



AUDITOR - GENERAL
SOUTH AFRICA

MEDIA RELEASE

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AG reports overall improved audit outcomes, and calls for government to enhance planning and service delivery monitoring and reporting

CAPE TOWN – Auditor-General (AG) Tsakani Maluleke today reported “an overall improvement” in the national and provincial government audit outcomes.

Tabling the [2022-23 general report for national and provincial departments, their entities and legislatures](#) in Parliament, Maluleke said the outcomes reflect an overall improvement over the term of the current administration, now in its fourth year.

However, she pointed out that there are still weaknesses in planning, monitoring and reporting on service delivery; challenges in infrastructure management; and increasing pressure on the fiscus due to a lack of prudence in spending.

“Over the administration's term, we have seen some encouraging signs of improvement in the ability of national and provincial government to transparently report on their finances and performance and to comply with key legislation. However, those auditees with the greatest impact on the lives of South Africans and on government finances, which we refer to as ‘high-impact auditees’, are lagging behind on financial and performance management disciplines. This is placing further pressure on government finances,” AG noted.

These high-impact auditees comprise departments, public entities and state-owned entities that are collectively responsible for 85% (R2,64 trillion) of the expenditure budget. They contribute to delivering health services, skills development and employment, infrastructure development, safety and security, water and sanitation, energy, and environmental and financial sustainability.

Concerted effort from all in the accountability ecosystem will lead to further improvements

Maluleke said that through its culture shift strategy, the [Auditor-General of South Africa \(AGSA\)](#) aims to set in motion commitment and action from all participants in the accountability ecosystem. The ecosystem is made up of all roleplayers in national and provincial government, Parliament and the provincial legislatures that have a part to play in enabling a culture of performance, accountability, transparency and integrity. This system includes the AGSA as the country's supreme audit institution as well the citizens of South Africa.

The AG cautioned that when auditees, especially high-impact auditees, do not properly manage their performance, finances and infrastructure, this directly affects the delivery of key government programmes that are intended to improve the lives of South Africans and to alleviate hardships stemming from tough economic conditions and poverty.

Based on the insights on service delivery planning, monitoring and reporting, infrastructure and financial performance, the national audit office identified three main weaknesses that inhibit progress:

- a culture of no accountability and consequences
- ineffective resource management
- inadequate intergovernmental planning, coordination and support.

"If those in the accountability ecosystem charged with governance, administration and oversight were to diligently implement our recommendations, more public institutions would be characterised by good governance, sustained performance and responsiveness to the service delivery needs of South Africans," Maluleke added.

Expanded powers starting to yield desired impact

The AG reported that through the material irregularity (MI) process, accounting officers and authorities have taken action to prevent or recover financial losses of R2,55 billion since 2019, with some of this amount still in the process of being recovered.

From 1 April 2019 (when the amendments to the Public Audit Act became effective and the AGSA began implementing the MI process) until 30 September 2023 (the cut-

off date for MIs to be included in the latest general report), the audit office identified 266 MIs.

“We estimate the total financial loss of the 240 MIs that involved a material financial loss to be R14,34 billion. The 26 MIs with an impact other than financial loss involved material public resources not being used (most often health facilities), harm to the general public due to infrastructure neglect and poor-quality service delivery, and harm to public sector institutions mainly because of the non-submission of financial statements,” the AG pointed out.

“We used this enforcement tool to spur accounting officers and authorities into action to strengthen internal controls, institute disciplinary measures, stem resource leakage arising from non-compliant procurement processes, recover funds lost through duplicate payments and overpayments to suppliers, safeguard assets, and improve the use of public resources such that they benefit citizens,” Maluleke explained.

She added that where the MIs were not dealt with swiftly or with the required seriousness, her office included recommendations in audit reports, took remedial action or referred matters to relevant public bodies for investigation, where appropriate.

“We are pleased that the MI process is proving to be effective in enforcing accountability and protecting state resources. Departments and public entities can direct the recovered funds towards service delivery, enabling government to achieve its strategic priorities,” Maluleke says.

For more information on the impact of the MI process [click here](#)

“We are pleased that auditees are taking action to resolve MIs by recovering losses, preventing further losses and harm through strengthening internal controls, and effecting consequences for transgressions. We continue to advocate for investment in good preventative controls, as preventing MIs is more effective than having to deal with the consequences thereof,” says Maluleke.

State of national and provincial government

Audit outcomes

Overall, the [audit outcomes](#) of both departments and public entities improved and more auditees improved their audit outcomes each year of the administrative term

than regressed. In 2022-23, the net improvement was 37 auditees (9%) – the biggest movement over the four-year period. Provincial government showed a net improvement of 44 (27%) and national government a net improvement of 34 (15%).

Outstanding audits

Maluleke explained that her office can only finalise and report on an audit in time if the AGSA receives both the financial statements and the performance report for auditing by the legislated date of 31 May each year.

She reported that there were 31 [outstanding audits](#) at the time of the report. “Of the 26 audits we reported as outstanding in our previous general report – either because the auditees had submitted their financial statements late or not at all, or because of delays encountered during the audit process – 12 had still not been completed at the time of this report, while the 2022-23 audits of another 19 auditees were also outstanding.”

Maluleke expressed concern that some of the auditees have failed to submit financial statements for auditing as required by law for a number of years. She called on Parliament to pay significant attention to these auditees as this translates into a lack of transparency and accountability.

Clean audits

The AG noted that the number of [clean audits](#) continues to increase every year due to significant effort and commitment by the leadership, officials and governance structures of these institutions.

She re-emphasised the importance of a clean audit, which shows that an auditee’s financial statements and performance report give a transparent and credible account of its finances and its performance against the targets that had been set. It also means that the auditee had complied with the important legislation that applies to financial and performance management. This enables everyone with an interest in the auditee – particularly those who need to oversee its performance and provide support for it to succeed – to determine if the auditee is addressing citizen needs and delivering services.

“A clean audit is not always an indicator of good service delivery,” the AG explained. “However, a clean audit positions an auditee to transparently communicate to citizens

on whether and when their needs will be met through accurate records, which also enables informed decisions by the different roleplayers in the accountability ecosystem. We have seen that auditees with institutionalised controls and systems to plan, measure, monitor and account for their finances and performance, and to stay within the rules, often also have a solid foundation for service delivery to the people of South Africa.”

The 147 auditees (35%) that achieved clean audits in 2022-23 managed 16% of the R3,10 trillion expenditure budget in national and provincial government. In addition, the 162 auditees (39%) that received unqualified audit opinions with findings managed 48% of the budget.

Maluleke says, “It is commendable that these auditees that make up 74% of the auditee population are able to publish credible financial statements, which is a positive development that must be encouraged. This augurs well for accountability. ”

The AG also commended the 53 auditees (36%) that have managed to retain their clean audit status over the administrative term through practices such as institutionalising and monitoring key controls (including preventative controls), and by having all roleplayers in the accountability ecosystem committed to fulfilling their monitoring, governance and oversight roles.

She further acknowledged the 37 auditees that are very close to obtaining a clean audit, and only need to address one finding on either the quality of their financial statements or on their performance reporting.

“Some of these auditees have been working towards this goal for many years and we encourage them to persevere in overcoming the last hurdle. If they manage to do so, we expect to see an increase in the number of clean audits for 2023-24. This will set a strong foundation from which the next administration can build when its term starts in 2024-25.”

Disclaimed and adverse outcomes

Overall, the number of auditees with disclaimed audit opinions decreased. Maluleke cautioned that if any of the 31 auditees with outstanding audits also receive disclaimed opinions, the improvement in this area will be less significant, but should still be acknowledged. Nine of these audits were subsequently finalised, with an additional two auditees receiving disclaimed audit opinions.

Maluleke reported an increase in adverse audit opinions due to three public entities moving from a disclaimed opinion last year to an adverse opinion in 2022-23.

Audit outcomes of service delivery auditees and key public entities

The 193 high-impact auditees generally have poorer audit outcomes than other auditees and struggle with performance, financial and infrastructure management.

Auditees from this group also account for 48% of all outstanding audits and 65% of all modified audit opinions; in other words, qualified, adverse and disclaimed opinions.

In total, 139 of the 193 high-impact auditees were required to report on their performance in 2022-23. Those excluded were the 50 technical and vocational education and training colleges; the Property Management Trading Entity, Water Trading Entity and Commission on Restitution of Land Rights, whose performance is reported in the performance reports of their parent departments.

We raised material findings on the reported performance information of 127 (42%) of these auditees, as well as material findings on compliance with key legislation at 76% of the 178 auditees with completed audits.

For more information [click here](#)

Performance planning and reporting

The AG says government's [planning, budgeting, monitoring and reporting process](#) has been well designed. It requires the leadership of multiple departments and public entities to establish disciplines that actively promote and drive effective coordination by systematically and purposefully planning and working together across all three spheres of government (national, provincial and local).

“They then need to report transparently on what they have achieved and how they have used their budgets. With this information, executive authorities, coordinating institutions and oversight bodies can monitor and oversee how departments and public entities perform, provide opportunities for correction if they are not on track, and address any shortcomings as early as possible.”

In accordance with its constitutional mandate and its responsibilities as set out in section 20 of the Public Audit Act, the AGSA audits the performance reports of auditees as part of its annual regularity audit. The external assurance provided by the AGSA on

the credibility of this service delivery information allows the users of performance reports to rely on the information presented to them when they assess performance and make decisions in line with their given responsibilities.

The quality of high-impact auditees' performance reports improved over the administrative term: 74 (58%) of these auditees had no material findings on their performance reports in 2022-23, compared to 54 (45%) in 2018-19.

While this is a significant step forward, the AG cautioned that “most of these auditees were only able to achieve this result because we allowed them to correct the misstatements we identified during the audit process. Some had also removed performance indicators that attract audit findings as the information reported could not be supported by adequate evidence. This practice diminishes transparency and weakens scrutiny by oversight bodies.”

Delivery, maintenance and safeguarding of infrastructure

In 2022-23, the AGSA audited 137 infrastructure projects, focusing on critical infrastructure including health facilities, schools, housing, roads and railways, water infrastructure, and government buildings such as police stations.

“Our audit work incorporated numerous site visits by our multi-disciplinary audit teams, who applied their expertise to inspect project progress and quality,” says Maluleke. “We reported findings on 112 (82%) of the projects that we visited. We found that, all too often, infrastructure delivery projects have been delayed, are costing more than planned or are of poor quality. There are also delays in newly built infrastructure being put to use.”

Maluleke says when auditees, especially high-impact auditees, do not properly manage their performance, finances and infrastructure, “it directly affects the delivery of key government programmes that are intended to improve the lives of South Africans and to alleviate hardships stemming from tough economic conditions and poverty. Wasted money and resources means reduced funding for service delivery programmes and, eventually, a greater burden on taxpayers”.

For more information [click here](#)

The public works sector is responsible for maintaining government properties, including health facilities, police stations and buildings that accommodate departments. However, many government properties are in poor condition because of the sector's reactive approach to maintenance. Most maintenance work is only done in response to emergency requests and little time or budget is spent on preventative maintenance.

Government officials and the public continue to use properties that are in poor condition, which lowers the effectiveness of the working environment and puts the safety of officials and the public at risk.

"There are currently 2 394 unoccupied government properties, most of which have not been maintained and are in a bad state. Even though these properties are not used, costs such as property rates and taxes still need to be paid. When there are not enough fit-for-use properties available to departments, the Property Management Trading Entity needs to enter into lease agreements – which could have been avoided if properties had been properly maintained," Maluleke reported.

Maluleke further cautions that such lease agreements are often costly to government because of high annual increases and higher-than-average market rates being paid.

Causes of failures in delivering, maintaining and safeguarding infrastructure

The AG says the failures in delivering, maintaining and safeguarding infrastructure are due to four matters that need urgent attention:

- Inadequate coordination and collaboration, and deliverables not being synchronised in the ecosystem (e.g. between implementing agents and other departments).
- Failure to conduct proper needs assessments and feasibility studies; or conducting them but not using them as a base to implement the infrastructure projects.
- Lack of accountability – the terms of construction contracts are not used to hold contractors and professional service providers (consultants and implementing agents) accountable when they do not perform.
- Inadequate monitoring and enforcement by infrastructure-related regulatory bodies such as the Construction Industry Development Board and the National

Home Builders Registration Council, particularly relating to repeat offenders that cause delayed projects across sectors.

For more information [click here](#)

Financial management and resultant pressure on government finances

The AG cautioned that “when government is not careful with its spending practices, this reduces the already limited funds available”.

“The main reasons for the continuing financial losses and waste that we observed, especially at high-impact auditees, were poor payment practices, uncompetitive and uneconomical procurement practices, limited value and benefit for money spent, poorly managed government properties and accommodation leases, and weaknesses in project management.

“Government's budget for service delivery activities is reduced by claims made against departments, and by auditees overspending their budgets and being in poor financial health. Ailing institutions, such as the state-owned enterprises, place further pressure on government by needing bailouts and by creating potential future obligations as a result of guarantees,” Maluleke advised.

Unauthorised and irregular expenditure

Collectively, accounting officers and authorities managed an estimated expenditure budget of R3,10 trillion in 2022-23.

Unauthorised expenditure at departments remained high throughout the administrative term, totalling R28,22 billion over the four years. In 2022-23, such spending amounted to R4,59 billion.

The irregular expenditure disclosed in 2022-23 totalled R63,37 billion, with high-impact auditees being responsible for R53,77 billion (85%) of this amount. These amounts might be incomplete, as auditees no longer have to include irregular expenditure incurred in prior years or the closing balance of irregular expenditure in their financial statements.

“When departments overspend their budgets, they disclose this as unauthorised expenditure. If this type of expenditure is condoned, it means that the department

needs to either find more money or absorb the overspent amount, which reduces the available budget for the following years," Maluleke explained.

Unlike departments, which must submit their budget vote to parliamentary committee hearings to be approved, public entities do not have a separate vote and thus disclose their overspending as irregular expenditure. In 2022-23, the irregular expenditure incurred due to overspending was R0,90 billion.

High-impact auditees were responsible for R4,35 billion (79%) of the R5,49 billion total overspending across departments and public entities in 2022-23.

For more information [click here](#)

Provincial overview

Provincial government is responsible for approximately 24% (or R742,70 billion) of the estimated expenditure budget and plays a significant role in implementing government's service delivery priorities.

Maluleke explained that the provincial audit outcomes have shown a gradual upward trend over the administrative term – 55 auditees improved while 11 regressed over this period. "We saw the biggest improvements in North West, KwaZulu-Natal and the Eastern Cape, while the Western Cape, the Eastern Cape, KwaZulu-Natal and Gauteng are the provinces with the most clean audits," she said.

She cautioned that despite this improvement, the provinces continued to struggle to prepare credible financial statements and performance reports, with 32% of provincial auditees submitting poor-quality financial statements and 62% submitting poor-quality performance reports. "Many auditees managed to publish good-quality documents only after making corrections in response to our audit findings," she reported.

The AG added that the provinces also continued to show signs of significant financial difficulty. "Twenty-one auditees are in such a dire position that there is significant doubt about whether they will be able to continue operating in the near future. This, along with other indicators of poor financial health such as deficits, cash shortfalls, unpaid claims, fruitless and wasteful expenditure, and overspending of the budget, affected their ability to deliver services and honour their commitments."

For more information [click here](#)

Conclusion

The AG commended national and provincial government for the sustained improvement in audit outcomes over the term of the administration. The AG made a call that “improved service delivery enabled by capable, cooperative, accountable and responsive institutions delivering on their mandates should characterise the work of these auditees moving forward”.

“At a time of economic hardship in which the public's demands for service delivery and accountability are increasing, there is an expectation that national and provincial government will do everything in their power to get the most value from every rand spent and to manage every aspect of their finances with diligence and care. This is, however, not what we have seen at some departments and public entities during our audits.

“Improved service delivery and the responsible use of the limited funds available will only be possible when we have capable, cooperative, accountable and responsive institutions that deliver on their mandates. I urge all roleplayers in the accountability ecosystem, particularly those with direct control over service delivery, to work deliberately and with urgency towards achieving a culture of accountability, transparency, integrity and improved service delivery for all South Africans.”

End.

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Media note: The 2022-23 consolidated general report on national and provincial government audit outcomes will be available on www.agsa.co.za.

About the AGSA: The AGSA is the country's supreme audit institution. It is the only institution that, by law, has to audit and report on how government is spending taxpayers' money. This has been the focus of the AGSA since its inception in 1911 – the organisation celebrated its 100-year public sector auditing legacy in 2011.