

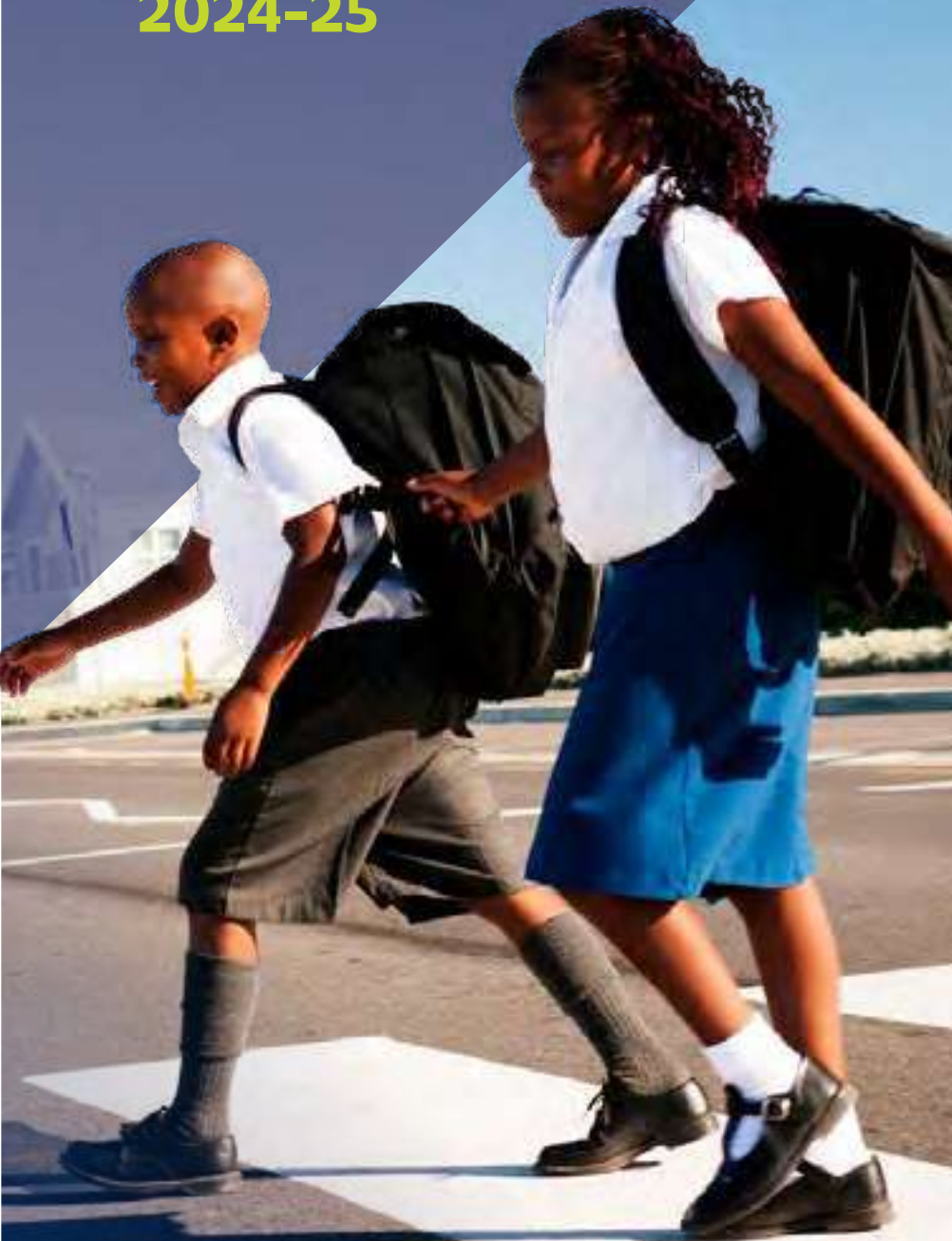


AUDITOR - GENERAL  
SOUTH AFRICA



# CONSOLIDATED GENERAL REPORT ON NATIONAL AND PROVINCIAL AUDIT OUTCOMES

**2024-25**





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## ANNEXURES

*Annexures containing information on the following are available on our website ([www.agsa.co.za](http://www.agsa.co.za)):*

- **Annexure 1:** Auditees' audit outcomes; areas qualified; and findings on performance reports, compliance, specific risk areas and unauthorised, irregular as well as fruitless and wasteful expenditure
- **Annexure 2:** Auditees' financial health indicators, supply chain management findings and root causes
- **Annexure 3:** Auditees' audit opinions over the past five years
- **Annexure 4:** Assessment of auditees' key controls at the time of the audit
- **Annexure 5:** List of high-impact auditees

## Our mission

The Auditor-General of South Africa has a constitutional mandate and, as the supreme audit institution of South Africa, it exists to strengthen our country's democracy by enabling oversight, accountability and governance in the public sector through auditing, thereby building public confidence

# Contents



# Foreword

## from the auditor-general



### *Attend to financial discipline, institutional capability and compliance with legislation*

My last general report reflected on the outcomes of my office's audits over the term of the 6<sup>th</sup> administration. I encouraged the 7<sup>th</sup> administration to build on the successes and address the challenges of those who came before them.

I called on the new administration to improve the capability of institutions to deliver on their mandates and strategic government programmes and priorities. I highlighted that trust in public institutions could be strengthened by ensuring that institutions across the national, provincial and local government spheres collectively plan and systematically and purposefully work within a culture of performance, accountability, transparency and institutional integrity.

However, the rate at which the new administration is addressing institutional capability, governance and accountability weaknesses is too slow.

The poor quality of spending is not receiving the urgent attention it requires. With the limited funds available, wastage should not be tolerated and any opportunity to recover money lost should be prioritised. High levels of non-compliance with legislation continue with little consequence. A culture of disrespecting the rule of law not only undermines public trust but also demonstrates to the public that such behaviour is tolerated. The growing trend in government to downplay the importance of disclosing and dealing with irregular expenditure as procedural or technical issues is in stark contrast to the principles of transparency and accountability.

As an office, we have advised multiple administrations that credible financial reporting is not an accounting issue – it is fundamental to managing resources and preventing financial mismanagement. Yet, we continue to see poor-quality financial statements and ongoing reliance on my office to identify material errors and omissions for correction – which any auditee with basic controls in place should be able to prevent, detect and correct. A similar approach of relying on others instead of addressing control and process breakdowns is evident in reporting on service delivery.

Many auditees remain in the unqualified outcomes with findings category. These auditees display a minimum compliance mindset and have a false sense of achievement despite them not having embedded basic financial, performance and compliance disciplines. Without addressing the root causes of underlying weaknesses and attaining and maintaining a clean audit, the ability of these auditees to make a solid contribution to the lived experiences of our citizens is negatively impacted.

The slow response to dealing with irregularities, waste and service delivery failures is also evident in delayed responses to the material irregularities we identify. In the past year, I invoked my powers multiple times as accounting officers and authorities failed to comply with their legislated obligations to deal swiftly with losses, misuse and harm.

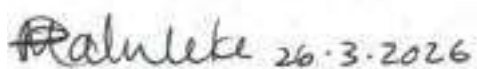
During the year and in the run-up to tabling this report, my office and I shared insights broadly, offered tailored recommendations and urged leadership at all levels to play their part in shifting the culture in national and provincial government.

I am encouraged by the commitments made in response by ministers, premiers and members of executive councils. Committees in Parliament and legislatures have also demonstrated responsiveness. However, if commitments and good intentions do not translate into significant improvements at institutional level, the public will not experience increased service delivery and an improvement in their lived experience.

The people of South Africa and the vision of the country's Constitution demand that we remain steadfast in restoring trust in public institutions to improve the quality of life of all citizens. National and provincial government are instrumental in building such trust by delivering basic services such as education, healthcare, housing, safety and security, social security and water and sanitation; and for ensuring an environment that is not harmful to the health and wellbeing of South Africans.

In line with the strategic priorities of the 7<sup>th</sup> administration, building a capable, ethical and developmental state is fundamental to also delivering on the priorities of promoting inclusive growth and job creation, reducing poverty and dealing with the high cost of living. I therefore encourage leaders in government, Parliament and legislatures to use the information and insights presented in this report to enable the envisaged improvement in national and provincial government and in the lives of the country's citizens. As the Auditor-General of South Africa, we will continue to execute our mandate without fear, favour or prejudice.

I wish to thank the audit teams from my office and the audit firms for their diligent efforts in helping us fulfil our constitutional mandate and for continuing to strengthen cooperation with government leadership. I also want to thank the leadership of all institutions across national and provincial government and legislatures for working with us during the audit process.



**Tsakani Maluleke**  
*Auditor-General*

# Executive summary

## *Governance failures, financial mismanagement and weak accountability threaten service delivery and fiscal sustainability*

Our previous general report was directed at the president, ministers, premiers, members of executive councils (MECs) and their deputies (executive authorities) and the members and committees of Parliament and the provincial legislatures (oversight structures) of the 7<sup>th</sup> administration.

We acknowledged the improvements in audit outcomes over the term of the 6<sup>th</sup> administration but drew attention to the persistent underperformance of high-impact auditees. We recommended that attention be paid to ineffective resource management; the lack of accountability and consequences in national and provincial government; as well as inadequate intergovernmental planning, coordination and support.

One year into the new administration, our audits show no clear improvement in audit outcomes, financial management, service delivery performance, accountability, transparency or institutional integrity.

When auditees in national and provincial government, especially high-impact auditees, fail to properly manage their performance, finances, infrastructure and resources, it directly affects delivery on key government priorities. Such failures result in non-delivery on government initiatives aimed at improving the lives of South Africans and alleviating poverty and hardship.

Wasted money and resources means reduced funding for service delivery programmes and, eventually, a greater burden on taxpayers.

This summary presents a consolidated view of the key findings from our audits. It highlights systemic risks and areas requiring urgent intervention to restore public trust and ensure the effective use of public resources.

## Audit outcomes: regressions, limited clean audits and complacency

Minimal progress has been made, with only 151 **clean audits** recorded. The remaining 266 auditees – responsible for managing 88% of the total expenditure budget – continue to lack the institutional capability to produce credible financial and performance reports or ensure compliance with legislation.

Audit outcome **regressions**, which should be rare in the absence of significant changes to legislation or reporting requirements, were reported for 45 auditees. These auditees, which include 22 high-impact auditees, oversaw a combined expenditure budget of R523,42 billion. The scale of these regressions significantly outweighs the improvements made elsewhere.

**High-impact auditees**, in particular, continue to underperform compared to other auditees. Collectively, these auditees were responsible for approximately R2 trillion – 91% of the national and provincial expenditure budget. They account for over half of the outstanding audits and 64% of all modified (qualified, adverse or disclaimed) audit opinions, highlighting the critical need for targeted and sustained intervention to address their persistent shortcomings.

The most common audit outcome was '**unqualified with findings**'. These auditees received an unqualified audit opinion on their financial statements, but we reported material findings on performance reporting and/or compliance with key legislation.

The 161 auditees in this category exhibited high levels of non-compliance, weak financial and performance management, and inadequate accountability and consequences. More than half only achieved unqualified audit opinions after correcting material misstatements that were identified during the audit process. These auditees were responsible for 61% of irregular expenditure, 44% of unauthorised expenditure and 63% of fruitless and wasteful expenditure. Material irregularities (MIs) at these auditees were widespread: they were responsible for 109 of the 203 MIs we report on.

More than half of these auditees are high-impact auditees, meaning that their operational failures have a direct and detrimental effect on key service delivery areas. Notably, 75% of state-owned enterprises (SOEs) and 69% of departments in the key sectors of basic education, health, human settlements, public works and transport fall into this category.

Despite the risks posed by their continued underperformance, most of these auditees have shown little commitment to achieving clean audits. A total of 113 auditees (70%) were in this category in both 2023-24 and 2024-25, with 57 (35%) having been in this category for at least five years and 13 (8%) for at least a decade. Their complacency stems from a minimum compliance mindset and a false sense of achievement. In part, this is due to accounting officers, accounting authorities and politicians misconstruing an unqualified audit opinion with findings as a good audit outcome.

## Persistent and pervasive non-compliance with legislation

Widespread non-compliance with legislation continues unabated, with minimal consequences. This entrenched culture of disregarding the rule of law not only erodes public trust but also signals that such conduct is tolerated.

The pattern of non-compliance observed in the previous administration continued, with 224 auditees (58%) having material findings on compliance with key legislation, which carried financial and non-financial costs.

**Weak financial management and ineffective spending** can be seen in non-compliance areas such as poorly prepared financial statements, fruitless and wasteful expenditure, uncollected revenue, delayed creditor payments (leading to interest and penalties) and poor asset control. Deviations from competitive bidding processes and irregular expenditure – primarily stemming from procurement non-compliance – perpetuated unfair and uncompetitive practices in appointing contractors and suppliers and increased the risks of inflated prices or non-delivery.

The **non-financial consequences of non-compliance** are equally troubling. Auditees lacked systems to monitor progress against performance targets, placing service delivery at risk and undermining commitments made to the public. Findings on the widespread absence of investigations into irregular as well as fruitless and wasteful expenditure and failure to hold individuals accountable for irregular expenditure reflect a deep-rooted lack of consequences.

The continuing high levels of non-compliance stem from a lack of institutionalised integrity and a culture of impunity. Without ethical leadership and a culture of accountability, officials are neither incentivised to comply with legislation nor deterred from transgressing. Until this is addressed, the cycle of non-compliance, financial loss and public disillusionment will continue.

## Non-compliance and high levels of irregular expenditure in procurement and contract management

Section 217 of the Constitution sets out the principles for public procurement, requiring that all government procurement be conducted in a manner that is fair, equitable, transparent, competitive and cost-effective. However, our audits again revealed breaches of these principles.

In particular, auditees continued using **uncompetitive and unfair procurement practices**, which included evergreen contracts and month-to-month extensions. This undermines not only the constitutional values but also the strategic intent of procurement to foster transformation and inclusive economic growth. These practices create barriers to entry for new and historically disadvantaged suppliers. Not following fair and competitive procurement processes can result in paying higher prices for goods and services and appointing contractors that do not deliver. We see these risks manifesting in the poor delivery of infrastructure projects and financial losses – for which we have issued multiple MI notifications.

These are not merely procedural lapses but also significantly heighten the risk of fraud and financial loss, erode public trust and directly impair service delivery. Despite these issues being raised repeatedly in prior audit cycles, leadership, executive authorities and oversight bodies have largely failed to take corrective action. This reflects a breakdown in institutional integrity and a disregard for accountability.

**Irregular expenditure**, which arises when procurement and payment processes deviate from legal requirements, should remain a critical concern for everyone in the accountability ecosystem. It serves as a tangible indicator of non-compliance with government's procurement laws and a failure to uphold the principles of good governance.

A total of 252 auditees (60%) incurred irregular expenditure, 209 (83%) of which also did so the previous year. Procurement and contract management failures were the primary drivers of the high levels of irregular expenditure. The reported irregular expenditure incurred in 2024-25 was R42,58 billion (2023-24: R49,53 billion). More than 3% of the total expenditure budget (excluding employee costs) was irregularly spent.

However, this figure likely underrepresents the true extent of the problem. Overall, 33% of auditees were qualified on the completeness of their irregular expenditure disclosures or were still investigating these amounts to determine if they had been irregularly spent. Audit limitations, relaxed disclosure requirements and the recently introduced assessment process further obscure the full picture.

To address disputes over compliance, the National Treasury introduced an assessment process for irregular expenditure. Delays in finalising these assessments have left more than an estimated R32,04 billion in irregular expenditure under review, of which R20,72 billion has exceeded the prescribed resolution timelines. These delays suggest that some auditees are using the process to avoid transparent reporting and accountability, thereby postponing recovery efforts and enabling a culture of impunity.

The growing trend of treating irregular expenditure as a mere technicality, rather than a serious governance failure, is concerning. Combined with reduced disclosure requirements and protracted resolution timelines, it has fostered a permissive environment in which non-compliance is normalised and consequences are rare.

Dismissing irregular expenditure or changing the rules to reduce the amounts disclosed will not address the problem. The root cause of continued non-compliance with the constitutional and legislated requirements for fair, equitable, transparent, competitive and cost-effective public procurement must be determined. Only then can disciplines be institutionalised to prevent irregular expenditure and reduce its impact on the quality of spending.

## Poor financial reporting, discipline and quality of spending

As an office, we have consistently advised successive administrations that **credible financial reporting** is not merely an accounting exercise – it is a cornerstone of sound resource management and a critical safeguard against financial mismanagement. Yet, we continue to encounter poor-quality financial statements and a troubling reliance on our audits to identify and correct material errors and omissions. Auditees should be able to independently prevent, detect and address these mistakes through basic internal controls.

Financial reporting extends beyond the annual preparation of financial statements. It is a continuous process that underpins effective monitoring, oversight and decision-making throughout the financial year.

The quality of financial statements and supporting documentation submitted for auditing is a strong indicator of the reliability of in-year financial reporting. Material misstatements in these submissions suggest that decisions may be based on flawed or unreliable data.

A total of 159 auditees (41%) submitted financial statements containing material misstatements. Without the opportunity to correct these errors during the audit process, only 59% of auditees would have received unmodified audit opinions – far below the 81% that ultimately did. We expressed modified audit opinions on the financial statements of 72 auditees (17%).

Accounting officers and authorities oversaw an expenditure budget of an estimated R2,21 trillion. Despite the fiscal constraints facing government, the **poor quality of spending** continues to receive insufficient attention. In an environment of limited resources, wastage cannot be tolerated and every opportunity to recover lost funds must be pursued with urgency.

In our previous general report, we highlighted how overspending and poor-quality expenditure placed significant strain on government finances and posed a growing risk to service delivery. These concerns remain valid and the lack of prudent spending and disciplined financial management persisted, further eroding the funds available for service delivery. This was especially the case at high-impact auditees.

Auditees incurred R1,42 billion in fruitless and wasteful expenditure in 2024-25 (2023-24: R3,54 billion). High-impact auditees were responsible for 84% (R1,19 billion) of this amount. The assessment process introduced for irregular expenditure also applies to fruitless and wasteful expenditure. Fruitless and wasteful expenditure of R1,60 billion remains under assessment and is not disclosed, of which R1,28 billion has exceeded the prescribed resolution timelines.

Key drivers of **financial loss** included weak project management, uncompetitive and uneconomical procurement, poor payment practices, limited or no value derived from expenditure and fraud committed by officials.

We highlight the following main weaknesses in the financial performance of national and provincial government:

- **Budget overruns:** Despite ongoing budget cuts aimed at alleviating fiscal pressure, many auditees failed to revise or proactively monitor their spending plans. As a result, the 2024-25 budget was overspent by R6,23 billion (2023-24: R7,25 billion). The overspending had to be funded from the following years' allocations or through borrowing, reducing funds available for service delivery in subsequent years.
- **Accruals:** At year-end, accruals at national and provincial departments totalled R51,25 billion, reflecting the extent of unpaid expenses that will be funded from following years' budgets.
- **Deficits:** In 2024-25, 67 departments (45%) ended the year with a deficit and spent R44,23 billion more than the funds allocated (2023-24: R61,82 billion), which effectively reduced the funds available for following years' service delivery. Public entities, government business enterprises, technical and vocational education and training colleges, constitutional institutions and trading entities recorded deficits totalling R13,85 billion (2023-24: R6,45 billion).
- **Debt-collection challenges:** Most public entities are self-funded and rely on revenue collection to sustain operations. However, they took an average of 104 days to collect outstanding debt in 2024-25 (2023-24: 103 days). A total of 74 high-impact public entities (64%) disclosed that over 10% of their debt was deemed irrecoverable.
- **Creditor payments:** Overall, 44 auditees (13%) – of which 70% are high-impact auditees – failed to comply with the legal requirement to pay suppliers within 30 days. Late payments resulted in R0,48 billion in interest and penalties. On average, payments were delayed by 73 days in 2024-25 (2023-24: 133 days).

- **Severe financial distress:** In 2024-25, 16 public entities disclosed material uncertainty about their ability to continue operating. In essence, they are unable to cover their expenses with available revenue and are burdened by liabilities that exceed their assets.

Departments face mounting financial pressure from litigation, particularly due to medical negligence and malpractice. These **claims** are often not budgeted for or not sufficiently budgeted for, leading to service delivery funds being diverted to settle legal liabilities. In 2024-25, the estimated value of unsettled claims rose to R116,05 billion (2023-24: R106,34 billion). The health sector alone accounted for R58,28 billion, with the Eastern Cape bearing the highest burden at R22,15 billion (38%).

Institutions tasked with funding economic development and social welfare play a critical role in supporting the public. The audit outcomes of the eight **funds** that we spotlight in this report reflect systemic failures in performance, accountability and transparency. The control environments at many of these institutions failed to prevent or address non-performance, unethical conduct, fraud and non-compliance with legislation. The resulting governance breakdown has led to the loss or misdirection of public funds at some of the institutions. These funds are often sourced directly from taxpayers and businesses, which amplifies the impact of such failures.

Persistent weaknesses in the management and distribution of public funds have prevented resources from reaching the intended beneficiaries and increased the risk of material financial losses. Key audit findings at the Compensation Fund, National Lotteries Commission, Road Accident Fund and South African Social Security Agency include:

- payments to ineligible individuals
- overpayments and unauthorised changes to banking details
- a lack of supporting evidence for payments
- indicators of potential fraud.

The audit outcomes of **state-owned enterprises** reflect poor-quality financial and performance reporting and high levels of disregard for legislation. The weak commitment to transparency and accountability, gaps in institutional capability, lack of institutional integrity and poor governance and oversight continued to impact South Africans directly through the resultant non-performance and financial instability of the SOEs.

Eight SOEs reported serious financial health concerns relating to their ability to continue operating. For seven of them, this has been the situation for at least six consecutive years. These uncertainties arise from persistent operating losses, liquidity constraints driven by delayed revenue recovery, high fixed costs and/or reliance on government support that is not always formally committed at the time of financial statement approval.

The poor financial position of SOEs such as Transnet and Eskom resulted in them relying heavily on borrowings to keep running, with the total liabilities of these two SOEs nearing one trillion rand (R866 billion).

To remain afloat, SOEs have had to rely on government guarantees of R453,48 billion with exposure of R414,45 billion, as disclosed in the 2024-25 financial statements of the National Revenue Fund.

While progress has been made at some SOEs, the pace is slower than what the country and its already strained fiscus require. Defaulting on the conditions for guarantees, bailouts and turnaround plans continues to create pressure on government finances.

Without urgent reforms, improved governance, sustainable revenue models and the implementation of credible turnaround strategies, SOEs will continue to pose a major risk to the country's fiscal health and economic recovery.

## Performance reporting not credible, impacting accountability and service delivery

Performance reporting plays a vital role in tracking the progress by government towards the 7<sup>th</sup> administration's strategic priorities. These entail building a capable, ethical and developmental state; driving inclusive growth and job creation; and reducing poverty and bringing about cost-of-living relief.

Each year, auditees are required to **plan and report on their performance against predetermined objectives**. These performance reports are essential for enabling executive authorities and oversight structures to assess delivery, provide support and hold institutions accountable. A credible performance report should provide useful and reliable information on how an auditee has delivered on its mandate within the allocated budget.

Of the 318 auditees required to prepare performance reports, 100 (31%) published reports that were not useful or reliable. Material findings on the usefulness and reliability of performance information were particularly prevalent in the basic education and human settlements sectors. Missing indicators, poorly defined indicators and targets as well as unreliable reporting compromised transparency and hindered oversight.

Over half of the performance reports submitted for auditing contained material misstatements. Only 47% of the reports would have been useful and reliable had auditees not made corrections based on the audit. The poor quality of the performance reports submitted for auditing reveals weaknesses in the planning processes and calls into question the effectiveness of in-year monitoring and decision-making, which might have been based on unreliable performance information.

Auditees were still reporting on the achievement of the Medium-Term Strategic Framework (MTSF) as the Medium-Term Development Plan (MTDP) was not yet in place. If after five years of reporting on the MTSF there are still widespread deficiencies in the process, it is a red flag for delivery on the MTDP.

## Persistent delays and systemic failures in infrastructure delivery and maintenance

The delivery of basic services such as education, healthcare, housing, transport and water depends on quality infrastructure that is well maintained and functional throughout its life cycle. However, poor planning, coordination and execution by the different roleplayers in the infrastructure value chain led to the poor quality of spending on infrastructure delivery and maintenance. The planned level of services was also not delivered even after projects were completed after lengthy delays.

We audited 152 **infrastructure projects** implemented across the country by provincial and national departments and five public entities. The projects covered critical assets such as schools, hospitals, housing developments, roads, water systems and government buildings. These projects had a combined estimated cost of R47,39 billion.

We reported findings on 136 (89%) of the projects. The findings were prevalent across all service delivery areas.

Poor-quality construction can harm both the public and officials that use the infrastructure and can increase the costs to repair defects. Unbudgeted cost overruns deplete funds needed for completing projects and limit the resources available for both new infrastructure and the upkeep of existing assets.

In 2024-25, the average project delay was 41 months (2023-24: 35 months), with some projects being delayed for almost 10 years. Delays were often linked to a failure to appoint replacement contractors promptly, a lack of consequences for poor-performing contractors, administrative inefficiencies and delayed payments. These issues not only delay service delivery but also expose infrastructure to vandalism and theft, especially in the absence of security measures.

Our follow-up audits revealed that many accounting officers and authorities had failed to implement corrective action. Recurring findings – such as cost escalations and delays – highlight a lack of responsiveness and accountability, further delaying service delivery and increasing costs.

We audited the **appointment of contractors** on 17 infrastructure contracts with an estimated cost of R6,92 billion across 14 auditees in five provinces. We found widespread procurement non-compliance on 15 projects, including:

- unfair bidder disqualifications and expired bid validity periods
- collusive tendering and non-responsive bidders being awarded contracts
- inadequate due diligence and incorrect scoring
- projects starting before contracts were signed
- awards made at inflated prices without negotiation.

These failures resulted in R114,38 million in confirmed irregular expenditure, with an additional R302,05 million under assessment. Such lapses compromise the quality of spending, delay service delivery, erode public trust and weaken financial accountability.

We drew the following correlation between the audit outcomes of auditees and findings on their infrastructure projects:

- Clean audits: of the 12 projects that we audited, seven (58%) had findings and none had findings on commissioning, cost or significant overspending.
- Unqualified audit opinions with findings: at the 34 auditees that we audited, 95 of the 104 projects (91%) had findings.
- Qualified audit opinions: at the 11 auditees that we audited, 34 of the 36 projects (94%) had findings.

The **maintenance of public infrastructure** remains neglected. The condition of infrastructure is heavily influenced by the adequacy of maintenance budgets and the effectiveness of systems and policies guiding upkeep. Our key maintenance-related findings included failure to conduct condition assessments as required by the Government Immovable Asset Management Act; a lack of approved maintenance plans; and non-compliance with fire, electrical and general safety standards.

Without regular assessments and proactive maintenance, infrastructure deteriorates rapidly. Deteriorating infrastructure increases long-term costs, compromises service delivery and heightens health and safety risks to the public and public sector officials.

These shortcomings collectively undermine the quality of spending, resulting in the uneconomical and inefficient use of public funds. The absence of accountability, weak oversight and ineffective project governance erode institutional integrity, diminishing public trust and confidence in government's ability to deliver infrastructure projects effectively.

## Chronic delays and systemic project failures in human settlements

The human settlements sector plays a vital role in ensuring access to adequate housing and infrastructure that support sustainable, safe and dignified living conditions for all South Africans.

The sector recorded the longest average infrastructure project delays, with some projects being delayed for almost 20 years. These delays highlight deep-rooted weaknesses in project planning, execution and oversight.

We assessed 24 **housing projects** valued at R5,67 billion across all nine provinces and found the following:

- Systemic project failures were evident across the sector, with 96% of projects having findings.
- Projects were completed without essential services such as electricity, water and sanitation, indicating poor alignment with end-user needs, inadequate planning and poor intergovernmental coordination.
- Poor construction quality was observed in all provinces, except the Free State and Limpopo, raising concerns about resident safety and the potential for costly remedial work.

At national level, the oversight of human settlements **grant funding** to provinces was also found wanting, as monitoring by the national department focused on expenditure rather than project completion. Due to capacity constraints, not all projects were verified, despite recurring issues with quality, timelines and commissioning.

The combination of pervasive findings, excessive delays, substandard construction and weak cost controls has significantly undermined the delivery of housing and related infrastructure on time and within budget. These failures not only delay access to essential services but also erode public trust and place additional strain on already limited resources.

## Governance and security failures in information and communication technologies

In the digital era, information and communication technology (ICT) has become a cornerstone of modern public administration. ICT is no longer a support function – it is central to enabling data-driven decision-making, accelerating policy development and expanding access to public services.

Despite its importance, auditees continued to face significant challenges in **ICT implementation**. A lack of system integration remained a major barrier to achieving digital transformation goals. For example, in the health sector, the absence of interoperability between patient-based information systems has hindered the development of a unified health information platform.

We evaluated 72 ICT projects at 44 auditees. We reported findings at 23 auditees (52%) on 41 projects with a combined value of R12,1 billion. The projects failed to meet key objectives related to timelines, budgets, quality and/or business outcomes.

**Cybersecurity** has emerged as a critical concern, with national security, economic stability and public trust increasingly dependent on resilient digital infrastructure. We assessed the cybersecurity controls of 70 auditees to evaluate their exposure to cyberthreats. We found that 45 auditees (64%) had

notable weaknesses in their cybersecurity posture. Of them, eight auditees (11%) exhibited critical vulnerabilities that could be exploited if not addressed.

Our assessments covered governance, risk management, compliance, operational controls and incident response. Technical testing – including penetration testing and vulnerability scanning – revealed that many auditees lacked mature incident response capabilities and recovery procedures, placing systems and services at risk in the event of a breach.

We also noted instances where significant investments in **information technology** (IT) systems were made, but the systems were never used. This points to a disconnect between procurement and operational readiness.

More auditees experienced a regression in the strength of their **IT control environments** than those that improved. Weak security management controls continued to expose institutions to unauthorised system access, data breaches and disruption of business operations, which compromised financial and performance data integrity.

Our audit of the State Information Technology Agency continued to reveal persistent failures in the agency's procurement and delivery of critical IT services.

## **Accountability and consequence management: a critical weakness**

A persistent lack of accountability and consequences remains one of the primary drivers of ongoing non-compliance with legislation, high levels of irregular expenditure, financial losses, poor audit outcomes and service delivery failures. These issues are deeply rooted in weak institutional integrity.

When officials are held accountable for their actions, it not only facilitates the recovery of losses but also serves as a deterrent to future transgressions. Yet, the number of auditees failing to comply with legislation on consequence management increased from 119 (37%) to 140 (43%). This issue was pronounced among high-impact auditees, where 38% failed to comply.

The link between poor consequence management and **financial misconduct** is clear: 36% of auditees that failed to prevent irregular expenditure and 43% of those that failed to prevent fruitless and wasteful expenditure also had a history of material compliance findings on delayed investigations and/or lack of disciplinary action.

The lack of action taken to enable consequence management is also evident in the limited progress that has been made to address the significant balances of unauthorised, irregular, and fruitless and wasteful expenditure carried over from the previous administration.

Accountability must also extend to allegations of financial misconduct and fraud, but 30% of the 57 auditees with reported allegations (e.g. via fraud hotlines) failed to investigate any of them.

These failures delay criminal investigations, allow misconduct to continue and hinder the recovery of financial losses.

The slow response to addressing irregularities is also reflected in the handling of **material irregularities**. We invoked our powers multiple times due to accounting officers and authorities not complying with their legal obligations to act on losses, misuse and harm.

The nature and status of the 203 MIs in national and provincial government mirror the weaknesses in performance, accountability, transparency and institution integrity. It is not only a direct reflection of the ineffective leadership of accounting officers and authorities when it comes to compliance, prudent financial practices, service delivery and accountability but also exposes failures in oversight and governance by the ministers and MECs responsible for these auditees in the current and previous administration.

The neglect and underutilisation of infrastructure and other public assets; a lack of financial discipline, poor spending practices and procurement and control failures; poor delivery on key projects and government programmes; and continued gaps in institutional capability caused financial loss, ineffective use of public resources, harm to the operations and accountability processes of auditees and, ultimately, harm to the public.

While some auditees have strengthened internal controls to prevent irregularities from recurring, many fail to address the root causes, leaving them exposed to future MIs.

Despite these challenges, the MI process continues to yield positive results. Since last year's general report, 38 MIs have been resolved. The impact of the MI process can be seen in the following improvements:

- Passenger trains are better utilised.
- An underutilised health facility at Chris Hani Baragwanath Academic Hospital is in use.
- A stalled project for the construction of a dam is progressing and maintenance is being done on dam pipes previously neglected.
- Overdue provident fund contributions are being paid over to the fund.
- Proper performance information records and systems are being implemented to improve performance reporting.
- Previously unachieved key service delivery targets are being met.
- Overdue financial statements were submitted for auditing.
- Record-keeping was improved to prevent repeat disclaimed audit opinions.
- An outdated organisational structure is being updated to address capacity constraints in healthcare.

Since our previous general report, actions taken as part of the MI process have also led to the recovery or prevention of R1,38 billion in losses. Together with R0,99 billion from prior years, auditees in national and provincial government and public bodies have recovered or prevented, or are in the process of recovering, a total of R2,37 billion in losses.

Of the 124 MIs with an appropriate action status or where we have invoked our powers, 105 have remained unresolved for over a year. Common obstacles to resolution include leadership instability and delayed responses, prolonged investigations or delays in concluding criminal proceedings, delays in disciplinary action and ineffective recovery processes.

## Root causes and recommendations

The administration should address the following root causes that underpin the lack of progress:

- Governance failures and a lack of consequences and institutional integrity
- Inadequate institutional capability
- Weaknesses in oversight and intergovernmental coordination and cooperation

To address the root causes and build a stronger foundation for service delivery, we call for effective leadership and governance, as well as diligent oversight. Throughout this report, we highlight weaknesses in governance, oversight, accountability, institutional capability and intergovernmental processes. Such weaknesses are not the result of unclear mandates, ill-defined legal responsibilities or government processes, a lack of structures or even insufficient funding. It is because roleplayers in the accountability ecosystem do not fulfil their designated and legislative roles or do not play their part effectively.

Our detailed recommendations are similar to those of the previous year, as little progress has been made with their implementation. We therefore call on executive authorities and oversight structures to prioritise the following:

- Intergovernmental and institutional planning for delivery on the MTDP
- Institutional capability and effective governance for transparent reporting and accountability
- Infrastructure, systems and professionalisation as key enablers
- Managing the risks to service delivery created by the poor quality of spending and financial mismanagement, weaknesses in procurement and contract management and the reluctance to address such weaknesses by dealing appropriately with irregular expenditure, cybersecurity vulnerabilities and the lack of consequences
- Optimising the MI process as an oversight tool

We also call on all others in the accountability ecosystem to fulfil their designated roles and play their part effectively and without fear or favour to promote an effective public service culture. A culture of performance, accountability, transparency and institutional integrity that will improve service delivery and create tangible prospects for a better life for our people.

We remain committed to partnering with and supporting the public sector through our audits, the use of our expanded powers as granted by the Public Audit Act amendments and the many initiatives that we have implemented to assist and guide all roleplayers.

We trust that the insights and recommendations in this report will be of value in this pursuit.

# 01

## Introduction

This report reflects on the overall audit outcomes of national and provincial government and legislatures in the first year of the 7<sup>th</sup> administration. It includes our observations and insights from the audits of the financial year that ended on 31 December 2024 for technical and vocational education and training (TVET) colleges and 31 March 2025 for departments, public entities and legislatures. The cut-off date for inclusion of audit outcomes in this report was 15 September 2025.

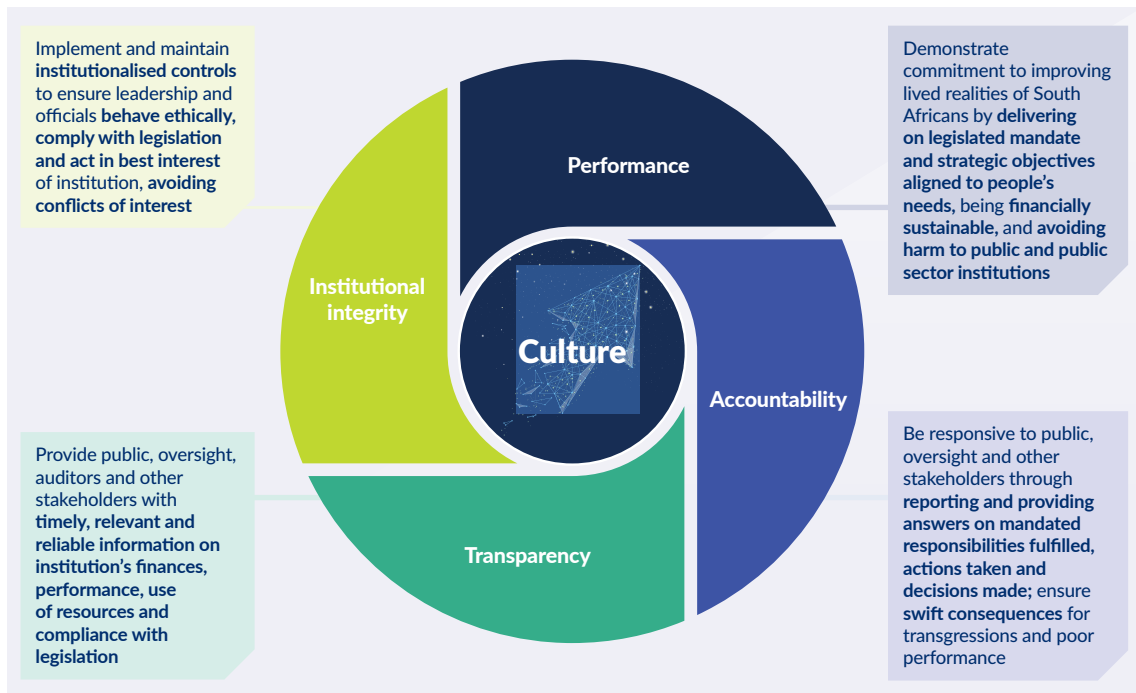
The report also includes the audit outcomes of water boards for the 2023-24 financial year, but only in [section 2.1](#) and not in the overall analysis. Water boards have a 30 June financial year-end, which means that their latest audit outcomes were not yet available when preparing this report.

The auditees in the national and provincial sphere play a key role in delivering services, driving overall government programmes (including those affecting local government) and overseeing a significant portion of public resources. In 2024-25, national and provincial government managed an estimated expenditure budget of R2,21 trillion.

The goals and aspirations of the 7<sup>th</sup> administration are defined in its 2024-29 Medium-Term Development Plan (MTDP). To achieve the plan's objectives, the **culture of every public sector institution** must be characterised by performance, accountability, transparency and institutional integrity. The country's Constitution envisages such a culture as the basic values and principles that should govern public administration.



**Characteristics of an effective public sector culture**



An effective culture is built on **strong institutional capability**, which includes the following:

- Technical knowledge and skills: relevant expertise is needed for effective functioning.
- Resources: access to adequate financial, human and material resources is essential.
- Governance and management: a strong governance structure and effective management practices are vital for ensuring efficient operations.
- Systems, processes and controls: clear and efficient systems and processes and a strong control environment are needed to effectively implement policies and programmes.
- Coordination and collaboration: effective coordination and collaboration within an institution, and between different stakeholders across all three spheres of government, are vital for achieving shared goals.

**Compliance with legislation** plays an important role in building and maintaining institutional capability, enabling delivery on mandates and ensuring institutional integrity.

Legislation defines the processes and responsibilities of roleplayers in national and provincial government across the following areas:

- Responsible and effective financial and performance management
- Protection of public funds and resources
- Fiduciary duties of leadership and officials to behave ethically and act in the best interest of the state and ensure that there are consequences for transgressions and poor performance

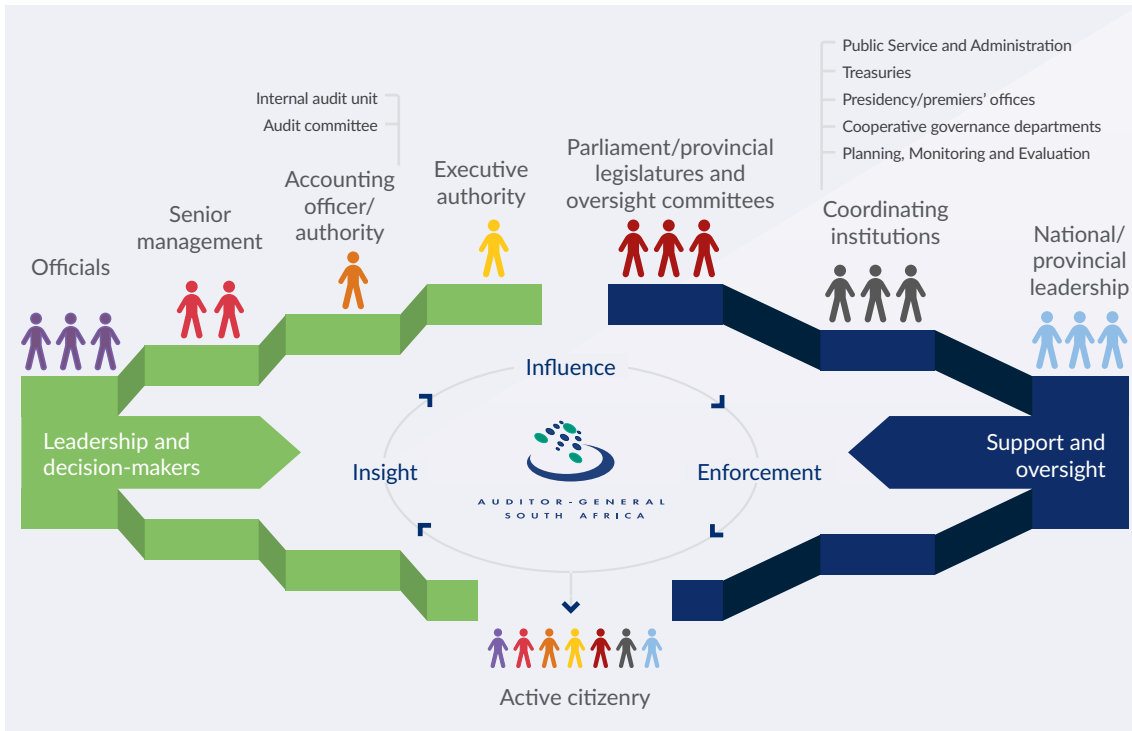
The most relevant pieces of legislation that we reflect on in this report are:

- Public Finance Management Act (PFMA), Division of Revenue Act (Dora), Public Service Act and Preferential Procurement Policy Framework Act
- Financial Management of Parliament and Provincial Legislatures Act (Parliament and legislatures)
- Continuing Education and Training Act (TVET colleges)
- Companies Act (some state-owned enterprises)

If auditees implement the prescriptions in the legislation and its accompanying regulations, institutional capability will be strengthened. In turn, this will enable the envisioned culture of performance, accountability, transparency and institutional integrity.

In our audits, we focus on compliance with key legislation and the legislated responsibilities of roleplayers in the **accountability ecosystem**. In previous general reports, we highlighted the important role of the members of the accountability ecosystem in national and provincial government. We also directed our calls to action to them.

## Accountability ecosystem for national and provincial government



The success of national and provincial government rests on the ability of this whole accountability ecosystem to work together – for all roleplayers to function collaboratively and to be mindful of how their respective roles influence and affect each other.

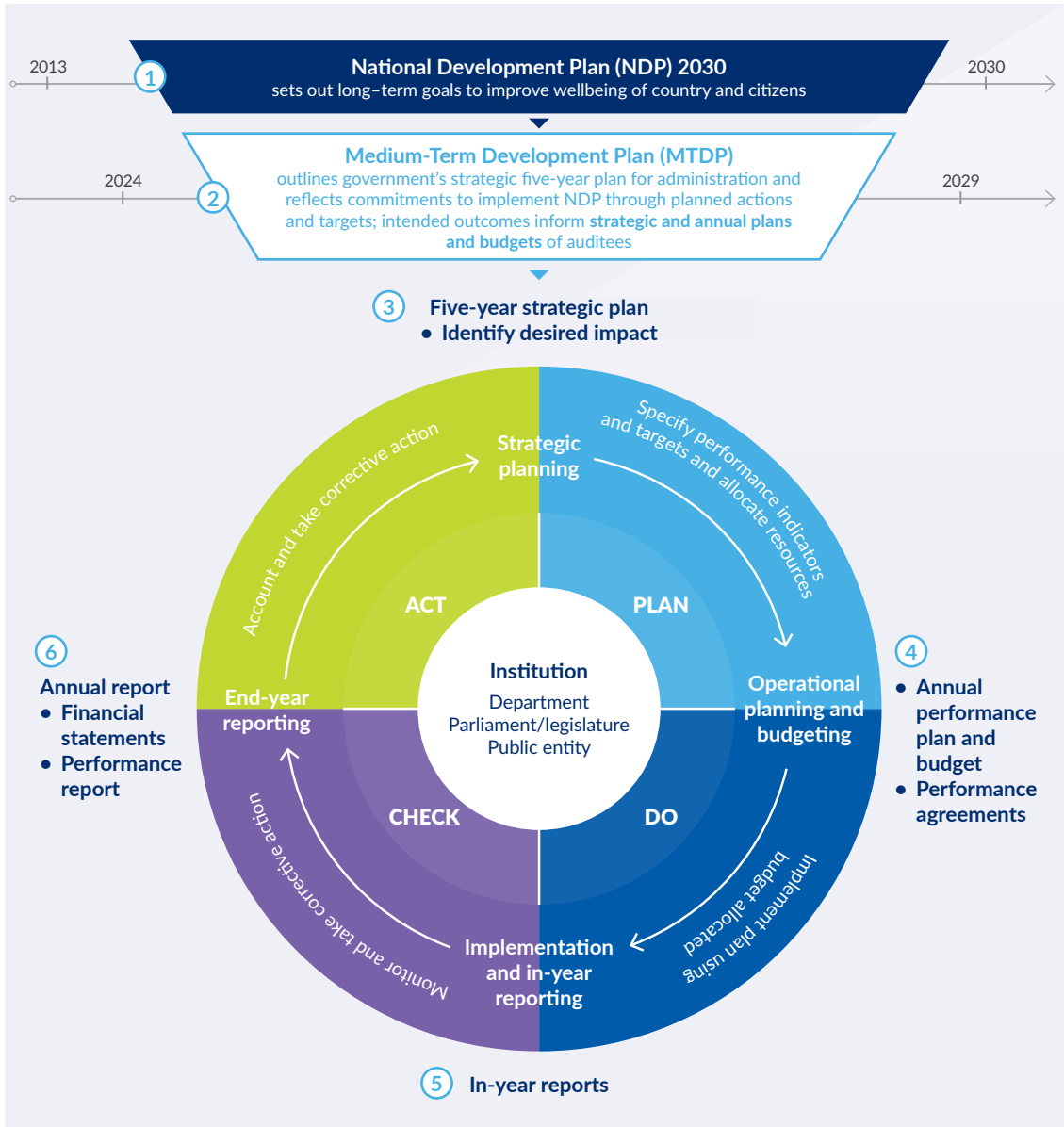
If any part of the ecosystem fails to effectively play its unique role, this reduces the effectiveness of the whole ecosystem. In the case of poor audit outcomes, it also means that the entire accountability ecosystem has failed – up to executive and oversight levels.

For the administration to successfully deliver on its strategic priorities, institutions across the national, provincial and local spheres of government (departments, public entities and municipalities) must systematically and purposefully plan and work together.

In our audits, we focus on the legislated responsibilities of those in the accountability ecosystem responsible for government’s **planning, budgeting, monitoring and reporting process**.

This process has been designed to support intergovernmental planning and enable monitoring and accountability activities in pursuit of success.

## Planning, budgeting, monitoring and reporting process



The 2024-29 MTDP was developed through a whole-of-government approach. This approach involved extensive consultation with national and provincial departments, sector experts, the National Planning Commission and stakeholders across government and civil society. Cabinet approved the plan in February 2025.

The plan's key strategic priorities are to:

- drive inclusive economic growth and job creation
- reduce poverty and tackle the high cost of living
- build a capable, ethical and developmental state.

The plan also integrates the Government of National Unity's Statement of Intent and reflects a shift towards policy coherence, budget alignment and effective service delivery.

A crucial period for the new administration will be 2025-26, when it must align budgets and annual performance plans to achieve the objectives and targets of the MTDP.

The following leaders and institutions play an instrumental role in the overall planning, budgeting, monitoring and reporting process – and thus in the operational planning and budgeting step.

### Legislated process and responsibilities

The **president** develops and implements national policy and coordinates the functions of the administration and national departments with other Cabinet members.

*Section 85(2)(b) and (c) of the Constitution*

The **Department of Planning, Monitoring and Evaluation** leads government planning by developing medium-term plans (e.g. the MTDP) and long-term plans; developing guidelines and formats for reporting; advising on priorities; assessing national and provincial plans; coordinating the development of standardised indicators; and supporting monitoring, evaluation and reporting at national and provincial level.

*Revised Framework for Strategic and Annual Performance Plans*

**Premiers** develop and implement provincial policy and coordinate the functions of the provincial administration and its departments with other members of the executive council (MECs).

*Section 125(2)(d) and (e) of the Constitution*

**Offices of the premiers** develop provincial priorities that are aligned to national ones; ensure that these priorities are planned, implemented and monitored by provincial institutions; provide support on planning, monitoring and evaluation practices; monitor the use of frameworks; assess provincial departments' draft strategic and annual performance plans; and contribute to the development of standardised sector indicators.

*Revised Framework for Strategic and Annual Performance Plans*

**National sector departments** direct policymaking and develop sector plans aligned with the MTDP; and consult with provincial institutions to agree on sector priorities, including standardising performance indicators, to ensure that relevant MTDP indicators are included in provincial departments' short- and medium-term plans.

*Guidelines for Standardisation of Indicators for Sectors with Concurrent Functions*

The **National Treasury** promotes national government's fiscal policy framework; coordinates intergovernmental financial and fiscal relations; manages the budget preparation process; exercises control over the implementation of the annual national budget, including any adjustments budgets; facilitates the implementation of the annual Dora; and monitors the implementation of provincial budgets.

*Section 6(1)(a)-(f) of the PFMA*

It also publishes a statement of actual revenue and expenditure with regard to the National Revenue Fund and a report on actual transfers of all allocations within 30 days after the end of each prescribed period.

*Section 32(1) of the PFMA and section 30(2) of Dora*

**Provincial treasuries** prepare the provincial budget and exercise control over its implementation.

*Section 18(1)(a) and (b) of the PFMA*

They also submit a statement of revenue and expenditure with regard to the Provincial Revenue Fund at least quarterly to the National Treasury for publication.

*Section 32(2) of the PFMA*

The **finance minister** tables the annual budget for a financial year in the National Assembly before the start of that financial year or, in exceptional circumstances, on a date as soon as possible after the start of the financial year; and may table an adjustments budget as and when necessary.

*Sections 27(1) and 30(1) of the PFMA*

## Legislated process and responsibilities *(continued)*

**MECs for finance** in a province table the provincial annual budget for a financial year in the provincial legislature not later than two weeks after the tabling of the national annual budget; and may table an adjustments budget in the provincial legislature.

*Sections 27(2) and 31(1) of the PFMA*

**Portfolio committees** may monitor, investigate, enquire into and make recommendations concerning the legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure, staff and policies of any public sector institution.

*Rule 227(1)(c) of the National Assembly and similar rules in legislatures*

The **Standing Committee on Public Accounts** considers the financial statements of public sector institutions when those statements are submitted, any audit reports issued on those statements and any other financial statements or reports referred to the committee.

*Rule 245 of the National Assembly and similar rules in legislatures*

**Accounting officers** prepare a strategic plan for the Medium-Term Expenditure Framework period for approval by the relevant executive authority; and table the approved strategic plan with the annual performance plan in Parliament or the relevant legislature at least 10 days prior to the discussion of the department's budget vote.

*Treasury regulations 5.1 and 5.2*

**Executive authorities** approve and monitor the quarterly performance of departments and public entities to ensure that accounting officers and authorities are focusing on the right areas and that performance is measured and reported in a way that provides for transparency and accountability and that enables corrective action.

*Treasury regulation 5.3.1*

**Accounting officers and authorities** lead planning and budgeting, deliver on plans within allocated budgets and account for performance through quarterly and year-end reporting.

*Sections 39, 51, 52 and 55 of the PFMA*

**Internal audit units and audit committees** provide assurance on the reliability of financial and operational (performance) information and the effectiveness of internal controls.

*Treasury regulations 3.1.10, 3.2.11, 27.1.8 and 27.2.10*

**Employees** enter into performance agreements within two calendar months of the beginning of each financial year.

*Public service regulation 72*

This report's insights and recommendations are directed towards:

- the president, ministers, premiers and MECs (executive authorities) that play an important role in overseeing and directing the planning, budgeting, monitoring and reporting process as well as ensuring compliance with legislation
- the portfolio committees in Parliament and provincial legislatures (oversight structures) that perform oversight and drive service delivery on behalf of their electorate, while ensuring that value is derived from every rand spent.

## Content of the report

This report summarises our key messages in the following areas:

1

The **state of national and provincial government and legislatures**, dealing with:

- [Overall audit outcomes](#)
- [Service delivery risks](#)
- [State-owned enterprises](#)
- [Material irregularities](#)

2

A [call to action](#) to executive authorities and oversight structures

3

The state of provincial government in each of the **nine [provinces](#)**

4

An [audit fact sheet](#) with information on the audits that we performed and an explanation of the numbers used in this report



In support of greater transparency that will enable accountability, our website ([www.agsa.co.za](http://www.agsa.co.za)) has detailed annexures that provide the key results of all auditees.

# 02

## Audit outcomes

Accountability is enabled through credible financial statements and performance reports that provide a transparent account of an auditee's performance, finances and compliance with legislation (for example, through the disclosure of irregular expenditure).

Legislation sets rules for managing finances and performance and for protecting public money and resources. It also guides leaders and officials to act ethically and in the best interest of the state and to ensure that there are consequences for wrongdoing and poor performance.

This section focuses on the 2024-25 audit outcomes, based on our audits of financial statements, performance reports and compliance with key legislation. We also include insights on auditees that received an unqualified audit opinion with findings.

These outcomes indicate the degree to which transparency, accountability and integrity have been institutionalised in national and provincial government.

### 2.1 Overall audit outcomes

#### *Limited clean audits and concerning regressions*

Little had changed in this first year of the new administration. Clean audits continued to be in short supply. Auditees managing 88% of the budget (266 in total) did not have the institutional capability to produce credible financial and performance reports or the institutional integrity to guarantee compliance with legislation.

Regressions in audit outcomes should be an anomaly, especially when there are no significant changes in legislation nor in the requirements for accounting or performance planning and reporting – as was the case in 2024-25. The overall improvement in audit outcomes is dwarfed by the important mandates and substantial budgets of the auditees that regressed.



### Audit outcomes – all auditees

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit	
<b>2023-24</b>	<b>142</b>	<b>175</b>	<b>73</b>	<b>5</b>	<b>13</b>	<b>5</b>	<b>413</b>
<b>2024-25</b>	<b>151</b>	<b>161</b>	<b>64</b>	<b>1</b>	<b>7</b>	<b>33</b>	<b>417</b>
Cut-off date: 15 September 2025	<b>36%</b>	<b>39%</b>	<b>15%</b>	<b>&lt; 1%</b>	<b>2%</b>	<b>8%</b>	
<b>2024-25</b>	<b>12%</b>	<b>46%</b>	<b>32%</b>	<b>&lt; 1%</b>	<b>2%</b>	<b>8%</b>	
Percentage of estimated expenditure budget of R2,21 trillion							
			Movement from previous year and related budget	<b>64 ▲</b>	<b>(R215,03bn)</b>	<b>45 ▼</b>	<b>(R523,42bn)</b>

The most prevalent audit outcome was an unqualified audit opinion with findings, which is often considered to be a good outcome. However, this is not the case as the auditees in this category have high levels of non-compliance and significant weaknesses in financial and performance management. [Section 2.5](#) demonstrates why this is not a desirable outcome.

### Audit outcomes by auditee category

We group the audit outcomes across eight auditee categories that share similar accounting frameworks, legislative requirements, performance reporting requirements and functions.

As detailed in [section 1](#), the water boards have a 30 June financial year-end. As their 2024-25 audit outcomes were not available at the cut-off date for inclusion in this report, we include their 2023-24 audit outcomes in this section.

## Audit outcomes and budget – per auditee category (including movement from previous year and related budget)

	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit				
<b>Departments</b>	63	65	21	0	0	2	151	20 ▲ (R181,89bn)	15 ▼ (R469,87bn)	
Budget: R1 564,12 billion (72%)										
<b>Parliament and provincial legislatures</b>	8	2	0	0	0	0	10	0 ▲	1 ▼ (R0,65bn)	
Budget: R9,91 billion (< 1%)										
<b>State-owned enterprises (including subsidiaries)</b>	3	15	1	0	1	11	31	2 ▲ (R2,02bn)	2 ▼ (R0,23bn)	
Budget: R136,99 billion (6%)										
<b>Trading entities</b>	1	7	4	1	0	0	13	3 ▲ (R2,45bn)	5 ▼ (R22,22bn)	
Budget: R53,61 billion (2%)										
<b>Technical and vocational education and training colleges</b>	12	25	11	0	1	1	50	14 ▲ (R5,37bn)	4 ▼ (R1,32bn)	
Budget: R21,06 billion (1%)										
<b>Sector education and training authorities</b>	7	5	7	0	0	2	21	3 ▲ (R2,62bn)	3 ▼ (R0,14bn)	
Budget: R30,56 billion (1%)										
<b>Water boards</b>	0	7	0	0	0	0	7			
Budget: R22,3 billion										
<b>Other public entities</b>	57	42	20	0	5	17	141	22 ▲ (R20,68bn)	15 ▼ (R28,99bn)	
Budget: R389,81 billion (18%)										

We specifically include the **legislature sector** in this report as Parliament and provincial legislatures have an important role to play in the accountability ecosystem. These structures are independent of national and provincial government. Therefore, they are ideally placed to oversee executive action and perform specific oversight functions relating to various aspects of government operations. They must ensure that government is accountable for its decisions, is transparent in its dealings, upholds institutional integrity and fosters a high-performance culture that is responsive to the needs of the people. Auditees in the legislature sector are not governed by the Public Finance Management Act (PFMA), but by the Financial Management of Parliament and Provincial Legislatures Act (FMPPLA).

Parliament and seven of the provincial legislatures had clean audits. The Limpopo legislature regressed from a clean audit due to material findings on compliance because of material misstatements in the financial statements submitted for auditing and on strategic planning and performance management. The Eastern Cape legislature only needs to address the material misstatements in the submitted financial statements to move into the clean audit category.

**State-owned enterprises (SOEs)** (including subsidiaries) had the highest number of outstanding audits – 11 (35%). Only three (10%) of the 31 SOEs achieved a clean audit. [Section 4](#) provides further detail on the outcomes of the SOEs.

**Technical and vocational education and training (TVET) colleges** create opportunities for the youth and adults to acquire practical and in-demand skills, education and training, making it easier for graduates to find employment. These auditees report to the higher education minister and are governed by the Continuing Education and Training Act (Ceta). They apply the same accounting framework as public entities when preparing their financial statements, but they are not required to report on their performance.

We started taking responsibility for auditing the TVET colleges in 2013-14, with all 50 colleges being audited by 2016-17. The colleges have shown steady progress over the last decade. Since 2015-16, 24 (48%) of these colleges have improved their audit outcomes. Over this period, the number of colleges with modified audit opinions (i.e. qualified, adverse and disclaimed audit opinions) has decreased significantly from 27 (54%) to 12 (24%) (with one audit still outstanding), while clean audits have increased from 10 (20%) to 12 (24%).

In 2024-25, 14 TVET colleges improved and only four regressed, demonstrating that the sector is continuing to stabilise its financial reporting and compliance disciplines. This reflects strengthened financial management controls and governance processes at several of the colleges. Twenty-one of the colleges need to resolve only one finding each on material misstatements in their submitted financial statements to achieve a clean audit.

**Sector education and training authorities (Setas)** are public entities responsible for facilitating skills development within specific economic sectors. They do this through various initiatives such as learnerships and skills programmes. They report to the higher education and training minister and are funded through skills development levies collected from employers. The financial statements of a third of the Setas were qualified and 10% submitted financial statements and performance reports late. We reported material findings on the published performance reports of seven (37%), which would have affected the ability of the portfolio committee to provide effective oversight and ensure accountability. A lack of institutional integrity was evident at the 13 Setas (68%) that had material findings on compliance.

In 2023-24, all seven **water boards** received unqualified audit opinions with findings – the same as in 2022-23. While the audit opinion on their financial statements may be unqualified (due to corrections made based on our findings at six), the material findings on performance reporting at four water boards mean that their performance information was not credible, while the material findings on compliance at all seven signal a disregard for legislation or significant lapses in control.

Only Rand Water submitted good-quality financial statements for auditing, while only Magalies Water submitted a good-quality performance report for auditing. There was inadequate institutional capability at water boards to enable credible reporting, which also affected the quality of their planning and in-year decision-making and monitoring.

The water boards lacked institutional integrity, as we reported material findings on compliance with key legislation at all seven. In addition to not complying with the legislative requirement to prepare good-quality financial statements, other non-compliance areas related to the prevention of irregular and fruitless and wasteful expenditure, consequence management as well as procurement and contract management.

The outcomes of the water boards are excluded from further analysis in this report, but their key results for 2023-24 are included in the annexures to the general report on our website ([www.agsa.co.za](http://www.agsa.co.za)).

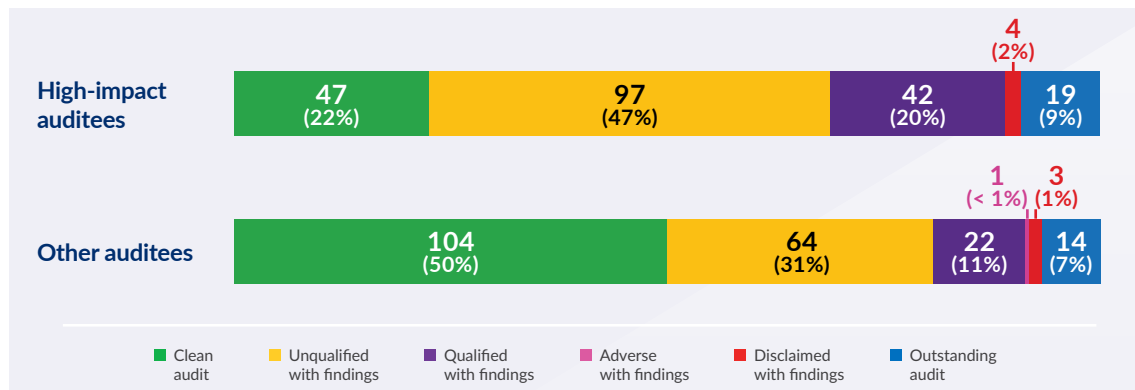
**Other public entities** comprise government business enterprises (30), constitutional institutions (10) and national and provincial entities (101). This auditee category accounted for the highest percentage (35%) of all modified opinions.

## Outcomes of high-impact auditees, at national and provincial level and per portfolio

The auditees that we term ‘**high impact**’ contribute to the delivery of education, skills development and employment; energy; environmental sustainability; financial sustainability; health services; human settlements; infrastructure development; roads and transport; safety and security; and water and sanitation. They also include SOEs and other key public entities. Together, these auditees managed approximately R2 trillion (91%) of the expenditure budget of national and provincial government.

High-impact auditees continued to have worse audit outcomes than other auditees. They accounted for more than half of the outstanding audits and 64% of the modified audit opinions.

### Audit outcomes – high-impact auditees compared to other auditees



Of the 45 auditees that had regressed, 22 were high-impact auditees. The financial reporting processes and controls of 20 of these high-impact auditees had failed, resulting in:

- fifteen regressing from an unqualified audit opinion with findings to a qualified audit opinion
- one (National Health Laboratory Service) regressing from a qualified to a disclaimed audit opinion
- two losing their previous year’s clean audit status because of material findings on compliance due to material misstatements in the financial statements that they submitted for auditing.

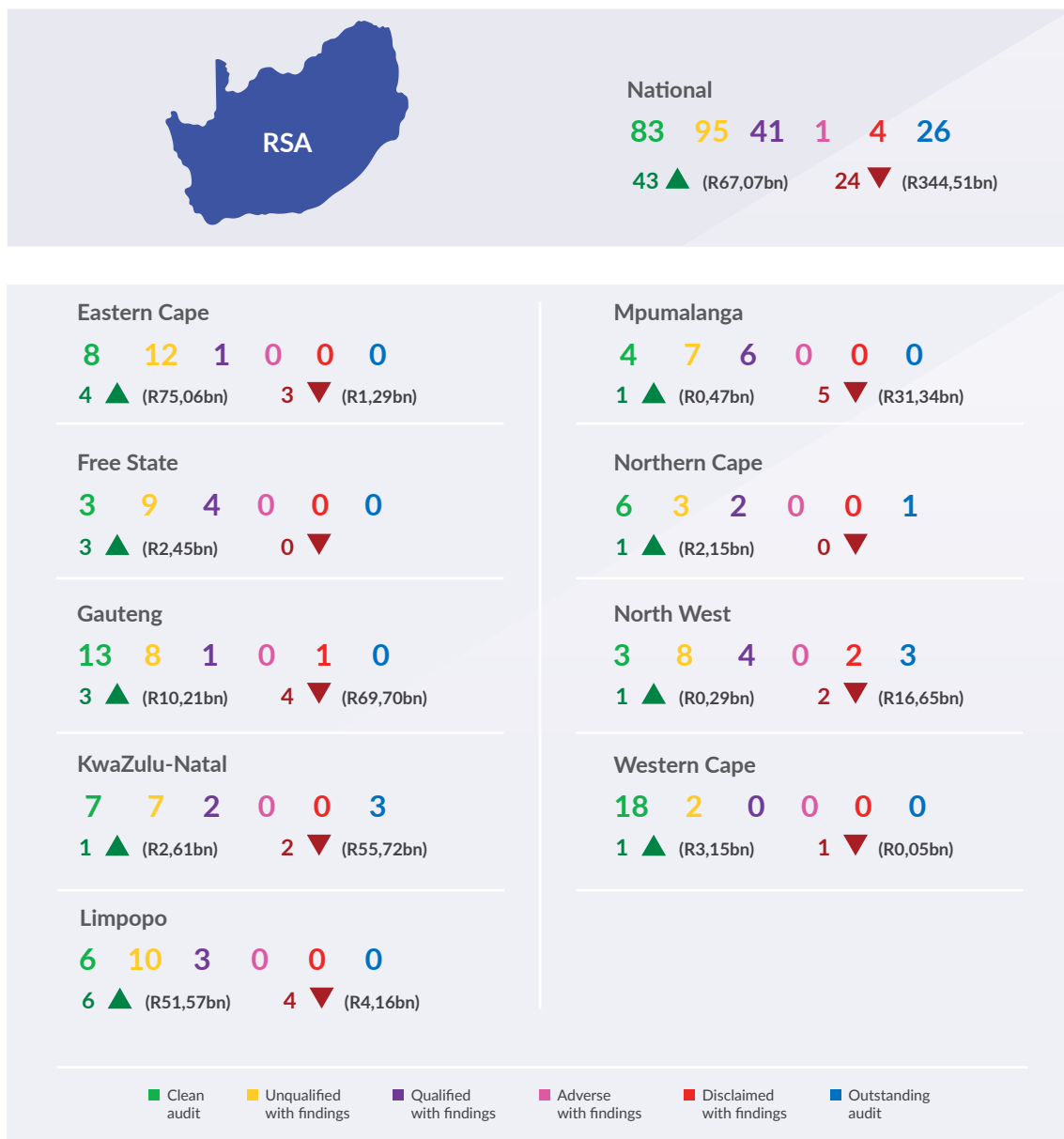
[Section 2.2](#) details the causes of financial reporting weaknesses.

The other two high-impact auditees that had regressed lost their clean audit status due to material findings on their performance reports, with one of them also having a material finding on compliance in the area of procurement and contract management.

Throughout this report, we use high-impact auditees in the examples. The audit outcomes and key results of all high-impact auditees (including which auditees had regressed) are available as an annexure to the general report on our website ([www.agsa.co.za](http://www.agsa.co.za)).

Looking at the outcomes at **national and provincial level**, regressions by auditees with large budgets were most evident nationally. Auditees with large budgets also regressed in Gauteng, KwaZulu-Natal, Mpumalanga and North West.

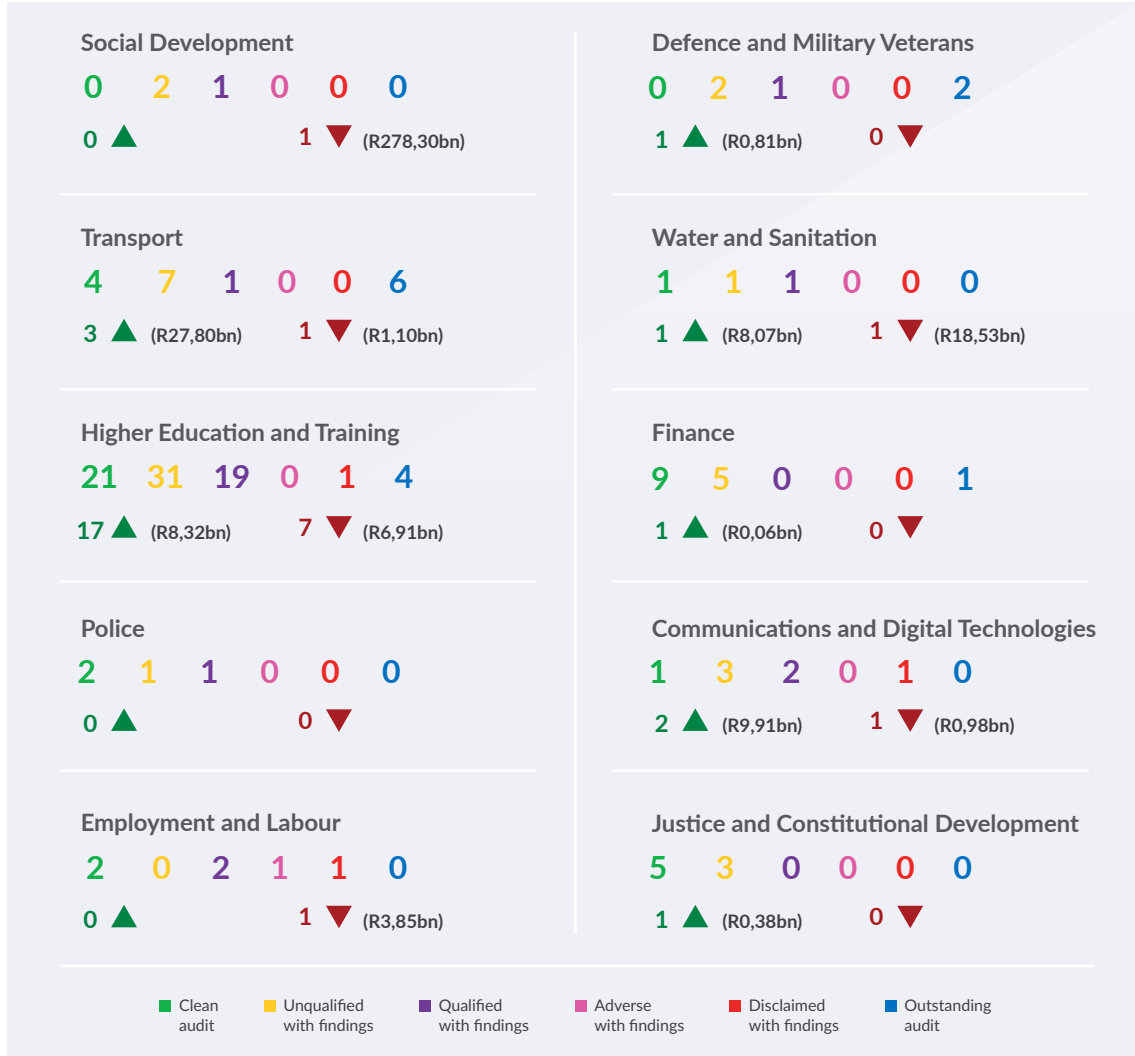
**Audit outcomes at national and provincial level (including movement from previous year and related budget)**



[Section 7](#) provides further insight into the provincial audit outcomes.

The audit outcomes in the 32 portfolios were diverse. We show the outcomes of the 10 largest portfolios (based on expenditure budget) next. These portfolios include high-impact auditees.

**Audit outcomes of 10 largest portfolios (including movement from previous year and related budget)**



## Auditees with clean audits

When an auditee receives a financially unqualified audit opinion with no findings (also referred to as a clean audit), it means that its financial statements and performance report give a transparent and credible account of its finances and its performance against set targets. In other words, these accountability reports present a reliable picture of that auditee's performance – whether good or bad. This enables everyone with an interest in the auditee – particularly those that need to oversee the auditee's performance and provide support for it to succeed – to determine how the auditee is doing and to take action where necessary. A clean audit also means that the auditee complied with the important legislation that applies to it and, where transgressions did occur, they were rare or not material.

A clean audit positions an auditee to transparently communicate to the public whether and when their needs will be met through accurate records. This also enables the different roleplayers in the accountability ecosystem to make informed decisions.

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.

The 151 auditees that achieved clean audits in 2024-25 managed only R260,59 billion (12%) of the R2,21 trillion expenditure budget in national and provincial government.

### *Movement in clean audits from 2023-24 and auditees close to clean audit status*

Improved to clean audit status	34	Retained clean audit status	117
Lost clean audit status	21	Outstanding audit	4
Close to clean audit status	47		

Each of the 47 auditees that are close to achieving a clean audit only needs to address one finding on either the quality of its financial statements (38 auditees) or its performance reporting (nine auditees).

An auditee will often find it difficult to sustain a clean audit if it does not have the institutional capability to maintain financial and performance management systems and controls that operate consistently and effectively, as shown in the example that follows.

### **Regression from clean audit to qualified audit opinion with findings: Food and Beverages Manufacturing Seta**



The Seta regressed because of material misstatements in its financial statements that were not corrected. The misstatements related to grants, project-related expenditure, payables and other disclosure items. The Seta also had material findings on its performance report.

The regression was due to a lack of monitoring and assessment of project milestones during the year and at year-end. This resulted in the incorrect accounting treatment of project-related transactions and balances. Management also did not review financial and performance information against supporting evidence.

The delay in appointing a new board after the term of the previous board had come to an end resulted in the chief executive officer assuming the accounting authority responsibilities. In addition, the chief financial officer position was vacant for eight months of the year. As financial and performance processes and controls had not been institutionalised, the leadership instability caused a breakdown in basic controls. These included a lack of timeous reconciliations and reviews as well as the inability to process corrections during the audit in response to our findings.

Of the 117 auditees that received a clean audit in both 2023-24 and 2024-25, 63 (54%) have sustained their clean audit status every year since at least 2020-21. They managed to do so through practices such as institutionalising and monitoring key controls (including preventative controls). All roleplayers in the accountability ecosystem (including management and leadership, supported by internal audit units and audit committees) are also committed to fulfilling their monitoring, governance and oversight roles at these auditees.

[Appendix B](#) includes an honour roll of auditees that have sustained their clean audit status for five or more consecutive years.

## **Outstanding audits**

When we tabled last year's general report, there were 38 audits outstanding – 22 because the auditees had submitted their financial statements late or not at all and 16 due to delays encountered during the audit process.

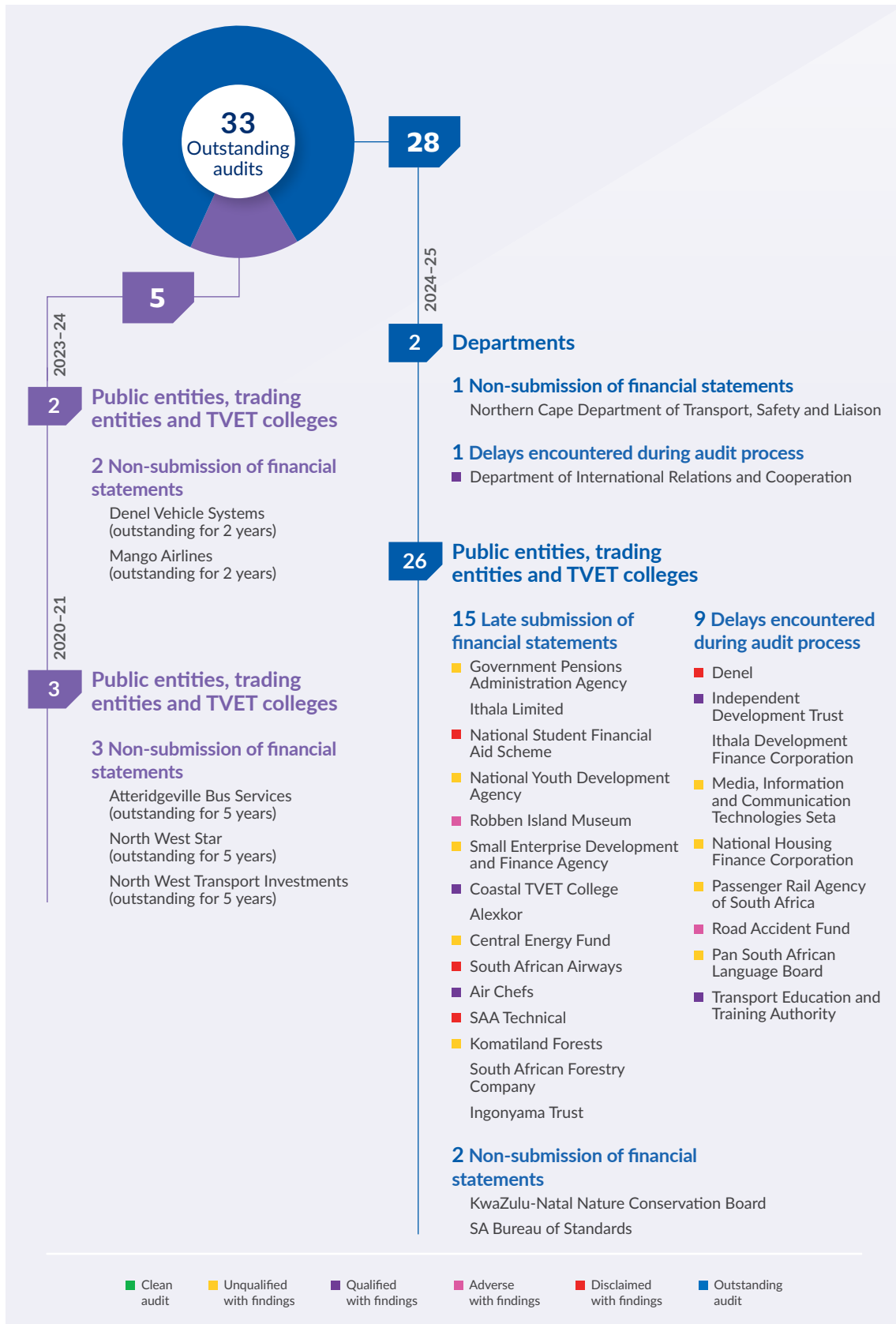
We have since finalised the audits of 33 of those auditees and their 2023-24 audit outcomes are as follows:

- Nine received a disclaimed audit opinion
- One received an adverse audit opinion
- Fourteen received a qualified audit opinion
- Six received an unqualified audit opinion with findings
- Three received a clean audit

By the cut-off date to be included in this report, the 2023-24 audits of five auditees and the 2024-25 audits of 33 auditees had not been completed. By 28 February 2026, the audits of 20 of these auditees had been finalised.

[Section 2.2](#) provides more information on the submission of financial statements.

Status of outstanding audits and outcomes of audits finalised by 28 February 2026



## 2.2 Financial statements

### *Shortcomings in financial records and reporting weaken financial management and oversight*

#### Importance of financial statements

Credible financial statements are crucial to enable accountability and transparency.

An auditee's financial statements show how it spends its money, where its revenue comes from, its assets and the state of those assets, how much it owes creditors, how much it is owed by debtors and whether the money owed to it is expected to be received. Financial statements also provide crucial information on how the auditee adhered to its budget; the unauthorised, irregular, and fruitless and wasteful expenditure it incurred; as well as its overall financial position – in other words, whether its operations are financially sustainable.

The committees in Parliament and the provincial legislatures use the financial statements to call the accounting officers and authorities to account and to make decisions on, for example, the allocation of the budget. In the case of some public entities, creditors, banks and rating agencies use the financial statements to determine the level of risk in lending money to an entity. In addition, members of the public can use the financial statements to see how well the auditee is using the taxes that they pay for services.

The Public Audit Act (PAA) requires us to annually audit and report on whether auditees' financial statements fairly present their financial position at financial year-end and the results of their operations for that year. Our audit opinion on the financial statements provides assurance on whether the financial statements are free from material misstatements that could affect the users of these statements.

#### Submission of financial statements

We can only finalise and report on an audit timeously if we receive the financial statements for auditing by the legislated date of 31 May (or 31 March in the case of TVET colleges). If we cannot complete our audit, executive authorities cannot table annual reports in Parliament or provincial legislatures for oversight purposes, thereby delaying accountability.

The number of auditees that submitted their financial statements for auditing by the legislated date slightly regressed from 94% to 93%. [Section 2.1](#) details the status of all outstanding audits.

By the cut-off date for inclusion in this report, 23 auditees had not yet submitted their 2024-25 financial statements, or their audits had not been finalised due to late submissions. Section 2.1 lists the outcomes of the subsequently finalised audits.

Of the 23, nine are SOEs and their submission status is detailed in [section 4](#). The submission status of the other 14 auditees follows.

**Late or non-submission of financial statements (excluding state-owned enterprises)**

<b>Auditee</b>	<b>Submission status</b>	<b>Reasons and status</b>
<b>North West provincial public entities</b>		
Atteridgeville Bus Services	2020-21 to 2024-25: non-submission	The group adopted the International Financial Reporting Standards for the first time in 2018-19 but lacked capacity to prepare financial statements. Since then, the group has not maintained a proper system of accounting records and is now under business rescue.
North West Star		We issued nine material irregularity (MI) notifications to the three entities due to the non-submission of the 2019-20, 2020-21 and 2021-22 financial statements.
North West Transport Investments		In response, the provincial treasury intervened and assisted the entities to prepare the 2019-20 financial statements and is assisting with a catch-up submission of all the outstanding financial statements by May 2026.
<b>KwaZulu-Natal provincial public entities</b>		
KwaZulu-Natal Nature Conservation Board	2024-25: non-submission	A cybersecurity incident in February 2025 resulted in the inaccessibility of the financial system. This compromised financial information and the entity's ability to produce and submit financial statements for auditing.
Ithala Limited	2024-25: late submission	The delay was due to pending matters affecting the continued operational existence of the entity.  The financial statements were received on 20 June 2025. The audit is in process.
<b>Higher education and training portfolio</b>		
National Student Financial Aid Scheme	2024-25: late submission	The delay was due to the late submission of the 2023-24 financial statements and the late finalisation of the 2023-24 audit.  The financial statements were received on 31 July 2025. The audit was finalised on 19 December 2025.
Coastal TVET College	2024-25: late submission	The delay was due to the late submission of the 2023-24 financial statements and the late finalisation of the 2023-24 audit as well as inadequate processes and record-keeping.  The financial statements were received on 31 August 2025. The audit was finalised on 25 February 2026.

Auditee	Submission status	Reasons and status
<b>Departments and other public entities</b>		
Northern Cape Department of Transport, Safety and Liaison	2024-25: non-submission	<p>Due to a rental dispute, the department was denied access to its offices and could not prepare financial statements without the records and information located at the premises.</p> <p>We issued an MI notification in June 2025 due to the non-submission of the financial statements.</p>
Ingonyama Trust	2024-25: late submission	<p>Delays in producing a compliant and reliable land register to support the financial statements led to the late submission.</p> <p>The financial statements were received on 12 February 2026.</p>
Government Pensions Administration Agency	2024-25: late submission	<p>The delay was due to the time taken by management to address findings raised by the internal auditors on the accounting treatment of certain transactions.</p> <p>The financial statements were received on 29 September 2025. The audit was finalised on 3 December 2025.</p>
South African Bureau of Standards	2024-25: non-submission	<p>In November 2024, the auditee experienced a ransomware cyberattack that compromised financial information and affected the auditee's ability to produce and submit financial statements for auditing.</p>
National Youth Development Agency	2024-25: late submission	<p>The delay was due to the time taken to address the previous year's audit findings and problems experienced with system changes.</p> <p>In February 2025, the auditee reverted to the old system to prepare the 2024-25 financial statements, which required information to be recaptured.</p> <p>The financial statements were received on 29 August 2025. The audit was finalised on 31 October 2025.</p>
Small Enterprise Development and Finance Agency	2024-25: late submission	<p>The delay was due to additional time needed to account for the mid-year merger of three entities.</p> <p>The financial statements were received on 30 June 2025. The audit was finalised on 28 September 2025.</p>
Robben Island Museum	2024-25: late submission	<p>The delay was due to vacancies in the financial reporting unit.</p> <p>We issued an MI notification in June 2025 due to the non-submission of the financial statements.</p> <p>The financial statements were received on 9 August 2025. The audit was finalised on 12 December 2025.</p>

## Audit opinions on financial statements

We expressed **unqualified audit opinions** on the financial statements of 312 auditees (75%). Departments, Parliament and provincial legislatures had the highest rate of unqualified audit opinions at 86% (138 auditees). Public entities, trading entities and TVET colleges achieved a rate of 68% (174 auditees).

In total, 229 auditees retained an unqualified audit opinion from the previous year, while 44 regressed to – and 61 improved from – modified audit opinions.

We expressed modified (i.e. qualified, adverse or disclaimed) audit opinions on the financial statements of 72 auditees (17%).

A **qualified audit opinion** means that there were areas in the financial statements that we found to be materially misstated. In our audit reports, we point out which of these areas in the financial statements are not credible.

A total of 64 auditees (15%) received a qualified audit opinion, of which 42 were high-impact auditees. These auditees collectively managed an expenditure budget of R695,63 billion. Some of the auditees that received a qualified audit opinion are:

- Mpumalanga Department of Education (regressed in 2024-25)
- KwaZulu-Natal Department of Health (regressed in 2024-25)
- Department of Social Development (regressed in 2024-25)
- Property Management Trading Entity (unchanged for three years)
- State Information Technology Agency (improved in 2024-25)

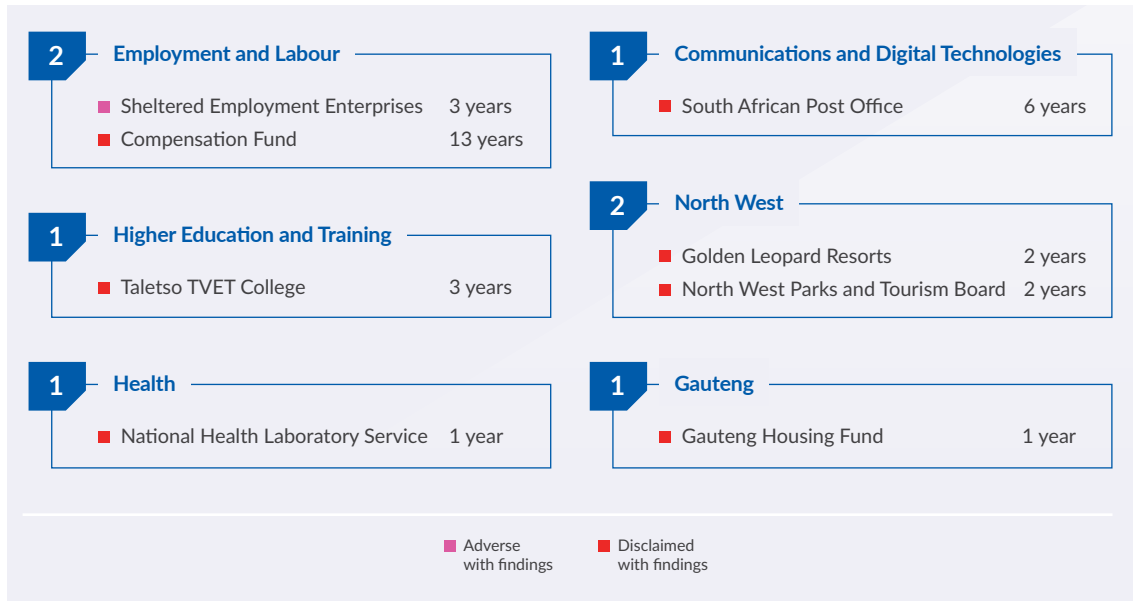
**Adverse and disclaimed audit opinions** are the worst opinions an auditee can receive. An adverse audit opinion means that the financial statements included so many material misstatements that we disagree with virtually all the amounts and disclosures in the financial statements. A disclaimed audit opinion means that those auditees could not provide us with evidence for most of the amounts and disclosures in the financial statements.

Effectively, the information in financial statements with adverse or disclaimed audit opinions is not useful as it is not credible. In our audit reports, we inform oversight structures and other users of the financial statements that the information cannot be trusted.

In 2024-25, one auditee received an adverse audit opinion and seven auditees received disclaimed audit opinions. They collectively managed an expenditure budget of R36,80 billion. There is little transparency or accountability in how these auditees used their funds.

We list these auditees across portfolios and provinces in the figure that follows.

### Auditees with adverse and disclaimed audit opinions and number of years in position



The example that follows illustrates the widespread weaknesses at an auditee that regressed to a disclaimed audit opinion.

#### Regression from qualified to disclaimed audit opinion: National Health Laboratory Service



The entity regressed from a qualified audit opinion in 2023-24 to a disclaimed audit opinion in 2024-25.

The entity received a disclaimed audit opinion because it failed to provide sufficient and appropriate audit evidence across key areas of the financial statements. These areas included the value of property, inventory and receivables as impairment calculations were based on unsupported assumptions. Amounts relating to conditional grants, revenue, payables from exchange transactions, other disclosure items, the cash-flow statement and revenue were also not substantiated. Certain transactions were further not accounted for in line with the accounting standards. These weaknesses were due to poor record-keeping, weak internal controls, a lack of timeous reconciliations and non-implementation of previous audit recommendations.

The entity also received a disclaimed audit opinion on its performance report due to inadequate documentation and findings on data reliability, particularly regarding laboratory turnaround times and forensic testing. The entity did not prepare quarterly performance reports, which prevented effective in-year performance monitoring of progress towards achieving planned objectives. A cyberattack in June 2024 disrupted the systems hosting the underlying performance information, contributing to the inability to verify reported achievements.

### **Regression from qualified to disclaimed audit opinion: National Health Laboratory Service (continued)**



The entity did not comply with multiple areas of key legislation. It submitted its financial statements and performance report late, failed to investigate irregular expenditure and did not provide evidence to confirm that disciplinary action was taken against officials who had incurred irregular or fruitless and wasteful expenditure. Revenue management was poor with long-outstanding debts owed to the entity and payments being made before goods or services were received. The entity could not provide evidence that consequence management was applied for financial misconduct. ([Section 3.3](#) includes further detail on the limitations that we experienced in auditing the entity's compliance with procurement legislation.)

Overall, we identified deep-rooted governance and institutional weaknesses, including poor internal controls and inadequate technical capability. A culture of poor responsiveness to audit findings persists. Leadership has failed to set a clear tone that promotes performance, accountability, transparency and integrity.

## **Quality of financial reporting**

Financial reporting is not confined to the financial statements prepared annually. Reporting takes place throughout the financial year to enable monitoring, oversight and decision-making.

The quality of the financial statements and the supporting schedules and registers submitted for auditing is a good indicator of the credibility of auditees' in-year financial reports. Auditees use these reports for financial decisions, analyses and monitoring. Material misstatements in the submitted financial statements mean that the in-year reports could be based on unreliable information.

In 2024-25, 159 auditees (41%) submitted financial statements for auditing that contained material misstatements. If we had not allowed auditees to correct the misstatements, only 59% would have received unmodified audit opinions, compared to the 81% that eventually did.

**Auditees with material misstatements in financial statements submitted for auditing - at national and provincial level**

National/Province	All auditees		Departments		Other auditees	
	Number	Movement	Number	Movement	Number	Movement
National	106 (47%)	▲	10 (26%)	▲	96 (52%)	▲
Eastern Cape	6 (29%)	▼	2 (15%)	▲	4 (50%)	▼
Free State	8 (50%)	▲	5 (42%)	▲	3 (75%)	▲
Gauteng	6 (26%)	▲	3 (21%)	▲	3 (33%)	▼
KwaZulu-Natal	3 (19%)	▼	3 (23%)	▼	-	▶
Limpopo	9 (47%)	▼	2 (18%)	▲	7 (88%)	▼
Mpumalanga	10 (59%)	▼	6 (50%)	▼	4 (80%)	▼
Northern Cape	3 (27%)	▲	3 (30%)	▲	-	▶
North West	8 (47%)	▼	4 (33%)	▲	4 (80%)	▼
Western Cape	-	▶	-	▶	-	▶
<b>TOTAL</b>	<b>159 (41%)</b>	▲	<b>38 (26%)</b>	▲	<b>121 (51%)</b>	▲

Movement from previous year    ▲ Improvement    ▶ Sustained 100% achievement    ▲ Slight improvement    ▶ Unchanged    ▼ Slight regression    ▼ Regression

The financial statements prepared by almost half of the auditees at national level were materially misstated. We noted similar high levels of material misstatements in the Free State, Limpopo, Mpumalanga and North West.

Generally, the financial statements of departments were of better quality than those of other auditees:

- Twelve SOEs (60%) submitted financial statements with material misstatements for auditing.
- Eleven trading entities (85%) submitted financial statements with material misstatements for auditing.
- Thirty-six TVET colleges (73%) submitted financial statements with material misstatements for auditing.
- Two government components (67%) submitted financial statements with material misstatements for auditing.

Nearly half (47%) of the auditees in the key service delivery sectors submitted poor-quality financial statements.

**Auditees with material misstatements in financial statements submitted for auditing – key service delivery sectors**

Sector	Number	Movement
Basic education	3 (30%)	▶
Health	7 (70%)	▼
Human settlements	4 (40%)	▼
Public works	6 (60%)	▼
Transport	3 (33%)	▲
<b>TOTAL</b>	<b>23</b> <b>(47%)</b>	▼

Movement from previous year    ▲ Improvement    ▶ Unchanged    ▼ Regression

The health sector had the highest prevalence of material misstatements due to a lack of institutional capability to compile accurate and complete financial statements. The KwaZulu-Natal Department of Health submitted poor-quality financial statements after ceasing to use financial reporting consultants and lacking institutional capability to produce quality financial statements in-house. Despite using a financial reporting consultant, the Free State Department of Health received a qualified audit opinion after it could not correct the material misstatements in its financial statements.

The most common misstatements we identify and the weaknesses that caused them are different for the different types of auditees based on the accounting frameworks applied, which we summarise next. We first look at departments and then at other types of auditees, which include public entities.

**Departments** prepare financial statements in accordance with the Modified Cash Standard, an accounting framework developed and prescribed by the National Treasury. The framework is simple to apply as the amounts disclosed in the financial statements include only what was actually paid during the year and do not include accruals (money owed for unpaid expenses) and inventory disclosures.

The framework also does not require complex calculations and estimations. Departments use the same accounting structure (as determined by the National Treasury) and financial systems that support the accounting structure to prepare their financial statements. The National Treasury provides templates for the financial statements and detailed guidance on the application of accounting standards. The National Treasury and provincial treasuries also provide training and support to departments.

Despite the ease of application and support received, 38 departments (26%) submitted financial statements with material misstatements for auditing. The misstatements were not corrected in full by 21 departments (14%), resulting in modified audit opinions.

Next, we report on the most common material misstatement areas at departments and list their causes and impact.

'Disclosures' is supplementary information in the notes to the financial statements that provides further clarity and context on financial results, beyond what is shown in the main statements. It deals with matters such as related parties, contingent liabilities, commitments, leases and events after the reporting date.

Misstatement	Cause
<b>Disclosures: 38 departments (26%)</b>	
<b>30 (79%) made corrections; the remaining 8 (21%) were qualified</b>	
<ul style="list-style-type: none"> <li>Information required in accordance with the Modified Cash Standard was either partially reported or omitted from the financial statements.</li> <li>Supporting evidence could not be provided for disclosures made by 11 departments (29%).</li> </ul>	<p>Disclosures such as contingent liabilities and commitments require departments to keep updated schedules and registers, as the information is not available from the financial systems. Departments often do not have processes and controls to update, validate, reconcile and review these 'manual' records throughout the year and only pay attention to them at year-end.</p> <p>Departments also do not correctly apply or understand the requirements of the Modified Cash Standard for disclosure notes and rely on the auditors to identify the corrections required.</p>

**Impact:** Failure to update schedules and registers and maintain controls over records leads to inaccurate and incomplete reporting on risks or obligations. This may result in poor decision-making and the potential misallocation of resources because financial exposure is not fully understood or managed. Limited understanding of Modified Cash Standard requirements results in reliance on auditors for compliance, undermining accountability.

**Property, infrastructure, plant and equipment** are physical assets such as land, buildings, roads, utilities and machinery that are used to deliver public services.

Misstatement	Cause
<b>Property, infrastructure, plant and equipment: 19 departments (13%)</b>	
<b>10 (53%) made corrections; the remaining 9 (47%) were qualified</b>	
<ul style="list-style-type: none"> <li>Supporting evidence could not be provided for the existence, completeness and/or values of the assets of 10 departments (53%).</li> <li>The reported values of the assets were incorrect at 18 departments (95%).</li> </ul>	<p>A correct and complete asset register and asset management throughout the year are required to correctly report in the financial statements on the assets owned by departments and their values.</p> <p>Asset management disciplines are often not well established and registers are not updated.</p>

**Impact:** Without complete and accurate asset registers, departments cannot verify the existence or value of assets. This results in misstated financial positions, undermines resource planning and increases the risk of asset loss or misuse. It is also likely to lead to inefficient spending on asset maintenance. Inefficient maintenance increases downtime and breakdowns, shortens the lifespan of assets, reduces performance and, ultimately, compromises service delivery.

**Irregular expenditure** is expenditure that is incurred in contravention of legislation or the requirements of legislation.

Misstatement	Cause
<b>Irregular expenditure: 16 departments (11%)</b>	
<b>8 (50%) made corrections; the remaining 8 (50%) were qualified</b>	
Departments did not report all the irregular expenditure incurred or incorrectly reported on such expenditure.	<p>Departments do not have effective controls to identify irregular expenditure during the year.</p> <p><a href="#">Section 3.3</a> provides more information on irregular expenditure and concerns around the lack of transparency on the full extent of irregular expenditure.</p>

**Impact:** Failure to identify irregular expenditure during the year allows non-compliance to persist. Ineffective controls are not identified promptly and addressed. Consequence management is not enforced, resulting in financial losses not being recovered. Section 3.3 details the two key mechanisms that affect the reporting of irregular expenditure, namely, an assessment period and a dispute process.

### Departments with modified audit opinions and number of years modified

<p><b>6</b> National</p> <ul style="list-style-type: none"> <li>Agriculture, Land Reform and Rural Development 1 year</li> <li>Defence 9 years</li> <li>Home Affairs 2 years</li> <li>Employment and Labour 1 year</li> <li>Public Enterprises 1 year</li> <li>Social Development 1 year</li> </ul>	<p><b>5</b> Mpumalanga</p> <ul style="list-style-type: none"> <li>Agriculture, Rural Development, Land and Environmental Affairs 1 year</li> <li>Community Safety, Security and Liaison 12 years</li> <li>Culture, Sport and Recreation 1 year</li> <li>Education 1 year</li> <li>Social Development 1 year</li> </ul>
<p><b>3</b> Free State</p> <ul style="list-style-type: none"> <li>Community Safety, Roads and Transport 2 years</li> <li>Office of the Premier 9 years</li> <li>Health 7 years</li> </ul>	<p><b>2</b> Northern Cape</p> <ul style="list-style-type: none"> <li>Agriculture, Environmental Affairs, Rural Development and Land Reform 4 years</li> <li>Health &gt; 19 years</li> </ul>
<p><b>1</b> Gauteng</p> <ul style="list-style-type: none"> <li>Sport, Arts, Culture and Recreation 1 year</li> </ul>	<p><b>2</b> North West</p> <ul style="list-style-type: none"> <li>Education 5 years</li> <li>Health 1 year</li> </ul>
<p><b>2</b> KwaZulu-Natal</p> <ul style="list-style-type: none"> <li>Education 2 years</li> <li>Health 1 year</li> </ul>	

**Auditees other than departments** prepare financial statements using the Standards of Generally Recognised Accounting Practice, as issued by the Accounting Standards Board, or the International Financial Reporting Standards, which are mostly applied by SOEs.

Next, we report on the most common material misstatement areas at auditees other than departments and list their causes and impact.

As is the case with departments, the **disclosures** of other auditees also relate to supplementary information in the financial statements that provides further clarity and context on financial results, beyond what is shown in the main statements. This includes related parties, contingent liabilities, commitments, leases and events after the reporting date.

Misstatement	Cause
<b>Disclosures: 102 auditees (43%)</b>	
<b>83 (81%) made corrections; the remaining 19 (19%) were qualified</b>	
<ul style="list-style-type: none"> <li>Information required in accordance with the International Financial Reporting Standards or Standards of Generally Recognised Accounting Practice was either partially reported or omitted from the financial statements.</li> <li>Supporting evidence could not be provided for disclosures made by 19 auditees (19%).</li> </ul>	<p>Auditees lack adequate review processes to ensure that disclosures comply with the requirements of the financial reporting framework.</p> <p>Errors in underlying transactions are often not identified timeously because management does not have sufficient controls in place to detect misstatements.</p>

**Impact:** Failure to update schedules and registers and to maintain controls over records leads to inaccurate and incomplete reporting on risks or obligations. This may result in poor decision-making and the potential misallocation of resources because financial exposure is not fully understood or managed.

**Expenditure and payables** are money spent to deliver services, run programmes and maintain operations. This includes employee costs, rent, accruals and other operational costs.

Misstatement	Cause
<b>Expenditure and payables: 85 auditees (36%)</b>	
<b>50 (59%) made corrections; the remaining 35 (41%) were qualified</b>	
<ul style="list-style-type: none"> <li>Supporting evidence could not be provided for the classification, accuracy and/or value of the expenditure and payables of 37 auditees (44%).</li> <li>The reported values of expenditure and payables were incorrect at 82 auditees (96%).</li> </ul>	<p>Auditees often do not have effective internal control systems to detect and accurately disclose all expenditure and payables.</p>

**Impact:** Misstated expenditure and payables compromise an auditee's ability to monitor spending, manage cash flow and plan budgets effectively. This may result in resources being misallocated, liabilities being understated and operational funds being strained. Ultimately, this reduces an auditee's capacity to deliver services efficiently and maintain financial stability.

Similar to the property, infrastructure, plant and equipment of departments, **fixed and movable assets** are the physical and tangible items owned by an auditee, such as buildings, vehicles, equipment, land and other property. They include assets used to deliver services as well as special items like heritage assets, investment property, biological assets and inventory.

Misstatement	Cause
<b>Fixed and movable assets: 60 auditees (26%)</b>	
<b>32 (53%) made corrections; the remaining 28 (47%) were qualified</b>	
<ul style="list-style-type: none"> <li>Supporting evidence could not be provided for the existence, completeness and/or value of the assets of 34 auditees (57%).</li> </ul>	Supporting schedules for assets are not maintained or are prepared and reviewed late, which delays asset verification.
<ul style="list-style-type: none"> <li>The reported values of the assets were incorrect at 56 auditees (93%).</li> </ul>	Auditees do not adequately review the useful lives of assets to ensure compliance with their policies.

**Impact:** Without complete and accurate asset registers, auditees cannot verify the existence or value of assets. This results in misstated financial positions, undermines resource planning and increases the risk of asset loss or misuse. It is also likely to lead to inefficient spending on maintenance of assets. Inefficient maintenance increases downtime and breakdowns, shortens the lifespan of assets, reduces performance and, ultimately, compromises service delivery.

## Impact of weaknesses in financial reporting

Reliable records and accurate reporting throughout the year are essential to monitor spending, manage assets and ensure compliance. Material misstatements weaken the credibility of financial information, conceal key risks, undermine governance and erode transparency. Such misstatements also hinder management from making informed decisions on budgets, resource allocation and service delivery. In turn, this increases the risks of overspending, wastage and service disruptions. For instance, when the true state of assets (property, infrastructure and equipment) is unknown and reported incorrectly, it hinders the effective maintenance of such assets, which ultimately affects an auditee's ability to deliver services effectively.

Without timeous and accurate information, oversight bodies cannot intervene effectively and apply swift corrective action.

The following example shows the impact of material statements on a specific auditee.



In 2024-25, the department was responsible for a budget of R55,48 billion and reported a movable asset base of over R68,95 billion, including specialised military assets. The department has continued to submit financial statements with material misstatements, which were not corrected, resulting in the department receiving recurring qualified audit opinions for the past nine years.

The 2024-25 financial statements were submitted with material misstatements on movable assets, investments, irregular expenditure, goods and services, contingent liabilities and employee compensation. Corrections were made to contingent liabilities and partial corrections were made to movable assets, but the misstatements that were not corrected resulted in the financial statements being qualified.

The problems in internal control, processes and capacity that cause the misstatements on movable assets stem from incomplete and inaccurate registers, registers not submitted for auditing as well as unverifiable assets. The weak controls and processes over record and asset management are due to inadequate information systems to accurately record assets, insufficient implementation and monitoring of daily and monthly controls, and a lack of sufficient leadership capacity in the asset management unit.

Adequate controls to account for defence equipment are also lacking, which has resulted in the following:

- Increased likelihood of these assets not being safeguarded and exposed to theft and misuse. In 2024-25, the department could not locate a number of assets in the asset register.
- Unreliable in-year and year-end financial reports – without accurate asset information, management cannot make informed decisions, resulting in budget inefficiencies, lack of maintenance and higher long-term costs. This also undermines the transparency of the information provided to the executive authorities and portfolio committees that are responsible for monitoring and overseeing the department.

The department's inability to accurately track and maintain its strategic resources compromises mission readiness and national security.

## **Causes of financial statement findings**

Auditees in national and provincial government do not have the institutional capability to consistently produce transparent and credible financial reports due the reasons listed next.

### **Weaknesses in finance units**

Auditees should have finance units that are capacitated and competent. The units should be led by experienced chief financial officers who can provide stability and direction and can lead financial reporting. The finance units of auditees that submitted financial statements with material misstatements had an average vacancy rate of 21%. The chief financial officer position was vacant at 37 (23%) of these auditees.

## Ineffective information technology controls

All auditees use information technology (IT) systems to manage their finances and enable financial reporting. IT controls are an integral part of an auditee's control environment. Significant control weaknesses persist in national and provincial government's IT environment. Recent cyberattacks at auditees further exposed these vulnerabilities, delaying system recovery, compromising the accuracy of financial records and interrupting service delivery.

Our assessment of the IT controls related to financial reporting at auditees where material misstatements were identified found that only 71 auditees (45%) had effective governance processes and 55 (35%) had good information system controls. At the auditees with modified audit opinions that could not correct the material misstatements, only 38% had effective governance processes and only 30% had good information system controls. [Section 3.2](#) details our findings on government's information systems management.

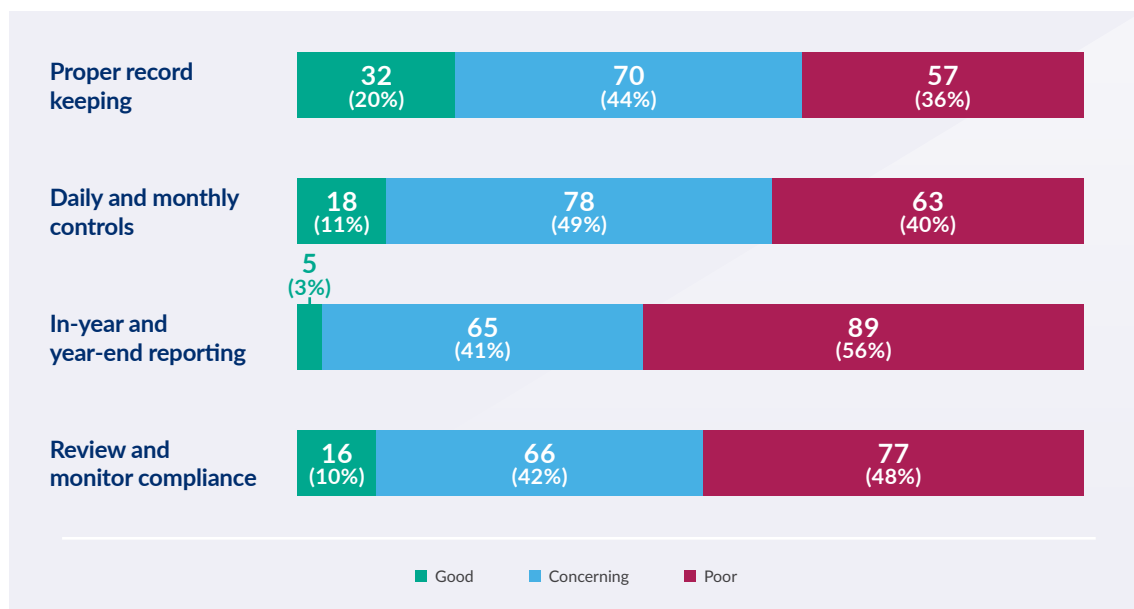
## Inadequate action plans

Audit action plans to address identified weaknesses are often developed but not implemented, allowing the same financial statement errors to recur year after year. Overall, we found that 125 (79%) of the 159 auditees with material misstatements either did not have adequate action plans or had not fully implemented their action plans. The situation was even worse at auditees that received a modified audit opinion: 65 (90%) of these auditees did not have, or did not effectively implement, action plans.

## Weak internal controls

Basic financial management processes and controls, such as record-keeping, independent reviews and reporting, are not working effectively at auditees.

### *Status of key financial management controls – auditees with material misstatements in submitted financial statements*



The status of key controls is worse at auditees with modified audit opinions, with almost 80% having poor in-year and year-end reporting controls.

## Lack of internal audit and audit committee oversight

Sections 38(1)(a)(ii) and 51(1)(a)(ii) of the PFMA require accounting officers and authorities to ensure that internal audits take place under the control and direction of an audit committee. As detailed in [section 1](#), audit committees and internal audit units have specific responsibilities, as defined in the Treasury Regulations, as assurance providers.

### Legislated process and responsibilities

**Audit committees** must review the effectiveness of internal control systems; the adequacy, reliability and accuracy of financial information provided to management and other users of such information; and any accounting concerns identified through internal and external audits. The committee reports to and makes recommendations to the accounting officer or authority.

*Treasury regulations 3.1.10 and 27.1.10*

**Internal audit units** must assist the accounting officer or authority by evaluating the effectiveness and efficiency of controls and by providing recommendations for improvement, which includes controls to ensure the reliability and integrity of financial information.

*Treasury regulations 3.2.11 and 27.2.10*

Similar requirements are included in the FMPPLA and Ceta.

Accounting officers and authorities that elevate and support audit committees and internal audit units as key governance controls and ensure that their recommendations are implemented by senior management derive significant value in the form of strengthened financial management and credible financial information and financial statements.

The audit committees and internal audit units of the auditees that submitted good-quality financial statements for auditing performed the reviews and evaluations required by legislation. In our assessment, most (92% of the audit committees and 91% of the internal audit units) were effective as a governance control in the area of financial management.

Of the 159 auditees with material misstatements in their submitted financial statements, 16 (10%) did not have an audit committee or an internal audit unit, or both. The audit committees and/or internal audit units of 13 auditees (9%) did not perform the required reviews and evaluations. At 62 auditees (48%), the reviews and evaluations performed were not effective.

[Section 6](#) provides more detail and recommendations on the use of audit committees and internal audit units to strengthen governance processes. It also reflects on the impact of accounting officers and authorities and senior management not implementing the recommendations of these assurance providers.

## 2.3 Performance reports

### *Performance reporting weaknesses impact accountability and service delivery*

#### Importance of performance reports

As detailed in [section 1](#), government has well-designed processes with legislated responsibilities for auditees to plan, budget, monitor and report on delivery against their performance plans. If delivery is not planned for, the necessary budget and resources are not allocated and the delivery is not monitored and managed throughout the year – what is not planned, is not delivered.

The PFMA and the Framework for Managing Programme Performance Information require departments, constitutional institutions, public entities and legislatures to prepare a performance report annually for tabling in Parliament or a provincial legislature. Some auditees, such as trading entities and TVET colleges, are not required to prepare such reports.

The performance reports provide information on the auditee's achievement against predetermined objectives and planned targets. This allows for the tracking of progress on the delivery of services and the value received from money allocated, which forms the basis of accountability.

The executive authorities and oversight structures can then call accounting officers and authorities to account and provide support where needed. The performance report is published in the auditee's annual report, making it available to members of the public, who can also measure the impact of the auditee's performance on their lives, allowing for transparency and accountability.

With the reported performance information, government can track the progress made towards achieving its medium-term objectives over the administration, its long-term goals (as included in the National Development Plan 2030) and the United Nations' Sustainable Development Goals.

The 2024-25 year marked both the first year of the new administration and the launch of the Medium-Term Development Plan (MTDP) for 2024-29. The 2024-25 performance planning and reporting remained aligned to the previous Medium-Term Strategic Framework (MTSF). The MTDP alignment will be from 2025-26.

The PAA requires us to annually audit the performance report of all auditees that must report on their performance. We do this to provide users of the report with some assurance that the information in the report is a true reflection of the auditee's performance against its planned objectives. This mandate, given to us by law, is testament to the importance of performance reporting – placing it at the same level as the financial statements.

#### Performance reporting audit results

Performance reports are submitted for auditing, together with the financial statements. **The late or non-submission** of financial statements in 2024-25, as detailed in [section 2.1](#), also affected our ability to audit the performance reports in time.

In addition, Golden Leopard Resorts, a North West government business enterprise, did not submit a performance report with its financial statements and has failed to do so for four consecutive years since 2021-22. [Section 7.8](#) provides more detail on this.

The 2024-25 expenditure budget of the 318 auditees that prepared performance reports was R1,95 trillion. A performance report should provide useful and reliable information on the auditee's planning and delivery on its mandate and strategic objectives within the budget allocated for this purpose.

We reported **material findings** on the performance information in the performance reports of 100 auditees (31%) as this information was not useful and/or not reliable.

## Usefulness of reported performance information

A total of 49 auditees (15%) had material findings on the **usefulness** of the reported performance information. Eight departments in the basic education sector and five departments in the human settlements sector had such findings.

If information in the performance report is not useful for assessing the performance of an auditee, it is due to weaknesses in the performance planning process as this is when the performance indicators and targets for management, monitoring and reporting purposes are defined.

The limited number of usefulness findings in the first year of the 7<sup>th</sup> administration is not unexpected as the performance indicators and targets were still aligned to the MTSF and they could therefore be refined over the course of five years. Such refinement was mostly due to the Department of Planning, Monitoring and Evaluation (DPME) and the premiers' offices reviewing the performance plans and auditees addressing matters in response to our audit findings.

The most reported findings on usefulness were the following:

- The performance indicators reported on were not well defined (i.e. it is unclear what the indicator measures) at 16 auditees or the targets were not specific, measurable and/or time bound at 11 auditees.

A performance indicator that is not well defined and targets that are not specific, measurable or time bound are not useful for measuring and reporting on the performance of auditees. It also makes it difficult for users of the performance reports to understand how the indicators and targets relate to the overall objective that is meant to be achieved and whether progress is being made towards the planned outcome.

### **Indicators not well defined: Limpopo Economic Development Agency**



The auditee included an indicator on the number of beneficiaries of Risima housing finance products in its performance plan, with a planned target of 4 027.

During the planning process, the auditee did not clearly define how the indicator would be measured. The intention was for the target to reflect the take-up of the products in the performance year. However, the performance report reflected the achievement as the cumulative total beneficiaries of the products by year-end. As a result, it incorrectly appears as if there was a high take-up of the product in the year.

- The performance plan and report of 20 auditees excluded indicators that measure their performance on their core mandated functions and/or the MTSF (as applicable to the auditees).

If auditees exclude indicators from their performance plans without appropriate and valid reasons, it means that their performance plans and reports do not include a measurement on the functions that they are mandated to perform and funding allocations are not made to achieve these mandated functions. This includes key service delivery required in accordance with legislation or through duties assigned to it by national or provincial government. Consequently, the expected delivery by the auditee is at risk due to it not being planned for, funded and monitored.

Because of such exclusions, auditees do not transparently report on how they perform their core functions, their contributions to government programmes and initiatives or the effective use of their budgets. This weakens accountability and the overall government planning and budgeting processes.

#### *Missing indicators: Insurance Seta*



The auditee did not include an indicator for a key government goal from the National Skills Development Plan in its performance plan. The indicator related to the number of small businesses funded to cultivate skills that enhance growth and development. This indicator, which is a key measure of growth and development interventions, was therefore not planned for, reported on or budgeted for.

This means that the auditee is unlikely to deliver on the objective of the indicator to contribute to skills development. Due to the lack of transparency, the oversight and accountability processes by the minister and portfolio committee are also negatively impacted.

### Reliability of reported performance information

A total of 76 auditees (24%) had material findings on **reliability**. When an auditee's reported performance achievements are not reliable, it means that either we had proof that the achievement as reported was not correct, or we could not find evidence to support it.

Unreliable reporting means that the auditee may have reported achievements that did not take place at all or reported that it had achieved more than it did. If achievements are not reported correctly, it limits the ability of the whole accountability ecosystem, particularly executive authorities and oversight bodies, to assess the auditee's performance and take action to enable improvement.

**Unreliable reported achievement:  
Gauteng Department of Human Settlements**



The department reported an achievement of 99,89% against a target of 100% on the indicator: *Percentage of quality-assured housing units allocated to approved beneficiaries.*

The reported achievement was not reliable as the evidence provided showed that the actual achievement was only 64% and not 99,89% as reported.

**Lack of proper performance records:  
Eastern Cape Department of Health**



In 2022-23, the department did not reliably report on performance information due to a lack of proper records to support achievements reported in the performance report. We notified the accounting officer of the MI in May 2024. In February 2025, some of the data was verified and captured, which improved the reliability of reporting. By June 2025, the accounting officer had started capacitating the department by providing accredited training to existing records staff to strengthen records management.

## Pervasiveness and impact of findings

In addition to the material findings that we report in the audit report, we also report our overall conclusions on the programmes or objectives that we selected for auditing to the accounting officers and authorities. Depending on the methodology we applied, it can be in the form of an opinion, conclusion or indication of the extent and nature of the material findings.

This provides a view of the pervasiveness of findings and the nature of the majority of the findings: whether the supporting evidence contradicted the disclosure made (disagreement) or whether we were not provided with evidence (limitation).

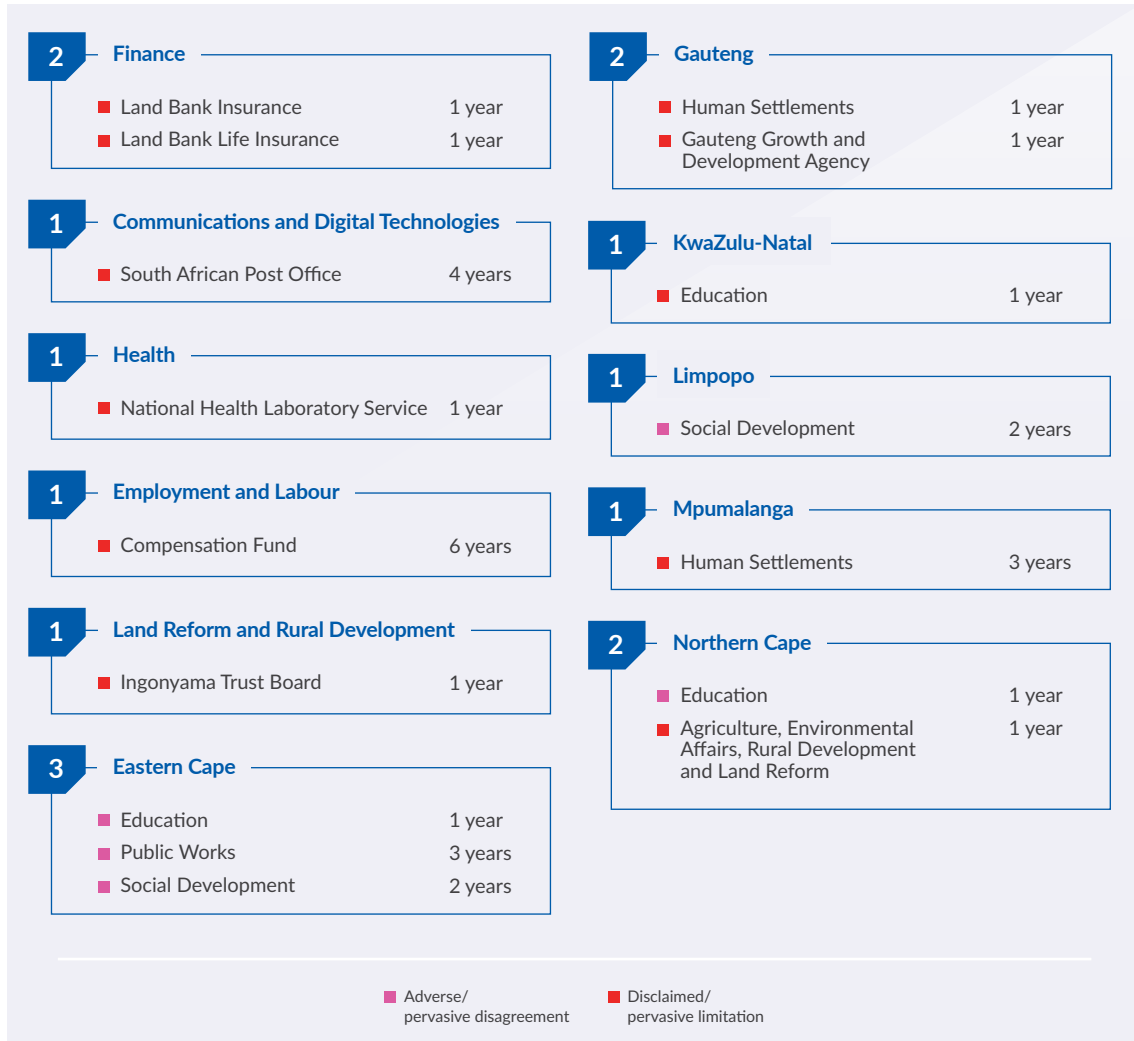
**Audit opinions, conclusions or findings on performance reports - overall and per auditee category**

	Unqualified/ no findings	Qualified/ material findings	Adverse/ pervasive disagreement	Disclaimed/ pervasive limitation		Movement from previous year and related budget
<b>Overall</b>	<b>218</b> 69%	<b>84</b> 26%	<b>5</b> 2%	<b>11</b> 3%	<b>318</b>	<b>32</b> ▲ (R236,98bn) <b>36</b> ▼ (R286,20bn)
						Responsible for <b>R1,95 trillion (88%)</b> of estimated expenditure budget
<b>Departments</b>	<b>94</b> 63%	<b>46</b> 31%	<b>5</b> 3%	<b>4</b> 3%	<b>149</b>	
<b>Parliament and provincial legislatures</b>	<b>10</b> 100%	<b>0</b> 0%	<b>0</b> 0%	<b>0</b> 0%	<b>10</b>	
<b>State-owned enterprises</b>	<b>12</b> 66%	<b>3</b> 17%	<b>0</b> 0%	<b>3</b> 17%	<b>18</b>	
<b>Government business enterprises</b>	<b>13</b> 62%	<b>8</b> 38%	<b>0</b> 0%	<b>0</b> 0%	<b>21</b>	
<b>Other auditees</b>	<b>89</b> 74%	<b>27</b> 23%	<b>0</b> 0%	<b>4</b> 3%	<b>120</b>	

The performance reports of the auditees with material findings either included areas in the performance report that were not useful and/or reliable (the 84 auditees in the 'qualified / material findings' category) or were so bad that they could not be used for oversight purposes (the 16 auditees in the categories of 'adverse / pervasive disagreement' or 'disclaimed / pervasive limitation').

We list these auditees across portfolios and provinces in the figure that follows.

**Auditees with adverse audit opinions / pervasive disagreement and disclaimed audit opinions / pervasive limitation on performance reports and number of years in category**



The impact of an adverse audit opinion on performance reporting is shown in the following example.

**Adverse audit opinion:  
Northern Cape Department of Education**



We audited the reported performance information of three of the department's key delivery programmes: public ordinary school education, early childhood development and infrastructure development.

The department excluded 20 performance indicators with targets that are key to delivering on these programmes and the MTSF from its performance plan. These are commonly reported by other provincial education departments and include important indicators such as learners with access to required maths and English first additional language textbooks in grades 6 and 9, schools with



access to information and communication technology (ICT) devices, new schools completed and ready for occupation, as well as those relating to the transportation of learners from their place of residence to schools and those relating to the National School Nutrition Programme.

As a result, the department did not plan for and report on the achievement of targets against these indicators in the performance report for accountability purposes. Eighteen of the 20 performance indicators were also omitted in 2023-24 but the accounting officer did not update the 2024-25 performance plan in response to the findings that we raised.

For five other performance indicators material to the achievement of the department's programmes, the reported achievements in the performance report were not reliable or the indicators and targets were not useful to enable measurement against the planned objectives. The department did not prepare reliable performance reports as the dedicated unit at the premier's office did not review in-year reports.

The omission of key indicators and poorly designed indicators and targets during the planning process limit the department's ability to plan, monitor and track expenditure and to report on progress towards its core mandate. Therefore, the performance report did not provide a transparent account of the department's performance against its mandate of ensuring access to, and delivering, quality education. This further weakened accountability and oversight.

The impact of omitting indicators is evident in our audit findings. The National School Nutrition Programme faces management and operational issues, leading to ineffective service delivery and non-compliance with guidelines. The programme is marred by the inappropriate use of funds, poor stock management, non-adherence to safety regulations and insufficient monitoring by districts.

Similarly, there are significant challenges in the Learner Transport Programme because districts and the department do not effectively monitor or oversee its implementation. Schools were unable to provide evidence of daily monitoring due to a lack of formal documentation outlining their responsibilities.

## Quality of performance reporting

As detailed in [section 1](#), the performance of an auditee against its planned objectives and targets is monitored through a process of in-year reporting. This includes the submission of quarterly performance reports to the executive authority. This process was established in law to promote accountability and enable effective oversight by ensuring that progress towards achieving planned targets is tracked, emerging issues are identified early, and indicators and related budgets can be adjusted when necessary to support the achievement of desired outcomes and service delivery.

Accounting officers and authorities are required to establish systems for ongoing monitoring, evaluation and reporting of performance, and to take corrective action when deviations are identified.

We audit compliance with the legislative requirements for strategic planning and performance management. We reported material findings on compliance with these requirements at 45 auditees (14%). The most common findings were:

- the absence of an appropriate system to enable monitoring of planned objective and targets at 34 auditees
- quarterly performance reports that were not prepared at six auditees (including the Department of Justice and Constitutional Development and the National Health Laboratory Service).

The effectiveness of performance monitoring and management depends on timeous, relevant and reliable reports being submitted and acted upon to correct deviations or address challenges. To ensure that this monitoring is meaningful, the data, information and reports used for in-year monitoring must be based on well-defined and measurable indicators and targets, as outlined in the approved performance plan. This ensures that reported performance is credible, comparable over time and accurately reflects progress towards achieving planned objectives.

The quality of the performance reports and supporting information submitted for auditing is a good indicator of the credibility of auditees' in-year performance reports used for monitoring and decision-making. In 2024-25, we identified material findings on over half (170, or 53%) of the performance reports submitted for auditing. If we had not allowed auditees to correct the misstatements, the performance reports of only 47% would have been useful and reliable for oversight purposes, compared to the 69% that eventually were.

#### ***Material misstatements in submitted performance information: KwaZulu-Natal Department of Education***



We audited the reported performance information of three key delivery programmes of the department. The department excluded 19 performance indicators with targets from its performance plan, which are key to delivering on these programmes and the MTSE.

These indicators are commonly reported by other provincial education departments and include the provision of new special schools, the upgrading and maintenance of existing special and full-service schools, and schools with access to ICT devices. As a result, the department did not plan for and report on these indicators in the performance report for accountability purposes.

For two of the performance indicators included in the performance report submitted for auditing, the reported achievements were not reliable. For example, the department reported an achievement of 4 045 public schools that offer grade R against a target of 4 082 but did not provide adequate supporting evidence to support the reported achievement. The achievement may have been more or less than reported.

A cause for the unreliable information was that the department did not have appropriate systems and processes to monitor the progress made towards achieving targets, core objectives and service delivery. Quarterly reporting was also not effective as the information reported was not verified against supporting evidence.

The department could not make corrections to the performance report, which resulted in the report not being fit for oversight and accountability purposes.

The high prevalence of poor-quality performance reports submitted for auditing exposes weaknesses in the planning processes. It also calls into question the strength of in-year monitoring and decision-making, as it is often based on unreliable performance information.

***Poor-quality submission and in-year reporting:  
Free State Department of Social Development***



The department submitted a performance report for auditing that included reported achievements that were not supported by the evidence provided for three performance indicators. These indicators relate to the department's primary mandate, namely, the number of children placed in child and youth care centres, the number of family members reunited with families, and the number of persons with disabilities accessing services in protective workshops.

The department made corrections based on our findings but could not provide evidence for the reported achievement related to children placed in child and youth care centres. We raised a material finding on the reliability of the information.

The unreliable performance information, which also affected the credibility of in-year reporting, was due to a lack of appropriate systems and processes to monitor the progress made towards the achievement of targets. As this is a legislated requirement, it resulted in a material finding on compliance. The department did also not have adequate internal controls to review, monitor and evaluate reported performance.

Although quarterly reports were prepared and submitted to the relevant member of the executive council (MEC), management did not adequately review them and underlying records to confirm the reliability of the information. Management did also not implement the corrective measures recommended by the internal audit unit. This undermined the purpose of quarterly reporting as a tool for effective performance monitoring and oversight.

## **Performance reporting in provinces, portfolios and sectors**

In this section, we report on the quality of performance reporting in the different provinces, portfolios and sectors. As detailed in [section 1](#), different roleplayers in the accountability ecosystem are responsible for providing direction, approvals, monitoring and reviews in these three groupings.

### Findings on performance reporting – provinces

Province	Material findings on performance reports		Prevalence of adverse/disclaimed/pervasive findings	Nature of findings		Material findings on compliance with strategic planning and performance management		
	Submitted for auditing	Final		Usefulness	Reliability			
Eastern Cape	8 (38%)	▲	6 (29%)	▲	3 (14%)	3 (50%)	6 (100%)	7 (33%)
Free State	13 (93%)	▼	4 (29%)	▲	-	2 (50%)	4 (100%)	8 (57%)
Gauteng	10 (45%)	▼	6 (27%)	◀	2 (9%)	2 (33%)	6 (100%)	1 (5%)
KwaZulu-Natal	8 (53%)	▼	5 (33%)	▼	1 (7%)	4 (80%)	4 (80%)	3 (20%)
Limpopo	12 (63%)	▲	10 (53%)	▼	1 (5%)	5 (50%)	9 (90%)	8 (42%)
Mpumalanga	10 (59%)	▲	6 (35%)	▼	1 (6%)	4 (67%)	5 (83%)	4 (24%)
Northern Cape	6 (55%)	▼	3 (27%)	▲	2 (18%)	2 (67%)	3 (100%)	3 (27%)
North West	11 (69%)	▲	7 (44%)	▲	-	1 (14%)	7 (100%)	4 (25%)
Western Cape	5 (25%)	▼	1 (5%)	▶	-	1 (100%)	-	-

Movement from previous year      ▲ Improvement      ▲ Slight improvement      ▶ Unchanged      ▼ Slight regression      ▼ Regression

In the provinces, performance reporting that is not credible and strategic planning and performance management processes that are not compliant with legislation hinder in-year reporting and delivery on the provincial objectives and targets determined by the premier and MECs. The high number of performance reports that is not useful and reliable weakens the oversight and accountability processes of the provincial legislature.

Improvements in performance reporting are required in all provinces. Poor-quality performance reports were pervasive in the Free State, Limpopo and North West. In the Free State, auditees corrected most material misstatements as the findings related mainly to the reliability of reported achievements that could be corrected during the audit. In Limpopo, most of the findings related to the already-approved indicators and targets in the performance plan that cannot be adjusted at the time of reporting.

The lack of credible reporting in the provinces also affected transparency, accountability and performance across the key service delivery sectors.

**Findings on performance reporting – key service delivery sectors**

Sector	Material findings on performance reports		Prevalence of adverse/disclaimed/pervasive findings	Nature of findings		Material findings on compliance with strategic planning and performance management		
	Submitted for auditing	Final		Usefulness	Reliability			
Basic education	9 (90%)	▶	9 (90%)	▶	3 (30%)	8 (89%)	8 (89%)	7 (70%)
Health	8 (80%)	▲	7 (70%)	▲	-	1 (14%)	6 (86%)	6 (60%)
Human settlements	10 (100%)	▶	6 (60%)	▲	2 (20%)	5 (71%)	4 (57%)	4 (40%)
Public works	10 (100%)	▼	4 (40%)	▶	1 (10%)	-	4 (100%)	3 (30%)
Transport	7 (78%)	▼	2 (22%)	▶	-	1 (50%)	2 (100%)	2 (22%)

Movement from previous year      ▲ Improvement      ▲ Slight improvement      ▶ Unchanged      ▼ Regression

The national sector departments, supported by the DPME, were responsible for developing policies and sector plans that align with the MTSF. These included standardised performance indicators to enable monitoring, evaluation and reporting across national and provincial government. The standardisation and coordination were not successful in all sectors, with only the health sector succeeding in getting agreement on standardised indicators.

The high levels of usefulness findings in the education and human settlements sectors were mostly due to provincial departments excluding performance indicators and targets from their plans and/or reports that measure delivery on key programmes of the sector. The reason most often provided was that they did not have the systems and processes to accurately track and measure the performance on these indicators. This weakened sector planning, monitoring and reporting processes and accountability.

We also provide a view of the state of performance reporting in large portfolios that include high-impact auditees.

**Findings on performance reporting – selected portfolios**

Portfolio	Material findings on performance reports				Prevalence of adverse/disclaimed/pervasive findings	Nature of findings		Material findings on compliance with strategic planning and performance management
	Submitted for auditing		Final			Usefulness	Reliability	
Communications and Digital Technologies	3 (50%)	▼	2 (33%)	▼	1 (17%)	-	2 (100%)	1 (17%)
Defence and Military Veterans	3 (100%)	▶	2 (67%)	▲	-	1 (50%)	2 (100%)	1 (33%)
Employment and Labour	4 (67%)	▼	3 (50%)	▼	1 (17%)	-	3 (100%)	-
Health	2 (40%)	▶	2 (40%)	▲	1 (20%)	-	1 (50%)	1 (20%)
Higher Education and Training	15 (65%)	▼	8 (35%)	▼	-	3 (38%)	5 (63%)	-
Justice and Constitutional Development	3 (50%)	▼	2 (33%)	▶	-	-	2 (100%)	1 (17%)
Mineral and Petroleum Resources	11 (65%)	▼	4 (24%)	▶	-	3 (75%)	3 (75%)	1 (6%)
Social Development	3 (100%)	▶	3 (100%)	▶	-	2 (67%)	3 (100%)	1 (33%)
Transport	8 (67%)	▼	5 (42%)	▶	-	4 (80%)	3 (60%)	1 (8%)

Movement from previous year      ▲ Improvement      ▶ Slight improvement      ▶ Unchanged      ▼ Regression

Performance reporting that is not credible impacts in-year reporting and delivery on objectives and targets determined by the president and Cabinet and monitored by the DPME. The performance reports in these portfolios that are not useful and reliable weaken the oversight and accountability processes of the portfolio committees in Parliament.

## Causes of performance report findings

As detailed in [section 1](#), there is a well-defined, legislated system of performance planning, budgeting, monitoring and reporting in national and provincial government to ensure transparency and accountability in service delivery performance.

However, the system is not implemented as designed due to a lack of institutional capability and inadequate intergovernmental cooperation, as outlined next.

### Leadership instability

Auditees with material findings on their performance reports were often affected by leadership instability. At auditees with such findings, the accounting officer position of 20 departments (36%) and the chief executive officer position of 11 public entities (24%) were vacant at year-end.

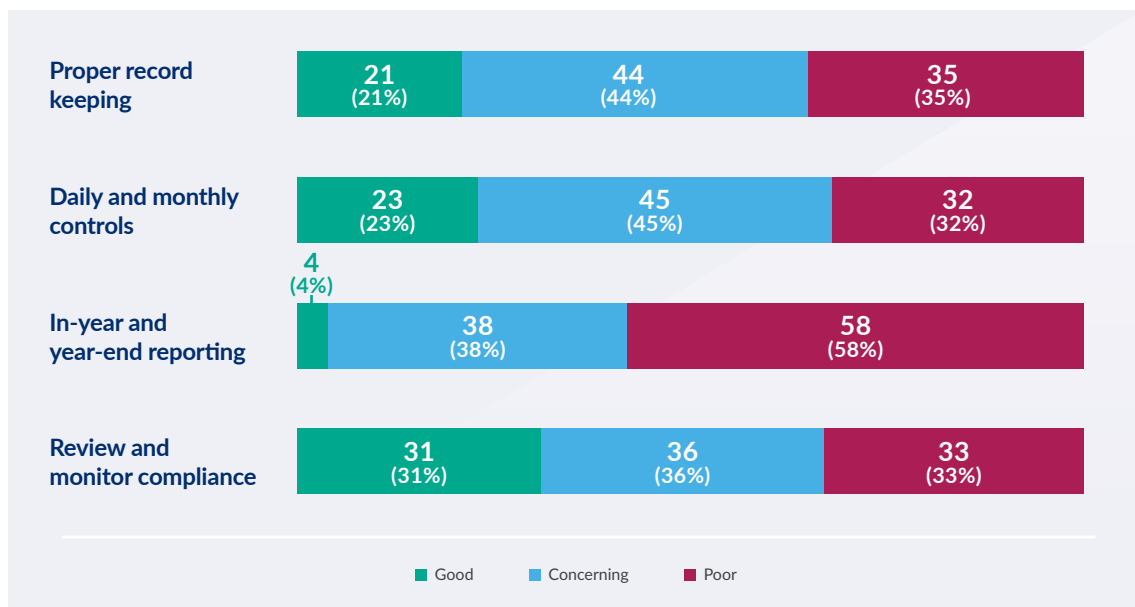
Senior management vacancies averaged 23% across these auditees, indicating persistent challenges in maintaining a stable leadership and management structure.

### Weak internal controls

Auditees with material findings on their performance reports did not have adequate systems, including IT systems, to collate, record, measure and report on their performance. Their processes were often manual and prone to error.

Most of these auditees did not have basic controls in place to ensure that performance reports were accurate and complete and were supported by credible information.

### Status of key performance management controls



## Lack of internal audit and audit committee oversight

In [section 2.2](#) under 'Causes of financial statement findings', we demonstrate the value derived when accounting officers and authorities elevate and support audit committees and internal audit units as key governance controls. The same is true for performance reporting.

The audit committees and internal audit units of the auditees that submitted good-quality performance reports for auditing evaluated the reliability of the performance information. In our assessment, most (97% of the audit committees and 95% of the internal audit units) were effective as governance controls in the area of performance management.

Of the 100 auditees with material misstatements in their submitted performance reports, four (4%) did not have an audit committee or an internal audit unit, or both. The audit committees and/or internal audit units of seven auditees (7%) did not evaluate the reliability of performance information. At 38 auditees (43%), the evaluations performed were not effective.

[Section 6](#) provides more detail and recommendations on the use of audit committees and internal audit units to strengthen governance processes. It also reflects on the impact of accounting officers and authorities and senior management not implementing the recommendations of these assurance providers.

## Weaknesses in intergovernmental planning

Last year's general report reflected on the positive impact made by the DPME and most of the premiers' offices on the quality of performance plans. However, we again observed that some auditees did not implement the recommendations of these roleplayers to enhance the quality of performance plans.

Some national sector departments also did good work, with the support of the DPME, to develop standardised indicators for their sector. This ensured prioritisation, consistent measurement and credible reporting on the achievement of targets. However, the national roleplayers faced significant resistance from the provincial departments in the sectors. The provincial departments did not want to include these indicators in their plans, often to avoid audit findings on the reliability of reported achievements or attracting oversight attention due to underachievement. The education sector is a good example of this challenge.

These breakdowns in the planning value chain occurred because the DPME, premiers' offices and national sector departments did not have an enforcement mandate. They had little recourse and could not apply consequences if their recommendations, support and instructions were disregarded.

## 2.4 Compliance with key legislation

### *Lack of institutional integrity evident from high levels of non-compliance*

We annually audit and report on compliance by auditees with key legislation on financial and performance management and related matters. We were given this mandate through the PAA, as Parliament and provincial legislatures view non-compliance with legislation in a serious light. When an auditee functions in a culture of non-compliance, this has a material impact on all aspects of its performance and ultimately undermines effective service delivery.

Compliance fosters transparency, accountability and respect for the rule of law, which are essential for building and maintaining public trust. It also facilitates the achievement of government goals by governing the allocation and use of public funds to the benefit of the public. It further promotes integrity, equitable treatment and collaboration.

Of the three areas that we audit annually (which determine the overall audit outcome), non-compliance with legislation continues to be the area in which most auditees fail.

### Overall compliance audit results

The high levels of material non-compliance with key legislation that we reported over the term of the previous administration continued into the new administration.

#### *Compliance with key legislation – all auditees*



There has also been little improvement from the previous year.

### Movement in compliance with legislation from 2023-24

Improved	35	Unchanged – increase in findings	70
Regressed	21	Unchanged – decrease in findings	62
Unchanged	193	New auditees with findings	3

Most auditees did not address the previous year’s material findings on compliance to prevent a recurrence thereof. Although some had fewer findings, others had more. In the figures that follow, we include the average number of compliance findings to demonstrate the extent of non-compliance at auditees.

In total, 92 auditees (58%) in provincial government and 132 auditees (59%) in national government had material findings on compliance.

### Compliance – audit results per province (auditees with material findings on compliance)



North West remained the province with the highest percentage of auditees with material findings on compliance, while auditees with material findings in the Northern Cape had an average of 13 findings.

The five departments with the highest number of findings were provincial departments and two of the five public entities with the highest number of findings were provincial entities. More information on these departments and entities is included later in this section.

A total of 28 portfolios had auditees with material findings on compliance. We highlight five portfolios with high-impact auditees that also had high levels of non-compliance,

**Compliance – audit results per selected portfolios (auditees with material findings on compliance)**



In 2024-25, all auditees in the defence and military veterans portfolio again had material findings on compliance.

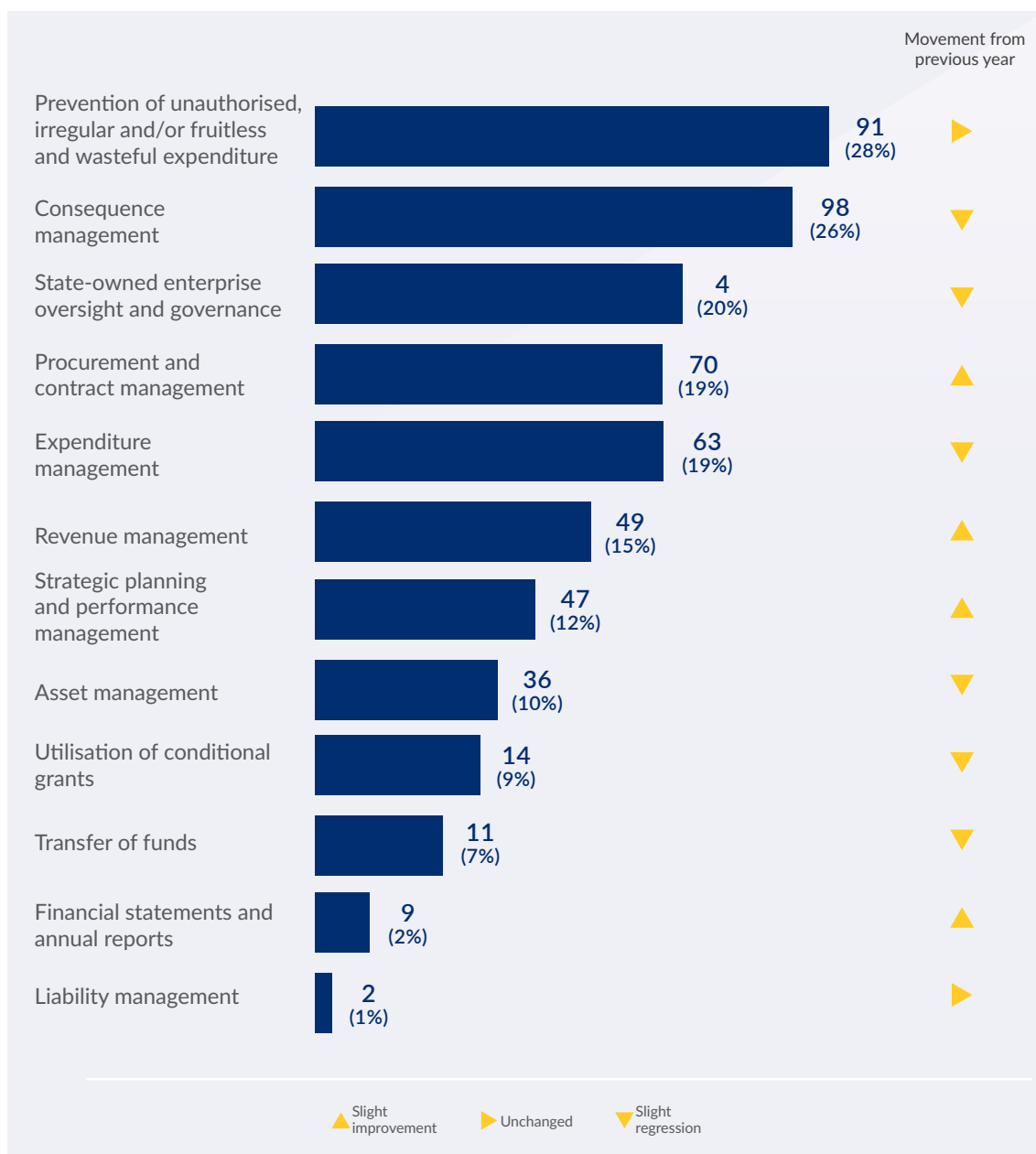
**Common compliance findings and impact**

The most common finding – at 159 auditees (42%) – was non-compliance with the legislative requirement to prepare financial statements in accordance with the applicable accounting framework. It was the only compliance finding at 53 auditees (14%). Sixty-three per cent of the auditees that improved to no material compliance findings did so by submitting financial statements without material misstatements for auditing.

[Section 2.2](#) provides detailed commentary on the submission and quality of financial statements. The rest of this section focuses on the 171 auditees (45%) with material findings on other compliance areas. Of these auditees, 145 also had material findings on compliance in the previous year.

We group the findings into compliance areas to provide an overall view of non-compliance in key areas of financial and performance management. We use the number of auditees that are required to comply with legislative requirements in each specific area as the basis for our calculations.

### Material non-compliance areas (excluding material misstatements)



Over a quarter of auditees materially did not comply with legislation on consequence management. Such legislation prescribes the actions that accounting officers and authorities must take when irregularities and losses occur or in response to allegations of financial misconduct and fraud. The material non-compliance in this area demonstrates the culture of no accountability and consequence in parts of national and provincial government, which is the root cause for the continued high levels of non-compliance and disregard for legislation. [Section 3.6](#) details the nature, extent and impact of consequence management failures.

Throughout this report, we highlight the impact of non-compliance in national and provincial government.

The financial and non-financial **cost of non-compliance is high**. Non-compliance with legislation often leads to financial loss and negatively affects the accountability, transparency, performance and service delivery of an auditee. Non-compliance can also result in costly investigations and subject officials to the discomfort and anxieties associated with these processes, which are often delayed.

The impact is best demonstrated by using the **10 most common material findings on compliance** – listed here in order of prevalence:

- 1 Irregular expenditure was not prevented.
- 2 Irregular expenditure was not investigated to determine if any person is liable for the expenditure.
- 3 Fruitless and wasteful expenditure was not investigated to determine if any person is liable for the expenditure.
- 4 Effective and appropriate steps were not taken to collect all money due.
- 5 Payments to creditors were not settled within 30 days.
- 6 Fruitless and wasteful expenditure was not prevented.
- 7 There were no specific and appropriate information systems to enable monitoring of targets and core objectives as per the strategic or annual performance plan.
- 8 Disciplinary steps were not taken against officials who made or permitted irregular expenditure.
- 9 Competitive bids were not invited and/or deviations were not justified.
- 10 Proper control systems were not in place for assets (asset management).

The findings on **fruitless and wasteful expenditure not prevented, revenue not being collected and late payments to creditors** (which result in interest and penalties) directly lead to financial loss. Late payments of contractors used for projects also delay the completion of the projects.

The fruitless and wasteful expenditure in 2024-25 was R1,42 billion, which included R0,48 billion in interest and penalties due to late creditor payments. The estimated financial loss of the 17 MIs that we raised on revenue not billed or collected and suppliers not paid in time is R4,99 billion. [Section 3.4](#) provides more detail on these financial management weaknesses and [section 3.1](#) includes detail on the impact on infrastructure projects.

**Asset management weaknesses** can lead to assets not being correctly accounted for in the financial statements, resulting in a lack of transparency. Assets might also be lost, damaged or fall into disrepair (due to a lack of maintenance) or not used as intended, which can result in financial loss and impact service delivery and the safety of the public.

As detailed in [section 2.2](#), the disclosure of assets was one of the areas most often materially misstated in the financial statements submitted for auditing. The estimated financial loss of the 11 MIs that we raised on assets not safeguarded or maintained is R0,58 billion. We also issued three MIs because of harm to the public due to a lack of maintenance and 13 MIs due to the misuse of material public resources because of underutilisation.

When competitive bidding processes are not followed, this can lead to financial loss due to higher prices being paid for goods and services or service delivery challenges if the appointed suppliers and contractors cannot deliver. The finding on **prevention of irregular expenditure** also points to the high levels of non-compliance with procurement and contract management legislation as it is the cause of most of the irregular expenditure.

The irregular expenditure in 2024-25 was R42,58 billion – of which R40,37 billion (95%) was due to non-compliance with procurement and contract management legislation. The estimated financial loss of the 63 MIs that we raised on unfair and uncompetitive procurement processes and inadequate contract management is R1,35 billion. The impact on delivery is evident from infrastructure project failures, which we detail in [section 3.1](#). [Section 3.3](#) provides more information and examples of the impact of non-compliance on procurement, contract management and irregular expenditure.

Legislation requires swift action to investigate and deal with instances of irregular and fruitless and wasteful expenditure so that such losses can be prevented or recovered from the liable persons and/or entities. Delayed investigations can become costly, protracted and lead to delays in consequence management.

Financial loss can result from a **lack of investigations** to identify persons liable for irregular and fruitless and wasteful expenditure and when **disciplinary steps are not taken**. Accountability is not enabled and there are little consequences. As a result, officials continue to transgress and underperform, which results in poor financial performance and service delivery.

Only R0,02 billion (less than 1%) of the irregular expenditure carried over from the previous administration and R0,2 billion (2%) of the fruitless and wasteful expenditure have been recovered or are in the process of recovery. [Section 3.6](#) includes more information on the extent, impact and causes of consequence management weaknesses.

The slow response to investigating and dealing with irregularities and losses and instituting disciplinary processes is also evident in the MI process, as detailed in [section 5](#). Only R2,37 billion (26%) of the estimated R9,17 billion in financial losses was prevented, recovered or in the process of recovery from liable persons and entities. Auditees wrote off a further R0,09 billion as non-recoverable and we assessed R0,28 billion to be lost due to accounting officers and authorities taking too long to take action or not identifying anyone that could be liable for the losses. Where officials were identified for disciplinary processes or loss recovery, they were often no longer working at the auditee or deceased.

Through the MI process, we will continue to pursue the recovery of the remaining R6,45 billion in losses.

A **lack of systems and processes to monitor the achievement** of objectives and targets included in performance plans often leads to the achievements reported in the performance reports being unreliable (impacting transparency and accountability). It can also lead to the non-achievement of service delivery in line with the commitments made due to poor in-year performance reporting and monitoring (impacting service delivery).

As detailed in [section 2.3](#), we reported material findings on almost a quarter of the published performance reports used for oversight purposes. Of the 34 auditees that did not comply in this regard, 22 (65%) were departments in the key service delivery sectors that also had infrastructure project findings (as detailed in [section 3.1](#)), clearly pointing to service delivery challenges.

To demonstrate how a lack of **institutional integrity** (as evidenced by high levels of material compliance findings) also permeates into **accountability, transparency and performance**, we provide the following insights into the five departments and five public or trading entities with the **highest number of material findings on compliance**.

**Audit results of 10 auditees with highest number of material non-compliance findings**

**Auditees and number of findings**

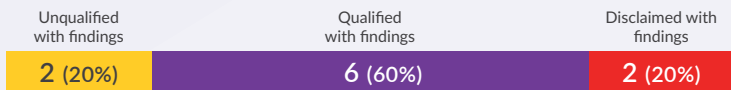
**Departments**

Free State Office of the Premier	<b>21</b>
KwaZulu-Natal Department of Health	<b>20</b>
Northern Cape Department of Agriculture, Environmental Affairs, Rural Development and Land Reform	<b>18</b>
Northern Cape Department of Education	<b>18</b>
Gauteng Department of Health	<b>17</b>

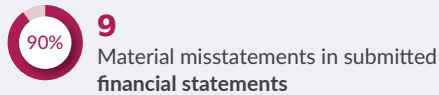
**Public/trading entities**

National Health Laboratory Services	<b>20</b>
South African Post Office	<b>14</b>
North West Development Corporation	<b>11</b>
Property Management Trading Entity	<b>11</b>
Great North Transport (Limpopo)	<b>10</b>

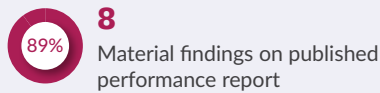
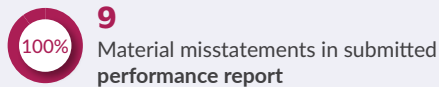
**Audit outcomes**



**Reporting not credible**



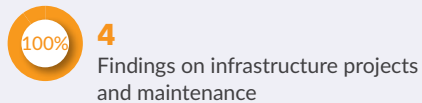
**9\*** auditees required to report on performance



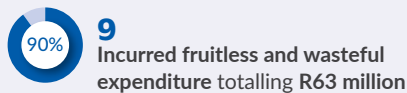
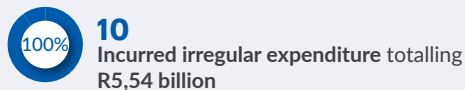
\*Property Management Trading Entity not required to report on performance

**Infrastructure weaknesses**

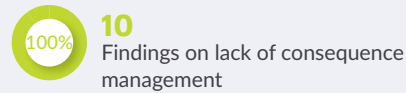
**4** auditees responsible for infrastructure projects and maintenance



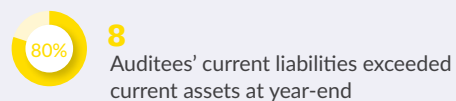
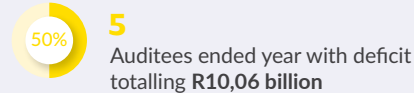
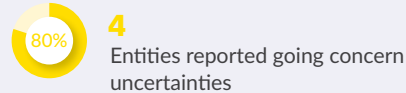
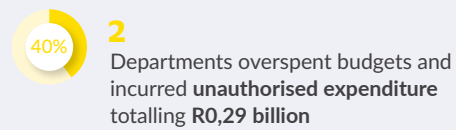
**High levels of non-compliance**



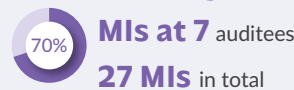
**Lack of consequences**



**Poor financial health**



**Material irregularities**



**17** Financial loss (totalling estimated R549,27 million)

**5** Misuse of material public resource

**3** Substantial harm to public sector institution

**2** Substantial harm to general public

The example that follows further illustrates the impact of non-compliance.

**High level of non-compliance with key legislation:  
Gauteng Department of Health**



In 2024-25, we reported material findings on the department's compliance in the following areas: procurement and contract management, expenditure management, prevention of irregular and fruitless and wasteful expenditure, consequence management, revenue management, transfer of funds, strategic planning and performance management, asset management, conditional grants and material misstatements in the submitted financial statements.

We again reported that goods and services were not procured by inviting competitive bids, even though it was practical to do so. Effective and appropriate steps were also not taken to prevent irregular expenditure of R1,5 billion. This disregard of procurement processes increased the risk of paying inflated prices, resulting in poor-quality spending despite limited budgeted funds. This compromised service delivery, as evidenced by widespread failures across Gauteng's public healthcare facilities. The facilities faced persistent shortages of food, linen and nursing staff; prolonged waiting times in emergency units; and stockouts of essential medicines and consumables. These systemic failures significantly impair clinical efficiency, delay treatment and increase the risk of hospital-acquired infections. Ultimately, they contribute to poor patient outcomes and diminished quality of care.

We reported in last year's general report that the department had five active MIs. Since then, the current administration has resolved two. However, we identified five new MIs due to non-compliance with legislation. The estimated financial loss of the 10 MIs totalled R344,31 million.

The department did not comply with legislation that requires the accounting officer to properly plan and manage the department's information systems. In June 2023, we notified the accounting officer of an MI due to inadequate systems and records to ensure credible and reliable performance reporting. The department also did not comply with legislation relating to adequately planning and managing its human resources to meet healthcare needs. As a result, we notified the accounting officer of an MI in August 2024. The accounting officer has not taken the necessary action to resolve these MIs, which is likely to cause harm to the institution.

In September 2023, we notified the accounting officer of an MI due to non-compliance with legislation on asset management, which resulted in ICU beds not being used optimally. In August 2024, we notified the accounting officer of a similar non-compliance as the department did not use a healthcare machine. The machine had been purchased in December 2021 but was not used due to poor planning (the department had not built the radiation bunker required to operate the machine). While the ICU beds have since started being used, the healthcare machine remains unutilised for essential patient treatment.

The department's continuous disregard of legislation and the MIs on recurring matters over the years that remain largely unresolved demonstrate that the accounting officer and senior management have not fostered an effective leadership culture that promotes compliance with legislation. It also points to significant gaps in performance, accountability and institutional integrity at a department that is responsible for essential medical services to Gauteng residents.

[Section 3](#) covers the impact of non-compliance with legislation on government finances and service delivery, specifically in the areas of expenditure management (including unauthorised, irregular, and fruitless and wasteful expenditure), procurement and contracts as well as consequence management.

## Causes of compliance findings

The prevalence of non-compliance with legislation is due to a lack of institutionalised controls to ensure that leadership and officials behave ethically, comply with legislation, act in the best interest of the auditee and face consequences for transgressions.

The main causes of compliance findings are best demonstrated by looking at the status of internal, governance and compliance controls and related processes.

### Weak internal controls

At the 145 auditees with repeat compliance findings (other than material misstatements in their submitted financial statements), we found the following:

- A total of 140 auditees (97%) did not have basic controls in place to review and monitor compliance.
- We reported findings on a lack of consequence management at 140 auditees (43%).

Weak controls and a lack of accountability are often due to the incorrect leadership tone set by the accounting officer or authority and senior management:

- In our assessment, effective leadership that is based on a culture of honesty, ethical practices and good governance was not evident at 70 of the 145 auditees (48%).

### Lack of internal audit and audit committee oversight

The value that can be derived by accounting officers and authorities using audit committees and internal audit units as key governance controls for financial and performance reporting (as detailed under the 'causes' part of [sections 2.2](#) and [2.3](#)) also holds true in the area of compliance.

#### Legislated process and responsibilities

**Audit committees and internal audit units** must review auditees' compliance with legislation.

*Treasury regulations 3.1.10 & 12 and 27.1.10*

The audit committees and internal audit units of the auditees that did not have material findings on compliance reviewed compliance in line with the Treasury Regulations. In our assessment, most (94% of the audit committees and 93% of the internal audit units) were effective as governance controls in the area of compliance management.

Of the 145 auditees with repeat compliance findings, six (4%) did not have an audit committee or an internal audit unit, or both. The audit committees and/or internal audit units of 10 auditees (7%) did not review auditee compliance. At 51 auditees (40%), the reviews were not effective.

At the 10 auditees with the highest number of compliance findings (listed earlier in this section):

- the South African Post Office and the North West Development Corporation did not have an audit committee
- the internal audit unit of the National Health Laboratory Services did not review compliance with legislation.

Where reviews were done at these 10 auditees, they were clearly not effective in preventing non-compliance.

[Section 6](#) provides more detail and recommendations on the use of audit committees and internal audit units to strengthen governance processes. It also reflects on the impact of accounting officers and authorities and senior management not implementing the recommendations of these assurance providers.

## 2.5 Unqualified audit opinions with findings

### *'Unqualified with findings' is not good enough*

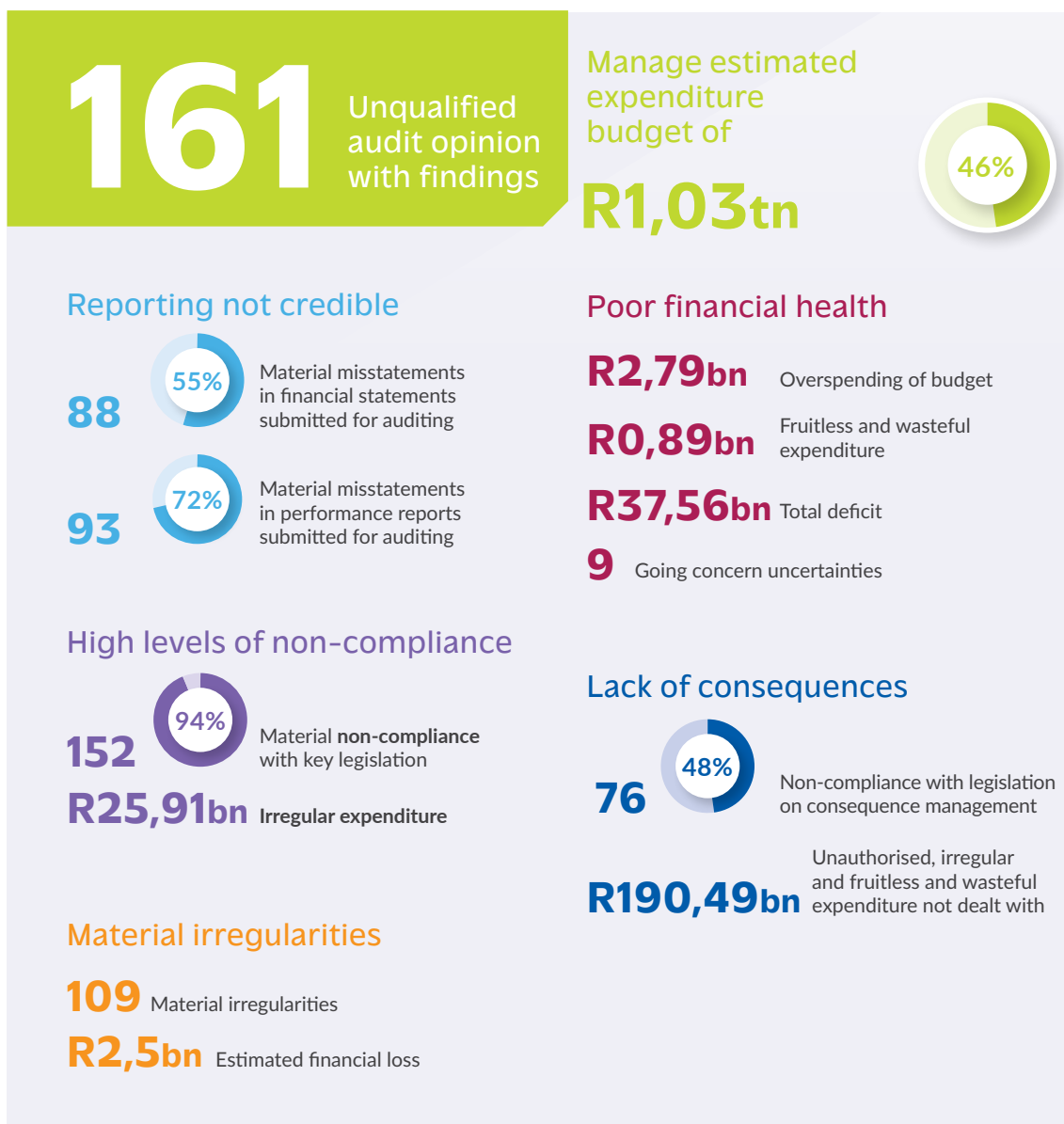
In 2024-25, the most prevalent audit outcome was an unqualified audit opinion on the financial statements with material findings on the performance report and/or compliance with key legislation.

### **Is 'unqualified with findings' a good outcome?**

No, an unqualified audit opinion with findings is **not** a good outcome.

The 161 auditees that received this outcome had high levels of non-compliance with legislation, significant weaknesses in financial and performance management and inadequate consequences for transgressions. In most cases, auditees in this category received an unqualified audit opinion on their financial statements only because they corrected misstatements in response to our audit findings.

## Audit results of auditees with unqualified audit opinion with findings



These auditees accounted for 61% of the total irregular expenditure, 44% of the total unauthorised expenditure and 63% of the total fruitless and wasteful expenditure.

As detailed in [section 2.2](#), poor financial reporting does not only hinder accountability but also negatively impacts financial management. This is evident from the pervasiveness of financial health concerns at these auditees.

The prevalence of material findings on performance reports is an indicator of weaknesses in planning, management and accounting for performance (as detailed in [section 2.3](#)), which lead to a higher risk of service delivery failures. In [section 3.1](#), we report on infrastructure project failures in the human settlements sector – all the departments in the sector had an unqualified audit opinion with findings.

[Section 2.4](#) explains the cost of non-compliance in financial terms and the type of culture it creates. The high levels of non-compliance and lack of consequences at these auditees indicate a lack of institutional integrity and a culture that does not value accountability.

### **Impact of unqualified audit opinion with findings: Department of Justice and Constitutional Development**



In 2024-25, the department received an unqualified audit opinion with findings for the third consecutive year. **Material misstatements** relating to unauthorised expenditure, the provision for legal fees, receivables, the appropriation statement and other disclosures were corrected in response to our audit findings. Material misstatements in unauthorised expenditure, the provision for legal fees and receivables were also corrected in the previous year.

The **performance report** submitted for auditing included 11 performance indicators that were materially misstated, of which only three were corrected. The remaining eight indicators, which related to the core mandate of the department, could not be corrected. This was mainly because of a lack of reconciliations to supporting documentation and poor record-keeping and reviews. This resulted in performance achievements being **unreliable**. For example, the department reported an achievement of 98% against a target of 70% for the percentage of National Register for Sex Offenders clearance certificates issued within 10 days. However, the reported achievement was not reliable as the department did not keep a register of applications received to track the turnaround time for issuing the clearance certificates. Additionally, the department's failure to prepare quarterly performance reports hindered effective in-year monitoring of progress towards achieving planned objectives and prevented timely corrective action during the year.

**Material findings on compliance** were reported on strategic planning and performance management (quarterly reports were not prepared), revenue management (effective and appropriate steps were not taken to collect all money due), expenditure management (payments to suppliers were not made within 30 days) and material misstatements in the submitted financial statements.

The department incurred R4,59 million in **irregular** and R0,23 million in **fruitless and wasteful expenditure**. Its year-end bank balance remained in overdraft, increasing from R4,20 billion in 2023-24 to R4,66 billion. It took an average of 365 days for the department to collect the amounts it was owed.

The department is unlikely to sustain the unqualified audit opinion on its financial statements due to the reliance on the audit process to identify misstatements, which points to deficiencies in in-year reporting and monitoring. The absence of credible performance information undermines effective oversight and persistent non-compliance with legislation highlights fundamental issues with institutional integrity.

Overall, 97 auditees (51%) with this outcome are high-impact auditees, which means that any weaknesses that impact the auditee's performance are also likely to be felt by the public.

A total of 75% of SOEs are in this outcome category and 69% of the departments with this outcome are in the key service delivery sectors.

## Why are so many auditees in this category?

Most auditees that have received this outcome have made little effort to improve to a clean audit status. They have a minimum compliance mindset and a false sense of achievement, based on having moved from a qualified, adverse or disclaimed audit opinion on their financial statements – most often because of their reliance on the audit process.

A total of 113 auditees (70%) were in this category in both 2023-24 and 2024-25, 57 auditees (35%) for five to nine years, and 13 auditees (8%) for at least a decade.

### Auditees at national level with unqualified audit opinions with findings for five or more consecutive years

34

#### National

• Department of Human Settlements	> 10 years	• Small Enterprise Development Agency	5 years
• Department of Higher Education and Training	> 10 years	• South African Maritime Safety Authority	5 years
• Department of Public Works and Infrastructure	> 10 years	• Ingonyama Trust Board	5 years
• Department of Mineral Resources and Energy	5 years	• Armaments Corporation of South Africa	5 years
• Department of Sport, Arts and Culture	5 years	• Airports Company South Africa	> 10 years
• Department of Basic Education	5 years	• Petroleum Oil and Gas Corporation	9 years
• Department of Police	5 years	• Strategic Fuel Fund Association	9 years
• Department of Correctional Services	5 years	• South African Agency for Promotion of Petroleum Exploration and Exploitation	9 years
• Statistics South Africa	6 years	• Trans-Caledon Tunnel Authority	6 years
• South African National Roads Agency	> 10 years	• Mthashana TVET College	10 years
• Commission on Gender Equality	9 years	• Nkangala TVET College	8 years
• South African National Parks	9 years	• Thekwini TVET College	8 years
• South African Human Rights Commission	8 years	• Ekurhuleni West TVET College	8 years
• South African Social Security Agency	7 years	• Sekhukhune TVET College	5 years
• Public Investment Corporation	7 years	• Letaba TVET College	5 years
• National Home Builders Registration Council	7 years	• Elangeni TVET College	5 years
		• Western TVET College	5 years
		• Culture, Arts, Tourism, Hospitality and Sports Seta	9 years

**Auditees at provincial level with unqualified audit opinions with findings for five or more consecutive years**



These auditees are unlikely to improve their audit outcomes and performance if they do not address the key causes of findings on their financial statements, performance reports and compliance. As detailed in sections 2.2 to 2.4, these causes include a culture of complacency and weaknesses in institutional capability (including the effectiveness of internal audit units and audit committees) and integrity.

**Concluding remarks**

An unqualified audit opinion with findings is not a desirable outcome. Accounting officers and authorities should not become complacent when their institutions receive such an outcome.

Ministers, MECs, premiers, Parliament and legislatures should urge auditees towards clean administration and support them to achieve a clean audit and shift their focus to improving service delivery.

## 2.6 Conclusion

In the first year of the new administration, little progress has been made in strengthening transparency and accountability through credible financial statements and performance reports. The continued high levels of compliance findings reflect a worrying trend of a disregard for legislation and a lack of institutionalised controls to ensure that leadership and officials behave ethically and comply with the country's rule of law.

The many auditees that continue to receive an unqualified audit opinion with findings reflect a minimum compliance mindset and a false sense of achievement. They should instead be institutionalising basic financial and performance management principles.

As a result, auditees with clean audits are rare.

Until most national and provincial government auditees have embedded the fundamentals of accountability, transparency and institutional integrity (as evidenced by a clean audit) and operate in a performance culture, the new administration is at risk of not achieving its strategic priorities and service delivery will not improve.

The next section demonstrates the risks to service delivery in more detail.

# 03

## Service delivery risks

While we do not review the performance of government, our work provides insight into weaknesses in national and provincial government that could prevent service delivery goals from being achieved if they are not decisively addressed by the administration.

This section deals with six of the areas of risk to service delivery in the context of the audit work that we have done, namely:

- Infrastructure management
- Government information systems management
- Procurement and contract management
- Financial management
- Fund management
- Consequence management

### 3.1 Infrastructure management

#### *Continued weaknesses in delivery and maintenance of quality infrastructure*

Quality infrastructure is the foundation of service delivery. Without adequate and well-maintained education, healthcare, housing, transport and water infrastructure, government cannot meet the needs of its citizens.

As part of our annual regularity audit, we audited selected infrastructure projects and did specific work on maintenance (as we also did every year during the previous administration). We reported our findings to accounting officers and authorities. Our reports to them and our previous general report included what we observed to be causing the weaknesses, the impact of these weaknesses and recommendations for correction.



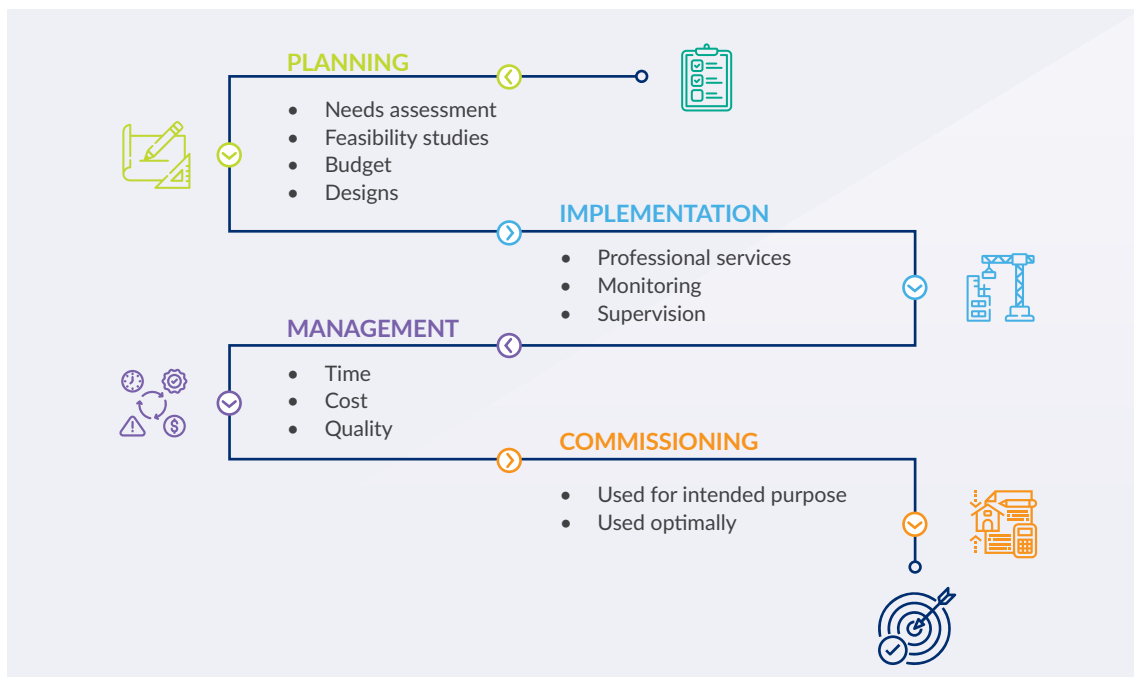
Yet, we continue to see limited improvement. This report highlights the same findings that we have identified for years.

In this section, we share our overall insight into infrastructure project delivery and maintenance by national and provincial government. We expand on the worrying trend of increased infrastructure delays and the lack of implementation of our recommendations. We also specifically focus on the human settlements sector because of its important mandate to create a sustainable and quality household life for all.

## Infrastructure value chain and key roleplayers

Infrastructure projects have a standard life cycle from planning and implementation to management and commissioning.

### Infrastructure project life cycle model



For an infrastructure project to be implemented well, it should begin with **integrated planning** and budgeting, where needs are clearly identified, feasibility studies conducted and project specifications aligned to service delivery priorities. This stage requires **transparent procurement processes**, realistic costing and funding certainty to prevent overruns and ensure that resources are directed to projects that will have the greatest impact on communities.

The next stage is **implementation** and oversight, where contractors deliver in line with approved specifications, timelines and quality standards. Strong project management units, with sufficient capacity and skills, are responsible for monitoring progress, resolving challenges promptly and ensuring accountability at each step. Continuous oversight safeguards against delays, cost escalations and substandard work, while maintaining alignment with broader infrastructure goals.

The final stages of **handover, operation and maintenance** complete the value chain. This includes commissioning, verifying quality and functionality, and ensuring that assets are ready to be used by citizens.

**Maintenance plans**, life cycle costing and performance monitoring are essential to preserve the value of infrastructure assets and guarantee continuing service delivery.

When the value chain functions as intended, infrastructure projects are completed on time and within budget. The infrastructure then provides long-lasting benefits that advance socioeconomic rights and improve the quality of life for all citizens.

Government's infrastructure value chain is governed by a comprehensive legislative and policy framework. The framework has been designed to ensure that infrastructure projects are planned, procured, implemented and maintained in a manner that is transparent, accountable and aligned with national development priorities.

The responsibilities of the main roleplayers in the value chain are clearly defined in legislation.

### Legislated process and responsibilities

**Public works and infrastructure minister:** Provides strategic leadership for public infrastructure development as mandated by the Infrastructure Development Act and the Government Immovable Asset Management Act (Giama). This includes prioritising infrastructure in national planning, coordinating major projects and ensuring that government assets are properly maintained and utilised to support service delivery.

**National and provincial treasuries:** Allocate the budget to fund infrastructure project delivery and maintain existing infrastructure. They must also monitor actual spending.

**Accounting officers and authorities:** Ensure that all infrastructure procurement and financial management processes are fair, transparent and cost-effective, and comply with the Public Finance Management Act (PFMA) and Treasury Regulations. They must also implement the Framework for Infrastructure Delivery and Procurement Management and the Infrastructure Delivery Management System. In addition, they must oversee the planning, budgeting, procurement, delivery and maintenance of infrastructure projects. Their role is central to enforcing compliance and driving project performance.

**Portfolio committees and standing committees on public accounts in Parliament and provincial legislatures:** Act on behalf of the public, per the Constitution and PFMA, to oversee the implementation and delivery of mandated functions of auditees and hold them accountable. This includes investigating and making recommendations on governance, financial management and service delivery; summoning stakeholders to provide evidence or submissions; and conducting public hearings.

## Legislated process and responsibilities (*continued*)

**Implementing agents and project managers:** Entities such as the national and provincial departments responsible for public works and infrastructure and the Development Bank of Southern Africa are tasked with executing infrastructure projects on behalf of other departments. They do this in line with the Framework for Infrastructure Delivery and Procurement Management and the Infrastructure Delivery Management System. Project managers within these implementing agents are responsible for day-to-day oversight and must ensure that projects adhere to approved specifications, timelines and quality standards, and that any deviations are promptly addressed.

**Supply chain management units and bid committees:** Ensure that all procurement activities comply with legislative requirements, including fair and competitive bidding. They must also conduct due diligence on the capabilities of contractors before appointment.

**Internal audit units and audit committees:** Provide independent assurance on the integrity of financial and operational systems, as required by the PFMA and Treasury Regulations. They must also monitor compliance with legislation, assess the effectiveness of internal controls and support accountability by reporting on risks and irregularities, including those related to infrastructure delivery.

**Sector ministers and departmental heads:** Sector-specific legislation, such as the National Health Act, South African Schools Act, Housing Act and Water Services Act, assigns infrastructure-related responsibilities to the ministers of health, basic education, human settlements, and water and sanitation, as well as their provincial counterparts. These leaders must ensure that infrastructure in their sectors meets minimum standards, is adequately maintained and supports the delivery of essential services to citizens.

**Regulatory bodies:** Institutions such as the Construction Industry Development Board (CIDB) and the National Home Builders Registration Council (NHBC) are responsible for enforcing industry standards, registering contractors and ensuring compliance with sector-specific regulations. Their oversight helps to professionalise the industry and safeguard public interests.

These legislative instruments are complemented by long-term policy frameworks such as the National Development Plan 2030 (NDP), National Infrastructure Plan 2050 and Medium-Term Development Plan. Collectively, these frameworks emphasise the role of infrastructure as a catalyst for economic growth, job creation and improved quality of life.

## Infrastructure project delivery in 2024-25

In 2024-25, we audited 152 infrastructure projects. We focused on critical infrastructure such as health facilities, schools, higher education facilities, housing, roads, water infrastructure and government buildings (police stations, office buildings and children's homes). These projects carried an estimated cost of R47,39 billion. The projects were implemented across all provinces by provincial and national departments and five public entities.

Our performance audit teams, which consist of built environment professionals such as engineers, quantity surveyors and a professional construction project manager, performed these audits.

We identified material findings on 136 (89%) of the 152 projects.

The findings were prevalent across all service delivery areas, particularly in projects related to housing and education. We reported findings on all but three of the 67 projects in these areas.

### Findings on infrastructure projects - per service delivery area

Area	Projects audited	Projects with findings	Projects delayed	Average delays (months)	Projects with cost issues	Projects with poor build quality	Projects with commissioning shortcomings
Education (basic and higher)	43	41 (95%)	32 (74%)	29	17 (40%)	23 (53%)	5 (12%)
Government buildings	15	14 (93%)	11 (73%)	38	6 (40%)	6 (40%)	1 (7%)
Health	34	29 (85%)	25 (74%)	36	20 (59%)	7 (21%)	3 (9%)
Housing	24	23 (96%)	20 (83%)	68	13 (54%)	15 (63%)	6 (25%)
Roads and transport	34	27 (79%)	19 (56%)	41	14 (41%)	8 (24%)	-
Water and sanitation	2	2 (100%)	2 (100%)	69	2 (100%)	-	-
<b>TOTAL</b>	<b>152</b>	<b>136 (89%)</b>	<b>109 (72%)</b>	<b>41</b>	<b>72 (47%)</b>	<b>59 (39%)</b>	<b>15 (10%)</b>

Different sectors and portfolios implemented the 152 projects that we audited. We raised findings at all of them.

### Findings on infrastructure projects - per sector or portfolio

Sector	Projects audited	Projects with findings	Projects delayed	Average delays (months)	Projects with cost issues	Projects with poor build quality	Projects with commissioning shortcomings
Basic education	38	36 (95%)	27 (71%)	30	14 (37%)	21 (55%)	5 (13%)
Health	30	26 (87%)	23 (77%)	37	20 (67%)	7 (23%)	3 (10%)
Higher education	2	2 (100%)	2 (100%)	21	1 (50%)	-	-
Human settlements	22	22 (100%)	19 (86%)	71	13 (59%)	14 (64%)	6 (27%)

**Findings on infrastructure projects – per sector or portfolio (continued)**

Sector	Projects audited	Projects with findings	Projects delayed	Average delays (months)	Projects with cost issues	Projects with poor build quality	Projects with commissioning shortcomings
Public works (15 own projects and 17 projects as implementing agent)	32	28 (88%)	24 (75%)	32	10 (31%)	10 (31%)	1 (3%)
Transport	26	20 (77%)	12 (46%)	48	12 (46%)	7 (27%)	-
Water	2	2 (100%)	2 (100%)	69	2 (100%)	-	-
<b>TOTAL</b>	<b>152</b>	<b>136 (89%)</b>	<b>109 (72%)</b>	<b>41</b>	<b>72 (47%)</b>	<b>59 (39%)</b>	<b>15 (10%)</b>

The public works sector is made up of the public works departments and the Property Management Trading Entity (PMTE). Despite the specific mandate of the sector to deliver infrastructure, we reported findings at 88% of the projects it implemented.

The lack of effective interdepartmental coordination during project planning between user departments and the public works sector often results in late scope changes. Such changes negatively affect project budgets and overall funding for infrastructure delivery. Bottlenecks are created by vacancies in key infrastructure positions within the sector, delayed payments by both user departments and the sector, and variation orders not being approved in the event of scope changes. These challenges significantly hinder the timely and efficient delivery of infrastructure projects when the public works sector acts as the implementing agent.

When comparing the outcomes of auditees with their performance on infrastructure delivery, we found the following:

- Auditees with a clean audit generally performed better. Seven (58%) of the 12 projects that we audited had findings. None of these findings were related to commissioning, cost issues or significant overspending.
- At 34 auditees with an unqualified audit opinion with findings, we audited 104 projects with an estimated value of R40,88 billion. Of these, 95 projects (91%) had findings due to poor institutional integrity and a lack of institutional capability, as highlighted in [section 2.5](#).
- Auditees with a qualified audit opinion performed even worse, with 34 (94%) of 36 projects having findings at 11 auditees.

## Spotlight on housing projects in the human settlements sector

The human settlements sector plays a critical role in ensuring that everyone has adequate housing by providing infrastructure that supports sustainable and dignified living conditions.

The 24 housing projects that we audited had a combined value of R5,67 billion. The projects were all implemented by human settlements departments, except in the Western Cape where the provincial infrastructure department implemented two projects on behalf of the provincial human settlements department.

### Key findings on housing projects per province

Province	Projects audited	Projects with findings	Projects delayed	Projects with cost issues	Projects with poor build quality	Projects with commissioning shortcomings
Eastern Cape	3	3 (100%)	1 (33%)	3 (100%)	3 (100%)	1 (33%)
Free State	4	4 (100%)	3 (75%)	3 (75%)	-	-
Gauteng	2	2 (100%)	2 (100%)	-	2 (100%)	-
KwaZulu-Natal	4	4 (100%)	4 (100%)	4 (100%)	4 (100%)	4 (100%)
Limpopo	2	2 (100%)	2 (100%)	2 (100%)	-	-
Mpumalanga	3	3 (100%)	3 (100%)	1 (33%)	3 (100%)	1 (33%)
Northern Cape	2	2 (100%)	2 (100%)	-	1 (50%)	-
North West	2	2 (100%)	2 (100%)	-	1 (50%)	-
Western Cape	2	1 (50%)	1 (50%)	-	1 (50%)	-
<b>TOTAL</b>	<b>24</b>	<b>23 (96%)</b>	<b>20 (83%)</b>	<b>13 (54%)</b>	<b>15 (63%)</b>	<b>6 (25%)</b>

The high prevalence of findings indicates a systemic breakdown across the project life cycle. Some projects have been delayed for close to two decades, pointing to chronic weaknesses in project management and delivery. KwaZulu-Natal reflected the most challenges and all the province's projects had findings in the project management and commissioning phases.

Some projects were signed off as complete without addressing end-user needs such as connecting electricity, water and sanitation, due to poor project planning and weak intergovernmental coordination. The quality defects identified at over 60% of the projects may place the safety of residents at risk and are likely to result in additional remedial costs.

We identified 11 infrastructure-related material irregularities (MIs) in the sector, of which one was resolved in 2024-25. The remaining 10 MIs (six in the Free State, two in the Eastern Cape and two in North West) related to:

- payments to contractors that were not in line with the contract (including failure to confirm completion of work and quality before payments)
- no benefit derived from standing-time costs
- infrastructure assets that were not safeguarded.

As the accounting officers in the Free State and North West did not take appropriate action to resolve six of the MIs, we referred the matters to the Directorate for Priority Crime Investigation (the Hawks) for further investigation. The investigations are still in progress.

The national Department of Human Settlements provides funding for housing projects to provincial departments through the **human settlements development grant**. This is a conditional grant, which requires the national department to monitor provincial departments' spending and adherence to the conditions of the grant in accordance with the annual Division of Revenue Act (Dora).

We identified deficiencies in the monitoring of the grant as the national department's monthly and quarterly reporting mechanism focused mainly on the expenditure incurred by provincial departments and not on the status of project completion. As detailed in [section 3.2](#), weaknesses in the housing subsidy system further contributed to the ineffective monitoring of infrastructure projects. Despite previously reported findings and known deficiencies in housing projects relating to quality, timelines and commissioning, the department did not verify all projects funded through the grant due to capacity constraints.

The delivery of housing is undermined by a combination of pervasive findings, non-compliance with procurement legislation, long delays, poor quality and cost-control weaknesses, as illustrated in the examples that follow.

#### **Construction of hostels: Free State Department of Human Settlements**



In August 2014, the department appointed three contractors to each construct a community residential hostel (two in Bloemfontein and one in Thabong close to Welkom) at a combined cost of R478,15 million. Construction began in August 2014 and was planned to be completed by August 2016. Due to poor performance by all three contractors, the contracts were terminated in March 2017.

New contractors were appointed in May 2018 and July 2019 to complete the projects. We reported non-compliance with procurement legislation as the award was made to the bidder with the third-highest points without justifiable reasons. Inadequate contract management further aggravated risks, resulting in incomplete deliverables. The contractors failed to complete the work due to poor performance and interventions were put in place through a cession arrangement with alternative contractors. In October 2022, the department terminated the contracts related to the three projects after both the original contractors and the cessionary contractors failed to deliver.

Another two replacement contractors were then appointed in November 2023. We conducted a site visit in May 2024 and confirmed that some completed works such as plumbing and electrical works had been vandalised and items stolen as the sites were not adequately safeguarded. This resulted in a likely material financial loss of R112,41 million. We notified the accounting officer of an MI in February 2025. We are assessing the actions being taken to address the MI.

**Construction of hostels:  
Free State Department of Human Settlements (continued)**



By March 2025, the total combined expenditure on the projects had reached R922,52 million, of which R704,18 million was irregular expenditure. The projects had been delayed for almost nine years due to the challenges with the contractors. Although individual units had been completed, none of the three blocks had been fully completed. This meant that occupation could not take place as the certification of completion could not be issued.

**Construction of low-cost houses:  
North West Department of Human Settlements**



In October 2019, the department appointed a contractor to construct 300 low-cost houses for residents of Tladistad in Moretele. The project's expected completion date was January 2021 at a cost of R38,18 million.

During initial project procurement, the department established a panel of more than 100 suppliers. However, it selected only six for evaluation, contrary to its own supply chain management policy. The accounting officer approved the extension of the contract by R7,03 million without an increase in the scope of work but could not provide evidence of valid reasons for the extension as assessed by the adjudication committee. The non-compliance with the PFMA resulted in irregular expenditure of R29,50 million.

The project has been delayed by more than four years and only 102 of the 300 houses have been certified as complete. The project cost is almost at 75% of the initial contract value but the project completion is standing at only 34%. Our audit also identified weaknesses such as poor workmanship as roofs were not constructed per the specifications.

Due to financial constraints, the department instructed the contractor to reduce the number of houses to 258 and complete only works already in progress. The contractor rectified roof defects on only 13 houses, for which R195 000 was paid. Owing to slow progress, the department issued a letter in February 2025 that required completion by September 2025, failing which the agreement would be terminated.

These weaknesses mean that 198 of the intended beneficiaries have not received their houses. They have also increased the risk of material financial loss, as the uncompleted houses are exposed to vandalism and illegal occupation.

**Incomplete house**

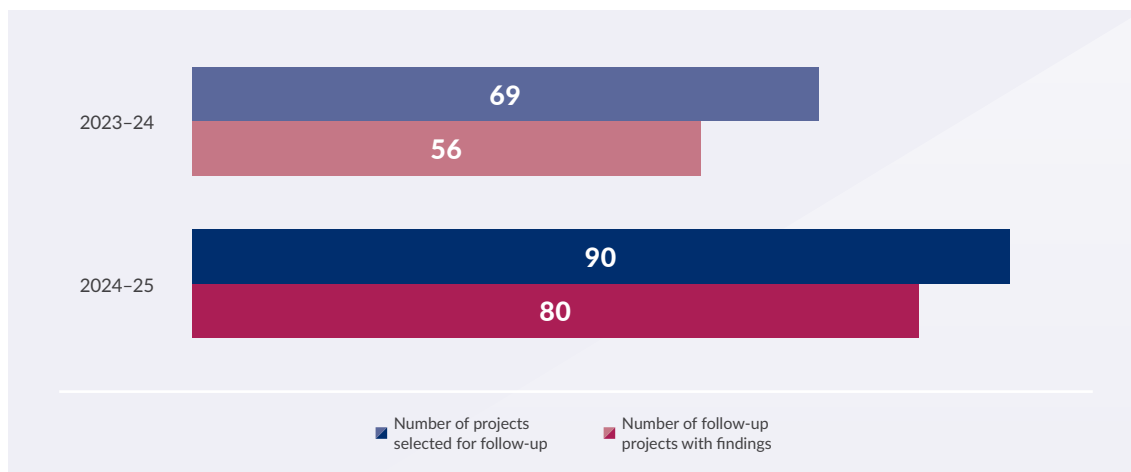


## Implementation of recommendations

As part of our audits, we follow up on projects at which we had previously reported findings. We do this to determine the progress that auditees have made to implement our recommendations to address the shortcomings.

We followed up on 69 projects in 2023-24 and 90 in 2024-25. Projects with findings increased from 81% to 89%, indicating that our recommendations are not implemented and that control weaknesses persist.

### Infrastructure projects with recurring findings



## Infrastructure delay trends

Average project delays rose by 17% from 35 months in 2023-24 to 41 months in 2024-25. We conducted a two-year analysis in the key service delivery sectors and the water and sanitation portfolio to identify the main contributors to the increase.

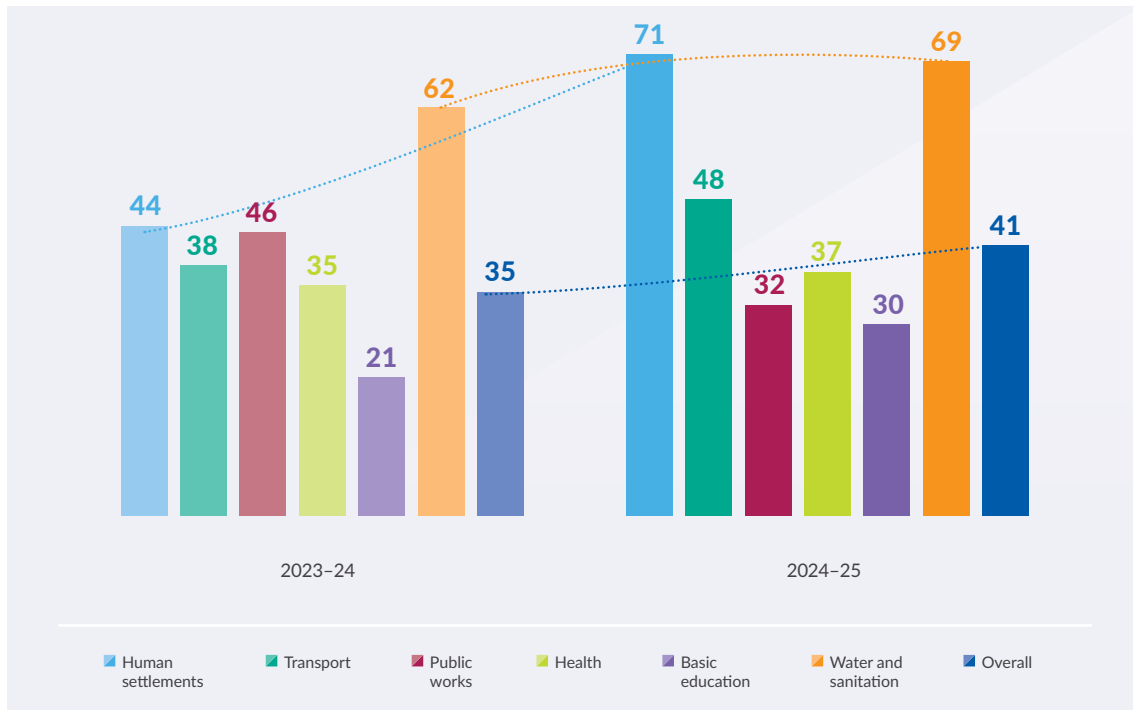
All the sectors and the portfolio had projects that had been delayed for 90 months or longer.

### Number of projects with average delays of 90 months or more

Sector or portfolio	Number of projects	Delay
Human settlements	Six	Average: 138 months
Public works	One	125 months
Education	One	114 months
Health	Three	Average: 99 months
Water and sanitation	One	96 months
Transport	One	90 months

The average project delays per sector or portfolio are shown next.

**Trend of delays per key service delivery sector (shown in months)**



The human settlements sector experienced the longest delays, with an average delay of 71 months. Four projects in KwaZulu-Natal experienced delays ranging from nine to 19 years. For example, the Fitty Park housing project in uMnambithi was initially planned to deliver 300 houses by July 2021 but only 15 houses had been completed by 2025. This was due to issues with site handover, poor contractor performance and non-payment of invoices to the implementing agent. In the Free State, two projects have been significantly delayed by an average of eight years.

In 2024-25, the transport sector recorded significant delays of nearly four years at Transnet for the manganese expansion project and 90 months for the coal expansion programme. These delays were mainly caused by changes in the scope of work, impromptu budget cuts and a lack of intergovernmental coordination.

On average, five projects in the health sector were delayed by over seven years, four projects in the public works sector were delayed by over six years and five projects in the education sector were delayed by nearly six years.

These delays were caused by a lack of basic controls such as poor performance by contractors not being managed, the late appointment of replacement contractors and delayed payments to contractors, which negatively affected their cash flow.

In the water and sanitation portfolio, delays in the construction of two dams by the Water Trading Entity were caused by inefficiencies in the construction division and deficiencies in supply chain management processes, such as inadequate procurement planning.

The impact of project delays can be seen in the following examples.

**Road construction:  
Mpumalanga Department of Public Works, Roads and Transport**



In February 2019, the department appointed a contractor to construct a road between Hluvukani and Timbavati at an estimated cost of R141,22 million and a planned completion date of November 2020. Due to poor performance, the contract was terminated in April 2021 after expenditure of R33,72 million had been incurred. A replacement contractor was appointed in September 2022, with an expected completion date of May 2024 at an estimated cost of R129,73 million.

After the termination of the initial contract, the consulting engineers on the project conducted a re-measurement process. The process found that the department had overpaid by approximately R9,69 million. A further overpayment of R0,87 million was made to settle debt owed to the sub-contractors of the initial contractors. The mechanisms to recover the overpaid amounts from the guarantor were inadequate. We notified the accounting officer of an MI relating to the financial loss due to overpayments in September 2024. By July 2025, a legal case between the department and the guarantor was pending. We are deciding on the further action to be taken.

During our site visit in May 2025, we found that 13 km of the road was open to traffic, while 1 km remained incomplete, with no revised completion date or cost yet approved.

**Refurbishment of hospital:  
Free State Department of Health**



In August 2018, the department appointed a contractor to refurbish the Mantsopa Hospital to function as a multidrug-resistant tuberculosis facility. The project achieved practical completion in November 2019 at a total cost of R29,15 million.

During our first site visit in May 2023, the facility had not been commissioned and was not operational, resulting in it being exposed to theft and vandalism. During a follow-up visit in March 2024, the facility was still not occupied, with theft and vandalism continuing. The department did not use the facility as it did not meet the specific operational requirements for a multidrug-resistant tuberculosis facility, such as having a pharmacy and mortuary. This was due to inadequate planning and stakeholder engagement during project implementation.

We notified the accounting officer of an MI in February 2025 due to the facility not being safeguarded. The accounting officer did not take appropriate action to address the MI. We are deciding on the further action to be taken.

Refurbished facility



Facility after vandalism



### **Construction of new outpatient department: Limpopo Department of Public Works, Roads and Infrastructure**



In February 2017, the department appointed a contractor to construct a new outpatient department and associated facilities at Maphutha Malatjie Hospital for R353,88 million, with an initial completion date of February 2020.

The site was closed from September 2021 to February 2023 due to poor interdepartmental coordination between the provincial public works and health departments. The disagreements between the two departments extended to issues such as the approval of variation orders and the payment of contractors. The delays contributed to significant increases in the contract value, which was revised to R525,40 million. This included R14,61 million for which limited value was received due to weaknesses in project management. Practical completion was reached in December 2024 only, after a delay of 57 months.

The site closure resulted in damage to, and deterioration of, items already paid for. The items included elevated tanks, doors, sewer treatment plants and water supply systems. These items had to be rebuilt, resulting in a likely financial loss of R8,99 million.

A forensic investigation into the delays and cost overruns was finalised in February 2025, followed by the development of an implementation plan in May 2025 to address the findings. We also notified the accounting officer of MIs in March and April 2025 as limited or no benefit was derived from costs of R23,60 million. Further action is being taken to fully resolve the MIs.

## **Procurement process deficiencies leading to infrastructure project delays**

Over the years, our audits have highlighted significant shortcomings in procurement processes and project management practices that are negatively impacting service delivery.

To provide insight into these continuing shortcomings, our fraud specialists audited 17 infrastructure projects with a combined estimated value of R6,92 billion at 14 auditees in five provinces and nationally. We identified findings on 15 of these projects.

We found pervasive non-compliance with procurement prescripts across multiple projects. In several cases, contracts were awarded to bidders, despite non-compliance with key legislative requirements. Key issues included bids not evaluated in line with tender specifications, unfair bidder disqualifications and awards made after bid validity periods had expired, resulting in irregular expenditure.

Competitive bidding processes were compromised by collusive tendering, non-responsive bidders being awarded contracts, inadequate due diligence performed by bid committees and incorrect scoring for specific goals. Further concerns included project commencement before contracts were signed, non-compliant tax statuses of winning bidders and contracts awarded at prices higher than approved estimates without negotiation. Inadequate contract management further aggravated these risks, resulting in incomplete deliverables and payments without valid service level agreements.

We identified non-compliance with procurement and contract management legislation on awards totalling R2,98 billion for 12 projects. We determined that R416,43 million expensed on these projects to date was irregular expenditure. A total of R114,38 million was disclosed as irregular expenditure in the financial statements and R302,05 million is under assessment ([section 3.3](#) provides further details on the irregular expenditure under assessment).

These lapses not only undermine the integrity of procurement processes, they also compromise service delivery, erode public trust and weaken the quality of spending and financial accountability in the infrastructure space, as illustrated in the examples that follow.

**Construction of police station:  
Property Management Trading Entity**



The contract for the construction and upgrade of Vuwani Police Station was initially awarded in March 2012 for R27,37 million. Despite a planned completion date of October 2014, the initial contractor withdrew in August 2013 after achieving only 20% physical progress and 26% financial completion. A second contractor was appointed in February 2015 for R42,90 million, but this contract was terminated in November 2021 due to a lack of progress after only 78% physical completion had been achieved. A third contractor was appointed in February 2024 for R26,94 million, with a new planned completion date of September 2025.

We identified significant non-compliance in the supply chain management processes of the PMTE, including a proper risk assessment not being performed in line with the evaluation criteria. This resulted in the appointment of the third contractor without assessing their skills and financial capacity to undertake the project, despite previously being responsible for multiple delayed projects. Project management weaknesses compounded these risks, with inadequate oversight, inaccuracies in payment certificates and the adjustment provision of the contract price leading to overpayments and unresolved quality deficiencies from prior years.

During our follow-up site visit in April 2025, we found indicators of further delays as only 69% of the work had been completed, despite the revised completion date of September 2025. At that time, R58,5 million had been paid to the three contractors. We also found that the design of the steel water tank had been changed, potentially affecting construction sequencing and timeous project completion. The project manager indicated that extension-of-time claims were awaiting adjudication.

Due to poor performance and non-compliance with procurement processes, the project remains incomplete, with a cumulative delay of over a decade from the initial planned completion date.

**Appointment of panel of contractors:  
Free State Department of Education**



In 2023-24, the department advertised for the appointment of a panel of contractors to support the construction, renovation and refurbishment of school infrastructure to meet its service delivery targets, as outlined in its infrastructure asset management plan. The panel should have provided a readily available pool of contractors to enable the timeous and efficient implementation of infrastructure projects as the need arose, but it had not been used by 2024-25.

In 2024-25, we identified material non-compliance with legislation relating to the bidding process due to evaluation inconsistencies. Some bidders were unfairly disqualified for not meeting the minimum functionality threshold, despite being eligible, while others were appointed despite not

**Appointment of panel of contractors:  
Free State Department of Education (continued)**



meeting the bid requirements. We also took note of an internal audit report on the bid evaluation process, which highlighted several fraud risk factors that the bid committee had to consider before the final award. We identified similar fraud risks, including possible collusive bidding, potential misrepresentation by bidders and conflicts of interest.

Despite internal audit reviews and established procedures identifying discrepancies and potential misrepresentations, management did not take appropriate remedial steps to address these issues prior to finalising the award. This compromised the integrity and effectiveness of the procurement process and exposed the department to potential fraud and governance failures.

The extended duration of the procurement process negatively affected the lived realities of learners who were meant to benefit from the intended school infrastructure.

## Infrastructure maintenance and condition assessments

The public works sector, as a custodian of government property, is tasked with the maintenance of government properties as informed by needs determined by user departments. Such properties include health facilities, schools, police stations and government buildings. In 2024-25, the public works sector was allocated a budget of R4,40 billion for maintenance.

We audited 74 facilities to determine whether maintenance needs were adequately identified by 28 user departments (provincial departments of health, education and public works as well as the PMTE). We also visited the facilities to assess their condition.

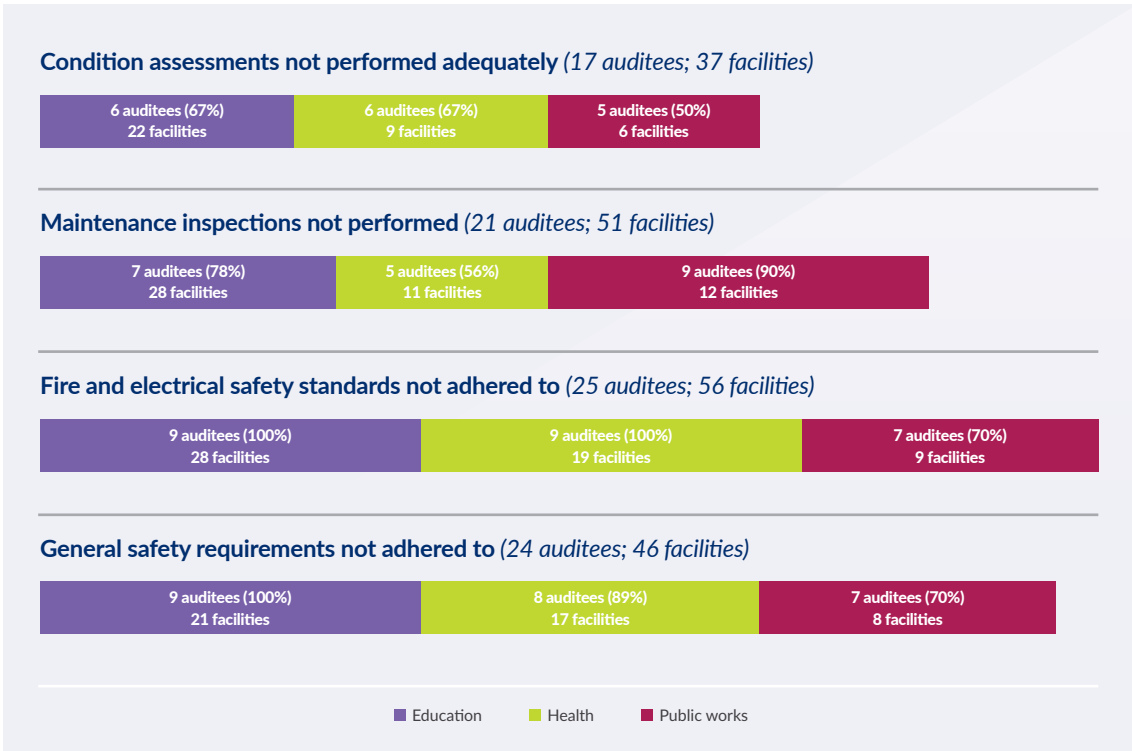
Effective preventative maintenance can only be achieved by regularly assessing building conditions. Giama requires a condition assessment to be done every five years. In addition to the condition assessment obligation, auditees are required to:

- maintain up-to-date maintenance plans
- carry out routine and scheduled inspections
- ensure that all safety-critical systems (including fire detection, electrical infrastructure and emergency evacuation equipment) are tested, certified and compliant with relevant requirements.

Condition assessments were not performed as required at 37 (50%) of the facilities: 22 facilities at six education sector departments, nine facilities at six health sector departments and six facilities at five public works sector departments. Fire and electrical safety standards were not adhered to at 56 (76%) of the facilities and general safety requirements were not adhered to at 46 (62%) of the facilities. For example, electrical wires and other items obstructed walkways, posing a trip-and-fall hazard, dilapidated kitchen cupboards exposed staff to poor and unhygienic conditions, and inadequate or poor lighting created safety risks.

The extent of findings in each sector is shown next.

**Most common findings on infrastructure maintenance - per selected key service delivery sector**



The impact of inadequate infrastructure maintenance can be seen in the following examples.

**Inadequate maintenance of police station:  
Property Management Trading Entity**

In March 2024, we visited Port Shepstone Police Station and found it to be extremely deteriorated. Due to a lack of maintenance over an extended period, the dilapidated asbestos roof leaked water, resulting in dampness and severe fungus growth, which created unsafe conditions.

The PMTE did not have proper systems in place to ensure the maintenance of the police station, posing a significant risk due to exposure to mould and asbestos that is likely to result in substantial harm to the health and safety of the police officers, detainees and general public who access the facility.

The accounting officer was notified of an MI in March 2025. In response, the PMTE performed a condition assessment in June 2025 and took steps to register the project and secure capital funding for refurbishment and repairs. Further action is being taken to fully resolve the MI.

### **Lack of maintenance at school: North West Department of Education**



In February 2025, the ceiling of a classroom at Matloding Primary School collapsed during a lesson while learners were inside.

In May 2025, we assessed the condition of the school and found it to be poor and requiring extensive repairs due to structural defects. Several buildings, including classrooms, were not in use because of structural damage. We found cracks in walls and walkways; non-functional toilets and lighting; rotten roof trusses; broken tiles, doors and windows; exposed electrical wiring; a blocked sewerage system and vandalised computers. The shortage of classrooms has resulted in learners using mobile units that are also in poor condition.

The school does not have access to a reliable water supply as the borehole has dried up and the communal tap used to fill the school's water tank was vandalised. The school does not have a valid fire compliance certificate and portable fire extinguishers had not been serviced within the required time frame. Fire compliance assessments are not conducted regularly to identify and address outstanding maintenance needs.

The deteriorated state of the school is primarily due to a lack of preventative maintenance, repairs and refurbishments over time. There is no maintenance or infrastructure plan to address the maintenance needs of the school and improve the quality of learning.

#### **Classroom with collapsed ceiling and broken floor tiles**



## **Impact of weaknesses in infrastructure management**

- Delays in the completion of projects and the commissioning of completed projects delay access to basic services such as education, healthcare, housing, transport and water. Citizens continue to experience hardship, as evident in communities in the Eastern Cape and Free State still living in mud houses.
- Poor-quality construction can harm those using the infrastructure (members of the public or public sector officials) and increase the costs to fix defects. When auditees fail to manage project delivery effectively, projects often face unbudgeted cost overruns that deplete funds needed for completion. This limits the resources available for both new infrastructure and the upkeep of existing assets.
- A lack of condition assessments to determine maintenance needs results in reactive rather than preventative maintenance, with insufficient planning and budgeting to look after existing infrastructure assets. As a result, infrastructure that is most in need of maintenance is not prioritised and the overall condition of critical assets deteriorates due to neglect. This adversely affects service delivery and can cause harm to the public and public sector officials due to health and safety risks. This neglect also has significant cost implications as minor issues escalate into major failures, leading to increased repair or replacement costs, reduced lifespan of assets and additional strain on public finances.
- These shortcomings collectively undermine the quality of spending, resulting in the uneconomical and inefficient use of public funds.

## Causes of continued infrastructure weaknesses

The failures in delivering and maintaining infrastructure are due to systemic weaknesses that should be attended to urgently.

### Infrastructure projects

- There was a lack of integration between different government institutions (i.e. provincial and local government) when planning and executing projects. Inadequate intergovernmental coordination between the human settlements sector and local government led to the construction of houses without bulk services.
- Delays in project completion were mainly due to weaknesses in procurement and contract management processes. It included the irregular appointment and poor performance of contractors; late payments, leading to cash-flow challenges; and failure by accounting officers to appoint replacement contractors timeously after terminations.
- Project managers and finance officials did not implement the basic financial discipline of properly reviewing payments before approval. They also did not insist on approved variation orders and extension-of-time claims prior to payments.
- Project managers and professional service providers did not adequately monitor projects and contractors. This resulted in payments for work not done and non-compliance with contractual conditions, such as failing to ensure that work permits were in place before handing over sites to contractors and that proper processes were implemented to safeguard work under construction.
- Poor infrastructure quality resulted from defects not being identified by project managers and professional service providers during construction and the appointment of contractors that cannot deliver without consequences for underperformance. The quality inspections by human settlements departments to ensure that houses were built to a satisfactory standard were inadequate. In addition, housing projects were not enrolled with the NHBRC to ensure that adequate inspections were conducted at each phase of construction.

### Condition assessment

- Inadequate monitoring, failure to conduct regular building assessments and ineffective planning by user departments and public works departments resulted in existing maintenance issues not being addressed or properly prioritised.
- Non-compliance with Giama requirements and poor coordination between custodians (the PMTE and public works sector) in identifying and prioritising maintenance needs resulted in reactive maintenance.

### Call to action

We call on the following roleplayers to act:

- The public works and infrastructure minister must continue advocating for and supporting the CIDB in efforts to drive consequence management for poor delivery of infrastructure projects by contractors. In addition, the minister should fast-track the turnaround strategy and plan to accelerate proactive maintenance of infrastructure necessary to eradicate the reported properties in poor condition.
- Executive authorities of auditees responsible for infrastructure development should insist on regular updates on infrastructure projects, including progress, financial status, and monitoring and evaluation reports.

- Accounting officers and authorities must ensure that infrastructure projects are executed in a cost-effective, efficient and impactful manner to support service delivery objectives.
- Internal audit units should follow up action plans timeously to address our findings. Their scope should include reviews of infrastructure projects and assessments of implementation to strengthen governance.
- Audit committees should work closely with internal audit units, ensure that infrastructure project audits are incorporated into their plans and assess the effectiveness of project management units.
- Infrastructure chief directors and project managers, as project implementers, must plan for the necessary refurbishments, upgrades and maintenance; ensure effective execution; uphold contractual obligations; and complete projects within set timelines.
- Regulatory bodies such as the CIDB and NHBRC must enforce accountability by ensuring that appropriate consequences are applied for any misconduct by contractors.

## 3.2 Government information systems management

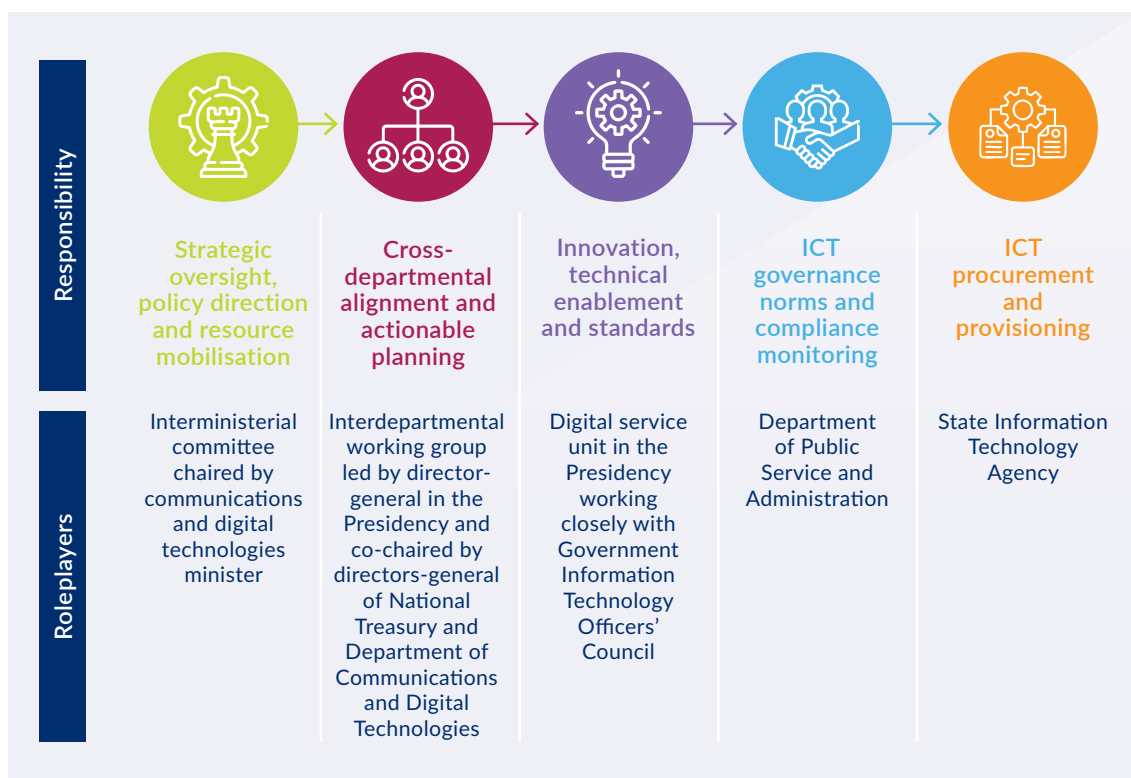
### *Secure today, serve the future – enabling resilience and trust in government’s information and communication technology systems*

Globally, information and communication technology (ICT) has emerged as a transformative force, fundamentally reshaping public sector practices, service delivery mechanisms and citizen engagement in the digital era. Governments across the world are investing in advanced digital infrastructure and adopting technologies such as artificial intelligence, cloud computing and big data analytics to drive efficiency, transparency, accountability and high performance in governance. These developments reinforce that ICT is no longer a peripheral support function but a central pillar of modern public administration, enabling data-driven decisions, accelerating policy development and expanding access to public services.

The NDP underscores the modernisation of government’s information systems as a strategic priority for building a capable and developmental state. By digitising administrative processes, it aims to reduce manual interventions, curb corruption and improve service delivery in key public sectors such as healthcare, education and social welfare.

Several government roleplayers must play a coordinated, efficient and innovative role in the digital transformation of government services through strategic alignment, governance and technical enablement.

## Key government roleplayers for information and communication technology systems



Since November 2023, government has launched several ICT reforms and initiatives aimed at accelerating digital transformation.

### Digital transformation programmes

Programme	Description	Responsibility	Launch date
SA Connect expansion	A major investment in broadband infrastructure and public Wi-Fi hotspots, targeting over one million households to ensure universal access to digital public services	Department of Communications and Digital Technologies State Information Technology Agency (Sita)	November 2023
Affordable smart devices initiative	Expands access to internet-enabled devices, promoting digital inclusion (bridging the digital divide between those with and without access to essential digital tools) and enabling broader participation in the digital economy	Department of Communications and Digital Technologies	February 2025

### Digital transformation programmes (continued)

Programme	Description	Responsibility	Launch date
Digital government roadmap	Endorsed by Cabinet, this roadmap outlines a vision for integrated digital services, digital identity and interoperable platforms – laying the foundation for a cohesive digital state	The Presidency Department of Communications and Digital Technologies Department of Public Service and Administration Sita	May 2025
Sita procurement reform	Enables departments to bypass Sita with valid business cases, reducing procurement delays and unlocking faster, more responsive ICT service delivery	Sita Government departments	May 2025

Each year, we intensify our efforts to assess government's progress in ICT transformation and protection. In 2024-25, our focus areas included:

- Modernisation and integration of systems
- Cybersecurity readiness
- Procurement of ICT
- Status of information technology (IT) controls

### Modernisation and integration of systems

The lack of integration among systems hinders the achievement of digital priorities, particularly the goal of establishing an integrated platform and architecture for information systems to ensure interoperability. In the health sector, the lack of integration, particularly of the health information system, prevented interoperability of systems and the linkage of existing patient-based information systems.

ICT projects involve system developments, upgrades and implementations as well as other IT-related areas, such as IT infrastructure, IT procurement and the provision of other IT services (for example, broadband services or connectivity).

Many of government's ICT projects failed to meet key objectives such as time, cost, quality or business expectations.

In 2024-25, we evaluated 72 ICT projects at 44 auditees. At 23 auditees (52%) – 15 of which were high-impact auditees – 41 projects worth R12,1 billion had findings.

The most common findings related to institutional capability and governance weaknesses:

- Nine auditees (39%) had **poor project management practices, lacked internal audit involvement and did not formally approve scope changes.**
- **Project charters, project plans and/or business cases were not approved and/or did not exist** at six auditees (26%).
- The project **did not deliver** according to the commitments outlined in the project charter at five auditees (22%).
- Projects were **not implemented within planned timelines and project milestones were not achieved** at 11 auditees (48%).

Examples of project weaknesses and their impact are provided next.

**Global wide area network refreshment project:  
Department of International Relations and Cooperation**



As part of its IT modernisation initiatives, the department launched a global wide area network project. This is a five-year undertaking that is scheduled to run from 2021 to 2026, with a budget of R1,1 billion. The project is intended to modernise the department's global network infrastructure at South African embassies, consulates and missionary offices to enable the digitalisation of business processes. Despite its strategic importance, the project has experienced persistent delays and missed several key milestones.

One of the key reasons for the delays was the late approval of the security proposal. The proposal had to be tabled and approved prior to the deployment and implementation of the project to ensure that there would be sufficient security to safeguard and configure equipment as part of the project. The service provider submitted the proposal several times, firstly in October 2023. After several revisions, the department approved the proposal in April 2025. The delay by 18 months highlights critical governance shortcomings. The late approval of the security proposal also meant that IT equipment procured for the project in prior years could not be deployed.

Further affecting delivery on the project were various procurement irregularities. Notably, the appointed service provider potentially made misrepresentations on its bid submission during the appointment process to appear compliant with the bid specifications and capable of delivering on a project of this magnitude. There were indications of potential fraudulent documentation, including an Independent Communications Authority of South Africa certificate, Internet Service Providers' Association membership and employee qualifications. Despite not meeting mandatory bid criteria, the award was made to this service provider, highlighting weak due diligence and risk management practices within the department.

Significant contract variations of R292,8 million relating to the security solution were approved without a competitive bidding process. Despite internal audit recommendations for the department to engage legal services and the National Treasury, there is no evidence that such consultations occurred prior to the director-general approving the contract variations.

These shortcomings contributed to overall project delays and significantly hindered the department's ability to realise the intended benefits of its modernisation effort. The project's underperformance was due to inadequate project governance, a lack of accountability and consequences by the accounting officer and inadequate oversight by the minister.

### **Health information system: Gauteng Department of Health**



In May 2020, the department commenced with the development of a health information system intended to improve patient care and experience at health facilities. The project was planned to be completed by June 2022, with maintenance running from May 2023 to May 2025. However, the project was only 61% complete as at 31 March 2025, even though R257,8 million (76%) of the budget had been spent. Project delays were primarily due to poor planning, inadequate project management processes and ineffective monitoring of strategic initiatives. This was due to resource constraints in the project management unit as the department's structure was outdated and no longer supported organisational needs. The revised project completion date was August 2025.

Key deliverables, which were planned for completion by June 2022, remain incomplete. These deliverables include clinic modules and essential system integrations. A lack of critical health system integration (with systems both internal and external to the department) compromises the project's ability to meet interoperability standards and weakens the intended benefits of improved patient care, operational efficiency and data-driven decision-making across the health value chain.

The delays mean that there are still inadequate medical records and patients continue to experience poor healthcare due to long queues and waiting periods.

### **SAP implementation: Unemployment Insurance Fund**



During 2014-15, the fund initiated an SAP ECC implementation project to replace its Computron financial system and strengthen its ability to manage contributions, claims and benefit payments to unemployed workers. The initial contract, valued at R152 million, lapsed in 2017 without a functional system being delivered. A second service provider was appointed in November 2018 at a contract value of R33,68 million and a contract end date of October 2021. This contract was extended several times to complete the implementation and develop additional reports. As at December 2024, the system had still not gone live, despite payments to both service providers totalling R122 million.

The causes of the delays included inadequate system specification requirements; poor contract management; weak enforcement of contractual obligations; and a lack of monitoring, consequence management and oversight by the fund's ICT steering committee and the Department of Employment and Labour.

## Cybersecurity readiness

Cybersecurity remains a critical global concern for governments, transcending national borders and political systems. As digital infrastructure underpins national security, economic stability and public services, the cyberthreat landscape has expanded significantly. Governments worldwide must balance defending themselves against increasingly sophisticated cyberthreats while establishing international norms and cooperation frameworks. In today's interconnected environment, cybersecurity is no longer merely a technical issue; it is a matter of national sovereignty, global diplomacy and public trust.

Effective cybersecurity controls, including rigorous testing and validation, are essential for protecting auditees' IT assets and services from malicious attacks. Without adequate security controls and continuous testing, auditees remain vulnerable to breaches that could cause service outages with potentially irreversible consequences, disrupting business continuity and service delivery. Emerging threats – including ransomware targeting critical infrastructure and exploitation of advanced technologies such as artificial intelligence – pose unprecedented risks.

Cybersecurity attacks have become a widespread threat across the globe, also affecting auditees of all sizes in South Africa's national and provincial government.

Against this background, we assessed the cybersecurity controls of 70 auditees in 2024-25 to evaluate their vulnerability to cyberattacks. We evaluated auditees' overall security posture, including governance frameworks, risk assessment methodologies, legal and regulatory compliance, operational controls and incident response management. The objective was to ensure strategic alignment with cybersecurity goals, measure awareness and readiness across the workforce and verify adherence to relevant standards. We also conducted technical assessments and systematic testing – including penetration testing and vulnerability scanning – to identify vulnerabilities and test defensive capabilities.

Our audits revealed shortcomings at 45 auditees (64%), of which 23 were high-impact auditees. Eight auditees (11%) (four of which were high-impact auditees) exhibited significant vulnerabilities that could be exploited if not remedied.

The following were the most common findings:

- **Lack of backup testing:** many auditees failed to maintain secure, regularly tested backups, increasing the risk of severe data loss and financial impact during cyber incidents due to recovery system failures.
- **Recurring cybersecurity deficiencies:** persistent issues included the absence of vulnerability management tools, weak access controls, unpatched systems, and insufficient logging and monitoring of administrator activities, exposing auditees to evolving threats.
- **Compromised environments:** penetration testing revealed systemic weaknesses in security perimeters, with multiple environments being breached during the year, adversely affecting service delivery.

**Cyberattack:  
South African Bureau of Standards**



In November 2024, the entity experienced a complete shutdown of business applications, risking revenue loss and stakeholder trust. The entity could also not submit its 2024-25 financial statements timeously due to a ransomware attack that fully encrypted its information systems.

The entity's cyber-risk exposure was heightened by weaknesses in internal controls, including outdated systems, weak password policies, poor access controls and an untested disaster recovery plan. The entity did not implement the recommendations that we have been making since 2021-22, despite being aware of the vulnerabilities in the environment.

The cyberattack revealed the absence of a structured response mechanism, an untested disaster recovery plan and a delayed recovery process. The lack of readiness to respond prolonged business disruptions and data restoration efforts. The entity was still recovering systems and data at the time of this report – 15 months after the attack.

Cyber resilience extends beyond prevention: it requires mature incident response capabilities, timeous recovery procedures and continuous scenario testing to restore systems and services swiftly after a security breach.

## **Procurement of information and communication technology**

The quality of spending on ICT by national and provincial government is poor, with billions being invested in systems, services and infrastructure that have not consistently yielded the intended value.

A large part of ICT spending is on external service providers, but valid service level agreements and/or performance monitoring were not in place at 20 auditees (10% of the 191 auditees where we audited this).

Money is being lost due to purchased software licences not being utilised because of poor demand planning. We reported on this poor quality of spending and the MIs due to the financial loss in prior years. In 2024-25, we identified unused software licences at a further 14 auditees.

Departments and public entities spent large amounts on IT infrastructure (R5,48 billion in 2024-25 alone) – yet this investment has failed to support modernisation and resilience as many auditees still operate with ageing infrastructure.

Sita did not effectively deliver on its intended mandate. Sita procurement processes were inefficient and misaligned with current ICT requirements, resulting in delays and negatively impacting departmental effectiveness and service delivery. This resulted in some departments obtaining valid business case approvals to procure ICT goods and services outside established Sita processes.

Money is spent on IT systems that are not used. Since our previous general report, we have notified the accounting officers of three departments of two MIs due to limited benefits derived from costs incurred on IT systems and one MI because a case management system was not optimally used. We detail two of the MIs next.

### Limited benefit derived from cost and underutilised system

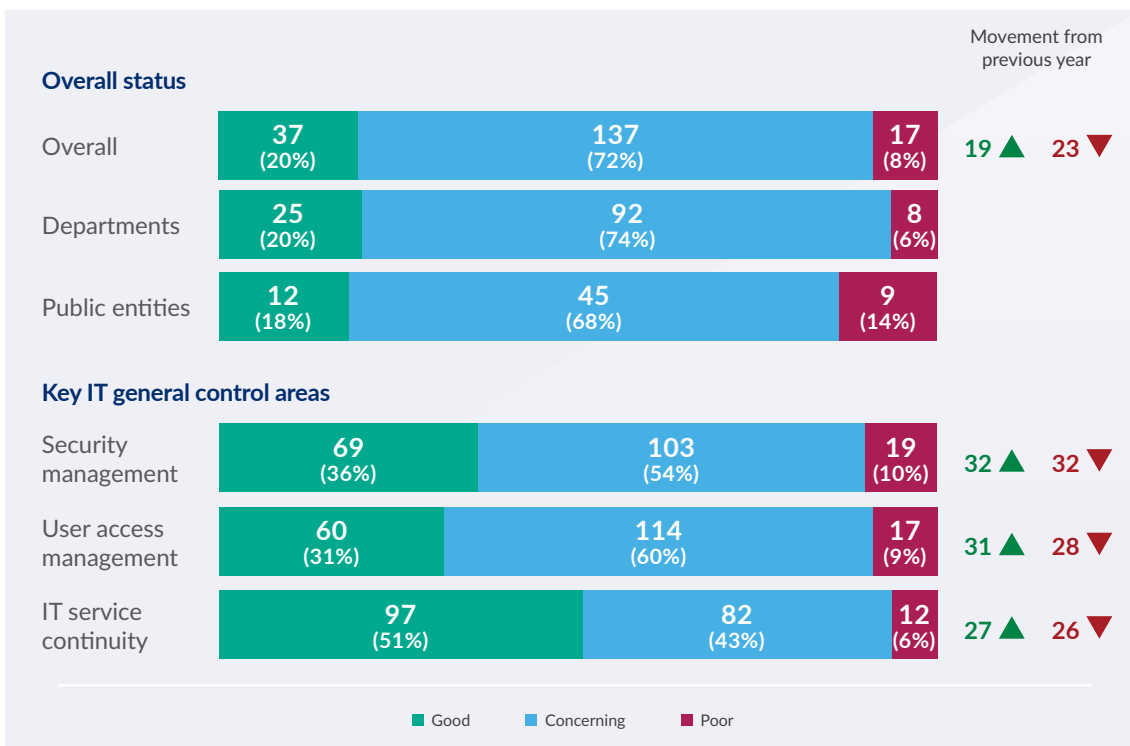


- Between November and December 2020, the **Mpumalanga Department of Health** installed queue management systems at five hospitals. The systems were intended to improve patient flow and reduce waiting times. The department has derived limited benefits from the costs of procuring these systems, as they remain largely unused. The department is likely to suffer a R25,45 million loss because of this. We notified the accounting officer of an MI in July 2025. We are assessing the actions being taken to address the MI.
- In March 2015, the **Mpumalanga Office of the Premier** entered into an IT service contract. It amended the contract in November 2016 to include a system to support investigations and case management. By June 2023, the case management system had not been effectively used, mainly due to a lack of training of officials. We notified the accounting officer of an MI in April 2025, but they did not take appropriate action. We are deciding on the further action to be taken.

## Status of information technology controls

In 2024-25, we audited the control environment in which IT systems are developed, maintained and operated at 191 auditees.

### Overall status of information technology controls and movement from previous year (191 scoped-in auditees)



There has been an overall decline in the strength of the IT control environment as more auditees regressed in this area than improved. The absence of adequate security management controls at most auditees continues to expose institutions to significant risks. Such risks include unauthorised system access, data breaches, disruption of business processes and declining reliability of financial and performance information.

Below is an example of the impact of weaknesses in general access controls.

### **Deficiencies in housing subsidy system: Department of Human Settlements**



In 2006, the department implemented a housing subsidy system, which was rolled out across all provinces as a centralised application platform for housing subsidy administration. Since 2020-21, we have reported several control weaknesses in the system that undermine the reliability and integrity of housing administration processes.

As the housing subsidy system does not interface with government's transversal Basic Accounting System, manual payment entries are used. This increases the risk of duplication and errors. Site number overrides are permitted without adequate supporting documentation, reducing the effectiveness of audit trails and limiting independent verification. Inadequate segregation of duties allows users to capture and approve transactions, resulting in potential conflicts of interest and greater exposure to unauthorised activities. The system design limitations hinder monitoring, verification and documentation controls. The limitations may result in delayed identification of project risks, exposure to irregularities and weak document traceability.

At provincial level, needs identification, site identification and related processes are done manually outside of the system. These processes are only updated on the system after the allocation has been done. This has a ripple effect on the allocation of houses, slowing down the effectiveness of the administration process.

These issues are largely due to ongoing reliance on a delayed system modernisation initiative and insufficient capacity at provincial level to implement robust access controls and oversight measures.

## **Causes of continued weaknesses in information and communication technology**

ICT is critical for modernising public services, but it is still treated as a support function.

The continuing weaknesses in IT control environments, cybersecurity and system modernisation and integration are caused by shortcomings at two levels:

1. The coordinating institutions responsible for centralised IT services, policymaking, oversight and support
2. The auditees themselves

The systemic control weaknesses were mainly caused by the following:

- ICT strategic plans were frequently misaligned with organisational objectives, leading to technology initiatives that failed to deliver measurable value or support core service delivery mandates. The lack of system integration across departments, such as within the Integrated Justice System, further limited data sharing and coordination.
- Attracting specialised skills to fill vacant positions was challenging, which affected operational efficiency and auditees' ability to meet strategic objectives. Of the 191 established chief information officer positions, 27 (14%) were vacant during 2024-25. Eighteen of these positions were vacant for more than six months. During the same period, 156 IT positions were vacant: 96 at departments and 60 at public entities.
- Inadequate planning, lack of mechanisms to monitor and track deliverables and weak management oversight resulted in ICT projects failing to meet key objectives.
- Many government systems remained outdated, not fit for purpose and poorly integrated. This resulted in fragmented data, increased vulnerability to cybersecurity incidents, inefficiencies and reliability concerns.
- Insufficient governance structures and the absence of formal cybersecurity strategies resulted in delayed threat response and misaligned objectives, leaving auditees vulnerable and undermining public confidence in digital services.
- Fragmented ICT, risk and cybersecurity teams led to inconsistent capabilities, control failures and a lack of coordinated response planning, which impeded effective threat management.
- Auditees continued to rely extensively on third-party service providers, often without adequate oversight or accountability transfer, which exposed institutions to vendor-related control failures and service disruptions.

In 2024-25, our continued focus on **Sita** revealed persistent challenges in fulfilling its mandate to provide critical IT services to government departments. Apart from Sita's procurement processes remaining outdated and slow (as mentioned earlier), its inability to meet basic service levels has become a systemic risk to government operations. Notably, Sita failed to meet the service level agreements for virtual private networks in North West. Unmet targets peaked at 50,55% in December 2024 and remained consistently above 25% in several months.

High bandwidth usage across provinces and significant monitoring gaps further strained network capacity and oversight. However, Sita subsequently committed to implement remedial action such as including bandwidth performance monitoring in service level agreements.

Strategic misalignment remains a concern, exacerbated by the absence of a defined ICT structure and the lack of a chief information officer at Sita for over three years. This continues to weaken accountability and hinder ICT governance. The executive vacancy rate was 54%. Frequent changes in leadership – including the absence of a permanent board and managing director – have disrupted strategic continuity and decision-making. The inability to fill vacancies negatively impacted the entity's capability to provide critical ICT services to the public sector.

Modernisation initiatives continue to experience delays due to Sita's leadership instability, ineffective financial management and governance processes. Such initiatives include key Sita-managed data centre upgrades and infrastructure for the Integrated Justice System.

These issues have contributed to incoherent strategies and inadequate institutional capabilities, undermining Sita's ability to fulfil its mandate and deliver reliable services to government clients.

### 3.3. Procurement and contract management

#### *Irregular supplier appointment and management practices increase risk of financial loss, non-delivery and fraud*

Section 217 of the Constitution establishes the foundational principles for public procurement. This requires that when an organ of state contracts for goods or services, it does so in a fair, equitable and transparent manner that is competitive and cost-effective. These principles are commonly referred to as the 'five pillars of procurement'.

Various pieces of legislation give effect to these pillars and define what processes auditees should follow to adhere to the constitutional principles, the level of flexibility available and the documentation requirements. Legislation also requires auditees to carefully manage the contracts with suppliers and have strong payment control mechanisms in place. This ensures that payments are made only after verifying that the supplier has delivered on time, at the agreed price and according to specified quality standards.

Irregular expenditure arises when these principles are breached, such as when procurement processes are non-compliant with the prescribed legal frameworks. The concept of irregular expenditure thus serves as a practical mechanism to enforce section 217, ensuring that public funds are utilised lawfully, transparently and in a manner that upholds the values of good governance and accountability.

#### **Non-compliance with procurement and contract management legislation**

Public procurement is a critical process that is required to implement service delivery. When done correctly in accordance with the five pillars, it can also be leveraged as a strategic tool to stimulate economic growth and promote transformation. As part of our audits, we focus on procurement and contract management processes, recognising that this is also the area of greatest risk for fraud, financial loss and irregular practices.

Unlike local government, where procurement and contract management legislation is largely uniform, auditees in national and provincial government are governed by different legislative frameworks. Our audit approach is tailored according to these specific legislative requirements.

#### **Procurement and contract management legislation per auditee category**

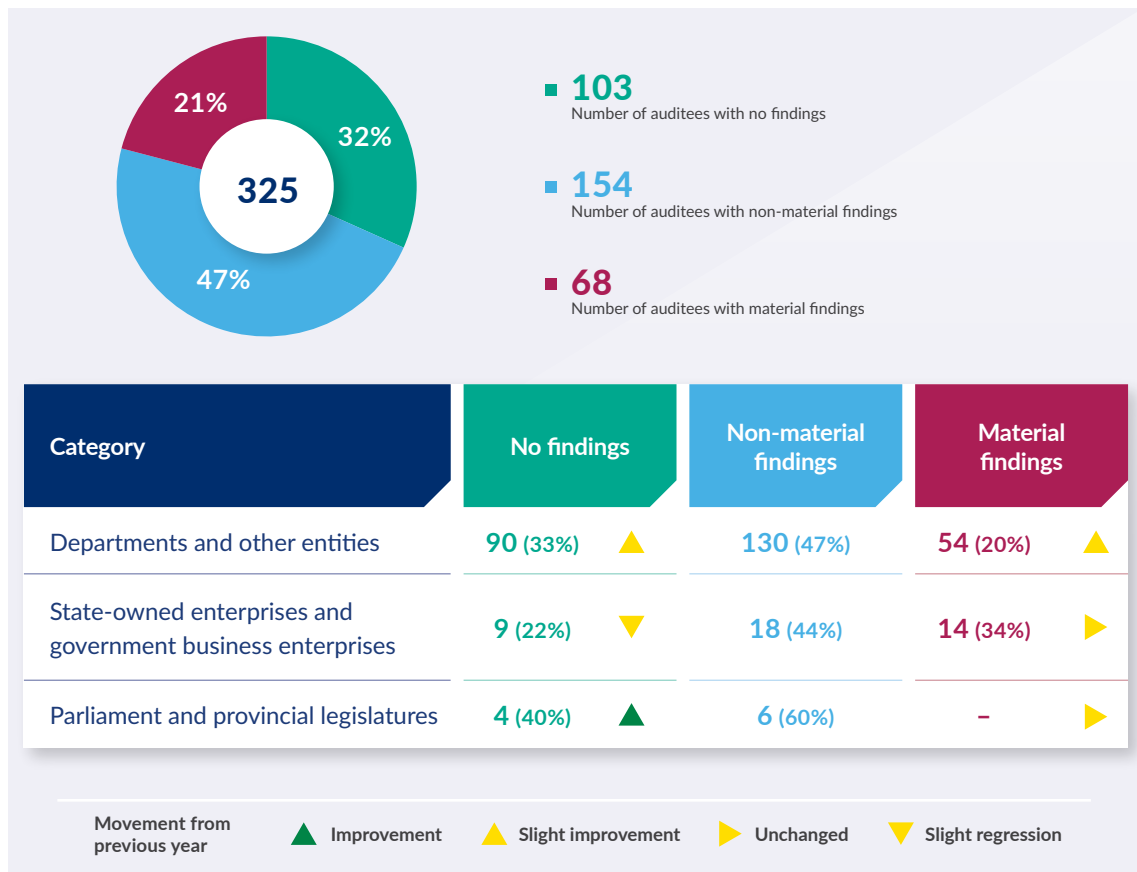
Category	Applicable legislation
Departments, constitutional institutions, government components, trading entities and national and provincial public entities (schedule 3A and 3C)	PFMA, Treasury Regulations and applicable National Treasury instruction notes
State-owned enterprises and government business enterprises (schedule 2, 3B and 3D public entities)	PFMA and a limited set of National Treasury instruction notes, as supported by the auditees' own procurement and contract management policies
Parliament and provincial legislatures	Financial Management of Parliament and Provincial Legislatures Act and its related regulations
Technical and vocational education and training (TVET) colleges	Continuing Education and Training Act (Ceta)

The procurement processes of all organs of state must also comply with the Preferential Procurement Policy Framework Act.

The legislative requirements on procurement and contract management in Ceta are limited to the prevention of a conflict of interest in procurement processes. In this regard, we identified findings at four TVET colleges, including two whose findings were material. Except for the information on findings related to conflicts of interest, the analysis in this section excludes the TVET colleges and focuses on the other 325 auditees.

In 2024-25, 222 auditees (68%) did not comply with procurement and contract management legislation. At over a fifth of auditees (21%), the non-compliance was material.

**Status of compliance with procurement and contract management legislation – overall and per auditee category**



We have reported material findings on compliance at 27 auditees every year since 2020-21 – at some for even longer.

**Auditees with material non-compliance with procurement and contract management legislation for at least five years**

Departments (20)		Public entities, trading entities and constitutional institutions (7)
Departments in key service delivery sectors (13)	Basic education (national, FS, NC and NW) Health (GP, KZN, NC and NW) Human settlements (LP) Public works (LP, MP and NC) Transport (NW)	African Exploration Mining and Finance Corporation Gauteng Medical Supplies Depot Great North Transport Mpumalanga Regional Training Trust Roads Agency Limpopo
Other departments (7)	Department of Correctional Services Department of Defence Department of Police Free State Office of the Premier Gauteng Department of Sport, Arts, Culture and Recreation Mpumalanga Department of Social Development North West Department of Agriculture and Rural Development	South African Human Rights Commission Transnet

Despite our repeated reporting of these findings, leadership, executive authorities and oversight structures have failed to act. This reflects compromised institutional integrity and a disregard for accountability.

At provincial level, the highest percentage of auditees with material findings was in North West, Mpumalanga, Limpopo and the Northern Cape. The Northern Cape had the highest percentage (91%) of auditees with material and non-material findings.

**Compliance with legislation on procurement and contract management – audit results at national and provincial level**

National/Province	No findings		Non-material findings	Material findings	
	Number	Movement		Number	Movement
National	59 (35%)	▶	83 (49%)	26 (16%)	▶
Eastern Cape	4 (19%)	▼	15 (71%)	2 (10%)	▶
Free State	2 (13%)	▲	9 (56%)	5 (31%)	▶
Gauteng	12 (55%)	▲	6 (27%)	4 (18%)	▶
KwaZulu-Natal	3 (20%)	▼	9 (60%)	3 (20%)	▲
Limpopo	5 (26%)	▲	7 (37%)	7 (37%)	▲
Mpumalanga	4 (24%)	▼	6 (35%)	7 (41%)	▼
Northern Cape	1 (9%)	▲	6 (55%)	4 (36%)	▶
North West	4 (25%)	▲	3 (19%)	9 (56%)	▲
Western Cape	9 (45%)	▲	10 (50%)	1 (5%)	▼

Movement from previous year

▲ Improvement

▲ Slight improvement

▶ Unchanged

▼ Slight regression

▼ Regression

Our audits highlighted the following five main areas of risk in public procurement:

- Uncompetitive and unfair procurement processes
- Conflicts of interest
- Increased opportunities for fraud
- Limitations in the audit of procurement
- Inadequate management of suppliers and contracts

## Uncompetitive and unfair procurement processes

The most common non-compliance with procurement and contract management legislation represents a breach of one or more of the five pillars of procurement. In most instances, it points to uncompetitive and unfair procurement processes. We reported these findings at 198 auditees (61%). At 65 auditees (20%), these findings were material. Non-compliance was higher at high-impact auditees: 69% had findings and 28% had material findings.

The highest proportion of findings was reported at government business enterprises (71%) and departments (70%). At departmental level, 75 (71%) of the 105 departments with findings on uncompetitive and unfair procurement were provincial departments.

### Common procurement findings – significance and impact

Procurement finding	Number of findings		Significance of findings and their impact
	All findings	Material findings	
Quotation and competitive bidding process not applied	93 (29%)	35 (11%)	When quotation and competitive bidding processes are not applied, auditees are unable to compare offers and select the most suitable option based on pricing, quality and expertise. This undermines competitiveness (by limiting supplier participation), fairness (by not giving all suppliers equal opportunity), transparency (by obscuring the process) and cost-effectiveness (by potentially not securing the best value for money).
Evaluation process not fairly applied	75 (23%)	23 (7%)	An unfair evaluation process directly violates fairness and transparency and can also affect equity if certain suppliers are disadvantaged without just cause.
Preference point system not applied or incorrectly applied	66 (20%)	17 (5%)	Incorrect application undermines fairness and transparency of the preference point system, which was designed to promote equity (especially for historically disadvantaged suppliers).
Bids not advertised as prescribed / per procurement policy	55 (17%)	4 (1%)	Bids not advertised properly undermines transparency (not all potential suppliers are made aware), competitiveness (reduced supplier participation) and fairness (unequal access to information).
Procurement from suppliers without South African Revenue Service tax clearance	39 (12%)	9 (3%)	A valid tax clearance is a mechanism to validate suppliers and minimise risk of loss. Procuring from non-compliant suppliers undermines transparency and fairness and may result in uneconomical procurement or appointment of suppliers that do not respect the rule of law and do not deliver.
No declaration of interest submitted by suppliers	35 (11%)	7 (2%)	Declarations of interest are essential for transparency and fairness to prevent unethical behaviour and favouritism, which could compromise institutional integrity. When declarations are disclosed, conflicts can be managed or avoided where not permitted, so that all suppliers are treated equitably.

In addition to procedural non-compliance, these findings also increase the risk of fraud and financial loss, erode public trust and undermine service delivery.

## Conflicts of interest

There is no legislation that prohibits auditees from awarding contracts to suppliers in which state officials have an interest. However, the Public Service Regulations **prohibit employees of government departments from conducting business with the state**. The regulations also require employees to obtain approval from their employer for any additional remuneration work done outside their department.

In 2024-25, we identified 96 employees at 17 departments that did business with auditees in the national, provincial and/or local government sphere. The value of these awards totalled R77,29 million. Twelve departments (71%) were in the key service delivery sectors: six in health, three in education, two in public works and one in transport. At **eight departments**, 13 employees were doing business with their own departments for awards totalling R2,48 million.

All these awards were made after 1 August 2016, the effective date of the Public Service Regulations. This continued contravention by employees, more than eight years after the regulations came into effect, is indicative of a systemic failure in both individual accountability and institutional oversight.

While the onus of compliance rests on employees, the regulations legally obligate accounting officers to implement mechanisms to monitor and evaluate compliance and to report breaches to the public service and administration minister. We reported these awards to accounting officers to take action.

### **Top contributors: employees doing business with own department or other state institution (based on value of awards)**

Auditee	Amount			Number of employees	
	Total	Own department	Other state institutions	Own department	Other state institutions
Limpopo Department of Education	R34,30m	-	R34,30m	-	14
Northern Cape Department of Education	R10,37m	R0,59m	R9,78m	2	24*
Department of Water and Sanitation	R9,14m	-	R9,14m	-	3
Eastern Cape Department of Health	R8,50m	-	R8,50m	-	15*

*\*Additional remunerated work for these employees was not approved*

In addition to the eight departments that made awards to employees, in contravention of the Public Service Regulations, the **Local Government Education and Training Authority** (one award) and **Esayidi TVET College** (six awards) made seven awards totalling R2,91 million to suppliers owned or managed by employees. **A total of 10 auditees** made 20 awards totalling R5,39 million to employees in 2024-25.

While legislation does not prohibit entities other than departments from making **awards to suppliers in which employees have an interest**, such awards might create conflicts of interest. At three of the 10 auditees where such awards were made, six employees failed to declare their interest in awards worth R1,11 million. At two auditees, five suppliers submitted false declarations for awards totalling R1,06 million.

**Awards to suppliers in which close family members or business associates of employees have an interest** are not prohibited by legislation, but such awards might also create conflicts of interest. We found that 39 awards worth R72 million were made to suppliers related to close family members or business associates of employees at 17 auditees, including 12 departments. We reported the following findings:

- For R6,36 million worth of awards, 18 employees at five auditees failed to declare an interest.
- For R14,69 million worth of awards, 28 suppliers at 10 auditees falsely declared that there is no relationship with any close family members or business associates of employees.

***Top contributors: awards to close family members or business associates of employees (based on value of awards)***

Auditee	Total value of awards	Number of awards	Findings
KwaZulu-Natal Department of Health	R62,59 million	17	<p>All 17 awards were made to spouses of employees for various types of services, including hospital security (R50,05 million), catering (R5,07 million), construction and general (R1,55 million) and training (R1,44 million).</p> <p>For 14 awards, the employees did not disclose the interest either as part of the procurement process and/or through the annual declaration for awards worth R6,24 million. These 14 employees were also reported to management in 2023–24.</p> <p>Fourteen suppliers also submitted false declarations of interest for the same awards.</p>
Agricultural Research Council	R8 million	4	<p>Four suppliers owned or controlled by business associates of employees made false declarations for awards worth R8 million. The types of services included aerial baiting pest control, purchasing dishwashers and hydrodynamic liquids, upgrading an auditorium and attending a biannual technical symposium.</p>

## Increased opportunities for fraud

Weaknesses in procurement and contract management processes create opportunities for fraud. As part of our audits, we assessed whether fraud risk indicators were present. If they were, we reported them to the relevant accounting officers and authorities for investigation.

In 2024-25, we identified fraud risk indicators and/or found that allegations of fraud were made through established structures such as internal audit units and fraud hotlines at 117 auditees.

We reported the following instances of **indicators of possible fraud or improper conduct in procurement and contract management processes** to accounting officers or authorities for investigation:

- False declarations of interest: 93 suppliers declared that no state officials had an interest in the supplier, but our audits identified such interests. If the suppliers had submitted correct declarations, auditees could have considered any potential conflicts of interest before making the awards. False declarations amount to misrepresentation and should have led to the suppliers being disqualified.
- Failure to declare interest: 101 employees failed to declare interests in suppliers doing business with the state.
- Fictitious suppliers: one payment was made to a possible fictitious supplier.
- Poor delivery by suppliers: 15 payments were made to suppliers, despite poor performance.
- Other areas: there were 260 allegations related to other procurement and contract management areas.

[Section 3.6](#) details how accounting officers and authorities responded in 2024-25 to the indicators of possible fraud or improper conduct in procurement and contract management processes that we had reported to them last year.

The pervasiveness of suspected fraud is also evident from the investigations conducted by public bodies. In 2024-25, various public bodies started such investigations at 105 auditees.

We also refer certain matters to public bodies for investigation. [Section 5](#) provides an update on the status of the MIs we have previously referred for investigation.

## Limitation on audit of procurement

We could not audit 75 awards (competitive bids or quotations) with a combined value of R1,70 billion at 14 auditees because of missing or incomplete information. There was no evidence that these auditees had followed a fair and competitive process for these awards, which resulted in weakened transparency and accountability.

The National Health Laboratory Service was responsible for most of the limitations, as detailed in the example that follows. The entity could not provide the required information for 46 awards (61% of the 75 awards) worth R1,55 billion (91% of the R1,70 billion).



In 2024-25, the entity awarded contracts worth R12,70 billion for laboratory goods, services and renovations. We selected awards with a value of R1,79 billion to audit.

The entity could not provide us with information for auditing relating to 30 competitive bids and 16 quotations worth R1,55 billion. This was due to missing documentation and poor record management. We were therefore limited in confirming whether the entity had complied with procurement legislation. These awards related mainly to the renovation of laboratories, procurement of consumables and lab equipment (such as a blood gas analyser, haematology automated slide stainer, full blood count haematology analysers and digital pathology slide scanner) and the appointment of a panel of suppliers for training services.

For the remaining R0,24 billion worth of awards, we reported findings on compliance. Key weaknesses included inconsistent bid evaluations, payments under expired contracts, unjustified deviations, a lack of contract monitoring and poor record-keeping. The entity did not disclose irregular expenditure for any of these transactions and was qualified on the completeness of the irregular expenditure disclosed.

The entity's management attributed the non-compliance to a cyberattack and capacity constraints. They maintained that the findings had no impact on service delivery. However, we found laboratories in poor condition, with outdated or undelivered equipment during our audit visits. These issues would have affected operations directly.

## Inadequate management of suppliers and contracts

We reported findings on inadequate contract management at 90 auditees (28%), including 50 that were high-impact auditees. The auditees with the highest proportion of findings were departments (32%) and SOEs (30%). Of the 47 departments with findings, 24 (51%) were in the key service delivery sectors: seven in education, six in health, four in human settlements, four in public works and three in transport.

The most common findings were a lack of, or inadequate, performance measures and monitoring at 48 auditees (15%). Additionally, contract deficiencies were identified at 27 auditees (8%). These deficiencies included unsigned contracts, contracts not prepared in accordance with National Treasury prescripts as well as differences between the goods or services specified in the contracts and those specified in the bidding documents.

As part of testing the controls within the contract management processes, our audit procedures include checking whether contracts have set expiry limits (i.e. that they are not open ended) and are not extended on a month-to-month basis to circumvent a competitive bidding process. These types of contracts are commonly referred to as 'evergreen contracts' and 'month-to-month extensions'.

These types of contracts undermine the constitutional principles of fairness, transparency and competitiveness in public procurement. Without periodic market testing, auditees may continue to procure goods or services at prices that are not market related or from underperforming suppliers. These contracts also undermine the strategic use of procurement to drive transformation and inclusive economic growth, as it acts as a barrier to entry for new suppliers, particularly small businesses and historically disadvantaged groups.

We reported 35 instances of contracts extended or renewed to circumvent competitive bidding processes at eight auditees.

#### **Month-to-month contract extensions: Mpumalanga Department of Education**



We identified 10 instances of month-to-month extensions of contracts worth R513,53 million at the department. The initial starting dates of these contracts ranged from 1 August 2015 to 1 May 2020. The services provided in terms of the contracts related mainly to transportation services (four contracts worth R353,03 million) and the supply and installation of movable units (one contract worth R139,58 billion).

We also reported six instances of evergreen contracts at five auditees, including the Private Security Industry Regulatory Authority, Iziko Museums of South Africa and the Free State Department of Agriculture and Rural Development. The other two auditees (Northern Cape Department of Health and Free State Department of Public Works and Infrastructure) could not provide sufficient appropriate information relating to the contract terms.

#### **Evergreen contracts**



- The **Free State Department of Agriculture and Rural Development** awarded a contract for the supply and delivery of agricultural mechanisation amounting to R5,88 million. The contract did not have an expiry date.
- The **Northern Cape Department of Health** could not provide the service level agreement relating to a contract for medical waste management services on which R44,18 million had already been spent. We could thus not confirm the start and end date of the contract.

## **Irregular expenditure**

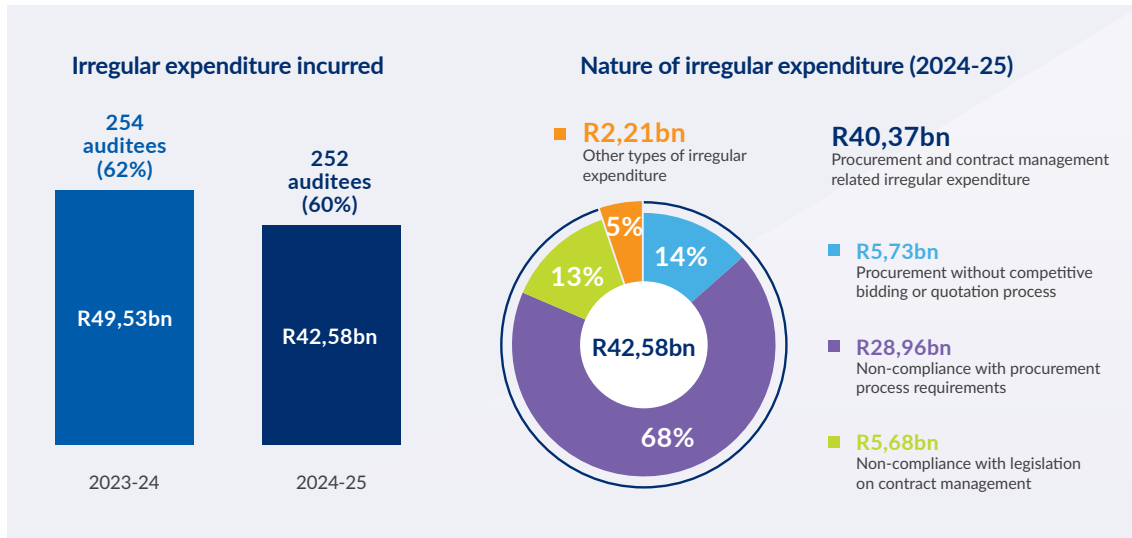
The National Treasury introduced the Compliance and Reporting Framework in 2023. The framework sets out the treatment and reporting of irregular expenditure across national and provincial government institutions.

As detailed later in this section, the framework introduced two key mechanisms that have an impact on the reporting of irregular expenditure. The current statistics on irregular expenditure should be interpreted with caution, as they exclude the irregular expenditure that is being treated in terms of the framework.

## Irregular expenditure in 2024-25

In 2024-25, 252 auditees incurred irregular expenditure, of which 209 (83%) also incurred such expenditure in 2023-24.

### Amount and nature of irregular expenditure



Non-compliance with procurement and contract management legislation resulted in 95% of the irregular expenditure. The remaining 5% of irregular expenditure was due to non-compliance with Dora (R0,62 billion), non-compliance related to employee costs (R0,26 billion), budget overspending (R0,13 billion) and other instances of non-compliance (R1,20 billion).

The other instances of non-compliance included:

- The National Student Financial Aid Scheme paid R0,21 billion to students that were not eligible for funding.
- The Agricultural Land Holding Account disposed of assets worth R0,08 billion without National Treasury approval.
- The National Housing Finance Corporation wrote off loans of R0,07 billion without approval by the delegated authority.
- The Services Seta incurred irregular expenditure of R0,06 billion as it allocated discretionary grants that were not approved by the board and paid project administration fees exceeding 7,5%.

Our assessment of the nature of irregular expenditure incurred in 2024-25 found that R39,29 billion of the expenditure was due to breaches of the five pillars of procurement:

- R37,91 billion because procurement was not fair, transparent, competitive and cost-effective.
- R1,38 billion because procurement was not equitable (e.g. where auditees did not apply the preference point system correctly).

### **Non-compliance resulting in high irregular expenditure: KwaZulu-Natal Department of Health**



The department is one of the auditees that incurred the highest amount of confirmed irregular expenditure (R2,3 billion) in 2024-25 due to non-compliance with procurement and contract management legislation. The department could also not provide information to verify transactions valued at over R80 million.

The nature of the irregular expenditure indicated widespread non-compliance with various pieces of legislation, including:

- awards of R892,2 million to suppliers without valid tax clearance certificates
- awards of R265,9 million based on criteria not stipulated in the bidding documents
- preference point system not applied or incorrectly applied for awards of R114,6 million
- contracts of R16,5 million awarded without inviting competitive bids or obtaining the required number of quotations, with the deviations often being approved on unjustified grounds such as poor planning rather than legitimate emergencies.

The root cause of the non-compliance and irregular expenditure was an overall lack of accountability. Systemic control failures in procurement planning, document retention and oversight were compounded by weak consequence management.

As detailed later in this section, the department also disclosed that R574,40 million in irregular expenditure was under assessment.

We also assessed whether auditees received value for the money spent. If not, we either notified accounting officers and authorities of MIs or are busy assessing the matters as potential MIs. Overall, we identified R129,65 million that was not spent for its intended purpose, mainly relating to departments that did not use Dora grants as intended.

### **Impact of new reporting requirements on irregular expenditure**

The National Treasury introduced the Compliance and Reporting Framework in 2023. The framework sets out the treatment and reporting of irregular expenditure across national and provincial government institutions.

The framework introduced two key mechanisms that have an impact on the reporting of irregular expenditure:

1. **Assessment period:** Once a transaction with potential indicators of irregular expenditure has been identified by management, the internal auditors or us, the accounting officer or authority must assess the matter within 30 days to determine whether it meets the definition of irregular expenditure in terms of section 1 of the PFMA.
2. **Dispute resolution process:** If an accounting officer or authority disagrees with our audit finding that a transaction is irregular, the framework provides for a dispute resolution process. This allows auditees an additional three months in which to confirm with the National Treasury whether a matter constitutes irregular expenditure.

In terms of the framework, auditees are no longer required to disclose in the annual financial statements:

- irregular expenditure from prior years that is identified in the current year
- irregular expenditure from prior years that was previously under assessment in the year in which it was identified.

This means that if irregular expenditure under assessment is not resolved within two years, it will not be disclosed separately in the financial statements. This is because the comparative information disclosed is limited to the previous year.

Auditees also no longer have to disclose in the annual financial statements matters such as the irregular expenditure condoned, recoverable, removed, written off, under assessment, under determination and under investigation. These matters are now reported in an auditee's annual report. The disclosure of historical balances has also been removed from the annual financial statements.

Therefore, the actual amount of irregular expenditure incurred may differ where these amounts were not disclosed in the annual report. In some instances, disputes were still within the resolution period but we also observed a notable increase in cases where auditees have lodged disputes that remain unresolved.

The reported irregular expenditure incurred decreased from R49,53 billion in 2023-24 to R42,58 billion in 2024-25. The decrease was partly due to the conclusion of some multiyear contracts that had previously attracted irregular expenditure and auditees using consultants to review procurement processes for compliance before making new awards.

The irregular expenditure incurred remained very high – and the amount could be even higher. The limitations on the audit of procurement, as explained earlier in this section, could contribute to a higher irregular expenditure amount. In addition, 33% of auditees were qualified on the completeness of irregular expenditure reported in their 2024-25 financial statements or disclosed that they were still investigating these amounts to determine whether they had been irregularly spent.

The treatment of irregular expenditure under assessment played a big role in the lower disclosed irregular expenditure amount, with irregular expenditure of R32,04 billion being under assessment in 2024-25. Our analysis of the five auditees with the highest decreases showed that they had irregular expenditure of R5,15 billion under assessment, which would not have been included in the total irregular expenditure amount.

The intention of the assessment process was to allow auditees to further investigate irregular expenditure where there was uncertainty about non-compliance with legislation. However, the total number of cases under assessment indicates that auditees are not using this process as intended.

Failure to finalise the assessment process on time resulted in irregular expenditure of R20,72 billion under assessment exceeding the prescribed timelines:

- Undisputed cases of R6,60 billion remained unresolved beyond 30 days.
- Disputed cases of R14,12 billion were not resolved within three months.

Of the delayed cases, R10,72 billion has remained unresolved for more than two years and R1,90 billion for over one year. The remaining R8,10 billion was not resolved within a period of 30 days to a year.

#### **Delayed disclosure of irregular expenditure: KwaZulu-Natal Department of Health**



In its 2024-25 annual report, the department disclosed R574,40 million as irregular expenditure under assessment. This expenditure relates to approximately 160 awards for medical supplies, equipment and support services. Despite the 30-day requirement to assess such cases, some instances have remained unresolved for over two years.

We reported findings on compliance relating to the investigation of irregular expenditure and qualified the department's financial statements on the completeness of irregular expenditure.

The delayed disclosure of the irregular expenditure affected accountability processes at the department.

These delays indicate that auditees may be using the assessment process to avoid negative audit outcomes. This also delays the recovery of losses and timeous consequences, driving the wrong behaviour and undermining the seriousness of compliance requirements. This allows irregular expenditure to persist unchallenged, eroding public confidence in financial stewardship.

While this may appear procedural, there is now less **transparency** in the information provided to executive authorities and oversight bodies, which limits their ability to effectively monitor and hold auditees accountable. Overall, the lack of timeous resolution and disclosure compromises **institutional integrity** and **accountability**.

### **Irregular expenditure at national and provincial auditees and in sectors**

When comparing the extent of irregular expenditure among auditee categories, auditees with larger expenditure budgets will inevitably have higher irregular spending. A fairer comparison would be to determine the percentage of the annual expenditure budget that was irregularly spent.

We performed such a comparison at national and provincial level as well as across the key service delivery sectors. We excluded employee cost from the budgets for purposes of our calculation, as this makes up the biggest portion of expenditure budgets. The tables that follow thus show the portion of the budget allocated for the procurement of goods and services that had been irregularly spent.

**Percentage of budget (excluding employee costs) irregularly spent – at national and provincial level**

National/Province	Irregular expenditure incurred	Budget	% of budget irregularly spent	
			%	Movement
National	R14,90bn	R1 098,89bn	1,4%	▲
Eastern Cape	R0,33bn	R36,25bn	0,9%	▲
Free State	R0,82bn	R17,72bn	4,6%	▶
Gauteng	R4,29bn	R76,82bn	5,6%	▲
KwaZulu-Natal	R4,10bn	R57,73bn	7,1%	▲
Limpopo	R3,71bn	R33,24bn	11,2%	▲
Mpumalanga	R1,56bn	R25,96bn	6,0%	▲
Northern Cape	R1,93bn	R9,03bn	21,4%	▲
North West	R2,81bn	R18,96bn	14,8%	▼
Western Cape	R0,20bn	R44,34bn	0,5%	▼
<b>TOTAL</b>	<b>R34,65bn</b>	<b>R1 418,94bn</b>	<b>2,5%</b>	<b>▲</b>

Movement from previous year

▲ Improvement

▲ Slight improvement

▶ Unchanged

▼ Slight regression

The provinces had the highest average percentage of irregular spending at 6,2%, with the highest percentages evident in the Northern Cape, North West and Limpopo. The categories of auditees with the highest percentage of irregular expenditure are government business enterprises (12,21%) and SOEs (5,9%).

**Percentage of budget (excluding employee costs) irregularly spent – key service delivery sectors**

Sector	Irregular expenditure incurred	Budget	% of budget irregularly spent	
			%	Movement
Basic education	R3,68bn	R101,34bn	3,6%	▼
Health	R5,81bn	R96,56bn	6,0%	▲
Human settlements	R3,47bn	R19,56bn	17,7%	▼
Public works	R1,68bn	R32,56bn	5,2%	▲
Transport	R2,13bn	R59,52bn	3,6%	▲
<b>TOTAL</b>	<b>R16,77bn</b>	<b>R309,54bn</b>	<b>5,4%</b>	<b>▲</b>

Movement from previous year      ▲ Slight improvement      ▼ Slight regression

The human settlements, health and public works sectors had the highest percentage of irregular spending. [Section 3.1](#) includes details and examples of non-compliance with procurement and contract management legislation on infrastructure projects that contributed to this high amount.

**Impact of inadequate procurement and contract management**

Apart from resulting in irregular expenditure, non-compliance with procurement and contract management legislation also gives rise to the following:

- Uncompetitive procurement practices prevent fair competition and increase the likelihood of appointing suppliers and contractors who may not deliver as expected, project delays and legal disputes. As detailed in [section 3.1](#), such practices is also one of the causes of infrastructure project failures.
- Uneconomical procurement practices result in, or are likely to result in, financial losses. If auditees follow proper procurement processes and adequately test market prices, they can potentially obtain goods and services at lower prices.
- Unfair procurement processes expose auditees to litigation due to breaches of legislated requirements. Auditees can also suffer financial losses because of legal fees and settlements.
- Non-equitable procurement has a negative impact on suppliers and government’s socioeconomic objectives of empowering previously disadvantaged individuals and small businesses, directly affecting the country’s economic growth.
- Inadequate contract management often contributes to delayed projects, cost overruns and compromised quality, as detailed in section 3.1.

Since our previous general report, we have notified accounting officers and authorities of eight procurement and contract management MIs, with an estimated financial loss of R67,78 million. The MIs related to payments for goods or services not received (five), of poor quality (one) or not in line with the contract (one) as well as uneconomical procurement (one).

We highlight two of the MIs in the examples that follow.

**Losses due to uneconomical procurement:  
Free State Department of Human Settlements**



In September 2021, the department awarded a R328,36 million contract for the construction of bulk infrastructure and internal services in the Bakenpark area of Bethlehem. The department did not ensure that the contract was economical as goods and services that ought to be levied at zero rate in terms of the Value-Added Tax Act were levied at a standard rate of 15%. This is likely to result in an estimated financial loss of R8,56 million. We notified the accounting officer of the MI in July 2025. We are assessing the actions being taken to address the MI.

**Losses due to inadequate contract management:  
Mpumalanga Department of Public Works**



In 2021-22, the department suspended works on the construction of Mkhondo Boarding School and incurred extension-of-time and other costs estimated at R28,38 million due to poor project planning and inadequate contract management. The project was initiated without confirming the availability of a sufficient budget, resulting in payments to the supplier for standing time. Weak contract monitoring and oversight meant that delays and cost escalations were not proactively addressed or mitigated. We notified the accounting officer of the MI in September 2024. We are assessing the actions being taken to address the MI.

## Causes of continued non-compliance and high levels of irregular expenditure

The continued non-compliance with procurement and contract management legislation and the high levels of irregular expenditure are due to a lack of institutionalised integrity to ensure that leadership and officials behave ethically, comply with legislation, act in the best interest of the auditee and face consequences for transgressions. As detailed in [section 2.4](#), basic controls to prevent and detect non-compliance have not been established at all auditees.

There is a growing tendency of regarding irregular expenditure as a procedural matter instead of considering its causes, significance and impact. There is also a lack of transparency on the true extent of irregular expenditure due to the reduced disclosure requirements and the delays in concluding

cases of irregular expenditure under assessment or dispute. Together, this has resulted in a culture of tolerance for non-compliance and a lack of consequences for transgressions.

Dismissing irregular expenditure without a proper investigation to identify its cause and impact is a missed opportunity to strengthen controls that can prevent a recurrence of the non-compliance. By ignoring indicators of possible financial loss, auditees also lose the chance to recover such losses and to prevent further losses.

[Section 3.6](#) provides detail on the lack of action in dealing with irregular expenditure. It also details auditees' non-responsiveness to allegations of improper conduct and fraud in procurement processes. The slow response in dealing with MIs (as reported in [section 6](#)) provides further evidence of the overall lack of consequences.

## 3.4 Financial management

### *Lack of careful spending and disciplined financial management remains prevalent, eroding funds for service delivery*

The strategic priorities of the 7<sup>th</sup> administration are aligned with the NDP, which aims to eliminate poverty, reduce inequality and promote inclusive growth and job creation, while building a capable, ethical and developmental state.

In our previous general report, we reported that overspending and poor-quality spending put pressure on the government finances of the previous administration. We highlighted this as a risk to service delivery to which executive authorities and oversight structures should pay specific attention as part of their oversight and monitoring responsibilities.

In 2024-25, a lack of careful spending and disciplined financial management remained prevalent. This eroded funding for future service delivery, placed strain on suppliers due to delayed payments and resulted in growing pressure on the national fiscus. In this section, we reflect on overall trends and lapses in financial performance across national and provincial government by focusing on the following:

- Overspending of budgets and poor financial health
- Inadequate grant management and monitoring
- Poor quality of spending
- Claims against departments

We also reflect on the practices that have contributed to this continued breakdown and highlight the urgent need for improved financial management discipline.

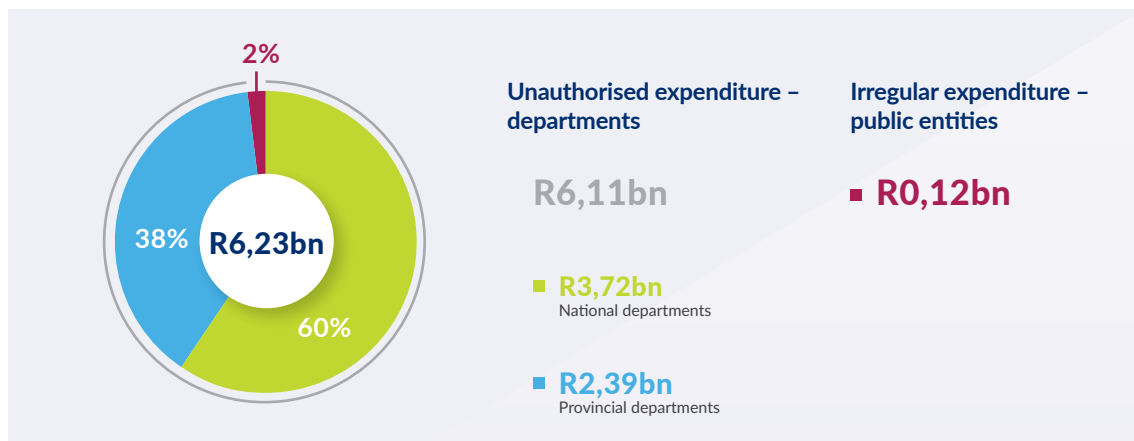
[Section 4](#) deals with the financial performance of SOEs and its negative impact on government finances due to guarantees, bailouts, listed debt and high borrowings. While SOEs are included in the overall statistics in this section, examples and information on their specific challenges are excluded.

## Overspending of budgets and poor financial health

The overspending of budgets for specific priorities by departments (resulting in unauthorised expenditure) and public entities (resulting in irregular expenditure) reduces the available budget for the following years.

Budget cuts continued to be implemented to reduce the pressure on the fiscus, but auditees failed to revise or proactively monitor their spending plans, resulting in significant budget overspending.

### Overspending of budgets



High-impact auditees were responsible for R5,57 billion (89%) of the R6,23 billion overspent.

We reported material findings on compliance at 10 auditees that failed to prevent unauthorised expenditure, including at:

- Department of Defence (R2,51 billion): overspent the most, as in the previous year, due to overspending the budget on employee costs and the unfunded deployment of the South African National Defence Force.
- Free State Department of Education (R0,79 billion): due to overspending the budget on employee costs.

As the financial statements of departments are prepared on a modified cash basis (as detailed in [section 2.2](#)), expenditure is only shown in the statement of financial performance when the payment is made; not when there is an obligation to pay, such as when goods or services are received. At year-end, the total amount for unpaid expenditure transactions is shown in a note to the financial statements as 'accruals and payables not recognised'.

This accounting method could result in the year-end financial statements showing that a department had good financial results as its revenue was more than its expenditure (i.e. it made a surplus) even if it had a large amount of accruals and thus effectively made a loss (deficit). Accruals at national and provincial departments totalled R51,25 billion at year-end, reflecting the extent of unpaid expenses not captured in the financial statements due to the application of this accounting method.

The financial statements of departments (reconstructed after adjusting for accruals) showed that 67 (45%) of them ended the year with a deficit. This means that the expenditure of almost half of the departments was greater than their revenue. The total deficit was R44,23 billion, which would have to be paid from the following year's budget to cover the current year's expenses, ultimately compromising future service delivery.

High-impact departments were responsible for R41,95 billion (95%) of the deficit. The major contributors to the deficit (constituting 54% of the total) were:

- Department of Correctional Services: R7,89 billion
- Eastern Cape Department of Health: R7,61 billion
- KwaZulu-Natal Department of Health: R4,80 billion
- Department of Justice and Constitutional Development: R3,58 billion

The following example shows the impact of poor financial health on a department.

#### **Financial health struggles: Eastern Cape Department of Health**



In 2024-25, the department reflected multiple concerning financial health indicators. The department had a deficit of R7,6 billion and overspent R0,44 billion. It took an average of 241 days to pay creditors and incurred R0,08 billion in fruitless and wasteful expenditure, partly due to interest on late payments.

The department took 116 days on average to collect debts due to it, its current liabilities exceeded its current assets and its total liabilities exceeded its total assets. It ended the year with a bank overdraft.

Unpaid claims against the department due to medical negligence stood at R22,15 billion. These claims are not budgeted for and, if paid, will further divert funds from essential service delivery priorities. In 2024-25, the department paid out R0,36 billion in claims.

The department's financial challenges negatively impact its ability to deliver uninterrupted healthcare services to the people in the province.

Typically, public entities are funded through revenue such as levies and taxes, although some (such as the South African National Roads Agency) are funded through capital funding from external markets.

Public entities and other institutions ended 2024-25 with deficits totalling R13,85 billion. High-impact auditees incurred R10,28 billion (74%) of this amount.

National and provincial public entities incurred 40% (R5,53 billion) and SOEs incurred 34% (R4,69 billion) of the total deficit. They will need to either revise their spending or use their reserves to cover their deficits.

**Public entities and other institutions with major contributions to the deficit**

Auditee	Auditee type	Amount
Property Management Trading Entity*	Trading entity	R1,95bn
Gautrain Management Agency*	Provincial public entity	R1,00bn
Roads Agency Limpopo*	Provincial public entity	R1,00bn
South African Revenue Service	National public entity	R0,86bn
Electoral Commission of South Africa*	Constitutional institution	R0,53bn

\*Auditees that also incurred a deficit in 2023-24

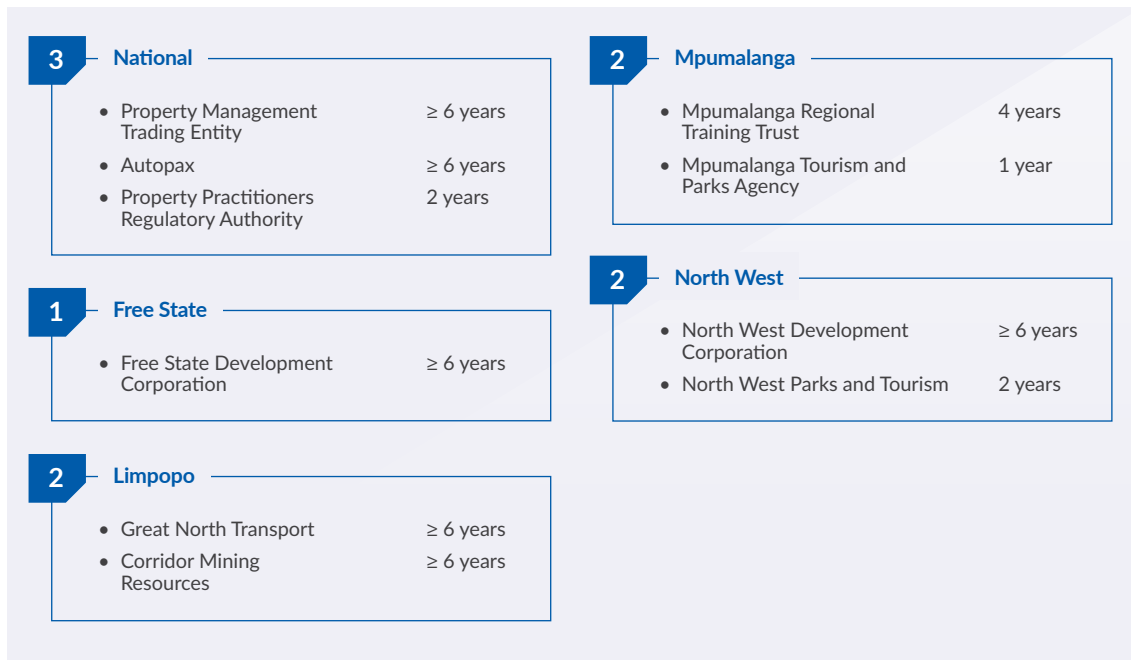
Since most public entities are self-funded, they need to bill all the goods or services that they sell or the levies and taxes that they manage, and then collect all debt owed to them. Public entities struggled with debt collection and took an average of 104 days to collect the money they were owed. In total, 74 (64%) of the high-impact public entities disclosed that more than 10% of their debt is irrecoverable.

**Public entities and TVET colleges with debtor-collection period (after impairment) greater than 500 days**

Auditee	Auditee type	Days
National Development Agency	National public entity	2 532
Gauteng Partnership Fund	Provincial public entity	1 920
King Sabatha Dalindyebo TVET College	TVET college	1 249
Eastern Cape Rural Development Agency	Provincial public entity	847
Lephalale TVET College	TVET college	579

The financial position of 16 public entities is so dire that they disclosed a material uncertainty in their financial statements about whether they would be able to continue operating. Ten entities (excluding SOEs) have struggled to maintain financial viability, with 60% of them reporting going concern issues for six or more consecutive years. Simply put, they do not have enough revenue to cover their spending and they owe more money than what they have available.

**Public entities (excluding state-owned enterprises) with serious financial health concerns and number of years in position**



The following example shows the impact of poor financial health on a public entity.

**Financial health struggles:  
Property Management Trading Entity**



The entity remained under severe financial strain and incurred a deficit of R1,95 billion in 2024-25. Its financial sustainability was compromised and it had disclosed going concern uncertainties for over six consecutive years. The entity had liquidity challenges as its current liabilities exceeded its current assets and it had a bank overdraft of R4,4 billion at year-end.

The entity took an average of 139 days to pay creditors, which reflects delays in settling obligations and places strain on suppliers. The entity took an average of 86 days to collect debts due to it and has impaired 76% of its debts due to a lack of sound revenue management controls and the non-implementation of billing processes.

The entity also continued to make overpayments to suppliers on leases due to poor controls over lease recording and payment processes, including a lack of reviews and poor system controls. Consequence management was not applied when overpayments were made, increasing the likelihood of recurrence.

Over the last five years, we have repeatedly reported findings relating to deficiencies in lease management and supporting systems. We notified the accounting officer of three MIs relating to lease overpayments between 2014-15 and 2020-21. Despite this, the entity continued to incur financial losses from lease overpayments. This places a significant burden on the fiscus and the entity is unable to recover the funds from user departments. The entity also relies too heavily on procuring private leases instead of using government-owned properties. This has diverted resources from maintaining existing infrastructure and increased the financial strain.



Due to its poor financial position, the entity has had to use its already stressed overdraft facility to sustain operations and reprioritise its limited resources to areas deemed most critical. This undermines its ability to meet its service delivery commitments of supplying and maintaining government properties timeously and consistently to government departments.

These indicators collectively underscore the urgent need for improved institutional integrity and urgent consequences to address weaknesses and restore the entity's sustainability.

## Inadequate grant management and monitoring

Grant funding is provided to national and provincial departments to finance government projects and programmes. The annual Dora regulates the process and legislates the budget allocated to a national department to use for grants and how the funds should be used. The responsible national department (transferring department) then transfers the grants (often in tranches) in accordance with Dora to the grant recipient, which can be a national or provincial department or public entity.

In 2024-25, our audits focused on eight conditional grants totalling R66,52 billion that were transferred for infrastructure development and maintenance in the basic education, health, human settlements and transport sectors and for water infrastructure. We also audited four conditional grants totalling R55,21 billion that were transferred for specific health and education programmes.

Dora defines the conditions for these grants, including:

- restricting what the money can be spent on
- the requirements for grant applications
- reporting on the use of the funding
- the impact of underspending on a grant (the recipient can apply to roll over unspent funds to the next year but if this is not approved, the money must be returned).

Dora also places a legal obligation on the transferring department to monitor the use of the grant.

We reported material findings on compliance at the following departments as grants were not used in accordance with the conditions of Dora:

- The North West Department of Public Works and Roads exceeded the maximum spend of 25% of the provincial roads maintenance grant on rehabilitation activities.
- The North West Department of Health used the national tertiary services grant to pay medical negligence claims instead of procuring MRI machines and other medical equipment.
- The Northern Cape Department of Health spent the district health programme grant on operational costs (municipal and laboratory services).
- The Mpumalanga Department of Education spent a part of the early childhood development grant on operational expenses as evidenced by insufficient money in the bank at year-end to cover the unspent portion of the grant.

In addition, the Department of Basic Education could not provide us with sufficient evidence to support spending of the school backlog infrastructure grant and whether the grant was used for its intended purpose.

[Section 3.1](#) highlights significant findings on infrastructure project delays and cost overruns. These projects are funded by infrastructure grants, which makes the transferring national department responsible for monitoring how the grant funding is spent.

As detailed in section 3.1, the Department of Human Settlements' monitoring of projects funded through the human settlements development grant mainly focused on the expenditure in relation to the grant provided and not on the status of project completion. We further determined that the Department of Transport, which is responsible for the provincial roads maintenance grant and the public transport operation grant, limited project site visits to mainly projects where there was underspending of the grant.

The inappropriate use of grant funding is indicative of poor financial management practices and results in the intended service delivery benefits of a grant not being achieved. Inadequate monitoring by transferring departments contributes to grant funding not always achieving its objectives and continued pressure on government finances.

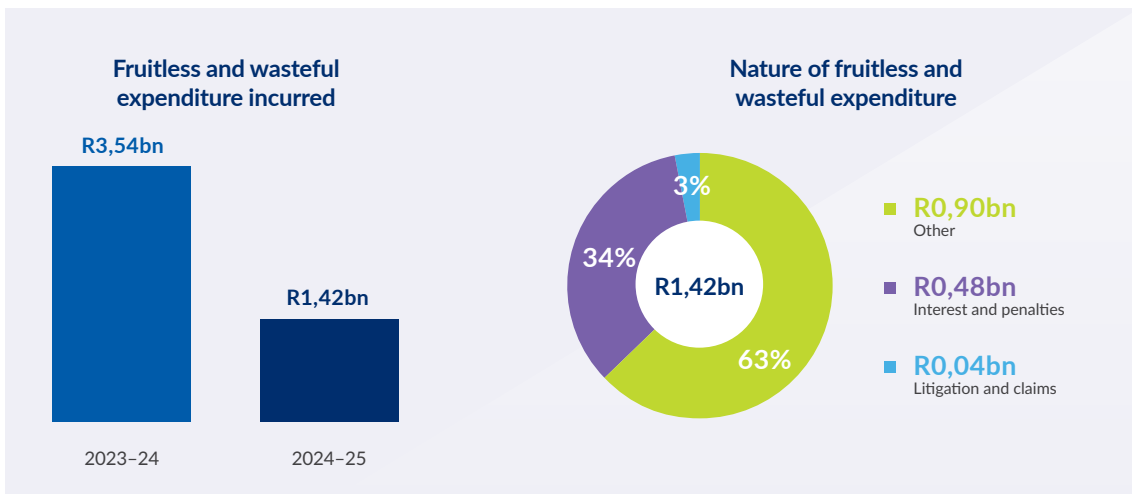
### Poor quality of spending

In 2024-25, accounting officers and authorities managed an estimated expenditure budget of R2,21 trillion across national and provincial government. Departments were responsible for 71% of the budget.

In our previous general report, we highlighted the lack of careful spending and the eroding of the limited funds available. We continued to identify such practices at high-impact auditees – funds are spent, but service delivery does not improve. In simple terms, the quality of spending remains a problem.

In 2024-25, auditees incurred fruitless and wasteful expenditure of R1,42 billion. High-impact auditees incurred R1,19 billion (84%) of this amount.

#### Amount and nature of fruitless and wasteful expenditure



The amount of fruitless and wasteful expenditure disclosed could be even higher as the Compensation Fund; Department of Agriculture, Land Reform and Rural Development; and Onderstepoort Biological Products were qualified on the value of the fruitless and wasteful expenditure that they had disclosed. These auditees did not report all the fruitless and wasteful expenditure in their financial statements that they should have.

A similar assessment process as for irregular expenditure (as outlined in [section 3.3](#)) was introduced for fruitless and wasteful expenditure. The total rand value of fruitless and wasteful expenditure under assessment was R1,60 billion, of which R1,28 billion went beyond the prescribed timelines. Of the delayed cases, R0,05 billion has remained unresolved for more than two years and R0,60 billion for over one year. The remaining R0,63 billion was not resolved within a period of 30 days to a year.

In addition to fruitless and wasteful expenditure because of interest, penalties, litigation and claims, other reasons included overpayments of value-added tax (VAT), overpayments on construction contracts, project-related losses and payments to service providers that did not deliver. Examples of these instances are included in the table that follows.

**Biggest contributors to fruitless and wasteful expenditure**

Auditee	Nature	Amount
Mpumalanga Department of Human Settlements	Incorrect payment of VAT to supplier	R0,20bn
Free State Development Corporation	Interest and penalties	R0,11bn
Local Government Seta	Payments to service providers that did not deliver	R0,10bn
Water Trading Entity	Project-related losses	R0,10bn
Free State Department of Health	Interest and penalties Overpayments on construction contracts	R0,08bn

The main reasons for money being lost are weaknesses in the management of projects (as detailed in [section 3.1](#)) and uncompetitive and uneconomical procurement practices (as detailed in [section 3.3](#)). Next, we expand on two other reasons: poor payment practices and benefits not being received for the money spent.

**Poor payment practices**

Contracts that have been awarded to suppliers must be actively managed to ensure that the suppliers deliver at the right time, price and quality before any payments are made. Payments must then be made on time to avoid interest and penalties. Such requirements are not only standard financial management practice, but are also included in the PFMA. This makes accounting officers and authorities responsible for ensuring that the required processes and controls are implemented.

In 2024-25, 44 auditees did not comply with the legislative requirement to pay suppliers within 30 days. Of the 44, 35 (80%) were departments while 31 (70%) were high-impact auditees. On average, it took auditees 73 days to pay their creditors, which is more than double the prescribed timeframe.

Departments, legislatures and public entities incurred R0,48 billion in interest and penalties due to late payments. High-impact auditees incurred R0,30 billion of this amount.

Since our last general report, we have notified eight accounting officers and three accounting authorities of 11 MIs dealing with poor payment practices such as late payments, overpayments and payments for goods not received, which resulted in (or are likely to result in) financial losses. We list three of these MIs next.

### Poor payment practices



- During 2021-22, the **Mpumalanga Department of Public Works, Roads and Transport** overpaid a contractor by R10,55 million for road upgrades. We notified the accounting officer of an MI in September 2024; however, the accounting officer did not take appropriate action to resolve the MI. We are deciding on the further action to be taken.
- In 2023-24, the **KwaZulu-Natal Department of Education** paid hostel allowances of R3,74 million to employees who were not entitled to them. We notified the accounting officer of an MI in June 2025. Appropriate action is being taken to resolve the MI.
- In 2023-24, the **Free State Development Corporation** did not calculate and pay VAT due to the South African Revenue Service on time, which resulted in interest and penalties of R2,60 million. We notified the accounting authority of an MI in September 2024 but they did not take appropriate action. We are deciding on the further action to be taken

### No or limited benefit received for money spent

With the limited funds available, auditees must ensure that they get the maximum value from every rand spent. Yet, auditees procured goods or services that they either did not use or did not use in full, which resulted in (or is likely to result in) financial losses.

Since our last general report, we have notified accounting officers and authorities at seven departments and two entities of 12 MIs of this nature.

## No or limited benefit received for money spent



- In August 2014, the **Energy and Water Seta** purchased an office building for R21,7 million and spent R36,7 million to renovate it. In September 2021, the entity entered into a five-year lease agreement for office space while the purchased building remained unused, resulting in an estimated financial loss of R58,36 million. We notified the accounting authority of an MI in November 2024 due to the inefficient use of resources. They did not take appropriate action to resolve the MI. We are deciding on the further action to be taken.
- In May 2015, the **Gauteng Department of Health** requested the Gauteng Department of Infrastructure Development to implement a project for the construction of Kokosi Community Healthcare Centre in Merafong City. The health department paid R30,36 million to service providers for planning activities. In June 2024, the accounting officer of the health department stopped further activities on this project to prioritise other projects. We notified the accounting officer of an MI in September 2024, given the likely lack of benefit from cost incurred to date. The accounting officer is taking appropriate action to resolve the MI.
- In February 2017, the **Limpopo Department of Public Works, Roads and Infrastructure** entered into a contract for the construction of a new outpatient department at Maphutha Malatjie Hospital. The site was closed between September 2021 and February 2023 due to riots and strikes and because the department did not honour payments. The department approved an extension of time with costs of R14,61 million for the period of closure, despite the contractor having de-established its equipment from the site, resulting in this cost being incurred with no benefits derived. We notified the accounting officer of an MI in March 2025. The accounting officer is taking appropriate action to resolve the MI.

## Claims against departments

Claims are made against departments through litigation for compensation because of a loss caused by the department. The most common type of claim is because of medical negligence or malpractice by provincial health departments. Departments do not normally budget for such claims; and those that do, often do not budget enough. The measures implemented by departments to manage and defend against medical negligence claims are not always adequate. As a result, successful claims are paid from funds earmarked for service delivery, affecting departments' financial sustainability and their ability to meet their service delivery commitments.

In accordance with the Modified Cash Standard, departments must disclose the estimated value of claims in their financial statements based on the most likely outcome of the process.

In 2024-25, the estimated settlement value of the claims against departments that have not yet been settled (by court order or mutually between the parties) increased from R106,34 billion to R116,05 billion, of which R112,39 billion (97%) related to high-impact auditees.

In 2024-25, 34 high-impact departments (48%) were exposed to legal claims with estimated settlement values exceeding 10% of their budget of the following year. If these claims are paid out in 2025-26, this

will significantly reduce the funds that were originally intended for other strategic priorities and service delivery.

The health sector's financial position remains under pressure due to limited funding and poor financial management. In 2024-25, estimated medical negligence claims against the sector totalled R58,28 billion, reflecting a 7% decrease from the previous year's R62,70 billion. The decrease is primarily attributed to prior-period error adjustments, as well as changes to determine the best estimate of the claim instead of using the summons amount claimed. The Eastern Cape continues to carry the highest burden, with R22,15 billion (38%) in claims – largely stemming from negligence by medical professionals.

Except for the Western Cape, none of the provinces budgeted for these claims. Payments towards these claims intensify fiscal strain on the health system. This undermines strategic priorities and compromises the sector's ability to meet its service delivery commitments.

Weaknesses in medical record-keeping remain a critical challenge. Health departments often lack the documentation needed to defend claims, resulting in court-ordered interest payments when claims are not settled within the prescribed timeframes. These additional costs further erode budgets and compromise service delivery.

### Impact of weaknesses in financial management

The continued breakdown in core financial management practices and monitoring has resulted in the following:

- Poor procurement discipline, fruitless and wasteful expenditure and claim payments because of negligence erode the limited funds available, impacting the ability of auditees to deliver services.
- Continued overspending of budgets and operating with deficits results in increased borrowings with debt servicing costs that will erode funds meant for strategic priorities.
- Overreliance on government support and inadequate monitoring of grant utilisation place growing pressure on the national fiscus.
- Poor payment practices and delayed creditor settlements cause strain to suppliers that face cash-flow challenges, which can cause some businesses to cease trading. It also results in disruption to service delivery.

### Causes of continued poor-quality spending

The quality of spending across national and provincial government is not improving due to the following:

- Weak financial management and procurement practices, including a lack of:
  - standardised, effective processes for procurement, payment and accounting disciplines
  - proper record-keeping
  - independent reviews and reconciliations of transactions and accounting records
  - in-year reporting and monitoring.
- Lack of institutional capability at transferring departments and auditees to effectively monitor utilisation of grants resulted in drain on the fiscus with little consequences.

- Lack of effective monitoring, oversight and accountability, including appropriate consequences for wrongdoing as detailed in [section 3.6](#):
  - Public accounts committees and portfolio committees rarely acted on what was disclosed in the financial statements. Instead, they depended on the auditees and auditors to highlight what they needed to look at. Often, the committees did not make impactful resolutions based on their assessment of the financial statements.
  - Very little action was taken against those responsible for wasting money and making poor financial decisions.
- Although treasuries publish oversight reports in terms of section 32 of the PFMA, this has had limited impact in driving accountability:
  - The National Treasury published monthly statements of actual revenue and expenditure of the National Revenue Fund.
  - Provincial treasuries submitted quarterly reports to the National Treasury of actual and budgeted revenue and expenditure relating to the relevant provincial revenue fund.
  - The National Treasury published quarterly financial reports on revenue and expenditure. It presented an analysis of these reports to the Standing Committee on Appropriations, including on performance against budgets (provinces and local government), conditional grant performance and some recommendations.

However, these reports are not used to drive accountability as departments still exceed their budgets and do not always use grants fully or for their intended purposes.

- Accounting officers often fail to apply sound budgeting practices, leading to overspending.

## 3.5 Key fund management

### *Mismanagement and loss of public funds*

High-impact auditees include institutions that make funding available to drive economic growth, promote development and provide social welfare. These financing, economic, development and social institutions are mainly funded through grants, levies, taxes and contributions, including mandatory contributions from employers and employees. We refer to these institutions as 'funds' in this section.

In our audits, we pay special attention to a selection of these funds due to the significant amount of money that they administer, their strategic importance, the direct impact they have on the public and risks identified during our audits.

The legislative mandate of the funds is to provide funding to beneficiaries in the form of grants, social assistance, compensation and other types of financial support.

## Mandate of selected funds and revenue received in 2024–25

Auditee	Fund revenue	Mandate
Department of Trade, Industry and Competition	R9,67 billion	<p>To drive inclusive economic growth, industrial development and transformation by:</p> <ul style="list-style-type: none"> <li>• coordinating the contributions of government departments, state entities and civil society to effect economic development</li> <li>• providing a predictable, competitive, equitable and socially responsible environment, conducive to investment, trade and enterprise development.</li> </ul>
Compensation Fund	R12,32 billion	<p>To deliver essential services by providing financial compensation and support to workers who have suffered:</p> <ul style="list-style-type: none"> <li>• occupational injuries</li> <li>• diseases contracted in the course of their employment</li> <li>• deaths resulting from such injuries or diseases.</li> </ul>
National Lotteries Commission	R2,04 billion	<p>To monitor and regulate the running of various lotteries by:</p> <ul style="list-style-type: none"> <li>• regulating the national lottery and other lotteries and sports pools</li> <li>• maximising revenue for good causes in a responsible manner</li> <li>• distributing funds equitably and expeditiously</li> <li>• administering the National Lotteries Distribution Trust Fund</li> <li>• ensuring the protection of all participants.</li> </ul>
National Student Financial Aid Scheme	R47,65 billion	<p>To provide financial aid to eligible students from poor and working-class families studying approved courses by:</p> <ul style="list-style-type: none"> <li>• providing bursaries to eligible students</li> <li>• developing criteria and conditions for the granting of bursaries to eligible students</li> <li>• raising funds</li> <li>• recovering loans.</li> </ul>
National Youth Development Agency	R0,8 billion	<p>To address challenges faced by the nation's youth by:</p> <ul style="list-style-type: none"> <li>• providing planning and decision-making information for projects</li> <li>• facilitating critical discussions to ease projects through conceptualisation into design and ultimately implementation</li> <li>• establishing key partnerships with private sector organisations at national, provincial and local levels.</li> </ul>
Road Accident Fund	R50,1 billion	<p>To provide cover to all road users within the borders of South Africa by rehabilitating and compensating persons injured through motor vehicle accidents in a timeous and caring manner.</p>

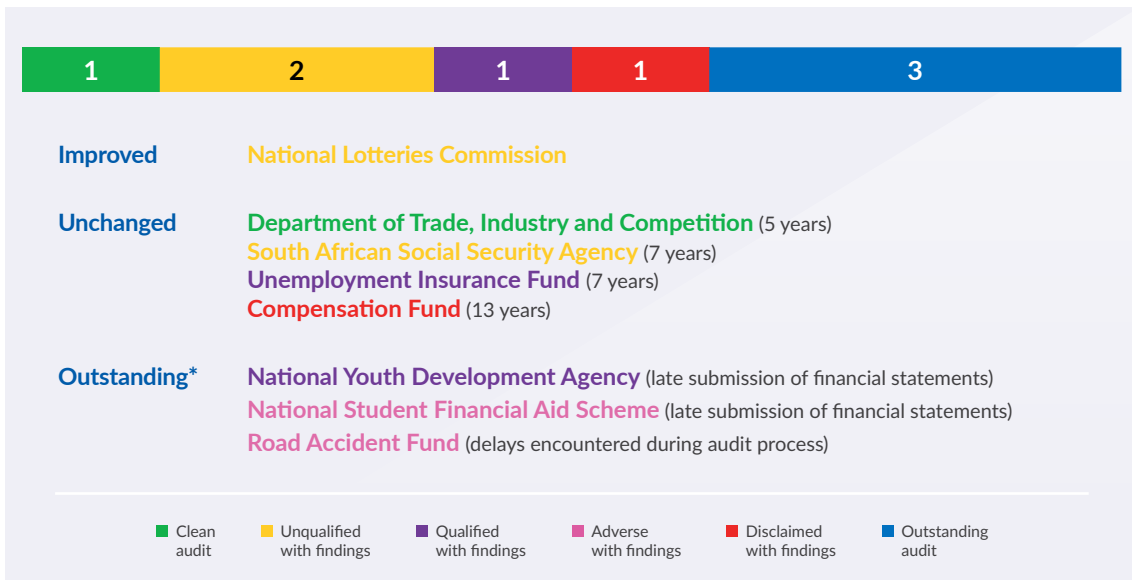
**Mandate of selected funds and revenue received in 2024–25 (continued)**

Auditee	Fund revenue	Mandate
South African Social Security Agency	R266,72 billion administered on behalf of the Department of Social Development	To provide comprehensive social security services against vulnerability and poverty through the provision of: <ul style="list-style-type: none"> <li>care dependency and child support grants</li> <li>disability grants</li> <li>the older persons grant</li> <li>Covid-19 and other social-relief-of-distress grants</li> <li>war veterans' grant.</li> </ul>
Unemployment Insurance Fund	R25,69 billion	To provide short-term relief to workers when they become unemployed or are unable to work because of maternity, adoption and parental leave, or illness; also provides relief to the dependants of a deceased contributor.

**Audit outcomes**

The audit outcomes of these funds provide us with insight on their commitment to transparency and accountability, their institutional integrity and their financial performance.

**Audit outcomes of funds**



\*Last available audit outcome and reason for outstanding

We subsequently finalised the three audits that were outstanding at the time of this report's cut-off date. The audit outcomes of these auditees were as follows:

- The National Youth Development Agency improved to an unqualified audit opinion with findings.
- The National Student Financial Aid Scheme regressed to a disclaimed audit opinion.
- The Road Accident Fund again received an adverse audit opinion.

Based on the initially completed audits of five funds, only the Department of Trade, Industry and Competition achieved a clean audit. The poor quality of financial statements and performance reports prepared by the other four funds reflects their inability to plan properly for performance and report reliably on their finances and/or achievements.

#### **Audit results of selected funds**

Auditee	Financial statements		Performance reports		Material findings on compliance with key legislation
	Quality of submitted financial statements	Quality of published financial statements	Quality of submitted performance reports	Quality of published performance reports	
Compensation Fund	Poor	Poor	Poor	Poor	Yes
National Lotteries Commission	Poor	Good	Good	Good	Yes
South African Social Security Agency	Good	Good	Poor	Poor	Yes
Unemployment Insurance Fund	Poor	Poor	Poor	Poor	Yes

The most common areas of non-compliance were material misstatements or limitations in the submitted financial statements, consequence management and expenditure management.

The pervasiveness of non-compliance and lapses in control is also evident in the findings that we raised on beneficiary payments at some of the funds.

Most of the funds had functioning governing boards, established internal audit units and stable audit committees. However, these governance structures have not succeeded in strengthening the control environment at the funds.

### **Beneficiary payments**

Management and distribution weaknesses at some funds prevented funding from reliably reaching the intended beneficiaries and resulted in (or increased the risk of) material financial losses.

Key findings related to funds that were paid out to individuals who did not meet the stipulated funding criteria (and were therefore not eligible), overpayments, unauthorised changes to banking details and payments, a lack of evidence to support payments and possible fraudulent payments.

The misallocation of funds, weak system integration and controls as well as inadequate reviews and monitoring point to ongoing challenges in maintaining institutional integrity and managing fraud risk.

We provide insight on four of the funds where these weaknesses were most prominent.

## Compensation Fund

The fund receives contributions from companies registered with the fund. The fund received R23,9 billion during 2024-25 from employer contributions, penalties, interest and dividends from investments.

Financial compensation is paid to workers who have suffered occupational injuries, contracted diseases in the course of their employment and for deaths resulting from these injuries or diseases. In 2024-25, the fund paid out R5,5 billion in compensation.

Our audit identified payments totalling R4,47 million intended for legitimate medical service providers, vendors and beneficiaries that were redirected to unauthorised bank accounts. This resulted in beneficiaries not receiving their claims and the fund suffering material losses.

One of the causes of these shortcomings was the weak access controls around the fund's financial system. Passwords were not required for functions such as changing bank account details. There was also no segregation of duties, as the state accountant (the person administering payments within the fund) received a payment request, performed a quality check, executed the payment run and recorded the transactions related to the payment. The tasks performed by the state accountant were not independently reviewed.

The weak control environment in which claims were managed and paid out resulted in material financial losses and we notified the accounting authority of two MIs related to these matters.

The fund experienced governance and operational challenges. The post of accounting authority was vacant for more than 12 months. The internal audit unit covered limited focus areas in its audits due to capacity constraints. Where internal audits were conducted, management was slow to implement the internal audit recommendations.

## National Lotteries Commission

The commission is mainly funded through a share of the proceeds of ticket sales from the national lottery operator. In 2024-25, the commission received R2 billion in revenue and paid out R987,95 million to grant beneficiaries to fund worthy causes. Beneficiaries sign grant agreements with the commission and they must use funds for the purpose approved in the grant agreement.

Our audit identified that grants totalling R219,16 million were approved and paid out without all mandatory requirements having been met. We found that applications were not supported by the required documents, including:

- final progress reports for previously funded projects and independently reviewed or audited financial statements
- sector-specific documents such as three quotations, proof of land/building ownership, property valuations, permission-to-occupy letters or approved building plans.

Management did not adequately review applications before the approval and processing of payments and did not use a comprehensive checklist to verify that all requirements had been met. Management was therefore not able to identify and prevent the approval of non-compliant applications. These weaknesses heighten the risk of recipients not using the funds for their intended purpose and funds therefore not reaching the intended beneficiaries.

## Road Accident Fund

The fund is financed through the Road Accident Fund Fuel Levy, a charge levied on fuel sales nationwide. The fund received R50,1 billion in 2024-25 via the levy.

Victims of road accidents or their families claim payments from the fund as compensation for medical expenses, funeral expenses, lost earnings, loss of support and – in cases of serious injury – general damages for pain and suffering. In 2024-25, the fund paid out claims of R42,63 billion.

Our audit identified invalid and duplicate payments, as well as overpayments, resulting in an estimated financial loss of R6,4 million. This was mainly due to inadequate verifications, beneficiary validations and payment reconciliations when finalising and paying claims. The fund's financial system was breached due to poor financial and system controls and payments totalling R35,6 million were redirected to unauthorised bank accounts. We recently notified the accounting authority (the fund's board) of MIs due to these matters.

The breakdown of internal controls has not been adequately addressed over several years. In 2024-25, the fund received its third consecutive adverse audit opinion with material findings on compliance. Prior to this, the fund received disclaimed audit opinions for two years. Financial statements with an adverse audit opinion cannot be used for oversight purposes, which compromises transparency and accountability.

Prolonged vacancies in key positions such as chief claims officer, chief corporate support officer and head of legal services resulted in inadequate segregation of duties, which contributed to the poor control environment. Several employees were suspended for extended periods (as far back as 2021) without their cases being finalised, which delayed consequence management.

The transport minister dissolved the board of the fund in July 2025 due to the persistent governance and operational challenges. Cabinet subsequently appointed an interim board in August 2025.

## South African Social Security Agency

The agency administers the social grants payment system, which includes the approval of grant beneficiaries on behalf of the Department of Social Development. In 2024-25, the agency administered R266,72 billion, which was paid in social grants to beneficiaries.

Our audit identified that the breakdown in internal controls over the payment of beneficiaries has not been adequately addressed over several years. In 2024-25, we could not audit beneficiary payments of R1,7 billion as there were no files attached for 73 464 beneficiaries on the grants payment system.

This was caused by a lack of proper monitoring of the grants payment system and the filing system to ensure that only eligible beneficiaries were paid. Officials did not ensure that the beneficiary files were correctly loaded and stored. Senior managers did not review and monitor this process to ensure that all files were uploaded and that payments were made only to beneficiaries with valid files.

The agency also paid an estimated R15 million to beneficiaries who were deceased. Grants should be stopped at the end of the month in which the death is registered; however, we found that 5 924 beneficiaries were paid after 45 days of their death date. This was mainly due to the lack of integration between the grants payment system and the National Population Register of the Department of Home Affairs, on which deaths are recorded.

We also reported 1 680 incidents where beneficiaries were paid grants more than once. This was because proper controls were not designed within the grants payment system to prevent beneficiaries from being paid more than once. This resulted in an estimated financial loss of R30,2 million during 2024-25.

The fund faced various governance challenges. The chief executive officer was suspended in December 2024. The person subsequently acting in the position was only permanently appointed three months after the 2024-25 year-end in June 2025. The internal audit unit did not perform any audits on social-grant-related activities.

## Concluding remarks

Our audits revealed a concerning trend of performance, accountability and transparency failures at many of these funds. Their control environments did not prevent or deal appropriately with non-performance, unethical behaviour, fraud, non-compliance with legislation and maladministration. The failures demonstrate an overall lack of institutional capability and integrity.

The impact of the governance breakdown and lack of oversight and accountability at these auditees was the loss of funds (often collected directly from the public and businesses through levies and taxes), which were intended to benefit the public and businesses, or such funds being placed at risk.

## 3.6 Consequence management

### *Culture of no consequences drives wrong behaviour*

An accountability culture requires officials to be answerable for how they performed and take responsibility for their actions and decisions. An essential element to strengthening this culture is consequence management where those who do wrong (transgress), do nothing (fail to act) or perform poorly should face consequences for their actions.

A lack of accountability and consequences is one of the main causes of continued non-compliance with legislation, high levels of irregular expenditure, financial losses and service delivery failures – as highlighted throughout this report.

Legislation such as the PFMA and its related instructions and the policies of an auditee prescribe the actions an accounting officer or authority should take when they become aware of an allegation of financial and supply chain misconduct or fraud, non-compliance with legislation or unauthorised, irregular, and fruitless and wasteful expenditure. These actions include a preliminary investigation to determine the facts related to the incident, its impact (e.g. if financial losses were incurred), what caused it and the officials who were responsible. Such investigation enables appropriate consequences to be applied.

When officials face consequences for their actions, it helps auditees to recover any losses caused by those officials and deter others from disregarding legislation and perpetuating a culture in which they get paid their salaries without fulfilling their responsibilities.

In 2024-25, we identified weaknesses in consequence management by:

- testing how auditees respond to allegations of fraud or misconduct
- evaluating auditees' responsiveness to our findings on transgressions and possible fraud that we highlight for investigation
- auditing compliance with relevant consequence management legislation
- auditing how the unauthorised, irregular, and fruitless and wasteful expenditure balances carried over from the previous administration were dealt with.

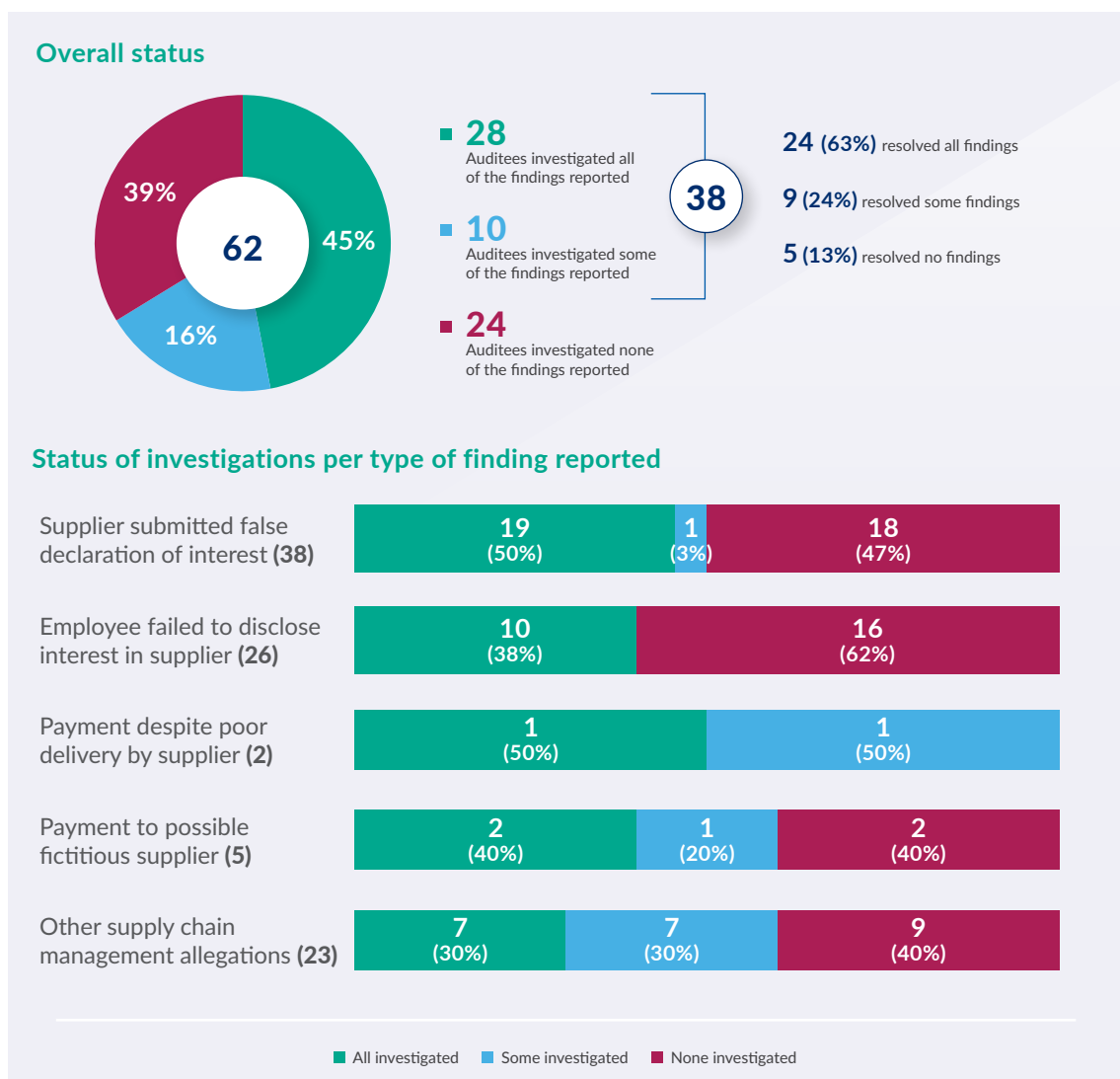
## Responsiveness to allegations and audit findings on fraud and misconduct

In 2024-25, we identified 57 auditees against which allegations of fraud or misconduct had been made through mechanisms such as fraud hotlines. By year-end, 30% of these auditees had not investigated any of the recorded allegations, thereby delaying any consequences if the allegations were found to be valid. The allegations that were not investigated were predominantly within the health and education sectors.

When we identify indicators of possible fraud during our audits, we report them to the accounting officers and authorities, and we expect them to institute a forensic investigation into the matter. If the investigation confirms fraud, the matter must be reported to the South African Police Service and disciplinary action must be taken against implicated officials. Accounting officers and authorities must also establish or improve internal controls to prevent such occurrences in future.

In 2023-24, we reported findings to accounting officers and authorities on indicators of fraud or improper conduct in supply chain management processes at 62 auditees.

### Status of investigations into 2023-24 findings reported on indicators of fraud and misconduct



The slow response by some accounting officers and authorities to our findings – despite their severity and possible impact – allows the practices to continue without consequence. This is demonstrated by the example that follows.

**Audit findings on possible fraud or improper conduct not investigated:  
North West Department of Education**



The department has not investigated any of the findings reported in 2023-24 relating to poor delivery by suppliers, false declarations of interest and employees failing to disclose interests in suppliers.

In 2024-25, we again reported material findings on compliance with procurement and contract management legislation. We also raised findings on the department's failure to provide evidence of investigations into allegations of financial misconduct, fraud and improper conduct in supply chain management.

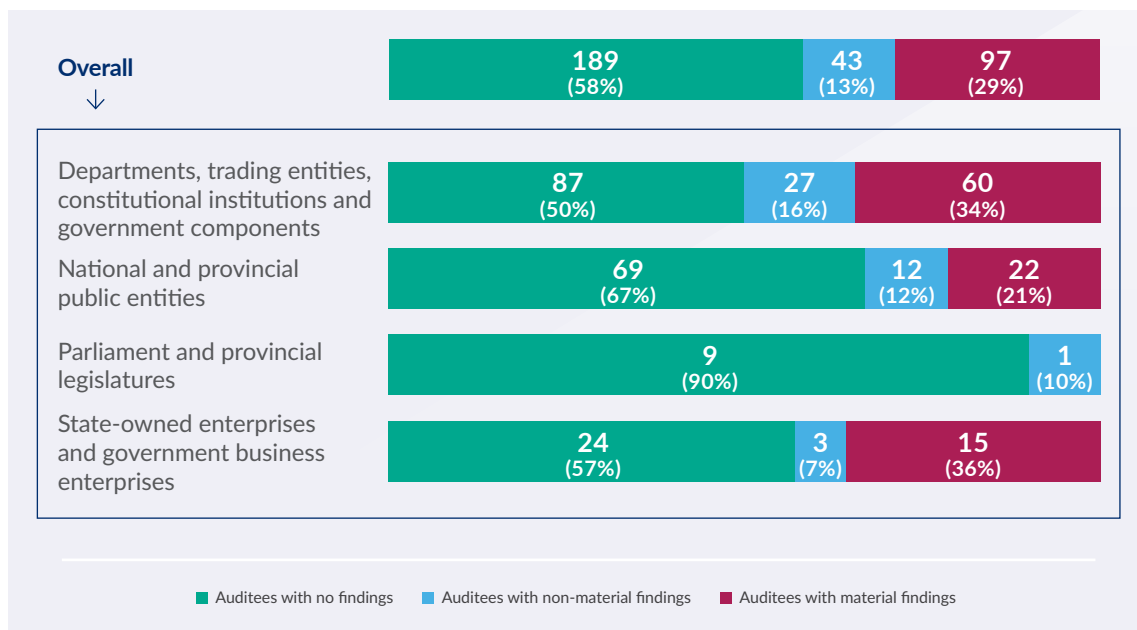
**Non-compliance with consequence management legislation**

Ceta contains limited legislative requirements relating to consequence management for TVET colleges. Only one TVET college had a material finding on compliance relating to consequence management.

The analysis that follows excludes the TVET colleges and focuses on 329 auditees in four auditee categories. These categories are based on auditees with similar legislative requirements.

In 2024-25, the number of auditees that failed to comply with legislation on consequence management increased from 119 (37%) to 140 (43%). Findings in this area were prevalent at 38% of high-impact auditees.

**Compliance with legislation on consequence management – overall and per auditee category**



The most common compliance findings (both material and non-material) related to dealing with incidents of irregular as well as fruitless and wasteful expenditure.

**Common findings on consequence management – per auditee category**

Findings	Number of auditees reported at	Departments, trading entities, constitutional institutions and government components		National and provincial public entities		Parliament and provincial legislatures		State-owned enterprises and government business enterprises	
		Number	Movement	Number	Movement	Number	Movement	Number	Movement
Irregular expenditure identified in prior year was not investigated to determine if a person was liable for the expenditure	70	45 (64%)	▼	16 (23%)	▲	1 (1%)	▲	8 (11%)	▼
Fruitless and wasteful expenditure identified in prior year was not investigated to determine if a person was liable for the expenditure	60	34 (57%)	▼	15 (25%)	▲	1 (2%)	▶	10 (17%)	▲
Effective and appropriate disciplinary steps were not taken against officials who made and/or permitted irregular expenditure	26	18 (69%)	▲	5 (19%)	▼	-	▶	3 (12%)	▼
Effective and appropriate disciplinary steps were not taken against officials who made and/or permitted fruitless and wasteful expenditure	22	11 (50%)	▼	6 (27%)	▲	-	▶	5 (23%)	▲

Movement from previous year    ▼ Decreased    ◃ Slightly decreased    ▶ Unchanged    ▲ Slightly increased    ▲ Increased

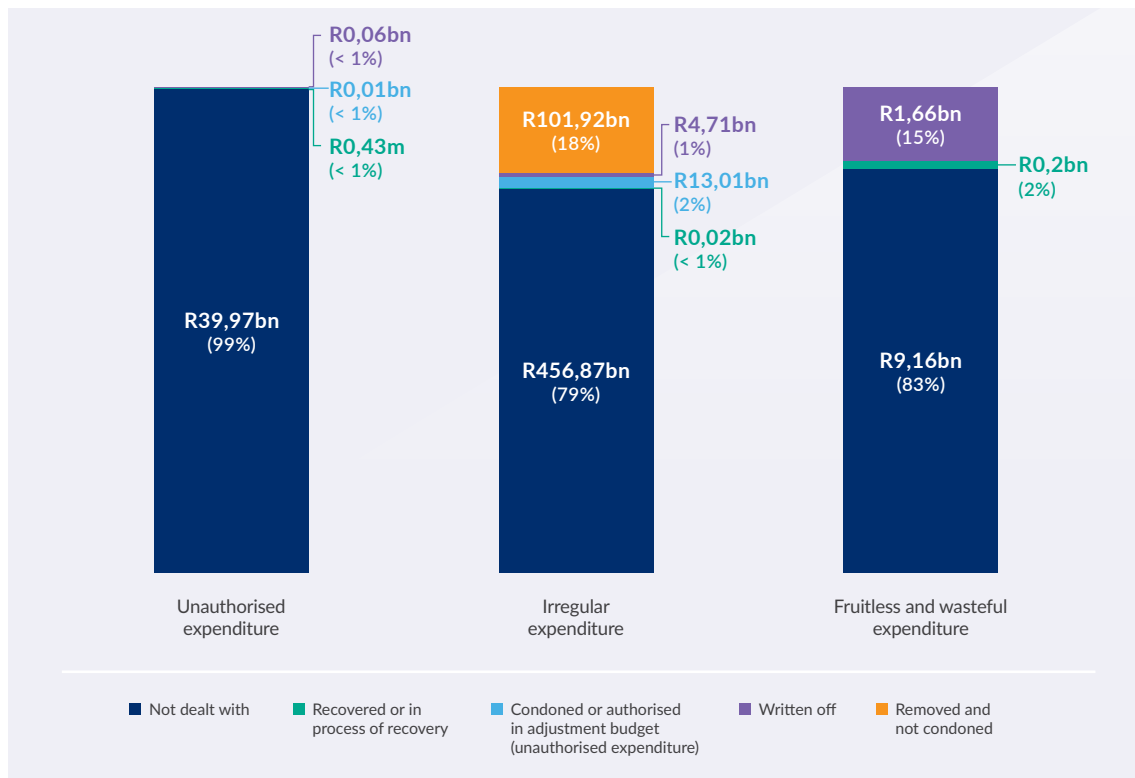
As detailed in [sections 3.3](#) and [3.4](#), the introduction of the Compliance and Reporting Framework and the delayed resolution of cases under assessment negatively impact the transparent disclosure of irregular as well as fruitless and wasteful expenditure incidents. What significantly impairs consequence management are the delays in investigating the disclosed incidents to determine liability as well as the lack of disciplinary action taken against implicated officials. These delays also reduce the probability of recovering the financial losses suffered and increase the likelihood of continued non-compliance and loss.

In 2024-25, 36% of the auditees that failed to prevent irregular expenditure and 43% of those that failed to prevent fruitless and wasteful expenditure also had a history of material findings on compliance because of delayed investigations and/or a lack of disciplinary action.

[Section 5.6](#) highlights that the stumbling blocks to the timeous resolution of MIs are also often delays in investigating and taking steps against officials through disciplinary processes.

The lack of action taken to enable consequence management is evident in the limited movement in the unauthorised, irregular, and fruitless and wasteful expenditure balances carried over from the previous administration. The percentage of financial losses recovered or in the process of recovery is trivial compared to the billions condoned, written off or removed.

**How auditees dealt with prior-year unauthorised, irregular, and fruitless and wasteful expenditure balances**



The Compliance and Reporting Framework permits the removal of irregular expenditure for amounts not condoned by the relevant authority (e.g. if the National Treasury does not condone non-compliance with the PFMA). Such removal can be done only once the relevant authority completes its assessment and confirms that there was no fraud or criminal conduct, disciplinary action was taken, no loss was incurred, non-compliance was addressed and similar transactions are regularly reviewed for compliance.

Transnet was responsible for R86,45 billion (85%) of the R101,92 billion in irregular expenditure removed in 2024-25. It disclosed R42,9 billion as removed in its annual report without fully complying with the requirements of the Compliance and Reporting Framework. We included information on this non-compliance in Transnet’s audit report, indicating that the irregular expenditure should have continued to be disclosed in the annual report until all the investigations and determinations had been finalised.

## Impact of the lack of consequence management

The impact of poor consequence management includes the following:

- Recurring non-compliance, fraud and misconduct and the continued prevalence of unauthorised, irregular, and fruitless and wasteful expenditure.
- Delays in financial loss recovery, disciplinary processes or referrals to law-enforcement agencies due to a lack of timeous investigations, which stalls the entire accountability cycle and may result in financial losses becoming irrecoverable.
- Delays in the identification of root causes and responsible officials, which is essential for implementing corrective action, increases the risk of recurrence and perpetuates non-compliance.

## Causes of continued lack of consequences

The overall lack of consequences is caused mainly by the following:

- Institutionalised controls designed to ensure that leaders and officials act ethically, comply with legislation and serve the auditee's best interests were not effective.
- Executive authorities and accounting officers and authorities did not always set a clear ethical leadership tone to ensure that officials fully understood that they would be held accountable for unethical conduct, non-compliance with legislation and other transgressions.
- Investigations into irregularities, fraud or misconduct were frequently delayed, incomplete or not conducted at all. This delayed the rest of the consequence management process. Even when investigations were completed, sanctions were often not imposed or recommendations were not implemented. As detailed in [section 5.6](#), concluding investigations and enforcing consequences against responsible officials are often hindered by instability at accounting officer and authority level.
- Limited transparency in processes and outcomes made it difficult to hold individuals accountable. This included poor record-keeping, insufficient reporting and a lack of follow-through on findings.
- The disregard for due process and transparent reporting because of a lack of consequences drove the wrong behaviour.

## 3.7 Conclusion

Throughout this section, various risks to service delivery have been highlighted – from weaknesses in infrastructure management, information systems, procurement, finance processes and fund management to a lack of consequences. Accounting officers and authorities and their executive authorities should decisively deal with these risks to enable the successful delivery of key government priorities that are intended to improve the lives of South Africans.

# 04

## State-owned enterprises

### *Poor audit outcomes and financial instability*

State-owned enterprises (SOEs) are the 21 major public entities listed in schedule 2 of the Public Finance Management Act (PFMA). The listed entities include Telkom (which is no longer majority-owned by government) and South African Express (which has been liquidated).

The remaining 19 SOEs operate in key sectors such as energy, transport, defence, finance and communications. Their mandates range from dealing with infrastructure development, driving economic growth and providing essential services to managing key strategic national assets. Their operations have far-reaching implications for the country's fiscal health, service delivery capacity and overall development.

In 2024-25, these 19 SOEs were responsible for an estimated R514,59 billion expenditure budget. While SOEs have a developmental mandate, they are also businesses that must remain commercially viable to avoid relying on government funding.

Eight of the 19 SOEs are groups, which means that they have a holding company and subsidiaries.

We audit 15 SOEs, six of which are groups with 16 subsidiaries. Private sector auditors audit four SOEs, namely Air Traffic and Navigation Services Company, Broadband Infraco, Eskom and Industrial Development Corporation (IDC) in accordance with section 4(3) of the Public Audit Act.

In this section, we include the audit outcomes of the four SOEs that we do not audit to provide an overall view of the state of SOEs in the country. Their information is not included in the rest of this report. The audit outcomes of Eskom and the IDC are provided at group level only.

### **4.1 Audit outcomes**

SOEs have a history of not submitting financial statements for auditing or for submitting them late. This delays the audit process and the tabling of annual reports in Parliament for oversight purposes. Our message has been consistent over the years that accountability is significantly weakened by this lack of transparency on the finances and performance of the SOEs that are repeat offenders in this area.



In 2024-25, seven SOEs submitted their financial statements late and two had not yet submitted theirs by 28 February 2026.

**Late or non-submission of financial statements – per portfolio**

Auditee	Submission status	Reasons and status
<b>Mineral and Petroleum Resources</b>		
Alexkor	2024-25: late submission	<p>The delay was due to capacity constraints in finance units and the late appointment of consultants to assist with the preparation of financial statements.</p> <p>The financial statements were received on 30 September 2025. The audit is in process.</p>
Central Energy Fund (CEF) Group	2024-25: late submission	<p>The delay was caused by the late submission of financial statements by the subsidiary, CEF Trading, during its first year of operation. This was due to complex acquisition transactions that required the use of an expert to prepare credible financial statements.</p> <p>The financial statements were received on 18 August 2025. The audit was finalised on 30 September 2025.</p>
<b>Defence and Military Veterans</b>		
Denel Vehicle Systems	2023-24 and 2024-25: non-submission	<p>The late submission of prior-year financial statements resulted in the late finalisation of the 2022-23 audit and the subsequent inability to recover data after a cybersecurity breach experienced in August 2024 led to the non-submission.</p>

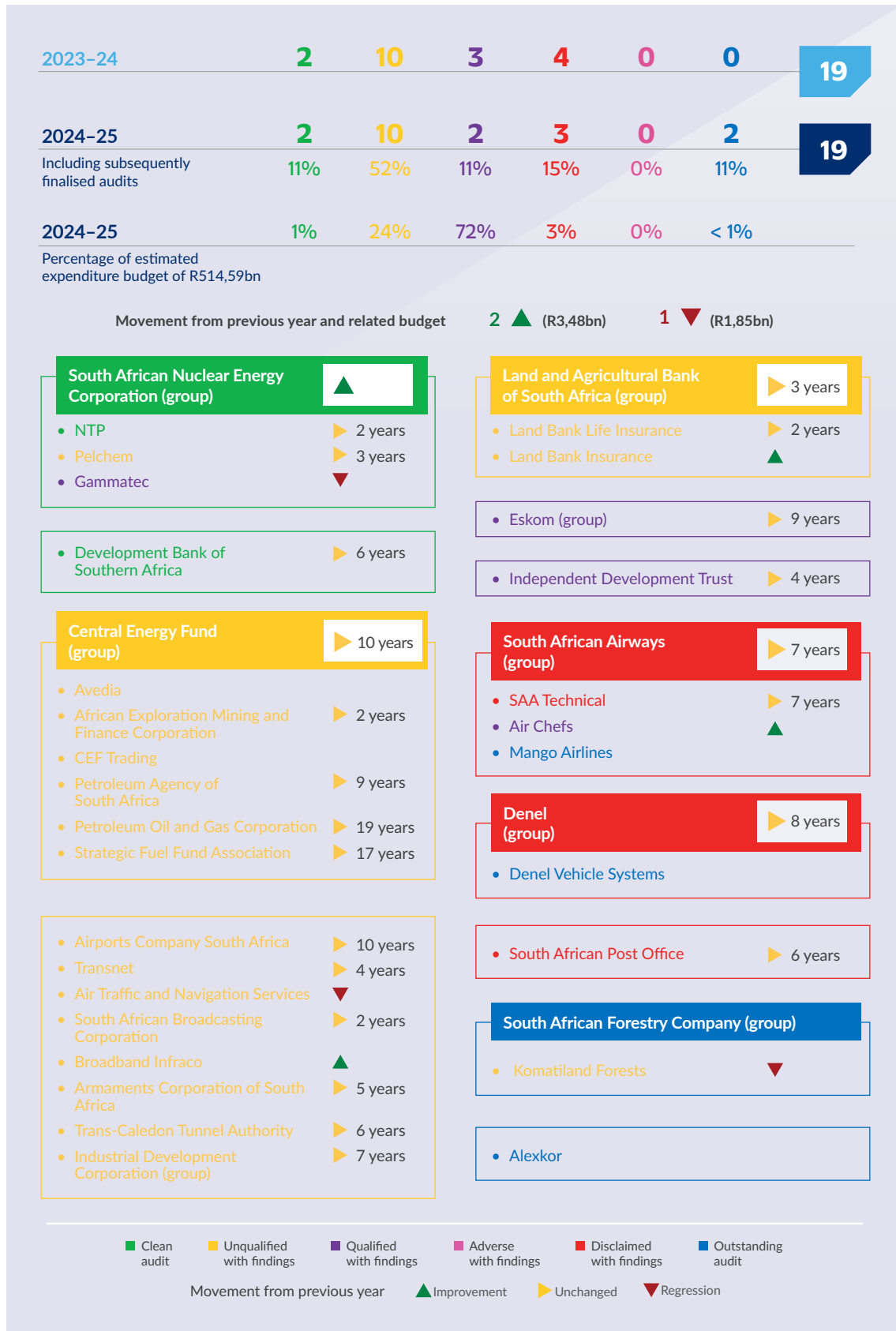
**Late or non-submission of financial statements – per portfolio (continued)**

Auditee	Submission status	Reasons and status
<b>Transport</b>		
South African Airways (SAA)	2024-25: late submission	The late submission of prior-year financial statements resulted in the late finalisation of the 2023-24 audit.
SAA Technical		The financial statements for SAA were received on 30 September 2025. The audit was finalised on 21 November 2025.
Air Chefs		The financial statements for SAA Technical were received on 22 July 2025. The audit was finalised on 21 November 2025.
		The financial statements for Air Chefs were received on 30 July 2025. The audit was finalised on 18 November 2025.
Mango Airlines	2023-24 and 2024-25: non-submission	Financial statements were not submitted due to the SOE undergoing business rescue.
<b>Forestry, Fisheries and the Environment</b>		
South African Forestry Company	2024-25: late submission	Changes in the accounting system affected the SOEs' ability to produce credible financial statements.
Komatiland Forest		The financial statements for the South African Forestry Company were received on 10 October 2025. The audit is in process.
		The financial statements for Komatiland Forest were received on 30 September 2025. The audit was finalised on 30 January 2026.

We set the cut-off date for outcomes to be included in this report at 15 September 2025. In this section, we include the outcomes of the audits subsequently finalised to provide the most updated information on the SOEs. Apart from the subsequently finalised audits of the entities that submitted their financial statements late, we also include the outcomes of Denel, the Independent Development Trust (IDT) and Eskom of which the audits were late due to delays experienced during the audit process. The outcomes of subsequently finalised audits are not included in the rest of this report.

In 2024-25, the overall audit outcomes of SOEs continued to be poor and clean audits remained rare. The figure that follows provides the audit outcomes at group level and then details the audit outcomes of subsidiaries where applicable.

## Audit outcomes of state-owned enterprises – group level



The material misstatements that we identified in the financial statements and/or performance reports submitted for auditing by SOEs point to weaknesses in record-keeping, internal controls and assurance processes. Of the 17 SOEs with completed audits, we reported poor-quality submissions at 13 (76%):

- Financial statements and performance reports (seven): CEF Group, Denel Group, Eskom Group, IDC Group, SAA Group, South African Post Office (Sapo) and Transnet
- Financial statements only (four): Air Traffic and Navigation Services, Broadband Infraco, Land and Agricultural Development Bank of South Africa and Trans-Caledon Tunnel Authority
- Performance reports only (two): Armaments Corporation of South Africa (Armcor) and the IDT

The level of non-compliance with key legislation was high at SOEs and we reported material findings on compliance at 15 (88%). The most common areas of non-compliance were the quality of financial statements (65%), consequence management (53%), procurement and contract management (47%) and prevention of irregular and/or fruitless and wasteful expenditure (47%). The SOEs with the highest number of findings were Denel Group (14), Sapo (14), Eskom Group (12), SAA Group (11), IDT (eight) and Transnet (seven).

SOEs and their subsidiaries incurred irregular expenditure of R13,44 billion in 2024-25, mainly due to non-compliance with legislation on procurement and contract management (93%). The major contributors to irregular expenditure were:

- IDC: R4,46 billion (69% of the SOE's budget of R6,46 billion was irregularly spent). Most of the irregular expenditure (R4,41 billion) was incurred by a subsidiary (Foskor) due to procurement that deviated from the PFMA and Treasury Regulations.
- Transnet: R3,16 billion (4% of the SOE's budget of R76,09 billion was irregularly spent).

The high levels of non-compliance and resultant irregular expenditure are indicative of a lack of institutionalised controls to ensure that SOE leadership and officials behave ethically and comply with legislation. At some SOEs, there is also a culture of disregarding and trivialising the importance of compliance.

## 4.2 Financial sustainability

SOEs are funded through revenue from commercial activities associated with the specific industry, levies and taxes. Some also obtain capital funding from external markets.

The financial position of eight of the 17 SOEs with completed audits was so dire in 2024-25 that they again disclosed a material uncertainty in their financial statements regarding their ability to continue operating (going concern uncertainty). For seven of them, this has been the situation for at least six consecutive years. These uncertainties arise from persistent operating losses, liquidity constraints driven by delayed revenue recovery, high fixed costs and/or reliance on shareholder support that is not always formally committed at the time of financial statement approval.

To alleviate the financial difficulties experienced by SOEs, government provided bailouts as financial assistance and guarantees to enable them to borrow money. This trend is unsustainable, as continued borrowing without resolving operational inefficiencies leads to higher debt-servicing costs and increased capital repayment obligations.

Based on the audited 2024-25 financial statements of the National Revenue Fund, SOEs have been provided with financial guarantees of R453,48 billion over several years. The total government exposure on the guarantees is R414,45 billion (exposure means that the entities have used the guarantees to obtain loans from lenders). SOEs with going concern uncertainties received 84% of the guarantees and their loans accounted for 96% of the exposure.

### Guarantees provided to state-owned enterprises with going concern uncertainties

Auditee (at group level)	Number of years with going concern uncertainties	Guarantee balance in 2024-25	
		Capital	Exposure*
Broadband Infraco	≥ 6 years	-	-
Denel	≥ 6 years	-	-
Eskom	≥ 6 years	R326,58bn	R352,60bn
IDT	≥ 6 years	-	-
SAA	≥ 6 years	R4,72bn	R0,33bn
South African Broadcasting Corporation (SABC)	≥ 6 years	-	-
Sapo	≥ 6 years	-	-
Transnet	2 years	R50,50bn	R44,38bn

\*Exposure includes guaranteed interest and revaluation due to movements in the inflation rate.

In response to mounting fiscal pressure, government has adopted a 'no bailout' stance, opting instead for conditional guarantees and exploring private sector participation to improve service delivery and reduce financial exposure.

Despite government's support measures, some SOEs (such as Denel, Sapo and Transnet) have failed to effectively use these guarantees and bailouts, as detailed in [section 4.4](#).

SOEs continued to incur fruitless and wasteful expenditure, mainly due to interest and penalties from late payments and fines. In 2024-25, SOEs incurred fruitless and wasteful expenditure of R0,12 billion. The major contributors were:

- Transnet incurred R42 million due to interest and penalties, poor contract management and procurement of goods at inflated prices.
- Eskom incurred R20 million mainly due to interest and penalties, inventory losses and accommodation and training costs where officials did not utilise the services.
- The SABC incurred R19,27 million due to interest and penalties, content impairment and travel-related costs where officials did not utilise booked services.

In 2024-25, Denel, SAA, the SABC, Sapo and Transnet did not meet their revenue targets, which negatively affected their ability to achieve their strategic objectives. These five SOEs also owe more money in the short term than they have available. This will make it difficult for them to pay their upcoming bills and expenses on time. This is evident in the average time taken to pay creditors of 224 days at the SABC and 91 days at Transnet.

The SABC, Sapo and Transnet also spent more than their revenue, thus incurring a loss. As a result, they will have to receive additional funding or use their reserves to cover these deficits.

Denel, Eskom, SAA, Sapo and Transnet invested less than they had planned on capital assets. We noted significant under-investment at Transnet. This is primarily due to the significant financial and operational constraints they experience, which delay the critical infrastructure upgrades that are required for long-term sustainability and service delivery.

The poor financial position of SOEs such as Transnet and Eskom resulted in them relying heavily on borrowings to stay operational, with the total liabilities of these two SOEs nearing one trillion (R866 billion).

The fiscal strain from SOEs contributes to South Africa's elevated cost of interest on government debt. The National Treasury's 2025 budget review states that such debt consumes 22 cents of every rand of revenue. This limits government's ability to invest in growth-enhancing infrastructure and social programmes.

In [section 4.4](#), we provide further insight on the audit outcomes, financial results and performance of Denel, Eskom, SAA, the SABC, Sapo and Transnet. They are responsible for R468,56 billion (91%) of the SOE expenditure budget.

## 4.3 Conclusion

The audit outcomes of SOEs over the years demonstrate the prevalence of poor-quality financial and performance reporting and high levels of disregard for legislation.

The weak commitment to transparency and accountability, gaps in institutional capability, lack of institutional integrity and poor governance and oversight continued to impact South Africans directly through the resultant non-performance and financial instability of SOEs. Without high-performing SOEs, economic recovery, inclusive growth and job creation will be at risk.

While progress has been made at some SOEs, the pace is slower than what the country needs and what its already strained fiscus can deal with. Defaulting on the conditions of guarantees, bailouts and turnaround plans continues to create pressure on government finances.

We repeat our call to the new administration to focus efforts on finding sustainable solutions at SOEs so that they can fulfil their mandates and contribute positively to the country and its people. Decisive structural reforms and significantly improved oversight by ministers and portfolio committees are required.

SOEs should improve the quality and timeliness of their financial and performance reporting for greater transparency and accountability as well as to effectively and timeously deal with indicators of financial strain and operational inefficiencies. They need to commit to complying with legislation and reducing irregular expenditure to demonstrate their willingness to operate within the law, thereby enhancing public confidence.

## 4.4 Spotlight on key state-owned enterprises

### DENEL



#### Overview

Denel is a defence and aerospace company whose primary purpose is to design, develop, manufacture and support defence material.

Denel supports the South African National Defence Force by providing advanced military equipment, technologies and services tailored to the country's unique defence needs. Beyond its direct contributions to national defence, Denel can be a cornerstone of the local defence industry, fostering innovation, high-tech manufacturing and skills development. It also serves as a key player in international defence markets, helping to position South Africa as a competitive exporter of defence solutions.

A viable Denel can help stimulate economic growth, create high-value jobs and support the broader ecosystem of defence-related small and medium enterprises. Denel is essential for South Africa – not only for security reasons but also for industrial development and technological advancement.

#### 2024-25 audit outcome and results

Disclaimed with findings (8 years)	Financial statements submitted with material misstatements	Material findings on performance report	Fourteen material compliance findings relating to consequence management, liability management, quality of financial statements, procurement management, revenue management, SOE oversight and governance, strategic planning and performance management, and prevention of irregular and fruitless and wasteful expenditure
▶	▶	▶	▶

Movement from previous year      ▶ Unchanged

**Bailout:** Received a R3,4 billion bailout between 2020-21 and 2021-22 to stabilise the entity by settling legacy obligations and funding turnaround initiatives

#### 2024-25 financial results

Going concern uncertainty	≥ 6 years
Revenue – actual vs budget	R0,88bn deficit
Profit	R0,22bn
Net current liability	R0,48bn
Total liabilities	R5,61bn
Capex investment – actual vs budget	R0,08bn under-investment
Irregular expenditure ( <i>qualified on completeness of irregular expenditure disclosed</i> )	R0,05bn
Fruitless and wasteful expenditure	< R0,01bn

## Audit outcomes

The audit opinion on the financial statements has remained disclaimed for the past eight years and the performance report does not provide adequate and reliable information on the entity's performance. There are also high levels of non-compliance with legislation.

Over the years, the entity's internal control environment has shown little to no improvement. The results underscore a broader failure to ensure sound governance, regulatory adherence and fiscal accountability. This ultimately erodes stakeholder confidence and impedes the entity's ability to achieve sustainable operational performance. The lack of reliable data to evaluate operational and financial performance prevents informed decision-making, which leads to weakened governance and oversight and a lack of accountability. This, in turn, is likely to perpetuate the viability challenges facing the entity.

## Performance and financial sustainability

The entity continued to face severe going concern challenges, characterised by persistent liquidity constraints, declining revenue streams and recurring operating losses over several years. In response, Denel's board developed a turnaround plan aimed at stabilising operations and restoring financial sustainability. However, the plan's implementation has been delayed significantly, with key milestones not achieved and limited progress evident to date.

The turnaround plan envisaged that Denel would enter a growth phase in 2023-24, following the stabilisation phase during 2022-23. However, progress has stalled due to several factors, including the lack of key management personnel to drive implementation, attrition of critical skills, severe liquidity constraints and the entity's inability to settle legacy debt. The interventions implemented by the board and the monitoring task team established to oversee execution of the turnaround plan have not been effective in addressing these bottlenecks.

Consequently, Denel's operations continue to generate insufficient revenue to fund working capital for existing requirements. This has further constrained the entity's ability to secure new contracts, as these often require upfront guarantees or cash cover. In addition, little to no investment has been made in production and information technology (IT) infrastructure that is required to support growth, contrary to the turnaround plan's intent.


To support the turnaround plan, Denel required recapitalisation funding of R5,2 billion. Of this amount, R3,4 billion was allocated from the 2023 national budget (bailout), with the remaining R1,8 billion expected to be raised from the dissolution of the Denel Medical Benefit Trust (R900 million) and the sale of non-core assets. However, the planned asset sales did not materialise, resulting in a funding shortfall of R900 million.

The primary objective of the R3,4 billion recapitalisation was to stabilise the entity by settling legacy obligations and funding turnaround initiatives. We observed the following during our audit:

- The entity was unable to provide supporting documentation for some of the payments made, making it impossible to verify whether these were used in line with the approved conditions.
- Due to ongoing liquidity challenges, a portion of the recapitalisation funds was utilised for operational costs, while some of the funds were used to pay damages and interest related to contract failures.

Of the R3,4 billion in bailout funds received, only R277 million had not been used by March 2025, with minimal improvement observed in either financial or operational performance.

Although some legacy debts have been settled, significant obligations remain outstanding, alongside unpaid current expenses that expose Denel to litigation risks and potential financial losses.



Overall, Denel's turnaround plan has not achieved its intended objectives due to weak execution capacity, poor governance and misaligned financial priorities. Structural inefficiencies, under-investment in critical infrastructure, recurring project underperformance and a deteriorating control environment continue to impede recovery. The entity's inability to convert its order pipeline into revenue, restricted access to financial markets and failure to adapt its strategy to prevailing conditions place its long-term viability at serious risk.

### Concluding remarks

The following are some of the root causes of the poor audit outcomes and financial challenges:

- Inadequate strategic leadership in steering the entity's direction is evident in the limited progress made towards the turnaround strategy, as well as the failure to revise or update the strategy in response to the entity's evolving circumstances and persistent viability / going concern challenges. There is a lack of effective strategic governance in monitoring the entity's strategic performance, primarily due to the failure to develop, plan and report on key performance indicators aligned with the entity's core mandate and turnaround strategy.
- Oversight by the shareholder ministry was affected by the transition of shareholder oversight from the Department of Public Enterprises to the Department of Defence in August 2024. This led to a gap in effective governance due to the delayed formal assumption of oversight responsibilities by the defence minister, which only occurred in April 2025. This resulted in a lack of clear accountability and strategic guidance by the shareholder during the interim period. This oversight vacuum hindered the provision of necessary shareholder oversight and support, potentially impacting the entity's ability to execute its mandate effectively.
- While leadership has made notable progress in filling executive roles at both group and divisional levels, critical vacancies persist among skilled personnel at middle and junior levels, exacerbating the entity's operational challenges. It remains unclear whether the current organisational structure is fit for purpose to meet the entity's needs due to its misalignment with the turnaround strategy.
- Ageing, and inadequate investment in, IT infrastructure have left the entity vulnerable to persistent system weaknesses, reducing operational efficiency and resilience. The persistent weaknesses in the IT control environment increase the risk of further cybersecurity incidents, system outages and weak data integrity.
- Slow implementation of the audit action plans to address prior-year audit findings has resulted in continued internal control breakdowns and repeat misstatements and compliance deviations.

For the board to successfully drive the rebuilding and growth of the entity in fulfilment of its mandate, the control environment must be supported by robust financial management systems that enable credible financial and performance reporting, backed by adequate documentation. Sustained compliance with legislation and a culture of ethical conduct at all levels are also essential. Audit outcomes are not only a reflection of accountability but a key measure of progress toward strategic objectives. The entity's lack of improvement in audit outcomes underscores the urgency for decisive corrective action to place Denel on a path to stability and long-term sustainability.

The Department of Defence should facilitate improved collaboration between Denel and Armscor to address underlying challenges. The board and executives must implement measures to restore the credibility of financial reporting by strengthening internal controls, ensuring oversight and fostering accountability. Rebuilding internal capacity aligned with the turnaround strategy and addressing IT weaknesses through adequate infrastructure investment are critical to achieving these goals.

Immediate strategic intervention is required to restructure the turnaround plan, secure alternative funding sources and rebuild internal capabilities and governance structures to restore financial sustainability.

## ESKOM



### Overview

Eskom's mandate is to generate, transmit and distribute electricity in an efficient, sustainable and cost-effective manner to support South Africa's economic and social development.

The National Development Plan 2030 (NDP) envisages a South African energy sector that provides reliable and efficient energy services at competitive rates, is socially equitable through expanded access to energy at affordable tariffs and is environmentally sustainable through reduced emissions and pollution.

As the country's largest electricity utility, Eskom plays a critical role in ensuring energy security, powering industries, businesses and households. Its infrastructure forms the backbone of the national electricity system, making it central to the stability, growth and transformation of the energy sector.

### 2024-25 audit outcome and results

Qualified with findings (9 years)	Financial statements submitted with material misstatements	Material findings on performance report	Twelve material compliance findings relating to quality of financial statements, revenue management, consequence management, SOE oversight and governance, procurement management, and prevention of irregular and fruitless and wasteful expenditure
▶	▶	▶	▶

Movement from previous year ▶ Unchanged


Guarantees provided (2024-25 balance): R326,58 billion with exposure of R352,60 billion

### 2024-25 financial results

Going concern uncertainty	≥ 6 years
Revenue actual vs budget	R12,50bn surplus
Profit	R16,05bn
Net current asset	R11,81bn
Total liabilities	R633,49bn
Capex investment – actual vs budget	R1,09bn under-investment
Irregular expenditure (qualified on completeness of irregular expenditure disclosed)	R2,43bn
Fruitless and wasteful expenditure	R0,02bn

### Audit outcomes

Eskom continued to submit financial statements for auditing that contained material misstatements in multiple account balances and disclosures. Corrections were made based on our findings, except on the



completeness and accuracy of disclosures relating to irregular expenditure and losses due to criminal conduct, which resulted in the qualified audit opinion.

The material findings on the performance report were related to reported achievements on the savings from turnaround initiatives and on vetting and integrity assessments not being supported by appropriate evidence. A material finding was also reported on the omission of an indicator in the performance plan and report to measure performance on the progress of Eskom's distribution infrastructure expansion and the conversion from conventionally billed post-paid customers to prepaid customers and smart grid technologies. Consequently, progress towards the achievement of these targets was not reported on in the shareholder compact's performance section of the directors' report.

The significant internal control deficiencies that resulted in negative audit outcomes in prior years have not been adequately addressed. Improvements through the audit action plan were only implemented towards the end of the financial year – too late to have a meaningful impact on the 2024-25 audit outcomes.

Audit reports over the years have consistently highlighted a material breakdown in controls over compliance with key legislation, which resulted in material findings on compliance. Adequate action is not taken against officials who contravene legislation on procurement and contract management, resulting in continued non-compliance and irregular expenditure. This delays the process of investigating non-compliance and poor performance and following through on consequence management proceedings. Failure to implement consequence management encourages a culture where disregard for legislation, policies and procedures thrives.

### **Performance and financial sustainability**

The road towards achieving the ambitions of the NDP has been compromised by years of unreliable electricity supply (loadshedding). This necessitated the urgent introduction of the Energy Action Plan in July 2022 to address the persistent electricity supply challenges and drive long-term industry reforms, as well as strategic interventions defined by the Medium-Term Development Plan.

In terms of the Energy Action Plan, Eskom is tasked with restoring and maintaining its generation fleet, improving plant performance and reducing breakdowns. Eskom is also required (through the National Transmission Company South Africa) to ensure transmission upgrades to accommodate new sources and support the procurement and integration of new generation capacity from renewables (solar and wind), gas and battery storage.

As per its reported performance, Eskom made notable progress in the implementation of its part of the Energy Action Plan. Notably, Eskom implemented the Generation Operational Recovery Plan, which improved the energy availability factor. Eskom introduced this plan in April 2023 to stabilise and improve the performance of its existing generation infrastructure. The aim of the plan was to address declining energy availability, reduce the frequency and severity of loadshedding and restore operational reliability across key power stations through targeted maintenance, plant refurbishment and improved operational practices.

Eskom achieved a profit before tax of R23,9 billion in 2024-25, which is a significant improvement from a loss of R25,5 billion in the previous year. The profit was mainly due to tariff increases, higher sales volumes and decreased primary energy costs (improved plant performance, lower diesel prices and recovery of fuel levy rebates from the South African Revenue Service). This is the first profit recorded by the group since 2017. Sustaining positive financial performance is dependent on Eskom's ability to sustain good operational performance of its generation plants to maintain a favourable energy availability factor and limit reliance on the expensive peaking capacity.

Although Eskom has made progress in improving operational performance, financial sustainability remains a concern. Some of the factors giving rise to the material uncertainties on going concern disclosed by Eskom were:

- The entity is in a debt-reliant liquidity position – with continued support from government. Overall, government support under the Debt Relief Act has been reduced from R254 billion to R230 billion, with a total of R180 billion having been utilised by 2025.
- There is a continuous increase in overdue electricity receivables primarily from municipalities. Non-compliance by the participating municipalities with the conditions of the National Treasury's Municipal Debt Relief Programme renders the efforts to address municipal debt unsuccessful in the long term.
- Continued operations remain fully dependent on the ongoing positive and incremental impact of the Generation Operational Recovery Plan.
- Electricity losses caused by factors such as illegal connections, ghost vending and the sale of illegal tokens result in increased current and future costs for Eskom to produce this energy, without corresponding billings or cash collections for the associated production volumes.

### Concluding remarks

Eskom's 2024-25 performance reflects progress on operational recovery, particularly in stabilising generation performance and achieving a return to profitability. However, this recovery remains fragile, as the entity continues to face serious financial, governance and structural challenges. The audit outcomes reveal ongoing weaknesses in internal controls and compliance – all of which signal deeper concerns around institutional resilience and accountability.

More critically, Eskom remains heavily reliant on government support. High municipal debt continues to undermine its financial viability and cash flow. Although the Municipal Debt Relief Programme has improved Eskom's financial position, its ability to continue as a going concern is still dependent on strict compliance with funding conditions and improved operational performance.

Eskom is urged to deepen efforts to embed long-term strategic reforms. This includes driving cost efficiency, enhancing revenue collection mechanisms, accelerating the maintenance and refurbishment of key infrastructure assets and leveraging digital technologies for improved system reliability.

The audit outcomes highlight persistent weaknesses in the internal control environment, signalling the need for urgent and sustained improvements in financial management, compliance and governance processes. Strengthening these areas is essential, not only to address audit findings but also to cultivate a culture of accountability, transparency and institutional integrity. Effective internal controls are fundamental to restoring public trust and ensuring that Eskom operates in a manner that upholds its mandate responsibly and sustainably.

## SOUTH AFRICAN AIRWAYS



### Overview

SAA's mandate is to engage in passenger and cargo transport and other related services to promote air links between South Africa's main business, trading and tourism markets within Africa and internationally. SAA is required to pursue this mandate in a financially sustainable manner, while complying with applicable legislation.

The SAA Group is made up of Mango Airlines, a low-cost carrier currently under business rescue; SAA Technical, which specialises in aircraft maintenance, repair and overhaul services; and Air Chefs, which provides inflight catering solutions.

Post business rescue, the SAA board and management have been on a journey towards rebuilding an SAA that is in line with its founding mandate: a sustainable and competitive airline, anchored on plans for further expansion and improved governance. The board and management have made progress in stabilising operations as well as in implementing a route expansion plan.

### 2024-25 audit outcome and results

Disclaimed with findings (7 years)	Financial statements submitted with material misstatements	Material findings on performance report	Eleven material compliance findings relating to submission of financial statements, performance report and annual report, asset management, consequence management, quality of financial statements, procurement management, revenue management, SOE oversight and governance, strategic planning and performance management, and prevention of irregular and fruitless and wasteful expenditure
▶	▶	▶	▶

Movement from previous year      ▶ Unchanged

**Guarantees provided (2024-25 balance):** R4,72 billion with exposure of R0,33 billion

**Bailout:** Received R14 billion bailout in April 2023 to settle receivership liabilities

### 2024-25 financial results

Going concern uncertainty	≥ 6 years
Revenue – actual vs budget	R1,96bn deficit
Profit	R0,16bn
Net current liability	R1,37bn
Total liabilities	R9,42bn
Capex investment – actual vs budget	R0,21bn under-investment
Irregular expenditure ( <i>qualified on completeness of irregular expenditure disclosed</i> )	R0,50bn
Fruitless and wasteful expenditure	< R0,01bn

## Audit outcomes

We started auditing SAA from the 2016-17 financial year. The audit outcome for both 2016-17 and 2017-18 was a qualified audit opinion, while the audit opinions for the seven years from 2018-19 to 2024-25 have been disclaimed.

The audit outcomes from 2018-19 to 2021-22 were affected by the business rescue process. During this process, there were no measures to preserve skills and capacity in the finance function. This affected the credibility of the financial statements as experienced personnel with knowledge of the entity's financial records left the entity.

The audit outcomes for 2022-23 to 2024-25 have remained the same due to slow progress in rebuilding internal capacity and improving the entity's governance and control environment. An effective control environment is crucial for reliable financial reporting and to ensure that financial statements and compliance activities are supported by appropriate records.

The continued disclaimed audit outcomes indicate that not enough attention is being paid to improving the quality of financial information. The entity's persistent failure to produce credible financial statements undermines measures that may have been implemented by the board in rebuilding the entity.

The audit outcomes of the SAA subsidiaries were also poor:

- SAA Technical received a disclaimed audit opinion. There has been no meaningful improvement from prior years. The entity continues to struggle with a weak control environment, inadequate financial documentation and a lack of staff discipline in adhering to internal processes. Strengthening these areas is essential to ensure compliance with aviation safety standards, maintain operational reliability and protect the financial integrity of the group.
- Air Chefs received a qualified audit opinion. However, some progress has been made in implementing corrective action to improve audit outcomes.
- Mango Airlines was last audited for the 2021-22 financial year. Since the receipt of the 2022-23 financial statements in January 2026, no further submissions of financial statements have been made due to the ongoing business rescue processes.

The material finding on SAA's performance report dealt with the reported achievement on its financial sustainability targets being incorrect as it was based on financial information that was misstated. The reported achievement on operational stability was also not supported by appropriate evidence. These findings mean that the board of SAA does not have reliable data for measuring the entity's performance. Ultimately, this slows down progress in rebuilding and growing the entity.

The SAA Group operates in an environment with weak compliance management systems and controls. Instances of material non-compliance have been reported across multiple compliance areas. Of particular concern are the instances of procurement processes that we could not audit due to the required audit information not being provided across all entities within the group. This indicates that these entities are unable to account for their procurement activities.

Cases of transgressions with legislation and irregular expenditure have not been investigated and a loss control function has not been established. SAA does not have effective systems, controls or mechanisms in place to evaluate incidents of irregular or fruitless and wasteful expenditure – leading to continued weakened accountability mechanisms. This means that the entity cannot adequately determine and address the root causes of these transgressions to prevent a recurrence. The entity is also unable to quantify any losses incurred from irregular expenditure or commence with disciplinary and recovery processes where losses were suffered.

## Performance and financial sustainability

SAA has shown signs of financial recovery following its business rescue process and did not require any government bailouts or external borrowings in 2024-25. However, the financial results continue to show

material uncertainty regarding its ability to continue as a going concern, revenue targets not being achieved, under-investment in infrastructure and significant liabilities.

SAA is struggling to repatriate funds from Egypt, Malawi, Nigeria and Zimbabwe for tickets sold in these foreign jurisdictions. The financial statements include R416 million in blocked cash, excluding an additional R1 billion owed by Zimbabwe. These restricted funds pose viability risks to the entity as they may cause a strain on the liquidity of the entity.

### Concluding remarks

The audit outcomes provide a yardstick of the progress made in rebuilding the entity's governance and control environment. Prior-year audit outcomes provided an opportunity to the board and management to identify key issues that require urgent intervention, as they may hinder the board's ability to successfully implement the turnaround strategy. The disclaimed audit outcome in 2024-25 indicates that not enough attention is being paid to improving the quality of financial information. The entity's persistent failure to produce credible financial statements undermines measures that may have been implemented by the board in rebuilding the entity.

The audit outcomes indicate a lack of basic financial control disciplines. Failures in the accounting function threaten SAA's business and strategic objectives due to the absence of credible records. This poses a risk of the board relying on inaccurate financial and performance information when considering strategic matters. In this context, improving audit outcomes must be a priority for the board and its committees, including the audit and risk committee.

The poor audit outcomes and performance are primarily driven by the following:

- Progress in filling key leadership and other critical positions has been slow. The board has made progress in filling senior leadership positions. However, some of the executive positions remained vacant, including the positions of chief financial officer, chief commercial officer and chief audit executive, which were operating on interim appointments.
- The SAA board did not exercise adequate oversight of financial and performance reporting, compliance and related internal controls. Additionally, management did not implement effective action plans timeously to ensure that all prior-year material misstatements and compliance findings were addressed appropriately.
- The entity did not have effective systems, controls or mechanisms in place to evaluate incidents of irregular expenditure or fruitless and wasteful expenditure. Additionally, there were no structured processes to take corrective action to prevent the recurrence of such transactions. As a result, similar incidents of irregular as well as fruitless and wasteful expenditure have been incurred repeatedly over multiple financial years.
- An inadequately capacitated internal audit function did not deliver against the proposed work plan.
- There was a lack of adequate skills and capacity to prepare credible financial statements.

We recommend the following actions:

- Management should continue to fill critical positions, in line with approved structures. The filling of positions should be followed by a tailored training and capacitation plan/initiatives to ensure that employees are empowered to deliver against the demands of a complex SAA environment.
- A loss control function should be established and composed of suitably qualified and experienced people. The purpose of this function would be to ensure that SAA implements effective compliance management systems (policies and processes) and accountability and consequence management processes for financial misconduct, irregular expenditure as well as fruitless and wasteful expenditure.
- The audit committee should ensure that the internal audit unit operates in terms of an approved internal audit plan that defines the scope of audits to be performed. The committee should also annually evaluate the effectiveness of the internal audit function to ensure that the benefits to the entity are optimised.
- Performance management should be leveraged as a strategic tool to cultivate a culture of accountability and high performance across the entity.

## SOUTH AFRICAN BROADCASTING CORPORATION



### Overview

The SABC's mandate is to inform, educate and entertain all South Africans via sound and television broadcasting services, whether by analogue or digital means. The SABC is funded through advertisements, subscriptions, sponsorships, licence fees and other means of finance.

### 2024-25 audit outcome and results

Unqualified with findings (2 years)	Financial statements submitted without material misstatements	No material findings on performance report	Three material compliance findings relating to consequence management, and prevention of irregular and fruitless and wasteful expenditure
▶	▲	▶	▶
Movement from previous year    ▲ Improvement    ▶ Sustained 100% achievement    ▶ Unchanged			

**Bailout:** Received a R3,20 billion bailout between 2019 and 2020 to fund initiatives in its three-year turnaround strategy

### 2024-25 financial results

Going concern uncertainty	≥ 6 years
Revenue actual vs budget	R1,29bn deficit
Loss	R0,25bn
Net current liability	R2,04bn
Total liabilities	R4,58bn
Capex investment – actual vs budget	R0,04bn over-investment
Irregular expenditure	R0,01bn
Fruitless and wasteful expenditure	R0,02bn

### Audit outcomes

The SABC submitted credible financial statements for auditing, which means that the entity achieved an unqualified audit opinion without relying on our audit findings. It also did not have any material findings on its performance report but continued to struggle to comply with all key legislation.

The entity disclosed in the financial statements that irregular expenditure of R10,32 million was incurred, but a further R3,06 billion was under assessment.

## Performance and financial sustainability

The SABC continues to face significant financial and operational challenges, as evidenced by the continued material uncertainty regarding its ability to continue as a going concern, a decline in cash reserves from R401 million to R58 million and a negative cash flow from operating activities of R0,4 billion. A major contributing factor is the persistently high non-payment of TV licences at a rate of 85%. Over 1 million licence numbers are linked to non-payment, of which approximately 73% are government entities and officials. The widespread non-payment undermines revenue collection efforts and impacts the broadcaster's ability to obtain relevant content.

The entity's failure to achieve key performance targets reflects a broader culture of non-performance, which continues to hinder its progress and credibility.

## Concluding remarks

The SABC requires a more effective funding model to finance its mandate. The department and minister responsible for communications must follow up on and monitor the implementation of updated turnaround strategies, initiatives and plans to drive financial sustainability.

The minister, board and chief executive officer must monitor the revised revenue strategy and the strategic and corporate plan initiatives to increase compelling content, make sport channels financially viable, increase commercial revenue streams or market diversification, explore the need for direct-to-home solutions and implement the digital transformation strategy. These initiatives will allow for opportunities to increase rates and revenue generation.

Robust consequence management must be consistently implemented in line with legislative requirements and through targeted engagement with government stakeholders. This is necessary to improve licence fee compliance and reinforce a culture of accountability.

## SOUTH AFRICAN POST OFFICE



### Overview

The mandate of Sapo is to provide universal access to postal services, ensuring that they are affordable and accessible to all citizens, especially in rural areas. Beyond traditional mail, its mandate includes acting as a hub for government services, providing financial services and facilitating e-commerce and logistics partnerships.

Sapo's purpose is to support government's developmental goals by connecting citizens and businesses and by promoting inclusive economic participation.

### 2024-25 audit outcome and results

Disclaimed with findings (6 years)	Financial statements submitted with material misstatements	Material findings on performance report	Fourteen material compliance findings relating to quality of financial statements, procurement and contract management, consequence management, strategic planning and performance management, SOE oversight and governance, and prevention of irregular and fruitless and wasteful expenditure
▶	▶	▶	▶

Movement from previous year      ▶ Unchanged

**Bailout:** Received a R2,4 billion bailout in 2023 to support its business rescue plan

### 2024-25 financial results

Going concern uncertainty	≥ 6 years
Revenue actual vs budget	R0,78bn deficit
Loss	R0,12bn
Net current liability	R0,89bn
Total liabilities	R2,39bn
Capex investment – actual vs budget	< R0,01bn under-investment
Irregular expenditure	R0,08bn
Fruitless and wasteful expenditure	< R0,01bn

## Audit outcomes

Sapo received a disclaimed audit opinion on its financial statements for the sixth consecutive year, accompanied by material findings on the performance report and on compliance with legislation. The basis for the audit opinion continues to be Sapo's disclosure of its going concern status, which was not properly substantiated by underlying accounting records.

High vacancy rates at Sapo undermined financial controls. Although the business rescue practitioners' use of consultants provided temporary relief, sustainable capacity was not restored. This contributed to poor record-keeping and unreliable financial reporting.

## Performance and financial sustainability

Sapo remains central to national postal and government service delivery but continues to face serious financial and operational challenges. Sapo's expenses continued to exceed its revenue with the entity having reported a loss of R117 million, even though it is in its second year of business rescue. As part of the business rescue practitioner process, Sapo received R2,4 billion to fund its operational costs in 2023-24.

Although Sapo has a turnaround strategy in place, the strategy's implementation has been delayed by unclear timelines and funding uncertainty. Key initiatives such as digitisation and partnerships have seen little progress and no private investment has been secured.

Sapo is currently not delivering on its legislated mandate. Only 25% of the audited programme targets were achieved, largely due to under-investment in infrastructure and IT systems. The business rescue practitioners have continued to assume the role of the board in the interim due to the absence of a permanent board. Instability at executive level has contributed to the lack of accountability. This has further led to a lack of strategic direction and poor performance at the entity.

The public, oversight structures, auditors and other stakeholders are not provided with reliable information on the entity's finances, performance and use of resources. Controls to ensure adequate leadership and compliance with legislation are inadequate.

## Concluding remarks

A board of directors should be appointed and adequately resourced to effectively discharge its responsibilities. This should close the governance vacuum that has increased the entity's exposure to regulatory non-compliance and undermines the integrity of the business rescue process.

The board and management should implement and monitor the turnaround plan to address financial instability.

Institutional capacity should be built by filling key vacancies with competent staff who will ensure a sustained improvement in internal controls, a seamless transition and continuity in the implementation of the turnaround strategy upon the exit of the business rescue practitioner. Filling key management positions will ensure leadership stability and directional clarity.

## TRANSNET



### Overview

Transnet is mandated to reduce the cost of doing business in South Africa, promote economic growth and ensure the security of supply by providing efficient and cost-effective port, rail and pipeline infrastructure.

As a strategic enabler of the economy, Transnet plays a pivotal role in facilitating trade, logistics and industrial development across the country.

### 2024-25 audit outcome and results

Unqualified with findings (4 years)	Financial statements submitted with material misstatements	Material findings on performance report	Seven material compliance findings relating to quality of financial statements, procurement and contract management, consequence management, revenue management, and prevention of irregular and fruitless and wasteful expenditure
▶	▶	▶	▶

Movement from previous year      ▶ Unchanged

**Guarantees provided (2024-25 balance):** R50,50 billion with exposure of R44,38 billion

### 2024-25 financial results

Going concern uncertainty	2 years
Revenue – actual vs budget	R6,25bn deficit
Loss	R1,91bn
Net current liability	R65,22bn
Total liabilities	R233,52bn
Capex investment – actual vs budget	R2,29bn under-investment
Irregular expenditure	R3,16bn
Fruitless and wasteful expenditure	R0,04bn

### Audit outcomes

The financial statements submitted for auditing contained material misstatements across key financial statement areas, which were corrected in response to our findings.

Several key strategic priorities were omitted from the performance report due to weaknesses in the process for compiling the shareholder compact and related planning documents as well as misalignment with government guarantee conditions. These omissions undermine alignment with the entity's strategic objectives and governance commitments. Examples of the excluded priorities include the reduction of security incidents to safeguard assets and personnel and the establishment of a rolling stock leasing company to support fleet modernisation and enhance service delivery. In addition, the reported

achievements for one of 14 key performance areas were materially misstated. These gaps highlight the need for stronger governance, more rigorous planning and improved quality assurance in performance reporting.

Weak internal controls contributed significantly to non-compliance with key legislation. Management continues to disregard legislation and organisational policies – especially in relation to procurement processes. The already high irregular expenditure of R3,16 billion incurred in 2024-25 does not include a further R1,66 billion that was under assessment at year-end.

### **Performance and financial sustainability**

Transnet achieved only 27,78% (2023-24: 28,21%) of its planned performance targets for the year, with only 8,33% of its operational targets being achieved. The entity continues to face significant operational challenges that undermine its ability to deliver on its mandate. Ageing and dilapidated infrastructure, maintenance backlogs, shortages of locomotives and wagons, derailments and equipment breakdowns have impaired service reliability. These issues are compounded by rising energy costs, revenue collection inefficiencies and persistent crime and vandalism affecting critical infrastructure. While some progress has been made through partnerships and reforms, overall performance remains below target.

Transnet's financial results in 2024-25 show unachieved revenue targets, significant under-investment in infrastructure, a loss for the year and more short-term liabilities than money available for repayment. The entity's poor financial position resulted in it relying heavily on borrowings to continue operating. Despite receiving a R47 billion government guarantee in November 2023, Transnet has used most of the borrowings against the guarantee towards debt redemptions rather than capital expenditure or recovery initiatives, undermining the intended purpose of operational revitalisation.

By March 2025, only 23 of the 32 conditions attached to the guarantee had been met. The conditions that have been met include critical milestones such as the corporatisation of the Transnet National Ports Authority, establishment of a rolling stock leasing company and disposal of non-core assets. The partial compliance jeopardises future funding and reflects weak strategic alignment and execution.

The underachievement on the financial recovery plan from October 2023 to March 2025 further compounds financial risks. Only 15 (38%) of the 39 planned initiatives were completed, with Transnet Freight Rail and Transnet Port Terminals failing to meet key volume and operational targets. Transnet Freight Rail achieved 160 million tons of total rail volume against a revised target of 170,3 million tons, while Transnet Port Terminal's overreliance on equipment leasing, costing over R1 billion since 2021, contradicted its turnaround strategy and intended focus on asset acquisition.

These failures, coupled with escalating finance costs (R15 billion in 2025) and a recent credit-rating downgrade by S&P Global, signal a heightened risk to Transnet's long-term sustainability and an urgent need for decisive leadership, improved governance and strategic realignment to restore financial health and stakeholder confidence.

### **Concluding remarks**

The root causes of Transnet's poor audit outcomes and underperformance include inadequate oversight, ineffective internal controls that result in recurring audit findings, poor records management and persistent delays in project execution. Governance challenges persist, particularly in procurement, consequence management and performance monitoring. The lack of timely finalisation of the shareholder compact and insufficient alignment with government priorities further impair performance. These systemic governance failures have hindered the implementation of the recovery plan and compromised the entity's ability to deliver on its mandate.

Decisive leadership and comprehensive governance reform are required to address these systemic risks that threaten Transnet's role as a key enabler of economic growth. We recommend that the minister and portfolio committee responsible for transport prioritise the following to improve oversight:

- Timeously finalise the shareholder compact with clear key performance indicators.
- Strengthen internal controls and records management as well as robust consequence management for non-compliance.
- Accelerate infrastructure upgrades, address maintenance backlogs and ensure alignment between operational plans and national priorities.
- Foster a coordinated approach among the minister, the National Treasury and Transnet to stabilise operations and restore confidence.





# 05

## Material irregularities

### *Preventing and resolving material irregularities are not receiving attention, resulting in continued losses and harm*

Material irregularities (MIs) demonstrate the impact of a public sector culture that lacks commitment to performance, accountability, transparency and institutional integrity. This impact finds expression in non-compliance, suspected fraud, financial loss, poor management of resources and harm to both public sector institutions and the general public.

When the Public Audit Act (PAA) was amended in April 2019, it gave us the mandate to identify and report on such MIs and to take action if accounting officers and authorities do not deal with them appropriately. The aim of the amendments was to promote accountability, protect resources, enhance public sector performance, encourage an ethical culture, enable effective oversight and, ultimately, strengthen public sector institutions to better serve the people of South Africa.

The MI process was designed to enable accounting officers and authorities, executive authorities and committees in Parliament and the provincial legislatures to be more effective in preventing and dealing with irregularities and their resulting impact as follows:

- Through the MI process, we identify and highlight the most important irregularities to pay attention to – those that had a material impact on the finances, performance and service delivery of an auditee or that caused harm to the general public.
- In our audit, general and special reports as well as our briefings to Parliament and provincial legislatures, we report in detail on MIs and how the accounting officer or authority is addressing or not addressing the matter.
- We communicate MIs that are not being dealt with appropriately to the responsible ministers and members of the executive councils (MECs) so that they can hold the accounting officers and authorities accountable for failing to appropriately address the MI and support them in the resolution thereof. We also escalate the MIs that continue to be neglected to the relevant premier (as applicable), as well as Parliament or the provincial legislature.

Through our transparent reporting processes, information on MIs is also made available to the public and civil society organisations.

Where accounting officers and authorities, supported by their ministers or MECs, meet their legislated responsibilities and commit to acting swiftly when we notify them of an MI, we do not have to use our expanded powers. However, if they do not deal with MIs with the required seriousness, we do not hesitate to use our remedial and referral powers.



This section starts with a summary of the MIs that were dealt with by the previous administration. It then provides information on the number, nature and status of the remaining active MIs and those that we have identified since last year's general report. It further illustrates the impact the MI process has had and provides a snapshot of MIs per portfolio, province and sector. It goes on to examine how we have used our expanded powers, discuss the stumbling blocks in resolving MIs and concludes with recommendations.

## 5.1 Material irregularities – old and new

Our previous general report indicated that we had identified 292 MIs over the term of the 6<sup>th</sup> administration.

Almost half of these (140 MIs) were resolved over the administrative period. The impact of resolving these 140 MIs prior to this general report was as follows:

- Financial losses totalling R2,41 billion (42%) were prevented or recovered, or were in the process of recovery, from the liable persons or entities.
- Overdue financial statements at 10 auditees were submitted for auditing.
- Unsafe practices by a school in preparing and storing food as part of the National School Nutrition Programme were rectified.
- Three underutilised health facilities and medical equipment at a hospital are now in use.
- Underutilised ferry boats were donated to entities that use them to fulfil their mandates.
- Unused buses were converted to operate as mobile libraries.

In addition to the 140 resolved MIs, four MIs were subsequently closed. This brings the number of active MIs that the 7<sup>th</sup> administration inherited from the previous administration to 148.

By 31 July 2025 (the cut-off date for MIs to be included in this report), we had identified 55 new MIs. We identify MIs through irregularities that come to our attention during our normal audit processes. As we do not audit all the transactions and activities of our auditees, it is likely that there are many more similar irregularities in national and provincial government.

In this first year of the 7<sup>th</sup> administration, we report on 203 active MIs. This number excludes MIs for which specific confidentiality clauses apply in terms of the PAA.

## 5.2 Nature and status of active material irregularities

The nature and status of the active MIs in national and provincial government mirror the weaknesses in performance, accountability, transparency and institutional integrity that we have highlighted in the preceding sections of this report. This not only directly reflects on the ineffective leadership of accounting officers and authorities when it comes to compliance, prudent financial practices, service delivery and accountability, but also exposes failures in oversight and governance by the ministers and MECs responsible for these auditees in both the previous and current administrations.

### Nature of 203 material irregularities



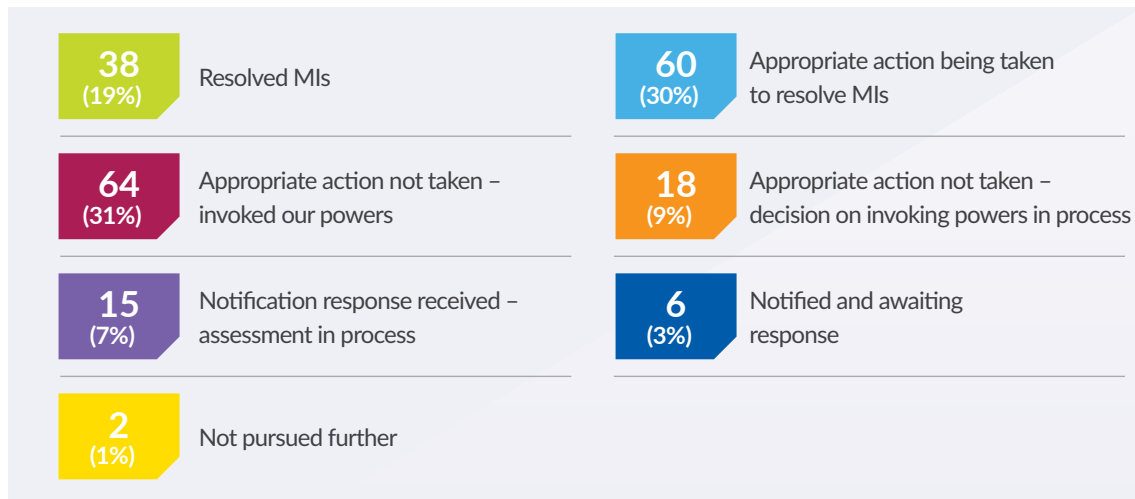
The neglect and underutilisation of infrastructure and other public assets, a lack of financial discipline and poor spending practices, procurement and control failures, poor delivery on key projects and government programmes and continued gaps in institutional capability caused financial loss, the ineffective use of public resources and harm to the operations and accountability processes of auditees and – ultimately – harm to the public.

We have highlighted all these areas of vulnerability to accounting officers and authorities and in our general and special reports many times before, as preventing MIs remains more effective than having to deal with them once they have already occurred.

Throughout this report, we include examples of MIs to show just how harmful their impact can be.

By 31 August 2025, 81% of the 203 MIs had not been resolved.

### Status of 203 material irregularities at 31 August 2025



The status of the 55 new MIs is as follows:

- One MI was resolved.
- Accounting officers and authorities were taking appropriate action to resolve 21 MIs.
- Accounting officers and authorities were only recently notified of 20 MIs and their responses were not yet due or, if received, the assessment was in process.
- Accounting officers and authorities did not take appropriate action to resolve six MIs and we invoked our powers.
- Accounting officers and authorities did not take appropriate action to resolve seven MIs and we are deciding on whether to invoke our powers.

Since last year’s general report, 37 (25%) of the 148 MIs carried over from the previous administration have been resolved: 33 (89%) through actions taken by accounting officers and authorities and four (11%) only after we had invoked our powers.

The decision to no longer pursue two MIs was due to the Special Investigating Unit and Directorate for Priority Crime Investigation (Hawks) initiating a full-scope investigation into the following matters after we had issued MIs:

- **Passenger Rail Agency of South Africa:** suspected fraud on salary payments to ‘ghost’ employees (Special Investigating Unit)
- **KwaZulu-Natal Department of Public Works:** payment for unutilised software licences (Hawks)

When following up on the 72 MIs that we reported in our previous general report as being appropriately dealt with by accounting officers and authorities, we determined that there were undue delays in resolving 10 of them. We invoked our powers for four and were deciding on whether to invoke our powers for the other six.

We noted a 19% increase in the number of MIs where appropriate action is not being taken to resolve the MIs due to a lack of responsiveness by accounting officers and authorities and limited involvement by executive authorities to ensure that MIs are addressed. In the 64 cases where accounting officers and authorities did not appropriately address the MIs that we had reported to them, we used our expanded mandate by including recommendations in the audit report or by the auditor-general invoking her additional powers of referral and remedial action.

### Further actions taken to resolve material irregularities



[Section 5.5](#) provides further details on the status of the MIs where we invoked our powers.

Despite the stumbling blocks in resolving MIs (as detailed in [section 5.6](#)), the MI process continues to have a positive impact.

## 5.3 Impact of material irregularity process

When we notify an accounting officer or authority of an MI, they often address irregularities and transgressions that they should have dealt with already. Until we issued notifications, no actions were being taken to address 45 (82%) of the 55 new MIs. Through the MI process, we ensure that attention is paid to those irregularities that have had a material impact on the finances, performance and service delivery of an auditee or that caused harm to the general public.

By taking the necessary steps (on their own account or in response to recommendations or remedial action), accounting officers and authorities have addressed the misuse, harm and financial losses caused by the MIs, implemented consequences against those involved and improved internal controls.

### Addressing misuse and harm

Since last year's general report, the misuse and harm caused by 11 MIs have been addressed. This has resulted in the following positive impact.

#### Impact achieved

6

#### Substantial harm to public sector institution

- Proper performance information records and systems being implemented to improve performance reporting at two auditees
- Previously unachieved key service delivery targets now being met
- Overdue financial statements submitted for auditing
- Improved record-keeping to prevent repeat disclaimed audit opinion
- Outdated organisational structure being updated to address capacity constraints in healthcare

3

#### Substantial harm to general public

- Stalled project for construction of dam now progressing
- Maintenance being done on dam pipes previously neglected
- Overdue provident fund contributions paid over

2

#### Misuse of material public resource

- Improved utilisation of passenger trains
- Underutilised health facility at hospital now in use

## Examples of harm addressed

### Overdue provident fund contributions paid over: GL Resorts (North West)



From November 2022, the entity did not pay over employee contributions to the provident fund within the prescribed period, negatively affecting employees' retirement funding. We notified the accounting authority of an MI in December 2024. Since the MI notification, the entity has paid over R1,34 million to the fund and further action is being taken to fully resolve the MI.

### Outdated organisational structure updated to address capacity constraints in healthcare: Gauteng Department of Health



The department last updated its organisational structure in 2006 and has since not performed a comprehensive human resource needs assessment to determine the staffing needs at health establishments. This led to shortages of healthcare professionals and insufficient capacity to meet the healthcare needs in the province. We notified the accounting officer of an MI in August 2024. In December 2024, the accounting officer appointed a project manager to lead an organisational review and finalise the organisational structure, which is currently underway. The head office structure was signed off by the MEC for health and submitted to the premier's office for concurrence in April 2025. Further action is being taken to fully resolve the MI.

## Prevention and recovery of loss

The estimated financial loss of the 55 new MIs is R0,61 billion, bringing the total estimated financial loss of MIs to R9,17 billion.

### Prevention and recovery of financial loss

<b>Estimated financial loss for 161 MIs</b>			<b>R9,17bn</b>
Recovered <b>R1,16bn</b> (17 MIs)	In process of recovery <b>R0,47bn</b> (28 MIs)	Prevented <b>R0,74bn</b> (10 MIs)	<b>R2,37bn</b>
Written off as not recoverable by auditee (3 MIs)			<b>R0,09bn</b>
Not recoverable in our assessment (20 MIs)			<b>R0,28bn</b>
Outstanding balance (103 MIs)			<b>R6,45bn</b>

The previous administration made limited progress to address the losses and only R0,99 billion of the R2,37 billion was recovered, in process of recovery or prevented. Since last year's general report, losses of R1,38 billion on a further 29 MIs were prevented or recovered (or a recovery process has started).

## Examples of financial loss prevention and recovery

### **Loss prevented: Gauteng Department of Health**



The department did not pay contractor invoices for the construction of Randfontein Healthcare Centre, resulting in the contractor suspending work in December 2023. The accounting officer did not take the necessary action to resolve the matter. We notified the accounting officer of an MI in July 2024 due to the likely deterioration of existing infrastructure estimated at R152,91 million. The accounting officer appointed a project manager to oversee completion of the construction work and settled the outstanding invoices. Construction work resumed in August 2024, thereby preventing future losses by stopping any continuing deterioration of the infrastructure. Further action is being taken to fully resolve the MI.

### **Loss being recovered and controls strengthened: Free State Department of Economic, Small Business Development, Tourism and Environmental Affairs**



Between 2019 and 2024, the department paid an estimated R122,85 million to small, medium and macro enterprises that did not provide evidence to confirm that the funds received had been spent on their intended purpose. The department did not implement adequate controls to recover the funds in such cases. We notified the accounting officer of an MI in July 2024. The accounting officer issued letters of demand to the affected enterprises to recover the financial loss. The accounting officer then initiated legal action through the state attorney's office against the enterprises that had failed to enter into payment arrangements or had not responded to the letters of demand. In February 2025, the department implemented controls to enable real-time monitoring of expenditure to prevent the misuse of funds. The MI has been resolved.

**Loss recovered / being recovered and criminal investigation instituted:  
Eastern Cape Department of Transport**



Between January 2022 and January 2023, the department paid transport operators for kilometres that were not travelled, resulting in an estimated financial loss of R1,8 million. We notified the accounting officer of an MI in February 2023. During 2023, the accounting officer completed various investigations into the matter and has since recovered R0,71 million from the operators. In February 2024, the department reported the cases to the Hawks and the investigation is in progress. In August 2025, the department issued final letters of demand to the operators for the repayment of outstanding amounts. The MI has been resolved.

The response to dealing with actual and potential financial losses remains slow. This is also evident in how irregular expenditure and fruitless and wasteful expenditure are dealt with, as set out in [section 3.6](#).

The outstanding balance of R6,45 billion is at risk of being lost if urgent action is not taken. In response, we took the following steps:

- Referred 23 MIs to public bodies for investigation and recovery (R0,99 billion).
- Included recommendations in the audit reports for six MIs (R0,52 billion) to urge accounting officers and authorities to act.
- Issued directives as part of remedial action to the accounting officers and authorities to recover the losses of 20 MIs (R3,21 billion).
- Commenced with a certificate-of-debt process for three MIs (R0,04 billion).

[Section 5.5](#) includes more information on the MIs where we used our expanded mandate.

The remainder of the balance is being dealt with by accounting officers and authorities. We regularly follow up to assess the progress made and whether we should use our mandate to influence a faster response.

Preventing financial losses is more effective than having to deal with them after they have already occurred. Efforts to recover financial losses are often not successful due to factors such as prescription (whereby a debtor is no longer legally obliged to pay off an old debt due to the passage of time), the liquidation of suppliers and inadequate processes to identify liable officials and recover losses from them.

Costly investigations are instituted and officials are subjected to the discomfort and anxieties associated with these processes. Such processes are often delayed, as detailed in [section 5.6](#).

## Consequences and fraud or criminal investigations

Since last year's general report, accounting officers and authorities have taken the following actions:

- For 36 MIs, 148 responsible officials were identified and disciplinary processes have been completed or are underway.
- For 24 MIs, fraud or criminal investigations have been instituted.

The earlier example of the Eastern Cape Department of Transport details a criminal investigation that has commenced, while the example that follows illustrates disciplinary action that has been taken.

***Disciplinary action against responsible official:  
Mpumalanga Office of the Premier***



In November 2020, the premier's office made payments estimated at R21,13 million for maintenance and support services not received on its case incident investigative management system. We notified the accounting officer of an MI in July 2023. In April 2024, after an investigation had been completed, the accounting officer issued a warning letter to the official responsible and requested a court review of the contract. The court case was initially heard in March 2025 and is still ongoing. All payments to the service provider have been suspended, pending the court outcome. The MI has been resolved.

## Improved internal controls to prevent recurrence

Since last year's general report, accounting officers and authorities of 34 auditees have strengthened the internal controls to prevent the recurrence of 36 MIs. The impact of these actions is included as part of the examples on financial losses highlighted earlier.

While accounting officers and authorities often respond by improving controls related to a specific MI, they do not improve the overall control environment to prevent further MIs. They do not address the root causes of the irregularities, as illustrated in the example that follows.

***Control environment not strengthened:  
Eastern Cape Department of Health***



Since July 2023, we have notified the accounting officer of four MIs relating to salary overpayments.

The accounting officer took appropriate action to resolve one MI relating to salary adjustments incorrectly effected to medical registrars by training human resource personnel on the collective agreement conditions for salary adjustments. However, this control did not address the root cause of weaknesses in the overall payroll control environment. The accounting officer has not taken appropriate action to resolve the other three MIs dealing with the overpayment of overtime and other allowances or overpayments to terminated employees.

To address these weaknesses and strengthen the department's control environment, payroll processes should be centralised, timelines enforced and human resource and payroll systems integrated for real-time updates. Allowances, overtime and grade progression payments should also be verified regularly and supported by clear procedures, while consequence management should be enforced for non-compliance.

We included recommendations in the audit report for one MI, which should be implemented by November 2025. We are deciding on the further action to be taken on the other two MIs.

Where the root causes are addressed and the overall control environment is strengthened, the risk of recurrence is significantly reduced, as shown in the next example.

**Control environment strengthened:  
KwaZulu-Natal Department of Education**



From 2017, the department did not timeously deduct and pay over pay-as-you-earn tax withheld from employees to the South African Revenue Service. This was due to schools manually submitting employee appointment and termination files to district offices, which caused delays and led to the late deduction and payment of pay-as-you-earn tax. This resulted in R6,7 million in interest and penalties. We notified the accounting officer of an MI in December 2020. In 2022-23, the department implemented an electronic system at schools to capture employee appointments and terminations with supporting documents. Since then, the department has not incurred any interest or penalties on late payments to the South African Revenue Service. The MI has been resolved.

## 5.4 Material irregularities in portfolios, provinces and sectors

We have issued MI notifications to 90 auditees, of which 60 are high-impact auditees. These auditees are spread among the portfolios, provinces and sectors.

This section highlights the portfolios, provinces and sectors in which high levels of MIs and slow responses by accounting officers and authorities are most evident to direct the attention of executive authorities and oversight structures to these matters.

Of the 32 portfolios, 11 have no MIs and 13 have only a few, which are being appropriately dealt with. The table that follows shows the portfolios with high-impact auditees that have the most MIs and the lowest response rate.

**Material irregularities per portfolio – extent, nature and response**

Portfolio	Extent		Nature				Response (based on status)		
	MIs	Auditees	Material financial loss (MIs)	Unused material public resources	Harm – general public	Harm – public sector institution	Appropriate action not taken	Remedial action	Remaining financial loss
Communications and Digital Technologies	7	3 (19%)	R361m (7)	-	-	-	6 (86%)	4 (57%)	R359m
Defence and Military Veterans	11	3 (20%)	R388m (5)	3	1	2	8 (73%)	1 (9%)	R137m
Employment and Labour	8	3 (50%)	R420m (8)	-	-	-	8 (100%)	3 (38%)	R406m
Higher Education and Training	10	7 (8%)	R3,999m (9)	-	1	-	7 (70%)	1 (10%)	R2,824m
Mineral and Petroleum Resources	2	1 (2%)	R612m (2)	-	-	-	1 (50%)	-	R612m
Police	5	2 (33%)	R81m (4)	-	1	-	1 (20%)	-	R81m
Public Works and Infrastructure	7	2 (25%)	R27m (5)	1	1	-	2 (29%)	1 (14%)	R3m
Water and Sanitation	11	3 (19%)	R228m (9)	-	-	2	3 (27%)	-	R122m

All provinces, except the Western Cape, have MIs. Gauteng has the most MIs (22), followed by the Eastern Cape, Free State and Northern Cape with 17 MIs each. At least 50% of the MIs in each of the provinces have not been resolved, with Gauteng and the Free State having the most unresolved MIs. The next table details the nature and status of the provincial MIs.

**Material irregularities per province – extent, nature and response**

Province	Extent		Nature				Response (based on status)		
	MIs	Auditees (%)	Material financial loss (MIs)	Unused material public resources	Harm – general public	Harm – public sector institution	Appropriate action not taken (%)	Remedial action (%)	Remaining financial loss
Eastern Cape	17	4 (14%)	R163m (15)	1	-	1	6 (35%)	-	R114m
Free State	17	6 (29%)	R400m (17)	-	-	-	10 (59%)	3 (18%)	R278m
Gauteng	22	6 (16%)	R673m (16)	3	-	3	-	-	R218m
KwaZulu-Natal	6	5 (14%)	R14m (5)	-	1	-	-	-	R8m
Limpopo	7	4 (13%)	R54m (7)	-	-	-	-	-	R54m
Mpumalanga	16	7 (32%)	R262m (13)	2	-	1	4 (25%)	1 (6%)	R241m
Northern Cape	17	6 (25%)	R123m (13)	2	1	1	11 (65%)	5 (29%)	R107m
North West	15	11 (37%)	R203m (5)	-	4	6	11 (73%)	4 (27%)	R95m
<b>TOTAL</b>	<b>117</b>	<b>49</b>	<b>R1,892m (91)</b>	<b>8</b>	<b>6</b>	<b>12</b>	<b>42</b>	<b>13</b>	<b>R1,115m</b>

As accounting officers and authorities did not take appropriate action to resolve 42 of the provincial MIs (36%), we invoked our powers on 31 of the 42 (74%). The Free State, Northern Cape and North West were the slowest to take action in response to our MI notifications and were responsible for 28 (90%) of the 31 MIs where we invoked our powers.

The national and provincial departments in the five key service delivery sectors have large budgets and are responsible for delivering on key programmes and projects. MIs in these sectors resulted in money being lost, weaknesses in programme or infrastructure delivery, or harm to the general public. The table that follows highlights the MIs per sector.

**Material irregularities per key service delivery sector – extent and nature**

Sector	Extent	Nature					
	No. of MIs and % of departments	Financial loss, no. of MIs and % of departments	Infrastructure (project-related)	Infrastructure (safeguarding and maintenance)	Unused resources resulting in financial loss	Under-utilisation of material public resource	Insufficient capacity
Basic education	24 (90%)	R271m 19 (90%)	5 (40%)	1 (10%)	3 (20%)	2 (20%)	-
Health	26 (60%)	R483m 18 (50%)	5 (30%)	2 (20%)	5 (30%)	3 (40%)	2 (20%)
Human settlements	13 (50%)	R235m 12 (40%)	11 (40%)	-	1 (10%)	-	-
Public works	19 (70%)	R361m 18 (60%)	10 (30%)	1 (10%)	5 (20%)	-	-
Transport	11 (50%)	R156m 9 (40%)	4 (40%)	-	-	-	-
<b>TOTAL</b>	<b>93</b>	<b>R1,506m 76</b>	<b>35</b>	<b>4</b>	<b>14</b>	<b>5</b>	<b>2</b>

More than half of the sector MIs were in health and education. The MIs in these sectors resulted in financial losses of a combined R754 million. Infrastructure-related MIs were prevalent across all five sectors.

Four of the MIs in the sectors related to weaknesses in the delivery of key government programmes. In the education sector, two MIs related to the National School Nutrition Programme and one related to the National Learner Transport Programme. The transport sector had one MI because of poor delivery on the National Learner Transport Programme.

MECs and provincial legislatures should take note of these MIs and take action at provincial level, while ministers and parliamentary portfolio committees should do the same for portfolios and sectors.

## 5.5 Using our expanded mandate

In this sub-section, we list the details and status of the 64 active MIs where we used our expanded mandate. Eight MIs have combined statuses and are included more than once in the tables that follow.

### Recommendations and remedial action

We included recommendations on 13 MIs in the audit reports of 12 auditees and took remedial action for 28 MIs at 19 auditees.

#### Material irregularities at recommendation or remedial action stage per province

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 1 November 2025
<b>Eastern Cape</b>			
Health	Underutilisation of software licences	23 March 2026	<b>Remedial action:</b> Follow-up not yet due
	Overtime paid to medical practitioners not entitled thereto	30 November 2025	<b>Recommendation:</b> Follow-up not yet due
<b>Free State</b>			
Human Settlements	Payment to contractor, not in terms of contract, for Covid-19 standing time and delays due to strikes in construction of Dark/Silver City community residential units in Bloemfontein (top site)	16 May 2025	<b>Remedial action:</b> Assessment in process
	Payment to contractor, not in terms of contract, for Covid-19 standing time and delays due to strikes in construction of Dark/Silver City community residential units in Bloemfontein (bottom site)	16 May 2025	<b>Remedial action:</b> Assessment in process
	Payment to contractor, not in terms of contract, for delays due to strikes in construction of G-Hostel Thabong community residential units	16 May 2025	<b>Remedial action:</b> Assessment in process
<b>Mpumalanga</b>			
Health	Insufficient healthcare professionals appointed, resulting in key performance targets not being achieved	26 January 2026	<b>Remedial action:</b> Follow-up not yet due

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 1 November 2025
<b>Northern Cape</b>			
Agriculture, Land Reform and Rural Development	Overpayment to contractor for construction of fence in Bothitong and construction of stock water system in John Taolo Gaetsewe District Municipality	23 September 2025	<b>Remedial action:</b> Assessment in process
	Farmer support project awarded to bidder that did not score highest points to supply goods to Frances Baard and John Taolo Gaetsewe district municipalities	23 September 2025	<b>Remedial action:</b> Assessment in process
	Farmer support project awarded to bidder that did not score highest points to supply goods to Pixley Ka Seme and ZF Mgcawu district municipalities	23 September 2025	<b>Remedial action:</b> Assessment in process
Education	Ineffective use of hostel at Batlharo Tlhaping Secondary School	30 November 2025	<b>Recommendation:</b> Follow-up not yet due
	Ineffective use of hostel at Lesedi Secondary School	30 November 2025	<b>Recommendation:</b> Follow-up not yet due
Health	Interest on late payment for work done on mental health project	23 September 2025	<b>Remedial action:</b> Assessment in process
Roads and Public Works	Payment to contractor for work not done on rehabilitation of road	3 October 2025	<b>Remedial action:</b> Assessment in process
<b>North West</b>			
Community Safety and Transport Management	Unsafe and unreliable scholar transport	3 February 2026	<b>Recommendation:</b> Follow-up not yet due
Education	Poor food storage conditions causing harm to learners due to school nutrition programme guidelines not adhered to	25 October 2025	<b>Recommendation:</b> Assessment in process
	Salary payments to persons no longer employed by department	25 May 2026	<b>Remedial action:</b> Follow-up not yet due
Golden Leopard Resorts	Mismanagement of financial affairs, resulting in going concern issues	26 January 2026	<b>Remedial action:</b> Follow-up not yet due
GL Resorts	Mismanagement of financial affairs, resulting in going concern issues	26 January 2026	<b>Remedial action:</b> Follow-up not yet due
Health	Lack of proper performance management system and records	25 February 2026	<b>Recommendation:</b> Follow-up not yet due

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 1 November 2025
Human Settlements	Invalid payment on project management services relating to various projects	30 November 2025	<b>Remedial action:</b> Follow-up not yet due
Madikwe River Lodge	Mismanagement of financial affairs, resulting in going concern issues	26 January 2026	<b>Remedial action:</b> Follow-up not yet due
Public Works and Roads	Provincial road infrastructure not maintained, resulting in potential harm to general public	27 February 2026	<b>Recommendation:</b> Follow-up not yet due

#### Material irregularities at recommendation or remedial action stage per portfolio

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 1 November 2025
<b>Communications and Digital Technologies</b>			
Postbank	South African Social Security Agency penalty due to breach of contract	24 August 2025	<b>Remedial action:</b> Assessment in process
	Poor card management and payment controls, resulting in cards being fraudulently used	25 May 2026	<b>Remedial action:</b> Follow-up not yet due
	Customer bank cards not safeguarded, resulting in funds being written off	25 May 2026	<b>Remedial action:</b> Follow-up not yet due
State Information Technology Agency	Payment to supplier for services not delivered on stakeholder engagement event	3 February 2026	<b>Remedial action:</b> Follow-up not yet due
<b>Cooperative Governance and Traditional Affairs</b>			
Department of Cooperative Governance	Community work programme assets written off without following appropriate processes	24 February 2026	<b>Recommendation:</b> Follow-up not yet due
<b>Defence and Military Veterans</b>			
Department of Defence	Unused medical equipment at 1 Military Hospital, resulting in financial loss	26 November 2025	<b>Remedial action:</b> Follow-up not yet due

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 1 November 2025
<b>Employment and Labour</b>			
Compensation Fund	Loss of revenue due to duplicate account created with incorrect assessment amounts	26 January 2026	<b>Remedial action:</b> Follow-up not yet due
	Payments made to unauthorised services providers	23 November 2025	<b>Recommendation:</b> Follow-up not yet due
	Payments into incorrect bank account due to unauthorised changes in banking details	26 January 2026	<b>Remedial action:</b> Follow-up not yet due
Department of Labour	Payments for unused software licences	23 September 2025	<b>Remedial action:</b> Assessment in process
<b>Higher Education and Training</b>			
Construction Seta	Payments on project that did not yield intended benefits	17 February 2026	<b>Recommendation:</b> Follow-up not yet due
National Skills Fund	Overpayments on learnership programme	3 February 2026	<b>Remedial action:</b> Follow-up not yet due
National Student Financial Aid Scheme	Disbursement of loans to students for tuition fees and allowances exceeding contract amounts	25 May 2026	<b>Remedial action:</b> Follow-up not yet due
	Money owed by tertiary institutions (due to disbursements received exceeding students' total cost of study) not collected	25 May 2026	<b>Remedial action:</b> Follow-up not yet due
	Interest not charged on student loan accounts	25 May 2026	<b>Remedial action:</b> Follow-up not yet due
<b>Home Affairs</b>			
Department of Home Affairs	Inadequate controls to collect all money due from fines and penalties	5 November 2025	<b>Recommendation:</b> Follow-up not yet due
<b>Mineral and Petroleum Resources</b>			
Department of Mineral Resources and Energy	Inadequate controls to collect debts due	23 February 2026	<b>Recommendation:</b> Follow-up not yet due

Auditee	Material irregularity	Final implementation date for recommendation/ remedial action	Status as at 1 November 2025
<b>Public Works and Infrastructure</b>			
Property Management Trading Entity	Underutilisation of Telkom Towers	26 January 2026	<b>Remedial action:</b> Follow-up not yet due
	Lease overpayments	9 March 2026	<b>Recommendation:</b> Follow-up not yet due

## Certificate-of-debt process

If an MI involves a financial loss and a directive to quantify and recover the financial loss is not implemented, we initiate the certificate-of-debt process.

In 2024-25, we started the certificate-of-debt process for three MIs at the Free State Department of Human Settlements, as the former accounting officer did not take appropriate action to implement the remedial action and directive.

### *Material irregularities for which certificate-of-debt process has started*

Material irregularity	Status
Payment to contractor, not in terms of contract, for Covid-19 standing time and delays due to strikes in construction of Dark/ Silver City community residential units in Bloemfontein (top site)	On 20 June 2025, the auditor-general notified the former accounting officer of her intention to issue a certificate of debt and, in line with the MI Regulations, invited the former accounting officer to submit a written representation on why she should not proceed to issue a certificate of debt.
Payment to contractor, not in terms of contract, for Covid-19 standing time and delays due to strikes in construction of Dark/ Silver City community residential units in Bloemfontein (bottom site)	The former accounting officer submitted written representation on 15 July 2025, which the auditor-general considered. The auditor-general concluded to proceed with the process to issue a certificate of debt. On 1 October 2025, the auditor-general invited the former accounting officer to make oral representation.
Payment to contractor, not in terms of contract, for Covid-19 standing time and delays due to strikes in development of G-Hostel Thabong community residential units in Welkom	On 10 October 2025, the former accounting officer submitted a written response, affirming her intention to make oral representation before the MI advisory committee. The former accounting officer appeared before the MI advisory committee on 21 November 2025 and 8 December 2025. The hearings were adjourned to allow for the submission of additional documentation. The hearings are scheduled to reconvene on 23 and 24 February 2026.

## Referrals

When we refer an MI to a public body, the public body assesses whether the MI falls within its mandate before it can commence with an investigation. At this stage, the status of the MI is 'Referral being considered by public body'. If the public body accepts the referral, the MI status changes to 'Investigation in progress'. When the investigation is completed and further actions are taken by a relevant body, the status changes to 'Investigation completed – further steps in progress'.

By 28 October 2025, we had decided to refer 31 MIs at 17 auditees for investigation to the five public bodies outlined in the table.

### Material irregularity referrals per public body

Auditee	Material irregularity	Referral date	Status as at 28 October 2025
<b>Department of Forestry, Fisheries and the Environment</b>			
Department of Defence	Inadequate measures taken to remediate underground jet fuel leakage at Makhado Air Force Base, resulting in pollution of soil and underground water	21 July 2025	Investigation in progress
<b>Hawks</b>			
Department of Defence	Award for supply of fuel using criteria different from original request for quotation, resulting in higher prices being paid	19 November 2021	Investigation in progress
Free State Development Corporation	Long-outstanding electricity receivables (debt) not collected, resulting in loss of revenue	19 November 2021	Investigation in progress
Free State Department of Human Settlements	Payment to contractor, not in terms of contract, for Covid-19 standing time in construction of G-Hostel Thabong community residential units in Welkom	18 August 2022	Investigation in progress
	Payment to contractor, not in terms of contract, for Covid-19 standing time and delays due to strikes in construction of Dark/Silver City community residential units in Bloemfontein (top site)	30 October 2023	Investigation in progress
	Payment to contractor, not in terms of contract, for Covid-19 standing time and delays due to strikes in construction of Dark/Silver City community residential units in Bloemfontein (bottom site)	30 October 2023	Investigation in progress
	Payment to contractor, not in terms of contract, for delays due to strikes in construction of G-Hostel Thabong community residential units	30 October 2023	Investigation in progress

Auditee	Material irregularity	Referral date	Status as at 28 October 2025
North West Department of Human Settlements	Invalid payment to supplier for project management services relating to various projects	5 February 2024	Investigation in progress
	Payment to contractor for work not done on housing project	5 February 2024	Investigation in progress
Northern Cape Urban TVET College	Quotations submitted for procurement process seemed to have been tampered with and might thus not be authentic	27 May 2024	Investigation in progress
South African Post Office	South African Social Security Agency integrated grants payment system not properly implemented, resulting in fraudulent transactions	19 November 2021	Investigation in progress
Postbank	Proper data security controls not implemented over issuer master key used in South African Social Security Agency beneficiary payment system, resulting in cards being susceptible to fraud	20 June 2024	Investigation in progress
	Customer bank cards lost due to lack of effective system of internal controls over safeguarding of customer-issued bank cards	20 June 2024	Investigation in progress
<b>National Treasury</b>			
Northern Cape Department of Health	Evaluation criteria applied in medical waste award differed from original bidding invitation, resulting in higher prices being paid	6 October 2019	Investigation completed – further steps in progress
<b>Public Protector South Africa</b>			
Department of Defence	Lease payments for unoccupied office buildings	31 October 2023	Investigation in progress
	Unused medical equipment at 2 Military Hospital	3 October 2023	Investigation in progress
<b>Special Investigating Unit</b>			
Department of Defence	Inventory and asset management contract not awarded only to bidder scoring highest points in evaluation process	23 October 2023	Investigation in progress
Department of Military Veterans	Payment for emergency housing to ineligible military veterans	1 September 2024	Referral being considered by public body
	Unused machinery procured for a skills programme	28 October 2025	Referral being considered by public body

Auditee	Material irregularity	Referral date	Status as at 28 October 2025
Free State Department of Education	Payment to contractor, not in terms of contract, for standing time due to delays in construction of Tlholo Primary School	31 March 2025	Referral being considered by public body
	Payment to contractor, not in terms of contract, for standing time due to delays in construction of Malebogo Primary School	31 March 2025	Referral being considered by public body
	Payment to contractor, not in terms of contract, for standing time due to delays in construction of Caleb Motshabi Primary School	31 March 2025	Referral being considered by public body
National Treasury	Payment for Integrated Financial Management System software licences, technical support and maintenance on system not used	13 January 2022	Investigation completed – further steps in progress
Northern Cape Department of Education	Payment made for a site not suitable for school due to non-adherence to site identification requirements	8 September 2025	Referral being considered by public body
Northern Cape Department of Roads and Public Works	Payment to contractor for work not done on rehabilitation of road	29 August 2024	Referral being considered by public body
	Payment to contractor for invalid standing time and settlement costs for rehabilitation of road	17 July 2025	Referral being considered by public body
Private Security Industry Regulatory Authority	Payments made for training service not received	18 July 2025	Referral being considered by public body
Property Management Trading Entity	Lease overpayments	5 September 2025	Referral being considered by public body
State Information Technology Agency	Payment for licences that were not used	27 August 2024	Investigation in progress
uMngeni-uThukela Water Board (KwaZulu-Natal)	Payments for consultancy services not received	26 July 2022	Investigation completed – further steps in progress
	Invalid payments for security services	26 July 2022	Investigation completed – further steps in progress

## 5.6 Stumbling blocks in resolving material irregularities

When an MI notification is issued, the loss, misuse or harm has most often already occurred and any delays towards a resolution worsen the situation. Swift action is crucial in improving the chances of recovering losses and preventing further misuse or harm. The delay between MI notification and MI resolution poses a significant challenge, as it hampers the ability of the auditees to effectively recover losses, prevent misuse or mitigate harm.

How long it takes to resolve an MI depends on its complexity and how many delays there are in taking the necessary action. Generally, it takes longer to recover financial losses than to implement other actions, as the matter first needs to be investigated and it takes time to establish liability and submit civil claims. Some MIs can be resolved relatively quickly, while others require auditees to correct deep-rooted weaknesses or quantify a financial loss that occurred across multiple years, which will take much longer to address. Not all delays are avoidable and, where we assess them to be reasonable, we do not invoke our powers.

Of the 124 MIs with an appropriate action status or where we have invoked our powers, 105 have taken longer than a year to resolve. The most common stumbling blocks we came across in resolving these MIs are:

- instability at accounting officer and authority level and slow response
- prolonged investigations or delays in concluding criminal proceedings
- delays in disciplining officials
- delays in recovery processes.

### Instability at accounting officer/authority level and slow response

The resolution of 49 MIs was affected by instability at accounting officer and authority level or their slow response to dealing with MIs.

If the accounting officers or authorities to whom we issued the MI notification is no longer in the position, we must often reissue the notification or the progress of resolving the MI comes to a halt. Some of the MIs involve complexities towards resolution, including dependencies on other institutions for appropriate action to be taken. As continuous monitoring and follow-up by the accounting officers and authorities are crucial, instability at this level contributes to further delays in resolving the MIs.

***Instability at accounting authority level:  
State Information Technology Agency***



In April 2019, the agency paid R1,5 million to a supplier for software licences not used. We notified the accounting authority of an MI in September 2021. This was two months before the board at that time was terminated. Since issuing our notification, the agency has been marred by instability at the accounting authority level. Between December 2021 and January 2022, there was no board, with a new board being appointed in February 2022. In July 2023, the communications and digital technologies minister dissolved the board and a new board took over until February 2024. The board that was dissolved in July 2023 was then reinstated based on a court order. The reinstated board held the position until January 2025 and another board was appointed in February 2025. These instabilities contributed to delays in resolving the MI. The agency must implement our remedial action by February 2026.

During our audit process, accounting officers and authorities are often slow to respond to our audit recommendations. We experience similar delayed responses to both implementing our MI recommendations and remedial action and responding to MI notifications and requests for information on the status of actions being taken. Such delays affect the overall MI process.

***Slow response:  
Department of Employment and Labour***



In February 2017, the department acquired software licences, together with support and maintenance services, which were not used in full. This resulted in an estimated financial loss of R231,07 million. We notified the accounting officer of an MI in September 2023. The accounting officer provided an initial response in October 2023 and a supplementary response in January 2024. However, the committed actions to resolve the MI were not taken. We included recommendations in the audit report, which had to be implemented by January 2025. We followed up repeatedly with the accounting officer on the submission of a written response, but they remained unresponsive. In June 2025, we issued a directive to the accounting officer to determine and recover the financial loss and implement remedial action by September 2025. In October 2025, the accounting officer submitted a response but it did not include the additional information that we had requested to conclude the assessment of the implementation of the remedial action.

## Prolonged investigations or delays in concluding criminal proceedings

The resolution of 38 MIs was affected by prolonged investigations or delays in concluding criminal proceedings. Some MIs can be resolved only once public bodies have completed their investigations and processes. Prolonged investigations make it difficult for accounting officers and authorities to act swiftly to recover financial losses and implement consequence management processes and criminal proceedings. Reasons for delays include the following:

- Delayed acceptance and commencement of investigations by public bodies due to multiple approvals being required by public body officials and executive authorities.
- Difficulties experienced by public bodies in obtaining statements from various roleplayers who may not be available during the investigation, as well as supporting documents not being available.
- Scope changes during investigations due to the identification of new risks that might affect the investigation outcome.
- Dependencies on expert witnesses and legal counsel, court processes and other law-enforcement agencies and public bodies.

### ***Prolonged investigation: Free State Development Corporation***



In August 2015, the entity appointed a service provider to act as an agent on its behalf to bill customers for electricity and collect payments. Between April 2019 and March 2020, the entity did not collect long-outstanding electricity debts from its agent. In May 2020, the agent was placed in voluntary liquidation, resulting in the likely loss of R32,63 million in debt. We notified the accounting authority of an MI in October 2020. Appropriate action was not taken to resolve the MI. In November 2021, we referred the matter to the Hawks for further investigation. Almost four years after our referral, the Hawks has not completed the investigation. The implicated officials are no longer employed by the state and the likelihood of pursuing civil action against the former board is slim due to the absence of adequate legal grounds.

## Delays in disciplining officials

We often see delays when it comes to disciplining the officials responsible for MIs. Such delays are negatively affecting the resolution of 38 MIs. Either the investigation to identify the responsible officials takes too long or the disciplinary process against implicated officials is delayed. These delays often arise because the investigations may be complex or time intensive. In some cases, additional time is taken to ensure that the process is procedurally fair according to labour legislation, so that any applicable sanctions can be enforced.

Often, officials resign before they can be disciplined. This causes further delays because different steps must then be activated. These can include referrals to other accounting officers, accounting authorities or public bodies to implement corrective action if the officials are still employed by the state.

**Delays in disciplinary process:  
Mpumalanga Department of Education**



Between 2020 and 2021, the department made lease payments estimated at R1,37 million to suppliers for farm school facilities that were not used by learners. We notified the accounting officer of an MI in August 2022. In September 2024, a forensic investigation by a service provider identified five officials to be responsible and recommended that the accounting officer institute disciplinary action. In January 2025, the accounting officer initiated a recovery process through the state attorney's office, resulting in summonses being issued against the responsible officials in April 2025. By May 2025 – when one of these officials had already retired – the accounting officer issued letters of intention to discipline the four remaining officials. They are currently in the process of making representations. Further appropriate action is being taken to resolve the MI.

## Delays in recovery processes

Some MIs can be resolved when their resultant losses have been recovered. Delays are often experienced at the state attorney's office and in-house legal units in gathering proper evidence and tracing responsible parties. These legal processes normally take long and, by the time the responsible parties have been identified, the debt cannot be recovered anymore due to prescription, death or supplier liquidations.

**Delays in recovery processes:  
Department of Mineral Resources and Energy**



For several years, the department did not have adequate controls to recover revenue owed on prospecting rights and petroleum licences, resulting in an estimated loss of R296,21 million. We notified the accounting officer of an MI in July 2023. Following legal advice in March 2024, the accounting officer wrote off R69 million in May 2024 as the debts had prescribed. The accounting officer did not take appropriate action to fully resolve the matter. We included recommendations in the audit report, which should be implemented by January 2026.

The state attorney's office is responsible for the management of litigation on behalf of government. In terms of legislation, accounting officers and authorities are required to refer matters to the state attorney's office, in-house legal units or external legal service providers to confirm the debtor's liability in law.

The state attorney's office has a high case load and delays are often caused by the following:

- Matters are handed over by accounting officers and authorities without documentation or proper instructions.
- Some accounting officers and authorities do not cooperate fully during the process.
- Auditee representatives do not attend legal proceedings, resulting in matters being removed from the court roll.

### **Delays in recovery processes: North West Department of Human Settlements**



Between October 2019 and December 2020, the department made invalid payments of R2,98 million on project management services relating to various projects. We notified the accounting officer of an MI in September 2021. In March 2023, the accounting officer instructed the state attorney's office to recover the financial loss from the service provider. Due to an almost two-year delay and minimal progress by the state attorney's office in recovering the loss, the accounting officer appointed an external service provider in May 2025 to take over the matter. This process is currently underway. In February 2024, we also referred the matter to the Hawks for further investigation. This investigation is also in progress. The accounting officer was further due to implement our remedial action by September 2025 and we are assessing the actions being taken.

## **5.7 Conclusion**

The MI process contributed to improved accountability and oversight during the first year of the administration, but this accountability mechanism is yet to deliver meaningful benefits and reach its full potential. In our previous general report, we encouraged the incoming leadership to embrace the process as a tool to strengthen public sector financial and performance management so that irregularities (such as non-compliance, fraud, theft and breaches of fiduciary duties) and their resulting impact can be prevented or dealt with appropriately.

Some of the committees that oversee auditees where MIs were raised now track and follow up on the progress made by accounting officers and authorities in resolving the MIs. This is a positive step towards greater support by these oversight structures.

Everyone in the accountability ecosystem has a crucial role to play in optimising the impact of the MI process. We detail how this can be achieved in [section 6](#).

We will continue to use the MI process to influence a culture of transparency and accountability in national and provincial government, built on a foundation of ethical behaviour and institutional integrity.



# 06

## Call to action

### *Effective leadership and diligent oversight are essential for the administration to succeed*

In last year's general report, we called on the new administration to improve institutional capability so that government institutions can deliver on their mandates and create a better life for all, as envisaged in the National Development Plan 2030 (NDP).

We highlighted that public trust could be strengthened by ensuring that institutions across national, provincial and local government collectively plan and systematically and purposefully work within a culture of performance, accountability, transparency and institutional integrity.

We recommended that the executive authorities and the members and committees of Parliament and legislatures prioritise their oversight focus on the following key matters:

- Intergovernmental and institutional planning for delivery on the Medium-Term Development Plan (MTDP)
- Institutional capacity and effective governance for transparent reporting and accountability
- Infrastructure, systems and professionalisation as key enablers
- Managing the risks to service delivery created by the poor quality of spending and financial mismanagement, weaknesses in procurement and contract management, cybersecurity vulnerabilities and a culture of no consequences
- Optimising the material irregularity (MI) process as an oversight tool

Based on our findings in this year's report, little progress has been made. This report highlights the causes of disappointing audit outcomes, the service delivery risks that are not being managed, the troubling situation at state-owned enterprises and the delays in dealing with MIs.



The administration should address the following root causes of the lack of progress:

1

### Governance failures and lack of consequences and institutional integrity

The fundamental function of good **governance** in the public sector is to ensure that institutions deliver on their mandates, while always acting in the public interest. Those charged with the governance of public sector institutions are the accounting officers (e.g. directors-general and heads of departments) or accounting authorities (e.g. boards of public entities), the responsible ministers and members of the executive councils (MECs) and, overall, the premiers of provinces and the president of the country (executive authorities).

Accounting officers and authorities have internal audit functions and committees (e.g. the audit committee) and senior management to support them in their governance responsibilities. Executive authorities are supported by coordinating institutions and structures (e.g. the Department of Planning, Monitoring and Evaluation (DPME) and intergovernmental bodies such as Minmec, which is made up of ministers and MECs of key portfolios).

Good governance is enabled through structures, processes, practices and controls that act as checks and balances and are often legislated. Examples are the government planning, budgeting, monitoring and reporting process and the legislation and frameworks that define the responsibilities of those charged with governance.

Governance within institutions is further strengthened by **institutional integrity**. Such integrity is enabled by institutionalised controls to ensure that leadership and officials behave ethically, comply with legislation, act in the best interest of the institution and avoid conflicts of interest. Accountability processes and swift consequences for transgressions and poor performance strengthen institutional integrity.

2

### Inadequate institutional capability

**Institutional capability** is critical for auditees to deliver on their mandates with fiscal prudence and in compliance with legislation. This means that they should have adequate resources and skills; strong governance and effective management; good systems, processes and controls; and effective coordination and collaboration within their institution and across all three spheres of government.

3

### Weaknesses in oversight and intergovernmental coordination and cooperation

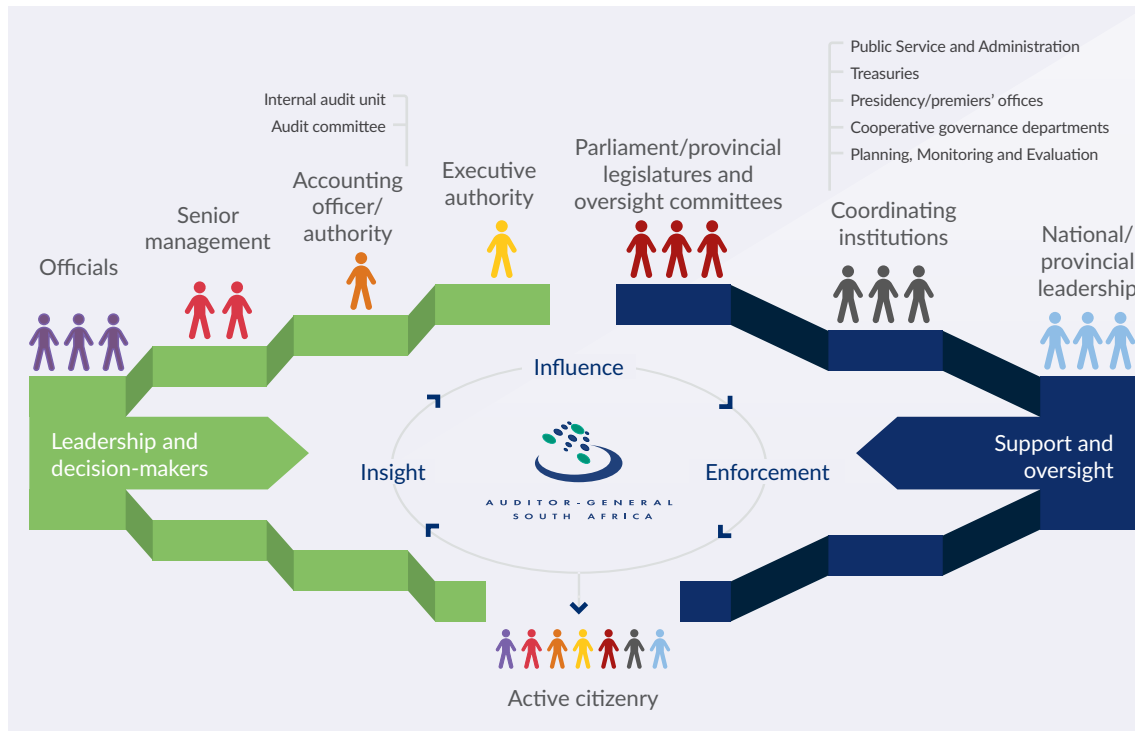
Strong **oversight** by Parliament and legislatures ensures that those charged with the governance of institutions remain accountable to the public for delivering on mandated responsibilities, the actions they take and the decisions they make.

Without **intergovernmental coordination and cooperation**, government programmes and national projects cannot succeed.

The need for institutional capability, good governance and intergovernmental processes is echoed in the MTDP. In terms of the plan, building a capable, ethical and developmental state is a strategic priority for the administration. This desired state is essential for delivering on the other priorities of driving inclusive growth and job creation, reducing poverty and tackling the high cost of living.

The weaknesses in governance, oversight, accountability, institutional capability and intergovernmental processes that we highlight throughout this report are not the result of unclear mandates, ill-defined legal responsibilities or government processes, a lack of structures or even insufficient funding. It is because roleplayers in the accountability ecosystem do not fulfil their designated and legislative roles or do not play their part effectively.

## Accountability ecosystem for national and provincial government



Our call is for effective leadership and good governance at public sector institutions and for diligent and effective oversight by executive authorities, Parliament and legislatures.

### 6.1 Effective leadership and good governance at public sector institutions

**Accounting officers and authorities**, supported by their **senior management** (which includes chief financial officers, heads of supply chain, heads of strategic planning and performance management, chief information officers and heads of the units responsible for operations and delivery), take overall responsibility and accountability for the institutions that they lead. This includes the culture of the institution. Their posture affects how officials perform and respond to auditors, governance structures and accountability mechanisms. It also influences the attitude of officials towards service delivery, the taxpayer money and public resources they are entrusted with and the rule of law.

As part of our audits:

- We made **recommendations** on filling vacancies, capacitating officials, institutionalising internal controls (with a focus on preventative controls), establishing good policies and procedures, complying with legislation, protecting and improving their systems, managing infrastructure and information and communication technology (ICT) projects, and improving financial and performance management and reporting.
- We also **notified them of the MIs** that they must deal with. Supported by senior management, they must resolve these MIs and prevent the irregularities from recurring.

As detailed in this report, effective leadership and good governance are lacking at many auditees, including most high-impact auditees. Accounting officers and authorities, senior management and officials have been slow to respond to our findings, recommendations and MIs. It has become the norm to push back on audit findings rather than learn from them and improve. The continued reliance on auditors to enable good-quality financial and performance reporting further demonstrates this lack of learning for improvement.

To strengthen governance processes, the contribution of **internal audit units and audit committees** should be optimised.

Internal audit units provide independent assurance to the accounting officers and authorities on whether adequate and effective controls have been implemented and risks mitigated. The audit committee is an independent body created in line with legislation to advise the accounting officer or authority, senior management and executive authorities on matters such as internal controls, risk management and compliance with legislation.

Internal audit units and audit committees are a big investment for auditees. The professionals employed as internal auditors or who serve as members of the committees usually come at a premium. In 2024-25, auditees spent R2,40 billion on internal audit functions (including outsourced costs).

Accounting officers and authorities have a legislated responsibility to establish, support and respond to the reports and recommendations of internal audit units and audit committees.

Accounting officers and authorities derive significant value when they elevate and support internal audit units and audit committees as key governance controls and ensure that their recommendations are implemented by senior management. This value comes in the form of strengthened financial and performance management, credible financial and performance reporting and compliance with legislation.

As the influence of internal audit units and audit committees will always depend on the support their role receives and the responsiveness of accounting officers, accounting authorities and senior management to their recommendations, these assurance structures do not always have the desired impact on the internal control environment of auditees.

Where effective leadership and good governance are lacking, executive authorities and oversight structures **must provide meticulous oversight and demand action from those that run these institutions**. Coordinating institutions must enable and support such oversight, as well as support accounting officers and authorities.

## 6.2 Effective executive leadership and diligent oversight

We call on executive authorities and the members and committees of Parliament and legislatures to apply diligent and effective oversight and to take swift and decisive action where things go wrong.

We acknowledge that they were in their positions for only a part of the financial year on which we report. Thus, the recommendations that follow are similar to those that we made in last year's general report, as little progress has been made with their implementation.

## Overall recommendations to executive authorities and oversight structures

1

Prioritise **high-quality** performance plans aligned to the MTDP as a foundation for delivering on the administration's strategic priorities.

2

Request the results of the **reviews done by the DPME and premiers' offices** on performance plans submitted or put forward for consideration and approval. Portfolio committees will also benefit from briefings by these institutions on their findings.

3

Approve performance plans of sector departments only if there is adequate alignment to the agreed-upon **standardised indicators for the sector**.

4

Ask the accounting officers and authorities the right questions to obtain assurance on institutional capability and the **optimal use of audit committees and internal audit units**. We published a set of preventative control guides in September 2020 that provides guidance, principles and proposed questions that can be asked for this purpose. (All our preventative control guides are available on our website: [www.agsa.co.za](http://www.agsa.co.za).)

5

View and use the **audit committee as an oversight partner** that can provide an independent assessment of an auditee's financial and performance management. Regular engagements with the chair of the audit committee and access to audit committee and internal audit reports will enhance oversight.

6

Know which projects relating to **infrastructure and ICT** are underway in portfolios and what projects are planned over the administrative term. Prioritise oversight of the significant projects and insist on regular updates and accountability.

7

Support the implementation of the **professionalisation framework**.

The framework aims to elevate the standards of South Africa's public sector by ensuring that public servants in national, provincial and local government possess the right qualifications, technical skills and ethical behaviour; adhere to the Batho Pele principles (which emphasise citizen-centric service delivery); and prioritise effective service delivery. It is a key initiative to strengthen institutional capability and achieve the strategic priority of building a capable state.

In 2023-24, we reported slow progress with the implementation of the framework. We again identified several gaps that we shared with the Department of Public Service and Administration. The ongoing challenges were mainly due to the lack of a government-wide plan and a designated process leader to take full ownership of the process, drive implementation and hold all roleplayers accountable. Delayed enactments of amendments to legislation further hindered enforcement of reforms and stalled the process.

8

Pay specific oversight attention to the **poor quality of spending and budget overspending** that contribute to additional pressure on government finances.

## Overall recommendations to executive authorities and oversight structures (continued)

9

Ask accounting officers and authorities the right questions to obtain assurance that the processes for **procuring goods and appointing contractors** on major projects are in line with legislation and that the **management of contractors** is well controlled. The preventative control guides referred to above also have proposed questions on this matter.

Insist on the full disclosure of **irregular expenditure** and regular reports on the progress in dealing with prior-year irregular expenditure. The irregular expenditure must be properly investigated to identify the cause and impact of the related non-compliance so that controls can be strengthened to prevent a recurrence, consequences can be applied against responsible officials, any financial losses can be recovered and future losses prevented.

10

Request information and assurance from accounting officers and authorities that **cybersecurity** vulnerabilities are effectively dealt with and that business continuity and recovery processes are up to standard. Our reports and those of internal audit units can be used as a basis for oversight.

11

Set the **tone for accountability and consequences** through the oversight function and insist on regular updates on progress made in dealing with allegations of fraud and mismanagement, as well as expenditure that was irregular or fruitless and wasteful.

12

Support, monitor and oversee the **resolution of MIs** by requesting quarterly reports on the progress that accounting officers and authorities are making to resolve them and, where there are any unreasonable delays, hold them to account.

In [section 7](#), we reflect on the commitments made by premiers and MECs in response to the previous general report and the extent to which their commitments have been implemented to enable improvements in provinces.

The premiers of Gauteng, KwaZulu-Natal and Mpumalanga entered into **performance agreements** with their MECs to ensure accountability for performance. The premiers of the other provinces should replicate this good practice. As at 31 March 2025, performance agreements were not in place between the president and his ministers. With proper monitoring and evaluation, such agreements will strengthen accountability.

**Portfolio committees** hold a unique and very important position to influence the performance and accountability of auditees. By directly engaging with the executive authorities, accounting officers, accounting authorities and officials, these committees serve as the engine rooms for democratic oversight. They scrutinise budgets, evaluate service delivery performance and ensure that government institutions fulfil their mandates effectively.

The following are critical success factors for these committees:

- **Effective oversight:** Oversight that impacts the implementation of performance plans and audit action plans of auditees by holding executive authorities, accounting officers and accounting authorities accountable for non-performance.

- **Monitoring the implementation of coordinating institutions' mandate:** Focus on the legislative and political mandates of the coordinating institutions in relation to accountability and enforcement of interventions and initiatives across the different government spheres.
- **Implementation and tracking of recommendations:** Continuous tracking and monitoring of resolutions to follow up on their implementation.

The portfolio committees went through a thorough induction process. We took this opportunity to also explain our role and mandate; share audit outcomes and risks in national, provincial and local government; recommend areas of focus; and suggest process improvements for committees.

The oversight work of the committees could only start in earnest in the last two months of 2024, which would have had limited impact on the audit results of 2024-25. However, we have observed increased departmental oversight, regular site visits, production of key reports and the development of terms of reference and workplans for the committees.

We identified the following areas for improvement in the oversight processes; if addressed, this will further strengthen the work done by the committees.

- There are ongoing challenges in fully implementing our recommendations, which hampers progress and accountability.
- Tracking mechanisms for committee resolutions are not standardised, leading to inconsistent and ineffective implementation.
- Progress on the implementation of resolutions is not consistently documented. There are no centralised tracking registers and no systematic escalation or corrective action when resolutions are not implemented.
- There is inadequate support to members on infrastructure monitoring, which limits members' ability to provide effective oversight.
- Not all committees update their annual workplans and oversight plans to guide oversight activities.
- Departments' performance plans are not always reviewed timeously before approval, reducing opportunities for meaningful input and oversight.
- No resolutions were adopted on some of the key reports tabled in the legislatures. In some cases, oversight was delayed or not performed where reports were not tabled.

Parliament and the legislatures should invest in resources, training and processes to support the chairs and members of the portfolio and public accounts committees. This will strengthen their oversight role and result in impactful resolutions that executive authorities, accounting officers and accounting authorities will be compelled to implement.

## 6.3 Conclusion

There is still a lot of work to be done to build a capable state and deliver on the promises of a better life for all, as envisaged in the NDP.

The recommendations in this section are directed mainly at the executive authorities and oversight structures that were elected to direct and oversee the 7<sup>th</sup> administration.

We also call on all others in the accountability ecosystem to fulfil their roles without fear or favour. Promoting a culture of performance, accountability, transparency and institutional integrity is the only way to create tangible prospects for a better life for our people.

# 07

## Provinces

*Provincial governments must provide education and health services, promote economic development, manage social services and housing, regulate road traffic and transport, and oversee provincial administration, planning and development.*

*In 2024-25, provincial governments received approximately R793,30 billion to carry out these important service delivery functions. Each province has a unique story and the audit outcomes often reflect how the provincial government took care of its finances and delivered services to the people in the province.*

*This section summarises the state of provincial government in each of the nine provinces.*





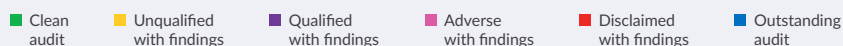
# 7.1

## Eastern Cape

### Audit outcomes and movement from previous year

2023-24	9	9	3	0	0	0	Movement from previous year and related budget
2024-25	8	12	1	0	0	0	

- Improved** Sport, Recreation, Arts and Culture; Office of the Premier; Health; Education
- Unchanged** (years in outcome category) Cooperative Governance and Traditional Affairs (5 years); Economic Development, Environmental Affairs and Tourism (4 years); Rural Development and Agrarian Reform (4 years); Provincial Treasury (7 or more years); Coega Development Corporation (6 years); East London Industrial Development Zone (7 or more years); Human Settlements (7 or more years); Social Development (6 years); Transport (2 years); Provincial Legislature (2 years); Public Works (7 or more years); Eastern Cape Development Corporation (5 years); Mayibuye Transport Corporation (2 years); Eastern Cape Rural Development Agency (2 years)
- Regressed** Community Safety; Eastern Cape Government Fleet Management Services; Eastern Cape Parks and Tourism Agency



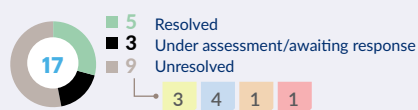
### Financial health

- Overspending of budgets**
- Unauthorised expenditure: R671,90m (2 departments) ▼
  - Irregular expenditure - budget overspending: R43,72m (1 public entity) ▼
- Fruitless and wasteful expenditure:** R216,61m (11 auditees) ▼
- Average creditor-payment days:** 54 days ▼
- Deficit:** R9,80bn (11 auditees) ▼
- Unpaid claims:** R29,10bn (13 auditees) ►
- Public entities with going concern uncertainty (years in position)**
- None

Movement from previous year ▲ Improvement ▲ Slight improvement ► Unchanged ▼ Slight regression ▼ Regression

### Material irregularities

#### Status



#### Nature

- 15 Material financial loss (R163m)
- 1 Material misuse of material public resources
- 1 Substantial harm to public sector institution

Appropriate action taken (yellow), Appropriate action not taken - decision on invoking our powers in process (light blue), Recommendation (orange), Remedial action (red)



### *Signs of progress but poor oversight and persistent control weaknesses require significant and lasting corrective action*

Last year, we reported an improvement in audit outcomes over the term of the 6<sup>th</sup> administration but cautioned roleplayers that stable administrative leadership and strong accountability are required to drive improvements in performance and service delivery. In response to our report and recommendations, the previous premier committed to intensify monitoring and evaluation efforts and to continue coordination and support to ensure that all stakeholders work collaboratively towards achieving service delivery goals. The previous speaker committed to enhance portfolio committee oversight by tracking resolutions, prioritise infrastructure projects and improve budget spending.

### **Audit outcomes**

The health and education departments, which together accounted for approximately 73% of the provincial expenditure budget, showed improvements in their audit outcomes. This progress can largely be attributed to the timely implementation of audit action plans by accounting officers, as well as the effective monitoring of these plans by audit committees and the provincial treasury to ensure follow-through.

The eight auditees that achieved clean audits managed only 10% of the provincial expenditure budget. Six auditees have sustained their clean audit status over the years, largely due to stability in key management positions that ensured continuity and accountability; the presence of dedicated and effective audit committees that provided strong oversight; internal audit functions that successfully executed their audit plans with full cooperation from management; and a strong organisational commitment to accountability, transparency and sound governance practices.

The rural development and agrarian reform department has sustained its clean audit for four consecutive years. This can be attributed to stable and accountable leaders that strategically focus on key areas aligned with the department's mandate to support emerging farmers, a highly effective audit committee and a proactive internal audit unit. The department should now turn its focus to boosting rural land usage for farming through targeted support initiatives and by strengthening oversight of the Eastern Cape Rural Development Agency, which again received a qualified audit opinion.

We concluded that the province's overall audit outcomes slightly improved in the first year of the new administration, but that significant and sustainable improvements are still required. Auditees need to strengthen and institutionalise controls over performance reporting and compliance with legislation to achieve and sustain clean audits.

## Financial reporting

The number of unqualified audit opinions on the financial statements improved to 20 (95%). However, if auditees had not made corrections based on our findings, the financial statements of only 15 (71%) would have been unqualified.

Most of the material misstatements in the financial statements submitted for auditing related to disclosure items; property, plant and equipment; and revenue. The Eastern Cape Rural Development Agency was the only auditee to receive a qualified audit opinion. The agency has continuously neglected to implement prior-year audit recommendations, leading to material misstatements in grants and payables due to insufficient documentation. This has created uncertainty around creditor obligations, potentially impairing the agency's cash-flow management.

The financial reporting challenges in the province can be attributed primarily to insufficient financial discipline at management level, instability in chief financial officer positions and inadequate resourcing within finance functions. Despite the provincial treasury's support initiatives, these factors hinder substantiable improvement and have resulted in some auditees still relying on the audit process to achieve unqualified audit opinions.

## Performance reporting

We reported material findings on the performance reports of six auditees (29%). Auditees that submitted good-quality performance reports for auditing improved from 10 (48%) to 13 (62%). The main material findings on performance reporting were that reported information was not reliable at six (29%) and that reporting on performance indicators was not useful at three (14%).

In several instances, the reliability of performance data was compromised by poor document management practices, largely stemming from manual systems and inadequate controls over the flow of information between district and head offices. Internal audit units made recommendations aimed at strengthening these controls, but management did not implement them.

## Compliance with key legislation

Auditees with material findings on compliance with key legislation increased from 11 (52%) to 13 (62%). The most common areas of non-compliance were a failure to prevent unauthorised, irregular, and fruitless and wasteful expenditure at seven auditees (33%); poor strategic planning and performance management at seven auditees (33%); the poor quality of submitted financial statements at six auditees (29%) and a failure to implement consequence management for irregular as well as fruitless and wasteful expenditure at six auditees (29%).

Persistent non-compliance with legislative requirements continues to be a key contributor to material audit findings, highlighting the need for prompt corrective measures and assertive leadership that fosters a culture of accountability and adherence to the rule of law.

## Unqualified audit opinions with findings

Four (19%) of the auditees with unqualified audit opinions with findings have been in this category for more than two years. Five auditees (24%) only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings. The weaknesses in the auditees' control environments also affected performance reporting and compliance. Five auditees (24%) had material findings on their performance reports, while 12 (57%) had material findings on compliance. These auditees were responsible for R508 million (95%) of the provincial irregular expenditure.

Despite achieving unqualified audit opinions, recurring findings reflect a concerning tolerance for non-compliance and a lack of accountability. The failure to address previously identified audit issues poses a significant risk of regression in future audit outcomes and undermines efforts to improve governance and

service delivery. Auditees such as the Eastern Cape Development Corporation have shown no improvement over the past five years, with recurring audit findings related to revenue collection failures. This persistent non-compliance indicates a breakdown in operational effectiveness and necessitates urgent strategic intervention to restore financial discipline and institutional performance.

## Financial management

The 2024-25 expenditure budget of the province was R99,5 billion. The province also received R13,8 billion in conditional grants from national government.

The transport and health departments were responsible for all the unauthorised expenditure. The health and education departments were responsible for R8,6 billion (88%) of the total deficit. The significant increase in the deficit amount was mainly due to increased claims against the health department. The late payment of suppliers and other creditors was most prevalent at the health department and Coega Development Corporation, which took an average of 241 and 188 days, respectively, to make payments. Just over half (51%) of the fruitless and wasteful expenditure was due to interest and penalties on late payments to suppliers as well as litigation. The health and public works departments were responsible for most of the fruitless and wasteful expenditure.

The claims paid by the health department due to medical negligence and malpractice totalled R364,2 million. The further estimated value of claims at year-end totalled R22,15 billion – a decrease of R437,28 million from the previous year. Persistent financial challenges continue to undermine the province's fiscal stability and service delivery performance. Continuous claims have drained scarce financial resources, resulting in service delivery disruptions.

## Information systems management

The overall information technology (IT) audit outcomes slightly improved from the previous year. This was largely due to the implementation of prior-year recommendations and increased executive prioritisation of IT matters. However, progress is hindered by persistent challenges such as poor connectivity in rural areas, weak internal controls and inefficiencies in Microsoft licensing and broadband usage. These limitations have slowed down service delivery, with residents unable to fully benefit from departmental IT systems in schools, hospitals and clinics.

## Infrastructure management

The province received conditional grants to fund infrastructure projects for health (R5,5 billion), education (R4 billion), transport (R2,4 billion) and human settlements (R1,9 billion).

Coega Development Corporation was the implementing agent for all four projects that we audited at the health department. We identified significant weaknesses in one (25%) of the projects.

The implementing agent approved R6,9 million in unjustifiable extension-of-time claims (resulting from the service provider's poor performance) and R1,7 million in unjustified variation orders (arising from design deficiencies) on phase 2 of a project to construct the Meje Community Health Centre. The recovery of these losses has been delayed due to the prolonged finalisation process of the final account, caused by disputes between all parties involved regarding the measurement of work done. Functional healthcare units at the centre, such as maternity, neonatal and emergency wards, were not used as intended due to the failure to recruit essential medical staff, which has resulted in limited operational capacity. Poor road infrastructure and a lack of public transport in the surrounding areas significantly hindered patient access, resulting in low turnout rates. These factors undermine the effectiveness of healthcare services and highlight the need for urgent coordination at local, provincial and national level to improve staffing and accessibility.

The Development Bank of Southern Africa was the implementing agent for the education department's Toleni School project. Construction was completed but several critical issues remain. The contractor was paid R1,7 million more than stipulated in the approved variation order, as the scope of work was increased

without the accounting officer's approval. The school's electricity supply is inadequate and boreholes are non-functional, leaving the school without water. Additionally, the newly built VIP toilets are locked and unusable, forcing learners to use outside areas for sanitation purposes. Immediate action is required to address the financial non-compliance, infrastructure failures and undesirable sanitation conditions to ensure a conducive and functional learning environment.

Infrastructure delivery across the province continues to face significant challenges, including project delays, poor quality, underutilised assets and financial mismanagement. Weak contractor performance, limited oversight and inadequate planning have resulted in costly penalties, rework and delayed service delivery.

To address these concerns, accounting officers must strengthen contract management processes and enforce accountability to ensure that projects are completed on time and within budget, and that completed infrastructure is effectively used. These actions are essential to improve service delivery and the lived realities of the people of the province. Executive authorities must monitor the project management units to ensure that they are adequately staffed with skilled personnel. Persistent operational gaps such as vacancies, competence shortfalls and poor contractor performance require strategic oversight intervention to prevent delivery failures.

## Procurement and contract management

The procurement and contract management processes of 15 auditees (71%) did not comply with legislation. The non-compliance was reported as material at two auditees (10%), namely the community safety department and the Eastern Cape Rural Development Agency. Findings included several contracts and quotations that were awarded to bidders that did not score the highest points without any justification and preferential points that were not applied to some quotations. This tolerance of non-compliance resulted in unfair procurement processes and hampered government's social benefit priorities.

Non-compliance with legislation on procurement and contract management was the reason for R430,8 million (71%) of the R533,4 million in irregular expenditure incurred. The non-compliance and resultant irregular expenditure were most prevalent at the health department.

The irregular expenditure decreased from the R691,05 million reported in the previous year, mostly due to the transport department reducing its irregular expenditure by R487 million by complying with supply chain management regulations and reducing the irregular payments on a bus service provider contract. However, the decrease in irregular expenditure does not reflect the effective implementation of consequence management, as accountability measures are not being enforced adequately. Therefore, the decline in irregular expenditure is not sustainable and accounting officers must strengthen internal processes to ensure that consequence management is consistently applied.

## Consequence management

We reported material non-compliance with legislation on consequence management at six auditees (29%). The most prevalent finding was the failure to investigate instances of irregular as well as fruitless and wasteful expenditure. This weakness was primarily due to ineffective internal processes that delayed the initiation and conclusion of investigations, thereby undermining efforts to hold officials accountable for transgressions and enforce compliance with applicable legislation.

The closing balance of irregular expenditure was R3,5 billion, while that of fruitless and wasteful expenditure was R670,1 million and that of unauthorised expenditure was R5,7 billion. While the overall level of irregular expenditure has slightly decreased compared to the previous year, progress in concluding investigations remains slow. The social development department has not investigated irregular expenditure of R255 million, and the executive authority has not taken any action to enforce accountability.

The delays in investigations and high tolerance for non-compliance undermine efforts to address financial misconduct, implement consequence management and foster accountability.

## Material irregularities

In general, accounting officers and authorities are responding to the material irregularity (MI) process. Although initial engagement is often delayed and no action is typically taken until a formal notification is issued, departments eventually demonstrate constructive action.

We issued an MI notification to the accounting officer of the health department due to missing performance data in patient records, resulting in harm to the public. The department responded by strengthening controls over medical documentation, which led to a reduction in medical claims and improved service delivery. This case highlights how the absence of a reliable performance management system undermines service delivery and effective oversight.

The members of the executive council (MECs), premier's office and legislature were briefed on the province's MIs. They provided appropriate oversight and followed up on the implementation of consequences and preventative controls to help stop similar incidents in future. While various interventions have been implemented, instances of inadequate action persist. This underscores the need for enhanced oversight to ensure that accounting officers effectively recover losses, enforce consequences and implement measures to prevent recurrences.

## Conclusion and call to action

The province continues to face challenges in achieving sustainable improvements that support the delivery of planned targets. Transparency in reporting remains dependent on the audit process, highlighting the need for stronger internal accountability mechanisms and proactive performance management.

The provincial interventions to monitor and support the health and education departments have yielded positive results. To maintain progress and enhance performance, the departments should rely less on the audit process and more on the support provided by audit committees and internal audit units. The speaker's commitments to oversee infrastructure projects and spending were ineffective, as financial mismanagement and project delays continue.

Based on the insights obtained through our audits, we made the following recommendations:

- The premier should enforce accountability across executive authorities, mandate quarterly progress reviews on audit action plans and intervene timeously at departments with recurring findings. A focused oversight approach, particularly for high-risk auditees such as the health and transport departments, should link audit outcomes to performance reviews and corrective action.
- MECs should strengthen oversight by ensuring regular compliance reviews and by holding accounting officers accountable for non-performance. They must enforce consequence management for repeated non-compliance, promote ethical leadership and transparency, and ensure the implementation of audit recommendations.
- The provincial treasury should support departments in submitting financial statements and performance reports of better quality. This can be done by improving daily and monthly document management to reduce reliance on audit corrections. The treasury must also promote fiscal prudence and accountability in response to the shrinking fiscus.

Institutional controls play a vital role in ensuring that leadership and officials adhere to legislation and act in the best interest of their institutions. Strengthening such controls will improve the lived experiences of the people of the Eastern Cape.

# 7.2

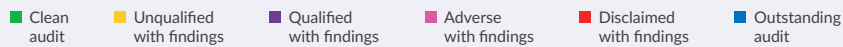
## Free State

### Audit outcomes and movement from previous year

2023-24	2	8	6	0	0	0	Movement from previous year and related budget
2024-25	3	9	4	0	0	0	3 ▲ (R2,45bn) 0 ▼

**Improved** Economic, Small Business Development, Tourism and Environmental Affairs; Central Medical Trading Account; Free State Fleet Management Trading Entity

**Unchanged** (years in outcome category) Provincial Legislature (3 years); Provincial Treasury (4 years); Agriculture and Rural Development (3 years); Cooperative Governance and Traditional Affairs (3 years); Education (7 or more years); Human Settlements (2 years); Public Works and Infrastructure (7 or more years); Social Development (4 years); Sport, Arts, Culture and Recreation (2 years); Community Safety, Roads and Transport (2 years); Office of the Premier (6 years); Health (7 years); Free State Development Corporation (2 years)



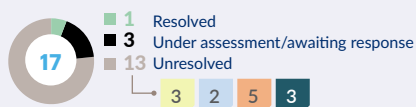
### Financial health

<b>Overspending of budgets</b> <ul style="list-style-type: none"> <li>Unauthorised expenditure: R867,50m (3 departments) ▼</li> <li>Irregular expenditure – budget overspending: R0m (0 public entities) ▶</li> </ul>	<b>Fruitless and wasteful expenditure:</b> R201,50m (11 auditees) ▲ <b>Average creditor-payment days:</b> 225 days ▲ <b>Deficit:</b> R3,10bn (7 auditees) ▼	<b>Unpaid claims:</b> R7,39bn (12 auditees) ▼ <b>Public entities with going concern uncertainty (years in position)</b> <ul style="list-style-type: none"> <li>Free State Development Corporation (8 years) ▶</li> </ul>
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Movement from previous year ▲ Improvement ▶ Slight improvement ▶ Unchanged ▼ Slight regression ▼ Regression

### Material irregularities

#### Status



#### Nature

17 Material financial loss (R400m)

■ Appropriate action taken   
 ■ Appropriate action not taken – decision on invoking our powers in process   
 ■ Referral   
 ■ Notice for certificate of debt, remedial action and referral



### *Strengthen accountability and enforce consequences to restore financial health and improve service delivery*

Last year, we reported an improvement in audit outcomes over the term of the 6<sup>th</sup> administration but called on roleplayers to enhance accountability to strengthen good governance, promote an ethical culture and improve service delivery to communities. In response to our report and recommendations, the previous premier, supported by coordinating institutions, committed to improve the control environment, reduce audit qualifications, promote credible performance reporting and address non-compliance areas and infrastructure challenges to improve the lives of the people of the province.

#### **Audit outcomes**

The slight overall improvement in audit outcomes was due to improvements at mostly auditees with smaller budgets. The improvement was mainly led by the MEC and/or accounting officers proactively driving a strong culture that prioritised the underlying financial controls, which would likely lead to the improvements being sustained. The three auditees that achieved clean audits managed only 3% of the provincial expenditure budget. This illustrates the need for MECs, accounting officers and accounting authorities to strengthen clean governance to create significant and sustainable improvements.

The audit outcomes of service delivery departments remained the same due to accounting officers' persistent neglect of performance reporting and compliance with legislation.

#### **Financial reporting**

The number of unqualified audit opinions on the financial statements improved to 12 (75%). However, if auditees had not made corrections based on our audit, the financial statements of only eight (50%) would have been unqualified.

Most of the material misstatements in the financial statements submitted for auditing related to amounts owed to auditees (receivables), capital assets and cash-flow statements, due to auditees not institutionalising internal controls and accountability mechanisms to support reliable financial reporting. The four auditees (25%) that received qualified audit opinions could not make the corrections we had identified, mainly due to poor record-keeping processes and inadequate institutional capabilities.

For example, the health department experienced significant control weaknesses in its capital asset management, as it could not appropriately assess the existence, condition and/or completeness of assets. As a result, the department could not determine which assets should be maintained or written off and

what new equipment was required. This made it difficult for the department to deliver quality healthcare services to communities. Similarly, the Free State Development Corporation had challenges with the billing of revenue and the collection of outstanding debt due to the non-submission of adequate records in support of these items. This resulted in severe financial pressure on the entity, which could not make payments to its suppliers as required, significantly hindering the province's economic growth.

The lack of accounting disciplines and regular in-year reporting resulted in unreliable reporting and weakened decision-making and transparency.

## Performance reporting

We reported material findings on the performance reports of four auditees (29%). Auditees that submitted good-quality performance reports for auditing regressed from three (21%) to one (7%). The main material findings on the performance reports were reported achievements that were not reliable at four departments (29%) and missing indicators to measure performance on mandated functions at two departments (14%). Auditees increasingly relied on the audit process to publish good-quality performance reports.

Neither accounting officers and authorities nor senior management addressed weaknesses in record-keeping, reconciling and reporting controls, which undermined the transparency and accountability of service delivery achievements. In turn, this negatively affected proper financial planning and the execution of service delivery imperatives in the province.

## Compliance with key legislation

Auditees with material findings on compliance with key legislation decreased from 14 (88%) to 13 (81%). The most common areas of non-compliance related to the prevention of unauthorised, irregular, and fruitless and wasteful expenditure at 10 auditees (63%); consequence management at nine auditees (56%); the quality of financial statements at eight auditees (50%); strategic planning and performance management at eight auditees (50%); and expenditure management at six auditees (38%).

Persistent material non-compliance reflects a disregard for regulatory requirements and significant deficiencies in internal controls. It could also point to potential financial mismanagement. The premier, legislature and MECs should, therefore, employ a strict leadership tone that advocates for accountability and adherence to the rule of law.

## Unqualified audit opinions with findings

Five (56%) of the auditees with unqualified audit opinions with findings have been in this category for more than two years. Four auditees (44%) only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings. The weaknesses in the control environments of auditees in this outcome category also affected performance reporting and compliance. Four (57%) of the seven departments had material findings on their performance reports, while all auditees had material findings on compliance. These auditees were responsible for R353,31 million (37%) of the provincial irregular expenditure.

Accounting officers and authorities continued to be complacent with their current audit outcomes, paying little attention to their control environments. The persistent non-compliance with legislation undermines accountability, hinders improvement in the province's overall audit outcomes and contributes to departments struggling to realise value for money on projects under construction, which delays service delivery.

## Financial management

The expenditure budget of the province was R46,17 billion. The education; health; community safety, roads and transport; human settlements; and public works and infrastructure departments were responsible for 84% of the budget. Included in this provincial budget is R8,54 billion in conditional grants from national government.

The education department was responsible for most (91%) of the unauthorised expenditure (R785,50 million). The health, public works and infrastructure, and education departments were responsible for R3,01 billion (97%) of the total deficit. The late payment of suppliers and other creditors was most prevalent at the Free State Development Corporation, public works and infrastructure department and Central Medical Trading Entity, which took an average of 2 634, 315 and 152 days, respectively, to make payments. The claims paid by the health department due to medical negligence and malpractice totalled R23,56 million. The further estimated value of claims at year-end totalled R5,24 billion – an increase of R322,61 million from the previous year. Most (57%) of the fruitless and wasteful expenditure (R115,55 million) was due to interest and penalties on late payments to suppliers at 10 auditees. As a result of the increasing unauthorised expenditure balance (from R2,59 billion to R3,46 billion) and bank overdrafts (from R1,78 billion to R2,21 billion), the province is likely facing a financial crisis.

The severe financial difficulties of key service delivery departments had a detrimental effect on their ability to deliver basic services to citizens. Of great concern is the legislature's lack of progress in dealing with the previous year's significant unauthorised expenditure balance. We also notified the accounting officer of the human settlements department of an MI because of financial loss, as low-cost housing units were not safeguarded, resulting in theft and vandalism. The funds that have been spent on developing this asset are likely lost and the department would be required to spend more funds to bring the asset to a usable condition. This has delayed the delivery of affordable community residential units to the intended households, which continue to live in poor conditions.

The Free State Development Corporation has disclosed going concern uncertainties for eight years. The chief executive officer and chief financial officer were suspended for prolonged periods during the year. This resulted in a lack of strategic direction, which hindered the entity's implementation of our recommendations to address poor financial performance and its ability to fulfil its mandate effectively.

## Information systems management

The province's overall IT environment was characterised by user access weaknesses, inadequate disaster recovery processes and security control vulnerabilities. At the health department, outdated systems were used that lacked the necessary access and security functions. Although multiple IT projects are underway to transform healthcare delivery, the objectives of these projects could be jeopardised because of critical planning deficiencies. These include incomplete scope documentation, insufficient budget allocations and weak oversight from stakeholders, such as the internal audit unit. We could also not confirm that the department's IT steering committee was functional.

Accounting officers and authorities lacked urgency in providing adequate strategic oversight and did not take responsibility to address the weak IT control environment, as reflected in the overall reduction in the province's IT expenditure. This could result in significant disruptions to auditee operations, unreliable financial information and data losses.

## Infrastructure management

The province received conditional grants to fund infrastructure projects for education (R1,06 billion), health (R694,35 million), human settlements (R758,03 million) and community safety, roads and transport (R2,07 billion).

We identified weaknesses in all four of the projects that we audited relating to the construction and upgrading of healthcare facilities. The public works and infrastructure department was the implementing agent for all four projects. The four projects were delayed by approximately six years, on average, mainly because of the health department's poor payment practices, inadequate project designs and the implementing agent's ineffective project management. Medical equipment used for cancer identification and treatment was not fully utilised because the health department could not attract the specialised skills required to operate the equipment. These project weaknesses put further pressure on the health department's financial sustainability and delayed the provision of key healthcare services to communities.

We again identified shortcomings in the maintenance of infrastructure at the education, health, and public works and infrastructure departments. At the education department, for example, this led to acceptable building safety standards not being met. The continued infrastructure deficiencies crippled the province's ability to deliver essential services to communities and required additional funding that could have been used to improve people's lives.

## Procurement and contract management

The procurement and contract management processes of 14 auditees (88%) did not comply with legislation. The non-compliance was reported as material at five auditees (31%). The most common findings related to uncompetitive and unfair procurement processes at 14 auditees (88%) and poor contract management at seven auditees (44%). Continued weaknesses in procurement and contract management processes, such as contractors that were not adequately monitored, resulted in delayed projects, quality issues and increased project completion costs.

The non-compliance identified in existing contracts from prior years accounted for R628,91 million (67%) of the R942,57 million in irregular expenditure incurred. The non-compliance with procurement and contract management legislation and resultant irregular expenditure were most prevalent at the community safety, roads and transport (R521,64 million); education (R142,38 million); and human settlements (R118,47 million) departments and the premier's office (R41,23 million). The extent of non-compliance and the value of the irregular expenditure could be higher, as an estimated R790,47 million in irregular expenditure is under assessment at the human settlements department.

MECs, accounting officers, accounting authorities and senior management continued to allow poor procurement processes to persist without implementing consequences. This illustrates that they did not prioritise compliance with supply chain management legislation. The ongoing inadequate procurement practices put the quality of spending at risk. It is imperative that immediate action be taken to rectify this situation to ensure that resources are used effectively and efficiently.

## Consequence management

We reported material non-compliance with consequence management legislation at nine auditees (56%). The most common findings in this area involved auditees not investigating irregular and/or fruitless and wasteful expenditure. Nine auditees (56%) did not investigate irregular expenditure and eight auditees (50%) failed to do so for fruitless and wasteful expenditure. The reason for delays in investigations was that accounting officers and an accounting authority have not strengthened the consequence management process by promptly performing investigations. Prolonged investigations make it difficult for accounting officers and authorities to institute consequences against those who fail to comply with legislation, while the absence of investigations leads to persistent non-compliance. Therefore, there is an urgent need to rectify this situation.

The closing balance of irregular expenditure was R16,23 billion, that of unauthorised expenditure was R2,59 billion and that of fruitless and wasteful expenditure was R983,06 million. A culture that lacks consequences and accountability continues to prevail across the province.

## Material irregularities

In general, accounting officers and authorities are slow to respond to the MI process. Most of the delays were encountered where there was instability at accounting officer or authority level. The appropriate actions taken to resolve MIs have prevented losses of R37,90 million, strengthened internal controls and initiated the recovery of losses of R83,68 million.

Where accounting officers agreed with the MIs, they took action to address the matters. For example, the accounting officer of the economic, small business development, tourism and environmental affairs department implemented internal controls to monitor the use of transfer payments by beneficiaries and recover funds not used in accordance with transfer payment agreements, thereby resolving the MI within 12 months of being notified.

Where the MIs were not dealt with swiftly or with the required seriousness, we referred them to public bodies for further investigation and/or took remedial action to ensure that matters would be addressed. As the previous accounting officer of the human settlements department did not implement our remedial action to resolve three MIs relating to payments to contractors that were not in line with the contract, we notified all relevant stakeholders that we are considering issuing certificates of debt to the previous accounting officer.

We briefed the audit committees, MECs, premier and legislature on the MIs issued to enable them to monitor the progress of the actions being taken by accounting officers and an accounting authority, as well as to render assistance where necessary.

## Conclusion and call to action

Provincial leadership fully implemented some of the previous year's commitments, as reflected by the improvement in the credibility of published financial and performance reports. However, most commitments have only been partially implemented as institutional capability has not been prioritised to promote accountability and shift the culture. The premier, legislature and MECs must proactively foster a culture in which performance, accountability, transparency and institutional integrity become the norm, ensuring that accounting officers and authorities instinctively respond when non-compliance occurs.

Based on the insights obtained through our audits, we made the following recommendations:

- The premier should capacitate the performance monitoring and evaluation unit to enhance oversight of the achievement of service delivery targets, including advancing timeous and quality services to communities.
- MECs should take decisive action against accounting officers and authorities that do not implement consequence management against officials that disregard legislation.
- The legislature, with support from the provincial treasury, should intervene to stabilise financial health by implementing and monitoring the execution of prudent financial disciplines.
- The provincial treasury should amplify efforts to empower accounting officers and authorities in delivering transformative and lasting improvements in governance and ensure that widespread clean audit outcomes are achieved throughout the province.

All roleplayers in the accountability ecosystem need to effectively fulfil their roles to drive a culture of performance, accountability, transparency and institutional integrity that will improve performance and service delivery to the people of the Free State.

# 7.3 Gauteng

## Audit outcomes and movement from previous year

2023-24	12	10	0	1	0	0	Movement from previous year and related budget
2024-25	13	8	1	0	1	0	

- Improved** Roads and Transport; Gauteng Enterprise Propeller; Gauteng Partnership Fund
- Unchanged** (years in outcome category) Community Safety (2 years); Cooperative Governance and Traditional Affairs (7 or more years); Economic Development (3 years); e-Government (4 years); Office of the Premier (7 or more years); Provincial Legislature (6 years); Provincial Treasury (7 or more years); Gauteng Growth and Development Agency (5 years); Gautrain Management Agency (7 or more years); Supplier Park Development Company (5 years); Agriculture and Rural Development (4 years); Health (7 or more years); Human Settlements (3 years); Infrastructure Development (7 or more years); Social Development (7 years); Gauteng Medical Supplies Depot (7 or more years)
- Regressed** Education; g-Fleet Management; Sport, Arts, Culture and Recreation; Gauteng Housing Fund

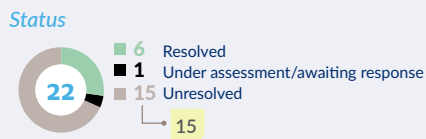


## Financial health

<b>Overspending of budgets</b> <ul style="list-style-type: none"> <li>Unauthorised expenditure: R0m (0 departments) ▼</li> <li>Irregular expenditure - budget overspending: R0m (0 public entities) ▼</li> </ul>	<b>Fruitless and wasteful expenditure:</b> R50,11m (10 auditees) ▼ <b>Average creditor-payment days:</b> 40 days ▼ <b>Deficit:</b> R5,04bn (5 auditees) ▼	<b>Unpaid claims:</b> R13,36bn (13 auditees) ▶ <b>Public entities with going concern uncertainty (years in position)</b> <ul style="list-style-type: none"> <li>None</li> </ul>
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Movement from previous year: ▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Slight regression ▼ Regression

## Material irregularities



- Nature**
- 16 Material financial loss (R673m)
  - 3 Material misuse of material public resources
  - 3 Substantial harm to public sector institution

Appropriate action taken



### *Strengthen institutional capability for sustainable improvements in audit outcomes and service delivery*

Last year, we reported an improvement in audit outcomes over the term of the 6<sup>th</sup> administration but highlighted that it was essential to strengthen institutional capability for sustainable service delivery and consistent compliance with legislation. In response to our report and recommendations, the premier committed to prioritise the finalisation of incomplete and delayed infrastructure projects through the infrastructure workstream, while the speaker agreed to strengthen the monitoring of house resolutions and the quarterly oversight processes over both departments and local government.

The MECs for health, education, infrastructure, human settlements, and roads and transport committed to various targeted actions to improve financial and performance reporting, compliance with legislation, coordination and infrastructure delivery.

### **Audit outcomes**

The overall audit outcomes of Gauteng regressed in the first year of the new administration.

The regression at the education department was due to control weaknesses in its procurement and performance reporting processes, while the regressions at the sports, arts, culture and recreation department and g-Fleet Management were due to control deficiencies in financial reporting. We highlighted the lack of institutionalised disciplines, processes and systems capability at these auditees in prior years, and the risks have now materialised. Senior management's failure to implement audit action plans timeously contributed to the regression.

The roads and transport department improved to a clean audit due to stable and effective leadership that diligently focused on monitoring the implementation of audit recommendations and embedding good internal control disciplines. The improvement in the audit outcomes of the Gauteng Partnership Fund and Gauteng Enterprise Propeller was due to financial statement review support by the provincial treasury and the monitoring of audit action plans by audit committees and internal audit units, among others.

The 13 auditees that achieved clean audits managed only 13% of the provincial expenditure budget. Ten auditees retained their clean audit status from the previous year. These auditees had institutionalised internal controls and good financial and performance reporting practices.

### **Financial reporting**

The Gauteng Housing Fund regressed to a disclaimed audit opinion due to lapses in records management and financial review disciplines. The lack of transparency on the financial performance of the fund, i.e., not

providing information for audit, weakens oversight and accountability processes and undermines public trust. This situation weakens the fund's ability to address the housing and property maintenance needs of affected communities – particularly residents of hostels and flats – which should be a concern for the province's executive and oversight structures.

The number of unqualified audit opinions on the financial statements decreased from 22 (96%) to 21 (91%). If auditees had not made corrections based on our findings, the financial statements of only 17 (74%) would have been unqualified. Most material misstatements in the financial statements submitted for auditing (which related to expenditure, assets and disclosures) were due to poor preparation and review before submission for auditing. The sports, arts, culture and recreation department received a qualified audit opinion as it could not make corrections due to an incomplete asset register, inadequate reconciliation disciplines and lack of accounting skills, which emanated from a lack of succession planning.

Overall, financial reporting weaknesses in the province are due to audit action plans not implemented in time and inadequate in-year financial reporting disciplines. The poor quality of the financial statements submitted for auditing is an indicator that the in-year financial reports and the schedules and registers used for financial management are not credible. This has an impact on monitoring and decision-making by the auditee and stakeholders that rely on the financial information.

### Performance reporting

We reported material findings on the performance reports of six auditees (27%). None of the six (27%) reported reliably on their achievements, while the reported information of two (9%) was also not useful.

Auditees that submitted good-quality performance reports for auditing decreased from 15 (65%) to 13 (57%). Auditees struggled to ensure that the achievements reported were reliable and supported by evidence. This was due to ineffective in-year reporting and inadequate assurance processes for quarterly and year-end reporting.

Unreliable performance reporting negatively impacts the achievement of targets and objectives. It also creates a disparity between the budget spent and the actual achievement of targets. It further weakens the ability of accounting officers and authorities as well as MECs to assess performance and act timeously. At the same time, it hinders the accountability processes of the legislature and the public at large. Improved assurance by internal audit units and audit committees, supported by accounting officers, accounting authorities and senior management, is required to address the lack of credible performance reporting.

### Compliance with key legislation

We reported material findings on compliance with key legislation at 10 auditees (43%) that looked after 87% of the provincial expenditure budget. The most common areas of non-compliance were the prevention of irregular and/or fruitless and wasteful expenditure at eight auditees (35%), the quality of submitted financial statements at six auditees (26%), expenditure management at five auditees (22%) and procurement and contract management at four auditees (17%).

The continued high levels of non-compliance requires a strong leadership tone and posture on taking the rule of law seriously, which is key to improving the province's audit outcomes and performance. The nature and impact of procurement-related non-compliance and irregular expenditure are expanded on further in this overview.

### Unqualified audit opinions with findings

Six of the eight auditees with unqualified audit opinions with findings have been in this category for more than two years. Four auditees only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings. These auditees have a false sense of achievement and continue to rely on the audit process to publish good-quality financial statements. As they are not strengthening the basic financial reporting disciplines, it poses a risk of regression in the audit outcomes. This is despite the province having sufficient financial reporting skills.

The weaknesses in the auditees' control environments also affected performance reporting and compliance. Five auditees (63%) had material findings on their performance reports and eight (100%) had material findings on compliance. These auditees were responsible for R3,89 billion (91%) of the provincial irregular expenditure.

These auditees are unlikely to improve their audit outcomes and performance if they do not address the culture of complacency and the weaknesses in institutional capability and integrity. Such outcomes should not be celebrated – the premier, MECs and legislature should urge and support auditees to improve their outcomes to a clean audit and shift their focus to improving service delivery.

## Financial management

The expenditure budget of the province was R177,03 billion – 74% of which was managed by the health and education departments. The province also received R28,36 billion in conditional grants from national government.

The health and education departments and the Gautrain Management Agency were responsible for 99% (R5,01 billion) of the total deficit. The late payment of suppliers and other creditors was most prevalent at the health department, which took an average of 123 days to make payments. Most (62%) of the fruitless and wasteful expenditure was due to interest, penalties, litigation and claims at the health and infrastructure development departments. The late payment of suppliers has an adverse impact on government's socioeconomic objectives, such as empowering small businesses.

The claims paid by the health department due to medical negligence and malpractice totalled R428,76 million. The further estimated value of claims at year-end totalled R6,7 billion – a decrease of R5,6 billion from the previous year. This notable reduction was due to an initiative undertaken by the health department, supported by the Special Investigating Unit, to find and fix errors and duplications in medical claim records to eradicate possible fraudulent claims.

As medical claims represent potential payment obligations, they continue to pose a sustainability threat to the province's overall financial health – especially considering the existing financial pressure caused by the province's assumption of e-toll debt.

## Information systems management

The province continues to invest in digital infrastructure to modernise public services. However, prolonged vacancies in key positions, outdated systems and staff shortages weakened governance oversight and delayed strategic decision-making. This, in turn, led to poor planning of IT infrastructure requirements and overreliance on service providers, with minimal oversight and no succession planning. Challenges in obtaining access to buildings and communities significantly hindered the e-government department's rollout of the Gauteng provincial network of free Wi-Fi and broadband access, and delayed e-strategy initiatives at the health and education departments.

Outdated systems, combined with weak control environments, pose cybersecurity risks and may lead to data or financial losses and unauthorised access to sensitive information.

## Infrastructure and grant management

The province received conditional grants to fund infrastructure projects for education (R2,30 billion), health (R1,14 billion), human settlements (R3,66 billion) and roads and transport (R1,27 billion).

We identified weaknesses in 10 (91%) of the 11 projects that we audited. The projects were related to infrastructure for the health, human settlements, roads and transport, education and infrastructure development departments, with the latter being the implementing agent on four of the projects.

Key findings included delays in the completion of projects, interest on late payments, the miscalculation of standing-time settlement amounts and contracts that were not terminated timeously despite severe delays

and poor performance. This was mainly because some contractors were appointed through compromised procurement processes and then did not have the capacity or cash flow to conduct projects from start to finish within the agreed timelines and at the required quality. Other challenges included materials not being delivered on time and management not ensuring that contractors repaired quality issues during the liability period. This diluted the progress that the province had already made in tracking and fast-tracking incomplete and delayed projects by promising initiatives such as the infrastructure workstream of the premier's office.

Our findings on housing projects included completion delays and a developer's contract having to be terminated due to liquidation. At Montrose Mega City, a mixed housing development of the Reconstruction and Development Programme, all the walk-up units (flats) that had reached a completion rate of 95% by March 2024, were vandalised due to the contractor not securing the site. Some portions of the structures subsequently collapsed. This resulted in the completion date being revised and the intended beneficiaries of the units having to wait longer for adequate housing. These weaknesses were due to inadequate project management to identify early warning signs and ensure proactive and timeous responses.

We again identified shortcomings in the maintenance of infrastructure at the health, education and infrastructure development departments. The latter department did not conduct regular condition assessments of all buildings to proactively identify maintenance requirements and perform timeous repairs. This exposed the infrastructure to the risk of dilapidation and not being suitable for service delivery. Hospitals were also not assessed to identify and schedule routine maintenance needs. For example, water damage to a nurse's residence at Helen Joseph Hospital was not detected and corrected timeously. This resulted in the residence being unusable and the displacement compromising the nurses' safety and availability to work. This directly affected the quality and delivery of basic healthcare services.

## Procurement and contract management

The procurement and contract management processes of 10 auditees (43%) did not comply with legislation. The non-compliance was reported as material at four auditees (17%). The most common findings were uncompetitive/unfair procurement processes and inadequate contract management due to ineffective consequence management to deal with officials who failed to adhere to procurement monitoring controls. This culture of non-compliance in supply chain management has an adverse impact on the province's already stretched fiscus, as it results in potential financial leakages such as higher-than-average market rates due to month-to-month contracts and higher prices being paid due to not following a procurement process.

Non-compliance with legislation on procurement and contract management caused all the year's irregular expenditure of R5,19 billion. The irregular expenditure incurred decreased slightly from R7,91 billion in the previous year and represented 3% of the provincial expenditure budget.

The extent of irregular expenditure incurred could be higher, given the surge of auditees that disagreed with our compliance findings and opted to lodge a dispute with the provincial treasury, which resulted in the irregular expenditure not being disclosed amounting to R11,74 billion. The auditees that lodged disputes included the health; education; community safety; social development; human settlements; and sports, arts, culture and recreation departments.

The non-compliance with procurement and contract management legislation and resultant irregular expenditure were most prevalent at the health; education; and sports, arts, culture and recreation departments. Deficiencies in supply chain management practices continue to affect the quality of spending and expose auditees to potential legal claims by bidders because of gaps in the procurement processes.

## Consequence management

We reported material non-compliance with legislation on consequence management at the agriculture and rural development, health and social development departments. Irregular expenditure and fruitless and wasteful expenditure identified in prior years were not investigated to determine if anyone was liable for the expenditure. This is even more troubling considering that the closing balance of irregular expenditure was R50,16 billion, while that of fruitless and wasteful expenditure totalled R762,51 million.

Where investigations were conducted, disciplinary proceedings were not instituted for confirmed cases of fraud or misconduct, and effective and appropriate steps were not taken against officials who had made and/or permitted the expenditure.

Ineffective consequence management processes delay the recovery of losses from liable officials and encourage a continuing culture of not being held accountable for non-compliance or poor performance. It also poses financial governance risks.

## Material irregularities

The MIs in the province were due to non-compliance with legislation and have resulted in an estimated financial loss of R672,87 million. In general, accounting officers are responding positively to the MI process. Action taken to resolve the MIs helped to strengthen accountability, ensured the effective use of material public resources and led to losses of R443,6 million being prevented and R11,2 million being recovered. Examples of the non-financial impact in response to our MIs are that 16 out of 20 wards at the 500-bed ICU facility at Chris Hani Baragwanath Hospital have been put in use and that the construction of the Sebokeng Driver's Licence Testing Centre has resumed.

The committees in the legislature are taking a keen interest in the actions that accounting officers are taking to address the MIs. The Standing Committee on Public Accounts requested detail on MIs in the province for the committee to track the actions taken and deal with delays.

The premier is advocating for accounting officers to prevent MIs by considering the existing MIs and implementing action plans to avoid repeating the irregularities. MECs track these action plans and support the resolution of MIs, which contribute to MIs being appropriately addressed and attention being paid to improve the overall control environment and prevent similar irregularities.

## Conclusion and call to action

Overall, transparency and institutional integrity should continue to receive attention based on the high levels of non-compliance and the excessive irregular expenditure still being incurred. These weaknesses indicate that accountability, governance and oversight need to be strengthened further. Performance and responsiveness to our recommendations are not yet at an optimal level. For example, persistent weaknesses in infrastructure and performance reporting processes demonstrate that some root causes remain unaddressed. The regression in audit outcomes shows that provincial leadership's targeted actions have also not yet yielded the desired results.

The premier is urged to continue to closely monitor the infrastructure workstream to further unblock infrastructure and service delivery challenges based on real-time infrastructure data for impact. The speaker should consider exercising oversight of specific key infrastructure projects to enhance service delivery.

The MEC for health should continue to oversee the review and update of the department's organisational structure to allow for better budget planning and the appointment of an adequate mix of staff. The MEC should also monitor the timely implementation of action plans to ensure quality in-year and year-end reporting on financial and performance reporting and that instances of non-compliance with legislation are dealt with. The MEC for education should ensure improved coordination between the infrastructure development and education departments on infrastructure projects.

Noting the regression in audit outcomes, strengthening institutional capability through the effective collaboration of all roleplayers in the accountability ecosystem will be essential for sustainable improvement in audit outcomes and service delivery.

# 7.4

## KwaZulu-Natal

### Audit outcomes and movement from previous year

2023-24	8	9	2	0	0	0	Movement from previous year and related budget
2024-25	7	7	2	0	0	3	

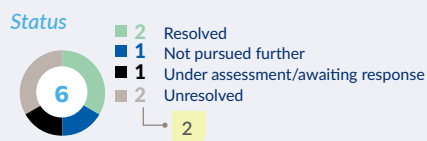
<b>Improved</b>	Agriculture and Rural Development
<b>Unchanged</b> (years in outcome category)	Economic Development, Environmental Affairs and Tourism (5 years); Provincial Treasury (7 or more years); Office of the Premier (4 years); Provincial Legislature (5 years); Dube TradePort Corporation (7 or more years); KZN Housing Fund (7 or more years); Community Safety and Liaison (2 years); Sport, Arts and Culture (3 years); Human Settlements (3 years); Public Works (6 years); Social Development (6 years); Transport (2 years); Education (2 years)
<b>Regressed</b>	Cooperative Governance and Traditional Affairs; Health
<b>Outstanding</b> (reason)	Last available outcome: Ithala Development Finance Corporation (delays encountered during audit process); Ithala Limited (late submission of financial statements); KwaZulu-Natal Nature Conservation Board (non-submission of financial statements)



### Financial health

<b>Overspending of budgets</b>	<b>Fruitless and wasteful expenditure:</b>	<b>Unpaid claims:</b>
<ul style="list-style-type: none"> <li>Unauthorised expenditure: R532,82m (3 departments) ▲</li> <li>Irregular expenditure - budget overspending: R0m (0 public entities) ▶</li> </ul>	<ul style="list-style-type: none"> <li>R15,97m (10 auditees) ▼</li> <li>Average creditor-payment days: 34 days ▶</li> <li>Deficit: R9,12bn (10 auditees) ▼</li> </ul>	<ul style="list-style-type: none"> <li>R14,96bn (13 auditees) ▼</li> <li>Public entities with going concern uncertainty (years in position) ▶ <ul style="list-style-type: none"> <li>None</li> </ul> </li> </ul>
Movement from previous year	▲ Improvement    ▶ Slight improvement    ▶ Unchanged    ▼ Slight regression    ▼ Regression	

### Material irregularities



- Nature**
- 5 Material financial loss (R14m)
  - 1 Substantial harm to general public

■ Appropriate action taken



### *Discipline the spend. Fix the basics. Improve service delivery in KwaZulu-Natal.*

Last year, we reported an improvement in audit outcomes over the term of the 6<sup>th</sup> administration but cautioned that the province should act with urgency to address financial viability issues and improve accountability and service delivery. In response to our report and recommendations, the previous speaker of the legislature, premier and MEC for finance committed to address weak cash-flow management, strengthen accountability and improve service delivery.

#### **Audit outcomes**

The first year of the new administration saw a net regression in audit outcomes. While the agriculture and rural development department improved to a clean audit, its 100%-owned public entity, Agri-business Development Agency Trust, received a qualified opinion and an MI. This undermines the value of the progress made in the agriculture portfolio and raises concerns about governance and oversight of provincial public entities. The health department regressed due to its inability to build internal capacity, poor knowledge transfer from consultants to officials, ineffective asset management and poor monitoring of compliance controls. The cooperative governance and traditional affairs department lost its clean audit status due to poor cash-flow management linked to inadequate coordination of the budgeting and expenditure scheduling processes.

The seven auditees with clean audits managed only 6% of the total budget. Although clean audits continue to be sustained by most of these auditees, this small group alone cannot anchor accountability in the province.

The Nature Conservation Board did not submit financial statements due to a cyberattack. The entity's financial system was rendered inaccessible due to ransomware encryption, but data recovery efforts are actively underway. The audits of Ithala SOC Limited and Ithala Development Finance Corporation had not been finalised due to pending matters affecting the continued operational existence of Ithala SOC Limited. These audits are expected to be finalised during March 2026.

Accounting officers, internal auditors and audit committees need to deliberately and regularly spend time to sustainably improve critical internal control breakdowns and prioritise the implementation of audit recommendations. Risk identification, assessment and evaluation need to be robust and thorough to address cash-flow issues and follow-through on the alignment of spending to service delivery achievements, especially at the education and health departments that are the primary providers of essential services. Quarterly progress reports by the chair of the provincial audit committee to MECs can aid in improving oversight, assurance, accountability and consequence management.

#### **Financial reporting**

The number of unqualified audit opinions on the financial statements regressed slightly to 14 (88%). If auditees had not made corrections based on our findings, the financial statements of only 10 (63%) would have been unqualified.

Most of the material misstatements in the financial statements submitted for auditing related to disclosure notes for irregular expenditure.

The health department was unable to address material misstatements due to inadequate record-keeping for irregular expenditure and a weak asset management review and reconciliation process. The department continued to struggle with skills shortages, having chosen not to utilise the consultants previously used to implement financial controls over irregular expenditure and asset management, which led to ineffective internal monitoring of key controls. The asset qualification highlights the department's historic inability to consistently implement effective internal controls and record-keeping practices. This is not only a financial reporting weakness but a broader management and leadership failure that requires stronger accountability from both the accounting officer and the executive authority.

The education department again had uncorrected misstatements on irregular expenditure because of financial oversight weaknesses. Supply chain management checklists to prevent and detect irregular expenditure were not fully functional across all district offices.

Misstatements continue to exist as accounting officers concentrate on correcting misstatements without addressing the systemic root causes of vacancies and non-adherence to standard operating policies and procedures. This raises concerns regarding the credibility of financial reporting as important financial decisions are being made based on unreliable financial information.

### Performance reporting

The credibility of performance reporting in the province continued to decline. We reported material findings on the performance reports of five auditees (33%). Poor-quality submissions undermine the principles of good governance, transparency and accountability, as unreliable information distorts the true picture of government performance.

The main material finding on performance reporting was that reported achievements were not reliable at four auditees (27%). In addition, the education and human settlements departments omitted key performance indicators from their approved performance plans. This was because their accounting officers did not ensure that monitoring systems were in place to collect, verify, analyse and report on all the required performance information. As a result, these departments' performance plans were not aligned to the Medium-Term Development Plan, meaning that progress towards key government priorities could not be measured effectively.

### Compliance with key legislation

Non-compliance with legislation remains a pervasive weakness across the province, with nine auditees (56%) receiving material findings on compliance. The most common areas of non-compliance were expenditure management, where eight auditees (50%) failed to pay creditors within 30 days, as well as consequence management at six auditees (38%). Weak expenditure management led to the late payment of service providers, causing delays and, in some cases, unpaid contractors abandoning critical infrastructure projects, particularly those of the transport department. These delays directly affect citizens, who experience deteriorating road conditions and slower delivery of road infrastructure.

The continued absence of effective consequence management allows the disregard for legislation to persist. When officials who disregard the law or fail to enforce controls are not held accountable, non-compliance becomes entrenched. Reversing this trend requires the province to treat compliance with key legislation as a non-negotiable pillar of good governance.

### Unqualified audit opinions with findings

Six (86%) of the seven auditees with unqualified audit opinions with findings have been in this category for two or more years, signalling continuing stagnation and entrenched weak governance practices rather than a trajectory of improvement. Critically, two (29%) of the six auditees only obtained an unqualified audit opinion

because they corrected the misstatements in response to our audit findings – and not because of sound internal controls.

Unqualified audit opinions with findings must not be misinterpreted as strong performance. These auditees continue to lack the fundamental elements of good governance, including mature internal controls, reliable performance planning and management, and consistent compliance with legislation.

Weaknesses at auditees in this category are not confined to audit outcomes but have direct implications for service delivery. For example, three (50%) of the six auditees had material findings on their performance reports and all six (100%) had material findings on compliance. Collectively, these auditees were responsible for R1,98 billion (43%) of the reported irregular expenditure in the province. Over time, this group of auditees has shown signs of complacency, with audit outcomes remaining static and insufficient focus on addressing the root causes of repeat findings.

## Financial management

The expenditure budget of the province was R155,99 billion – 83% of which was managed by the education, health and transport departments. In addition, the province received R25,40 billion in conditional grants from national government. Despite these allocations, the province continues to experience growing fiscal pressure.

The escalating financial difficulties are a direct result of persistent weaknesses in budget management, inadequate expenditure monitoring and failure to enforce fiscal discipline. These weaknesses have led to increasing deficits, growing accruals and mounting fiscal pressure that threaten the province's ability to sustain service delivery. An indicator of this strain is reflected in the education department, which was responsible for R521,30 million (98%) of the unauthorised expenditure. The health and education departments jointly accounted for R7,93 billion (87%) of the total deficit. The education department not only faced serious cash-flow issues but also misused public funds by paying hostel allowances to ineligible employees. These funds could have supported service delivery, and we notified the accounting officer of an MI.

The late payment of suppliers and other creditors was most prevalent at the health and transport departments, which took an average of 67 days to make payments – a clear sign of poor cash-flow management. These delays resulted in interest charges from suppliers and contributed to fruitless and wasteful expenditure. Most (58%) of the fruitless and wasteful expenditure arose from penalties and interest on overdue payments, with the health department being the main contributor. The claims paid by the health department for medical negligence and malpractice totalled R130,78 million. The further estimated value of claims at year-end totalled R2,77 billion – a reduction of R541,9 million from the previous year. These liabilities pose a significant risk and further threaten the department's financial stability. Further evidence of the financial strain is the estimated amount relating to accruals for goods and services at year-end (expenses incurred but not yet paid and awaiting supplier invoices) that increased from R6,21 billion to R7,93 billion.

Beyond the numbers, these fiscal pressures reflect a strained environment that directly compromises the province's ability to meet service delivery needs, deepens inequality as evident from the persistent procurement and contract management weaknesses, and diminishes public confidence in the provincial administration.

## Information systems management

The province's IT audit outcomes regressed due to deficiencies in IT governance, ineffective project delivery, outdated infrastructure and inadequate cybersecurity practices. Instability in the chief information officer position, recurring cybersecurity vulnerabilities, non-compliance with critical IT controls and limited information and communication technology (ICT) investments have collectively hindered the province's ability to leverage technology as a strategic enabler of institutional performance and service delivery. For example, at the health department, the absence of a suitably qualified, permanent chief information officer and lack of an IT governance framework affected the digitisation of patient records and only 51% of the ICT strategy projects were delivered.

Despite these challenges, the premier is spearheading a province-wide digitisation drive, supported by initiatives such as a digital and innovation hub, cybersecurity framework, broadband rollout and e-systems.

The provincial treasury is complementing these initiatives with a digital supply chain management system and a financial data analysis centre to improve procurement and financial oversight.

ICT must be elevated from a back-office support function to a strategic enabler to realise its full value and improve public service efficiency.

## Infrastructure management

The province received conditional grants to fund infrastructure projects for transport (R4,58 billion), human settlements (R2,87 billion), education (R2,53 billion) and health (R1,46 billion).

Our audits of 16 infrastructure projects, which included schools, hospitals, roads, bridges and housing, revealed poor workmanship and repeat findings on quality defects, non-functional and unsafe facilities as well as project delays. This resulted from a lack of consequence management for officials and contractors as well as poor coordination between departments, municipalities and implementing agents.

The health department's failure to appropriately consider and respond to the staffing requirements of Dr Pixley ka Isaka Seme Memorial Hospital, resulted in nine fully equipped mother and child units not being used since their completion and handover in 2022. Three of the transport department's projects relating to roads and bridges showed poor workmanship and delays, and the department paid little attention to addressing prior-year findings. At the human settlements department, projects were delayed due to poor coordination with municipalities.

We again identified shortcomings in the maintenance of infrastructure at the education, health, transport and public works departments. During a follow-up audit at Adams Mission Depot Community SOS Centre, which falls under the public works department, we found staff occupying a severely deteriorated building due to poor maintenance, posing health and safety risks. Staff members were later removed from the building due to the unsafe working conditions. The lack of effective project planning, monitoring and cost control, combined with inadequate risk management of vital infrastructure, continued to hinder the required maintenance and undermined the quality of services rendered to the public.

## Procurement and contract management

The procurement and contract management processes of 12 auditees (75%) did not comply with legislation. This non-compliance was reported as material at three auditees (19%). Persistent findings relating to expired contracts and deviations from competitive bidding and quotation processes were due to the use of outdated policies and critical vacancies in supply chain management units.

Non-compliance with legislation on procurement and contract management was the reason for R4,13 billion (89%) of the R4,62 billion in irregular expenditure incurred. The extent of non-compliance and the value of the irregular expenditure could be higher as not all the relevant amounts were disclosed by the health and education departments. The non-compliance with procurement and contract management legislation and resultant irregular expenditure were most prevalent at the health and transport departments.

Non-compliance with supply chain management controls reflects weaknesses in oversight and accountability, particularly within the health and transport departments. The continued failure to address the underlying causes of supply chain management non-compliance has fostered a culture of impunity and poor financial discipline, which undermines public trust in how funds are managed.

## Consequence management

We reported material non-compliance with consequence management legislation at the health; transport; education; social development; community safety and liaison; and sport, arts and culture departments. Accounting officers often failed to investigate unauthorised, irregular, and fruitless and wasteful expenditure or financial misconduct and no action was taken against those who transgressed. For example, officials in the transport department were not consistently disciplined, resulting in repeat findings on infrastructure management and compliance. This, in turn, delayed road projects and inflated costs.

The closing balance of irregular expenditure was R68,56 billion, while that of fruitless and wasteful expenditure was R89,70 million and that of unauthorised expenditure was R3,11 billion. These closing balances remained high as amounts requested to be condoned by the provincial treasury lacked supporting documentation.

The lack of effective consequence management has created an environment in which officials are not deterred from continuing with wrongdoing, weakening institutional integrity and eroding public confidence in government's commitment to ethical governance.

## Material irregularities

In general, accounting officers and authorities are responding positively to the MI process. Through the MI process, actions taken by accounting officers have resulted in the recovery of financial losses. For example, the cooperative governance and traditional affairs department has recovered R1,42 million in losses from 120 izinduna (headmen).

The education department is currently addressing two MIs. One relates to learners that were not receiving meals under the National School Nutrition Programme; the department has since opted to appoint multiple service providers instead of one to prevent further harm to learners. The other MI relates to hostel allowances being paid to ineligible employees and the department has started with salary deductions. Appropriate action is being taken to address these MIs.

## Conclusion and call to action

The provincial administration has embraced the need for a culture shift and is acting on audit insights and recommendations, but broad behavioural transformation is yet to be realised. Progress is inconsistent, with only a few departments showing some improvement, while those responsible for a significant portion of the provincial budget and most of the critical services continue to face systemic issues. These include weak internal controls, unreliable reporting, inadequate infrastructure delivery, poor oversight of public entities and ineffective consequence management. These persistent weaknesses hinder the province's ability to achieve clean governance and deliver quality services to its people.

Our call to action sets out a clear path forward. The province needs to move beyond isolated improvements and embed a culture of performance, accountability, transparency and institutional integrity across all departments. This foundation for clean administration must now be deepened and accelerated. This means rooting out poor practices, enforcing accountability and ensuring that every rand spent delivers real value to the people of KwaZulu-Natal.

Leadership commitments from the previous speaker, premier and MEC for finance had signalled a strong intention to improve governance and accountability, but the gap between intention and execution remains wide. While frameworks and plans have been introduced, poor enforcement and inconsistent follow-up limit their impact, resulting in persistent poor audit outcomes.

Based on the insights obtained through our audits, we recommend the following to the premier, MECs and legislature:

- The premier must ensure that audit action plans are not only tracked but also integrated into executive performance contracts.
- MECs must lead from the front by stabilising their departments, enforcing controls, taking ownership of digital transformation agendas and ensuring that IT is a strategic enabler within their departments.
- The provincial treasury must enforce budget discipline, strengthen procurement oversight and embed financial risk management into departmental infrastructure planning cycles.
- The legislature, through its portfolio committees, must elevate its oversight role by using our findings to drive focused, time-bound accountability.

We call on all roleplayers in the accountability ecosystem to take coordinated and urgent action to effectively address poor cash-flow management, infrastructure failures and unreliable reporting. This will restore public confidence and ensure that provincial resources deliver tangible value to the public.

# 7.5 Limpopo

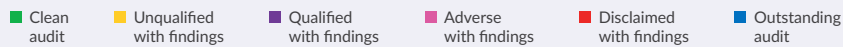
## Audit outcomes and movement from previous year

2023-24	6	8	5	0	0	0	Movement from previous year and related budget
2024-25	6	10	3	0	0	0	6 ▲ (R51,57bn) 4 ▼ (R4,16bn)

**Improved** Economic Development, Environment and Tourism; Transport and Community Safety; Education; Public Works, Roads and Infrastructure; Social Development; Corridor Mining Resources

**Unchanged** (years in outcome category) Office of the Premier (2 years); Provincial Treasury (2 years); Sport, Arts and Culture (2 years); Limpopo Tourism Agency (2 years); Agriculture and Rural Development (7 or more years); Cooperative Governance, Human Settlements and Traditional Affairs (7 or more years); Health (2 years); Gateway Airport Authority (2 years); Limpopo Economic Development Agency (2 years)

**Regressed** Provincial Legislature; Limpopo Gambling Board; Great North Transport; Roads Agency Limpopo



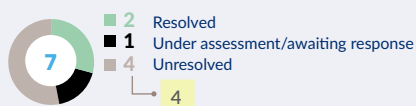
## Financial health

<b>Overspending of budgets</b> <ul style="list-style-type: none"> <li>Unauthorised expenditure: R0m (0 departments) ▶</li> <li>Irregular expenditure – budget overspending: R0m (0 public entities) ▶</li> </ul>	<b>Fruitless and wasteful expenditure:</b> R54,07m (16 auditees) ▼ <b>Average creditor-payment days:</b> 130 days ▲ <b>Deficit:</b> R2,01bn (9 auditees) ▼	<b>Unpaid claims:</b> R13,05bn (10 auditees) ▼ <b>Public entities with going concern uncertainty (years in position)</b> ▶ <ul style="list-style-type: none"> <li>Corridor Mining Resources (9 years)</li> <li>Great North Transport (8 years)</li> </ul>
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Movement from previous year: ▲ Improvement, ▲ Slight improvement, ▶ Unchanged, ▼ Slight regression, ▼ Regression

## Material irregularities

### Status



### Nature

7 Material financial loss (R54m)

Appropriate action taken



### *Promote transparency and prioritise economic development for citizens*

Last year, we reported an improvement in audit outcomes over the term of the 6<sup>th</sup> administration but that it had not translated into improved service delivery due to significantly delayed key projects. In response to our report and recommendations, the leadership of the previous administration committed to intervene in unfinished projects, deal with MIs and prevent financial losses.

#### **Audit outcomes**

The improved audit outcomes were mostly due to enhanced reviews of financial statements and performance reports before submission for auditing by accounting officers, chief financial officers, internal audit units and audit committees. At the education department, an interim audit was conducted on prior-year modification areas. This contributed positively to the improvements at the department. The outcomes mark a positive shift towards greater transparency in financial reporting, especially because the department is responsible for a significant portion (46%) of the provincial expenditure budget.

The importance of stability in key positions cannot be overemphasised, as the regressions at Roads Agency Limpopo and the legislature were due to instability in key positions and changes in key management personnel, respectively. The quality of the financial statements at these institutions was poor due to inadequate reviews owing to the instability.

The six auditees that achieved clean audits were responsible for only 6% of the provincial expenditure budget. Four of these auditees sustained their clean audits. Two auditees lost their clean audit status, which indicates inconsistent implementation of financial reporting controls.

We concluded that auditees in Limpopo demonstrated progress by improving outcomes in the first year of the new administration. The improvements at the education; public works, roads and infrastructure; and transport departments are more significant to the province than the regressions at other auditees. However, the sustainability of the improved outcomes is threatened by system weaknesses in compliance monitoring, inadequate reporting systems, an absence of operating procedures and reliance on audits for credibility.

#### **Financial reporting**

The number of unqualified audit opinions on the financial statements improved to 16 (84%). Had auditees not made corrections based on our findings, the financial statements of only 10 (53%) would have been unqualified. Most of the material misstatements in the financial statements submitted for auditing related to the improper accounting of revenue; contingent liabilities and commitments; and property, plant and equipment.

Three auditees that received qualified audit opinions could not make corrections due to incomplete supporting documents and inadequate system reconciliations. Weak or ineffective internal controls relating

to regular and accurate financial reporting continued to be prevalent. This resulted in overreliance on the audit process and limited transparency.

When auditees fail to produce credible financial statements, it erodes institutional integrity by undermining transparency, accountability and public trust. This ultimately weakens governance and hinders the monitoring processes of oversight structures. Poor reporting also leads to the misallocation of resources, loss of investor confidence and financial instability.

## Performance reporting

We reported material findings on the performance reports of 10 auditees (53%). Auditees that submitted good-quality performance reports for auditing improved from five (26%) to seven (37%). The main material findings on performance reporting were inaccuracies between reported performance and supporting documentation at eight auditees (80%). The education department also excluded key service delivery targets from its performance plan.

When accounting officers report on achievements based on incomplete or unsupported information, this distorts the true state of service delivery, leading to misinformed decisions, weakened oversight and poor governance. This compromises transparency, erodes public trust and hampers the auditees' ability to effectively and equitably plan and deliver essential services.

## Compliance with key legislation

Auditees with material findings on compliance with key legislation remained at 13 (68%). The most common areas of non-compliance were the poor-quality of submitted financial statements at nine auditees (47%), shortcomings in strategic planning and performance management at eight auditees (42%) and procurement and contract management weaknesses at seven auditees (37%).

The unacceptable practice of continued non-compliance with key legislation by accounting officers demonstrates a disregard for the regulatory framework that governs the operations and strategic affairs of auditees. This results in weakened accountability and compromised service delivery.

## Unqualified audit opinions with findings

Two (20%) of the 10 auditees with unqualified audit opinions with findings have been in this category for more than two years. Six auditees (60%) only obtained an unqualified audit opinion with findings because misstatements were corrected in response to our audit findings. The weaknesses in the auditees' control environments also affected performance reporting – seven (70%) had material findings on their performance reports. All 10 auditees (100%) had material findings on compliance and were collectively responsible for R4,17 billion (70%) of the provincial irregular expenditure.

The reliance on the audit process to obtain an unqualified opinion with findings indicates that sound financial and performance disciplines were not consistently applied throughout the year. This undermined the credibility of financial and performance reporting.

An unqualified opinion with findings is not an ideal outcome and auditees should strive for sustainable clean administration by addressing systemic weaknesses.

## Financial management

The expenditure budget of the province was R87,55 billion – 74% of which was managed by the education and health departments.

Nine auditees (47%) reported deficits, with Roads Agency Limpopo contributing to almost half (49,80%) of the total deficit. The late payment of suppliers and other creditors was most prevalent at Corridor Mining Resources and the Limpopo Economic Development Agency, which took an average of 1 139 and 447 days,

respectively, to make payments. This was due to the financial difficulties experienced by these entities. Most (81%) of the fruitless and wasteful expenditure was due to interest and penalties at Great North Transport and the Limpopo Economic Development Agency and avoidable legal fees at Roads Agency Limpopo.

The claims paid by the health department due to medical negligence totalled R18,77 million. The further estimated value of claims at year-end totalled R12,29 billion – an increase of R2,09 billion from the previous year. The department was responsible for over 95% of the total claims payable at year-end.

The Limpopo Economic Development Agency and its entities are supposed to contribute to the economic development of the province. However, their financial difficulties hamper economic growth prospects. Great North Transport and Corridor Mining Resources have disclosed going concern uncertainties for the past eight and nine years, respectively. Great North Transport is struggling to operate and may require another financial injection from the provincial government to continue its operations, while the operating costs of Corridor Mining Resources are carried by the Limpopo Economic Development Agency as the parent entity.

Great North Transport set a target to provide transport to eight million passengers but managed to transport only just over five million people. The Limpopo Economic Development Agency's target to spend R30 million to support small and medium enterprises was not achieved as only R3,09 million was disbursed. The poor financial health and underperformance of these entities have a dire impact on the lives of the most vulnerable people in the province.

## Information systems management

The overall status of the IT environment remained concerning at most departments. The province was operating on a 35% ICT vacancy rate. Auditees continued to use outdated systems, which compounded the risk of cybersecurity incidents and inadequate cybersecurity governance practices. This was caused by the absence of a dedicated governance committee and permanent cybersecurity leadership structure to oversee and drive the approval and implementation of the provincial cybersecurity strategy.

ICT disaster recovery plans were inadequate, which increased the likelihood of systems being unavailable for extended periods in the event of a disaster. During 2024-25, the premier's office assessed the ICT infrastructure across all departments and has allocated R20 million to improve this infrastructure.

A weak information systems environment hampers operational efficiency and monitoring as well as increases security risks and the likelihood of data breaches.

## Infrastructure management

The province received conditional grants to fund infrastructure projects for roads and transport (R1,96 billion), education (R1,32 billion), human settlements (R1,09 billion) and health (R601,32 million).

We identified findings on all four construction projects that we audited, for which the public works, roads and infrastructure department was the implementing agent. Projects experienced delays and cost overruns because of inadequate planning, ineffective action plans and insufficient verification processes of supporting documents prior to payment.

We revisited the Maphutha Malatje Hospital project, which experienced delays of more than four years. The public works, roads and infrastructure department implemented our prior-year recommendations and the project was subsequently completed in December 2024. We notified the accounting officer of two MIs relating to this project in 2025 because of the incorrect payment of extension-of-time fees totalling R14,61 million and payments made for remedial work amounting to R8,99 million.

We identified shortcomings in the maintenance of infrastructure at several departments, including the education; health; and public works, roads and infrastructure departments. We observed severely dilapidated infrastructure at Mahlolwaneng, Mahwetse, Mathume and Shigalo schools. Learners continued to be taught in classrooms that lacked basic structural elements such as windows, doors and roofs, with

some facilities using shacks and carports as classrooms. These conditions pose serious risks to learner safety and undermine learners' dignity and quality of education.

While grant funding is nearly always fully spent, project implementation continues to be delayed. This contributes to considerable irregularities, wastage as well as fruitless and wasteful expenditure, with communities experiencing delayed access to critical services.

## Procurement and contract management

The procurement and contract management processes of 14 auditees (74%) did not comply with legislation. The non-compliance was reported as material at seven auditees (37%). The non-compliance related to goods and services that were not always procured at reasonable prices and deviations from procurement processes without valid justification, among others.

Non-compliance with legislation on procurement and contract management was the reason for R5,96 billion (99,86%) of the total irregular expenditure incurred. The non-compliance with procurement and contract management legislation and resultant irregular expenditure were most prevalent at the education; cooperative governance, human settlements and traditional affairs; and public works, roads and infrastructure departments and at Roads Agency Limpopo.

The continued increase in irregular expenditure indicates a disregard for procurement and contract management legislation and a tolerance for non-adherence to laws and regulations. Irregular expenditure undermines the value-for-money principle by compromising procurement integrity. In turn, this jeopardises the efficiency, effectiveness and sustainability of public spending in the context of a constrained fiscal environment.

## Consequence management

We reported material non-compliance with legislation on consequence management at Corridor Mining Resources, Great North Transport, the Limpopo Economic Development Agency and Roads Agency Limpopo. The closing balance of irregular expenditure was R11,96 billion, while that of fruitless and wasteful expenditure was R335,05 million. Accounting authorities did not investigate the prior-year balances of irregular or fruitless and wasteful expenditure to adequately deal with them. This delays corrective action and accountability processes against transgressors.

## Material irregularities

In general, accounting officers and authorities are responding positively to the MI process. The resolution of the MI at Great North Transport has been slowed down by the adverse financial health of the entity in implementing planned actions relating to procuring new buses. All the MIs that we have identified relate to non-compliance with legislation, which resulted in an estimated financial loss of R53,55 million.

Accounting officers and authorities improved controls relating to most of the MIs. For example, the MI at the education department for failure to withhold income tax on leave gratuities paid to employees upon retirement was resolved in 2024-25. The accounting officer improved internal controls, resulting in the system using the correct allowance code to tax remuneration payments in line with the South African Revenue Service directive.

Taking appropriate action on MIs reflects a willingness and commitment to implement consequences by accounting officers and authorities. It demonstrates accountability and responsiveness to strengthen governance and restore public confidence.

## Conclusion and call to action

To build a resilient and accountable public sector, institutions must embed transparency at every level of governance and align their strategic efforts with the aspirations of citizens. By upholding legislative compliance, ensuring credible reporting and directing resources towards inclusive economic development, auditees can restore public trust and drive meaningful progress that provides for the true needs of the communities they serve.

We call on the premier and the MECs for treasury and for economic development and tourism to prioritise stability in key leadership positions and financial sustainability at the entities mandated to promote economic growth in the province.

The MEC for treasury should oversee the finalisation of the audit improvement strategy and test its effectiveness through audit committee assurance. The affected MECs should implement the strategy to improve the quality of financial and performance reporting, ensure compliance with legislation and enable clean administration.

MECs should insist on written confirmations that audit committees, through the internal audit units, have reviewed and provided assurance on the credibility of the information contained in key reports submitted to them and on which they base their decisions and actions.

The MEC for public works, roads and infrastructure must ensure that the department prioritises infrastructure maintenance and has an adequate budget for such maintenance. MECs of user departments should collaborate and support the provincial infrastructure maintenance plan.

MECs should continue to improve the control environment of their institutions to curb irregularities and sustain institutional integrity through heightened audit committee assurance. They should insist on the achievement of key service delivery targets in performance plans to promote transparency and prioritise economic development for the people of the province.

To restore clean administration at the legislature, the speaker should prioritise stabilising leadership, support the secretary to institutionalise preventative controls, implement root-cause-based audit action plans and strengthen governance structures to ensure consistent accountability and credible reporting.

The speaker of the legislature must ensure that, during oversight sessions, the portfolio committee prioritises actions planned to curb non-compliance, achieve 80% of key service delivery targets, and follow up on corrective action where deviations are noted.

# 7.6 Mpumalanga

## Audit outcomes and movement from previous year

2023-24	4	10	2	0	0	0	Movement from previous year and related budget
2024-25	4	7	6	0	0	0	

Improved Office of the Premier

Unchanged (years in outcome category) Cooperative Governance and Traditional Affairs (7 or more years); Provincial Legislature (6 years); Provincial Treasury (3 years); Economic Development and Tourism (7 or more years); Health (6 years); Human Settlement (2 years); Public Works, Roads and Transport (7 years); Mpumalanga Economic Growth Agency (4 years); Community Safety, Security and Liaison (7 or more years); Mpumalanga Regional Training Trust (4 years)

Regressed Mpumalanga Tourism and Parks Agency; Culture, Sport and Recreation; Agriculture, Rural Development, Land and Environmental Affairs; Education; Social Development

New auditee Mpumalanga Nkomazi Special Economic Zone



## Financial health

### Overspending of budgets

- Unauthorised expenditure: R0m (0 departments) ▲
- Irregular expenditure – budget overspending: R51,56m (2 public entities) ▼

Fruitless and wasteful expenditure: R215,02m (11 auditees) ▼

Average creditor-payment days: 52 days ▲

Deficit: R1,31bn (8 auditees) ▼

Unpaid claims: R8,77bn (9 auditees) ▼

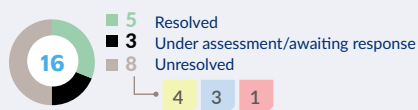
Public entities with going concern uncertainty (years in position) ►

- Mpumalanga Tourism and Parks Agency (1 year)
- Mpumalanga Regional Training Trust (4 years)

Movement from previous year ▲ Improvement ► Slight improvement ► Unchanged ▼ Slight regression ▼ Regression

## Material irregularities

### Status



### Nature

- 13 Material financial loss (R262m)
- 2 Material misuse of material public resources
- 1 Substantial harm to public sector institution

■ Appropriate action taken ■ Appropriate action not taken – decision on invoking our powers in process ■ Remedial action



### *Persistent control weaknesses and lack of capability hinder effective service delivery*

Last year, we reported improved audit outcomes over the term of the 6<sup>th</sup> administration but emphasised the urgent need for effective oversight and strengthened institutional capacity to improve service delivery. In response to our report and recommendations, the previous premier committed to monitor departmental performance, address project management issues and fill critical vacancies. The previous speaker committed to strengthen legislative oversight of service delivery departments by overseeing the timely implementation of committee recommendations, while the portfolio committees of the legislature committed to increase their oversight visits of infrastructure projects.

### **Audit outcomes**

The education department, which accounted for 41% of the provincial budget, regressed due to staff being reshuffled, which disrupted operations and weakened financial controls. The weak control environment enabled the processing of alleged fraudulent housing allowance transactions. The accounting officer conducted an investigation and is currently implementing corrective action. The outcome of the premier's office improved with the appointment of a permanent chief financial officer and the implementation of a proactive approach by leadership to address control weaknesses.

Although the four auditees that achieved clean audits managed only 4% of the provincial expenditure budget, they play an important coordinating role. These auditees are now well positioned to provide effective oversight and drive accountability in performance and spending. These auditees are characterised by disciplined governance and institutionalised controls. They are also reinforcing a zero-tolerance approach to non-compliance and fostering a culture of accountability.

We concluded that the overall audit outcomes of Mpumalanga regressed during the first year of the new administration, mainly due to vacancies and a lack of skills in finance units. Senior managers failed to implement basic daily and monthly financial reporting controls, reflecting a broader lack of monitoring and supervision. The efforts by the legislature, premier's office and provincial treasury did not have the desired impact as they did not fully implement prior-year commitments.

### **Financial reporting**

The number of unqualified audit opinions on the financial statements regressed to 11 (65%). If auditees had not made corrections based on our findings, the financial statements of only seven (41%) would have been unqualified.

Most of the material misstatements in the financial statements submitted for auditing related to the failure to account for all irregular expenditure as well as other incomplete disclosures. The six auditees (35%) that received qualified audit opinions could not implement the required corrections due to inadequate

accounting records and a lack of financial management skills. This was further compounded by vacant chief financial officer positions at two of the auditees.

Vacancies in senior manager and chief financial officer positions hindered the implementation of basic financial reporting controls. In addition, the work of internal auditors and audit committees was not effective in improving controls as senior management failed to implement their recommendations. Inaccurate in-year and year-end financial information impairs the quality of decisions made regarding budgeting and the allocation of resources by management and the provincial treasury. In turn, this has a negative impact on financial management across the province. Furthermore, oversight structures and the public are unable to effectively hold accounting officers and authorities accountable on how they had used allocated resources.

## Performance reporting

We reported material findings on the performance reports of six auditees (35%). Auditees that submitted good-quality performance reports for auditing increased from six (38%) to seven (41%). The key material findings were on a lack of, or contradictory, evidence to support reported performance at five auditees (29%), three of which were key service delivery departments. Two auditees (12%) also inaccurately reported on their performance.

Inadequate reviews of performance reports by senior managers, accounting officers and accounting authorities led to the publication of unreliable information. This undermined the oversight by portfolio committees and the premier's office, which depend on credible in-year and year-end performance information to assess progress and hold accounting officers and authorities accountable for poor performance. This resultant lack of accountability also contributed to limited improvements in institutional performance and unfulfilled service delivery needs, such as delayed housing projects, inadequate healthcare facilities and poor maintenance of public infrastructure. These failures directly affect the lived experiences of the people of the province, leaving communities without safe housing, access to essential services and opportunities for socioeconomic development.

## Compliance with key legislation

Accounting officers and authorities have failed to establish effective compliance monitoring, resulting in material findings on compliance with key legislation at 13 auditees (76%). The most common areas of non-compliance were failures to submit good-quality financial statements at 10 auditees (59%), prevent irregular expenditure at six auditees (35%) and investigate prior-year irregular expenditure at five auditees (29%).

Continued non-compliance with key legislation by accounting officers and authorities perpetuates a culture of impunity, undermining institutional integrity and obstructing progress towards clean administration.

## Unqualified audit opinions with findings

Four (57%) of the seven auditees with unqualified audit opinions with findings have been in this category for more than two years. Four auditees (57%) only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings. The weaknesses in the auditees' control environments also affected performance reporting and compliance. Two (29%) had material findings on their performance reports and seven (100%) had material findings on compliance. These seven auditees were responsible for R1,15 billion (73%) of the provincial irregular expenditure.

Auditees should not be satisfied with staying in this audit outcome category as there is a risk of regression (as was the case at some of the auditees in 2024-25). Controls over performance reporting and compliance with legislation remain weak, resulting in inadequate service delivery. Accounting officers and authorities, together with internal audit units and audit committees, must broaden their focus beyond financial statements to actively drive improvements in performance management and compliance. This will ensure that all aspects of credible and accountable reporting are prioritised. Coupled with good governance processes, this should move auditees in this outcome category towards clean administration.

## Financial management

The expenditure budget of the province was R64,35 billion – more than 80% of which was managed by the key service delivery departments of education; health; human settlements; and public works, roads and transport. These departments also received R9,32 billion in conditional grants from national government.

The education and human settlements departments were responsible for most (76%) of the total deficit. The late payment of suppliers and other creditors was most prevalent at Mpumalanga Regional Training Trust and Mpumalanga Tourism and Parks Agency, which took an average of 246 days and 102 days, respectively, to make payments. Claims paid by the health department due to medical negligence, malpractice or other reasons totalled R25,09 million. The further estimated value of claims at year-end totalled R6,65 billion – an increase of R139,94 million from the previous year. There was also a 32% increase in unpaid claims over the same period.

Mpumalanga Regional Training Trust and Mpumalanga Tourism and Parks Agency disclosed going concern uncertainties. These revenue-generating entities continued to struggle with negative financial indicators, including debt management, due to poor revenue collection strategies. For example, Mpumalanga Regional Training Trust deemed 72% of billed revenue as uncollectable. This has diminished its self-sufficiency and contributions to the provincial fiscus. Oversight structures must enforce robust revenue recovery strategies and hold leadership accountable to restore financial sustainability and ensure continued service delivery.

With a growing population and tight fiscal purse, more citizens are relying on public services. This makes it essential for accounting officers and authorities to drive greater efficiency and effectiveness in how resources are allocated and spent.

## Information systems management

The status of IT controls at seven departments (54%) was either concerning or required immediate intervention. Key findings included a lack of cybersecurity controls and delays in the implementation of IT systems to enable service delivery. The weak IT environments were due to accounting officers not adequately overseeing the state of IT controls and vacancies in critical positions.

The absence of effective IT controls creates environments that are susceptible to unauthorised activities, which compromise the integrity of data and systems, thereby hindering the ability to deliver services efficiently. As the custodian of ICT services and digital platforms in the province, the provincial treasury should source cybersecurity skills to strengthen departments' IT environment.

## Infrastructure and grant management

The province received conditional grants to fund infrastructure projects for public works, roads and transport (R1,67 billion), education (R1,31 billion), human settlements (R1,17 billion) and health (R0,46 billion).

We identified weaknesses at 16 (94%) of the 17 infrastructure projects that we audited across the education; health; human settlements; and public works, roads and transport departments. The latter department, which served as the primary agent for infrastructure procurement and implementation at nine of these projects, faced significant project management challenges and relied heavily on consultants due to limited internal capacity.

Cost escalations were driven by time extensions and significant project delays, including instances where suppliers abandoned sites due to non-payment. Additionally, suppliers were overpaid on a road construction project and the Mkhondo Boarding School project was initiated without a sufficient budget, resulting in further cost increases and delays while waiting for the allocation of funds. We notified the accounting officer of the public works, roads and transport department of MIs on both matters.

Some auditees prioritised new projects over existing ones, leaving projects incomplete, while others began projects without adequate funding – causing delays, inefficiencies and rising costs. For example, as part of the Emzini housing development, the human settlements department commenced with new projects while others were still in progress, with minimal budget allocated to expedite the completion of these long-outstanding projects. This fragmented approach to project planning, combined with a lack of accountability for underperforming contractors, significantly hindered the delivery of the planned number of completed houses for the year.

These issues point to systemic failures in skills development, accountability, planning and oversight. Ultimately, these failures drive delays, inefficiencies and escalating costs that compromise service delivery. Addressing these issues will require strengthened internal capacity, disciplined financial management and robust monitoring mechanisms to ensure the timely and efficient delivery of infrastructure objectives.

## Procurement and contract management

The procurement and contract management processes of 13 auditees (76%) did not comply with legislation. The non-compliance was reported as material at seven auditees (41%). Awards were made to incorrect suppliers, leading to some suppliers being unfairly disadvantaged; and goods were procured at inflated prices, resulting in financial leakages.

Non-compliance with procurement and contract management legislation was the reason for R1,49 billion (95%) of the R1,57 billion in irregular expenditure incurred. The public works, roads and transport department remains at the centre of supply chain management weaknesses in the province, contributing R570,09 million (36%) to the province's R1,57 billion in irregular expenditure. Poor coordination and planning between the department and other user departments have led to unjustifiable deviations from procurement processes.

The extent of non-compliance and the value of the irregular expenditure could be higher due to the underreporting of irregular expenditure at the culture, sport and recreation department and Mpumalanga Regional Training Trust. There is an estimated R320,10 million that is still being reviewed by accounting officers to determine if it will result in irregular expenditure at five auditees (29%).

Control weaknesses in procurement and contract management persist, leaving public funds vulnerable to abuse. The MECs should hold accounting officers responsible for implementing controls that will prevent non-compliance and safeguard public funds.

## Consequence management

We reported material non-compliance with consequence management legislation at six auditees (35%). The most common findings included prior-year irregular expenditure not being investigated and the determination process for irregular expenditure under assessment not being finalised timely. Accounting officers did not display urgency to improve controls to investigate the irregular expenditure incurred or to prevent further instances as they were not held accountable for this by the MECs.

The closing balance of irregular expenditure was R10,26 billion, while that of fruitless and wasteful expenditure was R268,17 million and that of unauthorised expenditure was R1,04 billion. These balances remained high due to a lack of timely investigations.

The continued lack of accountability and consequences has derailed the improvement of controls and fostered a culture in which non-compliance is tolerated.

## Material irregularities

In general, accounting officers and authorities are slow to respond to the MI process. Their responses are not always sufficiently backed by supporting information, thereby causing delays in the process. While

five (31%) of the 16 MIs assessed by 31 August 2025 have been resolved, most took longer than 18 months to get to this stage.

Despite these challenges, the MI process has contributed to notable improvements in the control environment of seven auditees in the areas where MIs had been raised. These improvements include the strengthening of controls in the institutionalisation of regular revenue reconciliations at the community, safety, security and liaison department; strengthened internal controls over commitments and the retention register at the public works, roads and transport department; and improved use of previously underused resources at the health department. We are encouraged that oversight structures are playing a role in supporting the resolution of MIs by engaging with departments and monitoring their progress.

## Conclusion and call to action

Auditees have been slow to move towards a culture of good governance and service delivery. At most auditees, the control environment remains poor, leading to repeated non-compliance with legislation, poor financial viability, a lack of credible financial statements and performance reports, and delayed infrastructure projects. Furthermore, key service delivery departments are still struggling to meet critical performance targets relating to the basic needs of the people of the province. The culture of poor performance has left the public without adequate healthcare and housing, while some learners attend classes in overcrowded classrooms.

While we acknowledge the progress made – such as the premier signing performance agreements with MECs and the enforcement of consequences for poor leadership performance – these efforts must be part of a broader, systemic shift. Most of the prior-year commitments by the premier, legislature and MECs are still in progress, resulting in a lack of tangible improvement in institutional performance and service delivery. Despite their efforts and initiatives to enhance accountability, the legislature, premier and treasury proved ineffective in providing oversight and enforcing accountability among accounting officers, especially at the key service delivery departments.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs and legislature:

**Strengthen internal capacity:** The premier and executive authorities must urgently fill key vacancies at departments and public entities with skilled, competent individuals to strengthen institutional capability.

**Track performance rigorously:** The premier should hold MECs accountable through quarterly one-on-one performance reviews aligned with their commitments to shift their respective departments and entities towards doing good. Executive authorities should supervise and monitor accounting officers and require quarterly reporting on the performance of departments and entities. They should also take decisive action when progress stalls.

**Strengthen internal controls and enforce accountability:** Executive authorities and oversight bodies must monitor internal control implementation quarterly, enforce corrective action for non-compliance and apply consequence management to ensure accountability.

**Play effective oversight role:** The legislature should strengthen oversight of the performance of departments and entities quarterly by implementing a formal system to track resolutions and enforce accountability when resolutions are not implemented or delays lack valid justification.

All roleplayers in the accountability ecosystem should take their individual roles seriously and work together to implement our recommendations. These actions will build stronger control environments and embed a culture of performance, accountability, transparency and institutional integrity, ultimately leading to improved audit outcomes and meaningful service delivery to the people of Mpumalanga.

# 7.7 Northern Cape

## Audit outcomes and movement from previous year

2023-24	6	3	3	0	0	0	Movement from previous year and related budget
2024-25	6	3	2	0	0	1	1 ▲ (R2,15bn) 0 ▼

**Improved** Roads and Public Works

**Unchanged** (years in outcome category) Economic Development and Tourism (3 years); Office of the Premier (7 or more years); Provincial Legislature (3 years); Provincial Treasury (7 or more years); Social Development (6 years); Sport, Arts and Culture (2 years); Cooperative Governance, Human Settlements and Traditional Affairs (7 or more years); Education (6 years); Agriculture, Environmental Affairs, Rural Development and Land Reform (4 years); Health (7 or more years)

**Outstanding** (reason) Last available outcome: Transport; Safety and Liaison (non-submission of financial statements)



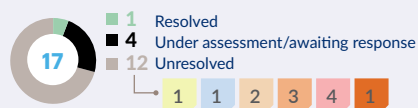
## Financial health

<b>Overpending of budgets</b> <ul style="list-style-type: none"> <li>Unauthorised expenditure: R278,20m (2 departments) ▼</li> <li>Irregular expenditure – budget overspending: R0m (0 public entities) ▶</li> </ul>	<b>Fruitless and wasteful expenditure:</b> R11,46m (6 auditees) ▲	<b>Unpaid claims:</b> R0,91bn (9 auditees) ▼
	<b>Average creditor-payment days:</b> 48 days ▼	<b>Public entities with going concern uncertainty (years in position)</b> ▶
	<b>Deficit:</b> R2,60bn (6 auditees) ▼	<ul style="list-style-type: none"> <li>None</li> </ul>

Movement from previous year ▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Slight regression ▼ Regression

## Material irregularities

### Status



### Nature

13	Material financial loss (R123m)
2	Material misuse of material public resources
1	Substantial harm to general public
1	Substantial harm to public sector institution

Appropriate action taken (yellow), Appropriate action not taken – decision on invoking our powers in process (light blue), Recommendation (orange), Referral (red), Remedial action (pink), Remedial action and referral (dark red)



### *Strengthen accountability and enhance service delivery through improved oversight, consequence management and institutional capability*

Last year, we reported an improvement in audit outcomes over the term of the 6<sup>th</sup> administration but cautioned administrative leadership and oversight structures to continue strengthening accountability through consequence management to effect real change in service delivery. In response to our report and recommendations, the commitments from the premier and speaker included developing an infrastructure management tool, monitoring the implementation of audit action plans, strengthening performance monitoring, filling critical vacancies (especially those relating to finances and service delivery to ensure tangible improvement in service delivery) and ensuring that special attention is given to the MIs included in audit reports.

#### **Audit outcomes**

The single improvement was at the roads and public works department, where the acting chief financial officer introduced an improved framework to address the accounting deficiency related to contingent liabilities. The two qualified departments, which represent 33% of the provincial budget, should implement the good practices driving this positive outcome. The agriculture, environmental affairs, rural development and land reform department remained qualified, mainly due to internal controls not being implemented for record-keeping and monitoring. The lack of basic controls was also evident in the department's performance reporting, which impacted service delivery relating to farmer support.

The six departments that achieved clean audits managed only 13% of the provincial expenditure budget. These clean audits are likely to be sustainable, demonstrating institutionalised controls and a culture of monitoring and review of financial and performance information.

The transport, safety and liaison department has not submitted financial statements due to not being allowed into their office building. Despite an MI notification issued in June 2025, the financial statements remain unavailable for auditing.

#### **Financial reporting**

The number of auditees with unqualified audit opinions on the financial statements improved to nine (82%). Had auditees not made corrections based on our findings, the financial statements of only eight (73%) would have been unqualified. The roads and public works department could not make the corrections due to institutional capacity challenges.

The financial statements submitted for auditing by the health department and the agriculture, environmental affairs, rural development and land reform department contained material misstatements, including in

property, infrastructure and equipment; irregular expenditure; and contingent liabilities. The departments received qualified audit opinions as they could not correct the misstatements due to a lack of basic financial disciplines and action plans throughout the year. They were characterised by leadership instability, numerous non-compliance issues and poor record-keeping, resulting in the required information not always being available for audit purposes. This also affected service delivery, with leadership instability at the health department contributing to the lack of progress on the ideal clinic and hospital status. This had an impact on the quality of healthcare services received by patients in the province.

## Performance reporting

We reported material findings on the performance reports of three auditees (27%). Auditees that submitted good-quality performance reports for auditing regressed from six (55%) to five (45%). The main material findings on the performance reports were reported achievements that were not reliable at three departments (27%) and indicators and targets that were not clearly described or could not be verified at two departments (18%). In addition, the education department did not prioritise its core functions, such as enrolling learners, providing adequate school infrastructure and monitoring the National School Nutrition Programme. By not tracking spending, schools did not have the necessary resources to carry out their mandate and learners were not provided with quality education.

Reliable performance reports are important for accountability, decision-making and transparency. Departments did not prepare reliable performance reports, as in-year reports were not reviewed and sufficient audit evidence was not retained due to poor record-keeping controls. The premier's office did not review the performance plans of departments due to capacity constraints. The 2025-26 performance plans were reviewed by the Department of Planning, Monitoring and Evaluation. However, the premier's office did not put measures in place to ensure that the provincial departments addressed the issues raised by the national department, resulting in a repeat finding.

Executive authorities, supported by internal audit units and audit committees, also did not regularly monitor progress on service delivery targets and ensure that accounting officers held senior management accountable for non-achievement. Inadequate performance monitoring contributed to declining performance outcomes and service delivery.

## Compliance with key legislation

Auditees with material findings on compliance with key legislation remained at five (45%). The most common areas of non-compliance were consequence management at five departments (45%), prevention of unauthorised, irregular and/or fruitless and wasteful expenditure at four departments (36%) and procurement and contract management at four departments (36%).

Non-compliance with legislation remains high, confirming that the tone from leadership pertaining to this area is fostering a culture of tolerance and impunity. Non-compliance with legislation again resulted in significant irregular expenditure. The current culture needs to be changed to one of accountability through oversight, monitoring and the implementation of consequences.

## Unqualified audit opinions with findings

It is not desirable for auditees to remain in this outcome category. The three departments with unqualified audit opinions with findings should improve their internal controls to enable them to move to a clean audit status.

Two (67%) of the departments have been in this category for more than two years. The roads and public works department only obtained an unqualified audit opinion by correcting misstatements in response to our audit findings. Weaknesses in the education department's control environment also affected its performance reporting and we raised material findings due to missing indicators, poor planning and inadequate record-keeping practices. All three (100%) of the departments in this outcomes category had

material compliance findings and were collectively responsible for R1,07 billion (44%) of the provincial irregular expenditure for the year.

## Financial management

The expenditure budget of the province was R21,66 billion – 82% of which was managed by the education; health; roads and public works; and cooperative governance, human settlements and traditional affairs departments. Included in the expenditure budget of the province is R5,25 billion in conditional grants received from national government.

The regression in financial management can largely be attributed to the financial difficulties of the education department, whose financial health deteriorated significantly from the previous year. The department was responsible for R276,14 million (99%) of the province's unauthorised expenditure. The department, together with the health and the roads and public works departments, accounted for R2,57 billion (99%) of the total deficit. The late payment of suppliers and other creditors was also most prevalent at these three departments. The health; roads and public works; and education departments took an average of 151, 108 and 101 days, respectively, to make payments, placing suppliers and creditors under immense cash-flow pressure.

Most (84%) of the fruitless and wasteful expenditure was due to interest and penalties incurred by the health department resulting from the late payment of suppliers. The claims paid by this department due to medical negligence and malpractice totalled R4,92 million. The further estimated value of claims at year-end totalled R755,63 million – an increase of R6,61 million from the previous year.

The education department reported a material uncertainty relating to its going concern position. The department had a bank overdraft of R556,15 million at year-end, mainly driven by continued unauthorised expenditure. The department did not have sufficient cash to cover its debt when it fell due or its normal operating expenditure (including suppliers, critical transfers to schools and salaries). If this situation continues, the department's sustainability and ability to deliver on its mandate will be at risk. Urgent intervention by the executive authority and senior management is therefore necessary to improve the department's budget, cash flow and project management.

## Information systems management

The premier's office experienced delays in implementing strategic IT initiatives, resulting in IT controls not being adequately designed and implemented. In turn, this led to security vulnerabilities, service continuity issues and outdated and unsupported operating systems. This was mostly due to funding challenges and a shortage of IT skills.

## Infrastructure management

The province received conditional grants to fund infrastructure projects for road maintenance (R1 475,84 million), education (R716,30 million), health (R437,96 million) and human settlements (R369,30 million).

We identified weaknesses in all 11 projects that we audited at the education; health; cooperative governance, human settlements and traditional affairs; and roads and public works departments. We raised findings on testing and quality control requirements that were not adhered to and delays due to poor project management, mainly caused by cash-flow problems that delayed payments and the completion of projects. Accounting officers and senior management did not set strategic goals, oversee daily operations and ensure financial sustainability, as projects were not properly planned, implemented and monitored.

The lack of quality control, coupled with project and payment delays, has significantly compromised the province's ability to provide education, health, housing and other services. Poor-quality infrastructure results in increased rectification and maintenance costs, which further contribute to financial health concerns.

## Procurement and contract management

The procurement and contract management processes of 10 auditees (91%) did not comply with legislation. The non-compliance was reported as material at four auditees (36%). Uncompetitive and unfair procurement processes were the cause of findings at eight auditees (73%), with the most common findings relating to the preference point system not being stipulated or applied at four auditees (36%) and procurement from suppliers without proper tax clearance at four auditees (36%). This lack of fairness and transparency in appointing suppliers is hindering government's socioeconomic objectives of a fair and equitable supply chain management system.

Non-compliance with procurement and contract management legislation was the reason for R2,22 billion (91%) of the R2,44 billion in irregular expenditure incurred. The extent of non-compliance and the value of the irregular expenditure could be higher, as we raised material findings on the completeness of the irregular expenditure amount disclosed by the agriculture, environmental affairs, rural development and land reform department.

The non-compliance with procurement and contract management legislation and resultant irregular expenditure were most prevalent at the health, education, and roads and public works departments. Standard operating procedures and accountability measures must be implemented to ensure that legislation is adhered to and irregular expenditure is avoided. These controls must include the implementation of consequences where needed.

## Consequence management

We reported material non-compliance with consequence management legislation at five departments. The most common finding related to disciplinary steps that were not taken against officials who had incurred unauthorised, irregular, and fruitless and wasteful expenditure, as investigations into this expenditure were not performed. This resulted in the officials responsible for such expenditure not being held accountable and the balances of this unwanted expenditure continuing to grow.

The closing balance of irregular expenditure was R24,49 billion, while that of fruitless and wasteful expenditure was R241,58 million and that of unauthorised expenditure was R1,01 billion. All three of these balances showed an increase from the previous year. This confirms that the processes to condone, write off or recover this expenditure are still not in place.

Consequence management remains a significant challenge in the province. Administrative leadership needs to prioritise investigations and subsequent actions. A lack of consequence management was also evident in how auditees responded to the MI process.

## Material irregularities

In general, accounting officers and authorities have been slow to respond to the MI process and have failed to take appropriate action in response to 11 (92%) of the 12 unresolved MIs. Typical reasons for these delays are accounting officers not responding to notifications within the stipulated period or not providing adequate support for their responses, not implementing the actions committed to in their responses, or not implementing the recommendations issued. Limited progress has also been made to recover losses: R0,05 million has been recovered and R15,85 million is in the process of recovery, but R107,45 million remains unrecovered.

The legislature needs to enhance its efforts to track the progress made in resolving MIs, hold accounting officers accountable during oversight visits when they are not responding and provide adequate support. MECs also have a role to play and need to get more involved in the process by monitoring the progress accounting officers make – not only when responding to MIs, but also when implementing

recommendations for institutionalising a strong internal control environment. The premier needs to intervene in instances where MECs are not fulfilling their role.

## Conclusion and call to action

We have seen a lack of progress in shifting the public sector culture of the province. Key service delivery departments are still failing to achieve planned targets, while many accounting officers are not investigating unauthorised, irregular, and fruitless and wasteful expenditure or addressing the persistent non-compliance issues. These challenges affect the province's ability to deliver services and the premier needs to lead a coordinated effort in response.

The premier has developed an infrastructure management plan. The premier's office and provincial treasury, assisted by internal audit units, monitored the implementation of audit action plans. The premier's office is still working on strengthening performance monitoring and filling critical finance and service delivery vacancies. The speaker is busy implementing processes to ensure special attention is given to MIs during oversight processes. However, we remain concerned about critical positions that have still not been filled and declining performance outcomes, particularly in infrastructure management, due to inadequate performance monitoring.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs and legislature:

- The premier must ensure that accounting officers are appointed to ensure stability at the education department and the agriculture, environmental affairs, rural development and land reform department, and that incumbents have the ability to address key control deficiencies. The premier must further stabilise the health department by providing oversight and driving accountability. The premier must also monitor the implementation of recommendations from the Department of Planning, Monitoring and Evaluation and ensure the swift implementation of strategic IT initiatives.
- The MEC for finance must expedite the registration of Northern Cape Fleet Management as a trading entity or the merging of the entity into the relevant department or another entity. The MEC must also ensure that departments investigate irregular and fruitless and wasteful expenditure as well as other compliance matters.
- The MEC for finance must further ensure that internal auditors enhance their risk identification processes when developing plans to ensure that these plans incorporate weaknesses in performance monitoring and reporting as well as compliance with legislation impacting service delivery matters.
- The MEC for finance must also ensure that audit committees escalate instances of accounting officers being non-responsive to the portfolio committees. The chairpersons of audit committees should attend the annual sessions of the Standing Committee on Public Accounts to provide input where necessary.
- Operation Clean Audit, led by the premier, must widen the focus of its support to cover service delivery matters.
- The legislature needs to build capacity to track the implementation of resolutions and support portfolio committees and public accounts committees.

In conclusion, there is a need to strengthen accountability through improved oversight. A culture of consequence management and improved institutional capability will set the tone for enhanced service delivery in the province.

# 7.8

## North West

### Audit outcomes and movement from previous year

Year	Clean audit	Unqualified with findings	Qualified with findings	Adverse with findings	Disclaimed with findings	Outstanding audit	Movement from previous year and related budget
2023-24	3	10	1	1	2	3	
2024-25	3	8	4	0	2	3	1 ▲ (R0,29bn) 2 ▼ (R16,65bn)

**Improved** North West Development Corporation

**Unchanged** (years in outcome category) Provincial Treasury (7 or more years); Arts, Culture, Sports and Recreation (2 years); Provincial Legislature (2 years); Social Development (6 years); Cooperative Governance and Traditional Affairs (6 years); Agriculture and Rural Development (4 years); Economic Development, Environment, Conservation and Tourism (3 years); Human Settlements (3 years); Office of the Premier (6 years); Community Safety and Transport Management (2 years); Public Works and Roads (2 years); Education (5 years); Golden Leopard Resorts (2 years); North West Parks and Tourism Board (2 years)

**Regressed** Health; Mmabana Arts, Culture and Sport Foundation

**Outstanding** (reason) Last available outcome: Atteridgeville Bus Services; North West Star; North West Transport Investments (non-submission of financial statements)



### Financial health

<b>Overspending of budgets</b>		<b>Fruitless and wasteful expenditure:</b> R24,29m (20 auditees)		<b>Unpaid claims:</b> R2,5bn (12 auditees)	
• Unauthorised expenditure: R41m (1 department) ▲		Average creditor-payment days: 74 days ▼		Public entities with going concern uncertainty (years in position) ▶	
• Irregular expenditure - budget overspending: R4m (1 public entity) ▼		Deficit: R0,85bn (9 auditees) ▲		• North West Development Corporation (6 years)	
				• North West Parks and Tourism Board (2 years)	

Movement from previous year ▲ Improvement ▲ Slight improvement ▶ Unchanged ▼ Slight regression ▼ Regression

### Material irregularities

#### Status



#### Nature

- 5 Material financial loss (R203m)
- 4 Substantial harm to general public
- 6 Substantial harm to public sector institution

■ Appropriate action taken ■ Appropriate action not taken - decision on invoking our powers in process ■ Recommendation ■ Referral ■ Remedial action ■ Remedial action and referral



### *Strengthen accountability and quality of spending to improve service delivery*

Last year, we reported an improvement in audit outcomes over the term of the 6<sup>th</sup> administration but cautioned that service delivery required robust oversight and accountability to ensure continued progress. In response to our report and recommendations, the premier committed to address the skills gap, stabilise public entities and ensure that audit outcomes lead to improved service delivery. The MEC for finance pledged continued support to departments with unqualified audit opinions with findings to help them achieve clean audits. The speaker committed to review the provincial oversight model to strengthen the tracking and implementation of house resolutions.

### **Audit outcomes**

The overall audit outcomes of North West regressed in the first year of the new administration because regular financial reporting disciplines were not implemented and monitored. The three auditees that obtained clean audits managed only 4% of the provincial budget, highlighting the limited impact of clean audits on service delivery and slow progress against the province's clean audit strategy. The health department regressed due to a weak control environment and poor financial disciplines. It relied on manual systems to record payables and accruals not recognised and did not have effective reconciliation processes for information collated from the various district offices. Weak controls, poor implementation of audit action plans and insufficient capability continue to block meaningful audit improvements and real impact for citizens.

The North West Transport Investment Group (including Atteridgeville Bus Services, North West Star and North West Transport Investments) continues to face a backlog in the submission of financial statements due to weak governance, unstable leadership and limited capacity in its finance unit. While support from the provincial treasury facilitated the submission of the 2019-20 financial statements, persistent late reporting undermines accountability and weakens oversight mechanisms, including those of portfolio committees. This erodes the ability of both oversight structures and the executive authority to make informed decisions, undermining fiscal discipline and perpetuating inefficiencies that threaten the sustainability of public transport services in the province.

### **Financial reporting**

At some entities, we were unable to audit financial statement items due to a lack of supporting information. This was because of deep-rooted governance and accountability failures that weakened institutional performance. Golden Leopard Resorts has repeatedly received disclaimed audit opinions due to poor financial reporting, weak record-keeping and the absence of effective board oversight. Ongoing leadership instability at the North West Parks and Tourism Board further exposed systemic governance deficiencies across the provincial public entities. However, the North West Development Corporation has shown some progress in accountability and financial reporting, as reflected in its improved audit outcome.

The number of unqualified audit opinions on the financial statements regressed to 11 (65%). Had auditees not made corrections based on our findings, the financial statements of only nine would have been unqualified. Most of the material misstatements related to assets, liabilities and revenue. Four auditees that received qualified audit opinions could not make the corrections due to vacancies in their finance units, the absence of proper filing systems and a lack of regular reconciliation processes. This was because of poor accountability, characterised by weak oversight, an absence of consequence management and a culture of tolerance for repeat audit findings.

The health and education departments, which collectively managed 69% of the provincial budget, continued to face systemic accountability failures that weakened oversight, stalled service delivery and eroded public trust. Capacity constraints, leadership instability and internal control weaknesses continued to compromise the reliability of in-year financial information and delayed timeous corrections.

The continued submission of poor-quality financial statements limits management's ability to make informed decisions, effectively manage assets and liabilities, and ensure the prudent use of resources. This, in turn, undermines fiscal discipline, weakens accountability and hinders service delivery planning and execution.

### Performance reporting

We reported material findings on the performance reports of seven auditees (44%). Auditees that submitted good-quality performance reports for auditing improved from four (24%) to five (29%). Golden Leopard Resorts did not submit a performance report due to the executive authority not approving its strategic plan.

The main material findings on performance reports were on the reliability of reported performance information at seven auditees (41%), as the supporting evidence submitted did not agree with the reported achievements. This was due to weak verification processes, inadequate in-year reviews and vacancies in performance reporting units.

Poor-quality reporting weakens oversight, which makes it difficult to assess the quality of spending and progress towards key service delivery targets or to recommend effective corrective action.

### Compliance with key legislation

Auditees with material findings on compliance with key legislation remained at 14 (82%). The most common areas of non-compliance were a failure to implement consequence management at 14 auditees (82%), non-compliance with procurement and contract management legislation at nine auditees (53%) and a failure to prevent irregular expenditure – also at nine auditees (53%).

The lack of adherence to legislative requirements undermines effective oversight and institutional integrity, perpetuating a culture of impunity that hinders progress towards clean administration.

### Unqualified audit opinions with findings

Six (35%) of the auditees with unqualified audit opinions with findings have been in this category for more than two years. Two auditees (12%) only obtained an unqualified audit opinion because they corrected misstatements in response to our audit findings. The weaknesses in the auditees' control environments also affected performance reporting and compliance. Two (12%) had material findings on their performance report, while eight (47%) had material compliance findings. These auditees were responsible for R2,34 billion (63%) of the provincial irregular expenditure.

Ongoing weaknesses in the control environment exposed the province to heightened financial risks, hindered accurate reporting and undermined accountability. With most of the irregular expenditure concentrated at key service delivery auditees, the province faces heightened reputational and service delivery risks. Addressing these issues requires urgent, sustained efforts to strengthen internal controls, enforce accountability and ensure that audit improvements lead to real gains in service delivery.

## Financial management

The provincial expenditure budget was R52,66 billion. The health and education departments were responsible for most (69%) of the budget. The province also received R9,28 billion in conditional grants from national government.

The health department was responsible for all the unauthorised expenditure and the health and social development departments for 81% of the total deficit. The late payment of suppliers and creditors was most prevalent at the North West Development Corporation and the community safety and transport management department, which took an average of 488 days and 100 days, respectively, to make payments.

Most (94%) of the fruitless and wasteful expenditure incurred was due to interest and penalties because of late payments to suppliers and payments made for services not received at the North West Development Corporation and the premier's office. The claims paid by the health department due to medical negligence and malpractice totalled R80,39 million. The further estimated value of claims at year-end totalled R1,13 billion – a decrease of R456,89 million from the previous year.

The key service delivery departments are experiencing budgetary pressures, as evidenced by the increased accruals at year-end. The North West Parks and Tourism Board and North West Development Corporation disclosed going concern uncertainties. The budget deficits, late supplier payments and rising claims are crippling service delivery and infrastructure projects. These auditees are financially unsustainable, leaving critical sectors like health and transport struggling to operate efficiently and deliver quality services.

## Information systems management

We identified unique cybersecurity vulnerabilities, primarily relating to insecure system configurations, inadequate patching and upgrades, and the continued use of unsupported systems. There was also no approved cybersecurity strategy or implementation plan to guide the establishment of effective cybersecurity processes. These weaknesses revealed critical gaps in departments' cybersecurity governance and operational practices, indicating significant deficiencies in the overall IT control environment.

Our IT audit findings have serious implications for the premier's office, due to the heightened risk of unauthorised access, data breaches and potential disruption of operations. The absence of a structured cybersecurity framework places the systems, information and reputation of the premier's office at considerable risk and compromises its ability to detect, respond to and effectively recover from cyberattacks.

The education department has not established an e-learning strategy, leading to poorly designed and implemented e-learning initiatives. Similarly, the health department has not developed an ICT strategy, resulting in inadequate budgeting for critical IT needs. The absence of e-learning and ICT strategies undermines the role that technology should play in enabling efficient, transparent governance and erodes the departments' ability to efficiently deliver on their mandates.

## Infrastructure management

The province received conditional grants to fund infrastructure projects for public works and roads (R1,58 billion), education (R1,40 billion), human settlements (R1,25 billion) and health (R0,71 billion.)

We identified weaknesses in all 17 infrastructure projects that we audited. The human settlements department's low-cost housing project in Tladistad Village has stalled, leaving families without homes and exposing communities to unsafe and undignified living conditions. Only 102 of the 300 planned houses have been completed due to payment delays and contractors abandoning the site.

We again identified shortcomings in the maintenance of infrastructure at the education department. Matloding Primary School experienced infrastructure maintenance failures, including a ceiling that collapsed and injured learners, underscoring the risks posed by insufficient maintenance.

These failures not only hinder service delivery but also erode public trust in government institutions' ability to deliver on their mandates. The cumulative effect is a deepening social vulnerability, with communities left waiting for basic services while enduring deteriorating infrastructure and governance failures.

## Procurement and contract management

The procurement and contract management processes of 12 auditees (71%) did not comply with legislation. The non-compliance was reported as material at nine auditees (53%). The most prevalent instances of non-compliance related to quotation and contract management processes that were not followed as well as inadequate contract management. This was because of a lack of understanding of supply chain management prescripts, lack of accountability in the supply chain management units and poor planning, resulting in emergency procurement not being justifiable. Poor contract oversight and unfair procurement practices compromised transparency and competitiveness, harmed local businesses and increased the risk of corruption and fraud.

Non-compliance with legislation on procurement and contract management was the reason for R3,60 billion (97%) of the R3,71 billion in irregular expenditure incurred. Contributing to the significant supply chain weaknesses were the education department not complying with legislation relating to participating in contracts secured by another organ of state and the human settlements department's use of an expired sourcing strategy for the construction of low-cost housing.

The extent of non-compliance and the value of the irregular expenditure could be higher as we qualified the completeness of the irregular expenditure amount disclosed by the North West Development Corporation. The non-compliance with procurement and contract management legislation and resultant irregular expenditure were most prevalent at the human settlements, public works, education and health departments.

The province's persistent non-compliance with procurement and contract management legislation reflects systemic weaknesses and poor planning. This has resulted in deviations from supply chain management processes not being justified and a lack of oversight of supply chain management officials who face no disciplinary action for non-compliance. These weaknesses have resulted in rising irregular expenditure and diminished the value derived from public funds.

## Consequence management

We reported material non-compliance with legislation on consequence management at 14 auditees (82%). Disciplinary steps were not taken against officials responsible for irregular expenditure as the irregular expenditure incurred in prior years was not investigated.

The closing balance of irregular expenditure was R35,47 billion, while that of fruitless and wasteful expenditure was R0,31 billion and that of unauthorised expenditure was R0,83 billion. The premier's office and the cooperative governance and traditional affairs department have made significant progress towards investigating irregular expenditure. However, the overall slow progress in dealing with irregular expenditure is evident in that only 1% of irregular expenditure has been condoned. Slow investigations prevented loss identification and recovery, which weakened governance and accountability. Without effective consequence management, officials evade responsibility and systemic financial mismanagement persists.

Overall, consequence management remains weak and reactive. The absence of timeous investigations, accountability enforcement and corrective action has entrenched a culture of non-compliance and poor financial discipline, which hinders good governance and progressive service delivery.

## Material irregularities

In general, accounting officers and authorities are slow to respond to the MI process. The entities of Golden Leopards Resort Group and the education and human settlements departments are not adequately implementing our recommendations. This is because of instability in key management positions, delays in completing investigations and a lack of accountability. Failure to act weakens consequence management, delays recovery of losses and erodes confidence in the province's commitment to accountability.

Overall, the premier, provincial treasury and MECs provided limited support towards the resolution of MIs. However, the premier has committed to track the MIs and proactively ensure that there are measures to address systemic challenges that will prevent recurrences.

## Conclusion and call to action

The province's performance remains constrained by ineffective planning and oversight, while accountability is weakened by poor consequence management and delayed investigations. Limited transparency in reporting and decision-making restricts effective oversight, while instability in leadership undermines institutional integrity. Collectively, these shortcomings have eroded governance, weakened public confidence, hindered the delivery of essential services and put further strain on the limited resources available.

Unless the province intentionally implements performance, accountability, transparency and institutional integrity principles, improved audit outcomes will not translate into better infrastructure, reliable services or sustainable development. Prior-year commitments yielded minimal tangible results. Weak accountability, poor follow-through and limited institutional capabilities led to failures and control deficiencies. The provincial executive and oversight structures must enforce consequences, strengthen controls and convert audit gains into real impact for the people. Anything less will not restore trust or deliver results.

Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs and legislature:

- The premier should make MI tracking and the implementation of probity audit recommendations standing agenda items at key governance meetings. Consequence management must be enforced decisively against officials who are failing to improve accountability. Quarterly briefings on infrastructure projects should highlight risks, delays and accountability to the executive council. The premier should continue to capacitate government IT functions, while also enhancing oversight of IT operations.
- The provincial treasury, in partnership with the provincial audit and risk committee, should develop clear guidelines for handling historical irregular expenditure balances. They should also enhance the framework to support the effective execution of probity audits.
- The speaker should set and communicate clear timelines for the submission of section 47 and section 132 reports to enable effective oversight of local government performance. Portfolio committees must include follow-ups on house resolutions as a standing agenda item at all committee meetings.

The province requires credible and timely reporting, prioritisation of service delivery and decisive leadership that enforces consequence management and drives behavioural change. The province cannot afford weak accountability and poor implementation of recommendations and commitments. Despite incremental audit gains, systemic failures in financial management continue to erode the quality of spending and delay progress in addressing the people's most basic needs.

The province must strengthen accountability and the quality of spending through rigorous consequence management and effective control systems that convert commitments into tangible results. In so doing, the province can restore public trust and deliver sustainable service delivery improvements.

# 7.9

## Western Cape

### Audit outcomes and movement from previous year

2023-24	18	2	0	0	0	0	Movement from previous year and related budget
2024-25	18	2	0	0	0	0	

Improved

Mobility

Unchanged  
(years in outcome category)

Agriculture (7 years); Community Safety (7 or more years); Cultural Affairs and Sport (7 or more years); Office of the Premier (7 or more years); Economic Development and Tourism (7 or more years); Environmental Affairs and Development Planning (7 or more years); Health and Wellness (7 years); Local Government (7 or more years); Provincial Treasury (7 or more years); Social Development (7 or more years); Infrastructure (7 or more years); Provincial Parliament (7 or more years); Atlantis Special Economic Zone Company (5 years); Government Motor Transport (7 or more years); Saldanha Bay IDZ Licencing Company (7 or more years); Western Cape Nature Conservation Board (7 or more years); Western Cape Tourism, Trade and Investment Promotion Agency (2 years); Education (7 years)

Regressed

Casidra



### Financial health

#### Overspending of budgets

- Unauthorised expenditure: R0m (0 departments) ▶
- Irregular expenditure - budget overspending: R0m (0 public entities) ▶

Fruitless and wasteful expenditure: R0,17m (10 auditees) ▲

Average creditor-payment days: 28 days ▼

Deficit: R0,13bn (6 auditees) ▲

Unpaid claims: R0,79bn (9 auditees) ▼

Public entities with going concern uncertainty (years in position) ▶

- None

Movement from previous year    ▲ Improvement    ▶ Slight improvement    ▶ Unchanged    ▼ Slight regression    ▼ Regression

### Material irregularities

No material irregularities



### *Strengthen oversight by enhanced commitment to accountability and transparency to drive service delivery*

Last year, we reported an improvement in audit outcomes over the term of the 6<sup>th</sup> administration but highlighted that a foundation built on sustainable, good governance and a clean administration must lead to service delivery improvement. In response to our report and recommendations, the premier and cabinet collectively committed to improve service delivery and implement a transparent provincial strategic plan with regular follow-ups. The MEC for mobility committed to monitor the audit action plan and ensure that the commitments of the accounting officer are implemented.

#### **Audit outcomes**

The audit outcomes have been relatively stable, with most auditees sustaining their clean audit status over a number of years. At the mobility department, the interim administrative arrangements were finalised, which supported the transfer of functions from the former transport and public works department. The subsequent inclusion of indicators for the administration programme resolved the non-compliance identified last year. The regression at the Cape Agency for Sustainable Integrated Development in Rural Areas (Casidra) was due to insufficient staff in the supply chain management unit, which affected its capacity to fulfil responsibilities and comply with legislative requirements. Additionally, responses by senior management to external and internal audit findings and related recommendations were inadequate, resulting in systemic weaknesses.

The auditees that achieved clean audits managed 65% of the provincial expenditure budget. The province maintained a high number of clean audits, demonstrating an institutionalisation of controls and accountability.

We concluded that the overall audit outcomes of the Western Cape slightly improved in the first year of the new administration. The sustainable improvement at the mobility department is considered more significant than the regression at Casidra, due to the differently sized budgets managed by these auditees.

#### **Financial reporting**

All auditees again received unqualified audit opinions on their financial statements and no financial statements were submitted with material misstatements. All auditees have institutionalised internal controls and accountability mechanisms, which support the preparation of reliable financial statements. Stable finance units, which practise good daily accounting disciplines and regular in-year reporting, ensure that there is reliable financial reporting, which strengthens decision-making and transparency.

## Performance reporting

Auditees without material findings on their performance reports remained at 19 (95%). Auditees that submitted good-quality performance reports for auditing regressed from 17 (85%) to 15 (75%), due to insufficient reviews of quarterly reports and audit action plans that targeted specific findings rather than addressing the underlying root causes.

We raised a material finding at the education department, where three Medium-Term Strategic Framework output indicators were again excluded from the performance plan, despite prior-year recommendations when eight indicators were omitted. Omitting key indicators from performance plans and reports reduces transparency and the quality of spending and affects stakeholders' ability to hold the department accountable over time for performance on its service delivery mandate. The department was unable to report on all relevant indicators as it does not have monitoring systems to collect, verify, analyse and report on all the required performance information. Institutional plans had to align to the Medium-Term Strategic Framework to achieve national objectives.

## Compliance with key legislation

Auditees with material findings on compliance with key legislation increased from one (5%) (the mobility department) to two (10%) (the education department and Casidra). Both these auditees failed to prevent irregular expenditure. The education department also extended or changed contracts without the approval of a properly delegated official, impacting transparency and accountability.

## Unqualified audit opinions with findings

The education department has had an unqualified audit opinion with findings for the past seven years. Weaknesses in auditees' control environments also affected performance reporting and compliance. The education department had material findings on its performance report, while both the education department and Casidra had material findings on compliance. These auditees were responsible for R569,56 million (87%) of the provincial irregular expenditure.

Auditees in this category should not stagnate and are encouraged to aim for a clean audit outcome. Persistent findings create a culture in which non-compliance, weak controls and poor performance are seen to be acceptable. Over time, this reduces the drive for improvement and undermines accountability.

## Financial management

The expenditure budget of the province was R89,37 billion – 82% of which was managed by the education, health and wellness, and infrastructure departments. The province also received R14 billion in conditional grants from national government.

The social development department was responsible for R73,35 million (55%) of the total deficit. Claims paid by the health and wellness department due to medical negligence and malpractice totalled R60,77 million. The further estimated value of claims at year-end totalled R636,26 million – an increase of R44,74 million from the previous year.

The absence of unauthorised expenditure and the maintenance of a creditor-payment period under 30 days are signs of good financial management. The province's ability to keep most financial indicators within acceptable limits reflects ongoing efforts to strengthen financial health, forming a stable foundation for improved service delivery.

## Information systems management

The provincial department of the premier's Centre for e-Innovation is responsible for coordinating and providing IT services to provincial government. Although some auditees made progress in resolving prior-year IT audit findings, control deficiencies were still found in the management of IT governance, user access, security and service continuity. These findings did not affect the availability of systems and therefore were not significant enough to hinder the delivery of services. We did not identify cybersecurity breaches or incidents that resulted in system downtime or service delivery interruptions.

To drive efficiency and improve service delivery, the province should develop a comprehensive digitalisation strategy and keep it updated with current technologies.

## Infrastructure management

The province received conditional grants to fund infrastructure projects for education (R1,63 billion), human settlements (R1,41 billion), roads and transport (R1,23 billion) and health (R0,87 billion).

We identified weaknesses in nine (69%) of the 13 projects that we audited. The projects related to the building of schools, hospitals, roads and housing by the education; health and wellness; and infrastructure departments.

The infrastructure department was the implementing agent for three projects. Project delays resulted from a failure to take timely and effective corrective action against poor-performing contractors and professional service providers. The absence of formal standard operating procedures with these service providers to guide performance monitoring, escalation and cost recovery processes ultimately delayed project completion and hindered timely service delivery. The infrastructure department generally took the required action to issue default notices to contractors. However, where this did not happen, defaulting contractors were not always held accountable.

The infrastructure department failed to achieve its planned target for the number of 'breaking-new-ground' houses delivered due to contractor delays and poor weather conditions. The department issued default notices to contractors that did not perform according to the project plans. However, the consequence management provisions in contracts were not always strictly applied when contractors fell significantly behind schedule. There were also housing units that were practically complete, but their electricity connections had not been finalised yet.

We identified shortcomings in the maintenance of infrastructure at the infrastructure and education departments. Formal condition assessments were not consistently performed to identify and schedule maintenance needs. For example, a school with asbestos roofing and damaged and broken gutters and downpipes posed a significant health risk to learners and teachers, especially due to potential asbestos fibre inhalation. Another example is a six-storey building, housing mainly social development officials, where formal condition assessments had not been performed and only unplanned maintenance had taken place for the past five years. This has resulted in crucial maintenance not being performed, leading to deteriorating infrastructure and increased safety risks.

The province has since established processes for infrastructure delivery and management, but some areas still require improvement to reduce delays.

## Procurement and contract management

The procurement and contract management processes of 11 auditees (55%) did not fully comply with legislation. However, most instances of non-compliance were not material and the resultant irregular expenditure was correctly disclosed. The non-compliance at only the education department was material. Contracts were extended and/or modified without the approval of a properly delegated official. This led to the execution of a framework agreement in a manner that did not align with legislative requirements and established governance processes and therefore resulted in irregular expenditure. This created the risk that extensions and modifications were potentially not cost-effective.

The most common non-material finding was the incorrect allocation of preference points due to inadequate evidence to support the points claimed and inadequate reviews of the calculations. The instances identified did not result in bids being awarded to incorrect bidders. Internal audit units should be used to strengthen these processes.

Non-compliance with legislation on procurement and contract management was the reason for R651,90 million (99,9%) of the R652,58 million in irregular expenditure incurred. The irregular expenditure increased from the R342,44 million reported in the previous year, mostly due to the increase in irregular expenditure by the education department.

The extent of non-compliance and the value of the irregular expenditure could be higher, as non-compliance is in dispute at the education department. The non-compliance with procurement and contract management legislation and resultant irregular expenditure were most prevalent at the education department and Casidra.

## Consequence management

We did not identify any material non-compliance with legislation on consequence management. The closing balance of irregular expenditure was R90,27 million, while that of fruitless and wasteful expenditure was R0,34 million.

There is an established culture of accountability and consequence management in the province, as reflected in the effective handling of prior-year irregular expenditure. Irregular expenditure is investigated and dealt with through the established processes, with most of the prior-year irregular expenditure being condoned.


## Material irregularities

In general, accounting officers and authorities are responding positively to the MI process. We issued one MI notification during 2021-22, which was appropriately responded to and resolved.

## Conclusion and call to action

The province had positive audit outcomes as provincial leadership, supported by coordinating institutions such as the departments of the premier, treasury and local government, leveraged stable control environments and good financial governance practices. Sustained efforts to strengthen transparency through complete performance reporting and full compliance with legislation will further enhance the province's ability to deliver services effectively and equitably. The province should improve oversight of infrastructure projects and address the challenges that impact timeous service delivery.

Commitments made in the previous year were partially fulfilled. The audit action plan of the mobility department was monitored, and prior-year findings were addressed to improve the department's audit outcome. Although the premier interacted with the MEC for education, there was no improvement in the department's audit outcome. Issues related to performance reporting remain unresolved, as not all recommendations have been implemented.



Based on the insights obtained through our audits, we made the following recommendations to the premier, MECs and legislature:

- The premier, supported by the provincial treasury, should intensify reviews of annual performance plans to ensure that all strategic indicators are included and that the provincial strategic plan is effectively used for planning, coordination and implementation.
- MECs should oversee risk assessment processes as well as innovative service and project delivery methods to ensure compliance with legislation and improve accountability, prevent irregular expenditure and achieve service delivery targets.
- The legislature should implement systems and processes to ensure that all reports with adopted resolutions are distributed to the relevant MEC or department with clear timelines. The legislature should also track implementation and enforce consequence management when adequate responses are not received.

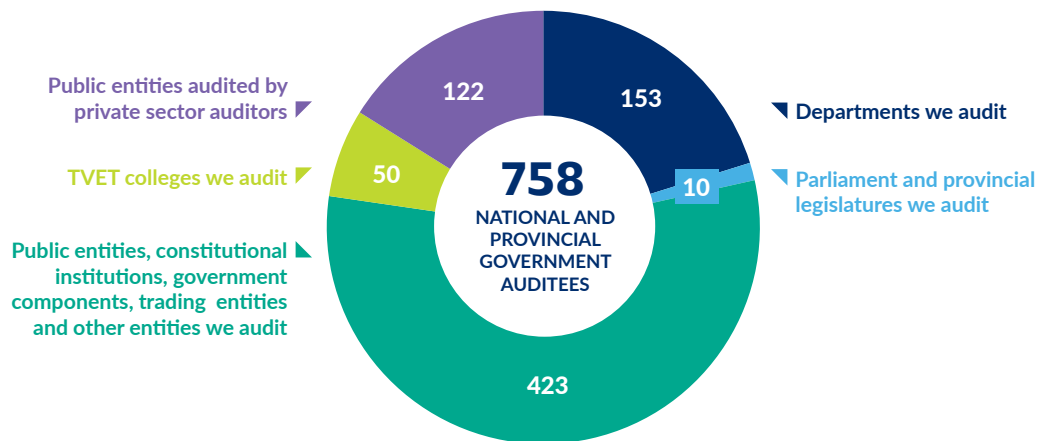
By taking decisive action on these recommendations, the province can strengthen accountability, transparency and compliance, thereby driving sustainable improvements in governance and service delivery.

# Appendix A

## Audit fact sheet



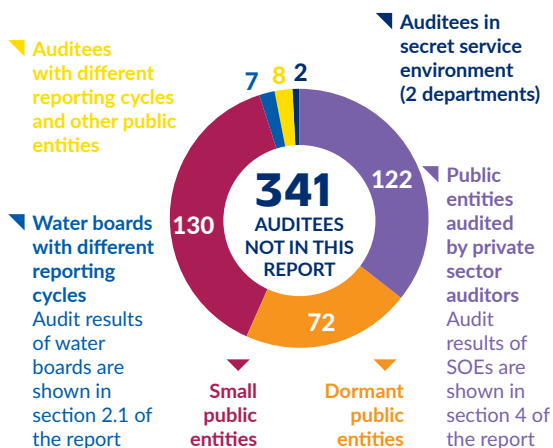
### National and provincial government auditees and who audits them



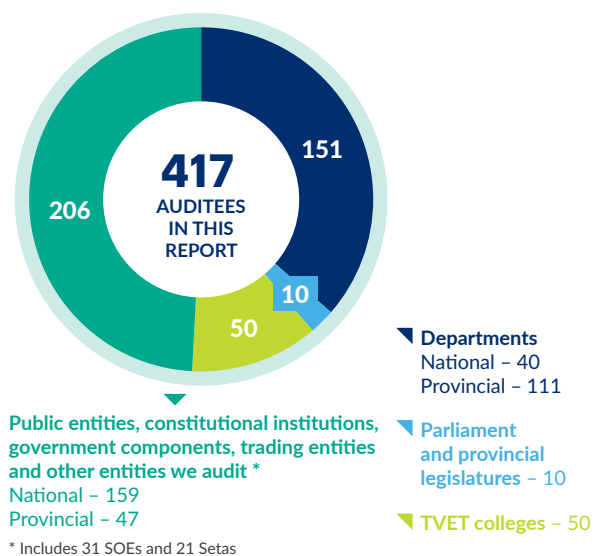
### Auditees covered, and not covered, in this report

#### Not included in this report

(audit outcomes are available on our website except for auditees in secret service environment)



#### Included in this report



## Increase in number of auditees reported on



Numbers and percentages are based on **384** COMPLETED AUDITS except for:

Performance reporting	Unauthorised expenditure	Irregular expenditure	Fruitless and wasteful expenditure	Financial health (indicator assessment)	Consequence management	Procurement and contract management	Internal audit assessment	Audit committees assessment
▼	▼	▼	▼	▼	▼	▼	▼	▼
<b>318</b>	<b>161</b>	<b>417</b>	<b>417</b>	<b>376</b>	<b>378</b>	<b>375</b>	<b>374</b>	<b>366</b>
Auditees (excludes those not required to submit performance reports* or did not submit performance reports)	Departments (includes outstanding audits where financial statements were available)	Auditees (includes outstanding audits where financial statements were available)	Auditees (includes outstanding audits where financial statements were available)	Auditees assessed (excludes those with adverse or disclaimed audit opinions)	Auditees (excludes auditees where consequence management was not audited)	Auditees (excludes auditees where performance and contract management was not audited)	Auditees with established internal audit units where information was gathered and assessments were done	Auditees with established audit committees where information was gathered and assessments were done

\*Auditees that are excluded from reporting on their performance are the 50 TVET colleges and 37 other auditees

Methodologies applied for auditing performance reports and corresponding conclusions provided to accounting officers and authorities on selected programmes/objectives are:

- Reasonable assurance (opinion) = 88 auditees
- Limited assurance (conclusion) = 115 auditees
- Findings engagements (extent and nature of material findings) = 115 auditees

### NUMBER OF AUDITEES WHERE COMPLIANCE AREAS WERE AUDITED

Financial statements and annual report	378	Prevention of unauthorised, irregular and/- or fruitless and wasteful expenditure	329
Asset management	374	Procurement and contract management	375
Consequence management	378	Revenue management	319
Expenditure management	335	Strategic planning and performance management	378
Human resources management	149	Transfers and conditional grants	149
Liability management	151	SOE oversight and governance	20
Material misstatements or limitations in submitted financial statements	378		

**209**  
HIGH-IMPACT AUDITEES

**190**  
COMPLETED  
AUDITS

- ▶ **Auditees contributing to delivery of:**
  - Education, skills development and employment
  - Energy
  - Environmental sustainability
  - Financial sustainability
  - Health services
  - Human settlements
  - Infrastructure development
  - Roads and transport
  - Safety and security
  - Water and sanitation
- ▶ **State-owned enterprises**
- ▶ **Other key public entities**

**R2,21 TRILLION**  
OVERALL ESTIMATED  
EXPENDITURE BUDGET

(amount obtained through audit process and includes outstanding audits where budget information was available)

Includes all the funds auditees budgeted for:

- operating expenditure to run day-to-day operations
- capital expenditure to provide services and to acquire, upgrade and maintain assets and infrastructure

## How we determine movement

Movement in **audit outcomes**: compare audit outcomes of auditees with completed audits for 2024-25 with their audit outcomes in 2023-24

- ▲ Improvement
- ▶ Unchanged
- ▼ Regression

Movement in **percentage point (e.g. for findings)**: difference in percentage point for 2024-25 calculated for a focus area / category of auditees with the percentage point for 2023-24

- ▲ Improvement (5 percentage points or more)
- ▶ Unchanged
- ▲ Slight improvement (less than 5 percentage points)
- ▼ Slight regression (less than 5 percentage points)
- ▶ Sustained (100% achievement / positive result)
- ▼ Regression (5 percentage points or more)

Movement in **amounts**: determine the percentage change in amount from 2023-24

- ▲ Improvement (5% or more)
- ▼ Slight regression (less than 5%)
- ▲ Slight improvement (less than 5%)
- ▶ Regression (5% or more)
- ▶ Unchanged

## What the different audit opinions mean



A financially unqualified opinion with no findings (**clean audit**) means the auditee:

- produced quality financial statements free of material misstatements (in other words, errors or omissions that are so significant that they affect the credibility and reliability of the financial statements)
- produced quality performance reports that measure and report on performance in a manner that is useful and reliable
- complied with key legislation relating to financial and performance management.



A **financially unqualified opinion with findings** means the auditee was able to produce good-quality financial statements that had no material misstatements, but struggled to produce good-quality performance reports and/or to comply with all relevant key legislation.



A **financially qualified opinion with findings** means the auditee produced financial statements that contained material misstatements that were not corrected before the financial statements were published. The auditee also had challenges with the quality of its performance report and/or compliance with key legislation.



An **adverse opinion with findings** means that the auditee's financial statements included so many material misstatements that we disagreed with virtually all the amounts and disclosures included there.



A **disclaimed opinion with findings** means that we could not conclude or express an opinion on the credibility of the auditee's financial statements because there was no evidence to support most of the amounts and disclosures included there.

Usually, auditees with adverse and disclaimed opinions also cannot provide supporting documents for the achievements they report in their performance reports, and do not comply with key legislation.

# Appendix B

## Honour roll: clean audits

# B

*Auditees with clean audit status for five or more consecutive years – Parliament and national auditees per portfolio*

<p><b>1</b> Cooperative Governance and Traditional Affairs</p> <ul style="list-style-type: none"> <li>South African Local Government Association &gt; 10 years</li> </ul>	<p><b>1</b> Parliament</p> <ul style="list-style-type: none"> <li>Parliament of the Republic of South Africa &gt; 10 years</li> </ul>
<p><b>2</b> Finance</p> <ul style="list-style-type: none"> <li>Development Bank of Southern Africa 6 years</li> <li>Financial Sector Conduct Authority 10 years</li> </ul>	<p><b>1</b> Police</p> <ul style="list-style-type: none"> <li>Civilian Secretariat for Police 5 years</li> </ul>
<p><b>1</b> Health</p> <ul style="list-style-type: none"> <li>South African Medical Research Council 7 years</li> </ul>	<p><b>1</b> Public Service and Administration</p> <ul style="list-style-type: none"> <li>Public Service Commission 6 years</li> </ul>
<p><b>5</b> Higher Education and Training</p> <ul style="list-style-type: none"> <li>Boland TVET College 6 years</li> <li>Northlink TVET College 7 years</li> <li>Public Service Seta 7 years</li> <li>Quality Council for Trades and Occupations 9 years</li> <li>Safety and Security Seta 5 years</li> </ul>	<p><b>3</b> Science, Technology and Innovation</p> <ul style="list-style-type: none"> <li>Department of Science and Innovation 8 years</li> <li>Council for Scientific and Industrial Research &gt; 10 years</li> <li>National Research Foundation 6 years</li> </ul>
<p><b>1</b> Home Affairs</p> <ul style="list-style-type: none"> <li>Change to Electoral Commission of South Africa 5 years</li> </ul>	<p><b>4</b> Trade, Industry and Competition</p> <ul style="list-style-type: none"> <li>Department of Trade, Industry and Competition 5 years</li> <li>Companies and Intellectual Property Commission 9 years</li> <li>Competition Commission 7 years</li> <li>Tshwane Automotive Hub Special Economic Zone 5 years</li> </ul>
<p><b>1</b> International Relations and Cooperation</p> <ul style="list-style-type: none"> <li>African Renaissance and International Cooperation Fund 7 years</li> </ul>	<p><b>1</b> Transport</p> <ul style="list-style-type: none"> <li>Cross-Border Road Transport Agency 10 years</li> </ul>
<p><b>3</b> Justice and Constitutional Development</p> <ul style="list-style-type: none"> <li>Guardians Fund &gt; 10 years</li> <li>Justice Administered Funds 8 years</li> <li>Legal Aid South Africa &gt; 10 years</li> </ul>	

## Auditees with clean audit status for five or more consecutive years – provincial auditees

4

### Eastern Cape

- Cooperative Governance and Traditional Affairs 5 years
- Provincial Treasury 10 years
- Coega Development Corporation 6 years
- East London Industrial Development Zone Corporation 10 years

7

### Gauteng

- Cooperative Governance and Traditional Affairs > 10 years
- Office of the Premier > 10 years
- Provincial Legislature 6 years
- Provincial Treasury > 10 years
- Gauteng Growth and Development Agency 5 years
- Gautrain Management Agency > 10 years
- Supplier Park Development Company 5 years

5

### KwaZulu-Natal

- Economic Development, Environmental Affairs and Tourism 5 years
- Provincial Legislature 5 years
- Provincial Treasury > 10 years
- Dube TradePort Corporation > 10 years
- KZN Housing Fund 8 years

2

### Mpumalanga

- Cooperative Governance and Traditional Affairs > 10 years
- Provincial Legislature 6 years

3

### Northern Cape

- Office of the Premier 10 years
- Provincial Treasury 10 years
- Social Development 6 years

1

### North West

- Provincial Treasury > 10 years

16

### Western Cape

- Agriculture 7 years
- Community Safety > 10 years
- Cultural Affairs and Sport > 10 years
- Economic Development and Tourism > 10 years
- Environmental Affairs and Development Planning > 10 years
- Health 7 years
- Infrastructure > 10 years
- Local Government > 10 years
- Office of the Premier > 10 years
- Provincial Parliament > 10 years
- Provincial Treasury > 10 years
- Social Development > 10 years
- Atlantis Special Economic Zone Company 5 years
- Government Motor Transport > 10 years
- Saldanha Bay IDZ Licencing Company > 10 years
- Western Cape Nature Conservation Board 9 years

# Appendix C

## Abbreviations



Abbreviation	Meaning
<	less than
>	greater than
≤	less than or equal to
≥	greater than or equal to
Armcor	Armaments Corporation of South Africa
bn	billion
Capex	capital expenditure
CEF	Central Energy Fund
Ceta	Continuing Education and Training Act
CIDB	Construction Industry Development Board
Covid-19	coronavirus disease
Dora	Division of Revenue Act
DPME	Department of Planning, Monitoring and Evaluation
EC	Eastern Cape
FMPPLA	Financial Management of Parliament and Provincial Legislatures Act
FS	Free State
Giama	Government Immovable Asset Management Act
GP	Gauteng
ICT	information and communication technology
ICU	intensive care unit
IDC	Industrial Development Corporation

Abbreviation	Meaning
IDT	Independent Development Trust
IT	information technology
KZN	KwaZulu-Natal
LP	Limpopo
m	million
MEC	member of the executive council
MI	material irregularity
MP	Mpumalanga
MTDP	Medium-Term Development Plan
MTSF	Medium-Term Strategic Framework
NC	Northern Cape
NDP	National Development Plan 2030
NHBRC	National Home Builders Registration Council
NW	North West
PAA	Public Audit Act
PFMA	Public Finance Management Act
PMTE	Property Management Trading Entity
SAA	South African Airways
SABC	South African Broadcasting Corporation
Sapo	South African Post Office
Seta	sector education and training authority
Sita	State Information Technology Agency
SOE	state-owned enterprise
tn	trillion
TVET college	technical and vocational education and training college
VAT	value-added tax
WC	Western Cape











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