment was not made within 30 days to a contractor pertaining to a construction project in the Eastern Cape. This resulted in interest charges being raised as well as claims for damages by the contractor due to the cancellation of the contract and losses of unutilised materials on site that were exposed to the elements and damaged by bad weather.</p> <p>Irregularity: Non-compliance with TR 8.2.3 Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The department is conducting an investigation into the matter. Pending the outcome of the investigation, steps will be taken to recover the financial loss. Disciplinary steps were also taken against the person who caused the financial loss.</p>

No.	Notified	Type	MI description	Status	Status description
4.	22 July 2019	Payment for poor-quality goods or services	<p>A contractor was paid although the work undertaken on school infrastructure was not at required standard of quality. This was due to a lack of effective internal controls for approving and processing payments. Further payments had to be made to another contractor for remedial construction work.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R2,8 million</p>	Resolved	<p>The departmental investigation committee concluded their investigation during 2017-18.</p> <p>The AO issued a letter of demand for the cost of the remedial work, which the contractor rejected in March 2020 stating that there was no formal agreement that they would be liable for the cost and that they were not in a position to incur the cost, but confirmed their commitment to resolve the matter.</p> <p>A facilitator was appointed in July 2020 to mediate this matter. The mediation report produced in March 2021 recommended that the department write off this debt. The department accepted the recommendation of the mediator and intended to write off the amount.</p>
5.	1 July 2021	Payment for goods or services not received	<p>Payment was made to a service provider of bulk materials on 31 March 2017 for which the department did not receive an equivalent value of materials. The service provider acknowledged this debt on 13 April 2021.</p> <p>Irregularity: Non-compliance with TR 15.10.1.2(c) Impact: Financial loss to be quantified by AO</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.
COMMUNICATIONS PORTFOLIO					
South African Broadcasting Corporation					
6.	7 July 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>A contract for security services was awarded in August 2017 to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid.</p> <p>Irregularity: Non-compliance with PPPFA, section 2(1)(f) Impact: Material financial loss of R2,3 million</p>	Appropriate action by AO/AA in process	An investigation by the AA was concluded in October 2020. The AA will take further action in line with the SIU report and outcome of the court case, dealing with the same contract, which is still in progress.

No.	Notified	Type	MI description	Status	Status description
South African Post Office (Sapo)					
7.	12 November 2020	Inefficient use of resources – no benefit derived from cost	<p>Sapo was awarded the contract for the administration and processing of the payment of South African Social Security Agency grants through its then Postbank division in 2018. They were required to procure and implement an integrated grants payment system for this purpose. The system was not properly implemented and secured, resulting in the issuer master key for the bank cards of grant beneficiaries being compromised and fraudulent transactions taking place, which is likely to result in material financial losses.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(i) Impact: Material financial loss of R158 million</p>	Referral	<p>Postbank became a separate public entity in April 2019, which resulted in a disagreement between them and Sapo about whose responsibility it was to resolve the MI and for the limited actions that had been taken.</p> <p>The auditor-general approved the referral of the MI to the Hawks in September 2021 for further investigation.</p>
8.	26 August 2020	Sars late payments	<p>Sapo failed to pay the amount deducted and withheld for employees' pay-as-you-earn tax within seven days after the end of the month during which the amount was deducted or withheld. This resulted in penalties and interest being charged by Sars.</p> <p>Irregularity: Non-compliance with fourth schedule of Income Tax Act, section 2(1) Impact: Material financial loss of R2,9 million</p>	Resolved	<p>An investigation was undertaken by the AA and was concluded in May 2020. The investigation determined that Sapo did not have the funds to make the payment on time and no person was identified as being responsible.</p> <p>The investigation also found that there was no breakdown in controls, and that the unavailability of funds was the main root cause.</p> <p>Sapo applied for a remission to have Sars waive the interest and penalties, but this was not granted, as confirmed by Sars in October 2020.</p>
9.	26 August 2020	Sars late payments	<p>Sapo failed to pay the amount of value-added tax payable by the 25th day of the next month to which the tax related, or by the last day of that same month if the vendor filed the tax return electronically. As a result, penalties and interests were charged.</p>	Resolved	<p>An investigation was undertaken by the AA and was concluded in May 2020. The investigation determined that Sapo did not have the funds to make the payment on time and no person was identified as being responsible.</p>

No.	Notified	Type	MI description	Status	Status description
			<p>Irregularity: Value Added Tax Act, section 28(1)</p> <p>Impact: Material financial loss of R8,7 million</p>		<p>The investigation further found that there was no breakdown in controls and that the unavailability of funds was the main root cause.</p> <p>Sapo applied for a remission to have Sars waive the interest and penalties, which was not granted, as confirmed by Sars in October 2020.</p>
10.	12 November 2020	Inefficient use of resources – no benefit derived from cost	<p>Sapo failed to implement effective controls on the card management and South African Social Security Agency beneficiary payment system. This resulted in cards being susceptible to fraud or used to perpetuate fraud.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(i)</p> <p>Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.
11.	12 November 2020	Inefficient use of resources – no benefit derived from cost	<p>Cards that were lost because of a lack of internal controls were written off. Future losses are also likely to occur as appropriate internal controls are not yet in place.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(i)</p> <p>Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.
COOPERATIVE GOVERNANCE AND TRADITIONAL AFFAIRS PORTFOLIO					
Department of Cooperative Governance					
12.	13 August 2019	Payment for goods or services not received	<p>Payments were made in 2018-19 to non-qualifying government employees as part of the Community Work Programme due to ineffective internal controls for approving and processing payments.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by AO</p>	Recommendations	<p>A new AO was appointed in April 2020 and we allowed the new incumbent time to implement the planned actions to resolve the MI, keeping in mind the challenges brought about by the nationwide lockdown restrictions.</p> <p>An investigation commissioned by the preceding AO was concluded in October 2020, but did not quantify the financial loss, as the scope was too broad and not specific to the MI. The officials who were found responsible for the non-compliance</p>

No.	Notified	Type	MI description	Status	Status description
					<p>were suspended pending disciplinary proceedings, but no evidence was provided to confirm the recovery of the financial loss. Furthermore, controls were not implemented to prevent the non-compliance from recurring, which resulted in further losses due to continuing payments to some government employees.</p> <p>We included the following recommendations in the 2020-21 audit report, which should be implemented by 31 January 2022:</p> <ul style="list-style-type: none"> • The financial loss relating to non-qualifying participants should be appropriately and accurately quantified. • Appropriate action should be taken to recover the financial losses suffered by the department. • If it is determined that the department suffered financial losses through criminal acts, possible criminal acts or omission, this should be reported to the SAPS. • Appropriate and proactive internal controls should be implemented to prevent payments to non-qualifying government employees through validating participants and removing non-qualifying government employees from the database. • Government employees who confirmed that they have unduly benefitted from the programme should be reported to their employer and the Department of Public Service and Administration. • Effective and appropriate disciplinary steps should be taken against any official that the investigation finds to be responsible.
13.	13 August 2019	Payment for goods or services not received	Payments were made in advance to implementing agents, without evidence of goods and services having been received due to ineffective internal controls for approving and processing payments.	Appropriate action by AO/AA in process	Some implementing agents who were not complying with the requirements of the programme were referred to the internal audit unit for investigation and some contracts were subsequently terminated.

No.	Notified	Type	MI description	Status	Status description
			<p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by AO</p>		<p>An investigation conducted by the AO with the implementing agents cleared a significant portion of the financial losses.</p> <p>Another investigation was concluded in October 2020, and six officials found to be responsible for the MI were suspended in November 2020 and are still on suspension.</p> <p>The remaining outstanding invoices are being followed up to determine if any amount should be recovered from the non-profit organisations. This part of the investigation will be concluded as part of close-out procedures, as the contracts only ended in September 2021.</p>
14.	26 August 2019	Payment for goods or services not received	<p>Project management fees were paid to implementing agents of the Contract Work Programme from April 2018 to March 2021, without evidence of goods and services having been received due to ineffective internal controls for approving and processing payments.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>An investigation was concluded in October 2020. Six officials found to be responsible were suspended in November 2020 and are still on suspension.</p> <p>The contracts of the implementing agents ended in September 2021. The department would only then have been able to determine the project management fees paid versus the amount payable to the implementing agents, taking into account the retention fees and any project management fees not supported in the determination. Subsequent to the close-out procedures, overpayments (if any) will be deducted from the retention fees.</p>
15.	24 July 2019	Payment for goods or services not received	<p>An incorrect grant payment was made to a supplier in July and August 2018 due to ineffective internal controls for approving and processing payments. The department was unable to recover all the money from the supplier.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R103 million</p>	Appropriate action by AO/AA in process	<p>In 2019-20, the Hawks, State Attorney and SIU took the incorrectly paid supplier to court to recover the financial loss; these proceedings are currently still in process.</p> <p>The AO tasked the internal audit unit with conducting an investigation to identify responsible officials, which was completed in 2020-21. Disciplinary action was taken against five of the six officials identified as responsible; except for one case, disciplinary hearings were conducted and consequences effected.</p>

No.	Notified	Type	MI description	Status	Status description
16.	13 August 2019	Payment for goods or services not received	<p>Payments were made in 2018-19 to deceased participants in the Community Work Programme due to ineffective internal controls for approving and processing payments.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R0,2 million</p>	Appropriate action by AO/AA in process	<p>In October 2019, the AO appointed a service provider to perform an investigation, which was concluded in October 2020.</p> <p>Deceased participants and participants with incorrect ID numbers were removed from the Community Work Programme Management Information System or recaptured with the correct ID numbers.</p> <p>The financial losses relating to deceased participants have been quantified, and would be recovered from the non-profit organisations after their contracts had ended in September 2021. The recovery will be done after all documentation had been submitted and close-out procedures had been performed.</p> <p>The six officials found to be responsible for the MI are still suspended.</p>
DEFENCE AND MILITARY VETERANS PORTFOLIO					
Department of Defence					
17.	18 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>In February 2017, the department awarded a contract for inventory and asset management for a period of five years, starting in March 2017. The department did not comply with the requirements of the PPPFA in awarding this contract because it did not award the entire contract to the bidder who scored the highest points in the evaluation process.</p> <p>The non-compliance is likely to result in a material financial loss, as the contract was awarded to two bidders on a 50-50 basis at an increased price of R922 million for the same scope of work. This resulted in an increase of R250,6 million to the project cost.</p>	Remedial action	<p>The AO disagreed with the notification and stated that there was no non-compliance in awarding the contract. The National Treasury then further investigated the matter and confirmed in February 2020 that legislation had been contravened in the awarding of this contract.</p> <p>We included recommendations in the 2019-20 audit report, which the AO was required to implement by 30 November 2020.</p> <p>Based on our assessment of the written response and supporting evidence submitted by the AO, we concluded that the recommendations had not been adequately implemented</p>

No.	Notified	Type	MI description	Status	Status description
			<p>Irregularity: Non-compliance with PPPFA, section 2(1)(f)</p> <p>Impact: Material financial loss of R250,6 million</p>		<p>and gave extension until 30 April 2021 to implement those recommendations. Although the AO did conduct an investigation, limitations were cited in terms of the Defence Act as far as it relates to taking disciplinary action against military command members.</p> <p>We concluded that the recommendations had not been implemented adequately, particularly those relating to determining the amount of the financial loss and taking disciplinary action against non-military personnel, as the AO can take this type of action.</p> <p>On 18 August 2021, the auditor-general issued a directive to the AO to determine the amount of the financial loss and recover such loss or make progress with the recovery of the loss from the responsible person(s) by 18 November 2021. In addition, she notified the AO of the following remedial actions to address the MI, which should be implemented by the same date:</p> <ul style="list-style-type: none"> • Effective and appropriate disciplinary steps must be taken against any civilian official found to be responsible by the investigation, and appropriate action must be taken to determine whether any such person is liable for the losses suffered by the department for the purpose of recovery. • Steps must be taken to ensure that the chief of the South African National Defence Force takes the same actions against any military command officials found to be responsible by the investigation. If the required action is not taken, the AO must promptly notify the executive authority of such failure.

No.	Notified	Type	MI description	Status	Status description
18.	11 August 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>In July 2019, the department awarded a contract worth R13,9 million for the supply and delivery of fuel to a supplier using evaluation criteria that differed from those stipulated in the original request for quotations. The latter stipulated that the award would be made to a bidder with a lower price, but the department indicated that they rotated suppliers and used an average price as the evaluation criteria to award this contract. The mode of transport was also changed after the award, which resulted in a further price increase.</p> <p>The awarding of the contract using different criteria resulted in non-compliance with the TR, which requires the supply chain management process to be fair, transparent, competitive and cost-effective. The non-compliance caused a material financial loss of R2,6 million due to a higher price being paid for fuel.</p> <p>Irregularity: Non-compliance with TR 16A.3.2(a) Impact: Material financial loss of R2,6 million</p>	Referral	<p>In November 2020, the AO completed an investigation and disagreed that there was any non-compliance with legislation in awarding this contract.</p> <p>In September 2021, the auditor-general approved the referral of the MI to the Hawks for further investigation.</p>
19.	11 August 2020	Inefficient use of resources – no benefit derived from cost	<p>The department made lease payment from 2015-16 to 2019-20 for unoccupied office buildings.</p> <p>Irregularity: Non-compliance with PFMA, section 45(b) Impact: Material financial loss of R108,3 million</p>	Recommendations	<p>The AO responded with planned actions to resolve the MI, which we considered appropriate. In April 2021, we submitted a request for information on the progress made in addressing the MI but did not receive a response; hence, we concluded that appropriate action was not taken.</p> <p>The following recommendations for implementation by 11 November 2021 were included in the 2020-21 audit report:</p> <ul style="list-style-type: none"> • The financial loss should be quantified and the officials responsible for the financial loss identified, in accordance with the applicable National Treasury instruction notes dealing with fruitless and wasteful expenditure. • Effective and appropriate disciplinary steps should commence against any civilian official that the investigation finds to be responsible.

No.	Notified	Type	MI description	Status	Status description
					<ul style="list-style-type: none"> • Effective and appropriate disciplinary steps should commence against any military command official that the investigation finds to be responsible. • Appropriate action should be taken to determine whether the responsible official/s is/are liable by law for the losses suffered by the department for the purpose of recovery.
20.	15 July 2021	Uneconomical procurement, resulting in overpricing of goods and services procured	<p>The department procured 1 000 infrared thermometers in April 2020 at prices higher than those recommended (R3 984,75 as opposed to R2 727,86 each). This procurement at excessive prices resulted in a financial loss for the department.</p> <p>Irregularity: Non-compliance with National Treasury Instruction Note 8 of 2019-20 (annexure A, table 2)</p> <p>Impact: Material financial loss of R0,9 million</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.
21.	13 August 2021	Inefficient use of resources – no benefit derived from cost	<p>The department imported 970 895 vials of the unregistered drug Heberon at an estimated cost of R260,6 million from a Cuban supplier without approval from the South African Health Products Regulatory Authority (Sahpra). Only R34,86 million has been paid to the supplier to date.</p> <p>Sahpra authorised the use of 10 vials of Heberon on a single patient but rejected the department's bulk stock application in October 2020. Sahpra granted no further approvals. The outstanding approvals, together with the approaching expiry dates, will most likely result in the department not administering some or all of the remaining drugs.</p> <p>Irregularity: Non-compliance with regulation 6.2 of the General Regulations (R859 of 2017) issued under the Medicines and Controlled Substances Act</p> <p>Impact: Material financial loss of R260,3 million</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.

No.	Notified	Type	MI description	Status	Status description
EMPLOYMENT AND LABOUR PORTFOLIO					
Compensation Fund (CF)					
22.	21 July 2021	Payment for goods or services not received	<p>An overpayment of R12,9 million was made to a medical service provider between August 2014 and April 2017 due to a lack of effective internal controls around approving and processing payments to medical service providers.</p> <p>After this payment was identified, through an investigation, an arrangement was made with the service provider to repay the amount but they did not honour the agreement in full. This resulted in a financial loss in the form of the unpaid balance.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(i) Impact: Financial loss to be quantified by AA</p>	Appropriate action by AO/AA in process	The CF is currently investigating this matter, which is scheduled to be completed by March 2022.
23.	10 September 2021	Payment not made or not made in time resulting in interest / standing time / penalties	<p>The CF failed to pay medical invoices within 75 days as ordered by the court. Consequently, the medical company instituted further legal action against the CF in an attempt to get the invoices settled. The CF also had to pay interest on the late payments.</p> <p>Irregularity: Non-compliance with PFMA, section 51(a)(i) Impact: Material financial loss of R13,7 million</p>	Appropriate action by AO/AA in process	The CF is currently investigating this matter, which is scheduled to be completed by March 2022.

No.	Notified	Type	MI description	Status	Status description
ENVIRONMENTAL, FORESTRY AND FISHERIES PORTFOLIO					
Komatiland Forests					
24.	18 August 2021	Non-compliance, resulting in penalties	<p>Taxable income and provisional tax for the 2018 assessment year were understated, resulting in penalties being charged. The base amounts used for the estimate were below the taxable income that had been achieved in the preceding year (2017).</p> <p>Irregularity: Non-compliance with fourth schedule of Income Tax Act, section 19(1)(c) & (d)(ii)</p> <p>Impact: Material financial loss of R1.7 million</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.
FINANCE PORTFOLIO					
National Treasury					
25.	13 May 2021	Inefficient use of resources – no benefit derived from cost	<p>Payments were made for technical support and maintenance on the Integrated Financial Management System (IFMS) while not in use. Care was not taken to ensure that the expenditure incurred was aligned to the implemented IFMS project.</p> <p>Irregularity: Non-compliance with PFMA, section 38(1)(b)</p> <p>Impact: Material financial loss of R336 million</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.
HIGHER EDUCATION, SCIENCE AND TECHNOLOGY PORTFOLIO					
National Skills Fund (NSF)					
26.	6 August 2021	Payment for goods or services not received	The NSF entered into a project funding agreement with an academy for a learnership programme from July 2017 to June 2018, at a contracted amount of R84 167 125.	Follow-up or assessment in process	<p>We are evaluating the AO/AA response to the newly identified MI.</p> <p>We re-issued the notification to the acting director-general, as the previous incumbent had been suspended.</p>

No.	Notified	Type	MI description	Status	Status description
			<p>A change request was made, resulting in a subsequent change in the contract amount and an extension of the contract period to March 2021. In the process, the NSF approved and paid for three credits that had already been included in the original modules as additional modules.</p> <p>Irregularity: Non-compliance with PFMA, section 57(b) Impact: Estimated material financial loss of R3,2 million</p>		
National Student Financial Aid Scheme (NSFAS)					
27.	15 October 2020	Payment made was not in line with contract	<p>The NSFAS disbursed tuition fees and allowances to students from 2017-18 above the maximum amounts stipulated in the written agreements with the students, as a result of ineffective controls. In some cases, the amounts in the agreements were incorrect; while in other cases, the disbursed amounts were more than the total cost of study for the students.</p> <p>The non-compliance is likely to result in a material financial loss if the overpayments are not recovered from the students and tertiary institutions.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(i) Impact: Financial loss to be quantified by AA</p>	Appropriate action by AO/AA in process	<p>The AA enlisted a service provider to assist with a full investigation to quantify all errors and resolve all scenarios where over-disbursements occurred.</p> <p>The NSFAS had quantified the cumulative over-disbursements as at 31 March 2021 and was awaiting board approval to proceed with resolving each scenario.</p> <p>The proposed plan of action includes issuing revised student contracts and recovering disbursements above students' cost of study from institutions.</p>

No.	Notified	Type	MI description	Status	Status description
28.	4 November 2020	Debt not recovered	<p>Tertiary institutions (universities as well as technical and vocational education and training colleges) owe the NSFAS money due to students deregistering or being awarded bursaries by other donors and thus not using the NSFAS's funding, or due to disbursements exceeding the students' total cost of study. As most of the institutions have not been following the processes for declaring amounts owing to the NSFAS since 2017, the scheme did not record and collect these amounts.</p> <p>The non-compliance is likely to result in a material financial loss if the debt is not recovered from the institutions.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(c) Impact: Financial loss to be quantified by AA</p>	Appropriate action by AO/AA in process	<p>A service provider was appointed to assist with reconciling the data of the NSFAS and that of the institutions at student level for the 2017, 2018, 2019 and 2020 academic years (the close-out project).</p> <p>A debtors' circularisation process to confirm the amounts owed by institutions, as recorded by the institutions themselves, was completed in August 2021.</p> <p>Recoveries would have commenced after completion of the close-out project in September 2021.</p>
29.	4 November 2020	Unbilled revenue	<p>In terms of the NSFAS's policy, interest on student loans is supposed to be charged one year after students graduate or leave the tertiary institution. The NSFAS did not have up-to-date information on the status of students, resulting in loan recipients who are no longer studying continuing to be recognised as students for many years without interest being charged on their loans.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(b)(i) Impact: Financial loss to be quantified by AA</p>	Appropriate action by AO/AA in process	<p>The AA enlisted a service provider to investigate the root causes, calculate the estimated interest loss and carry out a phased-in approach to correct the affected records. This process is currently in progress.</p> <p>The AA is planning to incorporate the interest correction into the loan book system and communicate the updated statements to those debtors who had additional interest added to their accounts.</p>

No.	Notified	Type	MI description	Status	Status description
HUMAN SETTLEMENTS, WATER AND SANITATION PORTFOLIO					
Department of Water and Sanitation					
30.	17 July 2019	Payment for goods or services not received	<p>Payments were made in 2018-19 to a consulting firm for financial management services without evidence of work having been performed.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R17,9 million</p>	Appropriate action by AO/AA in process	<p>Based on an investigation concluded in July 2018, the AO undertook the following actions:</p> <ul style="list-style-type: none"> • Opened a criminal case with the SAPS in July 2018. • Initiated disciplinary procedures in October 2018 against the officials involved. • The officials resigned but one official joined another department. A request was submitted to that department in June 2020 to continue with the disciplinary process. • A summons was filed with the High Court to declare the contract invalid and recover losses in November 2018. The application to declare the contract invalid has since been withdrawn as it was no longer relevant, but court proceedings to recover the financial loss continue. The defendant has instituted a counterclaim against the department as part of the court proceedings. The court case was still in progress on 22 October 2021. • Internal control measures to enhance the monitoring of the performance of service providers were implemented.
Umgeni Water Board (KZN)					
31.	17 March 2021	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>A service provider who had not submitted an original / certified B-BBEE certificate was incorrectly awarded points for having met this provision and was awarded the contract. This resulted in higher prices being paid as the bidder who would have had the highest points had quoted a lower price than the appointed service provider.</p> <p>Irregularity: Non-compliance with PPR 10(2) Impact: Financial loss to be quantified by AA</p>	Appropriate action by AO/AA in process	An investigation was concluded and its findings tabled to the board. The board resolved to appoint a legal expert to assist with the implementation of the recommendations in the report. This process was still underway in October 2021.

No.	Notified	Type	MI description	Status	Status description
Water Trading Entity					
32.	18 July 2019	Unbilled revenue	<p>Customers were not billed for water usage for a number of years.</p> <p>Irregularity: Non-compliance with TR 7.2.1 Impact: Material financial loss of R346 million</p>	Appropriate action by AO/AA in process	<p>An investigation completed in February 2021 identified significant control weaknesses as the cause of the MI.</p> <p>A total of R344,5 million of the revenue in question had been billed by 31 March 2021.</p> <p>A chief director: revenue management was appointed in June 2021 to provide oversight of the billing process. The recruitment for the post of chief director: water use licence management is ongoing.</p> <p>As the previous acting chief financial officer and acting director-general were no longer in the employ of the entity, disciplinary action cannot be taken against them.</p>
33.	18 July 2019	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>An advance payment was not made to a service provider as required by the contract – the court found in favour of the service provider and ordered the entity to pay interest.</p> <p>Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R2,2 million</p>	Appropriate action by AO/AA in process	<p>An investigation was completed in June 2020 and the officials responsible for incurring fruitless and wasteful expenditure were identified.</p> <p>The AO requested legal advice, which confirmed in December 2020 that the losses can be recovered from the identified officials.</p> <p>Recovery letters requesting payment of the losses suffered, within 30 days, were sent to the three implicated former employees in May 2021.</p> <p>Legal representatives of the former employees requested the investigation report, information supporting the claim and permission to provide their representations in these claims.</p> <p>The AO has since reopened the investigation to allow the consideration of representations from the lawyers of the former employees.</p>

No.	Notified	Type	MI description	Status	Status description
PUBLIC ENTERPRISES PORTFOLIO					
Transnet					
34.	4 August 2021	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>A tender for the leasing of equipment was advertised in July 2019. The contract was not awarded to bidders who scored the highest points, resulting in contracting at higher amounts than quoted by another bidder.</p> <p>Irregularity: Non-compliance with PPPFA, section 2(1)(f) Impact: Material financial loss of R29,4 million</p>	Appropriate action by AO/AA in process	<p>An independent investigation by Transnet is underway. The AA anticipated finalising the forensic investigation no later than 15 December 2021.</p> <p>Based on the outcome of the investigation, the AA will institute disciplinary action against any individuals found to be responsible, in line with Transnet's disciplinary management processes.</p>
35.	4 August 2021	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>The contract amount exceeded the tendered prices for the leasing of equipment. The prices as indicated per the contract were higher than the prices quoted by the bidders. This led to a higher contract value and higher prices being paid since the inception of the contract in January 2020.</p> <p>Irregularity: Non-compliance with PFMA, section 57(b) Impact: Material financial loss of R1,7 million.</p>	Appropriate action by AO/AA in process	<p>An independent investigation by Transnet is underway. The AA anticipated finalising the forensic investigation no later than 15 December 2021.</p> <p>Based on the outcome of the investigation, the AA will institute disciplinary action against any individuals found to be responsible, in line with Transnet's disciplinary management processes.</p>
PUBLIC WORKS AND INFRASTRUCTURE PORTFOLIO					
Department of Public Works and Infrastructure					
36.	3 September 2020	Payment made was not in line with contract	<p>The prices charged on the invoices for three state events from July 2018 to November 2018 differed from the prices quoted on the pricing schedule submitted by the supplier during the tender process.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R0,8 million</p>	Recommendations	<p>The AO did not take appropriate actions to resolve the MI within a reasonable time.</p> <p>We included the following recommendations in the 2020-21 audit report, which should be implemented by 3 February 2022:</p> <ul style="list-style-type: none"> The irregular expenditure should be investigated and the financial loss quantified.

No.	Notified	Type	MI description	Status	Status description
					<ul style="list-style-type: none"> • Appropriate action should be taken to recover the financial loss suffered by the department from the supplier. • Effective and appropriate disciplinary steps should commence against any official found to be responsible by the investigation.
37.	3 September 2020	Payment made was not in line with contract	<p>Expenditure on state funerals between May 2018 and December 2018 exceeded the contract amount, and the services paid for differed from those provided for in the contracts.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R9,1 million</p>	Appropriate action by AO/AA in process	<p>The investigation by the AO was finalised in March 2019.</p> <p>The department's executive authority, together with the acting AO and the executive authority in the Office of the Presidency, is proceeding with disciplinary action against the officials responsible. This process has been prolonged by litigation levelled by the implicated officials against the department.</p> <p>The department implemented segregation of duties within the procurement and payment processes to reduce the possibility of circumventing policies and legislation.</p> <p>The AO opened a criminal case with the SAPS against the service provider and notified the supplier of the intention to prohibit the supplier from doing business with the state. The service provider requested a three-month extension to submit their representations in response to the notification. The matter is in progress with the restriction committee.</p> <p>An investigation by the SIU commenced in 2021, with the aim to institute a civil claim against the supplier based on the outcome of the investigation. The contract with the supplier was terminated in 2019-20.</p>

No.	Notified	Type	MI description	Status	Status description
Property Management Trading Entity					
38.	13 November 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Competitive bidding processes were not followed to appoint contractors and consultant for the Beitbridge borderline infrastructure project in March 2020.</p> <p>This is likely to result in material financial losses, as market-related prices were not secured.</p> <p>Irregularity: Non-compliance with TR 16A3.2(a)</p> <p>Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The public works and infrastructure minister requested an investigation by the governance, risk and control unit of the department, assisted by seconded members from the SIU, which commenced in April 2020 and concluded in July 2020.</p> <p>In November 2020, the SIU instituted legal action against suppliers with the Special Tribunal, which held a trial from 4 to 8 October 2021 concerning this matter. The parties are awaiting the outcome of the court hearing.</p> <p>The National Treasury placed both companies under restriction on 21 September 2021 for a period of 10 years.</p> <p>Disciplinary action against responsible officials is also in progress.</p>
39.	13 November 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Establishment costs were incorrectly included in the bill of quantities pertaining to the Beitbridge borderline infrastructure project in March 2020, due to ineffective internal controls to prevent the inclusion and payment thereof.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R1,1 million</p>	Appropriate action by AO/AA in process	<p>The public works and infrastructure minister requested an investigation by the governance, risk and control unit of the department, assisted by seconded members from the SIU, which commenced in April 2020 and concluded in July 2020.</p> <p>In November 2020, the SIU instituted legal action against suppliers with the Special Tribunal, which held a trial from 4 to 8 October 2021 concerning this matter. The parties are awaiting the outcome of the court hearing.</p> <p>The National Treasury placed both companies under restriction on 21 September 2021 for a period of 10 years.</p> <p>Disciplinary action against responsible officials is also in progress.</p>

No.	Notified	Type	MI description	Status	Status description
40.	26 August 2021	Assets not safeguarded, resulting in loss	<p>Assets (boilers) at Leeuwkop Prison were not appropriately safeguarded during construction, resulting in them being damaged due to exposure to severe weather conditions.</p> <p>Irregularity: Non-compliance with TR 10.1.1(a) Impact: Financial loss to be quantified by A0</p>	Follow-up or assessment in process	We are evaluating the A0/AA response to the newly identified MI.
41.	27 August 2021	Payment made was not in line with contract	<p>Between October 2017 and March 2019, payments made on the lease of office accommodation and parking were higher than those provided for in the renewed lease agreement. This was due to a lack of effective internal controls over approving and processing payments.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by A0</p>	Follow-up or assessment in process	We are evaluating the A0/AA response to the newly identified MI.
SOCIAL DEVELOPMENT PORTFOLIO					
South African Social Security Agency (Sassa)					
42.	23 August 2021	Payment for goods or services not received	<p>In April 2018, Sassa made an automatic bank payment directly into the bank account of Cash Paymaster Services (CPS) relating to grant payments to beneficiaries of social assistance grants. CPS had billed Sassa for this amount for a service they had not rendered. When Sassa realised that CPS was not entitled to the payment, a letter of demand and summons were issued to CPS. CPS defended this and claimed that they were in fact entitled to the payment.</p> <p>CPS is now being liquidated after a court ruling against the application for the company to be placed under business rescue.</p> <p>Irregularity: Non-compliance with PFMA, section 50(1)(a) & (b) Impact: Financial loss to be quantified by A0</p>	Follow-up or assessment in process	We are evaluating the A0/AA response to the newly identified MI.

No.	Notified	Type	MI description	Status	Status description
TRANSPORT PORTFOLIO					
Passenger Rail Agency of South Africa (Prasa)					
43.	17 July 2019	Procurement non-compliance, resulting in supplier not delivering on contract	<p>Multiple instances of non-compliance in the procurement process for locomotives in July 2012 resulted in the contract being unfairly awarded. A prepayment of R2,6 billion was made to the supplier, but Prasa derived no value, as the locomotives were not fit for purpose. The supplier applied for liquidation in December 2018, making recovery of the financial loss unlikely and resulting in R2,2 billion in debt owed by the supplier to Prasa being impaired in 2018-19.</p> <p>The investigation by the board in 2015 resulted in the matter being referred to the Hawks for investigation and the contract being set aside by the court in May 2019. The second phase of the investigation into implicated officials is still in progress.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii) Impact: Material financial loss of R2,2 billion</p>	Remedial action	<p>As little action had been taken to address the MI, the 2018-19 audit report included recommendations that should have been implemented by 31 March 2020.</p> <p>Delays were experienced with the implementation of the recommendations due to changes at AA level and the lockdown measures implemented in response to covid-19. As a result, we granted the new AA an extension for the implementation of the recommendations.</p> <p>To implement the recommendations, Prasa requested the SIU to assist with the finalisation of the investigation into the MI through the secondment of resources for six months. The recommendations were not implemented appropriately, however, as the SIU report did not address the purpose of the investigation, namely to identify the responsible officials for disciplinary action. In addition, the AA's response did not indicate what specific actions would be taken and by when, based on the SIU's report.</p> <p>On 15 September 2021, the auditor-general notified the AA of the following remedial action that must be implemented by 15 December 2021:</p> <ul style="list-style-type: none"> • Appropriate action must be taken to determine the role of the individual bid evaluation and bid adjudication committee members in the appointment of the supplier. • Appropriate action must be taken to identify any other employees who were either actively or passively involved in the appointment of the supplier.

No.	Notified	Type	MI description	Status	Status description
					<ul style="list-style-type: none"> Effective and appropriate disciplinary steps must commence against the individual bid evaluation and bid adjudication committee members and any other employees found to be responsible.
44.	17 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Competitive bidding processes were not followed to appoint contractors for general overhaul and upgrade services – first awarded before 2008 and extended multiple times without following competitive bidding processes.</p> <p>This is likely to result in material financial losses, as market-related prices were not secured.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii) Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.
45.	17 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Non-compliance with supply chain management legislation led to an unfair procurement process for a new signalling system in the Western Cape in July 2012. The value of the contract awarded was also higher than what had been approved.</p> <p>This is likely to result in material financial losses, as a fair and transparent process was not followed and there was no justification for the contract value exceeding the approved amount.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii) Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.
46.	18 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Competitive bidding processes were not followed to appoint contractors for the provision of bus services in the Western Cape – first awarded in 2005 and extended multiple times without following competitive bidding processes.</p> <p>This is likely to result in material financial losses, as market-related prices were not secured.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii) Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.

No.	Notified	Type	MI description	Status	Status description
47.	18 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Competitive bidding processes were not followed to appoint contractors for the provision of surveillance services (drones) in February 2018.</p> <p>This is likely to result in material financial losses, as market-related prices were not secured and the contract was extended without the required approvals.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii) Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.
48.	18 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Competitive bidding processes were not followed for the repair, supply and delivery of signalling equipment in July 2018. The value of the contract awarded was also higher than what had been approved.</p> <p>This is likely to result in material financial losses, as market-related prices were not secured.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii) Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.
49.	11 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>A contract for the control of vegetation was awarded in August 2018 to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii) Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.
50.	18 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Competitive bidding processes were not followed in awarding a contract for repairing or replacing signalling equipment in July 2018. The value of the contract awarded was also higher than what had been approved.</p> <p>This is likely to result in material financial losses, as market-related prices were not secured.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii) Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.

No.	Notified	Type	MI description	Status	Status description
51.	18 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Competitive bidding processes were not followed to appoint contractors for the provision of security services in February 2018.</p> <p>This is likely to result in material financial losses, as market-related prices were not secured and the contract was extended without the required approvals.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(a)(iii)</p> <p>Impact: Financial loss to be quantified by AA</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.

MIs in provincial government

No.	Notified	Type	MI description	Status	Status description
EASTERN CAPE					
Education					
52.	3 August 2020	Payment for goods or services not received	<p>The department made payments in 2019-20 and 2020-21 for a school furniture refurbishment service that was not rendered. This was due to a lack of effective controls for approving and processing payments, as the payments were not approved by the department's project managers.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The AO conducted an investigation, which identified two responsible officials. Disciplinary processes against these officials are in progress.</p> <p>A written communication was sent to the supplier requesting that all the outstanding furniture be delivered by 31 August 2021.</p> <p>The matter was reported to the SAPS and the Mthatha commercial crimes unit in December 2020.</p>
53.	22 July 2021	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>Various suppliers working on maintenance and construction projects at the Sijoka early childhood development centre and the Chebenca P farm school were not paid within 30 days, resulting in interest being charged.</p> <p>Irregularity: Non-compliance with TR 8.2.3 Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>An investigation will be conducted by the internal control unit and a report submitted accordingly.</p> <p>The department is tracking invoices within the different sections to expedite the payment process.</p> <p>The department requested additional funding in the form of an overdraft of R1,4 billion from the provincial treasury between 2019-20 and 2020-21 to address the issue of non-payments of suppliers due to a lack of funds.</p> <p>The department is reducing annual targets for infrastructure to alleviate the pressure on infrastructure payments.</p>
54.	22 July 2021	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>A payment to a supplier responsible for renovating and redeveloping the Healdtown school campus was not made within 30 days. This led to the supplier instituting legal proceedings against the department and charging interest.</p>	Appropriate action by AO/AA in process	<p>An investigation will be conducted by the internal control unit and a report submitted accordingly.</p> <p>The department is tracking invoices within the different sections to expedite the payment process.</p>

No.	Notified	Type	MI description	Status	Status description
			<p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Financial loss to be quantified by A0</p>		<p>The department requested additional funding in the form of an overdraft of R1,4 billion from the provincial treasury between 2019-20 and 2020-21 to address the issue of non-payments of suppliers due to a lack of funds.</p> <p>The department is reducing annual targets for infrastructure to alleviate the pressure on infrastructure payments.</p>
55.	22 July 2021	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>The department did not pay a service provider responsible for a document management centre project within 30 days, resulting in interest being charged.</p> <p>Irregularity: Non-compliance with TR 8.2.3</p> <p>Impact: Financial loss to be quantified by A0</p>	Appropriate action by A0/AA in process	<p>An investigation will be conducted by the internal control unit and a report submitted accordingly.</p> <p>The department is tracking invoices within the different sections to expedite the payment process.</p> <p>The department requested additional funding in the form of an overdraft of R1,4 billion from the provincial treasury between 2019-20 and 2020-21 to address the issue of non-payments of suppliers due to a lack of funds.</p> <p>The department is reducing annual targets for infrastructure to alleviate the pressure on infrastructure payments.</p>
56.	26 July 2021	Payment for goods or services not received	<p>The department made payments in December 2020 to a supplier appointed for manufacturing and delivering school furniture but the goods were not delivered.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by A0</p>	Appropriate action by A0/AA in process	<p>The enterprise risk and integrity management unit conducted an investigation into the matter. The investigative report was produced in July 2021 and found that the director of school resourcing should be held accountable for the financial loss.</p> <p>The director was suspended for failure to execute his fiduciary duties by approving payments for goods that had not yet been received.</p> <p>The State Attorney has been requested to recover an amount of R1,53 million from the supplier, with interest.</p> <p>The matter has been reported to the SAPS.</p>
57.	9 September 2021	Payment for goods or services not received	<p>The covid-19 presidential fund was used contrary to its intended purpose; the non-compliance included:</p> <ul style="list-style-type: none"> • Double payment of educators • Payment of educators already paid through the Personnel and Salary System from funds intended for the youth 	Appropriate action by A0/AA in process	<p>The department is conducting an investigation, which was expected to have been completed by 31 October 2021, to determine the root causes and the persons responsible for the overpayments.</p> <p>The department sent letters, via the district offices, instructing schools to start the recovery process.</p>

No.	Notified	Type	MI description	Status	Status description
			<ul style="list-style-type: none"> • Payment of non-teaching staff • Youth paid more than the set amounts <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by AO</p>		
Health					
58.	31 August 2021	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>The department did not pay a contractor within the required 30 days. The supplier left the site and charged the department for standing time, which the department paid without receiving any additional value.</p> <p>Irregularity: Non-compliance with TR 8.2.3 Impact: Financial loss to be quantified by AO</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.
59.	21 October 2021	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>As the department did not pay amounts as per court judgements for medical legal claims within 30 days, it had to pay interest on the late payments.</p> <p>Irregularity: Non-compliance with PFMA, section 38(1)(f) and TR 8.2.3 Impact: Financial loss to be quantified by AO</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.
Human Settlements					
60.	30 October 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>A contract for housing units valued at R30,9 million was awarded to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid as the cost of units from the appointed bidder was higher than that of the bidder scoring the highest points.</p> <p>Irregularity: Non-compliance with PPPFA, section 2(1)(f) Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The AO has applied to the High Court for this contract to be set aside. The High Court heard the matter and confirmed that there had been an irregularity, but did not issue an order to cancel the contract. The High Court concluded that the department could continue with the contract.</p> <p>The AO initiated a conduct review to identify the responsible officials and is currently implementing consequence management against them.</p>

No.	Notified	Type	MI description	Status	Status description
61.	30 October 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>A contract for housing units valued at R16,8 million was awarded to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid as the cost of units from the appointed bidder was higher than that of the bidder scoring the highest points.</p> <p>Irregularity: Non-compliance with PPPFA, section 2(1)(f) Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The AO has applied to the High Court for this contract to be set aside. The High Court heard the matter and confirmed that there had been an irregularity, but did not issue an order to cancel the contract. The High Court concluded that the department could continue with the contract.</p> <p>The AO initiated a conduct review to identify the responsible officials and is currently implementing consequence management against them.</p>
62.	30 October 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>A contract for housing units valued at R21.4 million was awarded to a bidder who did not score the highest points in the evaluation process, resulting in higher prices being paid as the cost of units from the appointed bidder was higher than that of the bidder scoring the highest points.</p> <p>Irregularity: Non-compliance with PPPFA, section 2(1)(f) Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The AO has applied to the High Court for this contract to be set aside. The High Court heard the matter and confirmed that there had been an irregularity, but did not issue an order to cancel the contract. The High Court concluded that the department could continue with the contract.</p> <p>The AO initiated a conduct review to identify the responsible officials and is currently implementing consequence management against them.</p>
Transport					
63.	7 July 2020	Assets not safeguarded, resulting in loss	<p>A construction grader was stolen in July 2019 from the premises of a community member, having been left there with the keys and operator tag inside the vehicle.</p> <p>Irregularity: Non-compliance with PFMA, section 38(1)(d) Impact: Material financial loss of R1,5 million</p>	Appropriate action by AO/AA in process	<p>The departmental investigation committee concluded an investigation in August 2020.</p> <p>The theft was reported to the SAPS in July 2019. The SAPS is in the process of recovering the grader as it had been found in Lesotho.</p> <p>The AO instituted disciplinary action in February 2021 with the intention to conclude it by July 2021. This process was, however, still in progress by the end of September 2021.</p>
64.	21 October 2020	Payment for goods or services not received	<p>Payments were made in November 2016 and February 2017 for a fire truck that the department had not received.</p>	Appropriate action by AO/AA in process	<p>A letter of demand and summons were served on the supplier in November 2020. The supplier had, however, gone into business rescue in October 2017 and the company was taken over by new owners.</p>

No.	Notified	Type	MI description	Status	Status description
			<p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Financial loss to be quantified by A0</p>		<p>The A0 is currently waiting for a legal opinion from the State Attorney pertaining to the prospects of recovery from the new owner. The State Attorney has confirmed that the Johannesburg state attorney's office had received the summons and that it must still be served on the supplier. The State Attorney is awaiting confirmation of this action.</p> <p>Disciplinary actions were taken from July 2018 to April 2020 against the responsible officials. The outcome of the disciplinary process resulted in the following:</p> <ul style="list-style-type: none"> • The chief director involved was demoted. • Lower-level staff involved were docked a month's salary.
FREE STATE					
Education					
65.	16 August 2021	Sars late payments, resulting in interest and penalties	<p>Employee taxes on leave gratuities and pro-rata bonuses paid to retiring employees were not withheld and paid to Sars for the 2013 to 2016 tax periods.</p> <p>The department applied for a tax directive instead and incorrectly stated on the application forms that the payments were in lieu of severance benefits payable upon retirement. The matter was concluded by Sars on the final audited assessment dated 13 June 2017. The department paid R55,4 million in interest and penalties to Sars on 9 July 2020.</p> <p>Irregularity: Non-compliance with fourth schedule of Income Tax Act, section 2(1)</p> <p>Impact: Financial loss to be quantified by A0</p>	Appropriate action by A0/AA in process	<p>The circumstances that resulted in the irregularity no longer exist, since the department is no longer requesting a tax directive from Sars for the payment of pro-rata bonuses and leave gratuities.</p> <p>The department committed to investigate the loss to determine whether any official is liable and to take the necessary disciplinary steps. We will follow up the implementation of the planned action during the 2021-22 audit.</p>
66.	7 July 2020	Procurement non-compliance, resulting in	The department did not evaluate a bidder, who had achieved the minimum qualifying score for functionality criteria, for a contract to train teachers on information	Resolved	The contract was terminated in July 2020 before any services were received or any payments were made, thus preventing any losses.

No.	Notified	Type	MI description	Status	Status description
		overpricing of procured goods and services	and communication technology. Consequently, the contract was awarded to another bidder at a higher price of R27,6 million, as opposed to the R19,4 million quoted by the disqualified bidder. Irregularity: Non-compliance with PPR 5(7) Impact: Financial loss to be quantified by AO		In September 2020, the AO implemented an additional internal control measure, instructing the internal audit unit to verify all bid evaluation reports and bid documents before their approval. We confirmed during the 2020-21 audit that the unit did review tenders before confirming the awarding thereof. The internal audit unit investigated the matter and recommended consequence management as guided by the PFMA. Sanctions were instituted against the members of the bid evaluation committee in the form of written warning letters.
67.	16 July 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	A three-year contract for the delivery of sanitary towels to schools was awarded to eight bidders. However, the bid document had not stipulated any objective criteria that justified the awarding of the bid to multiple bidders and not to only the highest scoring bidder. The price of the bidders awarded the contract was higher than that of the bidder who scored the highest points. Irregularity: Non-compliance with PPR 5(7) Impact: Financial loss to be quantified by AO	Resolved	The AO did not take appropriate actions to resolve the MI. We included recommendations in the 2019-20 audit report for implementation by 31 March 2021. Subsequent to the recommendations, the AO took the following actions to resolve the MI: <ul style="list-style-type: none"> Requested the chief audit executive of the department's internal audit unit to investigate the irregularity. The investigation was concluded in March 2021 and identified a number of irregularities in the procurement process. Instituted sanctions against all the bid committee members, issuing a written warning letter coupled with a fine of one month's salary wholly suspended for a period of three months. Implemented an additional internal control measure, instructing the internal audit unit to verify all bid evaluation reports and bid documents before the approval thereof.
Free State Development Corporation					
68.	23 October 2020	Debt not recovered	A service provider appointed for electricity billing and collection did not pay over all the money collected between April 2019 and March 2020, amounting to R32,6 million. The total accumulative closing balance of the receivable due by the service provider at 31 March 2021 stood as R109,2 million. Effective and	Referral and recommendations	A legal firm was instructed to proceed with legal steps against the service provider, but this process did not result in the recovery of the outstanding amount. The AA could not provide sufficient and appropriate evidence of other actions that had been taken in response to being notified of the MI. We included the following recommendations in the 2020-21 audit report, which the AA should take by 15 January 2022:

No.	Notified	Type	MI description	Status	Status description
			<p>appropriate steps were not taken to collect the outstanding amounts from the service provider. The service provider was placed under voluntary liquidation in May 2020.</p> <p>Irregularity: Non-compliance with PFMA, section 51(1)(b)(i)</p> <p>Impact: Financial loss to be quantified by AA</p>		<ul style="list-style-type: none"> • Appropriate action should be taken to investigate the non-compliance to determine whether any official should be held responsible. • Effective and appropriate disciplinary steps should be taken against any official whom the investigation finds to be responsible. <p>In addition, the auditor-general approved the referral of the MI to the Hawks for further investigation.</p>
Human Settlements					
69.	12 July 2019	Payment for goods or services not received	<p>From 2014-15 to 2016-17, a contractor was paid for the development of community residential units in Thabong, which were not completed. A new contractor had to be appointed to complete the work.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R20,2 million</p>	Remedial action	<p>The AO responded to the notification with planned actions but has not taken any of these. The 2019-20 audit report included recommendations that should have been implemented by 28 July 2021.</p> <p>The AO did not adequately implement the recommendations. On 28 October 2021, the auditor-general notified him of the following remedial action, which should be implemented by 28 February 2022:</p> <ul style="list-style-type: none"> • Effective and appropriate steps must be taken to ensure the timely recovery of the financial loss. • Appropriate action must be taken to investigate the non-compliance to determine whether any official should be held responsible. • Effective and appropriate disciplinary steps must commence against any official whom the investigation finds to be responsible.
70.	12 July 2019	Payment for goods or services not received	<p>The department made payments in 2018-19 on duplicate claims submitted by a supplier on the Kroonstad 350 housing project.</p> <p>Irregularity: Non-compliance with TR 8.1.1</p> <p>Impact: Material financial loss of R6,6 million</p>	Remedial action	<p>The AO instituted a recovery process from the supplier through the State Attorney in August 2019, but did not take any further action. Hence, we included recommendations in the 2019-20 audit report that should have been implemented by 28 July 2021.</p> <p>The AO did not adequately implement the recommendations. On 28 October 2021, the auditor-general notified him of the following remedial action, which should be implemented by 28 February 2022:</p>

No.	Notified	Type	MI description	Status	Status description
					<ul style="list-style-type: none"> • Appropriate action must be taken to investigate the non-compliance to determine whether any official should be held liable for the loss suffered by the department. • If it is determined that the department suffered the financial loss due to criminal acts, possible criminal acts or omission, this must be reported to the SAPS. • Effective and appropriate disciplinary steps must commence against any official whom the investigation finds to be responsible. • Effective and appropriate steps must be taken to monitor the recovery process of the financial loss through the State Attorney.
71.	26 July 2019	Payment for goods or services not received	<p>The department made retention payments in 2018-19 to a contractor on the Ventersburg 200 housing project in excess of the retention amount withheld by the department.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R0,5 million</p>	Resolved	<p>The AO did not take appropriate actions to resolve the MI. We issued recommendations on 22 February 2021 for implementation by 23 August 2021.</p> <p>Subsequent to the recommendations, the AO investigated the irregularity. As part of this investigation, the retention register was revisited by reconciling the project expenditure in order to approach the contractor to acknowledge the debt and to recover it. The reconciliation showed that there had been no overpayment, as supported by appropriate evidence. In the absence of a financial loss, no further action was required on the recommendations. The MI was thus resolved.</p>
72.	26 July 2019	Payment for goods or services not received	<p>The department made retention payments in 2018-19 to a contractor on the Bloemfontein 393 housing project in excess of the retention amount withheld by the department.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R1,4 million</p>	Resolved	<p>The AO did not take appropriate actions to resolve the MI. We issued recommendations on 28 January 2021 for implementation by 28 July 2021.</p> <p>Subsequent to the recommendations, the AO investigated the irregularity. As part of this investigation, the retention register was revisited by reconciling the project expenditure in order to approach the contractor to acknowledge the debt and to recover it. The reconciliation showed that there had been no overpayment, as supported by appropriate evidence. In the absence of a financial loss, no further action was required on the recommendations. The MI was thus resolved.</p>

No.	Notified	Type	MI description	Status	Status description
73.	26 July 2019	Payment for goods or services not received	<p>The department made retention payments in 2018-19 to a contractor on the Odendaalsrus 300 housing project in excess of the retention amount withheld by the department.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R0,7 million</p>	Resolved	<p>The AO did not take appropriate actions to resolve the MI. We issued recommendations on 28 January 2021 for implementation by 28 July 2021.</p> <p>Subsequent to the recommendations, the AO investigated the irregularity. As part of this investigation, the retention register was revisited by reconciling the project expenditure in order to approach the contractor to acknowledge the debt and to recover it. The reconciliation showed that there had been no overpayment, as supported by appropriate evidence. In the absence of a financial loss, no further action was required on the recommendations. The MI was thus resolved.</p>
GAUTENG					
Health					
74.	24 June 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>The department awarded a contract for information technology infrastructure in March 2015 without inviting competitive bids, resulting in a financial loss as cheaper alternatives were available.</p> <p>Irregularity: Non-compliance with TR 16A6.1 Impact: Material financial loss of R148,9 million</p>	Appropriate action by AO/AA in process	<p>Based on the outcomes of a departmental investigation finalised in September 2018, which confirmed the irregularity, the AO took the following actions:</p> <ul style="list-style-type: none"> • Referred the matter to the NPA in July 2019 to consider whether criminal charges can be instituted against the implicated officials. • Referred the matter to the State Attorney in July 2019 to consider possible civil claims against the implicated officials. • Took disciplinary action against two of the three implicated officials. The disciplinary process for the third official was in progress, targeted for completion by end-October 2021.
75.	31 August 2021	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>The department did not pay medical claims within 30 days from the court judgement, which resulted in interest on the late payments.</p> <p>Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R1,5 million</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.

No.	Notified	Type	MI description	Status	Status description
Human Settlements					
76.	7 September 2020	Payment for goods or services not received	<p>A payment was made to the incorrect contractor in October 2019 because effective internal controls were not in place for approving and processing payments.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Material financial loss of R2,5 million</p>	Appropriate action by AO/AA in process	<p>A criminal case was opened against the contractor in November 2019. The contractor was arrested and subsequently released on bail in September 2020.</p> <p>A forfeiture application by the asset forfeiture unit within the NPA was served on the contractor on 9 March 2020 and an order was obtained on 25 March 2020 to preserve some of the funds. A vehicle was also seized and sold on approval by the NPA. The NPA has not yet indicated the value of the proceeds from this sale.</p> <p>An investigation into the cause of the breakdown in controls was conducted and the outcomes were approved in April 2021. The investigation identified four officials as responsible.</p> <p>A disciplinary hearing was held for one of the four officials. The disciplinary hearings for the remaining employees were expected to have been finalised by end-October 2021. These had been delayed due to postponements requested by either the representative or officials because of covid-19.</p>
KWAZULU-NATAL					
Education					
77.	11 December 2020	Sars late payments, resulting in interest and penalties	<p>The department paid penalties and interest relating to the late payment of employee taxes for temporary teachers. The pay-as-you-earn tax withheld from employees back in 2017 was only paid over with the employee tax reconciliations for 2019-20.</p> <p>Irregularity: Non-compliance with fourth schedule of Income Tax Act, section 2(1) Impact: Material financial loss of R6,7 million</p>	Appropriate action by AO/AA in process	<p>The dispute logged with Sars sought to persuade them to waive the interest and penalties and refund the department the amount taken from its bank account without formal delivery of a final letter of demand. The dispute was rejected by Sars, citing that the request would be in conflict with the Income Tax Act.</p> <p>The AO plans to continue engaging with Sars with the intention of getting a remission on the penalties and interest imposed on the department.</p> <p>Actions will be taken from the 2022 tax year against any official whose action or negligence leads to fruitless and wasteful expenditure through interest and penalties.</p>

No.	Notified	Type	MI description	Status	Status description
Health					
78.	12 February 2021	Uneconomical procurement, resulting in overpricing of goods and services procured	<p>In March 2020, 40 000 units of 1-litre sanitiser were procured at prices higher than those permissible at the time. The department paid R143 per litre against the set price of R110,40 per litre. The procurement at excessive prices resulted in a financial loss for the department.</p> <p>Irregularity: Non-compliance with National Treasury Instruction Note 8 of 2019-20, paragraph 3.7.6(ii)</p> <p>Impact: Material financial loss of R1,3 million</p>	Appropriate action by AO/AA in process	A service provider (investigator) was engaged in February 2021 to conduct an investigation into this matter. The AO is busy reviewing the investigative report.
79.	25 June 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>Contracts for radiology equipment were awarded in September 2017 to bidders who did not score the highest points in the evaluation process, resulting in higher prices being paid as the cost of equipment from the appointed bidders was higher than that of the bidders scoring the highest points.</p> <p>Irregularity: Non-compliance with PPPFA, section 2(1)(f)</p> <p>Impact: Financial loss to be quantified by AO</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.
80.	28 May 2021	Uneconomical procurement, resulting in overpricing of goods and services procured	<p>The department utilised an existing contract to procure 14 000 boxes of non-sterile examination gloves at a contract price of R183 per box against the set price of R99 per box, resulting in a financial loss of R84 per box. The award was approved by the AO in June 2020.</p> <p>Irregularity: Non-compliance with National Treasury Instruction Note 5 of 2020-21, paragraphs 4.8 & 4.9</p> <p>Impact: Material financial loss of R11,7 million</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.

No.	Notified	Type	MI description	Status	Status description
LIMPOPO					
Education					
81.	8 July 2019	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>Goods and services were received from a supplier of information technology services. The invoices were not paid, however, as the contract was cancelled when the department was placed under administration, resulting in litigation and an order against the department to pay the outstanding amount plus interest.</p> <p>Irregularity: Non-compliance with TR 8.2.3 Impact: Material financial loss of R85,2 million</p>	Resolved	<p>The AO's preliminary investigation determined that different public sector institutions played a role in the MI.</p> <p>The premier's office advised that the matter be referred to the intergovernmental relations forum. The matter is currently being dealt with through the intergovernmental dispute resolution process.</p>
Health					
82.	20 July 2020	Inefficient use of resources – no benefit from cost	<p>The department made lease payments from May 2015 to February 2020 at Pietersburg Hospital for radiology equipment that was not licensed for use due to safety concerns.</p> <p>Irregularity: Non-compliance with PFMA, section 38(1)(b) Impact: Material financial loss of R3,7 million</p>	Appropriate action by AO/AA in process	<p>The AO instituted an investigation in July 2020 and issued an investigative report in March 2021. The investigation was delayed due to the complexity of the matter and the covid-19 pandemic.</p> <p>Disciplinary processes against seven officials identified as responsible are still in progress.</p> <p>The trauma room was deep-cleaned to address environmental challenges.</p> <p>The equipment was tested for quality and relicensed by the Radiation Control Board in June 2021.</p> <p>The AO renegotiated the extension of the contract with the supplier, from the initial 24 months for one piece of equipment to 12 months for all six pieces of equipment at no cost, to recover the financial loss incurred. The free-use contract will run from July 2021 up to June 2022. This was formalised through a written contract in September 2021.</p>

No.	Notified	Type	MI description	Status	Status description
Limpopo Roads Agency					
83.	27 August 2021	No benefit from cost (including standing time)	<p>The agency obtained a permit to perform road construction work in 2017 only after the contractor had taken over the site. The contractor claimed and was paid standing time while construction was delayed.</p> <p>Irregularity: Non-compliance with construction regulation 3(1)</p> <p>Impact: Financial loss of R1,3 million</p>	Resolved	<p>The agency reviewed all the vouchers and concluded that no payment was made to the contractor, although the contractor still had a right to claim the amount as approved in the variation order. The agency engaged with the contractor in May 2021 to waive the claim and to avoid any future financial losses.</p> <p>In August 2021, the contractor wrote to the agency confirming the withdrawal of the claim and confirming that the contractor will not institute any claims concerning the approved variation order (claim) in future, which the agency then acknowledged.</p>
Public Works, Roads and Infrastructure					
84.	4 March 2021	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>The department awarded a three-year road maintenance contract in September 2018 to a bidder who did not score the highest points in the evaluation process. This resulted in higher prices being paid as the contract value of the appointed bidder was higher than the bid amount of the bidder who scored the highest points.</p> <p>Irregularity: Non-compliance with PPPFA, section 2(1)(f)</p> <p>Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	In June 2021, the AO requested a forensic investigation into this matter by the SIU. A secondment agreement was signed with the SIU in August 2021 and the investigation was set to start on 1 September 2021, with a planned completion date of 31 October 2021.
NORTH WEST					
Community Safety and Transport Management					
85.	15 July 2019	Procurement non-compliance, resulting in supplier not delivering on contract	Through participating in a contract of the Free State Department of Police, Roads and Transport, a R35 million contract was awarded to a supplier for learner driver training and a capacitation programme in October 2015. The department did this without complying	Appropriate action by AO/AA in process	<p>The former AO was identified as the responsible official. The support of the premier's office was requested to take further actions against the former AO.</p> <p>A criminal case was opened with the Hawks in 2017 and the investigation was concluded; however, the director of public prosecutions in North West declined to prosecute.</p>

No.	Notified	Type	MI description	Status	Status description
			<p>with the legislative requirements for such participation as it procured beyond the scope of the original contract.</p> <p>As a competitive bidding process was not followed, the ability of the supplier to deliver the services was not assessed.</p> <p>A prepayment was made to the supplier in November 2015 for which services have not been received to date.</p> <p>Irregularity: Non-compliance with TR 16A6.6 Impact: Material financial loss of R21.3 million</p>		<p>A civil claim for the recovery of the loss was instituted against the supplier in September 2017. A summons would have been issued for the defendant to appear in court in August 2021, following the establishment of his whereabouts.</p>
86.	15 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>The department directly paid scholar transport suppliers in 2017-18 and 2018-19 without following a procurement process. The price paid for scholar transport was significantly higher than the market price.</p> <p>Irregularity: Non-compliance with TR 16A6.1 Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The SIU extended the scope of an investigation into a previous scholar transport tender to the current scholar transport matter. This investigation is still in progress. The AO plans to take further action based on the outcome of the SIU investigation once completed.</p> <p>The National Treasury instituted a forensic investigation, which was finalised in February 2020. The AO received the report in September 2020. In response to the National Treasury report, the AO is busy implementing the recommendations. The AO has also referred the matter to the premier's office to determine further actions against the former AO if still employed by the state or the public sector.</p> <p>A judgement was issued in the High Court in December 2019 to set aside the contract, following which a new tender was advertised in April 2021.</p>
87.	15 July 2019	Payment for goods or services not received	<p>Effective internal controls were not in place for approving and processing payments to scholar transport suppliers in 2017-18 and 2018-19, resulting in some suppliers being paid for services not delivered.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The department, through the provincial internal audit unit, commissioned route verifications. Because of these verifications, payments made to suppliers from October 2019 were based on actual verified kilometres. The rate per kilometre was also adjusted to the correct bus capacities.</p> <p>The SIU extended the scope of an investigation into a previous scholar transport tender to the current scholar transport matter. This investigation is still in progress.</p>

No.	Notified	Type	MI description	Status	Status description
					The National Treasury instituted a forensic investigation into this matter, which was finalised in February 2020. The AO received the report in September 2020. The AO will implement the recommendations from this investigation by April 2022.
88.	13 February 2020	Payment for goods or services not received	<p>The department awarded a contract amounting to R407 million in March 2015 for the introduction of scheduled flights to Mahikeng and Pilanesberg airports. The payments made in relation to this contract included flight subsidies, route marketing services and other costs relating to the operations of these airports.</p> <p>The department had already spent R203 million on this contract in previous years; however, no effective internal controls were in place for approving and processing these payments, resulting in suppliers being paid for services not delivered.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>The contract was terminated in June 2018 and no further payments were made.</p> <p>Two criminal cases were opened: one with the SAPS in 2017 and one with the Hawks in May 2020. The AO regularly follows up the status of the investigation with the Hawks. Currently, the investigation is still in progress.</p> <p>The department also approached the National Treasury in September 2019 to investigate the matter. As a result, the National Treasury commissioned an external forensic investigation in October 2019. This forensic investigation is still in progress.</p>
89.	1 March 2021	Payment made was not in line with contract	<p>The department overpaid a bus service company R4 million in 2019 and 2020 because of using incorrect escalations that were contradictory to those specified in the contract.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>All claims paid from September 2020 were based on the contracted formula and therefore no further overpayments were made after this date.</p> <p>The department appointed an external investigator to investigate and quantify the overpayments. The investigation was finalised in October 2021 and the investigative report submitted to the AO. The AO is busy studying the report and will institute disciplinary action against officials found responsible and also recover overpayments from the supplier in terms of the contract.</p>
Health					
90.	18 September 2020	Payment not made or not made in time, resulting in	The department did not honour contractual obligations on two projects (Excelsius Nursing College – phase 1 and Jouberton Community Health Centre) by paying contractors timeously, which resulted in interest of	Appropriate action by AO/AA in process	An independent investigator from the internal labour relations unit was appointed during April 2021 to conduct an investigation into the cause of the delayed payments. The anticipated completion date for the investigation was

No.	Notified	Type	MI description	Status	Status description
		interest / standing time / penalties	R5,5 million being charged. This loss is unlikely to be recovered from the contractors as it was legally due to them. Irregularity: Non-compliance with TR 8.2.3 Impact: Financial loss to be quantified by AO		October 2021. The AO intends taking appropriate steps based on the outcome of the investigation.
91.	29 September 2020	Payment for goods or services not received	The department paid a contractor appointed on the Mmabatho Nursing College – phase 1 project in advance before the related services were rendered. This prepayment was not provided for in the contract between the department and the contractor. Irregularity: Non-compliance with TR 15.10.1.2(c) Impact: Financial loss to be quantified by AO	Appropriate action by AO/AA in process	The department appointed an investigator in August 2020 to look into the matter. The investigation concluded that there had been a prepayment but the aspects of the investigation relating to the identification of responsible officials are still in progress. The anticipated completion date of the investigation was end-October 2021. The AO will take appropriate action based on the investigation. The department is busy reconciling the amounts due to the contractor based on the work performed.
92.	29 September 2020	Procurement non-compliance, resulting in overpricing of procured goods and services	During the evaluation of bidders for a R10,3 million contract for the servicing, repair and maintenance of equipment for three years from August 2019 to July 2022, a supplier was incorrectly disqualified at the functionality stage. Had this bidder not been disqualified, they could have won the award as the bid of the disqualified supplier was less than that of the winning supplier. Irregularity: Non-compliance with PPR 5(7) Impact: Financial loss to be quantified by AO	Appropriate action by AO/AA in process	An investigation was concluded in June 2021 and recommended that the AO seek a legal opinion prior to initiating the process to recover the loss and take action, as the implicated official had resigned. The AO referred the matter to the State Attorney in August 2021.
93.	29 September 2021	Inefficient use of resources – no benefit derived from cost	The department made two payments linked to the extension of time on the Excelsius Nursing College project in 2019-20 and 2021-21 without approval. Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by AO	Appropriate action by AO/AA in process	The department appointed an investigator in July 2020 to determine the correct course of action. The anticipated completion date of the investigation was end-October 2021. The AO intends taking the necessary steps based on the outcome of the investigation.

No.	Notified	Type	MI description	Status	Status description
94.	29 September 2021	Inefficient use of resources – no benefit derived from cost	<p>The department made a payment of R4 million above the approved extension-of-time amount on the Jouberton Community Health Centre project.</p> <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	The department appointed an investigator in October 2020. The investigation recommended that the overpayment be recovered from the parties involved. The AO intended to commence with the recovery by end-November 2021.
95.	8 February 2021	Inefficient use of resources – no benefit derived from cost	<p>A contract was entered into for the maintenance of medical equipment from November 2016 to October 2020 with a provision that the department was to confirm whether prices were market related for each transaction, allowing the department to engage another service provider irrespective of the contract if prices were not market related.</p> <p>The department did not follow this process and paid R3,3 million as opposed to the market-related cost of R144 562 for the same service.</p> <p>Irregularity: Non-compliance with PFMA, section 38(1)(b) Impact: Financial loss to be quantified by AO</p>	Appropriate action by AO/AA in process	<p>An internal investigation into the MI was initiated and completed in May 2021. In light of the seriousness of the findings, the AO handed the matter over to law-enforcement agencies in June 2021 for criminal investigation and recovery, as recommended by the internal investigation.</p> <p>The AO planned to implement disciplinary action against the implicated official by end-November 2021, but this would also have been influenced by the outcome of the criminal investigation.</p>
Public Works and Roads					
96.	29 September 2020	Payment not made or not made in time, resulting in interest / standing time / penalties	<p>The department did not honour contractual obligations by paying a contractor timeously, which resulted in standing time and interest being charged on the late payments.</p> <p>Irregularity: Non-compliance with TR 8.2.3 Impact: Financial loss to be quantified by AO</p>	Follow-up or assessment in process	We are assessing the appropriateness of the actions taken by the AO/AA to address the MI.

No.	Notified	Type	MI description	Status	Status description
97.	26 August 2021	Payment for goods or services not received	<p>The department made a payment in March 2017 for various projects to fix roads and bridges damaged by floods in the province. The payment was made prior to any goods being received or any services being rendered.</p> <p>Irregularity: Non-compliance with TR 15.10.1.2(c) Impact: Financial loss to be quantified by AO</p>	Follow-up or assessment in process	We are evaluating the AO/AA response to the newly identified MI.
NORTHERN CAPE					
Health					
98.	18 July 2019	Procurement non-compliance, resulting in overpricing of procured goods and services	<p>The department awarded a three-year contract for medical waste collection in November 2018 to a supplier based on criteria applied in the evaluation process that were different from those in the original bidding invitation. The value of the contract was R4,3 million per month.</p> <p>The non-compliance is likely to result in a material financial loss, as the fixed monthly pricing awarded to the supplier was significantly higher than the variable costing pricing included in original bidding invitation.</p> <p>Irregularity: Non-compliance with TR 16A3.2(a) Impact: Financial loss to be quantified by AO</p>	Referral	<p>The AO did not agree that there had been any non-compliance in the procurement process.</p> <p>We referred the matter to the National Treasury in October 2019 for investigation. After discussions and engagements, the National Treasury accepted the referral for investigation in March 2020, following delays caused by ongoing engagements on the memorandum of understanding.</p> <p>In June 2021, the National Treasury provided feedback to the effect that the investigation was underway but that progress had been delayed due to covid-19 lockdown restrictions.</p>
99.	17 July 2019	Payment for goods or services not received	<p>The department entered into a radiology services contract from November 2013, which was subsequently extended multiple times. The contract contained a mathematical error that resulted in overpayments, due to a lack of effective internal controls for processing and approving payments. The identified overpayments related to the following periods:</p>	Appropriate action by AO/AA in process	<p>The AO conducted a preliminary investigation, which resulted in a full-scale investigation being instituted in August 2019. The investigation was delayed due to a change in AO and covid lockdown restrictions, but was concluded in October 2020.</p> <p>The case was referred to the Hawks in January 2021 for criminal prosecution and the possible recovery of the loss.</p>

No.	Notified	Type	MI description	Status	Status description
			<ul style="list-style-type: none"> • April 2014 to March 2015 (first contract extension) • October 2018 to September 2019 (no signed extension contract) <p>As part of the radiology services contract, the department made payments for mammogram services even though the hospital where the services were rendered did not have a mammogram machine. The identified overpayments related to the following periods:</p> <ul style="list-style-type: none"> • April 2014 to March 2015 (first contract extension) • October 2015 to September 2018 (third contract extension) <p>Irregularity: Non-compliance with TR 8.1.1 Impact: Financial loss to be quantified by AO</p>		<p>Actions were not taken against the official implicated in the report, as this person had retired in February 2021 without responding to the allegations as requested.</p> <p>In May 2021, the AO wrote to the supplier requesting a payment plan to refund the loss, failing which, legal steps would be instituted.</p>